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## Standing Committee on Finance

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EVIDENCE

**Monday, May 28, 2012**

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**Chair**

**Mr. James Rajotte**



## Standing Committee on Finance

Monday, May 28, 2012

• (1530)

[English]

**The Chair (Mr. James Rajotte (Edmonton—Leduc, CPC)):** I call this meeting to order. This is the 62nd meeting of the Standing Committee on Finance. The orders of the day are pursuant to the order of reference of Monday, May 14, 2012. We are continuing our study of Bill C-38, An Act to implement certain provisions of the budget tabled in Parliament on March 29, 2012 and other measures.

Colleagues, as you know, we are continuing with part 4. We are starting with division 31.

We have officials with us from Transport Canada to discuss division 31.

If you'd like, you can give us an overview of this specific section, and then we'll have questions from the members on it.

**Ms. Karen Swol (Director, Program Management, Rail Safety, Department of Transport):** Good afternoon. I'm Karen Swol from Transport Canada.

The amendment we're going to present to you is on the Railway Safety Act. It's division 31, part 4. The amendment to the Railway Safety Act is as a result of a DRAP initiative from budget 2012, which reduced funding to the grade crossing improvement program.

The grade crossing improvement program provides funding to railways and road authorities to make improvements to federal railway crossings across Canada. The reduction involves reducing the federal contribution portion from 80% funding to 50% funding.

In order not to download additional costs to the road authorities, which are provinces and municipalities, the following amendments to the Railway Safety Act are being proposed.

The first amendment, which is in subclause 484(1) is an amendment that limits the amount that the Canadian Transportation Agency can apportion to road authorities to a maximum of 12.5% of the construction and alteration costs. This is traditionally what the provinces and municipalities have paid in the past.

The second amendment, which is subclause 484(2), provides the Governor in Council with the regulation-making power to exempt any railway work, or any person or railway company, or any group or class of persons or railway companies, from the first proposed amendment.

The remaining clauses, numbers 485 and 486, are administrative in nature. Clause 485 includes the regulation under proposed

subsection 50(1), which includes a list of the regulations under the Railway Safety Act, and clause 486 is a coming-into-force clause.

**The Chair:** Thanks for your presentation.

We'll have questions from members.

We'll start with Ms. Nash.

**Ms. Peggy Nash (Parkdale—High Park, NDP):** I'll defer to Mr. Marston.

**Mr. Wayne Marston (Hamilton East—Stoney Creek, NDP):** Thank you, Mr. Chair.

I had the good fortune early in my career of being a signal maintainer on the CNR, so I installed a lot of miles of crossing protection, for about a six-year period.

In the past one of the problems we had with level crossings was the accidents on them. You had to have a certain body count before they would actually invest in those crossings. It was a huge investment in those days for the municipality.

What I'm hearing is that now we're reducing the share of the cost that the federal government would have.

**Ms. Karen Swol:** That's correct.

**Mr. Wayne Marston:** Has anybody done any assessing or been in dialogue with either the provinces or the municipalities or the cities as to the impact on their ability to do the upgrades? With the trains as fast as they are today, and traffic... To be quite frank, the people today are not paying attention as much as they once did, so there's a higher risk in my opinion.

I had a crossing called Thorold Stone Road, in Niagara Falls. There were four people killed at that crossing in 11 months simply because they were in a rush. They were in a tourist area.

My concern is whether there has been an assessment of any sort on the impact of this.

**Ms. Karen Swol:** Prior to the DRAP initiative there wasn't, because the initiatives under the DRAP were secret. Since this has now been produced in the budget, we have informed the stakeholders and we're assessing feedback at this point.

•(1535)

**Mr. Wayne Marston:** I'm surprised to hear the word "secret". Normally when you have funding partners in anything you're doing, you would think you'd want to talk to them, because they're the ones who come to you with the expression of need in a circumstance like this. Hopefully it's not because of fatalities, and hopefully it's more because of close calls, but either way I'm a little surprised to hear that.

There was an exemption in here. Does that exemption allow the minister to pay more? Is that the intent of that exemption?

**Ms. Karen Swol:** With regard to the regulation-making power, yes. Instead of having to go back and change the act, should a change be required to the first amendment, it can be done through a regulation-making power. It could be in a regulation.

**Mr. Wayne Marston:** What is the cost today to put in a set of gates?

**Ms. Karen Swol:** It can range anywhere from \$200,000 to \$350,000.

**Mr. Wayne Marston:** It was \$35,000 for flashers and \$55,000 for gates when I was doing it.

**Ms. Karen Swol:** That would be for the full package: the gates, bells, lights, and larger packages. It would depend on how many masts you were putting in.

**Mr. Wayne Marston:** So when we're talking about that amount of money, would our portion be roughly \$25,000?

**Ms. Karen Swol:** In the \$200,000 scenario we would pay \$100,000. We used to pay 80%, and now it's 50%.

**Mr. Wayne Marston:** Okay. I wrote that down wrong.

I think that's what I need.

Thank you.

**The Chair:** Mr. Brison, please.

**Hon. Scott Brison (Kings—Hants, Lib.):** Thank you.

The federal funding portion will be reduced from 80% to 50%. You're saying there won't be any off-loading to road authorities, so will the slack be picked up entirely by the railway companies?

**Ms. Karen Swol:** Yes.

**Hon. Scott Brison:** We just finished with Bill S-4 on the Railway Safety Act. Why weren't these changes included in that piece of legislation?

**Ms. Karen Swol:** This came about as part of the DRAP exercise. If you recall, it started off as Bill C-33. It was reintroduced after the election and had been going on for quite some time. That bill was probably already in the Senate by the time these decisions were made to go forward with changes to this. So it was not part of the original thinking.

**Hon. Scott Brison:** Is there some concern that during these uncertain economic times we're adding cost to the railway companies like CP?

**Ms. Karen Swol:** I guess. It's part of a reduction measure, but perhaps responsibility in areas where the benefits are to be gained as well....

**Hon. Scott Brison:** I also notice in division 31 that the Minister of Transport will now have the authority to make regulations exempting any railway work, or any group or class of persons or railway companies, from the application of the proposed limit.

Why is that change being made now?

**Ms. Karen Swol:** If we decided over time through a regulation that we wanted to specify maybe a higher portion than 12.5%, or a different percentage than is currently there, that would allow it. Different kinds of work may warrant higher percentages in different circumstances. With different classes of railways—maybe the class I's, the larger railways, versus the smaller short lines—the regulation would be able to write up some exemptions to that.

**Hon. Scott Brison:** On limiting the agency's discretion in apportioning costs to a road authority to a maximum of 12.5% of the overall cost, where was that figure derived from?

**Ms. Karen Swol:** When we were providing 80% federal funding, the road authorities and the railways traditionally split the remaining 20%. The traditional split was 12.5% for the road authorities and 7.5% for the railways, so we kept the traditional proportion for the road authorities.

**Hon. Scott Brison:** Why doesn't the Minister of Transport convene a meeting with the railway companies, the Federation of Canadian Municipalities, and provincial governments to come up with overall standards on some of these issues or protocols around safety standards and location issues that could be interpreted and applied more consistently?

•(1540)

**Ms. Karen Swol:** Are you talking about a costing standard?

**Hon. Scott Brison:** For example, you could say we don't want a school on one side of the track and a fast food restaurant on the other side. But recognizing that the federal government's cutting back its spending on this, are there ways, perhaps through convening a meeting with the Canadian Federation of Municipalities—

**The Chair:** You have one minute.

**Hon. Scott Brison:** —provincial governments, and the companies, to create standards on some of this, and to deepen that? Would that be a meritorious idea?

**Ms. Karen Swol:** I guess I should mention, too, that there is also some work going on to develop grade crossing regulations. We are in the process of doing external consultations on that, which will put a level of standard at a crossing.

That wouldn't address the financial component, but it would address the safety standard.

**Hon. Scott Brison:** Okay, but the point is that during a time when the federal government is reducing its expenditures on this, there may be a way to standardize it to—

**Ms. Karen Swol:** Yes. Fair enough.

**Hon. Scott Brison:** —continue prudent approaches.

**The Chair:** Thank you.

Is there anyone else on this division?

I want to thank you very much for being with us here today, presenting to us, and responding to our questions.

We'll now ask officials from Finance to discuss division 32, with respect to the Canadian International Trade Tribunal.

Welcome to the committee. Please give us an overview of this division.

**Mr. Dean Beyea (Director, International Trade Policy Division, Department of Finance):** Thanks, Chair.

First, my name is Dean Beyea. I'm the director of the international trade policy division at the Department of Finance.

Division 32 amends the Canadian International Trade Tribunal Act.

The Canadian International Trade Tribunal is a quasi-judicial institution within Canada's trade remedy system. The CITT conducts inquiries into complaints relating to unfair trading practices, that is, dumping and subsidizing. The CITT reports to Parliament through the Minister of Finance. The Tribunal is currently composed of a chair, two vice-chairs, and up to four regular members, who are appointed by the Governor in Council.

Clauses 487 and 489 amend the CITT Act to replace the two vice-chair positions with regular permanent member positions.

**The Chair:** Thank you for that explanation.

[Translation]

Mr. Caron, you have the floor.

**Mr. Guy Caron (Rimouski-Neigette—Témiscouata—Les Basques, NDP):** What is the rationale for this change? What will the role of the permanent members be? How will it differ from a vice-chair's role?

What would happen if the chair of a tribunal had to step down for one reason or another?

[English]

**Mr. Dean Beyea:** The only difference between the role of the vice-chair and that of a regular member is that a vice-chair can undertake the duties of the chair. The amendment would be that now the regular members can decide amongst themselves who would replace the chair in that situation. There are currently no other duties that the vice-chairs perform.

[Translation]

**Mr. Guy Caron:** What is the budgetary impact of this measure?

[English]

**Mr. Dean Beyea:** It's a saving. It's part of the deficit reduction action plan. It's a saving of just under \$100,000, which represents about 1% of CITT's budget. It's a very small organization.

**The Chair:** Is there anyone else? No?

Thank you very much for your presentation and for being with us here today.

We'll now move on to division 33, on the International Centre for Human Rights and Democratic Development Act.

We have an official from DFAIT with us.

Welcome to the committee. Perhaps you could give us a brief overview, and then we'll have questions.

• (1545)

[Translation]

**Mr. Olivier Nicoloff (Director, Democracy, Commonwealth and Francophonie Division, Department of Foreign Affairs and International Trade):** Mr. Chair, my name is Olivier Nicoloff. I am the Director, Democracy, Commonwealth and Francophonie Division at the Department of Foreign Affairs and International Trade.

On April 3, the Government of Canada announced its intention to close Rights and Democracy as part of its efforts to save money and be more effective. Because of the challenges that organization had experienced in the past, it was decided that it was now time to look to the future.

On April 5, the government announced the appointment of an interim board of directors whose mandate would essentially be to wind up the organization. Under the direction of the interim board, Rights and Democracy is now working on the effective winding down of its foreign programs while minimizing the impact of that work.

[English]

The Government of Canada remains committed to promoting freedom, democracy, human rights, and the rule of law around the world every day. From Canada's ambassador and embassy personnel around the world to the staff at the Department of Foreign Affairs and International Trade and the Canadian International Development Agency in Ottawa, Government of Canada officials continue to work to support democracy and human rights internationally. The Department of Foreign Affairs and International Trade funds democracy support projects around the world, mainly through the \$3 million democracy envelope of the Glyn Berry program. DFAIT's democracy support is complemented by a much larger envelope for long-term good governance, human rights, and support for the rule of law managed by the Canadian International Development Agency, which totalled about \$204 million in 2010-11.

Thank you, Mr. Chair.

**The Chair:** Thank you very much for your presentation.

We'll begin members' questions with Mr. Marston, please.

**Mr. Wayne Marston:** Thank you, Mr. Chair.

And welcome. I appreciate your being here.

In the subcommittee on human rights, we often have dealt with the history of a variety of countries—the Arab Spring type of situation, or Iran in particular, following their last election and the things that happened there. Some of the witnesses talked about organizations like Rights and Democracy, where they had visible space between them and the government. They could do things on the ground that couldn't be done by the government. What would your reaction be to that opinion?

**Mr. Olivier Nicoloff:** Thank you for the question.

I would say we are dealing today with a situation, with a world that is quite different from the one we knew in 1988 when Rights and Democracy was established. You're talking about the role that NGOs can play abroad. In fact, NGOs are much more active and much more present than they used to be. But the capacity of the government to act abroad is also quite different, I think, from what it was in 1988. I'm thinking, for example, about the Internet, and the capacity to communicate more directly with different groups and organizations in different circumstances. So I think one of the quick questions the government has to answer is whether the tools we had in the past to do that type of work are the tools we still need today.

**Mr. Wayne Marston:** I would offer you too, sir, that what we saw in the Arab Spring had a lot to do with technology, young people together, but it was NGO-type groups working with them via the Internet and other methods that offered them the kind of support that's essential.

There's a huge distrust level around the world between certain governments, without naming too many of them—the situation we saw happening in Egypt, where they removed the head of state, but the regime fundamentally is still in place there. So there's more access to that country than say Iran, so organizations like Rights and Democracy working through there, would have an opportunity to do a lot of good.

I'm really concerned about taking it within the walls of government, at least in the perception of people. I'm not critical of the work at DFAIT. I think the work they do is fine. It's not from that point of view, it's from that arm's length feeling of trust that's needed.

**Mr. Olivier Nicoloff:** Thank you for your comments about our work. It's appreciated.

I would say that the capacity that we have at DFAIT to work with different NGOs is now much bigger than it used to be in the past. In many cases we're working with Canadian NGOs, but we're working also directly with other NGOs. So the sort of options we can offer our minister in terms of work is quite significant.

• (1550)

**Mr. Wayne Marston:** Other parallel organizations around the world have a similar bent to them as Rights and Democracy, in the sense that they're an NGO and they're lower profile. It seems strange to us to be sacrificing that for budgetary reasons.

I understood the budget was about \$11 million. Is that a fair number?

**Mr. Olivier Nicoloff:** Its total is about \$9.8 million, yes, half and half between DFAIT and—

**Mr. Wayne Marston:** Relative to the overall budget of the government, we're not talking a huge amount of savings. It really makes me concerned—and I'm not asking your opinion on this—that there's a political activity happening here, as opposed to a budgetary measure. I'm really concerned about that, because it was a well-respected organization worldwide.

That's all I have, Mr. Chair.

**The Chair:** Okay, thank you very much, Mr. Marston.

There's a minute left, or we could come back on another round.

**An hon. member:** Another round.

**The Chair:** Another round? Okay.

Mr. Van Kesteren.

**Mr. Dave Van Kesteren (Chatham-Kent—Essex, CPC):** Thank you, Chair.

Thank you, Mr. Nicoloff, for appearing before us.

What do you estimate are the savings for the government by making this move?

**Mr. Olivier Nicoloff:** For this year it's too early to say as we are looking to the closure and the commitment the organization still has. As for next year, this will depend on how far we may be able to go with a proposal we can make to the minister, and the decisions the minister will make regarding the work that DFAIT could do, which was done in the past by Rights and Democracy.

**Mr. Dave Van Kesteren:** Do you have any guesstimates at all?

**Mr. Olivier Nicoloff:** Not at this stage, no.

**Mr. Dave Van Kesteren:** Thank you, Chair.

**The Chair:** Thank you.

Mr. Hoback, please.

**Mr. Randy Hoback (Prince Albert, CPC):** There are other organizations and NGOs that are doing similar work, not only in Canada but abroad. I know the Parliamentary Centre is doing work like this. Former parliamentarians do similar work through GOPAC and groups such as that.

You talked about how the environment has changed from whence it first was discovered to the environment we're working in today. Can you highlight some of the changes that have happened in that environment throughout the world?

**Mr. Olivier Nicoloff:** Rapidly, I can think of two significant changes, and they're linked to the influence NGOs have today. We're working very strongly on the question of the role civil society should play in any society. As we know, most of the repressive regimes do not give any possibility for their own civil society to express itself and to play what is an essential role of conduit, if I may say, between the government and the population itself.

The second change I can think of is the communication facilities, how easy it is for us now to work directly with different organizations, obviously Canadian organizations, but also international organizations. Those organizations also are much more linked than they used to be, again because of the easier communication facilities that we have today.

**The Chair:** Thank you.

Mr. Brison, please.

**Hon. Scott Brison:** The timing of this... If you look at the democratic upheavals, the Arab Spring, and the role Canada has traditionally played in terms of issues around rights and institution building and democracy building, what entity specifically would be prepared to address these issues once Rights and Democracy is not there? Could you name a couple that you would see as fulfilling the mandate and meeting those responsibilities?

**Mr. Olivier Nicoloff:** Thank you for this question.

We're working with a wide range of organizations. We're working with the Parliamentary Centre, with International IDEA. There is an extended range of different organizations we can work with.

The minister has also indicated that some of the functions that Rights and Democracy was performing could be done by DFAIT. We're looking right now at options. We hope to be able to make proposals for the minister for an eventual decision about what sort of role we might play directly that Rights and Democracy was playing.

• (1555)

**Hon. Scott Brison:** Among other things, Rights and Democracy has a special status with some of the multilateral organizations, including the UN Economic and Social Council, the ILO, the African Commission on Human and Peoples' Rights.

What organization will represent Canada within those fora? Have you identified the fora within which Rights and Democracy had special status and determined what organization will represent Canada as a group to replace Rights and Democracy?

**Mr. Olivier Nicoloff:** Thank you again for the question.

One thing I would like to make specific is that Rights and Democracy was an arm's length organization from the government, so in that sense it would not represent the Government of Canada. It's too early at this stage for me to be able to say that in certain circumstances the government might want to be present directly or might see if some other partners might be able at least to have the Canadian voice heard. I'm afraid it's too early for me to say at this stage.

**Hon. Scott Brison:** As an arm's length organization since 1988 under successive governments, would there have been, from time to time, examples of where Rights and Democracy may have taken decisions that would be contrary to whatever government was in power at the time?

**Mr. Olivier Nicoloff:** It could have happened. They were not talking on behalf of the Government of Canada.

**Hon. Scott Brison:** No, but over that period of time since 1988, were there times when Rights and Democracy took a position that was not necessarily consistent with that of the government at the time?

**Mr. Olivier Nicoloff:** Thank you. I don't have a specific example in mind, but Rights and Democracy was operating within a mandate that was established by the legislation and guidance of its board of directors. So for its operation, the director and his staff were reporting to its board and not to the Canadian government.

**Hon. Scott Brison:** Rights and Democracy made some pretty significant changes the last few years in terms of the design and implementation of a new organizational structure to be more responsive to some of the changes that have occurred in the nature of international development.

Could you elaborate on some of the reforms that have occurred?

**Mr. Olivier Nicoloff:** It would be difficult for me, really, to speak on behalf of the director of Rights and Democracy, Mr. Gérard Latulippe. I know he wanted to focus more on the democracy mandates of the organization, as opposed to human rights, and also

on taking Rights and Democracy more toward the role of an implementing agency as opposed to an agency that would give away money—as it was doing—for other organizations to run programs.

Those are some of the elements that he was describing about his intentions.

**The Chair:** You have 30 seconds.

**Hon. Scott Brison:** As the government directly, through ministerial authority, takes over some of this, is there a potential risk of seeing a more, if not partisan, certainly political agenda for the governments, in terms of the organization or organizations that take over from Rights and Democracy?

**Mr. Olivier Nicoloff:** I don't think it's for me to answer that question. We will obviously make recommendations to the minister, and the minister will take the decision, which we will be responsible for implementing.

**The Chair:** Thank you.

I'll go to Ms. Nash, please.

**Ms. Peggy Nash:** Thank you.

Welcome to our committee.

As I understand it, the centre for rights and democracy has an international mandate to promote, advocate, and defend democratic and human rights as set out in the Universal Declaration of Human Rights. That international declaration is, of course, very close to Canadians because the principal drafter, John Humphrey, was a Canadian. It has become something that we've been very proud of as Canadians, that we have played this role internationally as a promoter and defender of human rights and democracy.

Having served as an election observer, I know that Canadians are well respected around the world. We're proud to represent our country in promoting democracy, but also in promoting human rights, which are certainly not meeting up to the universal declaration in many countries around the world.

I have to say, first of all, that I find it distressing that over time, with government appointments to the board of Rights and Democracy, conflicts, frictions, and some degree of chaos, it seems, have come about under this government. From afar I have to say it looks as though the government's been attempting to control the work of Rights and Democracy as opposed to allowing it to be an advocate and promoter of human rights independent from the government.

What kind of reaction have you had, internationally and domestically, from those who work in the field of human rights and the promotion of democracy to the proposed closure?

• (1600)

**Mr. Olivier Nicoloff:** Thank you. I haven't personally heard very specific reaction. This is really very much a world in transition. It was known that Rights and Democracy had its share of problems. The minister made very specific reference to that and felt that it was really time now to move behind that.

**Ms. Peggy Nash:** Sorry to interrupt, but just because our time is short, didn't those problems begin, though, with appointees from this government? I hadn't heard of problems prior to that.

**Mr. Olivier Nicoloff:** Well, the difficulties with Rights and Democracy can certainly be associated with the relationship between the board of directors and the actual staff and management. To say there were no problems before I think would be.... There were also difficulties in the past. I mean, in any organization that you manage this way there are difficulties related to different issues. It could be accountability. It could be orientation—

**Ms. Peggy Nash:** But nothing out of the ordinary. Nothing that made the headlines as it seemed to do afterwards with some of the appointees.

But I guess more to the point is that I'm just wondering.... If you're here presenting this change, which is the closure of this centre, there must have been consultation with the communities and with other stakeholders who are involved in this work. So you've not heard of any reaction—

**The Chair:** You have one minute.

**Ms. Peggy Nash:** —to this closure?

**Mr. Olivier Nicoloff:** We have an ongoing relationship dialogue with this community, but more specifically on the programs that we manage directly. As I indicated at the beginning, we manage a \$3 million program in support of democratic projects abroad. It's really the question of the tools and what are the best tools today for the government to conduct its work on its priorities for democracy and human rights support.

**Ms. Peggy Nash:** I just have time for one last quick question.

**The Chair:** You have 30 seconds.

**Ms. Peggy Nash:** Internationally, especially in areas of conflict, there is an advantage to being an independent organization or to be seen as an advocate, as distinct from a government organization. Rights and Democracy seemed to be able to navigate that difference internationally. Is there not a danger that this ability, this advantage, could be lost with the closure?

**Mr. Olivier Nicoloff:** Well, I would say again that we have many partners, and really, our challenge right now is to make recommendations and present options to the minister to make sure that he can implement his objectives in terms of democracy and human rights, with the partners and the tools that he has at his disposal.

**The Chair:** Thank you.

[*Translation*]

Mr. Mai, you have the floor.

**Mr. Hoang Mai (Brossard—La Prairie, NDP):** I share Ms. Nash's concerns about the closure of Rights and Democracy, which was in fact working well at the international level.

What are the official complaints you received about those problems? Could the government not have solved them before deciding simply to close Rights and Democracy?

• (1605)

**Mr. Olivier Nicoloff:** Thank you for the question, but I am not sure I have understood it properly.

As I said earlier, there were problems and tension over the last two years. The minister decided it was time to move past those problems

and to shut down the organization as an efficiency and cost-saving measure.

When the minister took office, we met with him. Obviously we explained the various programs and partners through which those programs were implemented. The question that kept coming up in terms of promoting democracy was whether the tools available were the ones that were needed today, and it was underscored that those were the criteria that should be applied in making decisions.

**Mr. Hoang Mai:** I understand that aspect. The minister decided it was time to stop dealing with the problems, but could you give us more detail about the problems in question?

**Mr. Olivier Nicoloff:** I am not sure I have enough time to do that.

Essentially, there was a conflict between the board of directors and the former president of Rights and Democracy, Rémy Beaugard. That conflict related to certain directions taken and to management principles, in particular the way management and the organization were accountable to the board of directors. As we know, the conflict became quite public. In the media, the debate focused on some rather specific questions, for example whether or not certain projects should be supported. And then....

**Mr. Hoang Mai:** In what period, more or less, did those conflicts occur?

**Mr. Olivier Nicoloff:** It was about two years ago. So it was a little before I was assigned to this. I do not have the exact dates.

**Mr. Hoang Mai:** So it was after the Conservative government came to power.

If I am not mistaken, there are about 82 people working there at present.

**Mr. Olivier Nicoloff:** In Montreal, there were 41.

**Mr. Hoang Mai:** How many are there in total?

**Mr. Olivier Nicoloff:** There are several regional offices. I do not have the exact figure, but it should not be more than about 50.

**Mr. Hoang Mai:** How much money is going to be saved by shutting it down? Will money be transferred to the Department of Foreign Affairs and International Trade because money has been saved?

It is now being said that the Department of Foreign Affairs and International Trade will take on this role. Will there be some kind of transfer?

**Mr. Olivier Nicoloff:** There will not be, for now.

However, we have been asked to prepare options and submit them to the minister.

**The Chair:** Mr. Caron, you have the floor.

**Mr. Guy Caron:** You said there were conflicts between the board of directors and Mr. Beaugard relating to management. In fact, there was an investigation into Mr. Beaugard's management, was there not?

**Mr. Olivier Nicoloff:** That is correct.

**Mr. Guy Caron:** Did the investigation reveal that Rights and Democracy had been mismanaged by Mr. Beaugard?



**Mr. Olivier Nicoloff:** The investigation raised some issues.

**Mr. Guy Caron:** Did they relate to management?

**Mr. Olivier Nicoloff:** They related to management as well.

**Mr. Guy Caron:** What kind of problem was there?

**Mr. Olivier Nicoloff:** You are testing my memory, but I would say it essentially involved issues relating to accountability, the way the money was spent.

**Mr. Guy Caron:** Did the investigation reveal that there were problems relating to management?

**Mr. Olivier Nicoloff:** I would not want to characterize the problems. That is not for me to do here. However, certain issues were raised.

**Mr. Guy Caron:** The board of directors had hired an accounting or audit firm to determine whether there were in fact management problems, such as were raised by the board of directors. If I recall correctly, there was absolutely nothing major.

**Mr. Olivier Nicoloff:** It is not for me to characterize what the investigation said. In fact, I think it is public; the results were released publicly. However, as in any type of investigation, there are always issues that come out and recommendations that are made to improve existing practices.

• (1610)

**Mr. Guy Caron:** There was a new board of directors installed, I think, in about 2007 or 2008. Were there problems between Mr. Beaugard and the previous board of directors?

**Mr. Olivier Nicoloff:** That goes back to a period that was before my time. In fact, there were no problems that made the headlines, as happened after that, certainly. It should be pointed out that there was a pretty tragic event, since Mr. Beaugard died during that period. That further highlighted the problems the organization was having at the time.

**Mr. Guy Caron:** After that, there was a rather stormy meeting with the new board of directors.

**Mr. Olivier Nicoloff:** It seems so, yes.

**Mr. Guy Caron:** You said that the situation that existed in 1988, when Rights and Democracy was created, was different from the situation today. Do you mean that Rights and Democracy was not able to adjust to the new geopolitical challenges?

