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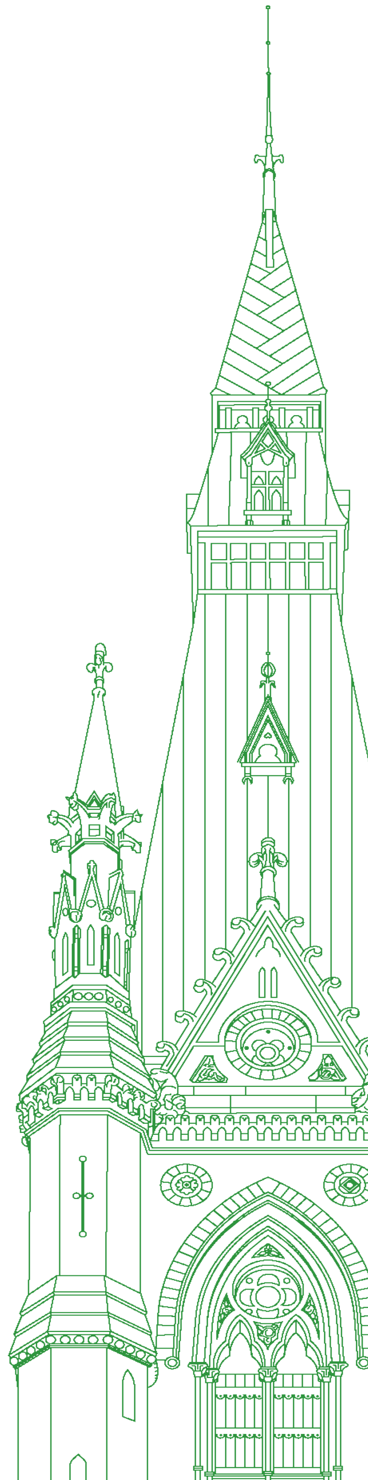

Chair: The Honourable Wayne Easter

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● (1540)

[*English*]

The Chair (Hon. Wayne Easter (Malpeque, Lib.)): Could we come to order and reconvene?

I know everyone knows this, but for the record we're continuing our study on pre-budget consultations for 2020.

Before I go to the witnesses, I believe the official opposition has a motion they want to propose. The motion is similar to what we did for minutes for Francesco Sorbara.

Can we have unanimous consent so that Pierre can put forward the motion?

Some hon. members: Agreed.

Hon. Pierre Poilievre (Carleton, CPC): I move:

> That, notwithstanding the committee's routine motion on the distribution of documents adopted on Wednesday, January 29, 2020, and the usual practice of committees concerning access to electronic documents, Pat Kelly, M.P., be added to the committee's distribution list and be granted access to the committee's digital binder site for the remainder of the parliamentary session.

The Chair: All right. It's on the floor. Is there any discussion?

I think we said earlier we were willing to add further members to that.

(Motion agreed to)

The Chair: Okay.

Thank you to all those folks who made their presentations and for coming on short notice. Also, for those who put in submissions prior to mid-August on the original deadline for pre-budget consultations, those documents have been brought forward by the committee and will be considered part of the evidence as well. We have accomplished that already.

If you could try to keep your presentations to about five minutes, I would appreciate that.

With that, we will turn first to Beer Canada, with Mr. Chapman. Welcome.

Mr. Luke Chapman (President, Beer Canada): Thank you very much.

Mr. Chairman, honourable members of the committee, thank you for the invitation to appear before you today.

My name is Luke Chapman and I am here representing Beer Canada. For those of you who are not familiar with it, we are a national trade association comprising 48 member brewing companies that account for 90% of the beer produced in this country.

I'm here to talk about what's happening in the Canadian beer industry and to share a proposal we are asking this committee to recommend for inclusion in the upcoming federal budget. The proposal is supported by Parliament's beer industry caucus, brewing companies, barley farmers and many businesses along beer supply chains. It requires little government investment and aligns with the government's objectives of creating jobs and encouraging Canadians to lead healthy lifestyles.

We are asking the government to make minor, yet impactful, changes to beer's excise duty rates in order to stimulate growth and investment in Canada's budding low- and no-alcohol beer market. I will provide more details about this proposal in a moment.

Right now, there are over 1,000 breweries dotting towns and cities throughout Canada. The products created by these local businesses help to bring people together at social and sporting events, over meals with friends and family, and to celebrate festive occasions and milestones. Brewers are leaders when it comes to supporting community events, festivals, concerts and fundraisers.

The Canadian beer industry contributes a lot to Canada's economy. Domestic brewers are proud to directly employ 15,000 Canadians and pay $1 billion in salaries and wages. Of all beer sold in Canada, 85% is made here, and brewing makes up three-quarters of the GDP generated by the entire domestic beer, wine and spirits industries combined. The sale of beer in Canada supports 149,000 Canadian jobs and $5.7 billion in combined federal, provincial and municipal tax revenues.

Despite these important contributions, the future of the market is uncertain. From 2018 to 2019, domestic volume sales of beer declined by nearly 4%, which is the equivalent of eight million fewer cases of beer sold in just a one-year period. Over the last decade, we observed similar declines in per capita consumption, exports and beer share in Canada's beverage alcohol market. There is no simple explanation for what is causing these declines. Changing consumer preferences and changing demographics definitely play a role.

With respect, changes to how federal and provincial governments tax beer haven't helped either. Brewers know that they must continuously innovate with new products and invest in their brand portfolios to ensure they can engage consumers across a range of occasions. An emerging trend within the beer sector today is no- and low-alcohol products.

We have developed this proposal not only to stimulate investment in a promising new segment of the market, but also to respond to Canada's national alcohol strategy and the World Health Organization's global alcohol strategy, which calls on governments to promote the production and marketing of lower-alcohol products as a way to reduce alcohol-related harm.

Currently, excise tax on beer is calibrated under three alcohol-strength thresholds. The top excise duty rate comes into effect for beer with an alcohol strength of 2.5% alcohol by volume or greater. I did send a table around that helps explain this next paragraph. We'll walk you through it because it gets a little tricky.

Unlike no-alcohol wine and spirits, no-alcohol beer is not exempt from excise. We would like to change this. In addition, we are proposing that beer within the range of 0.5% to no more than 2.5% ABV have one-quarter of the top excise duty rate applied, while beer over 2.5% but not more than 3.5% ABV have half of the top excise duty rate applied. The top excise rate would apply to beer over 3.5% ABV.

In 2018, less than 2% of overall beer sales had an alcohol strength of 3.5% ABV or less. The market is small, but it is growing. This means that the fiscal cost to government of implementing our proposal would be small, an estimated $4 million in the short term, and in time the costs could be mitigated by positive volume growth of Canadian beer. For perspective, in fiscal year 2019, the federal government collected nearly $700 million in excise revenue on beer alone.

The domestic brewing industry is facing challenges, but with challenges come new opportunities for future success. We believe the proposal we have put forward today can help secure the future success of Canada's domestic beer industry. It is low cost to government, but it would be very helpful to brewers and those businesses that are dependent on a successful Canadian beer industry.

We kindly ask that this committee recommend that this proposal be included in the upcoming federal budget.

Thank you for your time. I'd be happy to answer any questions.

The Chair: Thank you very much, Luke.

We turn now to the Great Lakes Fishery Commission, with Marc Gaden, director of communications; and Greg McClinchey, legislative liaison.

● (1545)

Mr. Gregory McClinchey (Legislative Liaison, Great Lakes Fishery Commission): Mr. Chair, thank you.

Thank you for inviting us, the Great Lakes Fishery Commission, to appear before you today.

I'm the commission's legislative liaison, and with me today is Dr. Marc Gaden, the commission's communications director. Together we're here to provide you with a brief overview of the Great Lakes Fishery Commission and to present our budget request.

It's good to begin with why the Great Lakes are so important, not just for Ontario but to all Canadians. They are a binational treasure and a top economic driver for the country. Aside from their environmental significance, they provide thousands of jobs, and the economic impact of the Great Lakes and the Great Lakes basin reverberates nationally. We cannot underestimate the environmental and social impacts of the lakes, nor should we minimize the connections between the lakes and the area's indigenous communities.

The fishery is worth more than $8 billion annually, and this doesn't take into account the economic multiplier impact of the lakes, be it in tourism, trade or many other economic and social or environmental benefits. History tells us that if we are to preserve these advantages, we need to be collaborative.

More than one treaty fell apart because Canada and the U.S. could not agree on how to tackle our shared problems, but by 1954 governments finally moved past these rivalries and ratified the Convention on Great Lakes Fisheries as a treaty. That treaty created the commission and gave us three primary duties: one, to formulate and drive a science program upon which to base fishery management decisions; two, to help the management agencies work together, as divided governance had led to inconsistent regulations, parochial actions and a race to the bottom; and three, to formulate and deliver a sea lamprey control program. The sea lamprey is an invasive predator that is incredibly destructive to both the fishery and the economy.

The commission ended the cross-border bickering that resulted in constant conflict and a collapsed fishery. The commission created a scientific understanding of the fishery and how to address problems and, most noteworthy, it reduced lamprey populations by 90%. This work has facilitated restoration of that $8-billion fishery.

Our treaty is premised on cross-border partnerships and a pledge by both nations to fund the commission's work. A funding formula, which both nations agree to respect, does exist, and for the sea lamprey program the U.S. pays 69% and Canada pays 31%. For science and cross-border coordination, our two nations have agreed to share all costs equally. The U.S. has fulfilled its funding commitments, but Canada has been behind for many years.

To meet this funding formula, Canada should be contributing $19.44 million annually, compared to our actual contribution of $9.54 million, which amounts to a $9.9-million annual shortfall. Canada's funding deficit places the commission's work and our relationship with our treaty partner at risk. This underfunding means that Canada is shortchanging lamprey control, contributing nothing to the commission's science mandate and providing nothing to our efforts for cross-border co-operation and other programming.

To remedy this, I would urge the committee that Canada's commitment should be brought into alignment. For the budget under discussion, we propose that Canada contribute $13.15 million, to be increased to $19.44 million by 2022. The latter figure will bring the two nations into alignment and reflects funding that is very important to maintaining and improving the fishery. It would also allow the commission to devote full attention to sea lamprey control. Current research tells us that we're underfunding sea lamprey control by 25% and therefore not taking full advantage of what the fishery offers. It should be noted that a failure to adequately fund control measures could allow populations to rebound and threaten fish stocks.

With additional funds, we would devote more attention to research that is very critical to sound fisheries management. We would devote more attention to our mandate to help agencies work together and to communicate our work to those who will put it to real-world use. This would allow us to better prepare for challenges, such as those posed by the Asian carp.

With additional funds, Canada would, for the first time in more than a generation, meet our treaty commitment. Details, including budget tables, have been provided to the clerk and are available from me upon request.

Let me end with a brief note about a machinery-of-government change that is in the works. The commission believes that we should again fall under GAC's umbrella and not DFO's, as we are an international treaty organization with a binational mandate. The commission needs a political partner that can sit with the U.S. State Department if past successes are to continue. We're in discussions on the subject and we are optimistic.

In closing, the fishery is important culturally and economically and is well worth this small investment.

● (1550)

Our two nations have a long-standing mechanism in place to manage this binational resource. To be frank, it works, though the lack of Canadian funding has raised eyebrows in Washington for years. We have a 65-year track record of success. The $8-billion-a-year fishery is proof of that. We hope this committee can help us move forward in a way that will benefit both nations and the resource that we are tasked to protect.

Thank you for having us here. I would be happy to answer any questions.

The Chair: Thanks, Greg.

You didn't bring your fish tank so that people could see what a sea lamprey looks like.

Mr. Gregory McClinchey: Well, now, Mr. Chair, I happen to have a sea lamprey right here under the table, if anyone would like to see it.

Voices: Oh, oh!

The Chair: I don't see people running.

Okay, from the Mining Association of Canada, we have Mr. Marshall, vice-president. Go ahead.

Mr. Brendan Marshall (Vice-President, Economic and Northern Affairs, Mining Association of Canada): It's disconcerting to think about what's under the table.

Voices: Oh, oh!

Mr. Brendan Marshall: Thank you, Mr. Chair, committee members, clerk and fellow witnesses.

For the record, my name is Brendan Marshall. I am vice-president of economic and northern affairs for the Mining Association of Canada. Thank you for the opportunity to participate in this important consultation process.

Never before has a robust and competitive domestic Canadian mining and metal manufacturing industry been more critical to attracting downstream value-added advanced manufacturing investment to Canada. Elevated geopolitical and trade tensions have exposed growing concerns over the reliability of existing supply for critical minerals—materials without which the Teslas, the Apples and the Amazons of the world cannot operate. These companies are making investment decisions on the basis of stable, consistent and long-term access to the critical minerals and metals that are essential for the low-carbon battery and clean-tech products they produce.

Canada's success in attracting advanced manufacturing investment is inextricably linked to a competitive and renewed mining and metal manufacturing industry. To deliver on the government's clean economy vision for Canada and seize this rare opportunity, targeted policies signalling Canada's commitment to the industrial competitiveness needed for success in the low-carbon economy are needed.

The first area I want to talk about is public geoscience funding. The past 30 years have seen marked declines in proven and probable Canadian mineral reserves in all major base metals. The implication is that production from Canada's fleet of operational mines is shrinking. This adds strain to the country's smelters and refineries, several of which have closed in recent years because of increased reliance on costly international feedstock. A robust renewal of Canada's commitment to public geoscience funding is essential to a turnaround.

To reverse the decline of critical minerals and metals, MAC has two recommendations for the government. One, renew and expand from previous levels the geomapping for energy and minerals program, or GEM, to $200 million over five years to locate the next generation of Canadian mines. Two, renew and expand from previous levels the targeted geoscience initiative, to $50 million over five years, to increase the life of Canada's existing fleet of operational mines. Noting that those programs were brought in under the previous government, I would hope that there would be an opportunity for a bipartisan acknowledgement of a clear path forward on that.

Critical mineral innovation and industrial policy is the next piece I want to speak about. Increased geopolitical uncertainty has brought focused attention to the precariousness of existing supply sources for many primary materials. This has resulted in Canada's allies classifying as critical minerals the primary materials on which their economies and national security rely, but which they cannot procure from within their own borders. Rare earth elements and other critical minerals are of strategic interest due to their use in a wide range of essential battery, energy, computing and defence applications. Currently, China holds control over the production of many of these materials, thus rendering governments and other consumers reliant on China as their source.

To support the stated objectives of the joint action plan on critical minerals collaboration signed between Canada and the United States, MAC recommends a suite of initial actions. These include, one, significantly enhanced funding for Natural Resources Canada's CanmetMining to develop state-of-the-art identification, extraction and refining processes, including from recycled existing mine waste streams; two, a commitment to a whole-of-supply-chain approach, including supports for downstream market development and value-added production; and three, the establishment of an interdepartmental joint government-industry task force to study, report and recommend back in one year additional policy options.

