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Chair

Mr. James Rajotte

Standing Committee on Finance

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● (1530)

[*English*]

The Chair (Mr. James Rajotte (Edmonton—Leduc, CPC)): I call to order meeting number 52 of the Standing Committee on Finance. Our orders of the day, pursuant to Standing Order 83.1, are for us to continue our 2014 pre-budget consultations.

Colleagues, again we have two panels here, with five organizations or individuals per panel. We're still waiting, I understand, for two; they may be at security downstairs. We do have three present, so we will start with them and move on later to the other two.

First of all, from the Canadian Chamber of Commerce, we have Mr. Hendrik Brakel, senior director of economic, financial, and tax policy. Second, from the Canadian Federation of Independent Business, we have senior vice-president Corinne Pohlmann. From the Canadian Labour Congress, we have Ms. Angella MacEwen, senior economist. From the Green Budget Coalition, we have Mr. Andrew Van Iterson. As well, we have from the Retail Council of Canada Mr. David Wilkes, the senior vice-president.

I'd like to thank you all for being with us this afternoon. You each have a maximum of five minutes for your opening statement.

We will begin with Mr. Brakel, please.

Mr. Hendrik Brakel (Senior Director, Economic, Financial and Tax Policy, Canadian Chamber of Commerce): Thank you.

Good afternoon, Mr. Chair and committee members. I'm very pleased to be here on behalf of the Canadian Chamber of Commerce.

I'm so proud and so glad to be here in Canada's Parliament and to see everything back to business after last week's troubling events. I'm honoured to be here with you today.

[*Translation*]

Thank you everyone.

The Canadian Chamber of Commerce represents 200,000 businesses of all sizes in every industry and every region of the country.

[*English*]

On today's theme of maximizing the number and types of jobs for Canadians, this is so important for us in the business community. On the demand side, the best thing anyone can do for business in Canada is to have a wealthy, successful Canadian population that is buying lots of goods and services. On the supply side, survey after survey has shown that the number one challenge for Canadian business is not the dollar, or access to capital; it's finding qualified people.

With the U.S. economy picking up, and exports up 12% so far this year, the problem is becoming more acute. How can we make sure that we provide the maximum number of really great jobs for Canadians?

First, we need to make sure that Canada is at the leading edge of innovation so that the new technologies and products of tomorrow are built right here at home. Canada is really good at research, but we lag somewhat at commercialization. That's why we're proposing an innovation box regime for R and D tax. ln lieu of the current scientific research and experimental development program, where we give tax credits for certain R and D activities, the idea is that, instead, a business that creates a patent or innovation right here in Canada would see the revenues that arose from that innovation taxed at a much lower rate. A number of countries, such as the U.K, the Netherlands, lreland, and Switzerland, have adopted this approach. It's worked well, because it's really driving commercialization rather than just having generalized activities.

A second key priority for the chamber and for our members is infrastructure. Over the past 30 years, investments in core public infrastructure have dropped off significantly. According to the Federation of Canadian Municipalities, 30% of municipal infrastructure is at risk. Traffic congestion costs the Canadian economy close to $15 billion per year. Research at the chamber has found that a sustained 10% annual increase in infrastructure investment has the potential to reduce the cost of manufacturing by 5%. It's about getting things to market and getting our components in more quickly. It's really about the future productivity of Canada. We really appreciate the government's Building Canada plan, but we think even more can done.

A third priority for the Canadian chamber is to invest in labour market information. We've all heard a lot about the gap in skills and the labour shortages in various areas in the country. It's a huge challenge for employers and for the government. Unfortunately, we lack sufficiently granular and reliable labour market information in a number of areas. We believe that the job vacancy surveys should be expanded from the level of economic regions to the local level. We'd like to reintroduce the workplace and employee survey so that we can really understand what the skills gaps are in what regions, and where we are having the biggest problems.

That would help us in addressing priority four. We're asking the government to review the impacts from the changes to the temporary foreign workers program. Look, here at the chamber we get it; we understand that this is a very difficult political problem that has received some pretty scathing media attention. It's radioactive right now. But the thing is that the issue has real consequences for Canadian business.

A few weeks ago, the Alberta Chamber of Commerce released a survey showing that of the Alberta businesses using temporary foreign workers, almost 60% of businesses were likely or somewhat likely to reduce their hours of operation; 80% were likely to be unable to grow their business in the future; and 23% were either very likely or somewhat likely to have to close their business in the future.

This is not just an Alberta issue. Businesses from coast to coast are screaming about the changes to the temporary foreign workers program. Canada's remote and northern communities have been particularly affected. We're asking for a review of the impact of the changes. Have businesses been able to cope? Have operating hours been reduced? We're optimistic, but we can only maximize jobs for Canadians if business can prosper and grow.

Thank you very much for the opportunity to speak to you today. I'd be delighted to answer any questions.