**Mr. Olivier Nicoloff:** Rights and Democracy had a very specific mandate, which was established by Parliament. The organization could not operate outside that mandate.

I am referring to the question of this type of tool. Is this the most useful one, today, for implementing the objectives of the government and the minister in terms of promoting democracy? The question arose because, again, the situation is not the same today as it was in 1988.

**Mr. Guy Caron:** Was the basic issue that Rights and Democracy was not managing to adjust to the new geopolitical facts of life, in your view?

**Mr. Olivier Nicoloff:** It is very difficult for me to answer that question, because, essentially, the minister has to decide what tools he wants to have available to him for implementing policies he has himself decided on.

I think it is important that this question was asked because it certainly had to be asked.

**Mr. Guy Caron:** Let us talk about the decision to abolish Rights and Democracy. The Minister of Foreign Affairs said that this work could be done by the government. Concerns were stated by my colleagues. They said that a quasi-independent organization like Rights and Democracy could have more credibility than the government itself, which is a political entity. The minister also said that this work could be done by the Department of Foreign Affairs and International Trade. Do you know what kind of work can be done by the department?

You also mentioned various organizations that could do the same work. Do you have the names of specific organizations whose work could replace the work done by Rights and Democracy under its mandate?

**Mr. Olivier Nicoloff:** I mentioned a few organizations. I am going to give you some examples that we work quite closely with. I mentioned International IDEA and the Parliamentary Centre, and I talked about the Carter Center. It is easier for a government to work directly with those organizations today than it did in the past.

In terms of the fact that the minister said that the Department of Foreign Affairs and International Trade could take over part of the functions of Rights and Democracy, I want to point out that this is what we are working on at present, at the request of the minister's office. We are going to submit options for what the department could do, and in what circumstances, in order to resume the work done by Rights and Democracy, if only in part, in the current circumstances and in accordance with the government's objectives.

[English]

**The Chair:** *Merci.*

We'll go to Ms. Glover, please.

**Mrs. Shelly Glover (Saint Boniface, CPC):** Thank you, Mr. Chair.

I want to thank the witnesses as well for being present.

I want to get beyond the blame game here. I'm very appreciative that you're present, and the work that your fellow colleagues have done is commendable. But you mentioned a very important aspect of why this decision was made, and that is the question of the tools that are necessary to accomplish the goal. So I'd like you, for the benefit of those who would want to place blame for political, partisan reasons about why this is closing, to explain to them the difference between the situation in 1988 in these countries with the presence of NGOs and the presence of government and the situation we have today, which led to this decision surrounding the question of whether we have the tools.

If you could clearly articulate that, I'd really appreciate it.

• (1615)

**Mr. Olivier Nicoloff:** I hope I can be clear, then. Thank you for your question.

I think essentially, because of the much larger role that NGOs play on the international scene, the capacity they've developed in the past, and communication in general, plus because of the mentality—if you would allow me to say so—we have this capacity to engage much more directly with different organizations on the issues we're dealing with and the needs we are facing. This is much easier than it used to be in the past. NGOs in general are accepted now as legitimate partners of government in having a role to play, and it's much easier for us to be in contact with them than it was in the past. We need also, I think, to be more focused. We're facing challenges that are quite new, such as those we're seeing with what's happening in the Middle East and North Africa, for example. There is also the question of how we can be really efficient in doing this.

One thing I personally found striking was the difficulty in simply getting there rapidly and getting a good clear view of what is needed, with our partners—because we need to work with our partners—and then making specific proposals about where Canada can really make a difference. These are the sorts of challenges we are facing in democracy support today.

**Mrs. Shelly Glover:** So it sounds as though the elimination of Rights and Democracy actually provides us with a tool that is more flexible, because we're able to reach out and partner more efficiently with organizations that already have a clear view of what might be needed. Is that an accurate observation?

**Mr. Olivier Nicoloff:** I don't want to pre-empt what we as officials will present to ministers, but certainly at our level we see that we have a problem. It's something we need to address. We'll make recommendations to ministers, hopefully rapidly, about the fact that it is a challenge. The world is changing so rapidly that if we want to be able to identify rapidly not only what we can do but also what sort of resources we have in Canada to match the challenges, we need to be able to act very rapidly on our own to identify, make recommendations, and then look at different partners. The partner we need for one situation might not be the partner we need for another situation. So these are the sorts of challenges we are facing. We will be making recommendations to ministers along those lines.

**Mrs. Shelly Glover:** I appreciate that. I've been to some of these countries, like the Republic of Congo, for example, and I have to say that the Government of Canada is viewed by many of these countries as a very good partner.

A partnership between these countries is respected, and really the focus is to continue to work together to stop some of these violations from occurring. I know that while I was there I was commended on the fact that some of our businesses are also in place in these countries, which helps to bring about some of the watchdog attitude to help prevent human rights abuses and that kind of thing.

I heard that Canada, as a whole, was very well received in these countries. Have you heard the same?

**Mr. Olivier Nicoloff:** Yes, certainly, and many times. In fact if I may add, Mr. Chair, I was in Kinshasa not long ago in the context of the upcoming Summit of La Francophonie. We are raising those questions, those concerns, we have about democracy and human rights very forcefully.

In fact we are taking the occasion of the summit to do that, on the basis that as a member of la Francophonie we've made commitments

to democracy and human rights, and the host country has to abide by those commitments. It is a very efficient way for us to reinforce the dialogue we have, and indeed Canada is very much respected on this.

**Mrs. Shelly Glover:** Thank you. I appreciate that.

**The Chair:** Thank you, Ms. Glover.

Thank you, Mr. Nicoloff. Thank you very much for being with us today and responding to our questions. We appreciate that.

We will bring the next officials forward with respect to division 34, Health of Animals Act. We have officials from CFIA here with us.

Welcome to the committee. Thank you for being here. We look forward to your overview of these clauses, and then we'll have questions from members.

Ms. Barnes.

• (1620)

**Ms. Colleen Barnes (Executive Director, Domestic Policy Directorate, Canadian Food Inspection Agency):** Thank you, Chair.

I'm Colleen Barnes, the executive director of domestic policy at CFIA.

[*Translation*]

Thank you for giving me the opportunity to speak with members of the committee today. I am here to describe the proposed changes to the Health of Animals Act.

[*English*]

Before I begin, I want to be clear that these changes will have no impact on food safety in Canada and our continued strong food safety system.

In general the proposed changes to the act would allow the minister to declare primary and secondary control zones in order to manage animal disease outbreaks, foreign and domestic, in Canada.

The objective of this is to provide for additional mechanisms to address animal diseases. For the most serious diseases, eradication is and will continue to be our initial response. Often they can include the quarantine of farms and other premises, and in many areas we are successful in eradication. However, in some instances a disease can become so well established that eradication measures are no longer possible and quarantine is no longer effective.

The approach we are proposing in these amendments will provide us with new measures to respond to these types of situations.

Mr. Chair, I can go clause by clause, or pause here and take questions from members.

**The Chair:** What we've been doing generally is going to questions by members. We appreciate that overview.

We'll start with Mr. Marston, please.

**Mr. Wayne Marston:** Thank you, Mr. Chair.

This question is a little off topic from where you've just been. Do you govern the transportation of animals, for instance, if they're travelling to a slaughterhouse or for sale out of the general—

**Ms. Colleen Barnes:** We do have humane transportation regulations, yes.

**Mr. Wayne Marston:** One of the things that was brought to my attention recently is that sometimes animals, particularly cattle, can go close to 30 hours without water. That was a concern to the individual who raised it with me, and I thought that while I have you here I'd take advantage of it.

Would that be an area we could look to you for help?

**Ms. Colleen Barnes:** We do regulate that area.

**Mr. Wayne Marston:** But it's not addressed in this in any way?

**Ms. Colleen Barnes:** No, not at all.

**Mr. Wayne Marston:** Okay. With the changes you're talking about here, what would the financial impact be to your department?

**Ms. Colleen Barnes:** This one doesn't have a financial dollar figure attached to it because it's a new tool that the agency is going to have at its disposal. As I said, when we have a serious disease we try to eradicate. We have to go in there and take intensive samples. If it turns out that we can't eradicate, this will now allow us to move to a management approach, so we save money because we don't have to intensively manage the area.

**Mr. Wayne Marston:** It's a little concerning. It's not anything out of your answer but the fact of why is this in a budget bill, if we don't have any financial impact? It just strikes me as being very strange. We would think this should be a separate bill someplace else.

In fact, I met with some people who were talking about the various types of cages for animals, for instance. They put nine hens in an area where they don't even have the space to spread their wings, for instance, or the de-billing, or some of the other things that happen to these animals.

You would think that if we were going to get into some kind of a look at the legislation, we'd do it in a more holistic way. I can't see why it's in a budget bill.

**Ms. Colleen Barnes:** Mr. Chair, there are savings associated with this new tool. That's why it's in this piece of legislation.

It's hard to quantify, because it will depend on the disease and the situation in the future.

**Mr. Wayne Marston:** When you were assessing the need for the change, at that point was there some exploration of potential savings?

A lot of the things that have been happening, resulting in this bill, are the result of the government saying to all departments that they have to find some savings. If you were looking at this as a potential place for savings, what methodology did you use? Or are there any statistics at all?

**Ms. Colleen Barnes:** We recognize that things are changing out there, for instance, with climate change, and the nature of disease is evolving. So we looked at situations, for example avian influenza, which we've had success in eradicating. If we hadn't been able to, the

costs of managing that disease would have been pretty significant for the agency.

We recognize that the current way the legislation was drafted, we had no way of moving to a management approach in those situations. That's why it's here. It's part of that, recognizing the change in science.

•(1625)

**Mr. Wayne Marston:** Thank you.

That's all I have.

**The Chair:** Thank you.

You can have a minute and a half now, or you can have a full round later.

**Mr. Hoang Mai:** I'll just have it now.

**The Chair:** Okay.

Monsieur Mai.

[*Translation*]

**Mr. Hoang Mai:** Could you tell us whether the proposed changes are meant to protect animal welfare in cases where there is a disease outbreak affecting all animals?

[*English*]

**Ms. Colleen Barnes:** We can zone now. But what this will allow us to do is that when we have an area that's declared under quarantine and we can't eradicate that disease, we can now put a control zone in place where we can manage the disease while we use science or other ways to effectively eradicate it. It allows us to have a way of managing going forward.

**Mr. Hoang Mai:** Is the welfare of the animals taken into consideration in that case?

**Ms. Colleen Barnes:** It would be, based on science, in terms of our approach. So to that extent, yes.

**Mr. Hoang Mai:** Thank you.

**The Chair:** Thank you.

Mr. Hoback, please.

**Mr. Randy Hoback:** Thank you, and thank you, witnesses, for being here.

We need to clarify the advantage of the zoning and what it means to producers who are actually raising the animals.

In the old situation, I understand, if it wasn't for zoning, an outbreak in one part of Canada would have an impact on the markets for those animals right across Canada. Is that not correct?

**Ms. Colleen Barnes:** Potentially. When you're in a situation where you can't eradicate, we could move to this zoning. And that is well recognized internationally as a management approach that would only, then, have implications for the zone and not the rest of Canada.

**Mr. Randy Hoback:** The financial implications for producers, farmers in particular, would be enormous. For example, if there were an outbreak in my province, a producer in Ontario wouldn't necessarily lose all his markets, as has happened with cases of mad cow disease in the past.

**Ms. Colleen Barnes:** That's right, Mr. Chair.

**Mr. Randy Hoback:** So there are the financial implications of why this needs to be in the budget.

Thank you.

**The Chair:** Thank you.

I'll go to Mr. Brison, please.

**Hon. Scott Brison:** On a very specific point in division 34, I have a question. What is the basis for the conclusion that the chronic wasting disease strategy would be moved from eradication to containment?

**Ms. Colleen Barnes:** That's just one example. It's not designed for that disease in particular. It's for any disease where we find ourselves in a place where we can't eradicate.

**Hon. Scott Brison:** Does the change from eradication to containment expose us to any trade issues with the U.S. or Europe, or any other countries?

**Ms. Colleen Barnes:** No. This actually will help us. We then get this new zoning approach that, as the other member mentioned, is well recognized internationally as a management strategy, and it actually helps us keep our markets open.

**Hon. Scott Brison:** Thank you.

**The Chair:** Okay. That's it.

Thank you very much for presenting to us and for responding to our questions.

We'll move forward to division 35, the Canada School of Public Service Act.

Welcome to the committee, Ms. Leigh. Please present an overview of this section. Then we'll move to questions from members.

**Ms. Nancy Leigh (Manager, Governance Secretariat, Canada School of Public Service):** My name is Nancy Leigh, and I'm here on behalf of the Canada School of Public Service.

The school provides training for federal government employees and these proposed amendments are legislated changes to the Canada School of Public Service Act to eliminate its board of governors.

Currently the board provides the deputy minister with strategic advice by reviewing strategic direction, business planning, and performance results. The proposed changes are being made to align strategic oversight in a more transparent, risk-based manner, and to reduce the costs.

I want to assure you that oversight of the school will continue through existing mechanisms such as audits from the Office of the Comptroller General; the annual management accountability framework assessments; annual performance reporting, including the *Departmental Performance Report* and the *Report on Plans and Priorities*; as well as a five-year report to Parliament.

Our deputy minister will receive strategic advice from our direct clients, who are deputy ministers, through various deputy minister committees.

• (1630)

**The Chair:** Thank you very much for that overview.

Are there questions from members?

No.

You've satisfied everyone.

**Ms. Nancy Leigh:** Thank you.

Excellent.

**The Chair:** Thank you very much for being with us here today.

We will move on to division 36, the Bank Act.

Welcome back to the finance committee. We look forward to your overview of this section and then we'll have questions.

Ms. Pearse.

**Ms. Jane Pearse (Director, Financial Institutions Division, Financial Sector Policy Branch, Department of Finance):** Thank you very much. Thank you for having me back again.

I'm just here for one division this time, you'll be happy to know.

Division 36 introduces a preamble to the Bank Act to clarify the intent that all banking activities throughout Canada can be governed exclusively by the same high-quality federal standards. The objective of the preamble is to reaffirm Parliament's exclusive jurisdiction over banking, and the preamble will be an express statement of Parliament's purpose in this regard.

**The Chair:** Thank you very much.

Are there questions from members?

Monsieur Caron.

[*Translation*]

**Mr. Guy Caron:** Welcome once again.

With respect to the Bank Act, as you know, when we talk about adopting clear, complete and exclusive national standards, it affects a number of areas, in particular consumer protection. The contracts issue was and still is recognized as a matter under shared jurisdiction. The provinces and the federal government take complementary action.

In April, the Quebec Minister of Justice wrote to Mr. Flaherty, I believe. After analyzing the bill, he said he was very concerned that the federal government wanted to assume exclusive jurisdiction over an area that had been under shared federal and provincial jurisdiction until that point.

Do you think that is going to be the case and might the constitutionality of this clause create problems?

[English]

**Ms. Jane Pearce:** Both orders of government in Canada have an interest in ensuring that consumers and financial institutions are not confused or burdened by overlapping or contradictory regulations and requirements. Parliament's responsibility for banking is clear under the Constitution, and the government takes that responsibility very seriously. The preamble works to reaffirm the government's commitment to its jurisdiction over banking.

[Translation]

**Mr. Guy Caron:** I think we agree that the Bank Act is under federal jurisdiction. However, some aspects of that act were under shared jurisdiction until now. Given that this does not seem to be clear, I am taking into consideration that the reason an amendment is being introduced is to take back something that has been under shared jurisdiction until now.

Because it is a matter of claiming all of this and bringing it under exclusive federal jurisdiction, without consulting Quebec, I am asking you, again, whether you think the constitutionality of this clause is going to cause problems.

[English]

**Ms. Jane Pearce:** Yes, under the Constitution, jurisdiction under the Bank Act for banking is exclusively federal jurisdiction. Bank customers are required, under the Bank Act's Cost of Borrowing Regulations, to receive clear disclosure and other aspects of the consumer disclosure that you're referring to.

The concern is that some consumers receive different disclosures of things like interest rates and fees under the federal and the provincial disclosure rules. It can be confusing. There is a possibility or a probability of confusion for consumers who receive these two potentially different types of disclosures, and the government's view is that confusion can weaken consumer protection. So bank customers should only receive disclosure as required under the Bank Act and thus bank customers in general will be able to achieve the same high quality—

[Translation]

**Mr. Guy Caron:** That goes beyond the question I asked you, and I have very little time. My question really addresses constitutionality. You are undoubtedly walking on eggshells in this, so I am going to ask you a different question.

Up to now, we have assumed that what was done by the provincial governments, and in particular the Quebec government, and what was done by the federal government were complementary. I would therefore like to know whether the governments of Quebec and the other provinces were consulted before an amendment to the Bank Act was proposed.

•(1635)

[English]

**Ms. Jane Pearce:** The preamble is effectively a preamble over the Bank Act, and the federal government has the clear constitutional ability to effect—

[Translation]

**Mr. Guy Caron:** I understand, but that was really not what my question was about. I wanted to know whether there were consultations before the amendment was proposed.

**Ms. Jane Pearce:** With Quebec?

**Mr. Guy Caron:** With Quebec and the other provinces.

[English]

**Ms. Jane Pearce:** No.

[Translation]

**Mr. Guy Caron:** When the minister of justice of a province takes the time to write to the federal minister to explain his or her concerns, it probably has to do with the fact that the government in question was not consulted. In this case, it might cause some problems in terms of implementation. We might also expect there to be challenges.

[English]

**The Chair:** Mr. Brison, do you have questions on this?

**Hon. Scott Brison:** No, thanks.

**The Chair:** Thank you very much for coming back. I'm sure we'll see you soon.

We'll bring our next officials forward for division 37, Corrections and Conditional Release Act.

We have Ms. Brisebois from Public Safety Canada.

Welcome to the committee. Please give your overview of these amendments, and we'll have questions after.

**Ms. Suzanne Brisebois (Director General, Policy and Operations, Parole Board of Canada, Public Safety Canada):** My name is Suzanne Brisebois. I'm the director general of policy and operations at the Parole Board of Canada.

Thank you, Mr. Chair and members of the committee, for the invitation to speak to you today. I will keep my remarks brief, as we're discussing a single amendment.

As you know, the Parole Board of Canada is an independent administrative tribunal that has exclusive authorities under the Corrections and Conditional Release Act, or CCRA, to make decisions on the conditional release of offenders.

The CCRA and its regulations guide the board's policies, operations, training, and parole decision-making, and provide the legislative framework for the corrections and conditional release system in Canada. Bill C-38 proposes to eliminate the requirement for in-person hearings for certain types of reviews. This change will save the board \$1.6 million annually.

Specifically, clause 527 of Bill C-38 seeks to modify paragraph 140(1)(d) of the CCRA to remove the requirement for a panel hearing following the suspension, termination, or revocation of parole or statutory release. Instead, these decisions will be conducted by board members and the office by way of a paper review. Offenders will continue to be provided with all the information being considered by the board at least 15 days in advance of the review. They may make representation in writing for the board's consideration.

It is important to note that this change is specific to post-release decisions. The board will continue to conduct hearings for pre-release decisions involving day and full parole releases. Moreover, the board will retain the right to conduct an in-person hearing where it is deemed warranted.

Protection of society is of paramount concern to the Parole Board of Canada. Public safety will be protected and the rules of fundamental justice will continue to be respected.

Thank you for your time. I'm able to take questions should you have any.

**The Chair:** Thank you very much for your presentation.

We'll start with Ms. Nash, please.

**Ms. Peggy Nash:** Thank you for being here.

There's a federal corrections facility in my riding. It's like a halfway house. There's always a lot of concern about when people get to that facility, although it has an excellent record.

What do you think the impact will be of not having a panel review? Do you think there will be any increase or decrease in the number of people who may get conditional release? Do you think there will be any impact?

I always think that when people appear in person there is an emotional connection that doesn't appear on paper, and it can be advantageous to having a thorough assessment of a person. So what do you think the impact of this change will be on the conditional release of prisoners?

**Ms. Suzanne Brisebois:** I'll clarify.

This release is specific to offenders who are already in the community on either parole or statutory release. So the review by the board has already been conducted in terms of, for instance, an offender being granted day or full parole. Those are decisions that the board may determine. That has already been conducted in most instances. Unless the offender waives the hearing, those decisions are conducted by way of a hearing.

So for these cases, we're really speaking of post-release decisions, where the offender has already been reviewed by the board by way of a hearing, typically, and the post-suspension decisions are for cases where an offender is in the community and may have breached their condition of release, or their risk may have changed to the point where the release is suspended. They're re-reviewed by the board. Their case comes before the board.

• (1640)

**Ms. Peggy Nash:** If I could just clarify, people who are already on conditional parole, who would be in the federal facility in my riding.... I understand they've already had a review to get to that facility. But are you saying that if someone breaches parole in that facility, they may not have a panel review, it might just be a paper review?

**Ms. Suzanne Brisebois:** That's right, and that currently occurs. Right now the law requires a hearing for post-suspension, termination, or revocation decisions, but in approximately half the cases offenders will waive their right to a hearing, and it is conducted by administrative review in-office. So this would remove the

requirement in legislation for the board to conduct a hearing for those cases, but the board still retains the right to conduct a hearing where it deems that it's warranted, perhaps for more complex cases or where they deem that it's warranted to have an in-person hearing with the offender.

**Ms. Peggy Nash:** Just in short, in your view of the impact of this change, what kind of outcome will it create?

**Ms. Suzanne Brisebois:** The board is still looking at the same information that is presented from correctional authorities.

**Ms. Peggy Nash:** You're saying there will be no difference in the outcome. You anticipate no difference.

**Ms. Suzanne Brisebois:** The difference would be that the offender wouldn't have an in-person hearing with board members.

**Ms. Peggy Nash:** I understand that, but do you think the outcome of the paper review versus the panel review would be identical?

**Ms. Suzanne Brisebois:** I would think so. The risk assessment is basically for each of the specific cases, and board members assess each of the factors within those cases.

**Ms. Peggy Nash:** Okay, thank you.

**The Chair:** Thank you.

We'll go to Mr. Brison, please.

**Hon. Scott Brison:** Has your department conducted a constitutional or legal analysis of the potential consequences of the legislation and the constitutionality?

**Ms. Suzanne Brisebois:** The amendments were reviewed by justice, so it's not necessarily our department, the parole board, that conducts the review. The justice department does review all the amendments to legislation.

Again, I would like to emphasize that all the areas in terms of procedural safeguards are still adhered to. The offender still receives the information that's being used for the board member to make their determination in advance of the review. They still have the opportunity to appeal the decision to the board, and they also have the opportunity to make written representation to the board in advance of the hearing. So there are certain aspects in terms of fundamental justice and procedural safeguards that remain in place.

**Hon. Scott Brison:** Was there a report that came back from justice?

**Ms. Suzanne Brisebois:** I don't necessarily have a legal opinion with me, but I can confirm with the legal counsel that works for the parole board to determine what was available or what was made in writing.

**Hon. Scott Brison:** Would you be able to provide that to the committee?

**Ms. Suzanne Brisebois:** I can ask for that information, yes.

**Hon. Scott Brison:** Do you have any statistics on how many times an in-person hearing helps, for instance, to correct information on a parolee's file? It would happen quite frequently, wouldn't it?

**Ms. Suzanne Brisebois:** I would say that this situation could come up at a hearing, it could be a point of clarification by the offender. It can come up in advance of a hearing. The offender is provided information in advance of the hearing and can make representation to the board to say they'd like to clarify certain aspects. And it can happen following a decision with the appeals board. If they feel that information wasn't assessed or shared properly, they can appeal the case, appeal the decision.

There are a number of ways this can occur. It's not necessarily specific to a hearing.

**Hon. Scott Brison:** Has there been any analysis of how this change will affect one offender population or another, or which offender populations will be affected more significantly?

**Ms. Suzanne Brisebois:** We haven't necessarily broken it down by the offender groups. Again, the risk is assessed by board members based on case-specific factors. Each case can be different.

If you're talking about demographics...or is that what you're referring to?

• (1645)

**Hon. Scott Brison:** Yes, I'd be interested in that.

**Ms. Suzanne Brisebois:** Again, it would be very difficult to determine, because each particular case may have different factors associated with it: different criminal record, different sentence length, involvement in programs, etc. It's a little complex to pull the demographics and associate—

**Hon. Scott Brison:** Yes, these issues are inherently complex, and that's why the in-person hearing sometimes can be helpful.

**Ms. Suzanne Brisebois:** That's why the board will still have the authority and the discretion to conduct a hearing. It just won't be required by law in these particular cases.

**Hon. Scott Brison:** Okay. Thank you.

**The Chair:** Thank you.

We'll go to Mr. Marston, please.

**Mr. Wayne Marston:** Thank you, Mr. Chair.

Welcome. I never thought, when I came on this committee, I'd be learning about fisheries, rail safety, the parole system. I thought we were dealing with finance.

Anyway, I really appreciate the work you do. We have halfway houses in Hamilton. We have a number of facilities. We've had some serious negative events there, but we've also had a long history of some good-quality service to our community, and it's appreciated.

I was wondering when your department first decided that this was a necessary change.

**Ms. Suzanne Brisebois:** This amendment falls under the deficit reduction action plan, so this—

**Mr. Wayne Marston:** Sorry to interrupt, but it was at the point in time that the government said they wanted reductions. You weren't looking at this change prior to that?

**Ms. Suzanne Brisebois:** No, we weren't.

**Mr. Wayne Marston:** Okay.

So—I'm trying to choose my words carefully—this change was not because of a need within your department but solely to save money?

**Ms. Suzanne Brisebois:** Our department was required to reduce our budget by 9.7%. We reviewed a number of areas. Our operations are very prescribed through legislation and regulations, so in terms of our ability to reduce our budget, again, from the analysis that was conducted, one of the options was looking at a legislative amendment similar to other departments that are here—

**Mr. Wayne Marston:** I understand. It's just that in the particular area of your work, I'd be far more interested in having a change come about because of the need for the change as opposed to the need to reallocate some money someplace.

I don't doubt that you've worked diligently in getting here, but I am surprised, because that was going to be one of my questions: why was this not a legislative bill separated out here someplace? This isn't your doing, but it's gotten wedged into this bill along with so many other things. That was my point when I started this round of questioning.

So you really answered my question. If you hadn't been asked to do this to save money, this wouldn't have taken place because it wasn't part of your department's plans.

**Ms. Suzanne Brisebois:** Well, I don't set the legislative agenda—

**Mr. Wayne Marston:** No, I realize that.

**Ms. Suzanne Brisebois:** —so I wouldn't necessarily be able to...

**Mr. Wayne Marston:** I'm asking you to speak for your department.

**Ms. Suzanne Brisebois:** Yes. Even then, we're an independent tribunal, so we have a different relationship in terms of our legislative mandate. It's a little bit arm's length.