Finally, I would like to speak briefly about accelerating industrial decarbonization. There is a direct correlation in mining between remoteness and emissions intensity. Mining companies operating remotely are virtually exclusively reliant on diesel fuel for power generation and haul-fleet operations. For grid and pipe-connected mine sites, the need for diesel persists in mobile equipment almost universally. However, battery technologies are improving. Companies are committed to transitioning to cleaner, lower-carbon operations where possible. For example, Newmont's Borden mine in Ontario, now operational, is slated to be the first fully all-electric mine in Canada and will be carbon-neutral underground by 2021.

To support the industry in its transition to a lower-carbon economy, MAC respectfully recommends a two-tiered strategy to accelerate emissions reduction for power generation at off-grid sites and from haul fleets at grid-connected operations. The first piece of that would be to establish a $250-million fund for remote and northern industrial electrification. The second would be to extend the tax measure announced in the 2018 fall economic statement that enabled the full expensing for clean-energy equipment to include all types of battery-electric, trolly-assist and energy-efficient conveying equipment deployed in Canada's mining sector.

● (1555)

Thank you for your time. I'd be happy to take questions.

The Chair: Thank you, Brendan.

From MNP we have Ms. Drever, regional tax leader, and Ms. Lidder, senior VP.

Welcome.

Ms. Amanjit Lidder (Senior Vice-President, Taxation Services, MNP LLP): Thank you, Mr. Chair.

It is an honour to address you, the new House of Commons finance committee, on budget 2020 today. It's nice to see some familiar faces and to meet the new members. Thank you for your continued leadership.

MNP is a leading national accounting, tax advisory and business consulting firm. We proudly serve 180,000 private enterprises and small business clients and 19,000 farms throughout Canada. MNP is the third-largest tax filer in the country.

Kim and I are here today to encourage fairness, certainty and a balanced approach on two of the government's policy initiatives for this budget. The first initiative is tax changes for family farm succession. We recommend that all businesses—a farm or any other family-owned business—be treated fairly and equally when transitioning within a family. Second, in regard to the government's election commitment to implement interest deductibility limitations, we encourage Parliament to undertake broad consultations and avoid harmful unintended consequences. The stakes are incredibly high on both of these issues. Let me briefly elaborate.

We commend the government for making family farm succession a priority. We believe this is an issue for every Canadian family business. Currently, Canadian business owners experience a penalty when selling a business within their family, such that there is often double tax. Both the parent and the child must pay tax on that same transaction. In our written submission, you can see Tracy and Marc's dilemma of selling their bakery to their daughter or to a third party. Marc and Tracy want to keep this business within the family. Our tax system encourages them to sell it outside of the family.

To remedy this, amend the existing provisions to allow all family businesses to use the lifetime capital gains exemption within the family. This isn't just about the lifetime capital gains exemption; we must also ensure that capital gains treatment is protected on every family sale.

On the second issue, we call for a cautious and prudent approach to the government's intention to limit business interest deductions. The parliamentary budget office estimates that businesses will be limited to deducting interest from their taxable income to no more than 30% of their earnings before interest, taxes and amortization. This increases the overall effective tax rate for businesses in Canada. This is like an interest rate hike.

Other countries have gone down this path. If we look to other OECD countries that have implemented interest deduction limitation rules, they typically use a three-pronged approach. There is introducing the interest deductibility limitation, lowering the corporate tax rate and introducing enhanced capital expenditure incentives. Canada should follow this three-pronged model. Just doing interest deduction limitations on their own will impact Canada's competitiveness. Highly leveraged companies across Canada, such as auto dealerships, hotels, home builders, commercial construction and family farming operations, will be harmed. In times of economic downturn, reduced earnings will limit the interest expense even further. Business decisions will change: Do we buy this asset? Do we expand? Do we buy this business? Do we remain in Canada?

From a public policy perspective, interest deductibility concerns stem mainly from ensuring that profits are not shifted outside of Canada without being taxed. Canada already has rules to address this. If cross-border tax issues are the motivation for these changes, the solution should be specific to cross-border issues. We would like to reiterate that businesses do not borrow money for the sole purpose of taking an interest deduction. Our written submission shares the example of Marie and Jacques. They are trying to start up an organic family farm. With these interest limitations, their family business may never get off the ground.

As parliamentarians, you have a great responsibility. We encourage you to eliminate the disadvantage of selling a family business within the family. We encourage you to do a thorough consultation on interest deductibility limitations before you proceed. Canadian family businesses and our country's competitiveness are at stake.

Thank you. Kim would be happy to take any questions you may have.

● (1600)

The Chair: Thanks, both of you.

We're turning to FADOQ, with Ms. Tassé-Goodman, president.

Welcome.

[*Translation*]

Ms. Gisèle Tassé-Goodman (President, Provincial Secretariat, Réseau FADOQ): Mr. Chair and members of Parliament, my name is Gisèle Tassé-Goodman. I'm the president of the Réseau FADOQ.

I want to thank the committee members for this invitation to provide the Réseau FADOQ's perspective on its budget priorities.

The Réseau FADOQ has over 535,000 members aged 50 and over. Our organization makes presentations to different political bodies to maintain and enhance seniors' quality of life, today and tomorrow. To this end, the Réseau FADOQ uses every occasion, including this one, to raise awareness and make the voices of seniors heard and, on political issues especially, taken into account.

Our organization makes a point of presenting its budget priorities each year, and this year is no exception.

The first component concerns support for the most disadvantaged people.

The guaranteed income supplement should be increased by at least $50 per month per senior.

We also encourage the Government of Canada to fulfill its election promise by increasing old age security benefits for seniors aged 75 and over by 10%. This encouragement is reiterated when it comes to the Government of Canada's election promise to increase Canada and Quebec pension plan survivor benefits by 25%.

We're also asking the government to show compassion. When a person dies, we propose that the benefits paid under the old age security program be extended for three months and transferred to the surviving spouse.

The second component concerns support for family caregivers.

The maximum weekly income threshold on which family caregiver benefits are based should be raised so that the payment is more in line with the income of program beneficiaries.

We're also asking for an extension of the employment insurance benefit period to a maximum of 52 weeks for family caregivers.

Lastly, the credit for informal caregivers should be modified so that this tax measure becomes a refundable tax credit.

The third and final component concerns support for provincial health care systems.

The Canada health transfer should be indexed by 6% annually. Moreover, we strongly believe that the current calculation method for the Canada health transfer should include a variable that accounts for population aging in the provinces and territories.

Once again, I want to thank the committee members for inviting us.

I would be pleased to answer any questions.

[*English*]

The Chair: Thanks, all of you, for your presentations.

Seeing as we're making good time, I believe we can go to our regular time slot. We'll start our six-minute rounds with Mr. Poilievre and then go over to Mr. McLeod.

Hon. Pierre Poilievre: For the witnesses from MNP, I'm looking at page 4 of the package you presented, "Fairness and Certainty in Budget 2020". There, you lay out a scenario whereby a family selling its business to its children is taxed at a significantly higher rate than if the same family sold its business to a third party.

I just want to make sure I properly understand the table. In it, you indicate that if the family sells the business to a child personally, then the family could take advantage of the lifetime capital gains exemption. Is that so?

● (1605)

Ms. Jennifer Kim Drever (Regional Tax Leader, MNP LLP): That is correct.

Hon. Pierre Poilievre: What would be the tax applied on the portion not exempted by the lifetime exemption?

Ms. Jennifer Kim Drever: What happens is that, when you transition a business to the next generation, they would have to take funds out of that company to get cash personally, pay tax on those funds and then pay the parents the money.

In our first column there, we have the transitioning of a business of $2.75 million. That is what we valued this business at.

Hon. Pierre Poilievre: Right.

Ms. Jennifer Kim Drever: The parents could sell this business and could get their capital gain exemption on the portion that was within the limit. They were paying tax on the result, the capital gain in excess of the capital gain exemption. They were going to have $271,000 of tax to pay.

Hon. Pierre Poilievre: The tax they pay would be at the capital gains rate.

Ms. Jennifer Kim Drever: That's at the capital gains rate.

Hon. Pierre Poilievre: The children would then pay tax on the money that they're taking out of the company in order to pay their parents.

Ms. Jennifer Kim Drever: That's correct.

Hon. Pierre Poilievre: That would be at the dividend rate.

Ms. Jennifer Kim Drever: That's at the dividend rate. In order for the children to pull a net $2.75 million out of the company, they have to take a dividend of $4.3 million out of that company that's only worth $2.75 million. At the end of the day, if we were to have a sale to a family member today, with no planning at all, there would be effective taxes of $1.8 million to transition this business.

Hon. Pierre Poilievre: Or 67.49%—

Ms. Jennifer Kim Drever: Yes, it's 67%.

Hon. Pierre Poilievre: Now, in the case where the family sells to the child's corporation, I guess the family would not be entitled to the lifetime capital gains exemption.

Ms. Jennifer Kim Drever: That's correct.

Hon. Pierre Poilievre: Why does section 84.1 of the Income Tax Act take away the exemption in the case of a child's corporation buying it versus the child buying it directly?

Ms. Jennifer Kim Drever: There is a prohibition in the act today that says that if you are trying to sell within a family, if you're trying to use any kind of capital gain exemption or any untaxed form of a gain, like 1971 V-day value, you cannot extract funds out of a corporate group to do that. If we were to—

Hon. Pierre Poilievre: Okay. That's taxed as a dividend, then, in that case.

Ms. Jennifer Kim Drever: That's taxed as a dividend.

Hon. Pierre Poilievre: Okay. In the first case, it would be taxed as a capital gain. In the second case, it's taxed as a dividend.

Ms. Jennifer Kim Drever: In the second column there, we actually didn't look at the parents paying a dividend. We said that, with proper planning today, the parents would actually trigger the capital gain first, and then the kid's company could buy the shares. With proper planning today, we can get capital gain rate on the full capital gain, but we can't get any capital gain exemption for anyone.

Hon. Pierre Poilievre: Right, but in the second case, then, the child could pay out of his or her corporation tax-free.

Ms. Jennifer Kim Drever: The corporation could fund the purchase. Here, it actually costs the corporation $2.75 million now to pay $2.75 million.

Hon. Pierre Poilievre: Okay. In the third case, then, where you sell to a third party, the family gets the capital gains exemption, and the company, the third party, pays no tax on the amounts coming out of that.

Ms. Jennifer Kim Drever: Right, so we end up with a net tax of under 10% in Ontario today in that same scenario, but in the last column there, as I was showing, what would have happened—

Hon. Pierre Poilievre: Yes, that was the proposal. They seem to have backed off on that. Hopefully, that's gone forever.

Ms. Jennifer Kim Drever: We would like to just caution, again, that if we take away the capital gain rate and have it all at dividend rates, the consequence would be 101%.

Hon. Pierre Poilievre: It would be a 101% tax. Right.

Ms. Jennifer Kim Drever: We'd have to pull $5.2 million out of a company worth $2.75 million. The math doesn't work.

Hon. Pierre Poilievre: I know.

We're very short on time. I'm sorry—

The Chair: We're fairly good on time, so you're okay to go a little longer.

Hon. Pierre Poilievre: Okay. Thank you, Wayne.

I don't think they will do that, because we're in a minority. Had they, God forbid, had a majority government, I think it would be done already.

The Chair: Maybe we will.

Voices: Oh, oh!

Hon. Pierre Poilievre: Anyway.... We have the censor-in-chief over there. I'll try to stay on his good side to keep my time.

The next question is on this limiting of the deductibility of interest. When someone lends money to a company and they collect interest on that loan, are they not taxed on that interest?

● (1610)

Ms. Jennifer Kim Drever: They absolutely are.

Hon. Pierre Poilievre: Is it taxed as T4 income? What's the rate?

Ms. Jennifer Kim Drever: It depends on whether it's an individual lending it or a corporation lending it.

Hon. Pierre Poilievre: Let's say it's an individual.

Ms. Jennifer Kim Drever: If it's an individual lending it, they're taxed at the T4 income rate.

Hon. Pierre Poilievre: Okay. If you're taking away the ability of the company to write off its interest expense, or a portion of its interest expense, and then you're taxing that same interest in the hands of the lender, are the dollars not going to be double-taxed?

Ms. Jennifer Kim Drever: They would be. In any situation where the interest is limited, there's going to be a double-tax component. The recipient of the interest is going to pay tax at either their corporate rates or their individual rates, whatever the case may be.

Hon. Pierre Poilievre: Right. The borrower will be taxed on it as corporate income, and the lender will be taxed on it as personal income, presuming it's a person.

Ms. Jennifer Kim Drever: When it's an individual who lends, that's correct.

Hon. Pierre Poilievre: Right, so they could be setting up a double taxation scenario here with this proposal.

Ms. Jennifer Kim Drever: They could be. I would like to reiterate that with interest deductibility limitations in other countries, they did it with three prongs. They dropped corporate rates at the same time.

Hon. Pierre Poilievre: Yes, I see that. Basically, they lowered corporate tax rates and enhanced capital expenditure incentives, and only then did they limit interest deduction limitation.

Even then, though, what is the rationale for limiting the amount that a corporation can claim as an interest deduction? We all acknowledge that when you pay interest, it is an expense. What is the public policy advantage of punishing debt interest? I don't understand what the rationale is here.

Ms. Jennifer Kim Drever: Currently in the Income Tax Act, there are restrictions on deducting interest, so you can deduct interest only if it's for the purpose of gaining or producing income.

Hon. Pierre Poilievre: Right, of course.

Ms. Jennifer Kim Drever: If it's for capital in nature, you can't deduct it anyway. What we think is happening is that there are some cross-border transactions where the interest might be leaving Canada without being subject to tax. If that's the case, then they should be focused on that one issue.

The Chair: We will have to leave it, as we're substantially over, but it was a very good discussion.

Mr. McLeod.

Mr. Michael McLeod (Northwest Territories, Lib.): Thank you, Mr. Chair.

Welcome to the presenters.

My question is for the Mining Association of Canada. Mr. Marshall, welcome back. I always appreciate your submissions, because there's a reference to the north in them, and I think we need as much attention on the north as we can get.

We've heard from a number of witnesses this week who have called on the government to put priority on northern infrastructure and have emphasized the important goal of having federal support being both significant and accessible to northern applicants.

In your recommendations, you talk about northern infrastructure. Could you explain how MAC's recommendations on the trade and transportation corridors initiative, and also the Canada Infrastructure Bank, would assist in meeting this goal?

Mr. Brendan Marshall: Absolutely. Thank you for the question. It's always a pleasure to be back.

I think a bit of context is important in order to answer that question.

Canada is the second-largest land mass in the world. That's something we can take for granted. North of 60 within Canada is 3.4 million square kilometres; that's the size of western Europe. When you think about a population density comparison, there's one person for every 33 square kilometres north of 60; there are 500 million people who live in western Europe.

What that amounts to in our case is a massive per capita infrastructure deficit. When you think about the challenges that many northerners and many indigenous communities have, and the challenges that industry faces in operating competitively and developing projects in that region, ostensibly it drives back to that infrastructure deficit.

MAC has done research on that cost differential. I'm happy to share that report with the committee, but to get down to brass tacks, it's two to two and a half times more expensive to build the same mine in the north compared to the south. It's 70% more expensive to operate it.