● (1535)

The Chair: Thank you very much for your presentation.

We'll now go to CFIB, please.

Ms. Corinne Pohlmann (Senior Vice-President, National Affairs, Canadian Federation of Independent Business): Thank you.

You should have on your iPad a slide deck that I would like to walk you through, if possible. If you can search for that on the iPad, I would really appreciate it.

CFIB is a not-for-profit, non-partisan organization representing more than 109,000 small and medium-sized businesses across Canada who collectively employ more than 1.25 million Canadians and account for $75 billion in GDP. Our members represent all sectors of the economy and are found in every region of the country. Addressing issues of importance to this group can have a widespread impact on job creation and the economy. I'm hopeful that you have been able to find the slide deck as we walk through it right now.

On slide 2 you will see that the top issue of concern to small business is total tax burden, which I will get to in a minute, but the second highest priority issue for small business is government regulation and paper burden. We were pleased to see movement on the recommendations of the red tape reduction commission, which included plans to measure overall burden, set service standards, and implement a system of ongoing oversight and accountability. However, while we are encouraged by the one-for-one rule and small business lens, we have concerns that they are not always properly applied, and we had hoped to have a comprehensive baseline count of regulatory requirements made public by now. So there is still room for improvement on red tape, and so we encourage the government to maintain its focus and continue to move forward on this critical file.

The third highest priority from our membership is government debt and deficits. Small business owners understand the importance of paying down debt, and so we are very pleased that the federal deficit is on target to be eliminated in 2015.

As mentioned, though, the top issue of concern to small businesses is their total tax burden. With so many taxes, it is important to understand which have the biggest impact on the growth of their business. As you can see on slide 3, payroll taxes have by far the greatest impact. Why? Because it is a tax on jobs. It must be paid regardless of whether the business has any profit or not. This is why we spend so much time as an organization trying to address issues related to federal payroll taxes like EI and CPP, both of which have had a significant impact on small business employers and their employees.

As you can see on slide 4, lowering EI rates and freezing CPP premiums are most effective in maintaining or strengthening business performance, along with reducing the small business tax rate, which I will discuss shortly. Small business owners were relieved that the federal and provincial finance ministers decided not to move forward with increases to CPP last year. In a survey of small business owners, 72% told us that increasing CPP would lead to increased pressure to freeze or cut salaries, and 55% indicated that it would reduce investments in their business. CFIB strongly recommends that the federal government reject any plans to increase CPP in the future.

As for EI, CFIB was very pleased with the introduction of the small business job credit, as it will provide small businesses with a credit that will essentially lower their EI rates by 15% over the next two years. As you can see on slide 5, they will use the credit to help pay down debt, increase employee compensation, and invest in new equipment. Another one in five will use it to invest in additional employee training, which I will also discuss a little more in a moment.

However, one of the toughest aspects of El for small business owners is that they pay 1.4 times more than employees. The small business job credit provides a bit of a break for a couple of years, but we would like to see this move to a 50/50 split on an ongoing basis. At one time employers and employees each paid 40% and the government contributed 20%, but about 25 years ago the governments pulled out, stopped paying, and moved their portion to employers. Given that almost 30% of benefits are considered special benefits, those related to parental leave, sickness, and compassionate care, for which employers have little or no say, there is certainly an argument to be made that perhaps El should be more evenly split between employers and employees. We believe 2017 would be an ideal time to lower the employer rates as it would not cause employee rates to increase at that time; in fact, they would still experience decrease.

As you can see on slide 7, 80% of small business owners indicated that a reduction in the small business tax rate would be an effective measure to maintain or strengthen their business performance as well. The value of the small businesses tax rate has gradually eroded compared to the general corporate tax rate. ln 2000, the small business rate was at 12%; the general rate was at 28%. Today, the small business rate is 11%; the general rate is at 15%. ln previous budgets the federal government promised to make further tax relief for small businesses a priority once the budget is balanced. We recommend that the government lower the small business tax rate from 11% to 9% in the next budget.

Finally, I want to share the CFIB research that found, in the first quarter of 2014, 312,000 private sector jobs had gone unfilled for more than four months, representing a vacancy rate of 2.6 percent. This rate has steadily increased since mid-2009. And as you can see on slide 8, the smaller the firm, the higher the job vacancy rate. This is very real issue for the smallest firms.

One way they are trying to address this issue is through training. As small businesses often face different realities than their larger counterparts, the types of training they provide can also be different, more informal, on-the-job-type training. That is why CFIB supports approaches that include investing training dollars in the workplace, as this is the most effective way of getting people trained for the jobs needed in the current labour market. We have provided several recommendations for governments to consider when reviewing the labour market development agreements, which include allowing employers access to LMDA funds for training that are tailored to their needs, recognizing informal, on-the-job training, and including provisions to offset training costs for employers, such as a tax for EI credit focused on training.