**Mr. Wayne Marston:** Okay. That's fine. Thank you.

Thank you, Chair.

**The Chair:** Thank you.

I want to clarify this, Ms. Brisebois, just to make sure I heard correctly. You're saying that currently in about 50% of the cases this in-person contact is being waived.

**Ms. Suzanne Brisebois:** Yes. Within the legislation we are required to have a hearing for these types of cases, and in approximately 50% of the cases the offenders will waive their right to a hearing.

**The Chair:** Okay. So what this does is say that it's allowed, or it could happen. It's simply changing it so that it's not legally required.

**Ms. Suzanne Brisebois:** That's right. The board will still retain the discretion to hold a hearing where it feels that it is warranted. There will likely continue to be cases where we'll hold a hearing where board members feel that it's warranted to have a hearing.

**The Chair:** Okay. Thank you. I appreciate that very much.

I appreciate your coming before our committee. Thank you.

We will move on to division 38, to the Coasting Trade Act, and to our Transport Canada officials.

Thank you very much for being with us today. If you want to give us an overview of these clauses, then we'll have questions from members.

**Ms. Louise Laflamme (Chief, Marine Policy and Regulatory Affairs, Department of Transport):** Thank you.

I'm Louise Laflamme, working in the marine policy group at Transport Canada. I'm here to talk to you about division 38, clause 531.

First, the Coasting Trade Act reserves Canada's coasting trade for Canadian vessels. Coasting trade includes the transportation of goods and passengers between points in Canada and any marine activity of a commercial nature. When above the continental shelf, these activities must be in relation to the exploration and exploitation of the minerals and natural resources of the continental shelf.

What the clause proposes to do is to amend the Coasting Trade Act to add a new exemption from obtaining a coasting trade licence for seismic activities that are above the continental shelf and are in relation to the exploration for its minerals and natural resources.

• (1650)

**The Chair:** Thank you very much for that.

Are there questions from members?

Mr. Marston.

**Mr. Wayne Marston:** I have just a very quick question.

Is the intent of this to open the door to allow foreigners—foreign entities, businesses, or whatever—to operate within those boundaries that normally would be Canadian?

**Ms. Louise Laflamme:** Well, what the Coasting Trade Act does, as I said, is reserve it to Canadian-registered vessels. There is currently in the Coasting Trade Act an administrative process to allow for the temporary importation of foreign vessels. So you have to be a Canadian resident or natural person to import these vessels. What this would do is add an exemption to the ones that already exist now in the act where foreign vessels would operate in Canada without a licence.

**Mr. Wayne Marston:** So they wouldn't have to be Canadian?

**Ms. Louise Laflamme:** No.

**Mr. Wayne Marston:** Thank you.

**The Chair:** Monsieur Caron.

[*Translation*]

**Mr. Guy Caron:** Let us be brief. Do you know whether this provision has also been considered by the Standing Committee on Fisheries and Oceans?

**Ms. Louise Laflamme:** No, the Coastal Trade Act is administered solely by Transport Canada. They are aware of the proposed amendment. At present, you are part of the review.

**Mr. Guy Caron:** Are you talking about the Standing Committee on Transport, Infrastructure and Communities?

**Ms. Louise Laflamme:** No.

**Mr. Guy Caron:** Does this provision have particular fiscal consequences?

**Ms. Louise Laflamme:** There are none.

**Mr. Guy Caron:** Fine, thank you.

[*English*]

**The Chair:** Thank you.

Does anyone have anything further?

Mr. Brison.

**Hon. Scott Brison:** I have a question on the issue of seismic testing. Will the foreign vessels that will be conducting seismic testing off our coast be required to obtain any kind of licence, or will they need to complete any environmental review before commencing operations?

**Ms. Louise Laflamme:** The seismic programs that are going to be part of those regulated by offshore boards and the NEB will still have to comply with all the regulations and standards they have to today. The exemption does not remove this requirement. Those who would conduct seismic activities that are not regulated by offshore boards—in other words, that are only speculative in nature—will continue to be regulated by the Oceans Act.

**Hon. Scott Brison:** Have you done any consultation with officials in the U.S. regarding these changes, seeing as how seismic testing on our coast could have a significant impact on their coastal regions as well?

**Ms. Louise Laflamme:** No, we have not.

**Hon. Scott Brison:** In allowing foreign vessels to conduct seismic activities, what precautions have you taken to mitigate potential environmental risks?

**Ms. Louise Laflamme:** On the environmental side, as I said, existing regulations will not change. In addition, there are other regulatory requirements to mitigate the environmental impacts of seismic sound waves. The Statement of Canadian Practice with respect to the Mitigation of Seismic Sound in the Marine Environment will continue to apply and to mitigate any environmental impact of seismic activity.

**Hon. Scott Brison:** Are there any areas of our coastal waters that are already under concession in anticipation of these seismic reviews, and to what companies, for instance? Are there some companies already engaged or involved in this?

**Ms. Louise Laflamme:** Offshore producing companies already hire seismic vessels to conduct seismic activities, both within our coastal waters and the continental shelf. This amendment is for the continental shelf only. Traditionally, it has been extremely difficult for them to import the vessels they require for the offshore portion, because the environment is much harsher and more difficult to operate in. These companies are global in nature. They're not necessarily only Canadian based; sometimes they're shared participation....

**Hon. Scott Brison:** So how many seismic activity explorations would currently be under way in Canada?

• (1655)

**Ms. Louise Laflamme:** Today?

**Hon. Scott Brison:** Yes.



**Ms. Louise Laflamme:** Under our coasting trade licences, right now I'm aware of three licence applications that have been made this year.

**Hon. Scott Brison:** Operating under domestic licences? How many are operating under foreign licences?

**Ms. Louise Laflamme:** Well, the coasting trade licences are for foreign vessels. I am not aware of the Canadian activities per se because they don't require a coasting trade licence to take place.

**Hon. Scott Brison:** Under the existing or current regime, how many times has the minister provided an exception?

**Ms. Louise Laflamme:** For seismic activities?

**Hon. Scott Brison:** Yes.

**Ms. Louise Laflamme:** There is no ability for the minister to provide exemptions for seismic activities under the Coasting Trade Act today. The coasting trade licence is an administrative process that is administered by the Canadian Transportation Agency, which is independent of Transport Canada.

**Hon. Scott Brison:** Thank you.

**The Chair:** Thank you.

Now we'll go to Mr. Hoback and then to Ms. Nash.

**Mr. Randy Hoback:** With regard to Canada, I understand that Nigeria and Canada are the only two countries that don't allow foreign vessels to do seismic activities. Is that true?

**Ms. Louise Laflamme:** Yes, that's correct.

**Mr. Randy Hoback:** So it's just more or less bringing us in line with other countries around the world. Is that not correct?

**Ms. Louise Laflamme:** That's correct. This will harmonize our seismic environment, just like any other country.

**Mr. Randy Hoback:** That should bring on jobs and growth, I would assume.

**Ms. Louise Laflamme:** We're expecting it to generate several jobs onshore, at inland locations, at ports, and on board vessels.

**Mr. Randy Hoback:** Okay. Thank you.

**The Chair:** Okay, thank you, Mr. Hoback.

We'll go to Ms. Nash, please.

**Ms. Peggy Nash:** I have just a couple of quick questions.

Did the Atlantic provinces request this change? Is this something they've been advocating?

**Ms. Louise Laflamme:** Yes. Newfoundland and Nova Scotia have both expressed the desire for this kind of amendment.

**Ms. Peggy Nash:** How long has your department been working on this? Is this something that's just come up, or has it been long-standing?

**Ms. Louise Laflamme:** We commissioned two separate reports on the issue of the application of the Coasting Trade Act. One was in 2005. The second one, in 2007, was specific to the application of the Coasting Trade Act on the offshore industry. It's something we've been looking at and considering for some time now.

**Ms. Peggy Nash:** Okay.

It's odd that we're dealing with this in the budget implementation act, because it's about the oil industry, about offshore vessels, about seismic activity, and about coastal waters. It's odd that this would be coming before the finance committee. I was just wondering if something sparked this inclusion now, given that you've been studying this going back to 2005.

**Ms. Louise Laflamme:** We felt that it had a very direct link to the Canadian government's priorities with respect to job growth, research in the offshore, and resource development. To us it was a very strong connection.

**Ms. Peggy Nash:** Has the oil industry been pushing for this? Is it a change they've been wanting?

**Ms. Louise Laflamme:** I wouldn't target them or say that it's them.

**Ms. Peggy Nash:** Well, no, but we're talking about the oil industry here.

**Ms. Louise Laflamme:** Yes, but even during the studies, we were consulting our marine industry operators, the vessel operators, who support offshore activities, and in both studies, it became very clear that the application of the Coasting Trade Act was particularly problematic for seismic activities.

**Ms. Peggy Nash:** Thank you.

**The Chair:** Okay, good.

Thank you very much for your insights today and for responding to our questions. We appreciate that very much.

We will move on, then, to division 39, Status of the Artist Act.

We welcome Ms. Duff back to the committee.

We'll ask you to give an overview of these amendments. Then we'll have questions from members.

**Mrs. Lenore Duff (Senior Director, Strategic Policy and Legislative Reform, Department of Human Resources and Skills Development):** Division 39 of the enactment dismantles the Canadian Artists and Producers Professional Relations Tribunal and assigns its powers, duties, and functions to the Canada Industrial Relations Board. The government is introducing amendments to the Status of the Artist Act to repeal those sections of the act that establish CAPPRT and to replace all other references to the tribunal with references to the Canadian Industrial Relations Board.

Part II of the Status of the Artist Act will continue to serve as the legislative framework for professional relations between artists and producers in the federal jurisdiction. However, the CIRB will fulfill CAPPRT's responsibilities under the act, with the same duties and powers.

**The Chair:** Okay, thank you very much for that.

We'll have questions from members.

We'll have Ms. Nash, please.

**Ms. Peggy Nash:** Just to clarify, this is like the Industrial Relations Board, but it is for the arts community.

• (1700)

**Mrs. Lenore Duff:** That's correct.

**Ms. Peggy Nash:** Can you just tell us how long it's been in effect and give just a little bit of the context?

**Mrs. Lenore Duff:** The legislation was established in 1992. Obviously, the tribunal was established at that time.

Was the second part of the question on the rationale for it?

**Ms. Peggy Nash:** I would just like the context. Why the change now?

**Mrs. Lenore Duff:** Do you mean why the change of moving it now to the CIRB?

**Ms. Peggy Nash:** Yes.

**Mrs. Lenore Duff:** It is being moved to the CIRB now simply because there isn't enough activity at the Canadian Artists and Professional Relations Tribunal to justify maintaining its existence as a separate organization. As you pointed out initially, they both deal with the same subject matter. The understanding is that CIRB will be able to undertake the responsibilities and manage the industrial relations for artists as well as for others in the federal jurisdiction.

**Ms. Peggy Nash:** When you say there isn't the activity, how many cases would the tribunal hear in a year?

**Mrs. Lenore Duff:** In the last several years there has been an average of two or three cases—a very small number.

**Ms. Peggy Nash:** Is there a tribunal jurisprudence that the tribunal has been basing its decisions on?

**Mrs. Lenore Duff:** There is some jurisprudence. There is experience with the Canada Industrial Relations Board. They will be able to understand and apply that jurisprudence as well.

**Ms. Peggy Nash:** So they'll be incorporating that into their decision-making.

**Mrs. Lenore Duff:** That's correct.

**Ms. Peggy Nash:** Will there be any loss of expertise particular to the arts community that may not be reflected through the Industrial Relations Board?

**Mrs. Lenore Duff:** There will be some transfer of individuals who are at CAPPRT now to the board to ensure continuity of experience.

**Ms. Peggy Nash:** What will be the financial impact of this change?

**Mrs. Lenore Duff:** There will be a savings of \$1.75 million in 2014 when the legislation takes effect.

**Ms. Peggy Nash:** Thank you.

**The Chair:** Thank you.

We'll go to Mr. Van Kesteren please.

**Mr. Dave Van Kesteren:** Thank you, Mr. Chair.

I was going to ask the same question on the activity, and you've answered that. It's quite diminished.

**Mrs. Lenore Duff:** It is.

**Mr. Dave Van Kesteren:** Just to repeat that again, you said that \$1.75 million would be saved by moving this.

**Mrs. Lenore Duff:** That's correct.

**Mr. Dave Van Kesteren:** Okay, that's all I need to know.

Thank you.

**The Chair:** That's all I have for members' questions.

Thank you very much.

Do members want to take a health break?

**Some hon. members:** Agreed.

**The Chair:** I'll suspend for a few minutes to take a health break.

• (1700) \_\_\_\_\_ (Pause) \_\_\_\_\_

• (1710)

**The Chair:** I call this meeting back to order, the 62nd meeting of the Standing Committee on Finance, going through Bill C-38. We are on part 4, division 40, the National Round Table on the Environment and the Economy Act.

We have two officials from Environment Canada to give an overview of this section. Welcome to the committee.

**Mr. Lawrence Hanson (Director General, Strategic Policy Directorate, Department of the Environment):** My name is Lawrence Hanson. I'm the director general of strategic policy for Environment Canada. I'm joined by my colleague Maxime Lessard-Lachance.

The decision to dissolve the National Round Table on the Environment and the Economy was a product of decision-making under the deficit reduction action plan and was signified as such in budget 2012. The elimination of the round table will result in annual savings of about \$5.1 million starting in 2013. As the minister has indicated, the decision to dissolve the round table is predicated on a change in the environmental policy landscape since the round table was created 25 years ago. At that time there were few independent sources of advice on economic and sustainable development issues, and the round table filled the void. Since that time there's been a proliferation of environmental groups, think tanks, academia, etc., that can provide sophisticated analytics and advice on a range of environmental issues.

The provisions in the budget implementation act do a few different things. First, the existing National Round Table on the Environment and the Economy Act would be amended to allow the round table to begin to dispose of its assets and deal with its liability so that it can wind down its affairs during its final fiscal year of operation.

A second series of transitional measures relates to the actual activities of disposing those assets as need be, and at a period when the round table ceases to exist, any of its liabilities or surpluses would revert to the crown. At the time of coming into force, the appointments of the existing members of the round table would come to an end.

Finally, the other significant portion of the legislation relates to the actual dissolution itself. The National Round Table on the Environment and the Economy Act would be repealed and the round table dissolved at a date of coming into force to be determined by order in council at a later date.

**The Chair:** Okay, thank you very much for that overview, Mr. Hanson.

We'll have members' questions, with Ms. Nash starting.

**Ms. Peggy Nash:** Thank you for being here and for your efforts in promoting environmental sustainability.

Can you tell us what the current projects are before the round table? What are the current activities?

• (1715)

**Mr. Lawrence Hanson:** There are, I believe, two remaining reports to come forward from the round table. The first has to do with a reference from the Minister of the Environment asking the round table to examine provincial and territorial approaches to reducing greenhouse gas emissions. The second is part of an ongoing series called climate prosperity that the round table is conducting related to the issues of a long-term path forward on reducing emissions for Canada. We understand that both of those reports are to be completed and submitted before the end of the round table's mandate.

**Ms. Peggy Nash:** The mission statement of the round table states that environmental and economic matters cannot be considered in isolation from each other and that the mission of the round table is to bring the environment and the economy together. The government claims to be in favour of this concept, so what is the rationale for closing the round table?

**Mr. Lawrence Hanson:** As the minister has indicated, it has always welcomed the historic work of the round table on a wide variety of issues. The reality is that the exact kind of analysis of trying to bring together sustainable development—i.e., the marriage of meeting economic and environmental goals—is conducted by a lot of other organizations. So this reality, being in a time when there is an effort sought to reduce expenditures, it was felt that it was logical to make a cut in an instance where the kind of work being done would be done by others and not draw on public resources.

**Ms. Peggy Nash:** So you don't think it's important for the government to show leadership in this area of how interwoven the notions of environmental sustainability and strong economic growth are?

**Mr. Lawrence Hanson:** The department continues to do significant analysis and work on a wide variety of environmental issues and continues to promote the concept of sustainable development under the Federal Sustainable Development Act, under the federal sustainable development strategies, etc., and those efforts within Environment Canada continue.

**Ms. Peggy Nash:** You refer to some other organizations that are doing this work, and in essence here, if I understand you correctly, you're saying the National Round Table on the Environment and the Economy is a duplication of the work that other groups are doing.

Can you name those groups and what kind of work they're conducting that you see as a duplication?

**Mr. Lawrence Hanson:** Obviously, different groups are focusing on different issues. If I were to look, for example, at the issue of climate change and energy, I think the Pembina Institute would be an example of that. The David Suzuki Foundation has done work, and the International Institute for Sustainable Development. If you wanted to look at nature and conservation issues, you would probably consider the Green Budget Coalition, which regularly does analytics and makes representations on budget recommendations. It

would include things like the Canadian Parks and Wilderness Society, Nature Canada, Environmental Defence Canada, etc. There are a number of organizations that have looked at water issues. The Walter and Duncan Gordon Foundation is one.

Over and above those, you would look at things like the C.D. Howe Institute—

**Ms. Peggy Nash:** I'm sorry to interrupt, but I have just a few seconds left.

Could you tell me what has been the reaction of these organizations to the cancellation and abandoning of the National Round Table on the Environment and the Economy? How have these organizations reacted to that proposal?

**Mr. Lawrence Hanson:** I am not personally aware of comments made by these other organizations. That's not to say they haven't made such comments; I'm just not personally aware of public statements they have made on them. I'm sure that if there were some, we could track them down.

**Ms. Peggy Nash:** Thank you.

**The Chair:** Thank you, Ms. Nash.

Mr. Hoback, please.

**Mr. Randy Hoback:** Thank you, Mr. Chair, and thank you, witnesses, for being here.

I have a couple of simple questions. It's a round table, and when I think of round tables, I think of something that gets together and talks about policy issues. How did they come to have assets?

• (1720)

**Mr. Lawrence Hanson:** A lot of their assets are going to be very basic things. Frankly, they're not going to have a lot of significant assets. It's really just going to be classic things that they have to run the organization, such as computers, technology, photocopiers, their rental agreements on office space. They would obviously have a very limited series of physical assets. My understanding is that just because they are being dissolved, there has to be a legal means of dealing with the limited assets they have.

They're supported by a secretariat. The round table members are appointed by order in council. They are supported by a secretariat of about 30 individuals. A lot of the assets associated with the round table would be the physical structure that surrounds the secretariat for the round table.

**Mr. Randy Hoback:** As far as other organizations are concerned, for example, the University of Saskatchewan College of Agriculture and Bioresources is doing a lot of work on water and water issues. Again, you look at the new environment we're in with technologies such as iPhones, BlackBerrys, computers, and the Internet. The gathering of data online, and the gathering of data from different universities, which have now taken extreme interest in the environment, is substantial. Would you not agree?

**Mr. Lawrence Hanson:** Yes, I think it is. What we've seen in the environmental community has replicated itself across universities. This is obviously going to be multidisciplinary in terms of environmental issues and environmental economics, and the bridge between the two.

**Mr. Randy Hoback:** Thank you.

**The Chair:** Thank you, Mr. Hoback.

Mr. Brison, please.

**Hon. Scott Brison:** Thank you very much for being with us today.

You mentioned in answer to Ms. Nash's question, the Pembina Institute, the Sierra Club, the David Suzuki Foundation, and the Green Budget Coalition. You said the principal reason the government is disbanding the National Round Table on the Environment and the Economy is that these groups are now available to provide advice to the government. Is that right? Am I understanding that correctly?

**Mr. Lawrence Hanson:** Yes, certainly there are more sources of advice and analysis on our environment now than there was at the time the round table was created.

**Hon. Scott Brison:** Observing this change, you're saying that the government now has access to more information and advice from groups like this. But the groups you named are among the groups the government is attacking and referring to as radicals. Don't you think it's a little—

**Mr. Randy Hoback:** You're saying that, not us.

**Hon. Scott Brison:** No, I'm sorry, but your ministers have actually used those terms.

Isn't it a little unlikely that the government is going to seek advice from organizations that it labels as radicals?

**Mr. Lawrence Hanson:** I'll speak to the issue of the kind of work these organizations do. I think it is safe to say that we in the policy world examine their work, analyze it, take note of it, and take note of it to ministers, etc., as appropriate. We meet with these organizations on a variety of issues on a regular basis. Their work is given real consideration in any kind of policy process.

**Hon. Scott Brison:** The National Round Table on the Environment and the Economy was initiated in what year?

**Mr. Lawrence Hanson:** I believe it was 1988.

**Hon. Scott Brison:** The same year as Rights and Democracy, which we discussed earlier. It doesn't seem to be a good founding year.

From time to time the round table, under successive Progressive Conservative and Liberal governments, presented positions that were contrary to the government's policy at the time. Is that correct?

**Mr. Lawrence Hanson:** I would say yes. I'll concede I'm less familiar with probably some of the earlier years of the round table, but I'm sure there would be lots of instances where they were proposing either policy directions that the government of the day was not necessarily pursuing or recommendations that weren't necessarily accepted.

**Hon. Scott Brison:** Thank you very much.

**The Chair:** Thank you, Mr. Brison.

We go to *monsieur Caron, s'il vous plaît.*

[Translation]

**Mr. Guy Caron:** Mr. Brison asked the questions I wanted to ask. Fortunately, I have two more.

First, you say that groups like the David Suzuki Foundation and the Pembina Institute are going to do the same work. I think they do excellent work, but, and correct me if I am wrong, we now have the National Round Table on the Environment and the Economy. That group had a very specific objective, while groups like the David Suzuki Foundation, the Pembina Institute and other environmental organizations will be doing work that will sometimes deal with the impact on the economy, and sometimes not.

Do you not think there may be a loss in terms of effectiveness if an organization that focuses on the relationship between the environment and the economy disappears like this?

• (1725)

[English]

**Mr. Lawrence Hanson:** I think the issue is that if you look at the range of organizations, some will try to factor economic issues into their overall work. I think Pembina strives to do that. I think a lot of these organizations that are focused on sustainable development try to build that in, for example, in identifying either the potential economic benefits of certain kinds of environmental actions or the need to strike that balance.

I think you're certainly correct that some organizations will focus solely on the environment and that probably others will focus more specifically on economic issues. But if you look at the plurality of these organizations across the board, there would still be a fairly rich source of independent advice on which the government would draw.

[Translation]

**Mr. Guy Caron:** I have a supplementary question. I am then going to share the rest of my time with Ms. Nash.

I find this really strange. You talked about think tanks and environmental groups. Am I mistaken? I thought the National Round Table on the Environment and the Economy was not a think tank or an environmental group. I thought it was an advisory committee with members appointed by the government to make recommendations on an action plan for the environment and its impact on the economy.

Today, that work is being eliminated. Instead of having an advisory committee, there will be think tanks and environmental research groups. Possibly we can trust their judgment; that will obviously depend on the goodwill of the government.

Can you confirm that this was in fact an advisory committee, and not a think tank or an environmental group? Are we not losing quite a bit, since its members were appointed by the government and they had more influence by making positive recommendations about public policy?

[English]

**Mr. Lawrence Hanson:** I suppose it does get into terminology questions of “advisory group” versus “think tank” versus “environmental organization”. But I think at the end of the day, the reality is that the kind of work the round table did was often to speak to various participants in the system, to do analytic and economic research, to do comparative international research—just some examples—and on the basis of that, to make recommendations to the government.

While you're right that certainly they differ from other kinds of organizations—in that they were established by an act of Parliament and reported to Parliament through the Minister of Environment—the types of work, the types of analysis they did, and the idea of trying to base recommendations on that analysis bears many similarities to the kind of work done by environmental groups, think tanks, academia, etc.

**Ms. Peggy Nash:** I'll just use the last minute or so here.

I want to return to this notion about other environment groups taking on this role. Certainly the Minister of Natural Resources talked about environmentalists and other “radical groups”. There have been other comments by government ministers. I guess I have to say that I have very little confidence in this government taking advice from organizations dedicated to reducing greenhouse gas emissions or taking on the challenge of climate change, when the government seemed to have difficulty listening to its own body, the round table, in that regard.

How can this change inspire the confidence of Canadians that the government will genuinely seek and take the advice of these organizations, which in many cases are critical of the government's actions?

**Mr. Lawrence Hanson:** Again, I would note there continues to be a regular and open dialogue with many of these groups and that analysis is taken seriously. We look at the work that is done by these organizations. We meet with these organizations. For example, there are very valuable work and analyses done on a wide range of, say, conservation issues as one example, identifying best practices, activities, etc. These are all valuable things that we continue to make use of.

• (1730)

**The Chair:** I do have Mr. Brison again on the list.

Mr. Jean, please.

**Mr. Brian Jean (Fort McMurray—Athabasca, CPC):** I am curious. So the National Round Table on the Environment and the Economy provided independent advice to the Government of Canada, and Pembina and other groups, of which there seems to be a tremendous amount, are now currently providing general advice and criticisms to the government, which the government can or cannot choose to listen to, precisely like they can or cannot choose to listen to the National Round Table on the Environment and the Economy. But we still have how many bureaucrats and how many employees with Environment Canada who are going to continue to provide advice to the Government of Canada? How many employees?

**Mr. Lawrence Hanson:** I think that is an important point. The department itself is the source of thousands of individuals, a large number of scientists, on a wide range of issues. The fact that the round table no longer exists may suggest that there is no more in-house—if you will—within the Government of Canada on a wide range of environmental issues, at a policy level, an economic level, and perhaps most importantly, at a scientific level. But as you point out, that all continues to be in place.

**Mr. Brian Jean:** In fact, I read some of the reports of the round table. I know they did a recent water study and a report on that and had a consultant doing that. Indeed, over the years, I think the last six

or seven, they have produced the same report on GHG emissions, and to my mind, reached the same conclusion every single time, except maybe the numbers changed a little bit.

We will continue to receive a lot of information and a lot of advice from the Government of Canada employees who work for Environment Canada. I think there are 7,000 or 8,000 individuals, somewhere in that neighbourhood, but it's one of the larger departments and one of the larger cost bearers of taxpayers' money as well, if I'm not mistaken.

Those are my points. Thank you very much.

**The Chair:** Do you have any response to that, Mr. Hanson?

**Mr. Lawrence Hanson:** The department does have a wide range of expertise, as was indicated, whether it be scientists on all those issues of water, conservation, greenhouse gas emissions, air pollutions, and those sorts of efforts, and they continue to report out on those kinds of activity. For example, the recent reports that went forward in April were on current activities related to climate change and emission levels, etc., in Canada.

**The Chair:** Thank you.

I'll turn to Mr. Brison again, please.

**Hon. Scott Brison:** To clarify, you said that one of the principal reasons for those changes, since the beginning of the round table in 1988, is that there has been a lot of new groups now doing this kind of work. You mentioned the Pembina Institute, the David Suzuki Foundation, and the Sierra Club. These organizations have been around, and in fact, they all predate the National Round Table on the Environment and the Economy. The Sierra Club has been around since 1969, the Pembina Institute since 1985, and the David Suzuki Foundation—I guess it's the same year—1988.