The future of our industry lies increasingly in remote and northern regions. Decreasing the infrastructure deficit improves project economics, because if they're not there, that goes on the front end of the balance sheet for the company.

How can we generate a win-win on infrastructure in the north? I think the government's priorities—regardless of stripe—have been that social and economic development are critical for remote and northern regions. Arctic sovereignty has been a critical priority and persists in regime over regime.

Reducing the infrastructure deficit is an opportunity to increase wealth, which will drive the closing of the gap in quality-of-life indicators between north and south within Canada. The mining industry, as the single largest private sector industry in the north and the single largest private sector employer in the north, is well positioned to drive a good portion of that social and economic development.

● (1615)

Mr. Michael McLeod: Thank you for that. I certainly agree with you. I think the NWT Chamber of Commerce is also saying the same thing. We need to deal with the infrastructure deficit. We need to be able to sort out the issue of land tenure with indigenous people if we're going to.... The mining association, the mining people, need more access to land, and that's a big issue for us.

You also talked about skills training. Given that the mining industry is the backbone and you probably train more indigenous people than any other sector, could you talk about the importance of providing resources for indigenous skills training?

Mr. Brendan Marshall: Absolutely.

It's interesting that you mention that, because Sean Boyd, president and CEO of one of our member companies, gave a lunch talk at the Northern Lights Conference today and announced an additional $5 million in training from his company, specifically targeted towards indigenous people in Nunavut.

The reality is that for many community representatives in remote northern regions, an opportunity for employment at a mine site will, in some cases, be the first type of professional employment they will have. Companies are trying to meet folks where they're at to provide these opportunities. In some cases we're opening bank accounts for individuals so that cheques can be deposited. It is difficult for us in a southern location to appreciate the gap of the many conveniences and quality of life that we take for granted. If that is the baseline you're looking at, there are often huge training requirements in order to get people job-ready and site-ready. Our industry is very committed to that. Our companies invest a significant amount of money to do that.

We would support expansion of existing programs at the federal level to match that funding. ISET would be one of those programs, and we participated in a review of that. At the end of the day, many of our members are committed to increasing employment levels from indigenous communities in their companies on site in all levels, whether it's an entry-level position, a managerial position or a C-suite position. That is the goal and the objective for the companies that are operating in proximate communities. We have programs in place, and amplifying those programs is very important to ensure that the benefit can be obtained by all parties involved.

Mr. Michael McLeod: The last issue I want to touch on is royalties.

This was a subject that was hot and heavy during the campaign. In the north, we've always said that we should be able to keep 100% of the royalties that are collected. Right now, we collect only 50%. We would like to see the remaining 50% go to either indigenous governments or the Government of the Northwest Territories. They are very underfunded and have very little in terms of revenue.

You talked about leaving royalties in the jurisdiction where they are collected. Could you expand a little bit on that?

Mr. Brendan Marshall: MAC has a policy called resource revenue sharing that has been endorsed by our board. It supports a redirection of royalties from mine sites from governments to the communities that are proximate to those sites. Again, I'd be happy to share that policy with the committee for consideration. At the end of the day, we appreciate that these are complicated conversations. Our goal is to try to operate competitively in a framework that grows the pie and creates more wealth. Our experience is that when more wealth is created, people tend to argue less about how to distribute it, because there's more of it to go around.

Mr. Michael McLeod: Thank you very much.

The Chair: Thank you.

Mr. Ste-Marie.

[*Translation*]

Mr. Gabriel Ste-Marie (Joliette, BQ): Good afternoon, everyone. Thank you for your presentations.

I'll start by talking about family business succession in both farm businesses and SMEs. This issue has been addressed by MNP. Quebec has already changed its tax rules to facilitate family transfers, and I can say that this approach is working. There's little risk that the rules will be circumvented, because the system is well regulated. We're waiting impatiently for the federal government to put this system in place as well.

I have a few questions for Ms. Tassé-Goodman, the president of the Réseau FADOQ.

Ms. Tassé-Goodman, you started your requests by talking about the most disadvantaged seniors, those living on low incomes. You're asking for an increase in the guaranteed income supplement of at least $50 per month.

Can you tell us about the day-to-day choices faced by these seniors and about how this type of increase would make a real difference in their lives?

● (1620)

Ms. Gisèle Tassé-Goodman: I'll start by telling you, Mr. Ste-Marie, that last December, a senior who received the guaranteed income supplement, along with old age security and Quebec pension plan benefits, obtained $18,000 a year. That's really not enough. We know very well that they're in a precarious financial situation.

Think about health care or the purchase of dentures, a pair of glasses for either nearsightedness or farsightedness, or a hearing aid. We know that they can obtain only one hearing aid. We know that these people suffer from deprivation and isolation and that they don't gather together, because they can't afford these items.

Increasing the guaranteed income supplement by $50 per month would have a major impact on their budget. We're talking about $600 a year. It could help prevent isolation and improve their quality of life.

Mr. Gabriel Ste-Marie: You talked about the fact that the government provided only one hearing aid.

Ms. Gisèle Tassé-Goodman: Exactly. However, it has been demonstrated that a single hearing aid is useless. As a result of all the ambient noise, seniors tend to take their hearing aids out. They need two hearing aids to keep up with everything happening around them and, ultimately, to socialize.

Mr. Gabriel Ste-Marie: Of course. Thank you.

You're asking that, in the event of a person's death, old age security benefits continue to be paid for three months to the surviving spouse. If you don't mind, I want you to explain the reason for this request.

Ms. Gisèle Tassé-Goodman: As I mentioned earlier, there was an election promise to that effect. When an election promise is made, we're confident that it will be fulfilled. We're asking that, after the death of a spouse, old age security benefits be extended for three months and transferred to the surviving spouse, especially since certain expenses incurred by the spouse during their lifetime are still ongoing. The surviving spouse must also reorganize their finances while they grieve. In our opinion, these three months of benefits for bereaved spouses would be appreciated.

Mr. Gabriel Ste-Marie: These three months of benefits, in a tragic situation such as this, would give the surviving spouse some financial leeway.

Ms. Gisèle Tassé-Goodman: Exactly. I would also point out that the deceased spouse's pension benefits stop being deposited into their bank account in the month of their death, while the surviving spouse is grieving. Any money paid after that must be paid back. We're asking for this three-month extension to help the surviving spouse meet their needs.

Mr. Gabriel Ste-Marie: Okay. Thank you.

Informal caregivers receive a tax credit. I gather that, if their annual income is too low, they can't claim it because, in that case, they may not need to pay taxes. That's why you're asking that this tax credit be refunded to informal caregivers. We know that informal caregivers help ease the strain on our health care system, among other things.

● (1625)

Ms. Gisèle Tassé-Goodman: Informal caregivers are often retired people aged 65 and over. We're asking that the tax credit be refundable. It's currently not refundable. The FADOQ is also asking for assistance for family caregivers who provide additional support. They're often close family members.

Workers are currently entitled to 15 weeks of employment insurance during which they receive an amount equal to 55% of their salary. This period can be extended up to 26 weeks for compassionate reasons. The FADOQ is asking that this period be increased to 52 weeks so that the workers can keep their jobs. Workers who are family caregivers often experience emotional stress and financial insecurity, since this situation involves costs. Extending the benefit period to 52 weeks could ensure that family caregivers keep their jobs.

Mr. Gabriel Ste-Marie: Thank you.

[*English*]

The Chair: You're all done.

Mr. Julian.

[*Translation*]

Mr. Peter Julian (New Westminster—Burnaby, NDP): Thank you, Mr. Chair.

I want to thank the witnesses.

Ms. Drever and Ms. Lidder, as you know, Guy Caron, who was an NDP member, tabled a bill in the last Parliament that addressed the transfer of family farms and businesses. We'll come back to that bill in this Parliament. Thank you for your comments.

I'll start with you, Ms. Tassé-Goodman. In your brief, you talk not only about informal caregivers, but also about the importance of establishing a public and universal drug plan. We already know that assistance for seniors and drug plans can improve the health of these people. As a result, our health care system saves money.

To your knowledge, have any analyses been conducted to look at this issue more closely? What's the impact of a drug program? What's the impact of additional support for informal caregivers with regard to maintaining a good quality of life and good health?

Ms. Gisèle Tassé-Goodman: There's currently a clear shortage of experienced workers. The caregivers who make up for the shortage of these workers are a huge help. In many cases, informal caregivers are women and retired people who don't have the type of income that a worker earns on the labour market.

That's why we're asking for a refundable tax credit. These people nevertheless hold a job that a worker would have, if there were workers available.

Mr. Peter Julian: Yes, of course, and it would improve the quality of life.

Ms. Gisèle Tassé-Goodman: Exactly. It improves the quality of life and helps to prevent isolation. Often, family caregivers or informal caregivers are family members.

Mr. Peter Julian: A universal public drug program would have the same impact. It would improve quality of life and prevent people from needing to use health care services because their health would be better.

We also understand the importance of indexing the Canada health transfer by 6%. The former Conservative government reduced this transfer by cutting funding for the health care sector. Unfortunately, the new Liberal government hasn't fixed this. Clearly, this issue must be addressed.

[*English*]

I'd like to go to Dr. Gaden and Mr. McClinchey.

I'm surprised—and maybe I misunderstood—that Canada is not keeping its obligations under the Convention on Great Lakes Fisheries. As I understood it, Canada was actually providing less than half of what the treaty requirements oblige Canada to contribute. I'm wondering what the impact is of Canada not contributing its full share. Does that mean that many of these initiatives are taking place only on the American side of the Great Lakes, or does that mean that the United States is trying to fill the hole that's not being met by Canada, or does it mean simply that programs go without and we're not able to accomplish what is so vitally important in the Great Lakes? What is the consequence?

● (1630)

Dr. Marc Gaden (Director of Communications, Great Lakes Fishery Commission): It's the latter two. The United States is basically picking up the slack, because the United States has fully committed to implementing the convention. The current funding arrangement is that Canada is contributing a good portion of its share to the lamprey control effort, but not all that it should. It should be 31% of the control, but it's currently contributing about 17% towards that, which means the U.S. is picking up the rest.

Canada is not contributing anything in terms of fisheries science, the coordination role that we play. We have a role to play under the treaty, to help the jurisdictions work together. There are eight states, the Province of Ontario, and indigenous groups. The United States is paying all of that.

We're not going without, but there's less of what we need to do to implement the treaty.

Mr. Peter Julian: Brian Masse, the MP for Windsor West, has been very outspoken on this. You provided some guidance about how Canada can fully meet its obligations, but would you suggest we need to go beyond that? If we're already cutting short what are vital investments that need to be made, should Canada be thinking of going even beyond that? For how many years have we been shortchanging this treaty?

Dr. Marc Gaden: It's been a very long time. I've been with the fishery commission for about 25 years, and I can't think of an instance in which the two governments have been fully at the funding arrangement. The last time we had an increase, it was about a decade in coming, so we're not even keeping up with inflationary increases, let alone the full implementation of the convention.

That said, the budget we submit to this committee and to Parliament would require about $19.4 million from Canada for a fully funded convention that would meet the funding formula that the two countries have agreed to. The United States at the moment is over-contributing. To have it fully funded, Canada would need to contribute that amount. That would allow, then, for the full delivery of a sea lamprey control program that's equitable to the 69% U.S. and 31% Canadian funding arrangement. It would allow for us to fully address the scientific needs in the Great Lakes. Right now, again, the United States is paying for all of that.

We have a lot more science needs than we're currently able to fund, so Canada's increase would allow us to address those needs, which, I should point out, the members of the commission, the parties to the treaty who were appointed by the Privy Council and the President, have agreed need to be funded, so that would allow that to happen.

Right now, Canada is not contributing to the communications program, so Greg and I provide a lot of information to members of Congress and members of Parliament on a wide range of policy issues, and we'd like to continue to provide that service to the members who, rightly so, follow Great Lakes issues quite closely. We provide neutral science-based information, and we'd like to be able to fully do that.

The Chair: We'll have to leave that discussion there.

Thank you, all.

We now go to five-minute rounds, with Mr. Cumming first and then Mr. Fragiskatos.

Mr. James Cumming (Edmonton Centre, CPC): Thank you, Mr. Chair.

Thank you all for coming today.

I'll direct my first questions to the pair from MNP.

It was a great presentation, very concise and very helpful, with treatment of both interest and succession in family business. I can assure you, from my years of experience in business, that I can't think of one time when I wanted to borrow money for an interest deduction, so I think you're on the right track.

However, on the unintended consequences of that, I think it has big consequences on business growth, particularly for medium-sized business. Can you speak to that? I see a working capital issue. It has very far-reaching effects.

Ms. Jennifer Kim Drever: We agree with that. We think there are a lot of unintended consequences. I don't think we have even thought about what they would all be yet.

There are far-reaching effects even when the economy is not so great, and there might be losses for businesses. Now, in times of losses, those depend on what the criteria are for exempting small businesses. If they're tied to businesses that have more than $10 million of capital, then if you have less than $10 million of capital you might be okay, but if you have more than $10 million of capital, which the vast majority of businesses would, there would be limitations on your interest expense. You would have losses—at a time when cash is king and you need to get your loss carry-backs—that wouldn't be on the table for a big part of it, and if this interest were carried forward and used sometime in the future, would you ever even get to claim it?

There are consequences for all different types of businesses. When we were looking at these rules, I pulled up the financial statements of some normal-sized farms, and they would be caught. They would have their interest limited, and the cost of borrowing was going up 70 basis points for them. This isn't even in tough times. It would be a significant consequence for all businesses. Whether they expand, whether they hire, whether they grow, whether they start a new venture, whether they hire more employees, it's going to have a significant impact.

What we're really asking for is that we look at this very closely. We want a thorough consultation on this issue, an examination of what the OECD countries did and why they did what they did, and the balancing of a three-pronged approach.

● (1635)

Mr. James Cumming: I want to ask you about another thing, which is not in your presentation, but it relates to the fairness of the application of some of the new rules, the TOSI rules, which I know you are very familiar with. It seems to me that for a lot of small businesses, particularly husband and wife operations, the rules appear to be quite discriminatory against the spouse.

Can you comment a little bit on that? I know it is a big issue. We've heard from many presenters about the TOSI rules.

Ms. Jennifer Kim Drever: We have been here many times over the years to talk about the TOSI rules. These rules are very punitive to family-owned businesses. They're very punitive to the spouse. There is this general presumption that someone maybe isn't doing his or her fair share to earn the income out of the company, and it is very concerning when we start having to defend what every single person does in the family business to earn their income.

Mr. James Cumming: Do I have some time left?

The Chair: You do.

Mr. James Cumming: I want to shift to Mr. Chapman.

I'm learning a lot today that I didn't realize. I'm new to Parliament. A beer caucus is something I haven't heard of.

Mr. Luke Chapman: You're all welcome to be part of it. Actually, we have a meeting coming up in the next couple of months, and there will be beer there as well, so it's something to put on the calendar. I could have brought some here if you guys had given me the heads-up.

Mr. James Cumming: Your proposal is pretty straightforward, but I want to shift gears a bit about some of the things I hear about the industry and the struggles of the industry or growth of the industry for a lot of start-up breweries, a lot of microbreweries.

Can you talk a little bit about barriers, particularly interprovincial trade barriers and how they've been affecting the industry?

Mr. Luke Chapman: Absolutely. We get this question quite often.

There's been a huge growth in the number of breweries operating in Canada right now. It's essentially gone from 240 breweries 10 years ago to around a thousand now. There seems to be this misconception that the industry must be doing well and it must be growing right along with this growth in the number of breweries, but if you look at domestic beer sales over the last decade, you see quite steady declines in the volume of beer sold. What's happening is that some smaller regional breweries are doing well, but the industry as a whole is not growing. It has a lot of these members quite concerned.

From an interprovincial trade perspective, which is an issue we look at from time to time, certain provinces have pretty strict requirements in place that determine whether or not you can sell through certain retail systems in those provinces. Definitely, for a small brewery that's operating in a province like Alberta, it can be a barrier to get outside of their home market. I do know that the government right now is exploring opportunities to repeal some of those trade barriers, and we're happy to participate in that conversation. Definitely, from a small to mid-sized brewery perspective, you don't see too many of them getting their products to markets outside of their own province. It is an issue.

● (1640)

The Chair: Thank you.

We'll go to Mr. Fragiskatos, and then to Mr. Morantz.

Mr. Peter Fragiskatos (London North Centre, Lib.): Thank you, Mr. Chairman.

Thank you to the witnesses for being here.

Mr. Chapman, as you well know, London is home to Labatt. It's the founding city and where it started. The business has a long history there. Actually, for Christmas I bought my father Prohibition, the 0% alcohol. He was mad at me, to begin with, but then he tried it, and he can't.... He's a happy man, let's put it that way.

Voices: Oh, oh!

Mr. Peter Fragiskatos: It's brewed in London, Ontario, as well.

What you're really talking about here are incentives, incenting a different look among consumers so that they think about more healthy options. I know that there are mandate letters that talk about moving in that direction. For example, the Minister of Health's mandate letter talks about encouraging Canadians to eat more healthily. Well, if you're eating, then you can talk about drinking too. I think what you're calling for falls in line within that overall framework.

Could you provide us with any information on the overall health impacts of what you're talking about should the change you're talking about go through?

Mr. Luke Chapman: Absolutely. I'm happy to touch on that.

From an industry perspective, we always like to say that beer has a lot of positive attributes. It's a product that is made from raw agricultural inputs. Canadian brewers purchase over 300,000 tonnes of prairie malt barley every year. We're very proud of that. It's also low in alcohol, compared with some other beverage alcohol categories. It's also low in sugar. I'm not sure if many people around this table are aware, but last year the federal government did take the step of amending the federal definition of beer. By law, a product that's labelled as a beer in Canada must contain less than 4% by weight of sugar. Thank you for the initiative on that. We're happy that we were able to get that through last year.

The proposal we're talking about here was put forward for two reasons. Yes, the first reason was to stimulate some growth in investment in an underdeveloped segment of a struggling beer industry. It was also put forward as a response to Canada's national alcohol strategy and the World Health Organization's global alcohol strategy, which call on governments to introduce these types of incentives to promote more production of lower-alcohol products as a way to reduce alcohol-related harms and also as a way to reduce a person's total alcohol consumption.

I just want to emphasize that, first of all, what we're putting forward here today requires very little government investment. It's also not new. A lot of other countries have similar excise systems in place. There's no excise tax in Spain on non-alcohol beer. The U.K. just introduced some changes. The European Commission put forward a directive last year that allows European countries to raise the alcohol content from 2.8% to 3.5% ABV that they apply reduced rates to. There is evidence that this is a good way to encourage a healthy lifestyle.

Outside of the alcohol conversation, I'm not sure if you guys have sampled many of the non-alcoholic beers on the market today, but you'll find that they are also low in calories. You can get really tasty ones. Prohibition is one of them, but there are others as well.

Mr. Peter Fragiskatos: I was just advocating for my riding.

Mr. Luke Chapman: Yes. There's that one and there are many others as well. You'll find that they contain a lot fewer calories. They're a good alternative for people after a hockey game or some other time when they don't want to drink alcohol. We're starting to see the flavour improving as well, as you highlighted, Peter.

Mr. Peter Fragiskatos: How many Canadians work directly in the beer sector, Mr. Chapman?

Mr. Luke Chapman: Our last count was in 2018. About 15,000 Canadians are employed by breweries. Those 15,000 Canadians earn a total of $1 billion in salaries and wages. These are good middle-class types of jobs.

Mr. Peter Fragiskatos: There are many indirect jobs as well, obviously.

Mr. Luke Chapman: Yes. There are a lot more indirect jobs, around 149,000.

Mr. Peter Fragiskatos: Thank you very much.

Do I have about two minutes left, Mr. Chair?

The Chair: No, you have time for a very short one.

Mr. Peter Fragiskatos: A very short one?

The Chair: That would be unusual.

Mr. Peter Fragiskatos: To MNP, I take your argument very seriously. It's something that I've heard from tax practitioners in the riding as well. What are the original reasons for treating family succession in this way?

Ms. Jennifer Kim Drever: When the capital gains exemption was first brought in, there was a worry, I think, that you would extract money in self-dealing transactions with a capital gains exemption.

● (1645)

Mr. Peter Fragiskatos: I know that I've given you no time, but are there safeguards you could suggest that would guard against those fears?

Ms. Jennifer Kim Drever: There are safeguards one could suggest. Going back to the member from the Bloc, he talked about Quebec having some safeguards. I would just like to mention that the safeguards in Quebec are so prescriptive it's very difficult to even fall into them. We're finding that a lot of families are operating as if they don't even exist, because you need to make sure that....

You know, in family businesses, it just doesn't happen that the parent sells to the child and the parent walks out the next day and never looks back at that business. It's paid over time. The succession happens more slowly. In most businesses it does, and in family businesses it does as well. We need to make sure that there is a true succession where the child is taking over, but it might not happen overnight.

Mr. Peter Fragiskatos: Thank you.

The Chair: While we're on this subject, how does the system that's in place here in Canada on small business succession compare with that of the United States or other countries? What are they doing right that we're doing wrong? Are we on a comparable basis, or are the others so different that they can't be compared?

Ms. Jennifer Kim Drever: There really are a lot of differences between the two countries. We have a capital gains exemption. They have some gift taxes. They have gift exemptions. There are a lot of differences between the two countries.

It's something we could absolutely look at and bring back to the committee.

The Chair: Please do, if it's not too difficult.

We have Mr. Cooper first, and then I think Mr. Morantz.

Mr. Michael Cooper (St. Albert—Edmonton, CPC): Yes.

To the MNP witnesses, the U.K. and the U.S. recently made changes with respect to interest deductibility. Could you very briefly comment on those changes? Then I'll reserve the rest of the time for Mr. Morantz.

Ms. Jennifer Kim Drever: In their tax reform bill in the United States, they took a three-pronged approach. They said they were dropping their corporate tax rate from 35% to 21%. They were having an immediate writeoff of asset acquisitions, with immediate expensing of all assets. They were also having an interest deductibility limitation.

With their limitation, they tied it to revenue. They said that all small businesses are exempt if they earned less than $25 million of revenue. From the Parliamentary Budget Officer's summaries, the businesses in Canada that would be exempt would be far fewer compared to the United States. Based on the Parliamentary Budget Officer's summary, if you have income in excess of $500,000, if you have more than $250,000 of interest, or if you have more than $10 million in capital, in Canada a lot more businesses would get caught by this. In the U.K. they also took a balanced approach. They reduced their corporate rates 9% and brought interest to be in the 30% of earnings before interest, taxes and amortization. They said they were dropping tax rates and limiting interest.

One of the large concerns is that if we just limit interest and we don't drop the tax rates at the same time, we will impact Canada's competitiveness in a negative way.

The Chair: Mr. Morantz.

Mr. Marty Morantz (Charleswood—St. James—Assiniboia—Headingley, CPC): I want to talk about this one, too, because I'm concerned about what the broad implications might be of capping a legitimate business expense such as interest. For example, what might be the effect on our financial sector, on our banks, which might see demand for capital decline, on our capital markets and our stock markets, and on the value of the Canada pension plan or other pension plans that are invested in our capital markets?

I can't possibly think of everything while I'm sitting here, but it seems to me that a change like this would have fundamental and broad implications for every single aspect of our society.

● (1650)

Ms. Jennifer Kim Drever: We agree. It will change whether people take out interest.... We were talking about some of the options, and Am can jump in here too.

When you need to expand the business or you're going for capital, if debt is not one of the options because you're not going to be able to write off the interest, then you start looking at equity. If you start looking at equity, then the other side of it is that there is less tax on the table, because the recipient is not being taxed on the dividend. Whether it's coming from other companies or coming from different sources, there may be no taxes being paid.

It's going to change how businesses operate and what they do. It's going to change whether they.... If we can't adapt to the cost of buying an asset, are we going to buy the asset?

Ms. Amanjit Lidder: Yes. Are they going to expand?

Also, we were thinking of different industries. Auto dealerships came to mind, and home builders—

Mr. Marty Morantz: Yes, it's ubiquitous.

Mr. Brendan Marshall: I can tell you that the mining industry is seized with this as well.

Mr. Marty Morantz: Yes, and so is beer, I think. That's why I want to segue into beer for a second—

The Chair: We're okay for time.

Did you want to add something there, Mr. Marshall?

Mr. Brendan Marshall: No, I'm just amplifying the concern. We've had members in to talk with officials at Finance about this issue as well.

Mr. Marty Morantz: Thank you very much.

I want to take this opportunity to segue into beer, because I think this would affect the beer industry as well, which would be sacrilege.

Voices: Oh, oh!

Mr. Marty Morantz: I think Mr. Cumming stole my thunder a bit, because I was going to ask why you didn't bring samples.

I didn't realize, though, that the beer industry in Canada was in such dire straits, so this is very good information.

I don't know if I'm just missing it or if it's not here, Mr. Chapman, but would it be possible for you to get...? I'm curious as to what the tax cost of your proposal would be, just so we have a sense of what the impact on the treasury might be if these proposals were implemented.

Mr. Luke Chapman: Yes, I am absolutely happy to share that with the committee after today's meeting. We did a pretty deep dive to make sure this wasn't going to be too costly for the federal government. It's based on the previous year's sales, but I'm happy to share that for you guys to look at, for sure.

Mr. Marty Morantz: Okay.

Mr. Luke Chapman: We estimated that in fiscal year 2019 the federal government collected around $700 million in federal excise on beer. Had our proposed federal excise duty structure been in place, it would have resulted in roughly $4 million less of that $700 million being collected.

Our view would be that over time the loss in revenue would hopefully be mitigated with positive growth in this low- and no-alcohol category. I'm happy to share with you the full—

Mr. Marty Morantz: Yes. Thank you.

The Chair: If you could, please forward that to us as quickly as possible. We have to try to meet on recommendations the week after next, so we need it fairly quickly.

Mr. Luke Chapman: Okay.

The Chair: We'll have Ms. Dzerowicz wrap it up.

Ms. Julie Dzerowicz (Davenport, Lib.): Thank you so much for your presentations.

I'm going to ask what I hope is perhaps not too odd a question. This is for you, Mr. Marshall.

We've been talking a lot about electric vehicles, electric buses and moving to a low-carbon economy. I think you mentioned something here about how rare earth elements are used within batteries and for our electric vehicles. Is this true?

Mr. Brendan Marshall: Yes.

Ms. Julie Dzerowicz: Part of your recommendation is.... Do we have those minerals here in Canada, or are you saying that we're seeking some support so that we can explore whether or not we actually have this here in Canada?

Mr. Brendan Marshall: Sure. It's complicated. We do have a number of rare earth deposits. We have a permanent rare earth element mine in the Northwest Territories. We know how to extract those materials. The challenge with rare earth elements is that there is no market for those products. The reason for this is that China has coerced the market, so much so that out of concern for controlling supply they will force the price to plummet to prohibit financing for these projects to be able to move forward.

Ms. Julie Dzerowicz: Okay.

Mr. Brendan Marshall: Any time there's an opportunity to diversify a supply source away from Chinese control, the Chinese very quickly act to extinguish that opportunity.

Ms. Julie Dzerowicz: Right, because they have a monopoly now....

Mr. Brendan Marshall: That's correct.

Ms. Julie Dzerowicz: Okay. Thank you for that. I wanted to make sure that I understood that section. It is something that's worrisome. Believe it or not, I was on vacation and met a French couple who were thinking about buying an electric vehicle and they talked about the monopoly on this.

Mr. Brendan Marshall: Yes.

Ms. Julie Dzerowicz: It's crazy that this seems to be a concern around the world.

Mr. Brendan Marshall: Well, it is. I mean, at the end of the day, countries are re-evaluating the reliability of their existing supply chains for these materials, on the basis of concern that growing geopolitical tensions and trade conflicts could cause an abrupt interruption of these essential inputs into their national security as well as their economic functioning. They've created critical minerals lists. Canada signed a prime ministerial-presidential agreement on trying to streamline the production, manufacturing and development of the downstream market of these materials. The EU has done this. Japan has done this.

I don't think this is going to be a narrative that dissipates over time. I think that as concerns over geopolitical instability increase, we're going to see a greater level of attention from countries seeking to preserve their economies and looking at where they supply and where they source these materials. This is an opportunity for Canada.

● (1655)

Ms. Julie Dzerowicz: Thank you so much.

My next question is for Ms. Tassé-Goodman. I had a recently widowed woman call me and say that now that her husband has passed away, she no longer can afford her expenses. I find your recommendation for the OAS being extended for three months past the death of a partner a very good one.

Do you happen to have data on how much income drops when a male spouse dies versus when a female spouse dies? Do you have this type of data that you'd be able to provide the committee?

[*Translation*]

Ms. Gisèle Tassé-Goodman: It depends on the deceased person's contribution. That's how the calculation is made. The survivor's distress must be taken into consideration.

I want to make sure that I'm giving you an accurate answer. Are you referring to the three-month extension for the survivor or the bereavement pension?

[*English*]

Ms. Julie Dzerowicz: I am referring to that. Because traditionally a lot of women have worked out of their homes to raise their children, when their spouses die, I suspect they tend to lose quite a bit more income than if a male spouse continues to live when the female partner dies.

I'm trying to ask if there is an inequity here. Not only do I support your recommendation, but I also feel it's very much needed, for a good chunk of our population. Particularly if the woman lives longer than her spouse, she's negatively impacted.

In any case, I wanted to say thank you for the recommendation. I think it's excellent.

I also wanted to confirm that you also recommended a $50-per-month increase to the GIS for everyone. Was that your first recommendation?

[*Translation*]

Ms. Gisèle Tassé-Goodman: We're asking for a $50 increase in the guaranteed income supplement for the people who receive it. These are the disadvantaged people in society, since they receive roughly $18,000 a year. As I said earlier, they face a number of costs. Some seniors go without medication because they don't have enough income. Moreover, there are the hearing aids and dentures that I mentioned earlier. We should also remember the support services that they may need.