**Mr. Lawrence Hanson:** The reality is that some of them do predate the round table, but it's also worth noting that if you look at something like Suzuki, it was founded the same year. It's not only the proliferation. I think it would also be safe to say it's the growing sort of sophistication and focus.

As an example, the number of groups focused on providing advice on climate change will have expanded since there have been new environmental issues that have emerged over time around which groups have organized themselves. So I think it partly becomes simply a question of critical mass of an entirety of organizations and research networks, etc., perhaps, more than any one individual organization that one might wish to name.

**Hon. Scott Brison:** So the expectation is that the government will accept advice from these groups as part of this change, after the decision to disband the National Round Table on the Environment and Economy is implemented?

•(1735)

**Mr. Lawrence Hanson:** It's not the expectation that the government will follow the advice of any one organization, just as the government was not obligated to accept or follow the advice of the round table. These are sources of information on which the government can draw, but ultimately the decision on how to move forward can and should rest with the government, as opposed to either the round table or outside organizations.

**Hon. Scott Brison:** I think that's a fair comment given that all three organizations have recommended keeping the National Round Table on the Environment and the Economy.

**The Chair:** Okay, thank you colleagues.

Thank you very much for presenting to us today and responding to our questions. We will now move on to division 41, the Telecommunications Act.

Welcome to the committee. Please present the rationale for these amendments.

**Ms. Pamela Miller (Director General, Telecommunications Policy Branch, Department of Industry):** Thank you very much.

I'm Pamela Miller, director general of the telecommunications policy branch at Industry Canada, and with me is my colleague, Allan MacGillivray. Division 41 would amend the Telecommunications Act to make two separate sets of changes. First, the amendments in clause 595 would implement the changes to telecom foreign investment restrictions that were announced by the Minister of Industry on March 14. They will allow telecom carriers with less than 10% of total annual revenues from the provision of telecom services to operate in Canada without being subject to the Canadian ownership and control requirements. These changes will help telecom companies with a small market share to access the capital they need to grow and compete. Carriers that are so qualified would be able to continue to operate if they grow organically past the 10% threshold, provided that the increase beyond 10% did not result in the acquisition of another carrier or of assets used by another carrier to provide telecom services.

The second set of amendments pertains to the enforcement functions for the "do not call" list. The changes in clauses 596 to 601 would permit the Canadian Radio Television and Telecommunications Commission, the CRTC, to impose fees on telemarketers to support the CRTC's cost of enforcing the "do not call" list and other telemarketing rules made under the telecom act. These amendments would also allow the CRTC to delegate responsibility for collection of these fees to a third party. By these actions, the cost of the enforcement and investigation shifts from the CRF to the telemarketing industry, thereby saving money.

In brief, those are the two sets of changes that are being made through these amendments.

**The Chair:** Okay, thank you for that presentation.

[*Translation*]

We will start with Mr. Caron.

**Mr. Guy Caron:** Thank you.

Which standing committee is responsible for the Telecommunications Act and the CRTC?

**Ms. Pamela Miller:** The Standing Committee on Industry, Science and Technology.

**Mr. Guy Caron:** Is the Standing Committee on Industry, Science and Technology going to be examining it?

**Ms. Pamela Miller:** Yes. It has already been examined.

**Mr. Guy Caron:** By the Standing Committee on Industry, Science and Technology?

**Ms. Pamela Miller:** Yes.

**Mr. Guy Caron:** When?

**Ms. Pamela Miller:** Two years ago.

**Mr. Guy Caron:** Two weeks?

**Ms. Pamela Miller:** Two years.

**Mr. Guy Caron:** Has the amendment itself, the one proposed, been submitted to the Standing Committee on Industry, Science and Technology?

[*English*]

**Ms. Pamela Miller:** The issue of foreign investment changes was looked at by the industry committee.

[*Translation*]

**Mr. Guy Caron:** I understand that, but has the Standing Committee on Industry, Science and Technology examined the specific amendment referring to the 10% market share, or is the committee also going to examine it?

[*English*]

**Ms. Pamela Miller:** They looked at a number of different options that were put on the table at that time.

[*Translation*]

**Mr. Guy Caron:** But not this specific amendment?

•(1740)

[*English*]

**Ms. Pamela Miller:** They looked at the 10% option as well as others.

[*Translation*]

**Mr. Guy Caron:** We are talking about an amendment that will amend the act. It was announced in February. So we might pay specific attention to that option, the one that was selected.

I will ask the question again. After the decision by the minister and the announcement that foreign ownership of companies with less than a 10% market share will be allowed, was that decision studied in greater depth by the Standing Committee on Industry, Science and Technology?

[*English*]

**Ms. Pamela Miller:** No. After the announcement, there was not a first study.

[*Translation*]

**Mr. Guy Caron:** Thank you. That was my question.

There is also a specific question I would have liked to submit to the industry committee, on which I used to sit, but because we are the ones who are examining it...

As I understand it, three companies in Canada have more than a 10% market share. Hypothetically, although it is in the realm of the possible, we can imagine that one of the new entrants is bought by an American, European or other company, its market share comes to 15% to 20% of the market within 10 or 12 years, and the share of one of the three existing companies that have more than a 10% market share declines to 15% or 20% of the market.

Am I mistaken if I say that the two companies would be subject to different rules: one would have access to foreign capital and the other would not?

[English]

**Ms. Pamela Miller:** Organic growth is allowed, so that if you had a company in the marketplace that was below 10% right now and they subsequently grew simply by acquiring more customers over 10%, they would still be able to access foreign capital. However, if they acquired the assets of another company, that would not be the case.

[Translation]

**Mr. Guy Caron:** My question relates specifically to a company whose market share grows. I understand it cannot acquire assets or merge with another company. Because of the new foreign capital, its market share could rise to 15% or 20%, while an existing company's share could decline to 15% or 20%. Then we would have two companies: one that had access to foreign capital and one that would not have access to it. The two companies would be similar, but would operate under different rules. Am I mistaken, or is that the situation?

[English]

**Ms. Pamela Miller:** That would be the case. However, when we looked at this quite extensively, we found that it's extremely unusual and it has never actually happened that a smaller company would grow to that point in the marketplace to be below.

[Translation]

**Mr. Guy Caron:** You are talking about a small company, but it could be bought by a European or American giant. Then it would have the resources it needed to take over 15% to 20% of the market.

[English]

**Ms. Pamela Miller:** Even in the U.S. market, where we see a new entrance come in with foreign capital, they haven't exceeded the 10% market share of the total telecommunications market.

[Translation]

**Mr. Guy Caron:** To illustrate that question, take the example of WIND Mobile being purchased by AT&T. AT&T's market share would rise to 15% or 20% because of its market strength.

[English]

**Ms. Pamela Miller:** It's a very capital-intensive industry. It's an industry of scale. There are a lot of incumbency advantages. So as I said, internationally, we don't see examples of a fourth player, a new entrant, coming in and going to that length of getting to that size.

[Translation]

**Mr. Guy Caron:** Right. You think it is unlikely that two companies of similar size would be operating under different rules. I think it is possible, however.

[English]

**The Chair:** Thank you.

Ms. Glover, please.

**Mrs. Shelly Glover:** Thank you, Chair.

I'm interested in making sure that you're allowed to answer the question posed by Monsieur Caron in a way that you feel you're satisfied with, so I want to go back to the question.

My understanding is that the industry committee studied this particular suggestion, this particular proposal at length, correct?

**Ms. Pamela Miller:** There were a number of INDU hearings that looked at all the options on this issue, yes.

**Mrs. Shelly Glover:** A number of hearings meaning...

**Ms. Pamela Miller:** A full set of industry committee meetings were held.

**Mrs. Shelly Glover:** Witnesses, interventions by other parties, etc.

**Ms. Pamela Miller:** Yes.

**Mrs. Shelly Glover:** So what Monsieur Caron is suggesting is that, since it was introduced in the BIA at the beginning of the year, there be another extensive study done. I believe that's what I understood Monsieur Caron to suggest.

Is there anything that might have changed significantly since the time that not only the study was done but in all of the time that the department officials have been also studying this? Is there any significant change that's been realized that would warrant duplication, taxpayers paying more money once again, which seems to be the philosophy of the NDP, whereas this party believes in action, failing further complications or changes?

**Ms. Pamela Miller:** No. I would say there's nothing that has changed that would warrant that.

**Mrs. Shelly Glover:** Thank you—

**Ms. Pamela Miller:** I would also point out we had two review panels look at this issue in great detail. The telecommunications policy review panel in 2006 and the competition panel in 2008 looked at this extensively as well.

**Mrs. Shelly Glover:** Thank you.

I also want to go back to something that's in the binder. I take special note that we're always being told that we're running out of time, but many of the answers to the questions being posed by the other side are actually in the binder that we were provided with. One of the questions that was asked, in fact, deals with the whole idea of mergers and whatnot. I'm just simply going to ask the question that's in the binder. What happens if companies grow beyond the 10% limit? Do you have the answer to the question that's in the binder that was provided to all committee members?

If not, let me read it. The answer is:

If a company grows beyond the 10% limit through normal expansion of its business, it will continue to be exempt. But if a company exceeds the 10% limit through mergers or acquisitions, the company would no longer be exempt from telecommunications foreign investment restrictions.

I read that simply because I note that we are running out of time. We have a number of other divisions that are going to come before us. I would remind all members of our committee that we really do want to push forward so we can get this done.

The delay for the sake of delay, the repetition for the sake of repetition, the arguing for the sake of arguing just isn't helping the cause. We really do need to get through this, but I thank you for your time.

• (1745)

**The Chair:** Thank you.

We'll go to Mr. Brison, please.

On a point of order, we have Mr. Mai.

**Mr. Hoang Mai:** Just as clarification, let's not forget that we are here for Canadians and that not all Canadians have the binder, so I think it is normal that we ask questions so that we can actually have something on record so that people understand.

**The Chair:** I'll take it as a point of information, but it's not a point of order.

We will go to Mr. Brison, please.

**Hon. Scott Brison:** Just to be constructive and to help answer Ms. Glover's question, there has been a fairly significant change since parliamentary committees last studied these proposed changes, and that would be the makeup of the Canadian Parliament. I can remember having sat up where Ms. Nash is sitting now, but my point is that there is a different group of parliamentarians who have a responsibility to Canadians to exercise due diligence and scrutiny. I think that it is important for us to recognize, with any of this legislation that is coming back, there are new members of Parliament—Monsieur Caron and Monsieur Mai as examples—so I think that's an important point.

On the issue of rural Canada and the potential impact on coverage service in rural Canada, to what extent were rural Canadian impacts considered as part of this?

**Ms. Pamela Miller:** This is part of the government's overall approach to telecommunications, and the minister also announced the rules for the spectrum auctions at the same time. Part of those rules have specific rural targets for companies that acquire spectrum. We also have a program in place, the broadband Canada program, that was specifically aimed at rural Canadians.

**Hon. Scott Brison:** You believe that these changes will ultimately lead to more competition. Do you believe generally that more competition will lead to lower pricing?

**Ms. Pamela Miller:** Since 2008 we have had new entrants into the marketplace and also different brands brought in by the incumbents. We have seen that pricing improvements have occurred.

**Hon. Scott Brison:** Is there not also, though, an issue in telecommunications—certainly it's been in the U.S.—that deregulation and more competition don't necessarily lead to lower prices for consumers universally, but it leads to prices moving closer to costs? This will mean that, in a larger centre where there's some level of cherry-picking, this will lead to lower prices in cities, but as companies try to make up for the loss in margins, it could actually lead to increases in prices in rural communities.

**Ms. Pamela Miller:** We did look at that question, and it was actually quite interesting that the prices have mirrored in urban and rural areas. We looked at some of the major new brands that have come in, some of the pricing packages, and the pricing benefits have been shown in the rural areas as well.

**Hon. Scott Brison:** That wasn't the case in the U.S. Actually, I'd be very interested if you could provide that to my office and to committee, because as a rural member of Parliament, that would be important for me to know.

**Ms. Pamela Miller:** Sure.

We've generally seen different types of service plans of more consumer choice come into the market and some positive impacts on pricing.

**Hon. Scott Brison:** In rural as well?

**Ms. Pamela Miller:** Yes.

**Hon. Scott Brison:** Thank you.

**The Chair:** Thank you.

[Translation]

Mr. Caron, you have the floor.

**Mr. Guy Caron:** I will not dwell on the fact that the question I asked earlier was entirely different from the one asked by Mrs. Glover, since I have another question.

We are talking about an amendment to the Telecommunications Act. Is it not the usual practice, when a bill is introduced separately, that is, when it is not part of a budget implementation bill, to have it examined by the relevant committee, in this case, the Standing Committee on Industry, Science and Technology?

• (1750)

[English]

**Ms. Pamela Miller:** This would come under the industry committee, yes.



[Translation]

**Mr. Guy Caron:** If it were a bill separate from Bill C-38, An Act to implement certain provisions of the budget tabled in Parliament on March 29, 2012, and other measures, it would have been examined by the Standing Committee on Industry, Science and Technology, is that not correct?

[English]

**Ms. Pamela Miller:** Yes.

[Translation]

**Mr. Guy Caron:** Thank you.

[English]

**The Chair:** I have to follow up on the 10% issue. I certainly support the measures in this budget in terms of allowing more foreign investment in this sector, but I'm going to refer you to a 2003 report from the industry committee, which I sat on. In its second recommendation, that committee recommended allowing foreign investment for all carriers in the sector, which I will confess is my instinctive position. So I just wanted to get more of a rationale as to why we would distinguish between the different carriers in this sector. For instance, do we do this in any other industry, do we apply a 10% rule or another type of rule to different industries or different companies in that sector?

**Ms. Pamela Miller:** Go ahead, Allan.

**Mr. Allan MacGillivray (Special Advisor to the Director General, Telecommunications Policy, Department of Industry):** Actually, I'm not an expert, but there is a two-tier system in banking as well, in terms of schedule A and then other banks, in terms of the widely held rule, which applies only to the major banks.

**The Chair:** But in terms of foreign investment...? The widely held rule applies to all types of investors.

**Mr. Allan MacGillivray:** That's the closest parallel. I was just trying to address your question. Yes.

**Ms. Pamela Miller:** But this is a targeted measure that is specifically targeting a capital area for small companies. The larger companies have no shortage of capital. They have ample sources of capital, and they're not near their limits, so therefore they're not in need of this change. It's targeted to the companies that actually need it.

**The Chair:** So if three companies are not in shortage of any capital and would not take advantage of any foreign...?

**Ms. Pamela Miller:** They are in a position of being incumbents. If you're an incumbent, you have advantages. You have the customer base. You have your sunk investment. They're an attractive investment target, whereas new entrants have very high risk and very high leverage. They're similar to what you would find in a start-up company in having the very high-leveraged and high-risk type of investment. Not all investors want to invest in that type of company.

**The Chair:** So other than banking, do we do this in other sectors?

**Ms. Pamela Miller:** We're not experts on the other sectors per se. That would be a question—

**The Chair:** And if banking has a widely held rule, why would we not use.... Why use this instead of moving to that model?

**Mr. Allan MacGillivray:** I guess all we can say is that it's not one of the options that all of the expert panels that we were discussing before offered to the government. The option that the government has chosen to proceed on is this one here, which was recommended by two expert panels with which it consulted last year.

**The Chair:** Okay. I don't know if we qualified as an expert panel in the industry committee back in 2003, but it was certainly our recommendation that it be done for the entire sector.

I appreciate your responses.

Mr. Jean.

**Mr. Brian Jean:** I just wanted to confirm this along the lines of Mr. Brison and what he was saying earlier. We do have high fees in this industry compared to other countries in the world—at least that's what I've recognized and seen—so this rule should bring about more choices for consumers and ultimately a lower price overall.

**Ms. Pamela Miller:** We have seen those benefits already, and since we've had new entrants into the market since the government action to set aside spectrum, we have seen improvements, better pricing, and better service plans. However, these companies are reaching the limits of what they can do under the existing rules, so they won't be able to grow. They won't be able to continue their success and to have that consumer choice unless these rules are changed.

**Mr. Brian Jean:** But it's really a great news story for consumers.

**Ms. Pamela Miller:** Yes, it is.

**Mr. Brian Jean:** Thank you very much.

**The Chair:** Thank you, Mr. Jean.

I want to thank you both for being with us here today and for responding to our questions on this section.

We will move to the next division, please, which is division 42.

We're dealing with the Employment Equity Act. We have Mr. Child with us.

Please give us an overview of this section.

• (1755)

**Mr. Alwyn Child (Director General, Program Development and Guidance Directorate, Department of Human Resources and Skills Development):** Thank you, Chair.

The proposal in division 42 is to repeal subsection 42(2) of the Employment Equity Act, which currently provides that the minister shall ensure that the requirements under the federal contractors program are equivalent to the requirements under the Employment Equity Act. The proposed new subsection removes the equivalency requirement, so that it provides for a greater flexibility in the administration of the federal contractors program, which is the Treasury Board contractors program.

Just by way of a bit more background, the Employment Equity Act applies to the federal private sector and the federal public service itself. The federal contractors program applies primarily to provincially regulated employers that employ 100 or more employees. So the federal contractors program essentially gets at those who are not governed by the Employment Equity Act federally.

**The Chair:** Thank you very much for that overview.

I have Ms. Nash first, please.

**Ms. Peggy Nash:** Thank you, and welcome back to the finance committee.

The federal contractors provisions under the Employment Equity Act have meant that significant employers who are federal contractors have had to reflect the goals of the Employment Equity Act in terms of hiring disadvantaged groups, such as people with disabilities, women, first nations, people of colour. The Employment Equity Act itself came from a human rights complaint that found there was discrimination in employment and these designated groups were under-represented.

The act was designed not only to encourage federal jurisdiction employers but those major contractors to do a better job in overcoming systemic barriers to employment.

Why would we want to take a step backwards? Are we saying to these designated groups that somehow their human rights are not as important as they were when Judge Rosalie Abella made her landmark human rights decision?

**Mr. Alwyn Child:** The change does not affect the Employment Equity Act at all. The only thing it affects is the federal contractors program. The federal contractors program, as I said earlier, applies only to provincially regulated employers who would be seeking a contract with the federal government.

As it's written now, the minister must ensure that all of the requirements in the Employment Equity Act are complied with by those seeking a contract with the federal government. It does not remove it. What it does is remove the requirement from the federal contractors program, which can still be met through the contractual arrangement with the employer who gets the contract with the federal government.

**Ms. Peggy Nash:** Just to be clear, if I'm a major aircraft manufacturer and I'm going to be selling my aircraft to the federal government, under the current provisions I have to have an employment equity plan that seeks to hire people from these designated groups.

**Mr. Alwyn Child:** That will continue because the Employment Equity Act applies to all federally regulated employers.

**Ms. Peggy Nash:** If I'm a provincially regulated company but I'm selling a number of aircraft to the federal government, and so I have a federal contract, my company would normally be under provincial jurisdiction. But because I have a federal contract, in the past, my business has come under these provisions of the Employment Equity Act. Why would we abandon that?

**Mr. Alwyn Child:** It's not being abandoned. Those requirements can still be inserted.

**Ms. Peggy Nash:** We're not making them mandatory.

**Mr. Alwyn Child:** That's right. That's the change.

**Ms. Peggy Nash:** In society we're seeing growing inequality, especially amongst, for example, people of colour, new immigrants. What kind of message do you think it sends to them if we step back on something as basic as human rights through this employment equity provision?

• (1800)

**Mr. Alwyn Child:** I don't know that there is a step back from it. I understand the differences: one is a mandatory requirement and the other, the proposed change, would allow flexibility. Under the federal contractors program, what's being proposed is, number one, to increase the number. As it is right now, it only applies to visible minorities and aboriginal persons.

**Ms. Peggy Nash:** There are four designated groups.

**Mr. Alwyn Child:** The federal contractors program did not include all four. It only included two.

**Ms. Peggy Nash:** It was my understanding it included all four.

**Mr. Alwyn Child:** That's not the federal contractors program. The Employment Equity Act includes four. The federal contractors program always only applied to two, so it would now include women and persons with disabilities.

It will also allow for changes in the threshold limit. The red tape commission heard from employers that the requirements under the Employment Equity Act were onerous.

**Ms. Peggy Nash:** If employers were going to do this voluntarily, there never would have been the human rights decision that Judge Abella created, which demonstrated that, in fact, there was systemic discrimination in employment. What we've found is voluntary compliance usually is not great, and that's why governments create laws, which is to say these are the rules people are going to live by.

It's a sad statement that we're walking backwards on equality because that's going to be the outcome here.

**The Chair:** Thank you.

I'll go to Mr. Brison, please.

**Hon. Scott Brison:** No.

**The Chair:** You're okay on this.

I have Mr. Marston then.

**Mr. Wayne Marston:** No. On the next one.

**The Chair:** Okay. Thank you very much, Mr. Child, for being with us today.

We'll move on to division 43.

Welcome to our committee. Thank you so much for being with us here today. We look forward to hearing your opening remarks on the amendments that relate to division 43.

[*Translation*]

**Ms. Mireille Laroche (Director General, Employment Insurance Policy, Department of Human Resources and Skills Development):** Good afternoon.

[*English*]

My name is Mireille Laroche. I'm the director general of employment insurance policy at HRSDC. This is my colleague, Mark Hodgson, from the Department of Finance.

In the budget implementation bill there are six proposed changes to the Employment Insurance Act. I will go through them in sequence.

The first change proposes to align the calculation of EI benefit amounts with local labour market conditions. This proposes a new approach to calculating EI benefits that would come into force on April 7, 2013.

Under the new approach the required number of best weeks, which would range between 14 and 22 weeks of employment earnings, that would be considered for the purposes of calculating benefits would be determined in accordance with the local unemployment rate in the region where the client resides.

The second change pertains to the refund of premiums to a self-employed person. It would ensure that insurable earnings as well as self-employed earnings were taken into account when determining whether a self-employed person who has opted into the program to receive special benefits can be eligible for a premium refund.

The third measure regards the administration of overpayment of benefits. This amendment would provide discretion in pursuing potential overpayment arising from employer bankruptcy or wrongful dismissal. It would provide this discretion under two conditions: first, if more than 36 months have elapsed since the layoff or separation from employment; and second, if the administrative costs of determining the overpayment would likely exceed the amount of the repayment.

The fourth change pertains to the assignment of benefits program within the EI program. It would remove the requirement that claimants have to consent in writing to have deductions made from EI benefits to reimburse any provincial government for social assistance or welfare payments that they would typically receive prior to receiving their special benefits or regular benefits.

The fifth change pertains to premium rate setting and is in response to the public consultations that were held on this matter in the fall. It has three broad elements. The first one provides for an earlier announcement or notice of the new EI premium rate for the coming year by advancing the date by two months, that is, from November to September. The second change proposes to amend the EI Act to change the premium rate setting per se. Under this proposed change, the premium rate would be set annually at a seven-year break-even rate to ensure that the EI operating account is in cumulative balance at the end of that period. This rate-setting mechanism would come into force once the EI operating account has returned to a cumulative balance. The third change within the premium setting proposal is to affix the legislative limit on year-to-year changes to the premium rate to 5¢ per \$100 of insured earnings.

The last proposed change is with regard to connecting Canadians to an available job. It proposes to amend the Employment Insurance Act to provide the Canada Employment Insurance Commission with the authority to develop regulations pertaining to the definition of suitable employment for various types of claimants and also to define what would constitute a reasonable job search.

● (1805)

**The Chair:** Thank you very much for your presentation.

I'll start members' questions with Mr. Marston, please.

**Mr. Wayne Marston:** Thank you, Mr. Chair.

In your presentation I heard the terms “premium rate” and “insured earnings”. Very clearly some kind of misunderstanding has been happening for awhile, in that unemployment insurance is not a government program in the sense of being funded out of government moneys. It has been funded for years out of premiums.

My understanding is that at one point, probably in the 1990s, it actually had built a surplus to about \$55 billion, which was directed into general revenues. Is that correct?

**Mr. Mark Hodgson (Senior Policy Analyst, Labour Markets, Employment and Learning, Department of Finance):** The EI program is in fact funded from general consolidated revenue.

**Mr. Wayne Marston:** That's at this point in time.

**Mr. Mark Hodgson:** It always has been. Premium revenues are deposited into the consolidated revenue fund and benefits are paid from it. As the Auditor General has noted in the past, the preceding EI account and the current EI operating account are tracking accounts that keep track of premiums and benefits.

**Mr. Wayne Marston:** I don't disagree with you on that point, but at one point in time, there was an understanding that the premiums had accumulated to roughly that figure. But I'll move on from that. I made the point I wanted to make anyway.

Ms. Laroche, it is my understanding that currently there are about 800,000 Canadians who are not on employment insurance who have given up looking for work. Is that a figure you're aware of?

**Ms. Mireille Laroche:** I can't confirm that number.

**Mr. Wayne Marston:** Okay. The reason I was going to ask that is that we have an unemployment rate, which we're told publicly, and that is based on those people who are looking for work. Is that correct?

**Ms. Mireille Laroche:** Yes.

**Mr. Wayne Marston:** So the actual number of Canadians who are out of work is much more substantial than the percentage that we see at any given point of time. We're really talking about those who are on employment insurance—that's one figure and that's the figure that's published. Then we have close to 800,000 other Canadians who are out of work, or a significant number of Canadians without trying to put a figure on it. Is that correct?

**Ms. Mireille Laroche:** I'm sorry, I'm not sure I understand the question.

**Mr. Wayne Marston:** When we're tracking unemployment insurance—we're tracking all of this—the number of Canadians who are searching for work and who are on employment insurance is the figure that's given. I think it's roughly 7% at this point in time. Beyond that figure though, there's another substantial number of Canadians who have given up. That's the term that's usually used.

**Mr. Mark Hodgson:** I think you may actually be talking about three separate things. There's the unemployment rate, which reports on the number of people who are unemployed and actively searching for employment as a proportion of the total labour force. That would be your 7% or 8% number. The people who are receiving employment insurance benefits are a separate population who have paid EI premiums, who have lost their job through no fault of their own, and who are currently receiving EI benefits. There can be, at times, another group of people who are the so-called discouraged workers—

**Mr. Wayne Marston:** That's who I'm referring to.

**Mr. Mark Hodgson:** —who have given up searching for work. They're no longer counted as unemployed, because if they were surveyed they would say they're not looking for work.

• (1810)

**Mr. Wayne Marston:** I understand—

**Mr. Mark Hodgson:** So in that sense, they've withdrawn from the labour force.

**Mr. Wayne Marston:** —that they may have withdrawn, but the point is that they don't have a job.

**Mr. Mark Hodgson:** That's correct.

**Mr. Wayne Marston:** I'm not trying to get into a debate on that. I'm just trying to make the particular point. The changes we're talking about now, which have people concerned, have to do with the definition of suitable work, and my understanding is that definition is going to allow the minister to make that determination. Is that correct?