All this means that an additional $50 per month would be appreciated by the most disadvantaged people receiving the guaranteed income supplement.

[*English*]

Ms. Julie Dzerowicz: Thank you so much.

The Chair: I'd like to go back to you, Mr. Marshall, for a minute. We're just about out of time.

On these rare earth elements, I agree with what you said in terms of where China is at and the control it has over the system. In your presentation, you mentioned the joint action plan between the United States and Canada. Is that basically the bottom line proposal for how we can get out of this risk, I guess, of not being able to attain rare earth elements? Or is that enough? What do you see as the bottom line solution here to lessen the risk to us with the monopoly, basically, that China has on these metals?

● (1700)

Mr. Brendan Marshall: This is what we would perceive to be a good start.

There are really a couple of buckets that need to be addressed.

One is that there needs to be some RD and D to improve the processing, separating and refining of the finished products for rare earths. Companies have done that before; these processes exist. We think that's within reach.

The bigger question is how you break monopoly control over something. How do you generate a market somewhere where it doesn't actually exist? Not only that, but how do you generate that market where you have a predatory operator that has a vested interest in destabilizing that market?

I think those are the types of industrial policy questions that really need to be studied more carefully. Those are not the types of conventional tools in the tool box that governments in western, liberal, democratic, market-oriented societies reach to or readily have at their disposal. That's one of the reasons we included this interdepartmental joint industry working group that would come back, study the issue very carefully and then propose thought-out, researched, well-prepared, targeted recommendations to get to the question that you just asked: What are the specific solutions that we need? We acknowledge that we have some ideas right now about aspects of it, but some aspects of it need to be looked at more carefully.

The Chair: Thank you for that.

Once again, thank you to all the witnesses for their presentations.

We will suspend for five or seven minutes before we go to the next panel.

● (1700)

_____________________(Pause)_____________________

● (1715)

The Chair: I think we're all here.

Thank you, first, to the witnesses by video conference and those who are here for putting together presentations and coming on short notice for the pre-budget consultations 2020. I want to tell those who made submissions prior to the middle of August that the committee has decided to bring those forward and make part of the record and consideration for our recommendations when we get down to the final strokes on making recommendations, which we must put forward by February 28.

With that, we look forward to your presentations. We'll start with Mr. Lanthier as an individual. He is a retired partner of Ernst & Young, and former chair of the Canadian Tax Foundation.

Welcome, and the floor is yours.

Mr. Allan Lanthier (Retired Partner of Ernst and Young and Former Chair of Canadian Tax Foundation, As an Individual): Thank you, Mr. Chair.

I have prepared a written submission that sets out my recommendations for budget 2020, but I did it this week and finished it last evening. I emailed it to the clerk. I don't know if it's been distributed, but it's available to committee members.

The Chair: It has been received, but it was only in one language, I believe. It will be translated and it will get to all members before we get to the final recommendations.

Mr. Allan Lanthier: Yes, it was only in English. I'm sorry about that.

The Chair: Thanks very much.

Mr. Allan Lanthier: In any event, I thought I would take my first few minutes to highlight some of the points that are made in the written submission.

In the submission, first of all, I recommend—and some of this won't be new to this committee. I know you've been meeting all week, and some of this may go over ground that you've been through before—that an independent committee be established to conduct a comprehensive review of the Canadian tax regime. I will come back to that in a second.

Then I comment on three separate issues: intergenerational transfers of shares, taxation of stock option benefits, and a proposal to limit deductible interest expense for large corporations. I'm not sure if MNP might have commented; I just came in at the end of their presentation. They or others may have touched on that.

First, I recommend that a comprehensive review of our tax regime be carried out by an independent and non-partisan committee. It has been over 50 years, as the members of the committee know, since the Carter commission issued its report in 1966. A detailed study is long overdue.

There are two reasons why we need a detailed study now. First, a lot of the rules in the Income Tax Act simply make no sense. My submission contains a few examples simply as illustration. I'll just highlight three of those. For example, individuals who receive dividends are entitled to credits for corporate taxes, even if the corporation has not paid any taxes. That doesn't make any sense.

Another example is that family members may be exempt from the TOSI rules, the income-sprinkling rules, provided the private corporation does not carry on a service business. The Canada Revenue Agency, the CRA, says that more than 75% of small businesses are service businesses and carry on service activities, so what we have is an exception for small business that almost no small businesses can access.

Third, our international tax rules allow multinationals to set up foreign subsidiaries in low-tax or zero-tax jurisdictions, even if the business activities continue to be carried on by Canadian resident employees of the Canadian parent company.

The tax legislation is just full of stuff, and it's time to revisit it.

The second reason we need a comprehensive review, in my view, is to look at the entire tax regime and try to figure out the tax mix and tax rates that are most likely to promote job creation and economic growth in the long term.

It doesn't necessarily mean a reduction in revenue base as a percentage of GDP, and I comment on that in my submission, but it does mean trying to get the rates in the mix correct. One really needs a committee that includes fiscal economists to do that.

The submission then comments on three specific issues.

First, our tax rules, as I think you've heard, often force a small-business owner to sell the business to an unrelated third party rather than to family members, something called the "84.1 trap", referring to section 84.1 of the Income Tax Act. The Department of Finance has known about this for years. The Province of Quebec has introduced legislation, although it's pretty complex and poorly written legislation. It's time for the Department of Finance to fix those rules.

Second, on stock option benefits, draft legislation was issued—a notice of a ways and means motion was tabled in June—to put an annual limit of $200,000 on how much an individual can receive in stock option benefits and receive preferential tax rates. The rules got stalled. The government has said that it will tell us in budget 2020 how it intends to proceed. The draft rules are much too complex, and they provide tax results that are much too favourable for senior executives.

● (1720)

I've set out three recommendations in my submission to set how I think the rules should be fixed.

Finally, as part of its election platform, the Liberal Party proposed to limit the amount that a large corporation can deduct as interest expense to 30% of EBITDA, earnings before interest, etc. This is one of the OECD's base erosion initiatives, but this one should not be implemented by Canada. We already have two separate sets of rules that limit excessive debt leveraging—the United States does not, but we do—so it would be duplicative of restrictions that we already have in place, and the Department of Finance knows that.

In addition, these types of rules would be harmful to businesses that don't have robust earnings, such as start-ups and scale-ups, and they'd add another level of huge complexity to our tax legislation.

I welcome comments later on. Thank you, Mr. Chair.

The Chair: Thank you very much for speaking from your experience too.

With the Agri-food Innovation Council, we have Mr. Buy, CEO.

Welcome, Serge.

Mr. Serge Buy (Chief Executive Officer, Agri-food Innovation Council): Thank you very much, Mr. Chair.

From potato farmers using technology to adapt to climate change to the rise of AI in food processing, research and innovation have brought the agri-food sector to new heights. I know that the chair has some familiarity with agricultural innovation, but agri-food research has also had a direct impact on many of the constituencies represented on this committee. For example, Mr. Fragiskatos's riding includes AAFC's London research and development centre. Mr. Cumming's riding includes the Alberta Prion Research Institute. The research laboratory in applied science in food is located in Laval, in Madam Koutrakis's riding. Still other regions, such as the Northwest Territories—Mr. McLeod's riding—are benefiting from advancements in modular greenhouse technology, allowing increased agricultural production.

The Agri-food Innovation Council has been an advocate for agri-food research and innovation since 1920. It is supported solely by Canadian organizations.

We are encouraged to see that one focus of this pre-budget consultation is the climate emergency. It enables us to make two key points. One, while the agricultural sector is often identified as one of the emitters of greenhouse gases, it should also be viewed as part of the solution. Indeed, the positive role played by agriculture in carbon sequestration is not recognized sufficiently. This should change. It is easy to blame farm production but challenging to recognize the positive actions that farmers are taking. Two, research is revolutionizing agriculture and food production. Increasingly, food produced in Canada utilizes fewer resources, emits less carbon and has greater nutritional value.

We also need to recognize that the return on investment for agri-food research remains very high. This information doesn't come from us. Rather, it comes from a presentation done by Dr. Bonti-Ankomah, an economist with Agriculture and Agri-Food Canada. Second, I would like to remind you of the report from the federal government's advisory council on economic growth, which recognizes agri-food as one of the key drivers for economic progress in Canada.

For this brief, we consulted our members from across the whole country.

Dr. Malcolm Campbell, vice-president of research at the University of Guelph, says that Canada will be the global leader in the agri-food economy when it taps into its vast and diverse agri-food assets—an incredible talent pool, world-class research, and globally impactful innovation and food production and processing that are the envy of many nations. He says that to Canada's immense benefit, those assets do not live in one geographic region but are resident right across the country. In keeping with this, investments in the Canadian agri-food sector must embrace this powerful national diversity, leveraging capacity that exists from coast to coast to coast, catalyzing partnerships, creating greater vertical integration and amplifying innovation that resides nationwide.

There are a few issues to consider as you plan for the 2020 budget. Dr. Webb from the Global Institute for Food Security suggests that funding must be targeted to cross-sectional programs in which key agricultural innovation can be leveraged horizontally to integrate with other industry verticals, particularly health, manufacturing and the environment. Dr. Webb says that the finance committee should therefore focus on initiatives that support cross-sectional technological innovation to link value in the agricultural sector with value at the level of population health and well-being, industrial sustainability and environmental protection, particularly measures to mitigate and reverse the effects of climate change.

Short-term granting cycles do not work. The government should develop long-term investments in such areas as plant breeding. This recommendation comes from Dr. Tania Humphrey, vice-president of research and development at Vineland, a very successful research centre in Ontario.

We would recommend, as per Dr. Campbell's suggestion, that the universities be provided with the resources to realize strong agri-food research and innovation outcomes. We also believe that steps should be taken to make existing programming more flexible and to accommodate more than just traditional partnerships between industry and academia. Different partners, such as the private sector, early adopter producers, and industry consortia from within and outside the sector should be incentivized to work together. While we recognize fiscal restraints, we would like to emphasize, as the Saskatchewan Wheat Commission has stated, that tremendous opportunity for Canada comes with increased funding levels, given the return on investment from agri-food research and innovation.

● (1725)

With targeted and strategic support, the impact of agricultural innovations can be felt on a greater scale. These made-in-Canada technologies also have the added benefit of increasing international trade. A report by the Standing Senate Committee on Agriculture and Forestry referred to this as “untapped potential”, and advocated for changes to support the innovation, growth and competitiveness of the value-added sector. Increasing government support and incentivising all parts of the research continuum, from fundamental research to the adoption by end-users, will ensure that positive effects are felt sooner, and on a larger scale.

Recognizing that the federal government has a limited amount of funding to disburse, we believe a thorough review of the grants and contributions system, with an eye to maximizing the return on investment for the federal government, would make the system more efficient and facilitate the development of better products. We look forward to working with you on this and other initiatives.

Thank you.

The Chair: Thank you very much, Mr. Buy.

From the Canadian Cancer Society, we have Ms. Masotti and Ms. Sonea.

Ms. Kelly Masotti (Director, Public Issues, Canadian Cancer Society): Thank you, Mr. Chair.

Good afternoon. Thank you for the opportunity to present to the committee today. My name is Kelly Masotti. I'm the director of public issues at the Canadian Cancer Society. With me today is Helena Sonea, senior manager of public issues.

Over the course of a lifetime, nearly one in two of us will hear the words, “You have cancer.” These words will change you, but at the Canadian Cancer Society, we believe they don't have to define you. The Canadian Cancer Society is the only national charity that supports Canadians with all cancers in communities across the country. We fund groundbreaking research, provide a support system for all those affected by cancer, and shape health policies to prevent cancer and support those living with the disease.

The Canadian Cancer Society makes the following recommendations to the government to implement in budget 2020. One, extend the employment insurance sickness benefit; two, invest in pediatric cancer research; and three, implement an annual cost-recovery fee on the tobacco industry.

Our first recommendation is to extend the employment insurance sickness benefit. When Canadians face cancer, their struggle is not just medical but also financial. In addition to a decrease in income, Canadians with cancer also face a rise in such expenses as medication, medical travel, parking and home care costs. The employment insurance sickness benefit currently provides 15 weeks of coverage, which is just not enough. It's not adequate to cover the length of treatment for people with cancer. A report by the BC Cancer Agency notes that the average length of treatment and recovery for people with breast cancer is between 26 and 36 weeks. For colon cancer it's 37 weeks. These are two of the most common types of cancer for Canadians.

It's time to alleviate this burden on people who are living with a disease as serious as cancer. It's time for the government to follow through on its commitment to extend the sickness benefit to at least 26 weeks.

● (1730)

Mrs. Helena Sonea (Senior Manager, Public Issues, Canadian Cancer Society): Our second recommendation is to ask that the government follow through on the Minister of Health's mandate commitment and make new investments in pediatric cancer research.

Two decades ago, about 71% of Canadian children diagnosed with cancer survived for at least five years after their diagnosis. Thanks to research, today, about 84% will survive five or more years. We must continue this trajectory through research that will lead to new and more effective treatments for childhood cancers and increases in the number of children who survive into adulthood.

The Canadian Cancer Society recommends that the government follow through on their mandate commitment and make new investments in pediatric cancer research and that this investment be directed to the largest charitable funder of cancer research in Canada, the Canadian Cancer Society. We fund over $40 million in cancer research each year, including $20 million in pediatric cancer research over the last five years.

Our final recommendation is that the federal government implement an annual cost-recovery fee on the tobacco industry to provide full reimbursement for the $66-million annual cost of the federal tobacco control strategy. Tobacco use is the leading preventable cause of disease and death in Canada, killing 45,000 Canadians annually including 30% of all those who die of cancer. While significant progress has been made, there are still five million Canadians who smoke. An enormous amount of work needs to be done to achieve the federal government's objective of under 5% of Canadians using tobacco by 2035.

We propose that companies pay a fee, based on market share, similar to the federal cannabis annual regulatory fee, so that the government can recover $112 million annually by 2021. The U.S. has had a tobacco fee in place since 2009, which accounts for U.S. $712 million recovered annually. If there can be a federal cost-recovery fee on the cannabis industry, we believe that a cost-recovery fee on the tobacco industry is also feasible. A cost-recovery fee would generate $66 million in incremental annual government revenue, which could be used for government priorities. In conjunction, we recommend an increase in the federal tobacco tax, which has proven to be the most effective strategy to reduce smoking among youth.

Further, the federal government should implement a tax on e-cigarette products to decrease youth vaping as many states and Canadian provinces have done or are planning to do. These taxes would represent a win for all, increasing government revenue and benefiting public health.

Together these actions will help stop cancers before they start, provide much needed support to people who have cancer and their families, and establish a practical foundation to better manage the long-term impact of cancer on our communities.

Thank you for your time today.

● (1735)

The Chair: Thank you very much.

We turn now to the Canadian Federation of Agriculture, with Mr. Ross.

I take it that President Robinson, my fellow islander, got stranded in PEI and that it isn't a beach day.

Mr. Scott Ross (Assistant Executive Director, Canadian Federation of Agriculture): She does send her regrets.