**Ms. Mireille Laroche:** The current proposal within the BIA is to provide the authority to the Employment Insurance Commission to make regulations pertaining to the definition of suitable employment and reasonable job search.

**Mr. Wayne Marston:** So it doesn't—

**Ms. Mireille Laroche:** So this definition will be in the regulations.

**The Chair:** You have about 30 seconds.

**Ms. Mireille Laroche:** The current proposal is to provide the Canada Employment Insurance Commission with the authority to make regulations to define what constitutes suitable employment and reasonable job search. So those details will be—

**Mr. Wayne Marston:** So that's below the minister. The minister won't make that determination.

**Ms. Mireille Laroche:** —in the EI regulations that go with the legislation.

**Mr. Wayne Marston:** But my question is whether the minister will make that decision. Will it be made by people lower than the minister?

**Ms. Mireille Laroche:** It is a government decision.

**Mr. Wayne Marston:** “Government decision” to me says “minister”.

Thanks very much.

**The Chair:** Thank you.

I have Mr. Brison.

**Hon. Scott Brison:** Thank you very much for joining us today.

What analysis has the department done to determine that the current definition of unsuitable work is wrong or justifies a change? What was the analysis of that?

**Ms. Mireille Laroche:** The definition currently in the Employment Insurance Act is very general in nature and does not give Canadians a sense of what specifically constitutes a reasonable job search. It does not provide clarity in terms of what constitutes suitable employment. As a result, these proposed regulations, as part of the current BIA, would actually provide some clarity for unemployed Canadians who are on EI and looking for work.

**Hon. Scott Brison:** There were over 500,000 EI recipients in February. What percentage of those would you expect to be affected by this change in definition?

**Ms. Mireille Laroche:** The proposed definitions will apply to all regular claimants as well as to all fishing claimants. Essentially, the new definitions will apply to all.

**Hon. Scott Brison:** Yes, but what percentage of these recipients do you believe will not qualify as a result of this change?

**Ms. Mireille Laroche:** These changes are not changing any of the qualifying criteria. They do not affect eligibility—how people will get into the EI program to get benefits—nor do they affect the amount of money they will receive or the duration. They simply clarify what they need to do while they are on claim in terms of looking for work and in terms of the type of work they should be accepting.

**Hon. Scott Brison:** The expectation is that these changes will have an effect in that some of the people will not qualify, or they will affect the quantum of what they receive.

**Mr. Mark Hodgson:** They don't actually have any effect on the amount of benefits people receive or on how long they receive them. They set out what they must do while they are receiving benefits in terms of job search efforts. Should employment opportunities be available that match their skills and that meet the criteria Minister Finley elaborated on last week, they would be expected to take that employment. They don't affect the amount of money they receive or the length of time they receive benefits.

**Ms. Mireille Laroche:** And they don't affect how many hours they need.

**Hon. Scott Brison:** Have you done any analysis or macro-economic projections as to what the impact would be on unemployment rates in Canada as a result of this definition change?

**Ms. Mireille Laroche:** No. The objective of this measure is really to help Canadians and support them in getting back to work more quickly. It's going to do that by providing them with enhanced labour market information. In terms of the impact on unemployment, it is really in the sense of helping them get back to work more quickly.

• (1815)

**Hon. Scott Brison:** But you haven't done any projections as to the impact on the unemployment rate in Canada.

**Mr. Mark Hodgson:** As a general rule, changes to employment insurance legislation are not modelled, because that requires us to make assumptions about behavioural change based on EI rules, and there is no sound mathematical conceptual basis for doing so.

**Hon. Scott Brison:** I've received a lot of calls from people and business owners. In some cases, it is Niagara food businesses, and in other cases, it is about tourism related to the seasonal side. One of the e-mails I received was from someone who operates a very large tourist business, who said:

We are quite concerned about the changes to the EI system.... It really does have some potentially damaging elements to it. Given the seasonality of the tourism industry we have quite a large number of staff that we will most likely lose from year to year as a result of these changes. The time, distraction, training costs and loss of experience will be extremely difficult.

**The Chair:** You have 30 seconds.

**Hon. Scott Brison:** Further it said:

I see the Cdn Federation of Independent Business supports these changes. [I'm a member, but] I cannot for the life of me understand why....

**The Chair:** Okay, ask a question.

**Hon. Scott Brison:** To what extent were seasonal businesses and industries engaged in the consultation process? We're getting a lot of negative feedback and real fear as to the impact on these businesses and whether they can survive.

**Ms. Mireille Laroche:** The proposed changes are going to apply to all Canadians, regardless of what type of industry they work in.

As for consultation, it was done through our ongoing departmental consultations. Different organizations were consulted as well as ordinary Canadians.

In terms of the potential impact on specific industries, it's not for me to comment. It will depend on the specific circumstances of each industry.

**The Chair:** Thank you.

Is there anything further?

**A voice:** No.

**The Chair:** Okay. Thank you very much for being with us here today.

We'll call officials forward for division 44, Customs Tariff act.

You have a point of clarification, Ms. Glover.

**Mrs. Shelly Glover:** I believe Ms. Nash wanted to invite a different division to come forward, Immigration. Now's her chance because if we start with these we won't get to it.

**The Chair:** Do you want me to suspend for a couple of minutes?

**Ms. Peggy Nash:** Let me just sort out what we're going to do.

**The Chair:** Okay, I'll suspend for one minute.

• (1815)

\_\_\_\_\_ (Pause) \_\_\_\_\_

• (1820)

**The Chair:** I call the meeting back to order.

We will have the officials from Finance, I believe, on the Customs Tariff act, which is division 44.

I'll just remind colleagues that we have bells at 6:30 and we have votes at 6:45. I'm not certain at this point how long votes will take, so for those who are on our panel at 6:30, obviously the committee will be coming back after that time.

We welcome our officials to the table. Could you give a brief overview of this section, and then we'll have questions.

**Mr. Dean Beyea:** Thank you.

My name is Dean Beyea. I was here earlier. I am the director of international trade at the Department of Finance. I'm here with my colleague, Patrick Halley, and Alec Attfield from the Canada Border Services Agency.

Division 44 amends the Customs Tariff. There are two primary changes. First, there is a tariff reduction that supports the energy industry. Clauses 620 and 621 eliminate a 5% tariff on imported fuels used in energy and electricity generation. The tariff was imposed recently as a result of a CBSA tariff classification decision, therefore the budget simply restores duty-free status. This will enhance the competitiveness of the sector and reduce the cost of electricity generation.

The second element amends the travellers' exemptions in the Customs Tariff. Those are clauses 622 to 624. They amend the Customs Tariff to increase the value of goods that may be imported duty and tax free by returning Canadians after absences from the country of more than 24 hours. The amount moves from \$50 to \$200; and for absences greater than 48 hours, from \$400 to \$800. This measure will facilitate the border processing of Canadian travellers and harmonize the more than 24-hour and 48-hour exemption levels with those of the United States.

**The Chair:** Thank you very much for that overview.

We'll go to Ms. Nash, please.

**Ms. Peggy Nash:** Hello, and welcome to the finance committee.

I want to ask a question about the increase in the ability of travellers to the United States or to any other country to bring back an increased value of goods to Canada. Diane Brisebois, the head of the Retail Council of Canada, has expressed concern for Canadian retailers—that those in border communities could be affected by these increased customs allowances for Canadians, which could impact retailers, especially along the border.

What is your response to that? Have you done any studies, or do you anticipate what the outcome will be?

**Mr. Dean Beyea:** With respect to travellers' exemptions, what has traditionally been the most sensitive item for border communities are cross-border shoppers. Most of the trips are less than 24 hours, and there is no change to that exemption. There is no exemption for day shoppers, if you use that term. It's simply the ones greater than 24 hours and greater than 48 hours. For overnight stays we will see—

**Ms. Peggy Nash:** If somebody wants to shuffle down to Buffalo and spend a night there, they can now bring four times their previous exemption. So if I'm on the Fort Erie side of the border, as a retailer I'm concerned because even though the dollar is quite high, that isn't always reflected in prices here in Canada so a lot of Canadians do shop across the border.

Have you done any studies, or do you have any statistics about what you anticipate the impact will be on retailers with these specific changes?

**Mr. Dean Beyea:** We've looked at travellers. There are very distinct patterns, I think you would say. The variants seem to be in trips. The trips between one and six days are very constant. They have been for a considerable amount of time. There have been changes to the travellers' exemptions that haven't shown an impact on trips, most recently the greater-than-48 hour trips in 2007. Those numbers have been constant.

Where the travel, particularly to the United States, changes is in less than 24 hours and more than seven days. The more-than-seven-days adjustment is now harmonized with the 48-hour increase from —

• (1825)

**Ms. Peggy Nash:** In answer to my question, are you saying there has been no economic impact study of what these changes will mean for retailers, especially near the Canada-U.S. border?

**Mr. Dean Beyea:** No. We're saying there hasn't traditionally been an impact. What this is going to do—

**Ms. Peggy Nash:** Sorry. My specific question is, has there been any study of the economic impact of these changes? I know you're saying historically there hasn't been, but have you done any costing on what this could mean for retailers?

**Mr. Dean Beyea:** We've done an internal analysis to assess the cost of this measure.

**Ms. Peggy Nash:** Is there any information you can share with this committee?

**Mr. Dean Beyea:** I think I can share how we've looked at this. I don't think their internal department calculations—

**Ms. Peggy Nash:** So you don't expect more bankruptcies or more economic hardship for retailers along the Canada-U.S. border?

**Mr. Dean Beyea:** There haven't been significant changes in the patterns when these have been adjusted in the past. What happened was that people were lining up to pay duties and taxes. In our view this will simply wave through more people who are already making certain purchases. It's not going to incent people to travel to shop duty- and tax-free.

**Ms. Peggy Nash:** So you don't think there will be an economic impact on the retailers.

**Mr. Dean Beyea:** There hasn't been in the past when similar changes were made. The trips have been steady. If people are making those purchases now, we assume they'll continue to make them and there will be a larger amount of duties and taxes.

**Ms. Peggy Nash:** Thank you.

**The Chair:** Thank you, Ms. Nash.

We'll go to Ms. McLeod, please.

**Mrs. Cathy McLeod (Kamloops—Thompson—Cariboo, CPC):** Thank you, Mr. Chair.

Certainly if you're spending a night or two it's very different from going across the border for a quick trip back and forth. It's been interesting. It might speak to my age, but I remember that about 15 to 20 years ago people were really concerned about Canada losing to cross-border shopping. Then of course the dollar changed, and all of a sudden we had Americans coming up and spending significant amounts in Canada. It seems to have fluctuated with time.

Is there anything that shows if we're harmonizing with the States? There are probably some numbers in terms of net back and forth. I guess that's my first question.

On my second question, I was slightly over my limit and went through my NEXUS to make sure I'd claimed it. For the sake of retrieving some fairly insignificant dollars of duty, it was certainly very manpower-intensive. There's probably a point when the actual cost and intensity of the manpower to collect \$20 is not worth the trade-off.

Can you maybe speak to both those issues?

**Mr. Dean Beyea:** Sure. I think it's a good point. The \$50 exemption hadn't been raised since 1995, so it was certainly out of date from that perspective. The way the law was written previously, there was a \$50 exemption after a 24-hour absence. If you spent over \$50 you had to pay duty and taxes on the full amount. The \$50 wasn't exempted, so it was very inefficient.

By increasing this amount, as you said, we will not be collecting small amounts of money at the border, which will allow the border traffic to flow more fluidly.

**Mrs. Cathy McLeod:** Are there any numbers on how much flows back and forth with Americans coming to Canada and vice versa? The harmonization makes perfect sense, but I am curious where the balance is.

**Mr. Patrick Halley (Chief, Tariffs and Market Access, International Trade and Finance, Department of Finance):** I think data is available on Canada from Statistics Canada. We can provide that to the committee if you wish.

**Mrs. Cathy McLeod:** Thank you.

**The Chair:** Okay.

Ms. Glover, you have two minutes, please.

**Mrs. Shelly Glover:** Thank you.

I just want to clarify something. A number has been bandied about: a \$16 billion loss of economic opportunity because of congestion and inefficiencies at the border every year. Is that an accurate number?

• (1830)

**Mr. Dean Beyea:** I don't know. It's not something we looked at in the context of the amendments to the travellers' exemptions. We certainly think this will have a great impact on relieving border congestion, particularly at peak times and in summer months.

**Mrs. Shelly Glover:** So for corporations that are exporting and importing from the two countries, the congestion limits their ability to get to their locations in a timely fashion. That can at times affect economic gains on either side. As I said, I heard that \$16 billion is lost every year because of inefficiencies, etc.

Is there any way that you might be able to check on that number?

**Mr. Dean Beyea:** Absolutely. I think there was a number that was associated with the border vision action plan. It may well have been that number. I know it's a significant benefit we're speaking about.

**The Chair:** I apologize for interrupting, but the bells are ringing. I believe they're 15-minute bells.

Thank you. We'll see you back after the vote.

• (1830)

(Pause)

• (1925)

**The Chair:** I'm going to call this meeting to order. This is the resumption of meeting number 62 of the Standing Committee on Finance.

Our orders today, pursuant to the order of reference of Monday, May 14, are to continue our study of Bill C-38. I want to thank all of our witnesses for their patience. I apologize for the vote. That was unexpected this evening. We do have eight people to present to us during this session.

We have, first of all, Ms. Vivian Krause. We have Mr. Mark Blumberg. We have Mr. Dan Kelly from the Canadian Federation of Independent Business; and Mr. Dennis Howlett from Canadians for Tax Fairness. We have Mr. Jamie Ellerton from EthicalOil.org; we have Mr. Blair Rutter from the Grain Growers of Canada; and from Imagine Canada, we have Mr. Marcel Lauzière. By video conference we have Mr. Tom King from the Prospectors and Developers Association of Canada.

Again, thank you so much, Mr. King, for staying with us.

We want to thank you all for being with us. You each have a maximum of five minutes for an opening statement, and we will go in the order that I read. We'll start with Ms. Krause, please.

**Ms. Vivian Krause (As an Individual):** Thank you.

**The Chair:** Please begin your opening statement.

**Ms. Vivian Krause:** My name is Vivian Krause.

By way of background, I'm a director of a federally registered charity, and I worked with UNICEF for 10 years in Guatemala and Indonesia. In that capacity, I was trained in program management and also trained to watch for the misuse of charitable funds. I have a master of science degree, and over the past year or so, I've written a series of articles published in the *Financial Post* about the science and the funding of environmental campaigns, particularly the campaigns against B.C. farmed salmon and against Alberta oil.

I support the budget allocation that will allow the CRA to prompt greater transparency and accountability within the charitable sector, particularly among politically active and foreign-funded non-profits, and I'm grateful for the opportunity to explain why.

As I see it, in some instances—and campaigns against aquaculture and against oil tanker traffic are prime examples—environmental activism is being funded in such a way that market and economic interests are being protected. Whether or not this was the funder's intention, this is the net effect of these campaigns.

Ten years ago, I was employed in the salmon farming industry at a time when that industry was under vigorous scrutiny and attack from environmental groups. Several years after I left the industry, I came across a grant that prompted me to look back at the campaign against salmon farming from a perspective that I missed when I worked in the industry, a marketing perspective.

What I found was a grant for environmental organizations to coordinate a media and marketing campaign to shift consumer and retailer demand away from farmed salmon. In hindsight, it became clear to me that by scaring consumers, environmental groups were de-marketing farmed salmon, in other words swaying market share away from farmed salmon. This is precisely what they were funded to do by the Gordon and Betty Moore Foundation, an American foundation that has granted \$90 million to environmental groups in British Columbia.

As I tried to piece together the funding of the campaign against salmon farming, I also came across dozens of grants for something called a tar sands campaign. In total I found grants to 40 organizations for \$10 million over two years, all from a single American foundation, the Tides Foundation. Earlier this year, Sun News unearthed a detailed PowerPoint presentation from the Rockefeller Brothers Fund in which they explained how the Rockefellers, the Tides Foundation, and other American charitable foundations are funding a tar sands campaign to block the Mackenzie pipeline, the Northern Gateway pipeline, and to block oil tanker traffic, but only on the coast of British Columbia—never mind the dozens of oil tankers that bring oil to the United States on a daily basis. The only tankers that the Rockefeller Brothers are concerned about are the tankers that would transit Canada's strategic gateway to Asia.

By depicting Alberta oil sands as tar sands, environmental groups are helping to create the perception of a dichotomy, albeit a false one, between dirty energy and clean energy. To my surprise, I found that this is exactly what they have been funded to do as part of a strategy to sway investment capital towards renewable energy and away from the competition, fossil fuels.

Part of the rationale for creating the renewable energy industry is to protect the environment, but there is more to it than that. American funders say themselves in their written strategy papers, which I'd be pleased to provide to the clerk, that their agenda is to further the energy security, the energy independence, and the national security of the United States.

Fundamental to the issue of charitable status is that of public benefit. I can see how the campaign to prop up Alaskan commercial fisheries and the communities that depend on them helps to provide a benefit to the American people. I can see the same thing for the campaign to block Canadian oil exports to Asia, but I do not see how it benefits Canada when Canadian charities lend themselves to an American campaign against a Canadian industry.

I have two concerns.

- (1930)

**The Chair:** You have one minute left.

**Ms. Vivian Krause:** First, I don't see that these campaigns are exclusively charitable, which is what charities are supposed to be. I do see that they're protecting economic and trade interests.

Second, in the tax returns I have reviewed for some charitable foundations, I have found surprisingly high salaries, with payments of millions of dollars to consultants. I have also found relatively large payments to charities where the spouses of directors are involved, as well as questionable payments to PR firms and so-called investment firms where the directors of charities are involved.

As someone who is a director of a charity, I know that the Canadian people are generous and trust the charitable sector. It's important that this trust be kept, so I support the budget allocation to promote greater transparency and accountability.

Thank you for your invitation to testify today.

**The Chair:** Thank you very much, Ms. Krause.

We'll go to Mr. Blumberg. Welcome back to the committee.

**Mr. Mark Blumberg (Lawyer and Partner, Blumberg Segal LLP):** Thank you very much.

My name is Mark Blumberg. I'm a lawyer and partner at the law firm of Blumberg Segal LLP in Toronto. I'm an editor of our firm's website, GlobalPhilanthropy.ca, which deals with legal and ethical issues facing Canadian charities.

As I testified on May 8, the charity and non-profit sector in Canada plays a vital role in this country. The committee is currently reviewing the 2012 budget, which has various provisions affecting the regulation of charities. I am most interested in those provisions dealing with transparency.

In my view, the most important provision in the budget is that which gives CRA the ability to suspend a charity's receipting privileges if the charity files an incomplete annual return. This provision and related education will emphasize the importance of charities' completing the T3010 annual return as accurately as possible. It will provide CRA with greater tools when a charity is being deceptive in its filing, such as if a charity were to have millions of dollars in fundraising expenditures but would put down zero in fundraising costs.

The budget adds some transparency requirements on political activities, especially when funded from foreign sources. I would point out that charities currently disclose quite a bit, and this would just be adding to what is currently disclosed. Currently, charities disclose the amount of foreign income received; the name of any foreign donor giving over \$10,000, which is disclosed to CRA but is confidential information; whether the charity has carried out political activities; and how much is spent by the charity on political activities. The additional transparency exclusively related to political activities will not affect the ability of Canadian charities to conduct allowable political activities. In fact, much of the information that will be captured on the T3010 is already available from public sources such as the U.S. Form 990 filings and websites of the Canadian charities.

There has been recent coverage of political activities and cross-border philanthropy. It's important to recognize that, while charities are forbidden from being involved in partisan political activities, they play an important role in policy and political discussion. Registered charities can engage in allowable political activities as long as they are non-partisan, related to their legal objects, and limited resources are used, which generally means less than 10% of resources.



We are pleased that the 2012 budget did not include restrictions on political activities by Canadian charities or impediments to foreign charities and individuals supporting Canadian charities. We've written about charities and how they report their political activities, and we would argue that there is significant room for improvement in reporting on the T3010 questions already being asked, not to mention additional questions that may be added.

CRA will have additional resources to do outreach and education to help charities understand the rules. They'll probably conduct more audits on charities, and some of those audits will involve political activities. Many charities incorrectly assume that they're not allowed to do any political activities. I think after a few years of education by CRA they will come to be more knowledgeable and understand that charities can, and in many cases, should be involved in political activities. They just have to do it within the rules that are set out for them.

It's important that there is improved transparency in the charitable and non-profit sector. Canadians, especially donors, are asking for it. I would reiterate that I made a couple of proposals with respect to section 241 of the Income Tax Act to try to improve transparency. Specifically, the first idea was to allow the CRA to disclose serious non-compliance with legal requirements by registered charities and other qualified donees prior to revocation. Currently, CRA has to wait until after the revocation to let people know that, for example, a charity has been involved in a \$600 million scheme. They can't say anything about it until after the revocation.

The second idea was to allow the CRA to disclose information contained in the non-profit organization's information returns, which many non-profits already have to file every year, but which CRA is forbidden by section 241 to disclose. These are short forms filed by many non-profits that set out their name, their revenue, and things like that. Whereas charities have to provide quite a bit of information on the T3010, we are not able to know, and CRA is not able to tell us, who these non-profits are and what their revenues are.

So those were two suggestions that I made with respect to changing section 241, and there's no cost to changing it. It's a matter of removing the shackles on CRA and allowing it to put out information on those two points.

I think that greater transparency will reduce the abuse of non-profits and registered charities, increase the chance that those who abuse charities are discovered quickly, and increase public confidence in the sector, which is vital for fundraising and increasing donations.

• (1935)

Thank you very much for having me here at the committee.

**The Chair:** Thank you for your opening statement.

We'll now hear from Mr. Kelly, please.

**Mr. Dan Kelly (Senior Vice-President, Legislative Affairs, Canadian Federation of Independent Business):** Thanks very much to the committee.

I did provide a short deck of some slides about the 2012 budget for your attention.

I want to say at the very beginning that we are very grateful to government for finally moving on marketing freedom for Canadian wheat and barley growers. Our members are very pleased about that. Survey after survey of our western grain and barley growers showed that this was something they had wanted for a long time. We're grateful that it has finally come to be.

In fact at meeting on Vancouver Island this weekend, some of our representatives, who were out there calling on our Alberta members, told us that they didn't believe this would happen before they died, but they are very happy that it has.

I want to say from the outset that there are a number of small business-related concerns right now. Many of them have been touched on in the budget. An awful lot more work needed to be done on several of them.

The good news is that there is starting to be a greater degree of optimism among small and medium-sized businesses, and that optimism is turning into hiring. We have started to see a bit of a break. More of our members are looking to hire employees than to let go of employees, and that is a really positive outcome that has just occurred in the last couple of months.

Still on the top of our members' agenda are the total tax burden, government regulation, employment insurance, the shortage of labour—again, growing very quickly. The 2012 federal budget did contain progress on eight of the top twelve issues that we had recommended.

The biggest measure we had suggested was to make progress on renewal of the EI hiring credit. We're very pleased that has occurred. That has been very positively received by our members, and I believe it is related to the higher degree of optimism among small and medium-sized firms at this point in time.

When we asked our members during the recession what was most helpful to them, they felt that the freezing of EI premiums was the single measure the government took that did help them out.

We've seen more recent changes on employment insurance, and while not directly related to the budget, it has directionally gone in ways that our members do favour. Minister Flaherty's comments that there are no bad jobs other than being unemployed have resonated very well with our membership.

The real proof is going to be in the implementation of some of these new provisions, and that is what concerns us. Right now with respect to EI, you're not supposed to get benefits if you quit or you're fired, but everyone knows you can go into the EI office with a good sob story that the boss was mean to you and have benefits reinstated in about two minutes. It does concern us that some of the new changes that have been put in place are actually going to have a direct impact.

I do want to raise concern, though, that these changes have been made through regulation. It took quite some time for these changes to come to the public, and it's something I would suggest is better debated with the full knowledge of where the government is headed. We're pleased to see that the information is finally out for us to make decisions on.

With respect to employment insurance, 22% of our members told us they feel they're competing against EI for workers, and 16% of our members said they have been asked by employees to lay them off so they can collect employment insurance. The need for change is very clear.

The shortage of labour among small and medium-sized businesses is growing in every Canadian province. This has been characterized as a western Canadian issue, and it's not. After Saskatchewan, the second highest level of concern about the shortage of labour is in Newfoundland and Labrador. That's coming from thousands of small and medium-sized business owners.

• (1940)

**The Chair:** You have one minute, Mr. Kelly.

**Mr. Dan Kelly:** Okay. There have been some recent changes to the temporary foreign worker program, which was referenced in the budget itself. Most of the changes are positive. We like the direction they're heading in, but most of the changes do apply to immigrants with higher skills. They do not apply to those who are in the more modest skill set, in entry-level positions, those in semi-skilled professions, and in the trades.

We really do feel that for the temporary foreign worker changes to be effective they need to apply to all temporary foreign workers. We are hoping that the permanent skilled immigrant program can be expanded to mimic more of the benefits of the temporary foreign worker program—things like allowing temporary foreign workers to stay in Canada through the Canadian class. It's a great decision. Again, it cuts out those who are in the lower-skilled categories, which is something we feel needs to be addressed.

With respect to OAS changes, we have brand new survey data from our members. Again, directionally our members support it. A quarter of our members do oppose the OAS changes, but our members strongly feel these changes need to apply to public service employees so that public service pensions mimic the new retirement age set out in OAS.

I'd be happy to take any other questions.

**The Chair:** Thank you very much, Mr. Kelly.

We'll now hear from Mr. Howlett, please.

**Mr. Dennis Howlett (Coordinator, Canadians for Tax Fairness):** I'm the coordinator of Canadians for Tax Fairness. I thank you

for the opportunity to share our concerns regarding this omnibus budget bill.

Since I have very limited time, I'll address just two points: one, the need for a revenue-side solution to the deficit problem; and two, the need for government policy to support increased lobbying and political engagement by charities, not curtailing it as Bill C-38 is possibly going to do.

The first point, we need fairer taxes to increase revenue, reduce the deficit, and close the income gap. Austerity is the wrong prescription for an ailing economy. Cutbacks in government spending and layoffs of large numbers of public servants jeopardizes the weak economic recovery.

The main reason for the government deficit is not runaway government spending but ill-advised tax cuts. Thanks in part to corporate tax cuts that have lowered the federal corporate tax rate from 21% in 2006 to 15% today, non-financial Canadian corporations are now sitting on about \$500 billion of surplus cash. They are not investing for the most part in job creating expansion because there is weak consumer demand for their goods and services. What they need more than tax cuts are policies that would boost consumer spending. Increasing unemployment, as this budget is expected to do by up to 70,000 full-time jobs if you include both the public and private sectors over the next three years, will not help to boost consumer demand.

The underlying weakness of consumer spending is due in large part to the growing gap between rich and poor. Wealth has become far too concentrated in the top 10% or even 1%, and middle- and lower-income Canadians have seen their income stagnate or decline. The rich, the very rich, can't spend as much as ordinary Canadians because there are very few of them.

What would help our economy, and business in particular, would be policies to redistribute wealth. One of the most effective ways to do that would be to make taxes fairer.

Canadians for Tax Fairness contributed to the alternative federal budget 2012, which included a tax fairness plan that proposed: increasing tax rates on top incomes; reversing the race to the bottom with corporate tax cuts; eliminating unfair tax preferences, and closing tax loopholes and access to tax havens; applying financial activities or transaction taxes; introducing an inheritance tax on large estates; and starting to introduce smart and progressive green taxes.

These tax measures and elimination of subsidies to oil companies could raise an additional \$50 billion a year that could go toward reducing the deficit and implementing new programs, such as pharmacare, child care, climate change action, and a poverty reduction plan.

This budget bill has hardly any new revenue measures at all. It is unfair to try to balance the budget by spending cuts alone, which will adversely affect middle- and lower-income Canadians. We need a more balanced approach that would include revenue-side solutions as well.

The second point is to encourage public policy engagement by charitable organizations. I'm surprised and outraged by the attack on the rights—and I would add the responsibility—of charitable organizations to engage in advocacy on public policy issues. The real problem is that we have far too few charitable organizations contributing to public policy dialogue.

As the Canada Revenue Agency noted in their 2003 policy statement on political activities of registered charities:

Beyond service delivery, their expertise is also a vital source of information for governments to help guide policy decisions. It is therefore essential that charities continue to offer their direct knowledge of social issues to public policy debates.

The \$5 million allocation in the budget for special audits by CRA, to see if charities are adhering to the 10% limit on advocacy, and additional restrictions in reporting rules for charitable foundations contained in Bill C-38 are sending the wrong message—that government doesn't want to hear from non-government organizations, especially if they disagree with government on environment, gender equality, or poverty issues.

• (1945)

I would have thought that many Conservatives who subscribe to the principles of liberty and limiting the power of big government would have wanted to expand democracy and citizen engagement, not curtail it.

**The Chair:** Okay, we're over time, Mr. Howlett, if you could just wrap up briefly.

**Mr. Dennis Howlett:** I would recommend that all of the clauses of Bill C-38 that seek to curb political engagement of charitable organizations be removed.

Thank you.

**The Chair:** Thank you for your presentation. We will now hear from Mr. Ellerton, please.

**Mr. Jamie Ellerton (Executive Director, EthicalOil.org):** Good evening, Mr. Chairman.

Thank you to the members for having me here today.

My name is Jamie Ellerton. I am the executive director of EthicalOil.org. We are a Canadian non-profit organization that advocates for ethical oil from Canada's oil sands and other western liberal democracies. Ethical oil is produced in countries with high environmental standards that are peaceful nations, where workers are treated and compensated fairly, and have respect for human rights. Conflict regimes, by contrast, oppress their citizens, operate in secret with no accountability, and have little, if any, regard for the environment. What we do is important, but I do not claim that it is

charity. It is political, and it is simply not on the same moral plane as true charitable endeavours.

Government accords charities the privilege in exchange for the charitable work they do. The benefits that come with that privilege are quite generous and result in foregone revenue to the government. In Canada there is not a consensus on ethical oil, and promoting one side in a political debate is not charity. I will quote from the Canada Revenue Agency:

...in order to assess the public benefit of a political purpose, a court would have to take sides in a political debate. In Canada, political issues are for Parliament to decide....

Now, stop for a moment and imagine. If arguing one side of an issue were a charitable act, then arguing the other side would be a charitable act too. Let me read you such an example. The example is deer hunting. It comes from Canada Revenue Agency's policy statement CPS-022, about political activities. I quote:

The main reason why the courts rule out political purposes for charities is a result of the requirement that a purpose is only charitable if it generates a public benefit. A political purpose, such as seeking a ban on deer hunting, requires a charity to enter into a debate about whether such a ban is good, rather than providing or working towards an accepted public benefit.

If you have to debate whether or not something is charitable, it is not. Mr. Chairman, that policy statement was published in 2003 under Prime Minister Chrétien. This is not a matter of partisanship. It's about the neutral application of tax laws. Politics should never enter into it.

In 1989 Revenue Canada revoked Greenpeace's charitable status because it engaged in prohibited activity. Greenpeace then set up another charity called the Greenpeace Canada Charitable Foundation, which also saw its charitable status revoked in 1998. It had nothing to do with the PC or Liberal governments of the day. It was the CRA doing its job in enforcing the Income Tax Act.

Given this history, why are we discussing this today? The Government of Canada wants to make sure charities are following the rules they agreed to when they applied for charitable status, a classification that gives them generous benefits such as tax-free status and the ability to offer donors deductible receipts.

Mr. Chairman, Ethical Oil has noticed increased political and partisan activities of several organizations that we believe are in violation of charities law for their political and partisan activity. To that end, we have written several complaints to the Canada Revenue Agency detailing how we believe various Canadian charities are violating the law. Whether it's a representative of the David Suzuki Foundation appearing in a TV advertisement for a political party, or Environmental Defence making 50,000 phone calls in one electoral district to attack one member of Parliament, we do not believe this work to be charitable.

Concerns have been raised that this legislation attacks free speech. I do not believe this to be true. No charities doing charitable work have anything to fear from Bill C-38. Charities that are complying with the law today will continue to be if Bill C-38 is passed. What the bill actually does is this. For those organizations that have been given the privilege of charitable status, which includes a generous subsidy from Canadian taxpayers, it requires registered charities to provide greater transparency into their activities in exchange for that privilege.

That is why Ethical Oil supports the initiatives contained in Bill C-38 and hopes to see its passage through Parliament.

Thank you, Mr. Chair.

● (1950)

**The Chair:** Thank you very much, Mr. Ellerton, for your presentation.

We will now hear from Mr. Rutter, from the Grain Growers of Canada.

**Mr. Blair Rutter (Grain Growers of Canada):** Thank you, committee members, for this opportunity to appear before you today.

My name is Blair Rutter. I am the Executive Director of the Western Canadian Wheat Growers Association, one of 14 organizations that belong to Grain Growers of Canada. I'm here today representing the Grain Growers whose members represent tens of thousands of successful farmers from coast to coast. When the budget was introduced earlier this year, the Grain Growers were pleased to see that expanding trade remained a high priority. Improving access to markets is vital to ensuring growth and prosperity in our sector.

The implementation of marketing freedom for wheat and barley will also grow the profitability of our sector. We are eagerly anticipating an open market on August 1. This move has already sparked private investment in further value-added grain processing and research. The open market success of our canola, pulse, and oat industries gives us reason to be optimistic that we will see similar success stories in wheat and barley.

Grain Growers supports the budget provision that extends the deferred payment tax provision to all Canadian farmers, not only those in the Canadian Wheat Board area. This provision allows farmers a modest ability to smooth out the year-to-year fluctuations in their incomes.

The Grain Growers were also pleased to see the modernization of food safety regulations at CFIA, the Canadian Food Inspection Agency, and Health Canada. We support efforts to reduce regulations

and simplify the process by which new products can come to market. We encourage you to continue down this path, especially with respect to the registration of new crop varieties.

To take full advantage of the increased opportunities in agriculture, we ask your committee to address the following issues.

First, we need to continue our emphasis on research and innovation. We were disappointed in some of the cutbacks to agriculture announced in the budget. While we support the change in focus toward early-stage variety development, the 10% cut in core funding of agriculture did affect some front-line research positions. If costs are to be trimmed, it should be in administration and not research staff. In particular, the Grain Growers are concerned that the program relating to important spray technology might be eliminated. This valuable research has reduced farmer input costs and improved our stewardship of the environment. We ask your committee to ensure that funding for this program remains in place.

Second, our sector is dependent on a reliable rail transportation sector. We urge all parliamentarians to support back-to-work legislation and restore rail service so that farmers do not bear the cost of lost sales and ships in harbours waiting for grain. We also ask the government to introduce legislation this fall that will address long-standing rail service issues.

Finally, the Grain Growers are seeking the modernization of the Canada Grain Act. The budget makes a special allotment for continued funding of the Canadian Grain Commission at present levels, and we thank the government for this stopgap measure. Making some of its services optional and allowing third-party service providers will lower costs to farmers and ensure the commission is well positioned to meet the future needs of our industry.

Again, thank you for the opportunity to share our views.

**The Chair:** Thank you very much, Mr. Rutter.

● (1955)

[*Translation*]

Mr. Lauzière, you may make your presentation, please.

**Mr. Marcel Lauzière (President and Chief Executive Officer, Imagine Canada):** Mr. Chair, thank you for the invitation to appear before the Standing Committee on Finance this evening.

I am the President and Chief Executive Officer of Imagine Canada, an umbrella organization for charitable organizations in Canada. Our primary mission is to work to strengthen charities so they can, in turn, better serve Canadians and communities, here and elsewhere in the world.

[English]

The federal budget announced new disclosure measures for political activity by charities. Essentially, three things will happen. First, there will be some new questions on the T3010 form, the form that charities have to send off to CRA annually around political activity. Secondly, foundations will now be required to report differently on the 10% for political activity, and finally, there will be what CRA calls “intermediate sanctions” that may be applied in the case of inaccurate reporting.

I have to say I'm very pleased that these measures in no way change the 10% rule for political activity, a rule that has been in place for many years and that has been working well. Charities can still do political activity, as defined by the Canada Revenue Agency, just as before. The changes are in how we will need to report on these activities. The changes are related to new forms of disclosure.

Now with regard to the practical impact of these changes, we will have to see what the questions are, and as you know, the devil is always in the details. But we will be in a better position to comment on specifics once we've seen that information.

We have had some communication with the Canada Revenue Agency, and those discussions have been productive. Our hope is that the reporting burden will be kept to a minimum. We have to recognize the fact that the new measures will add to the reporting and administrative burden of charities, which means adding to compliance and overhead costs. Canadians want us to keep these costs as low as possible. Indeed, during the hearings on charitable giving, members of this committee commented on the need to keep administrative costs as low as possible. So it is imperative that the burden be kept reasonable and that the costs not outweigh any public policy benefit.

That being said, our real concern regarding political activity is the recent public language used by some ministers and some senators that has been, in fact, inflammatory. It is creating real uncertainty and concern within the broad charitable sector in Canada. Many have told us that they are worried about engaging in public policy at all. This goes well beyond the environmental charities. I'm talking about charities involving social services, in poverty alleviation, in social housing, in the arts, in health, in services for people with disabilities, and I could go on.

Whether intended or not, this debate and the language used are impacting the entire sector. Indeed, some ministers and senators appear to have questioned whether charities should play any role in public policy. I'm hearing that a number of volunteer board members from across Canada are expressing worry as to whether they can participate in public policy at all, as they have done for many years, including appearing in front of parliamentary committees such as this one.

Mr. Chair, as you know—and I know you appreciate—charities have a long and proud tradition of working with governments at all

levels on crucial policy issues. This has served us well as a country, and it has been valued by Canadians and by governments for very good reasons. Charities work at the coal face of some of the most intractable social, environmental, economic, and cultural issues, dealing directly with individuals and communities. Because they work on the ground, they bring a knowledge base that is crucial, and I would say, complementary to the knowledge that governments bring, and that's a good thing. It often creates debate and questioning, but that's not a bad thing either. Good public policy comes from bringing to the table a variety of different perspectives based on different experiences. As a country, we've benefited from this perspective. I can't imagine why we would want to put this in jeopardy.

Charities and the millions of Canadians who continue to support their work want this positive and productive engagement with the government to continue. Who can argue against what governments and charities have achieved together: smoke-free workplaces, unthinkable 20 years ago; measures to fight drinking and driving—and we're seeing the real success of those—the national child benefit that has had a big impact on child poverty in Canada; the Canada-U.S. acid rain treaty; the Registered Disability Savings Plan, put forward by this government; and more recently, the maternal and infant health strategy that now is being championed by the Canadian government.

What all of these achievements have in common is that none of them would have been possible without the leadership of so many charities and the people that support them, and none of this would have been possible without a strong relationship and partnership between charities and governments.

**The Chair:** One minute.

**Mr. Marcel Lauzière:** The very public language used in recent weeks is creating a chill, and that is really difficult for charities across the country. My hope is that with a national conversation now we will begin to celebrate the work of charities in a way that will make us all proud.

In closing, let me say that, contrary to some statements made, charities in Canada are actually committed to transparency and disclosure. Just recently, Imagine Canada launched, with the support of the charitable sector, a new world-leading standards and accreditation program that's being embraced—a program that will ensure that Canadians continue to have trust and confidence. Working with the Canada Revenue Agency, we just launched CharityFocus, a citizen-focused, one-stop portal for information on all 85,000 charities, providing Canadians with a wealth of easily accessible financial and other information about every charity in Canada. I think this is the type of engagement that will benefit all Canadians.

*Merci.*

• (2000)

**The Chair:** Okay, *merci beaucoup*.

Our final presenter will be Mr. King, please. Thank you for being patient. We look forward to your presentation.

**Mr. Tom King (Co-Chair, Finance and Taxation Committee, Prospectors and Developers Association of Canada):** Thank you.

Good evening, Mr. Chair and committee members. I thank you for the invitation to appear before this committee and to offer comments on part 1 of Bill C-38 on behalf of the Prospectors and Developers Association. I am co-chair of the association's finance and tax committee, and an associate partner, tax, at KPMG LLP.

The Prospectors and Developers Association of Canada, with more than 10,000 members, both individual and corporate, exists to protect and promote mineral exploration and development and to ensure a robust mining industry in Canada. The Canadian mining industry is a great success story and a fundamental driver of Canada's economy. In 2010 the mining industry employed 308,000 people, contributed \$36 billion to the national GDP, and paid \$5.5 billion to governments in taxes and royalties. The mineral exploration and mining sector is the lifeblood of many rural and remote communities throughout Canada, and is the largest private sector employer of aboriginals in Canada.

Canada's mining industry plans to invest \$136 billion in projects over the next decade on new domestic projects and on the expansion of existing ones. Canada is recognized as a leader in mineral exploration, development, financing, mining, and related technologies, services, and activities. In 2011 we led all countries with 18% of the world's mineral exploration spending. Australia is second at 13%.

The TSX/TSX Venture Exchange is number one in equity capital raised for mining and number one in listed mining companies with 58% of the world's total. At the end of 2011, 43%, or 1,646, of the 3,837 companies listed on the TSX/TSXV exchange were from the mining sector. In comparison, the number of mining companies listed on the Australian stock exchange is 700, and on the New York Stock Exchange and AMEX it's only 141.

Mineral exploration is the essential first step in the mining cycle, and Canada has a number of features that attract investment. We have good geology, a skilled workforce with new training initiatives, and a competitive tax system that includes flow-through share

financing and the mineral exploration tax credit, the METC, both of which are unique to Canada.

The METC is important for mineral exploration financing. PDAC's members are primarily small and medium-sized enterprises that rely on equity financing to support early-stage, higher-risk exploration activities. In our pre-budget submissions and consultations, the PDAC recommended the continuation of the METC, asking that it be made permanent in order to provide greater certainty to investors and exploration companies. The METC and flow-through share financing continue to serve a critical role, as they allow junior companies to raise needed capital, keep investment in Canada, and sustain grassroots exploration activity.

The fragile state of the global economy is having a negative impact on company share prices and their ability to raise high-risk financing. Further, project costs are rising as a result of exploration, development, and production taking place in more complex ore bodies and deeper-lying deposits with lower grades and at more remote locations. Without sufficient investor support, companies will carry out less exploration, causing an impact on service companies and individuals, particularly those in rural, northern, and aboriginal communities. As costs rise, financing becomes more critical.

With respect to exploration and equity financing, flow-through shares and the mineral exploration tax credit offer individual Canadian investors an additional incentive to support the higher-risk ventures.

**The Chair:** You have about one minute, Mr. King.

**Mr. Tom King:** Thank you.

Initiated in 2000 for a five-year period, the METC was reintroduced in 2006 and subsequently renewed for two years. It has since been extended on a yearly basis. We were pleased to see the mineral exploration tax credit included in the March 29 federal budget. Bill C-38 would extend the tax credit for an additional year to flow-through share agreements entered into before April 2013.

It is important to note that the METC can only be earned on grassroots exploration conducted in Canada, incurred within a defined time period, and renounced under flow-through share agreements entered into within defined time limits. It should also be remembered that any METC claims are subject to taxation in the year subsequent to the taxation year in which they are claimed. Thus the after-tax saving is closer to 7.5% to 8% versus the actual 15% of the credit.

In conclusion, I'd like to thank this committee for giving our association the opportunity to speak today. We would be happy to answer your questions.

• (2005)

**The Chair:** Thank you very much, Mr. King, for your opening presentation.

We'll have questions from members. I'll just remind members, we have five-minute time limits, very tight. If you could direct your questions very specifically, it would help.

We'll start with Ms. Nash, please.

**Ms. Peggy Nash:** Thank you very much.

My time is short, so I'll try to be brief and succinct in my questions.

Ms. Krause, you have made some serious—I don't know if you'd call them allegations, but you've raised some serious concerns with respect to foreign money in Canadian charities skewing the public debate. Is that a fair assessment of what you're saying?

I'd just like to ask you if you have any concrete evidence that you'd like to put before the committee today.

**Ms. Vivian Krause:** Sure. The reason I've said that I feel the public debate is being skewed is that some groups are saying that they want all voices to be heard, when in fact they're funding only voices that are all of the same position. In the case of the Enbridge pipeline, for example, groups are saying that they want everybody to be heard, but they're funding only the people who are against it. So it's like putting the finger on the scale and tipping it.

**Ms. Peggy Nash:** I presume the oil industry, for example, which invests about \$20 billion of foreign investment in Canada, are on the other side of the debate. I don't presume they're funding the Suzuki Foundation in the interests of diversity of opinion.

What's wrong with advancing a position that you support?

**Ms. Vivian Krause:** I think that's just a different issue entirely.

**Ms. Peggy Nash:** Why?

**Ms. Vivian Krause:** Because with the oil industry, for one, everyone has known for a long time that there's foreign investment, that there's foreign money. It's been relatively out in the open.

**Ms. Peggy Nash:** But everyone knows that Canadians are entitled to fund foreign charities. We send money to other countries, not only for disaster relief, humanitarian aid, we also do human rights work and support democracy in other countries. So this is the kind of thing that we also receive here in Canada.

I don't know how you began doing this work. I know you're a former Conservative staff member. You've done some work for the Canadian Association of Petroleum Producers—

**Ms. Vivian Krause:** No, I have not.

**Ms. Peggy Nash:** You've worked in the salmon fishing industry.

I'd like to know, in terms of the work that you do, how is that funded today?

**Ms. Vivian Krause:** You've raised a number of things.

First of all, I have never worked for the petroleum producers as you said.

**Ms. Peggy Nash:** Did they not pay you to speak?

**Ms. Vivian Krause:** Yes, they paid me a \$5,000 honorarium. It doesn't mean I did any work for them. All the research that I did was done long before I gave that talk.

I'd just like to come back to the point that you made about foreign philanthropy. I'm all for foreign philanthropy; I worked with the United Nations for 10 years. But I think Canada should be on the giving end.

American foundations are on track to spend—

**Ms. Peggy Nash:** I have such little time, unfortunately. Who is funding your work today? Is that philanthropic on your part?

**Ms. Vivian Krause:** No. My work has not been funded by anyone. I felt this was an important matter of public interest. I tried to find someone who would fund it, and I failed. I couldn't find any—

**Ms. Peggy Nash:** You seem to have captured the ear of the federal government, so you must be a very good researcher.

I'd like to ask a—

**Ms. Vivian Krause:** It took me five years.

**Ms. Peggy Nash:** That's great.

I'd like to ask a question to Mr. Ellerton.

Your organization, Ethical Oil, is something that has grown very quickly in the public eye. If I remember, it was Mr. Levant from Sun Media who raised this as a concept, and it seemed to very quickly explode on the public scene. I'd just like to ask you why you think this has developed so quickly in the public consciousness. I know there are many people who work for Ethical Oil who have connections to the Conservative Party, and there's also been a lot of support through Sun Media.

Why do you think this idea has captured such attention, when it may take decades for other ideas to capture the public imagination?

• (2010)

**The Chair:** There's one minute left.

**Mr. Jamie Ellerton:** I think if you look at all the public attention, the energy needs we're facing, and with movements like fair trade coffee, people are being very conscious of where products they consume are sourced from. So an idea like ethical oil, where you differentiate where your oil comes from and be more informed about it, and you choose ethical oil from a place like Canada and other western liberal democracies, rather than to continue to rely on conflict oil that you'd import from OPEC—say Saudi Arabia, Algeria, Venezuela—is catching on with Canadians because it speaks to them. It speaks to their patriotism. It speaks to the values they care about, values like the environment, like human rights, like respect for workers.

**Ms. Peggy Nash:** Thanks very much.

I get one last quick question. Where is the funding for your organization from?

**Mr. Jamie Ellerton:** Ethical Oil accepts donations from any Canadian or Canadian business.

**Ms. Peggy Nash:** Do you have any financial ties to the petroleum industry?

**Mr. Jamie Ellerton:** Ethical Oil accepts money from any Canadian or Canadian business. That would include organizations that produce Canada's ethical oil.

**Ms. Peggy Nash:** Thank you very much.

**The Chair:** Thank you, Ms. Nash.

Mr. Jean, please.

**Mr. Brian Jean:** Thank you, Mr. Chairman.

Thank you to the witnesses for coming today.

Congratulations, Ms. Krause, on your work with UNICEF in Guatemala and Indonesia. Who paid for your work while you were there?

**Ms. Vivian Krause:** Who paid for my work?

**Mr. Brian Jean:** While you were working for UNICEF.

**Ms. Vivian Krause:** I was an employee of the United Nations. I also was a CIDA scholar and a scholar with IDRC, so Canadian taxpayers put me through graduate school actually.

**Mr. Brian Jean:** We have the Rockefeller Brothers Fund in the United States. We have the Pew Charitable Trusts. Each has over \$3 billion in assets and contributes somewhere around \$150 million per year to different endeavours.

The Rockefellers, of course, are the founders of Standard Oil, a huge oil company. The Pew Charitable Trusts is funded by Sun Oil. He was the founder of Sun Oil. I always thought it interesting that they would work against Canadian interests, which is exactly what they're doing in relation to their funding foundations in Canada. Is that correct?

**Ms. Vivian Krause:** I guess that's one way of looking at it.

The way I look at it is that I think they're doing what they, as Americans, think is best for their country. Canadians, I think most of us, are doing what we think is best for our country. It just so happens that it's not the same.

**Mr. Brian Jean:** Are you aware that the United States right now buys 99% of the oil that we produce in this country?

**Ms. Vivian Krause:** Yes, I am aware of that.

**Mr. Brian Jean:** Are you also aware that they often buy that oil at up to a 40% discount?

**Ms. Vivian Krause:** Yes.

**Mr. Brian Jean:** Why is that? Why do the Americans get such a great discount? Is it because they're such great neighbours?

**Ms. Vivian Krause:** Well, I think we all know it's because they have us over a barrel. They have a monopoly on our oil.

**Mr. Brian Jean:** They have us over an oil barrel, I guess you could say.

What would happen if we put the Northern Gateway pipeline through to British Columbia?

**Ms. Vivian Krause:** I think we all know. I think we'd get—what's the spread now—\$20 or \$30 a barrel. We're losing enormously. The Americans are getting our oil essentially at a discount, which is probably why they don't want our oil to go to China, because then they'd have to pay more for it.

**Mr. Brian Jean:** It's fair to say that right now they're getting 1.3 million barrels a day, which they expect to be about 4.2 million barrels a day within 12 years. That's a lot of money. I can't add it up in my head, but it's a lot of money. A 40% discount on that would be a substantial sum, would it not?

**Ms. Vivian Krause:** Yes, of course.

**Mr. Brian Jean:** I had Tides Canada in my office some time ago. They told me that they had taken no position for or against the oil sands. Can you comment on that?

**Ms. Vivian Krause:** It doesn't ring true for me. I have a blog and posted their information showing half of their budget went to some 20 or 30 groups on the north coast, all of which are opposed. I can't find one single organization that they fund that is in favour of the pipeline. They funded the Dogwood Initiative, which led the campaign for a federal ban on tanker traffic. They've taken off their website their advertising for the Pipe up Against Enbridge campaign. There are many examples, not to mention that they have received nearly \$1 million from the Oak Foundation, and \$2 million from the William and Flora Hewlett Foundation. The Hewlett Foundation is specifically funding a campaign to reduce fossil fuel development.

I don't know why Hewlett, Oak, and other foundations would be funding Tides Canada if it had no position on the oil sands. It just doesn't make sense.

**Mr. Brian Jean:** I think a lot of it does make sense in relation to what they're doing. The Coastal First Nations turning point initiative and West Coast Environmental Law, what are their purposes?

**Ms. Vivian Krause:** I don't speak for them.

**Mr. Brian Jean:** Are you familiar with their work?

**Ms. Vivian Krause:** Somewhat, yes.

**Mr. Brian Jean:** Can you tell us what you know of their work and what they're funding?

**Ms. Vivian Krause:** Actually, I know more of what they've been given money for than I know of what they actually do. West Coast Environmental Law in particular was funded by the Oak Foundation specifically for work against Enbridge.

**Mr. Brian Jean:** Enbridge in relation to—

**Ms. Vivian Krause:** Pardon me, against the Northern Gateway, yes.

● (2015)

**The Chair:** One minute.

**Ms. Vivian Krause:** Also, West Coast Environmental Law was funded by the Rockefeller Brothers Foundation to prevent the development of a tanker port and a pipeline.



**Mr. Brian Jean:** Why aren't they working on an anti-oil sands campaign in northern Alberta? They seem to be working just on the delivery of it to the west coast.

**Ms. Vivian Krause:** There are a number of things that just don't make sense. The best example I can think of is that the Hewlett and Packard foundations have put \$1 billion over the last decade—\$1 billion—into the development of the renewal energy strategy.

Here's the thing. The Hewlett Foundation spent more than \$50 million in British Columbia, the highest jurisdiction in the world for renewable energy. It seems to me that British Columbia is the last place on earth where this American foundation should be spending its money.

It's the lack of logic in the campaign that makes me ask questions about it.

**Mr. Brian Jean:** And the motives behind it.

**Ms. Vivian Krause:** Yes. Frankly regardless of the intentions, the net effect is that they've put \$150 million into the creation of the Great Bear Rainforest, which is an area the size of Switzerland that's become basically a no-trade zone right smack on the strategic gateway to Asia. It happens to go all the way from the northern tip of Vancouver Island to the southern tip of Alaska.

**The Chair:** Thank you.

**Ms. Vivian Krause:** So I think we need to ask ourselves whether that was intentional or not.

**The Chair:** Thank you, Ms. Krause. Unfortunately we'll have to move on to the next member.

Thank you, Mr. Jean.