She was waiting in the airport hoping to get here and certainly wanted to be here. Unfortunately, her flight was cancelled, so I'm here in her stead.

The Chair: Okay.

Welcome. Go ahead, Mr. Ross.

Mr. Scott Ross: Thank you.

My name is Scott Ross. I'm assistant executive director at the Canadian Federation of Agriculture. For those who don't know, the CFA is Canada's largest general farm organization, representing 200,000 farm families across Canada from coast to coast. Through a unified voice at the national level, CFA works to ensure the continued development of a viable and vibrant agriculture industry in Canada.

While Canada's agri-food industry is a key economic sector in Canada, contributing $143 billion to Canada's GDP while employing 2.3 million Canadians, Canadian farms also provide a range of additional benefits to all Canadians—prosperity in communities across Canada, access to safe, affordable food, and environmental stewardship. Yet our industry still has significant growth potential as identified in budget 2017 and reinforced by the agri-food economic strategy table.

Our submission identifies a number of opportunities to further these benefits, which we would be happy to speak to. You should have that available to you, as it was submitted last August. However, I'll limit my comments today to two of the most impactful measures we would hope to see reflected in budget 2020.

Canadian agriculture is poised for growth, but a number of obstacles continue to constrain that potential. Although Canada has a suite of business risk management programs designed to help farmers manage risks beyond their control, these programs are failing Canadian farmers. Whether it's trade disruptions in key markets, extreme weather events or the rising costs of inputs, Canadian farmers are facing significant financial pressures.

Canadian farmers are also facing an uneven playing field in international markets due to the actions of our competitors. In 2019 nearly 40% of total farm income in the United States will have come from government supports, with EU farmers receiving nearly the same level of annual support. Meanwhile, Canadian farmers saw their realized net income decline by 45% in 2018, with government support in that year amounting to only 3.6% of Canadian farm income. As a result, Canadian farmers are at a competitive disadvantage in world markets, facing unprecedented risks and challenging financial conditions without risk management programs that meet their needs.

AgriStability, a core pillar of our suite of BRM programs, is the only tool available to all farmers that addresses both production and price risk. It had its support cut in 2013 reducing its efficacy to farmers and leaving two-thirds of farmers now opting out of this program, and, as a result, exposed to immense risk. Without urgent action, farmers across Canada face great uncertainty and financial pressures as they approach a new cropping season.

For this reason, CFA is requesting that budget 2020 commit to risk management enhancements that would ensure farmers have access to meaningful tools to manage those risks beyond their control, in particular restoring AgriStability coverage to its pre-2013 levels.

Speaking to the financial challenges affecting farmers, carbon pricing is also imposing considerable unavoidable costs on Canadian farmers. Recent analysis by the Agricultural Producers Association of Saskatchewan found that Saskatchewan farmers can expect to lose 8% of their total net income in 2020 due to carbon pricing. Once that price increases to $50 per tonne in 2022, that will rise to 12% of total net income. Farmers are unable to pass these costs along or avoid these expenses as these costs reflect unavoidable farm expenses like grain drying and heating of farm buildings.

While certain non-farm fuel uses are already exempt, this does not include fuels used for heating and cooling livestock or for grain drying, which are critical to managing the impacts of the weather extremes caused by climate change. These impacts were evident during last year's harvest, which saw grain drying fuel costs skyrocket. Initial data from Keystone Agricultural Producers of Manitoba suggests that a typical farmer growing 500 acres of corn spent approximately $14,145 on fuel for grain drying, while carbon pricing added $1,722 to that bill. To mitigate these negative affects, CFA recommends that the Canadian government fully exempt fuel used for the purpose of heating and cooling livestock and for grain drying. It's further recommended that farmers be reimbursed for carbon tax paid on grain drying during the 2019 harvest. This will provide farmers some relief as they compete with farmers in other countries who don't face a carbon tax and provide a bridge to transition to the high-efficiency energy retrofits offered by the climate action incentive fund.

With that, I'd like to thank you for your time and I look forward to any questions you might have.

● (1740)

The Chair: Thank you very much, Scott.

We turn now to our video conference from Harrison Mills, British Columbia, with Ms. Ballantyne, executive director of Child Care Now.

The floor is yours. Welcome.

We can all see you here, Ms. Ballantyne, but we don't have sound here. We'll see what the trouble is and come back to you Ms. Ballantyne.

We'll go to the Dairy Farmers of Canada, with Mr. Lampron, president, and David Wiens, vice-president.

Welcome, guys.

[*Translation*]

Mr. Pierre Lampron (President, Dairy Farmers of Canada): Thank you, Mr. Chair.

My name is Pierre Lampron, and I'm the president of the Dairy Farmers of Canada. I'm joined by David Wiens, vice-president of the board of directors and president of the Dairy Farmers of Manitoba. On behalf of all Canadian dairy farmers, we appreciate the opportunity to present our pre-budget submission for 2020.

The Dairy Farmers of Canada estimates that the market access granted under the WTO agreements; the Canada-European Union Comprehensive Economic and Trade Agreement, or CETA; the Comprehensive and Progressive Trans-Pacific Partnership Agreement, or CPTPP; and the Canada-United States-Mexico Agreement, or CUSMA, represent a loss equivalent to 18% of the country's dairy production. The annual loss of revenues for farmers could amount to $450 million.

The concessions will have a dramatic impact on on-farm investments by dairy farmers and may lead to job losses, with ripple effects in communities across the country. The impact isn't just limited to dairy farmers. It will also have an effect on farm workers and many other associated industries. All rural Canada will pay the price for these repeated concessions.

The Prime Minister repeatedly committed to full and fair compensation to the dairy sector for the cumulative impacts of international agreements. On August 16, 2019, his government announced a $2 billion compensation envelope to mitigate the impact of CETA and CPTPP. It should be noted that this compensation doesn't cover losses caused by CUSMA. Of the $2 billion announced, $250 million was previously allocated under the dairy farm investment program, and the remaining $1.75 billion will be distributed over an eight-year period. Payments began in fall 2019 with a one-year direct payment program, for a total of $345 million. The remaining $1.4 billion compensation envelope is expected to be distributed, as promised, over a seven-year period, starting in 2020.

Canadian dairy farmers are all affected by recent trade agreements and are in the best position to know their needs. We're asking to receive the remainder of the compensation in the form of direct payments. This method of payment is consistent with the recommendations of the working group established after the signature of CUSMA and with the government's commitment to listen to farmers when determining the terms of payment.

The government must understand that the concession amounted to taking a wheel off a tractor. For the tractor to work, the wheel must be replaced. This means compensation through direct payments. Then, if we want the tractor to move forward, we need to put fuel in it. This involves implementing government programs to develop the industry. The tractor may have wheels, but if it doesn't have fuel, it won't move forward.

The Canadian government has stated repeatedly that it wants a dynamic and strong dairy sector that generates growth, creates jobs and promotes investment. If it wants this to happen, it must provide compensation to restore confidence in the sector. It will provide the stability that dairy farmers need to move forward. As a result, dairy farmers recommend the following.

First, they recommend that the Canadian government continue to give dairy farmers, in the form of direct payments, the remaining seven years of compensation to mitigate the impacts of CETA and CPTPP, and that the total amount be included in the main estimates for 2020.

Second, they recommend that the Canadian government fulfill its commitment to provide full and fair compensation to dairy farmers to mitigate the impacts of CUSMA, in keeping with the recommendations made by the producers' working group established by the government following the announcement of the trade agreement.

● (1745)

[*English*]

Mr. David Wiens (Vice-President, Dairy Farmers of Canada): The outcome of CUSMA negotiations goes far beyond the dairy market access concessions that were made. CUSMA imposes export charges on skimmed milk powder, milk protein concentrates and infant formula beyond a specified amount.

This effectively equates to a worldwide cap on the export of Canadian dairy products and sets a dangerous precedent that could affect other sectors in future trade deals. Therefore DFC recommends that the Canadian government conclude an administrative agreement with the American government to ensure that the export charges contained in CUSMA, which are triggered after a threshold on certain dairy products has been reached—and again that's on the milk protein concentrates, skim milk powder and infant formulas—apply only to exports to the signatories of this agreement. In other words, they would apply to only the United States and Mexico and would not apply worldwide.

Last, we would like to see the other sectors under supply management, as well as the dairy processors, compensated to mitigate the impact of the recent trade agreements.

In conclusion, Canadian dairy farmers remain committed to supporting research and the development and adoption of new on-farm practices and technology. In the absence of government action on these recommendations, our ability to make the investments required to drive these important initiatives could be impeded by the concessions granted in recent trade agreements.

I'd like to thank you for your time and welcome any questions that you would have.

The Chair: Thank you, David and Pierre.

Now we'll go to Morgan Construction and Environmental Ltd., with Mr. Kiss, president and CEO, from Palm Springs, California.

I don't expect you have snow there.

Mr. Peter Kiss (President and Chief Executive Officer, Morgan Construction and Environmental Ltd.): No sir, but you can feel good that I was up in Fort McMurray last night and it was really different.

The Chair: It is very different.

Go ahead. The floor is yours. We can see and hear you.

Mr. Peter Kiss: Good afternoon. I wish to thank the finance committee for inviting me to these pre-budget consultations. My name is Peter Kiss and I'm the owner of Morgan Construction, a heavy civil earth-moving and environmental company operating throughout western Canada with a focus on the Alberta oil sands.

We currently employ 850 men and women from across Canada and have eight indigenous partnerships to provide real value and capacity-building to the groups we partner with. We are the definition of middle class. In 2014 and 2015 when the price of oil crashed, we laid off over 600 people. We have changed our business and innovated, but we have not really recovered. This is not a novel, one-off story; it repeats itself across the Prairies. The perception is that no one cares about Alberta and the west, and as it goes, perception becomes reality.

It was of special interest, especially to me, when I had my finance team pull these numbers together, to find out that over the last 10 years what I thought was a small business is a medium-sized business. The business and our staff have paid, including payroll remittances, taxes and fees to federal and provincial entities, $147 million. This is all while we've had our business evaporate. Again, this is paid by the middle class.

It should be noted that while we have paid our way, the company has not made significant money itself. It could be argued that we are hanging on by a thread. I am not alone. Western Canada is desperate. When I drive around rural Alberta to our work sites, the hotels and restaurants are vacant and there are “for lease” signs everywhere. Parking lots of oil service businesses are empty. The sentiment in western Canada is one of desperation and hopelessness. There is a feeling that we have been economically blockaded. We have no friends in the Dominion. It is economic Armageddon in the west.

Before questions, I'd like to provide the following suggestions for the upcoming budget and legislative session. We need investment in western Canada and we need offtake capacity and infrastructure for our resources.

First, we need to create a corporate and personal tax regime that is better than that in the United States, so investment will flow back into Canada. We have missed an economic boom and we need to catch up. As I sit down here in the United States, with unemployment at all-time record lows, there are help wanted signs everywhere and we have missed out.

Second, we cannot have different rules for our resources that have to compete on the world stage. One example of this is that oil produced in Canada has a charge for CO2 emissions, but oil produced in the Middle East does not. This makes us uncompetitive.

Third, we need to amend Bill C-69 to give investors confidence and we need to get money flowing back into western Canada. The economic engine of Canada is our resources and we cannot get them to market. This legislation, left unchecked, will only hinder activity and growth across Canada.

Fourth, I would like to pose the following question, which baffles much of the west with regard to Bill C-48 and energy east. Why is it okay to run tankers on the east coast but not on the west? Why can we not export our resources and get a global price? Do you feel that other countries have better environmental laws and human rights than we do? Believe me, as I was standing in Fort McMurray yesterday, on our job site, no one cares more about the environment than my front-line workers, my clients and me. Why are we importing oil from outside North America and not using our own resources? Does it make the middle class better off if we transfer their hard-earned money to various regimes with less stringent environmental standards and weaker human rights?

Finally, my last point is about Teck Frontier. It must be approved without conditions. If it is not, or the conditions imposed are so onerous that the proponent declines to proceed, there will be a rebellion in the west, plain and simple. For my business alone, I estimate that this project would mean 200 jobs.

● (1750)

In conclusion, I wish to thank the finance committee for inviting me to present during these pre-budget consultations. Please remember that we are desperate, but we don't want or need handouts. The west is resilient and hard-working and we need the economic blockade to end. We need to go to work. Thank you.

The Chair: Thank you, Mr. Kiss. Thank you for stating it as you see it. We appreciate it.

We now turn back to Harrison Mills, and hopefully this time we have Ms. Ballantyne of the Child Care Advocacy Association of Canada.

Ms. Morna Ballantyne (Executive Director, Child Care Now, Child Care Advocacy Association of Canada): Thanks very much, Mr. Chair, to you and the committee for the invitation to speak this afternoon on behalf of Canada's Child Care Advocacy Association.

Our organization serves as a national voice for a large, diverse and growing group of individuals and organizations who want high-quality, affordable, inclusive early learning and child care for all families and all children in Canada.

Last year, we drafted the affordable child care for all plan, which has been endorsed by a Canada-wide coalition of more than 100 groups representing parents, early childhood educators, advocates of children’s rights, anti-poverty groups, women’s organizations, and many others.

Three of the four national parties in the 2019 federal election made explicit commitments consistent with our plan. The majority of Canadian voters supported these parties. Now, we urge the House of Commons finance committee to recommend that child care be made a priority in the next budget.

An ambitious, evidence-based federal child care policy supported by proper levels of federal funding can advance reconciliation by supporting the implementation and expansion of indigenous early learning and child care; grow the economy by making it possible for parents with young children, especially mothers, to join the workforce or return to it after parental leave; help address the climate emergency through investments in local, green child care facilities and through the creation of green jobs in the early childhood education field; and redress inequality by ensuring that all children, women and families have equal access to high-quality, inclusive child care.

We were gratified that the Liberal government re-engaged in child care following the 2015 election. We welcomed the multi-year funding commitment for early learning and child care in the 2017 federal budget, and the negotiation of a multilateral agreement with the provinces and territories on early learning and child care.

However, the federal government must and can do more. First, we want the Government of Canada to increase its spending on child care by an additional $1 billion each year over 10 years to meet international benchmark standards. We recognize and applaud the Liberal promise to fund the creation of 250,000 new child care spaces for school-aged children. But we also need to see additional funds for the creation of more affordable infant, toddler and preschool child care in order to address the desperate shortage of supply.

Second, we want the federal government to negotiate new bilateral funding agreements with the provinces and territories, agreements that will simultaneously raise the quality of child care by lifting up the wages, working conditions and education of the child care workforce; increase access by substantially increasing the supply of high-quality, inclusive, flexible licensed child care for all age groups, using a publicly planned and managed approach; and make child care affordable for parents by providing direct operating funding to services.

Third, we want to see legislation that enshrines Canada’s commitment to child care with an entitlement for all children. The legislation should set out the principles, conditions and accountability mechanisms for federal transfer payments to the provinces and territories similar to the Canada Health Act.

Fourth, we ask the federal government to deliver on its election promise to establish and fund a federal child care secretariat to lead and coordinate the federal government’s child care work.