Mr. Brison, please.

**Hon. Scott Brison:** Thank you very much to each of you.

This chill effect, potentially... I'm hearing the same from non-profit organizations and boards on those organizations—people who have opinions. For instance, if you run a food bank you probably have an opinion on poverty and poverty-related issues. If you are involved in an environmental organization, say the Pembina Institute, you probably have political views on environmental and related issues.

Mr. Ellerton, you mentioned twice that Greenpeace lost their tax number with Revenue Canada. That was accomplished before we had these changes. Your example proved we have the capacity now legislatively and from a regulatory perspective for Revenue Canada to act. You cited that example.

Isn't that an example that our current approach is working?

**Mr. Jamie Ellerton:** I think the Canada Revenue Agency has resources and the potential to look after these things, but it's my understanding that Bill C-38 will increase transparency to further explore the disclosure of organizations that engage in political activity that can potentially be violating charities law by abusing the subsidy of the Canadian taxpayers. It also provides resources to the Canada Revenue Agency that not only enforce the compliance efforts but also increase education so that all charities know what's required of them under the law.

**Hon. Scott Brison:** Are you familiar with an organization or a family of American philanthropists, the Koch brothers?

**Mr. Jamie Ellerton:** Yes, I've heard of them.

**Hon. Scott Brison:** Do they contribute to your...?

**Mr. Jamie Ellerton:** No. Ethical Oil only accepts donations from Canadian businesses and Canadian individuals. We do not accept any foreign money.

**Hon. Scott Brison:** So at no time did the Koch brothers directly or indirectly...?

**Mr. Jamie Ellerton:** That is correct. Ethical Oil has a policy to only accept donations from Canadians and Canadian businesses.

**Hon. Scott Brison:** Do you publish your donor list?

**Mr. Jamie Ellerton:** No, Ethical Oil has faced legal action from the Kingdom of Saudi Arabia. They suppressed free speech and succeeded in having CTV not air our ad that contrasted Canadian ethical oil to Saudi Arabia's conflict oil. As a result of the potential for legal action, we're not going to expose our donors to that sort of litigation.

**Hon. Scott Brison:** So because you're not a charity, you do not believe you should have to...

**Mr. Jamie Ellerton:** Yes. Ethical Oil is in full compliance with the law. Registered charities receive a subsidy from the taxpayers of Canada for the work they do, and they have a certain level of rules to follow. A non-profit organization has a different set of rules, and we are in full compliance with the law.

**Hon. Scott Brison:** So for instance if we were to say any group or organization that engages in political advocacy, regardless of whether or not they have a tax number, ought to provide full financial disclosure in the interest of transparency, which is consistent with more accountability, would you support that kind of legislation?

**Mr. Jamie Ellerton:** Ethical Oil does not have a position on comprehensive tax policies and whatnot, but we feel registered charities that receive a public subsidy for their work, a taxpayer subsidy, should have a greater requirement for transparency as a result of the gift from the public purse.

• (2020)

**Hon. Scott Brison:** If for instance the Koch brothers gave \$500,000 to the Fraser Institute, and the Fraser Institute, while providing information and research on a lot of topics, were to advocate—

**The Chair:** One minute.

**Hon. Scott Brison:** —for instance, for a pipeline, would that be political advocacy?

**Mr. Jamie Ellerton:** I'm not going to speak to a hypothetical, Mr. Brison, but I would encourage Canadians to follow the law. If there's any specific information on any groups that are violating the law, that should be referred to the proper authorities. In this case it sounds as if it would be the Canada Revenue Agency.

**Hon. Scott Brison:** Time goes so quickly.

**The Chair:** You have 30 seconds for your question.

**Hon. Scott Brison:** Mr. Kelly, I've been hearing from members, particularly in the tourist industry and also in the agriculture industry. I've been hearing from people like David Ganong. Ganong's chocolate is a significant employer in St. Stephen, New Brunswick. I've also talked to people who are your members and who have strong concerns about the proposed changes to EI, and who are saying that seasonal workers are essential to their business models.

**The Chair:** Question...

**Hon. Scott Brison:** Are you hearing from some of those people?

**The Chair:** Okay, brief response, Mr. Kelly.

**Mr. Dan Kelly:** Yes, Mr. Brison, we have heard from some of our members in seasonal industries. In fact, the data I've provided does show that about a third of our members are in seasonal industries themselves; it's higher in Atlantic Canada than elsewhere.

We've heard some concern from some of our members about the changes. The feedback we've had overall, and it's been brief in the last few days, has been general support. Proof is always in the implementation. But you're quite right, there are some concerns being raised.

**The Chair:** Thank you.

I would encourage members to ask questions that leave the witnesses enough time to answer, please.

We'll go to Ms. McLeod.

**Mrs. Cathy McLeod:** Thank you, Mr. Chair. I will share my time with Mr. Adler.

First, I think there's been a lot of talk about charities, and I want to say right upfront that charities play an incredibly important role in our society. Canadians donate very generously to charities, and the rules are basically the same. I think what we have is a rule that talks about 10%, and that if you really are wanting to get into more of a political role, you create, perhaps, a different structure in which to do your advocacy role.

I'm not hearing anyone really disagreeing with that particular premise. I think what I'd like to do is... Maybe Ms. Krause has had an opportunity to hear from some of the other witnesses. From your research it sounded like there were donations to charitable organizations that focused in on market suppression. Could you talk, from your research, about how you felt that this 10% rule was being violated?

**Ms. Vivian Krause:** Actually, I have never really raised concern about the political activity of non-profits. My initial concern was that charities are getting involved in marketing campaigns. The problem is that we need activists. Activists play an important role. Sometimes they jolt us out of our inertia and our apathy, and we need them to keep government and industry on their toes. But we need activists to play the role of an honest broker. Once you're involved in a marketing campaign, then you have to stick to the message, you have to sing from the song sheet.

I think across the board all industries need someone keeping an eye on them, and that includes the solar and the wind industry in the energy sector, for example. I'm concerned when we all of a sudden

find out our environmental activists, who we count on to play the role of the honest broker, are participating in the Rockefeller Brothers tar sands campaign. How can they do that at the same time they're being an honest broker?

My hope, really, is that we do have activists who are independent, fiercely autonomous, and not beholden to any industry, or any foundation, or anybody who has an agenda—that they truly are independent. That was my concern. It's simply that I don't like to see activism funded as a tactic of marketing.

**Mrs. Cathy McLeod:** Thank you.

There are 85,000 charities in Canada. I think it's reasonable to have some resources in this budget to support education, because I think what we're hearing here are concerns, actually, from everyone regardless of their perspective. So CRA impartially, whether it's, I don't know... I could use all sorts of examples. It doesn't matter what the organization is. CRA is responsible if Canadians are concerned. They should have the ability and some resources, first of all, to comfort charities, to provide the education, and also to provide some support.

With that, maybe I'll turn it over to Mr. Adler.

• (2025)

**The Chair:** You have about a minute.

**Mr. Mark Adler (York Centre, CPC):** Thank you, Chair, that's very generous of you.

Thank you all for being here this evening.

Mr. Howlett, I really enjoyed your rendition of the Regina Manifesto, and I noticed across the aisle that Mr. Marston was waxing nostalgic over that as he was there for the drafting of it.

**A voice:** Oh, oh.

**Mr. Mark Adler:** I'd like to begin with Mr. Kelly. How many numbers do you have in CFIB?

**Mr. Dan Kelly:** We have 109,000.

**Mr. Mark Adler:** Of those 109,000, how many jobs are created across the country?

**Mr. Dan Kelly:** I believe the number of staff people that our members represent is around two million.

**Mr. Mark Adler:** What do you think those 109,000 members would say to a government that wants to increase EI premiums or OAS payments? Would they be in favour of that?

**Mr. Dan Kelly:** No. In fact, we were fairly active in opposing your government's plans to increase employment insurance premiums. We had a "stop the tax grab" campaign targeted at the Conservative Party and the Conservative government on that very measure.

**Mr. Mark Adler:** Yes, and we listened to the Canadian people and Canadian businesses and responded adequately to that.

**Voices:** Oh, oh!

**Mr. Mark Adler:** So you're from an organization where the rubber hits the road.

**Mr. Dan Kelly:** Yes.

**Mr. Mark Adler:** It's very hard to fathom how a party could advocate for higher job-killing taxes and seem to think it would be good for the Canadian economy. Does that make any sense to you?

**Mr. Dan Kelly:** It doesn't. As a strictly non-partisan organization we call them as we see them. Regardless of what government or political party intends to increase taxation, we take it very seriously and raise concerns in the exact same way.

**The Chair:** Thank you.

[Translation]

Mr. Mai, you have the floor, please.

**Mr. Hoang Mai:** Mr. Lauzière, you mentioned that the government, at present.... In the words it uses,

[English]

I'm going to read it from the CBC website to put it on record:

Some groups with charitable status have been going well beyond the CRA (Canada Revenue Agency) guidelines for what is acceptable practice as a charitable agency. And there has also been concern that some Canadian charitable agencies have been used to launder off-shore foreign funds....

That was said by Minister Kent.

[Translation]

Is this the kind of language that attacks or casts stones at charitable organizations and creates an atmosphere of insecurity?

**Mr. Marcel Lauzière:** Yes, really, that is our greatest concern. In our opinion, the system is working, and the 10% is working. There are all sorts of transparencies. These charities are among the most regulated in the country, and it is working. There is very little foreign money coming in. Although the amounts are large, it is minor.

And then, as has been said, the Canada Revenue Agency does its job. When the organizations go too far, then they are deregulated. So that is of less concern to us; we think it is working.

What we are very worried about is the language used at this point by some people to talk about the work done by charities, and that is really making us uneasy. Obviously, what is happening is that charities are increasingly saying to themselves that maybe they will not take any part in developing public policy. And if that happened, it would be disastrous.

**Mr. Hoang Mai:** When we talk about charities, whether it be for the environment or the war on poverty and so on, certainly we have to make policies. And if they follow the 10% rules, as they ordinarily do, they are making progress for society.

What concerns me in this bill, however, is that it gives the Minister of National Revenue the power to suspend the privilege of issuing tax receipts if an organization devotes too high a proportion of its resources to political activities. In addition, now it says that there will be a "reasonableness" component when it comes to what can be considered a "political activity".

So giving tax receipts is being politicized. We think this is a concern, particularly since you have said that in spite of the rules, charities are somewhat concerned.

I may come back to this if I have any time left.

● (2030)

[English]

Mr. Howlett, do you understand that the government is now investing \$8 million to attack charitable organizations or make sure they follow the 10% rule, and cutting \$250 million in CRA instead of investing in CRA so they can get the money? You mentioned tax havens and tax evasion. Now we're taking resources away from CRA instead of giving them resources so that we can get more from people who are not paying their fair share of tax.

Is that a fair assessment?

**Mr. Dennis Howlett:** Yes. I would argue that there are very few charities that are actually engaging in political advocacy and that it's really not a problem. In fact, the big problem is that not enough are actually taking the responsibility seriously. CRA funds would be far better spent going after abusive tax havens. There is an estimate that up to \$80 billion of revenue is lost in Canada because of tax havens and tax evasion. It would be far better to increase enforcement efforts in that regard. That would serve the public good much better.

**Mr. Hoang Mai:** All of us also saw the last Auditor General's report saying that CRA doesn't have enough resources to go after non-filers. So that is a big issue.

**The Chair:** One minute.

**Mr. Hoang Mai:** On that front, instead of using that \$8 million for going after charities, what would you do with it?

**Mr. Dennis Howlett:** For every dollar spent, increasing enforcement and going after tax evasion would generate at least \$5 or \$10 of increased revenue. That would be a far better way to spend the money.

**Mr. Hoang Mai:** Mr. Rutter, you mentioned that there were some cuts regarding R and D for agriculture. Can you expand more on those cuts?

**The Chair:** Just a brief response, please.

**Mr. Blair Rutter:** Yes, it was fairly broad across the department, but the ones that we were concerned about were more on the research side. Some of the administrative stuff was fine, but the cuts to research, front-line research, were of most concern to us.

**The Chair:** Thank you.

We'll go to Mr. Hoback, please.

**Mr. Randy Hoback:** Thank you, Chair. I'm going to give the bulk of my time to Mr. Jean.

Before I do that, though, I want to comment on one issue that the Grain Growers of Canada brought up, and that's the rail service, and the impact of the rail strike going on here across Canada.

I know my constituents are calling me and they are really concerned, but not only my constituents. We're actually seeing CP employees calling in and expressing concern. It looks to me that it may not even be the union at fault in this case. It may be management. But I think it's very important, though, when I look at my constituents, and what their needs are.

Mr. Jean, you had a great line of questioning. I think I'd like you to continue along that line because I have many constituents who work in your backyard.

**Mr. Brian Jean:** Unfortunately, most of them are going back to Saskatchewan, so....

**The Chair:** Mr. Jean, you have four minutes.

**Mr. Brian Jean:** Thank you very much.

Ms. Krause, I was reading an article the other day. It indicated that there is somewhere in the neighbourhood of \$50 million that has gone from U.S. Trust to first nations along the B.C. coast. Is that correct?

**Ms. Vivian Krause:** Yes, that would be about it.

**Mr. Brian Jean:** To oppose the pipeline?

**Ms. Vivian Krause:** No.

**Mr. Brian Jean:** What's it for?

**Ms. Vivian Krause:** The majority of the money has gone to the Coast Conservation Endowment Fund Foundation. For example, the largest grant was for \$27.3 million, and the stated purpose of that was for environmental and conservation planning initiatives.

My research was once misquoted in the *Winnipeg Free Press*, and I forced a correction of that. I have been misquoted as saying that \$27.3 million was to oppose Enbridge, but I have never said that.

**Mr. Brian Jean:** That's not really my question. My question is zeroed in on this.

Hundreds of millions of dollars are going into British Columbia, and primarily to oppose the gateway, or to—in my opinion—fund research and development and fund marine conservation to oppose the pipeline, in my mind, based upon what I read.

But how much money from the foundations has gone to oppose the Keystone pipeline? It is obviously going through much more densely populated areas and going directly to the United States.

It seems a dichotomy because either way it's going to produce oil out of the oil sands. One pipeline goes down to American refineries and the other oil pipeline goes to the west coast of Canada.

There seems to be hundreds and hundreds of millions of dollars set forward to oppose the Northern Gateway, but none are going to oppose the Keystone pipeline. The only difference between the two—because both are going to develop the oil sands—is that one goes to the United States and one doesn't.

● (2035)

**Ms. Vivian Krause:** Actually, I haven't written much about the money against the Keystone campaign, but there is. I could mention

\$5 million right off the bat from the Rockefellers, from the Oak Foundation, to 350.org and One Sky, which are the groups that Bill McKibben is involved with.

But I want to just correct one thing. I have never said that American money is going specifically to oppose Enbridge.

**Mr. Brian Jean:** I understand.

**Ms. Vivian Krause:** I am convinced that if any of the first nations there were in favour of this pipeline, they wouldn't be getting a penny of this American money. On the one hand, we can't say that they're deliberately funding the opposition of the pipeline, but if these groups were in favour of it, I don't think they'd be on the gravy train.

**Mr. Brian Jean:** They wouldn't be on the payroll.

Mr. Blumberg, you spoke before to this committee, and you were very positive about some of the things we brought forward. Do you think, with these new laws that are coming forward in relation to transparency and accountability for non-profit sector charities, that we are going to be even, as far as transparency goes, with what's taking place in the United States as far as payments to directors, payments to employees, and payments to the top ten earners are concerned? Are we going to be on the same line as they are in the United States as far as their obligation to report?

**The Chair:** You have one minute.

**Mr. Mark Blumberg:** The U.S. charities file Form 990, which has a lot more information on it than we provide in the T-3010. One useful thing that has come out of this sort of comparison backwards and forwards is that a lot of the information that's come out has come from the U.S. Form 990s. I think we should have more robust information.

Unfortunately, the one regret I have is that these changes will take CRA two years to implement and will cost millions of dollars, just for the transparency stuff. I don't think, in the end, it's going to bring out a lot more than what Ms. Krause has herself brought out. I think it would be better to make the T-3010 more expansive, in my opinion. Ask more questions on things like impact, the number of volunteers the charity has, and things relating to governance, which are really important, and other things that are important. In a way, it's a little bit of a missed opportunity.

I would also point out that charities have to do a lot of disclosure. Maybe I want more, but there is a lot of disclosure. Non-profits in Canada don't make any disclosures. We don't even know what their names are, and CRA can't disclose that. I would say that it would be good not just to compare ourselves to the Americans but to also look at the difference between non-profits and registered charities.

**The Chair:** Thank you.

Thank you, Mr. Jean.

[Translation]

Mr. Caron, it is your turn.

**Mr. Guy Caron:** Thank you.

The fact that we have all eight of you here at the same time in a way represents what is wrong with Bill C-38 and the way we are going about it now. We have here three people who specialize in charities, one person from agriculture, one person from mining, one person who promotes the oil sands, someone who has been talking about the tax consequences, and someone who comes from independent business, all in a single group.

I am going to try to focus my questions, but five minutes does go by fairly quickly.

My first question is for Mr. Blumberg, Ms. Krause and Mr. Lauzière, in particular.

With the information you have, do you have enough evidence to show that groups in Canada, charities, have laundered money, as a Conservative minister has said?

I am asking all three of you. Go ahead, Mr. Lauzière.

**Mr. Marcel Lauzière:** Mr. Kent made that allegation. We wrote to the minister to ask him whether he was aware of the situation. You have to understand that in the charitable sector, if certain practices are occurring when they should not, they absolutely have to be pointed out. The people involved in wrongdoing have to be reported to the authorities, be it the RCMP or the Canada Revenue Agency. We have no information about this at all.

As we said earlier, the Canada Revenue Agency does its job well. They have the tools they need to be able to collar the wrongdoers. We were certainly not made aware of this kind of situation, and we are still waiting for a little more information about this. In our opinion, there is no money laundering occurring, at least not to our knowledge.

• (2040)

**Mr. Guy Caron:** Thank you.

If you would answer quickly, Ms. Krause.

[English]

**Ms. Vivian Krause:** *Blanchiment d'argent* is money laundering.

**Mr. Guy Caron:** Yes.

I'll say two things quickly.

First, I wrote a piece in the *Financial Post* about two weeks ago called "Damage control" in which I described how 15 foundations that have been funding environmental groups have rewritten their grants and have taken out the sentences that refer to political activity.

[Translation]

**Mr. Guy Caron:** Ms. Krause, I really do not have a lot of time. I just wanted you to give me a yes or no.

[English]

**Ms. Vivian Krause:** I could give you one example, but I wouldn't call it money laundering. I'm not an expert in the field.

But I can give you examples of how the purpose of the money changes as the money goes from one place to the next, and the origin and the ends and the objectives are obscured.

[Translation]

**Mr. Guy Caron:** I will come back to you, but for the moment I am going to interpret your answer as though you had said you did not know.

What about you, Mr. Blumberg?

[English]

**Mr. Mark Blumberg:** If the question is about money laundering, I'm concerned about money laundering and terrorism. But I have no reason to believe that any of these activities are money laundering. I understand that money laundering is a criminal offence, and I think people should be careful before they say that this is money laundering. Those would be my questions.

[Translation]

**Mr. Guy Caron:** Ms. Krause, I would like to go back to your definition.

[English]

You seem to have a very strange definition of what political activity can be. You're saying basically that you don't mind money coming from a U.S. foundation, as long as it's funding both sides of the story for an equitable debate.

What about, say, small "c" or libertarian foundations in the U.S. funding think tanks in Canada? Are you saying, by this logic, that they should be funding as many conservative think tanks as progressive think tanks? They shouldn't be funding conservative think tanks if they're not funding progressive think tanks. That seems to be the way you're defining the activities of such foundations.

**Ms. Vivian Krause:** That's not what I'm trying to say. I'm trying to say two things. One, that the money should be out in the open if it's coming from billion dollar foundations or hedge-fund billionaires, so there should be transparency.

**Mr. Guy Caron:** I'm not saying anything against transparency. I'm just talking about your argument that they're funding one part of the story but not the other part of the story, in B.C. for example.

**Ms. Vivian Krause:** Right, so they should say simply, "No, we're only funding opposition". They shouldn't say we want all voices to be heard, when in fact that's not at all what they're doing. It's the inconsistency between what they're saying and what they're doing that concerns me.

The other concern I have, having worked overseas for 10 years, is that charity is really important. I think it should go to the countries that need it. Right now, Canada's on track over the next 10 years to get half a billion from American philanthropic foundations. I don't think that money should come to Canada.

**Mr. Guy Caron:** You're basically saying—

**The Chair:** You have one minute.

**Mr. Guy Caron:** I'll have to go to my next question, then. Very quickly once again, you seem to be saying—and Mr. Jean also implies, with the Rockefeller story—that commercial interests are behind all this movement of money towards Canadian foundations.

**Ms. Vivian Krause:** I've tried to say this before. I think there's broad economic interest. I have never seen any evidence of a specific commercial interest.

**Mr. Guy Caron:** But you didn't deny what Mr. Jean was saying—

**Ms. Vivian Krause:** Well, I didn't have a chance to really respond, but I think it's—

**Mr. Guy Caron:** Well, you did.

**Ms. Vivian Krause:** —the broad interests of the American economy, not any particular company that's behind it.

**Mr. Guy Caron:** So you believe that this money is definitely going to be funding Canadian foundations for work that will benefit commercial interests, but you have no evidence that this is the case. Yet, this is basically the brush that you're using to—

**Ms. Vivian Krause:** I'm trying to clarify. I think it's the broad interests of the American economy. It's a good thing for the American economy to have energy security so you don't have the volatility of gas prices with oil due to hurricanes and all sorts of other things. So it's not a specific company that would benefit. It would be the American economy in general. That's what I think is the motivation. If I had to guess, that would be my guess.

**The Chair:** Merci.

We'll go to Mr. Van Kesteren, please.

**Mr. Dave Van Kesteren:** Thank you, Chair.

Thank you all for coming. I wish we had more time.

Mr. Blumberg, it might not be money laundering, but it is certainly meddling in our affairs, from what I'm hearing.

Mr. King, you haven't been asked anything yet. I would assume that your organization and the developers as well would be involved. They would take extraction as part of the mining. Would oil extraction be part of that as well?

**Mr. Tom King:** Our membership is made up primarily of the junior exploration industry. We do have some medium producers. It's primarily the Mining Association of Canada that deals with the producing side.

**Mr. Dave Van Kesteren:** So you're listening in to this conversation, and it's bizarre when I think that, for instance, we have this incredible opportunity of natural gas in the shale, and we have this need to expand our markets and we're being stopped. I read in the paper recently that as his platform, the mayor of Vancouver was going to stop tankers from moving into the port. I wondered if Canadians knew that. I had a talk with the pilot of one of these ships. In Quebec City where they also take these tankers, they float them in with the tide. There's no such thing as no risk. Yet on the one hand we have a mayor who's going to try to get elected by stopping these things from coming into the port. I suggest what the federal government should do is hand that port over to Vancouver and make it a revenue source, and then see what kind of tune they'd whistle.

At any rate, it's all very frustrating, and it's all bizarre when I hear these things.

I want to give you an opportunity to talk just quickly about extraction, because the other committee that I serve on is foreign affairs, and we hear allegations repeatedly about Canadian companies. You told us just how important they are to the Canadian economy. I want you to just give us those figures again, because I'm not sure everybody heard that. I want you to tell us how much revenue is generated, and just how much you're planning on investing in the Canadian economy, and what that will generate in taxes. Could you tell us that one more time?

• (2045)

**Mr. Tom King:** Certainly. I'd be glad to.

As I said, in 2010 the mining industry employed 308,000 people. We contributed \$36 billion to the national GDP. We paid \$5.5 billion to governments in taxes and royalties. Over the next decade the Canadian mining industry plans to spend \$136 billion in projects on both new domestic projects and expansion of existing mines. It represents phenomenal dollars for the Canadian economy.

**Mr. Dave Van Kesteren:** Of course, those figures represent Canada, but Canadian mining institutions are right across the globe. I think they're leaders, if my memory serves me right.

What about the impact of exploration and the work that's being done in other countries? How is that generated, and how is it tied into the Canadian economy as well?

**Mr. Tom King:** I want to clarify for members who aren't in mining that the flow-through share regime and the mineral exploration tax credit only apply to exploration in Canada; that's where those dollars go. If you're investing in foreign exploration, that's just raising money on the Canadian capital market, and the expenditures and deductions stay with the company that invests in them. It's a different regime.

But as you say, through the flow-through share mining regime, Canadian investors understand mining probably better than those in any other country in the world, and that's what helps explain why Canada is the mining...etc.

**Mr. Dave Van Kesteren:** Because my time is almost up, I'm going to give you a quick opportunity to tell us what's happening on Baffin Island. I spoke to Minister Aglukkaq, who represents that area, and she told me some fascinating things.

Tell the committee about Baffin Island.

**The Chair:** Give a very brief response, about 30 seconds.

**Mr. Tom King:** A major iron ore property was found on Baffin Island. Most of it was found and funded through flow-through share financing.

That's a huge success story. What has happened now is that major international investors have bought interests in Baffin Island and are in the midst of bringing that entire property into production. It will be a significant and huge thing for Canada.

It's iron ore that's coming out of Baffin Island.

**The Chair:** Thank you, Mr. Van Kesteren.

We'll go to Mr. Marston, please.

**Mr. Wayne Marston:** Thank you, Mr. Chair.

Mr. King, because Mr. Van Kesteren raised this point.... I was going to stay away from it, but I'm our party's human rights critic and I've had before me delegations from the Philippines and from Peru and delegations of indigenous people who say that Canadian mining companies have been involved with pushing them off their lands. In the context of what we're talking about here tonight, this was not a topic I was going to go to, but since Mr. Van Kesteren has raised it, we have an issue being brought to Canadian parliamentarians about corporate and social responsibility relative to our mining corporations.

My understanding is that in the Philippines some 900,000 acres of land have been optioned by the mining companies in contested areas, and in Peru there's almost a similar case.

Are you aware of that, sir?

• (2050)

**Mr. Tom King:** Throughout the world there are always issues involving mining and development. The mining industry itself has really been focusing very heavily on corporate governance, both within the PDAC, which through its e3 has brought out its own program for corporate governance, but also through international organizations. The ICMM is heavily promoting it.

What's happening is that it's an industry that's evolving. Certainly the major players within the industry understand the importance of corporate responsibility—

**Mr. Wayne Marston:** I appreciate those comments.

In fact, one delegation was concerned about the fact that Canadian companies appear to be hiring paramilitaries for their security. I'm glad to hear they're looking at these things, because apparently—and again, this was a suggestion from somebody, and I'm not making an accusation here—some of our companies now are getting a lot of foreign ownership with a lesser regard for human rights in other countries than Canada as a whole has.

So if you and your organizations are looking at this, I want to tell you that I appreciate it. Thank you.

**Mr. Tom King:** We are a very strong proponent, and our industry is a very strong proponent of it. We understand the importance of corporate responsibility.

**Mr. Wayne Marston:** Thank you, sir.

**The Chair:** Thank you.

I'm going to take the opportunity for a few questions.

Mr. King, I want to follow up on both Mr. Van Kesteren and Mr. Marston.

You should know that a large part of the committee was in Washington. We met with the Inter-American Development Bank, and what we heard from that organization was that Canada and Canadian mining companies were near the top of the list in terms of being ethical and environmentally responsible. In fact, they were saying that we should not be crowded out by other interests in other countries because of the standards that our companies have and have been setting.

I think you should hear that message.

I appreciate very much what you've said about the relationship of the mining sector to the financial sector and its impact. I think sometimes in this country we look at resource sectors in isolation and don't see their relationship to other sectors.

You mentioned something about the TSX. Can you just perhaps re-emphasize for the committee the number of listings on the TSX from the mining sector?

**Mr. Tom King:** Absolutely.

The TSX/TSX Venture Exchange were the number one in equity capital raised for mining in the world. We're number one in listed mining companies. We have 58% of the world's total mining companies listed, and 43% of TSX-listed companies are mining companies. If you compare that with others, the next closest one is the Australian Stock Exchange, which has 700. The New York Stock Exchange has 141. They have the larger companies—the BHP Billitons and everything—in terms of capital, but in terms of numbers, which only speak to the strength of our junior exploration industry.... That's why we have so many listings.

**The Chair:** I appreciate that.

Let me follow up with another question with respect to the mineral exploration tax credit's extension in this year's budget. If that were taken away and if the flow-through share model were taken away from the mining sector, can you describe what the impact would be, especially on the junior mining sector?

**Mr. Tom King:** People always seem to lump in mining when they see commodity prices and everything. Commodity prices are only helpful if you're a producer. The junior exploration companies are not producers. They rely totally on raising capital in the public markets. You're talking about the initial stage of mining, which has the highest risk.

The flow-through share of finding and the METC help to balance the risk, because it is exploration in Canada and the benefits come back to the Canadian government. You cannot move a mine in Canada to anywhere else in the world, and there are not many other industries that can say that.

**The Chair:** I appreciate that.

We have a couple of minutes, and I want to move to Mr. Lauzière.

You and I have worked together on charitable issues for some time now, and you've been before this committee many times. I respect your work very much. Are you at all troubled by any of the information that has been revealed by Ms. Krause concerning U.S. foundations funding organizations in Canada, organizations that are, according to the information she's presenting, doing largely political work rather than charitable work?

Does this concern you at all as someone who is involved in this sector? I take your point about certain language; that's fine. So I'm not going to use strong language, but are you concerned about this, as a leader in the charitable sector in Canada?

● (2055)

**Mr. Marcel Lauzière:** Well, there are two things. International philanthropy is not new, so dollars go across borders, and that has been the case for many years, on both sides.

**The Chair:** I'm not questioning that, but I'm questioning—

**Mr. Marcel Lauzière:** No, no. So that's the first point.

**The Chair:**—money going across borders and then being used for political purposes.

**Mr. Marcel Lauzière:** If it's used for political activity within the 10% rule for charities, which is the law in Canada—if it's within the rules itself—I see no problem. As I was saying earlier, the 10% rule is there and has been there for a number of years. There should be good disclosure and transparency. If there's not, then there's a problem. But there should be; CRA is there to make sure it happens.

We've seen in the past many times that the CRA actually deregisters organizations that go beyond the 10%, and that's a good thing, because if there are charities that go beyond the rules, they paint the whole sector with a bad brush.

At this point in time, we haven't seen that, but it's for the CRA to make those decisions.

**The Chair:** This is a very lively public debate. A lot of information has been presented. You're a leader within a sector, and according to everything I've seen, you act always with absolute integrity, and others in the sector respect you tremendously.

As a leader, do you not see any concern? Mr. Ellerton raised a couple of questions, specifically one organization targeting one member of Parliament. As a leader in that sector, are you not concerned by any of these activities?

**Mr. Marcel Lauzière:** The Canada Revenue Agency is the regulator. It has all the powers necessary, and we've always encouraged that. There is more money going into it in this current budget for audits and education.

That being the case, absolutely, I'm concerned if I have a sense that CRA is not doing its job. My sense is that this is not the case. My sense is that CRA is actually out there. You know that there is a complaints-based approach. People can make a complaint, it goes to the CRA, and it will be reviewed by the CRA.

Imagine Canada is not going to put into question the regulator in doing its work. I think it has shown that it does its work, because organizations are deregistered, if they become rogue organizations.

**The Chair:** Okay. Unfortunately I'm out of time, and we have further meetings tonight with officials.

I appreciate your being here, all of you, and Mr. King's being with us by video conference. If there's anything further—some of you mentioned that you wanted to submit something further to the committee—please submit it to the clerk, and we will ensure that all the members get it.

Colleagues, we will suspend for a couple of minutes and resume with officials.

● (2055)

(Pause)

● (2100)

**The Chair:** Colleagues, I hate to end the side conversations, but we have three more divisions that have been highlighted as key for members of the committee. We're going to do division 54, division 53, and division 46 in that order.

We want to welcome the officials who are here to discuss division 54 and ask them to make a brief opening statement, and we'll have members' questions after that.

Miss Harder.

**Ms. Sandra Harder (Director General, Strategic Policy and Planning, Department of Citizenship and Immigration):** Thank you, Mr. Chair.

My name is Sandra Harder. I'm the director general for strategic policy at Citizenship and Immigration. I'm joined by my colleague David Manicom, Cam Carruthers from HRSDC, and Tamara Miller from Finance.

I'm going to make some opening remarks about four provisions in division 54, and then Mr. Carruthers is going to speak to some of the issues concerning the temporary foreign worker program. Then we're happy to answer questions the committee may have.

There are four key provisions in division 54 that refer to the Immigration and Refugee Protection Act. The first one is the provisions that respond to those people who submitted an application in the federal skilled worker program before February 27, 2008. The provision in division 54 is to cease the processing of those applications and to refund all application fees and/or right of permanent residence fees that had been submitted at the time of the application, and to close those applications, thereby eliminating the oldest portion of the federal skilled worker backlog. That affects about 280,000 people—approximately 100,000 applications—because an application can have more than one person attached to it.

The second provision has to do with strengthening the authorities the Minister of Citizenship and Immigration has with respect to ministerial instructions. This provision would allow for applying ministerial instructions to applications that are already on hand, as opposed to restricting them to new applications.



The third provision has to do with regulations. It would allow for new regulations to be applied to applications that are already on hand. This would allow for a more up-to-date provision of new policy directions with respect to applications that are already in the system.

The fourth provision would provide the ability to create targeted, small-scale economic programs to address current labour market pressures and needs. These programs are of a limited duration—up to a maximum of five years. They are also of a smaller number—the maximum number of applications that could be received under those programs would be 2,750. These programs would be evaluated. Should there be a decision to make them permanent, they would go into the regulatory process.

Those are the four key provisions.

There are two consequential amendments that are also outlined. These bring existing legislation in line with the proposals that are outlined here. Then there's some work that Cam will talk to you about with respect to the temporary foreign worker program.

• (2105)

**The Chair:** Thank you.

Mr. Carruthers.

**Mr. Cam Carruthers (Director, Program Integrity Division, Human Resources and Skills Development Canada):** The last set of amendments in this division all relate to the temporary foreign worker program. I'm the director of integrity with HRSDC in the temporary foreign worker program. The amendments relate to section 4 and section 32 of IRPA and they all relate to compliance.

However, this is also a DRAP, the deficit reduction action plan proposal, and it's designed to produce \$4.5 million of savings every year once it gets rolling. Those savings would all be from HRSDC. The temporary foreign worker program is a jointly managed program between CIC and HRSDC, but all the savings that have been planned would be in HRSD. They would be achieved by a reduction in upfront processing times for those employers using the foreign temporary worker program who have a clean compliance record, and that would be balanced off with strong compliance, both random and risk-based compliance activities, and compliance reviews, after temporary foreign workers actually arrive. So it would help us ease the bottleneck and increase speed of service.

All of that, the savings and the administrative changes, all happen basically with policy. The proposal in division 54 for legislative change activates all the compliance. So you don't see the speed on the service side of things, all you see is the compliance.

The changes are specifically in section 4 to add a provision that gives the minister of HRSDC powers and duties. "Powers and duties" in this case means decision-making, and it effectively would allow HRSDC to make decisions in relation to determinations of compliance or non-compliance by employers using the program.

The other changes are all in section 32, and it would add three new powers there: first, to set up requirements, conditions that can be imposed on employers; second, to give HRSDC and CIC the power to make inspections to verify compliance with those conditions; and third, it would provide the power to set up consequences for those

employers who are not compliant with the requirements set out by the act.

The requirements would be set out very clearly for employers and detailed for them in letters when they get their labour market opinion, which facilitates them getting a work permit for their workers. The requirements would all be set out transparently for them. With respect to inspections, there would be, indeed, quite new authorities there for both compelling document production, as well as site visits in those rare cases where there was evidence that suggested that it would be warranted.

The consequences that are planned at this point involve a multi-year ban. That's the main consequence, as well as publication on a shared departmental website of the names of employers who are non-compliant, as well as the possibility of allowing temporary foreign workers who are in a bad situation the opportunity to move. If there's non-compliance by their employer and it puts them at risk of some kind, there would be provision to allow them to move.

That probably sums up my comments for the opening.

**The Chair:** Okay. Thank you very much for your presentation.

We'll start members' questions with Mr. Mai.

[Translation]

Mr. Mai, it is your turn.

**Mr. Hoang Mai:** Thank you, Mr. Chair.

We hear that 280,000 people have been waiting a very long time. If I am not mistaken, we sometimes hear about applications dating from 2003. Is that the farthest back they go?

So there are people who have been waiting nine years and now everything is being wiped clean, and they are being told to start over and make a new application. Is there no way to do something else? Could there have been more people to handle the applications that have already been made? This is not something new: we were aware of it; you were aware of it. Why was it decided that these people were not important? They have to start over and wait more time.

• (2110)

[English]

**Ms. Sandra Harder:** Yes, there were a number of different alternatives that were looked at before this decision was taken, and as you know, people who are affected by this provision will be able to resubmit their application should they so choose. In doing so, they would be much more likely to receive, if they're eligible, a selection decision within six to 12 months as opposed to waiting any longer. In our calculations when we looked at the number of applications that are in the federal skilled worker backlog—the oldest portion of the backlog being those who had applied before February 27, 2008—we were looking at an ability to eliminate that backlog not until 2017. It's quite a long period of time away from where we are right now in 2012.

[Translation]

**Mr. Hoang Mai:** If there were....

[English]

If we were to invest in getting people to go through those processes, that would be possible.

Also, my other question is that those federal skilled workers include, for instance, doctors, nurses, people with those types of skills, do they not?

**Ms. Sandra Harder:** Absolutely, they can.

**Mr. Hoang Mai:** Here right now we're moving towards a temporary foreign workers program. Are we putting forward a specific target in terms of immigrants who we want to have or workers who we want to have? Are we going towards more specific requirements?

**Ms. Sandra Harder:** Let me just address your first issue around resources, and if we had applied more resources would that have made a difference.

**Mr. Hoang Mai:** Yes—

**Ms. Sandra Harder:** The answer to that is actually that the output is always constrained by the immigration levels plan, so it's not necessarily a question of resources. It's a question of the amount of room that's in the national immigration levels plan, so that's one.

Your second question I think was in regard to if we are moving in a different direction with.... You mentioned the temporary foreign worker program—

**Mr. Hoang Mai:** Or maybe—

**Ms. Sandra Harder:** These provisions apply to the federal skilled worker program, not to the temporary foreign worker program.

**Mr. Hoang Mai:** Okay. But now with the temporary foreign worker program, is there an interest in bringing in lower-skilled immigration for specific jobs? Is that what the plan is?

**Ms. Sandra Harder:** That's really not related to these provisions at all. The temporary foreign worker program is a very large program. It includes temporary foreign workers. It can include students. It can include visitors. So it's quite a large program, but none of the provisions that are outlined here are directly related to that program.

**Mr. Hoang Mai:** Okay. So it doesn't affect the quality of the applicants.

Have we looked at what the consequences are overseas in terms of how people will see Canada when, for instance, we eliminate a backlog for people who have been waiting? We are talking about families waiting for such a long time. What would the consequences be? Have we had a reaction from other countries or from other individuals on that issue?

**Ms. Sandra Harder:** Well, as you know, because these are provisions in the budget act, they've only been made public since the introduction of Bill C-38. I guess there is an expectation that some people who have been in the federal skilled worker backlog for some time could be disappointed, and we certainly understand that, but by moving in this kind of very direct manner, and being very clear about what the provisions are and what the cut-offs are and allowing people the opportunity to reapply under the current program...I think that's the approach that has been taken.

**The Vice-Chair (Ms. Peggy Nash):** Thank you, Mr. Mai.

Mr. Brison.

**Hon. Scott Brison:** I think that at a time when we have an aging population in Canada, and when the positive impacts of immigration in a province like Manitoba are palpable—compared to provinces, including my own, that are not doing such a robust job—there's a real concern about what it would do to our international brand and capacity to attract immigrants. Effectively, with the stroke of a pen, tearing up 100,000 applications for 280,000 people.... I think you'd have to say that there's a legitimate concern about the impact on our capacity. That's on that issue.

But I have some questions on potential changes to the temporary foreign worker policy or program. My riding is a very strong horticultural riding, as it is for agriculture in general. Farmers—and in some cases, some very large-scale horticultural farmers—expressed to me that without temporary foreign workers their operations will be closed, and in fact, that any impediment to the hiring of temporary foreign workers will potentially endanger or imperil their operations.

Temporary foreign workers are a fact of life and a part of the global value chain in food production, so any impediment to the hiring of temporary foreign workers in Canada is going to provide our producers with a competitive disadvantage compared to, say, producers in California.

The government has been promoting this idea that a temporary foreign worker takes a job from a Canadian, but what I'm being told is that in fact it creates a job for a Canadian at a different level. So at the labour level in picking strawberries, there is a temporary foreign worker, but then there's a Canadian who is packing the strawberries or making the food, the pies, the confection, or whatever is after that.

I'd like to hear from you some reassurances to the farmers in my riding who are petrified about any changes to or limitations on their access to temporary foreign workers.

**Ms. Sandra Harder:** Do you want to take that, David?

• (2115)

**Mr. David Manicom (Immigration Program Manager (New Delhi), Area Director (South Asia), Department of Citizenship and Immigration):** There are no changes envisaged at this time with regard to agriculture or temporary foreign labour. There are no provisions in the budget or other policy plans to make any changes to that at this time.

**Hon. Scott Brison:** Will the impact of the changes in EI potentially limit access to temporary foreign workers insofar as farmers will be told, "You have to use these local Canadians first. You have to use them. Even if they're not inclined to do that work, you have to use them"?

**Mr. David Manicom:** For many years it has been the policy with regard to temporary foreign workers that Canadian employers must attempt to employ Canadians first. When they are unable to locate Canadian workers, then they make an application for labour market opinion at HRSDC, who makes the decision as to whether or not the employer has made reasonable efforts to hire a Canadian first. There are no changes to those provisions envisaged.

**Hon. Scott Brison:** There are no changes in policy, in terms of qualitative factors, evaluating when those efforts have been exhausted at a reasonable level prior to going to temporary foreign workers?

**Mr. David Manicom:** No.

**Hon. Scott Brison:** That would be reassuring to the producers if that's the case.

What about the messaging coming from the government, that when a foreign person takes a job or comes to Canada to work that they're taking a job from a Canadian? It strikes me that's not only xenophobic, but it's also economically incorrect.

**Ms. Sandra Harder:** One of the things I would respond to on that is that there is a view that temporary foreign workers should be a complement to the Canadian labour market, not a substitute. It's that notion of where temporary foreign workers are required and under conditions where they're required. As you've mentioned, the agriculture area is certainly one of those places.

**The Vice-Chair (Ms. Peggy Nash):** You have 10 seconds.

**Hon. Scott Brison:** Thank you very much.

**The Vice-Chair (Ms. Peggy Nash):** Thank you.

Mr. Van Kesteren.

**Mr. Dave Van Kesteren:** Thank you, Chair.

Like Mr. Brison, I come from an agricultural area as well. We have 5,000 foreign workers. I agree they serve a valuable service to the agriculture community. They also were able to export, I think, some of our Canadian values. It's good for the folks back home. It's a good program, I don't disagree with that. What I do take issue with—and I think this is what most Canadians take issue with—in my riding, in Chatham-Kent—Essex, the unemployment is right around 12% and we have 5,000 foreign workers. We want to make sure that Canadians, and especially those that aren't employed, know that there are some.... And it's not just those jobs. It's the spin-off jobs, too. I always say that just because I think we need a little bit clarification.

When I speak to the foreign workers, by and large they are very satisfied. Most of these people have been coming for 20 years, some longer. There are generations. It's a great program. But there is a group that seems to be coming out of countries like, I think it was Laos, or Thailand, Thai workers, who get work visas, and we've heard some complaints about that. For the most part, what happens is that these workers are contract. A picker has to get his stuff picked, so he'll call a contractor and say, "Listen, I need 10 workers right now", and they'll provide them.

Are you monitoring that? Have you heard of some problems in that group? Are we seeing some improvement there that can alleviate some of those concerns?

● (2120)

**Mr. David Manicom:** We need to make a distinction between provincial responsibilities for enforcing labour code violations; that's a provincial responsibility.

With regard to employers respecting their undertakings, when they hire an employee under the temporary foreign workers program, the commitments they make with regard to salaries and so forth—Cam may wish to also comment—the provisions that he spoke to will give the government clearer authority to monitor and audit employers to ensure that they are complying with the obligations they made.

**Mr. Dave Van Kesteren:** Sorry to interrupt, I don't think it's so much with the employer. I think it is the person that does the contracting. What seems to happen is that they make a deal with them back in Thailand, then they just can't seem to get a fair shake when they get here. Do you have a handle on that? Have you heard about that? Are you doing something about that?

**Mr. David Manicom:** The ability of the immigration department is really with regard to our regulation of consultants. We've recently strengthened our legislative provisions with regard to unscrupulous consultants. Also, many provinces have provincial law with regard to whether or not employers can charge fees—transportation fees and so forth—to the employees coming to Canada. That's not directly related to any of these budget provisions, but we have recently strengthened legislation in an attempt to combat unscrupulous consultants, and we have established a new agency with stronger compliance mechanisms.

**Mr. Dave Van Kesteren:** Maybe I can get some information from you.

If I have a few more minutes, Mr. Chair, Mr. Jean would like to ask a question.

**Mr. Brian Jean:** Actually, I'd just like to make a comment. I'm from Fort McMurray and I can't tell you how important the changes that you've made are to my community. I've lived there for 45 years and owned and operated 12 businesses, retail businesses. I had the busiest Quiznos in the world, and I had to shut it down because of problems with workers. I can assure you that the complement suggestion that you made, the complement to the Canadian workforce, is true.

The average household income in Fort McMurray is \$180,000 a year—more than I make doing this job—and I will tell you that without temporary foreign workers and without workers generally, we would have nobody serving Tim Hortons coffee. We'd have nobody making sandwiches or a McDonald's. You can't believe what a difference it would make to our economy, and what it did five or six years ago before some of these changes came in. So thank you very much for that, and please keep up the good work.

**The Chair:** Thank you.

I have Mr. Marston and then Ms. Nash.

**Mr. Wayne Marston:** Thank you, Mr. Chair.

One of the questions I would have is, in the last Parliament—I think it was Bill C-4, if I remember correctly—there was an all-party agreement relative to immigration. Am I correct with that? Is there anyone who can answer me?

• (2125)

**The Chair:** Are you posing the question to anyone?

**Mr. Wayne Marston:** I'm posing it to anybody who can answer.

I do believe it was Bill C-4 where we had all-party agreement on that particular bill. There were some changes that were going to happen to immigration. This particular situation, clause 707, is where you're striking the people before February 27, 2008, which happens to be my birthday.

I've had a number of people in Hamilton who are very concerned. Hamilton, as you are probably aware, is the second destination for an awful lot of new Canadians who go to Toronto, Montreal, or Vancouver and who can't afford to live there, so they come to Hamilton. We have a vibrant community as a result of that, but they're panicking about family reunification and what the implications might be for them in that particular area.

So my question is, how much work has been done by the government or your offices to look into the potential of legal action over this?

**Ms. Sandra Harder:** We did legal analysis at the time we were looking at this particular provision, and there was a legal risk analysis done. Certainly it's one of the considerations that gets fed into policy development and legislative development. So, yes, it was taken into consideration, but there was a view that a clear direction from Parliament with respect to legislation would mitigate some of the legal risk around this approach.

**Mr. Wayne Marston:** How long have you been working on these particular changes?

**Ms. Sandra Harder:** These particular changes? I would say that the genesis of a lot of the changes that feed into how we're dealing with the backlog is at least 10 years old, definitely.

**Mr. Wayne Marston:** So it wasn't anything to do relative to budgetary cutting, austerity, or anything like that. This was other motivation.

**Ms. Sandra Harder:** This, I would say, is a provision that has been examined in the context of trying to deal with a better management of our application intake over a number of years, absolutely.

**Mr. Wayne Marston:** We understood that the backlog has been there forever, from many people's point of view, whatever the reasons. I'm not about to address those reasons. The shocking thing for people is that this is in a budget bill. People are asking why in the world they have piled all of the different things in there. Was there ever a plan to put forward legislation directly on this so that it could have gone to the proper committee to be looked into, as opposed to a budget bill?

**Ms. Sandra Harder:** It's the decision of the government as to how to proceed, there's no question about that. There is also a monetary feature attached to this because refunding those applications is \$130 million, which is part of the budget bill.

**Mr. Wayne Marston:** Well, that's not saving money—no offence meant.

We're concerned too about privacy issues. It allows the Department of Citizenship and Immigration to make available to the minister or public officers or the Department of Human Resources and Skills Development any information obtained under the Citizenship Act and the Immigration and Refugee Protection Act.

Do you see privacy issues there at all?

**The Chair:** One minute.

**Ms. Sandra Harder:** Are you speaking just with respect to these provisions?

**Mr. Wayne Marston:** Yes.

**Ms. Sandra Harder:** No, and privacy is a consideration that we take very seriously on all policy development. So generally there's a privacy impact assessment done on new policy—

**Mr. Wayne Marston:** The mechanisms that you have today will handle this, in your view.

**Ms. Sandra Harder:** Yes, and we have information-sharing agreements with provinces and territories, etc. So it's a serious consideration.

**Mr. Wayne Marston:** Thank you.

**The Chair:** Thank you.

Colleagues, I have three more colleagues. I have Mr. Adler, Ms. Nash, and Mr. Brison. I'll just remind you that it's about 9:25, and we have two more divisions. I'll just point that out to everybody and go to Mr. Adler, please.

We have two more divisions after this that the parties have agreed to deal with.

**An hon. member:** Well, at 9:30 we finish.

**An hon. member:** That was my understanding too.

**The Chair:** Well, I thought there was agreement on that, but I guess there is not.

Mr. Adler.

**Mr. Mark Adler:** Thank you, Mr. Chair.

Thank you for the great work that you do, officials.

I have a couple of quick questions. How large is the backlog for FSW?

**Ms. Sandra Harder:** The oldest portion of the backlog is 280,000 people, about 100,000 applications. There will remain in the inventory approximately 160,000 FSW applications. Those would be applications that have come in since ministerial instructions were put in place in 2008.

**Mr. Mark Adler:** So is the oldest application from 2008?

**Ms. Sandra Harder:** No, the oldest application could date back to, I think, about 2003.

**Mr. Mark Adler:** Okay. Was there an application fee for applying to be an FSW?

**Ms. Sandra Harder:** Yes.

**Mr. Mark Adler:** How much?

**Ms. Sandra Harder:** David knows that.

**Mr. David Manicom:** It is \$550 per adult and I believe \$125 per child.

• (2130)

**Mr. Mark Adler:** That's to answer your question, Wayne.

**Ms. Sandra Harder:** Those fees, of course, will be refunded.

**Mr. Mark Adler:** They'll be refunded, yes, but clearly it was a revenue source of some kind at the time it was conceived because there was no limit placed on how many FSWs would be accepted, right? It was unlimited.

**Ms. Sandra Harder:** There is no limit on intake. There is always a limit on output.

**Mr. Mark Adler:** Okay, so that could be considered a cash cow.

Okay, I don't expect you to answer that.

Wayne, there's your answer.

I read a book recently by James Clifton, who's the chair of Gallup. It's titled *The Coming Jobs War*. He essentially talks about how the battles in the future are going to be over jobs, not just in developed countries but in developing countries, because all the empirical evidence indicates there's going to be a higher demand for jobs around the world.

Creating a demand-driven economic immigration system, a legislative framework, really speaks to that empirical evidence, does it not? And I would suggest that it's a good public policy initiative. Would you agree?

**Ms. Sandra Harder:** I would agree. Part of the ethos behind moving in the direction that the department is taking, that the government is taking on immigration, is to have a system that's somewhat more active in terms of recruiting and not passive in terms of accepting all applications.

So we do want to be in a position to be able to select the best, not necessarily the first. That will inform the broader directions to the immigration program over the future.

**Mr. Mark Adler:** Thank you.

I'll give Mr. Hoback the rest of my time.

**The Chair:** You have one minute.

**Mr. Randy Hoback:** I'd like to clarify some things for our colleagues across the floor. This budget isn't just about cost-cutting mechanisms. It's about repositioning the government and repositioning Canada in such a way that we can generate jobs.

I use this example. We had a pre-budget meeting in Regina, where the chamber of commerce talked about trying to locate a business there, and the business was coming to Regina but couldn't find a thousand employees. They needed a thousand employees, so thus, they did not come to Regina. They could find 600 employees, but they couldn't find a thousand, and that's where the labour market opinions, and looking for these employees to fill these positions are so important to keep our economy going. We're losing economic opportunity in Saskatchewan, not because it's not there; it's because we don't have the people to do the work.

So I assume by the changes that you're making, by hitting the reset button, that those people can all reapply. I understand. They get their money back. They can reapply. They get recharacterized and moved into the queue according to the skill sets that we want. And then the processing time that they'll go under at that point in time will be what?

**Ms. Sandra Harder:** It will typically be six to 12 months.

**Mr. Randy Hoback:** That is substantially better than seven years.

Thank you, Mr. Chair.

**The Chair:** Thank you.

I want to thank our officials for being here, especially so late at night. I want to thank the other officials for coming forward and being here. Unfortunately, it is 9:30, and we have reached the end of our time tonight.

Colleagues, tomorrow we will be meeting at 10:30 a.m., not at 9:30 a.m. Please check the updated agenda.

Thank you.

The meeting is adjourned.

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