Fifth, we ask that the federal government continue to fund and support the implementation of the indigenous early learning and child care framework to ensure that all indigenous children have access to spiritually enriching, culturally relevant, high-quality child care.

Thank you very much.

● (1755)

The Chair: Thank you very much, Ms. Ballantyne.

I hate to go to four-minute rounds. Maybe we can do roughly four-minute rounds, possibly five minutes. I'd like to get eight people in. I guess nobody is getting out on flights tonight anyway.

We can start with Mr. Lawrence. We'll hold people to slightly less than five minutes.

Go ahead.

Mr. Philip Lawrence (Northumberland—Peterborough South, CPC): Thank you.

If it's okay, Chair, I want to discuss the impact of the carbon tax on agriculture. I would invite Scott, Pierre or David to respond to my question.

Some recent studies coming out of the Manitoba and Saskatchewan agricultural societies, as it were, have commented on the fact that there is a 12% increase in input costs—a $15,000 average cost. I'm wondering if your organizations have done any studies or could shed some light as to the impact on farmers and the sector of the carbon tax.

● (1800)

Mr. Scott Ross: I could start on that.

Both the Agricultural Producers Association of Saskatchewan and Keystone Agricultural Producers are members of the CFA. I would say that their analysis is quite recent. It was just undertaken. It's probably the best assessment we have seen to date on the farm-level impacts. I could certainly share the results with the committee.

At this point in time, they are the most robust datasets we have on that. Certainly we will continue to look into it, but I would suggest that both of their analyses are probably the most in-depth studies we have so far of the farm-level impacts.

Mr. Philip Lawrence: You would agree, then, with their assessments of a 12% input cost and $15,000 per farmer. You think they're generally correct, then.

Mr. Scott Ross: Our understanding is that they pulled the numbers directly from farmers, from either their income statements or whatever it might be. I think the numbers are quite reliable, yes.

Mr. Philip Lawrence: Okay. Terrific.

Pierre or David, do you have any comments?

Mr. David Wiens: I would basically reiterate what Scott just said. Of course, being from Manitoba, KAP is our provincial organization. They work on behalf of all the commodities to collect the information. Certainly, from the numbers that Scott raised earlier, it certainly is a reflection of how we experience it on our farms.

Mr. Philip Lawrence: Thank you.

In terms of potential budgetary solutions, there are a couple of options—to exempt it, meaning the money stays in the pockets of farmers, or to have a rebate, with money going to Ottawa and then coming back. Living in rural Ontario and knowing the farmers and your members like I do, I think generally their preference would be that it not come to my hands and then go back.

Would you care to comment on that as well?

Mr. Scott Ross: Our membership has been pretty clear that their preference would be for an exemption. Additionally, at this point in time, given the significant challenges that last year's harvest presented from a weather perspective and just more generally—a number of issues came together to make it particularly troublesome—they'd also prefer that a rebate be provided for the existing costs already incurred by farms relating to grain drying.

Mr. Philip Lawrence: Thank you.

Pierre and David, with regard to the impact of a new NAFTA, you're asking for direct compensation. I have done some tours, and I've seen the tremendous innovation in the dairy industry and some of the investments made. For my benefit and that of the rest of the committee, I'm wondering if you might be able to expand on the money that would go back as compensation for the losses in CUSMA. What type of innovation and technology do these modern dairy farms need in order to stay current?

[*Translation*]

Mr. Pierre Lampron: Prior to the three recently signed agreements, significant investments had been made in animal welfare, because doing so benefits the industry. A lot of animal welfare research is conducted. Farmers have acquired considerable knowledge, established new steps and improved facilities. They've also introduced robotic milking systems. They make significant use of automation because it cuts down on labour costs.

They invest heavily in fields, crops and GPS. All of those things factor into the cost of producing milk. Technology is available, but it takes money to make that investment.

[*English*]

The Chair: Just on that—if I may, Philip—in your presentation you made it very clear that the compensation should be paid out directly. Philip's question really related to innovation in the industry. The first part of the compensation, the first one that came out, was tied to people doing certain things on their farms. That really didn't work. Only 10% of dairy farmers got money out of that initial program. It did not work.

Where are we at? Are we saying that the compensation, which I believe has been budgeted for, should be absolutely direct? Or are you looking at programming that ties it to what you do on your farm for innovation?

● (1805)

Mr. David Wiens: Certainly, our past experience has been that through programs, it hasn't worked very well. There was was a bit of a problem with it, because farms are at different points in their economic cycles. Some who had just made a major investment were not eligible, and it would have worked well for them to be able to reduce their debt. For others, they were well positioned to make those kinds of investments at that time. That's why, from what we're hearing from our members, it needs to be direct payments to farmers.

The Chair: Okay.

You have time for a very quick question, Philip, if you have one.

Mr. Philip Lawrence: That's fine.

The Chair: Okay.

Ms. Koutrakis.

Ms. Annie Koutrakis (Vimy, Lib.): Thank you, Mr. Chair.

My question is for you, Ms. Ballantyne. Thank you very much for your report. I listened to it carefully. As a single mother raising my two sons many years ago, it was tough, and in Quebec we've had an affordable child care plan since 1997. I have met many, many mothers in my constituency of Vimy in Laval who are very grateful to have the affordable system that is currently available in Quebec. This system, in addition to the Canada child benefit, has allowed them to return to work, contribute to society and provide for their children. As we know, especially for single-parent households, it's very expensive.

Can you tell us what resources child care providers need in order to provide more affordable child care options to Canadians? Can you also elaborate on the obstacles that are not permitting us right now, as a nation, to put such an affordable child care plan in place? I can't imagine that people don't feel that this is the right thing to do for our families and our economy at large. What are some of the things that you've heard or that you can share with us that are stopping us from going forward on this very needed plan?

Ms. Morna Ballantyne: On the first point, you draw a parallel with the Quebec child care system. One of the reasons the Quebec child care system that was introduced in the nineties was so successful was that a government decided to spend money and transfer money directly to child care providers. Essentially the government decided to take the provision of child care “off the market” and to treat child care as a service that a government should fund and provide for.

Since the service was funded directly, the cost of child care to the parent could be reduced and regulated. This is what we would like to see across the country, direct funding of services as opposed to money transferred into the hands of some parents, not all parents, through a subsidy of sorts to help parents pay.

Giving parents some government help in the form of fee subsidies doesn't actually create child care spaces. We're in a situation across Canada of having a shortage of spaces, and the costs are too high.

That's why, in our plan, we say that the government should look at the issues of availability and cost simultaneously. It can't do one without the other.

With respect to what child care providers need, one of the big problems we're facing right now is a shortage of early childhood educators. There is a shortage of early childhood educators because the wages are so poor and the working conditions are so difficult.

Many early childhood educators are working for minimum wage, but increasingly government regulation requires a fairly high level of education to be able to work as an early childhood educator. We support high qualifications of educators. We think early childhood educator should be considered a profession and that educators should be trained, but in return they need to receive proper compensation.

When you ask why we don't have a child care system, it was first recommended by the Royal Commission on the Status of Women more than 50 years ago. I would turn that question back to members of the committee and members of the House of Parliament: For 50 years it's been recommended over and over again. Why have you not acted?

● (1810)

The Chair: If you have one, Annie, it has to be very short.

Ms. Annie Koutrakis: I want to say thank you for that, and I am sure that all my colleagues at this finance committee heard the last point. I can't imagine that we're not all going to work together to make sure we get this done.

The Chair: Thank you, Annie.

We will go to Mr. Ste-Marie and then over to Mr. Julian.

[*Translation*]

Mr. Gabriel Ste-Marie: Good evening ladies and gentlemen. Thank you for being here.

My questions are for Mr. Lampron and Mr. Weins, from the Dairy Farmers of Canada.

In your presentation, you pointed out that the dairy sector had been sacrificed so the three recent trade deals could be signed, the Canada–EU deal, the Trans-Pacific Partnership Agreement and the new NAFTA. As you mentioned, the concessions made in the agreements, under the World Trade Organization framework, amount to a combined loss of around 18%. Supply-managed producers are paying the price, especially dairy farmers.

You asked the government to provide financial compensation to dairy farmers in the form of a transfer, not an investment program. You proposed that the measure be included in budgets over the next few years.

You also asked the government to take certain administrative measures. Would you suggest any other measures to help mitigate the impact you've suffered as a result of the trade agreements?

Mr. Pierre Lampron: Thank you for your question.

Of course, there are other measures because the Canadian Food Inspection Agency, the CFIA… I'm not sure whether you're aware, but the Canada Border Services Agency, or CBSA, no longer has the expertise to check all the products entering the country. With the increase in dairy products coming in, border officers need to have the expertise to determine whether they are dealing with milk, cream or powder. If we really want to control the products coming in, border measures will have to be rigorous.

Mr. Gabriel Ste-Marie: You're saying that the CFIA and CBSA need more resources to control what's entering the country. We could be duped, so border officers need to be able to analyze milk powder and other dairy products.

What other products might enter the country? Could you give us some examples?

Mr. Pierre Lampron: Milk is the main one, but it could be concentrated or processed. The fat content for milk is 4%, but for cream, it's 35%. It can vary significantly, and that changes how the product is defined. It's important to know what products are coming into the country. When the fat content is 4%, the product is nowhere near the same as when the fat content is 35%.

Mr. Gabriel Ste-Marie: You're saying that our neighbours to the south might get creative in order to sneak products into Canada that are not supposed to be competing with supply-managed products.

Mr. Pierre Lampron: Yes. I also think Canadians want to know what they are consuming, so it's imperative to know what's coming in and ensure it's tightly controlled.

Mr. Gabriel Ste-Marie: Supply management works well. Production is determined by demand. Price is then determined by production cost, with revenue added in at a standard rate.

When concessions weaken supply management—you put the losses at 18%—what does that do to dairy farmers, in real terms?

Mr. Pierre Lampron: As you mentioned, the dairy sector was sacrificed. That means a loss of income. The cost of production and profit margin are also factors. While it's possible to lose market share and still operate efficiently, efficiency is also a matter of volume.

Mr. Gabriel Ste-Marie: Your colleague talked about investments earlier, saying that the investment program put in place had not worked well.

You're asking for direct transfers, but my understanding is that the money is going to be used for other investment programs. As more and more access is granted to the market, the investments seem to be less and less clear.

Mr. Pierre Lampron: We are calling on the government to put the money in the hands of producers. They know how to manage their investments. Not all farmers are at the same place in terms of benefiting from transfers versus investments. They aren't all at the investment stage. That's what was so frustrating about the first program.

We are recommending that the payments be made directly to farmers, and they will invest the money when the time is right. They'll have to pay taxes, so the money will be back in government coffers in no time.

Mr. Gabriel Ste-Marie: Thank you very much.

[*English*]

The Chair: Mr. Julian.

● (1815)

[*Translation*]

Mr. Peter Julian: I'd like to thank the witnesses.

My first questions are for Mr. Lampron and Mr. Weins. You talked about the expanded market access under the recent trade deals and the negative impact on supply management. I have two questions for you. The first has to do with the reciprocity of standards between Canada and the U.S. As we know, Canada has higher standards than the U.S. American dairy products contain all sorts of additives that are prohibited in Canada.

Does the reciprocity of standards concern you?

Mr. Weins, you talked about the surcharge on exports. It will be important to explore how the surcharge on exports can be avoided within the context of an administrative agreement, and if I understand correctly, even in relation to countries other than the U.S. and Mexico.

Do you think that's possible?

Mr. Pierre Lampron: I'll start with your first question.

There is no denying that the reciprocity of standards is a concern for producers, and that's true not just for dairy farmers, but also for our fellow farmers in other sectors. We have high standards in Canada. The proAction initiative ensures oversight of animal welfare, the environment, traceability and biosecurity. All of our farmers have to meet requirements in those areas. They are verified standards.

We can try to determine what's coming in from the U.S., but the fact remains, the Americans don't have the same standards we do.

It's a serious concern. You brought up a good point, so thank you.

Mr. Peter Julian: Thank you.

Mr. Weins, did you have anything to add?

[*English*]

Mr. David Wiens: I would like to respond to your second question, on how that might work, how we might be able to change the agreement that is already in place and that we expect will be agreed to.

We would hope that there would be some way our government could negotiate something with their government, in an administrative way, to recognize the difficulty of having this ban on worldwide exports of Canadian dairy protein products.

I'm not sure what that might look like. I think people closer to that could maybe give us a better description. Even if it were a side letter, whatever.... I'm not sure exactly what it would look like.

Mr. Peter Julian: You're underscoring the importance of that. I don't want to cut you off.

I'm just going to go to Ms. Ballantyne. I was going to ask you about the cherry blossoms just west of Harrison Mills as it's minus 10° in Ottawa, but I think I'll go right to child care. You talked about $1 billion more per year over 10 years, but also about negotiating enhanced child care agreements with the provinces, setting up a secretariat, putting in place a child care program that really is national in scope.

I guess I would ask you two questions. First off, we're probably talking about an additional close to $2-billion investment per year, I would expect, in order to really do this right. Is that not true? Second, how important is this for middle-class prosperity when you have families paying up to $2,000 a month per child care space? How essential is this to take that burden off? How does that contribute to Canadian prosperity when you make that investment? How does that contribute to accessing the labour force and providing more economic growth?

Ms. Morna Ballantyne: It's even more than what you're suggesting, Mr. Julian. What we're asking for is an additional $1 billion each year. In 2020 we're asking for $1 billion in the budget. In the year following we're asking for $2 billion. In the year following that, $3 billion, and so forth. That is consistent with the commitments your party made in the last election. It's set out in our plan, the affordable child care for all plan. That is the kind of money that would be required to build it, over a 10-year period—because it can't be done right away—and as the money increases each year, to be in a position to provide a licensed, high-quality, affordable space for every parent who wants it. We certainly don't think it should be mandatory, but we think that those parents who need access to child care, high-quality child care, should get it when they need it. That means a huge expansion of the system in every province, including in Quebec.

The money is also needed so that those spaces are high quality and affordable. What we're proposing is, actually, the creation of tens of thousands of spaces. That will, in turn, create a lot of jobs in the sector. If they're high-quality child care spaces, then they will be good jobs.

Why is this so crucial to middle-class prosperity? It's because, quite frankly, without access to high-quality child care, parents can't work as productively and as effectively and in as great numbers in the paid workforce. That's particularly true for women.

Middle-class prosperity, whether we like it or not, depends on two incomes. That means that parents, where there are two parents in a family, both need to be able to have the supports of child care to enter and stay in the labour force.

As you say, it contributes to middle-class prosperity, because right now, families are paying, on average, 26% of their household income on child care for the early years.

Thanks.

● (1820)

The Chair: I'm going to have to cut you there, I'm afraid.

Mr. Cumming and then Ms. Dzerowicz.

Mr. James Cumming: Thank you, all of you, for coming today. I very much appreciate your taking the time.

Mr. Kiss, I want to talk a little bit about some of the things you talked about. It couldn't have been easy to have to lay off 600 people. It strikes me that you're really not asking for a break. You're not asking for a tax break. Really, you're asking to be able to do what you do well and to continue to expand your business, which, obviously, will help with.... We hear a lot about people needing more money and more money from the tax coffers of the federal government.

If it were given the opportunity to grow, what would the potential for your business be? What's the potential for that kind of tax revenue, not just for the coffers but for things that you buy outside of the provinces of Alberta or Saskatchewan?

Mr. Peter Kiss: I had my finance team go back and pull up how much money we had contributed to the governments of Canada. It was $147 million, and that is payroll, but not GST, over 10 years. That was an astounding number. We're not a large business. By definition, we'd be medium-sized. In the oil sands, we would be a small player.

We have a staff of 850 employees, and if times were better I could see us doubling that size without much effort. It would be a lot of effort, but we could get there quite easily. All of those people buy vehicles made in Canada, food made in Canada and houses made in Canada. There's a massive trickle-down. They're flying across the country to get home to their families. We employ people all across the country, from Newfoundland to British Columbia and the territories.

Also, as I mentioned, we have eight indigenous partnerships and a couple more that I'm working on. The indigenous communities that we work in have been neglected and oppressed for generations. Now, with the focus and the spending of resource companies ensuring that they're gaining meaningful employment, we're seeing prosperity in places that have never seen it before. We're talking about developing-world poverty in our own country, and now these people have jobs. That's what it means.

There's a massive trickle-down across this country.

Mr. James Cumming: We're hearing a lot about Teck Frontier. How important is that project to Alberta and to the resource industry in Alberta?

Mr. Peter Kiss: There is a lack of offtake capacity in western Canada. There are no pipelines to get our oil out. Any new projects that were slated have been shelved for two reasons. First, there's no place to put the oil. Second, a curtailment was imposed by the Alberta government to raise the price of oil, somewhat artificially, so that we weren't selling $60 oil to the United States for $12. There are no new projects happening.

Teck Frontier is a light at the end of the tunnel. I believe, and don't quote me on this, it's 7,000 construction jobs. I don't know what the permanent jobs would be, but it would be a massive boon to the Alberta economy. The steel and pipe and all kinds of material would come from across Canada. It's very important.

● (1825)

The Chair: Thank you.

We'll turn to Ms. Dzerowicz.

I want to come back to some questions on Teck Frontier later, myself.

Ms. Julie Dzerowicz: Thank you so much, Mr. Chair. Thanks to everyone for your great presentations. I only have four minutes and I'd like to get to four of you, so please keep your comments short.

I'll start with the Canadian Cancer Society. Thanks for your excellent and thoughtful recommendations. In terms of employment insurance sickness benefits and extending the benefit to 26 weeks, considering it takes much longer to recover from breast cancer and colon cancer, I thought it was very generous to have suggested just 26 weeks. Have you costed it out, what the cost would be moving from 15 to 26 weeks?

Ms. Kelly Masotti: We say at least 26 weeks, because that is the data that we have access to, to indicate the length of time for treatment for somebody who has breast cancer or colon cancer. The Parliamentary Budget Officer completed a report, and we recommend that the committee look at this report. He has costed it out to 50 weeks, and I'm happy to share that afterwards.

Ms. Julie Dzerowicz: Please do. Thank you so much. A number of other groups have recommended that, and I think it's high time we follow that.

My second question is for the Canadian Federation of Agriculture. Grain drying and the heating and cooling of livestock should be exempted from carbon pricing. Why haven't we done that?

Mr. Scott Ross: It's a very good question.

In many respects, there's a sense that agriculture was given some limited exemptions in terms of on-farm fuel use and greenhouse heating, for example. It's a complicated industry and many Canadians don't understand the ins and outs of what is required to get food to market. We would hope that it would be largely an oversight, particularly given the kinds of weather conditions that we are now experiencing and the extreme weather events. Our hope would very much be that this an oversight that could be addressed in the short term, given that grain drying is a reality in Canada, particularly when we see winters like we just had. As we have seen over the past number of years, adverse and extreme weather events are increasing in regularity due to climate change. We need to be prepared and ensure that farmers have the tools in place to manage that.

Ms. Julie Dzerowicz: Are farmers largely seen as small business owners?

Mr. Scott Ross: I can't speak to public perception but, yes, they are largely, under any categorization you can come up with, small and medium-sized enterprises.

Ms. Julie Dzerowicz: Part of the reason I'm asking is because I believe that additional 10% was set aside. I think that was meant to provide some additional funding to small business owners. I think that was also supposed to cover some of these additional costs.

Are you saying this did not occur?

Mr. Scott Ross: If there is some relief being granted by virtue of the fact they're small businesses, the number that we reported earlier speak to what was actually accrued on those farms as carbon tax or carbon pricing implications. One way or the other, the costs are still significant and are causing significant financial challenges for farmers across the country.

Ms. Julie Dzerowicz: Thank you.

Ms. Ballantyne, you have recommended $1 billion a year from the federal government for national child care. What does that assume the provinces will contribute? Or is only the federal government going to be paying for the whole thing and it will be run by the provinces?

Ms. Morna Ballantyne: We assume that the provinces and territories would continue to contribute to the cost. We're asking for the federal government contribution to be $1 billion in this fiscal year and an additional $1 billion thereafter. If the provinces and territories continue to increase their contributions at their current rate, that would still bring us short in 10 years' time of 1% of GDP, the international benchmark.

● (1830)

Ms. Julie Dzerowicz: So the provinces—

The Chair: Sorry. I'll have to stop you there.

Mr. Poilievre for four minutes and then Mr. Fragiskatos.

We will have to wrap it up after that.

Hon. Pierre Poilievre: My comments relate to those of Mr. Kiss.

I understand that he is currently in Palm Springs, California, but his business is in Alberta, a significantly colder place.

I'm originally from Alberta. I grew up in Calgary, and I just want to add to your observations about how desperate a situation it is out there. I think that some of the members of the committee might be surprised by some of the language they're hearing from business leaders in Alberta. It might sound dramatic, it might sound over the top, but it's actually real.

Alberta has been a generous, calm, kind contributor to Confederation. For as long as I have been alive, for the last 40 years, the province has contributed net about $650 billion to Confederation through taxes that are paid to the federal system and never returned to the province. On a per capita basis, that makes it the largest contributor.

In the last five years, the province has experienced a massive downturn, not because it's not getting enough money from the federal government but because the federal government is making it impossible for the province to sell its products at world prices. The irony is that Alberta is actually not looking for a handout. They're actually just looking for a bypass so they can build pipelines at the expense of private investors, at no cost to their fellow Canadians, in order to sell their products at world prices. Failure to allow that to happen has led 200,000 people to lose their jobs.

Over 20% of young men in rural Alberta are unemployed. Rural property crime has skyrocketed, because people are desperate enough to go onto farm properties and literally siphon fuel out of vehicles that are parked there. Delinquencies have skyrocketed. The commercial real estate vacancy rate in downtown Calgary is 25% to 30%. Those are Great Depression-level vacancy rates. It is astonishing. If you go to Kensington, which used to be a happening, hipster neighbourhood near the river in downtown Calgary, the Starbucks closed there. Starbucks doesn't close anywhere. Do you know what I mean? That is a place where people love to drink coffee. I don't think people in Ottawa on Parliament Hill realize how desperate the situation is getting. This is at a time when world oil prices are relatively high, where there's growing Asian demand for natural gas that we could supply from western Canada, but government policies are preventing it from going ahead.

I know we're supposed to just ask questions here, Mr. Chair, but having grown up in the province and having many friends and family who are suffering there right now, I just think people around Parliament Hill need to come to the realization of how desperate it is out there and how many people are suffering. You wonder why you're hearing this heated rhetoric. People are desperate, and they want someone in the government to get out of the way and allow people to rebuild their livelihoods. I hope and pray that this government will use the budget as an opportunity to do that, because the situation is going to get more and more desperate.

If the government thinks it's going to kill the Teck Frontier mine by simply imposing a bunch of unrealistic conditions, then approving it and letting the company pull away, just the like the government did with the TransCanada pipeline when they riddled it with impossible conditions, the company backed away, and then the government said, “Well, it's not our fault”—

The Chair: It's the energy east pipeline.

Hon. Pierre Poilievre: Sorry, the energy east pipeline.

The Chair: We bought the Trans Mountain.

Hon. Pierre Poilievre: You bought it but you haven't yet built it. You put on a bunch of conditions that made it impossible for the thing to get built, and then TransCanada disappeared from the project. If you do that in the case of Teck, I think that the justifiable anger will shock people in the Government of Canada. I encourage them to change course on this.

Let Alberta be the comeback kid of Confederation. It can happen, it should happen and I want Mr. Kiss to comment on how we can make it happen.

● (1835)

The Chair: You are out of time. Mr. Kiss, go ahead, but I do want you to understand that I know Alberta too. I spent a fair bit of time there. My first job was in Calgary. I understand what has been said, and a lot of people in the government understand as well. We know there are serious problems. It's one of the reasons we bought a pipeline, and it's being constructed now. So let's not let the rhetoric get too high here, but lay out your points, because we certainly want to hear them.

Mr. Peter Kiss: Mr. Chair, you may not remember this but you and I shared a lobster roll in September when my YPO Alberta forum group was out in your great province.

The Chair: That's true.

Mr. Peter Kiss: I had this in my presentation and I crossed it out because I felt it was, quite frankly, too shocking. I was with Petroleum Services Association. We were presenting to the Alberta government and I was in the environment minister's office. He told us that on the night of the federal election, three business owners in his riding committed suicide because they had lost hope. That's what we're up against and that's what's going on in Alberta.

The Chair: Thank you, and that's understandable when things get tough.

Mr. Fragiskatos, you have four minutes.

Mr. Peter Fragiskatos: Thank you, Mr. Chair. Like all members, I wish that we had more time here.

I want to ask Ms. Masotti and Ms. Sonea a question. In the Minister of Health's mandate letter, as I'm sure you know because you brought up pediatric cancer research today, it says, “make new investments in pediatric cancer research and develop a long-term plan to ensure sustainable funding”. There is no dollar figure assigned at this time.

Is there a dollar figure that you would suggest to the committee? I know if you put that question to organizations, sometimes they might ask for the maximum, but what works in your mind? It does talk about the need for sustainable funding. We have a real issue across the country. This has not been earmarked before by a federal government as a spending priority. There is a family in London in particular that has advocated very strongly on this. It is one of the reasons, among many others, that it did find its way into a mandate letter.

Do you have any thoughts on a dollar figure and what could work?

Ms. Kelly Masotti: Maybe I'll start and then Helena can add.

We were pleased to see the Liberal government commit $30 million for pediatric cancer research, not only in your party's platform but in the ministerial mandate letter as well. That is certainly the figure our organization is quite keen to work with you on. We were happy to see that, but we can certainly always see an increase in investments for pediatric cancer research in this country. We need to see an increase for clinical trials, as a start, but the $30 million was nice to see.

Mrs. Helena Sonea: As well, the Cancer Research Alliance produced a report demonstrating the trends of pediatric cancer research funding over the past number of years. We've seen that plateau. We'd be pleased to provide that report.

Mr. Peter Fragiskatos: The figure of $30 million is not in the mandate letter itself. I believe it was in the platform, but it is perhaps a figure that can be put forward as a recommendation of this committee.

With the last question, Mr. Buy, kudos to you because you really know how to lobby politicians. Any time you mention their riding at the outset, they're much more.... We always pay attention, but it pushes me to ask you a question.

With the limited time that I have, agri-food stands as one of the great potential areas of economic growth for this country. Dominic Barton has really advised on this, as have many others, talking about the breadbasket that is Canada. I come from London, Ontario. We are an urban oasis surrounded by some of the richest farmland in the entire country. What is the single biggest impediment standing in the way of our agri-food sector scaling up even more, so that we can have it as a fundamental pillar of our economy, if it isn't already?

Mr. Serge Buy: We need to ramp up innovation. We're at a stage where we're competing against a number of players throughout the world and they're investing significant amounts of money in innovation.

We've made some progress in the last few years. The investment the government has made in the protein industries supercluster is certainly helping that sector. It's part of the supercluster strategy the government has put forward. Some other investments have been very good, but we need to continue to focus on innovation because that's the only way we're going to remain competitive. It's not going to be on labour wages; that's not feasible. It's not going to be on price of pure commodities. It's going to be on innovation, and innovation in food processing and processing in Canada. Too often, we ship our grains to be transformed overseas. We need to look at innovation and transformation here.

● (1840)

Mr. Peter Fragiskatos: We have Maple Leaf Foods coming in to London. When it's finished it will be the world's largest chicken processing plant—maybe not the world's largest, but certainly in North America, with groundbreaking innovation made possible in part by a federal investment about a year and a half ago. We can build off that and do more, I hope.

The Chair: Thank you, Peter. Your last word would have to be about London.

Mr. Lanthier, there were no questions directed towards you. Do you have any comments you want to raise to sum up?

Mr. Allan Lanthier: No. The discussion has been very interesting, Mr. Chair.

The Chair: Okay.

For committee members, the deadline for recommendations is February 18 at 6:00 p.m. to the clerk. Those recommendations will have to be translated. If they could be in earlier, that would be better. We have to do that to meet the turnaround time so that the recommendations can be distributed to all members and we can consider them as a committee as early as possible. We are going to run down the time frame.

Mr. Kiss, I'll put it this way. I'm worried about Teck Frontier becoming a real flash-point. Decision-makers within government have a very tough decision here. On the one side, I think Teck Frontier isn't an investment that is immediately going to go ahead; it may never go ahead, but it will depend on the price of oil. I understand there are something like 20 projects already approved, but not operational.

On the other side of the coin—and we've heard this loudly and clearly as well—if Teck Frontier is approved, the society is really concerned about the environment and it will be a flash-point on the other side for those who would believe that this government is just not going to do anything about the environment.

I think that's the kind of box we're in, as a country. I think we're going to have to be....

And I hear and understand what you said, because I'm one of the ones who talks consistently about the fact that the Alberta discount is costing the oil industry about $587 billion a year. That's our loss because we don't have an outlet for our product.

So I don't mind admitting that I'm really concerned about this issue and I hope that the rhetoric, the anger and frustration on both sides doesn't lead us down a path that none of us wants to go down. I think we have to find a solution at the end of the day.

Those are my comments on the issue.

Do you have anything to add?

Mr. Peter Kiss: No, sir.

I appreciate your comments.

As an Albertan with boots on the ground, if you will, the environment is at the forefront of everything we do and my clients treat it.... I don't think people understand the care that goes into constructing these facilities and the reclamation that goes on behind them.

I appreciate your comments. Thank you.

The Chair: Okay.

I think we have to find an understanding on that one on both sides, because I know there is great work happening out there on the environment as well.

All right, as far as the finance committee goes, we will have our recommendations in on February 18 and we'll see where we go from there and what we recommend going forward.

For the witnesses who have come, I want to thank you for presenting your remarks tonight.

For committee members, I want to thank you for your endurance in what has been a very long, intense week with one heck of a lot of good presentations. With the amount of information that came forward here this week, everybody clearly put their heart into it, and there were a lot of good recommendations. We have some homework to do, too, so thank you.

With that, we'll adjourn the meeting.

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