● (1540)

The final slide summarizes everything I've brought forward to you today. I thank you for your time, and I'll be happy to answer any questions.

The Chair: Thank you very much for your presentation.

We will now go to the Canadian Labour Congress, please.

Ms. Angella MacEwen (Senior Economist, Social and Economic Policy, Canadian Labour Congress): Thank you.

On behalf of the 3.3 million members of the Canadian Labour Congress, we want to thank you for the opportunity to present our views today.

The CLC brings together workers from virtually all sectors of the Canadian economy, in all occupations and in all parts of Canada. The most important economic problem faced by Canadians today is not government deficits, and the solutions are not to be found in returning to balanced budgets too quickly. The most pressing problems faced by Canadians are a sluggish economic recovery, a stalling job market, record-high levels of household debt, along with inadequate employment insurance coverage and a lack of retirement security. Canadians expect their federal government to tackle these problems.

Exports have been slow to rebound after the recession and predictions of stronger economic growth have repeatedly been moved back. Business investments are not where they have been at this point in previous economic cycles. The October, 2014, monetary policy report released by the Bank of Canada suggests that this is because of a semi-permanent loss of capacity in several manufacturing export sectors. We should not expect to see business investment and hiring pick up until it is clear that the Canadian economy is on more solid footing.

The overall labour force participation rate and the employment rate have still not recovered to their pre-recession levels. On the contrary, they have stagnated since mid-2012. The Bank of Canada's labour market indicator shows that labour market slack is larger than just the unemployment rate alone illustrates. Specifically, many economists are concerned about elevated levels of long-term unemployment and involuntary part-time work, as well as high levels of unemployment among vulnerable groups, such as new Canadians and racialized workers. Employment growth has been shallower than labour force growth for core-age workers, and the labour force participation rate is at its lowest level in 10 years.

So in that context, what can government do to spur economic growth and good jobs? The International Monetary Fund's recent World Economic Outlook suggests that the time is right for governments to make some much needed infrastructure investments. They go so far as to suggest that clearly identified infrastructure needs could be financed through borrowing, without increasing debt-to-GDP ratios, and, in fact, possibly reducing debt-to-GDP ratios faster than would otherwise allow us to do. Since public infrastructure investment increases growth in both the short term and the long term, all of the conditions that the IMF has identified as ideal for public investment are present in our economy right now. We are experiencing an extended period of labour market slack and low business investment. Canada has a very low level of public debt, borrowing costs for the federal government are and will remain very low for some time, and many needed public investments yield a high rate of return in terms of immediate job creation, public benefits, and the growth of private sector productivity.

National economic research has identified major public investments that would be largely self-financing, since the positive impacts on economic growth and on private sector productivity boost future government revenues. For example, the Toronto board of trade argues that major investment in mass transit would substantially reduce business costs due to traffic congestion, boosting productivity. The leading Quebec economist Pierre Fortin calculates that the annual costs of the Quebec child care subsidy is covered by the benefit of the increased labour force participation rate of parents.

The initial costs of a major public investment program could be covered by raising the federal corporate tax rate, which we estimate would raise between $4 billion and $5 billion dollars per year in additional revenues. The current no-strings-attached cuts to the corporate tax rate have had very limited impacts on new private-sector investment, although I would like to note that the CLC continues to support targeted support for new private-sector investments through investment tax credits for write-offs for new machinery and equipment investment.

● (1545)

The Chair: You have one minute remaining.

Ms. Angella MacEwen: Okay, thank you.

Such a program of investment would include increased support for basic municipal infrastructure, mass transit, affordable housing, energy conservation through building retrofits, and renewable energy projects. We also urge an investment in soft infrastructure, such as home care as part of the public health system and long-term care for the elderly. These programs would create new jobs while increasing efficiency, productivity, and well-being.

The other area that we're very concerned about is skills training and apprenticeship programs. These are key components for creating good jobs. Canada falls well below the OECD average in the number of hours of job-related non-formal skills training for employees and for employer investment in skills training. Lifelong learning is critical to a high skills knowledge economy and it's essential for Canada to remain competitive in the global marketplace. The CLC urges the federal government to take steps to foster a training and skills development culture in Canadian workplaces.

Thank you.

The Chair: Thank you.

Thank you very much for your presentation.

We'll go to the Green Budget Coalition, please.

Mr. Andrew Van Iterson (Manager, Green Budget Coalition): Mr. Chairman and honourable committee members, thank you for inviting the Green Budget Coalition to speak to you again. I'd also like to introduce the Green Budget Coalition's co-chair, James Brennan, from Ducks Unlimited, who can also answer questions.

As many of you know, the Green Budget Coalition is unique in bringing together the expertise of 14 of Canada's leading environmental organizations, collectively representing over 600,000 Canadians and ranging from Ducks Unlimited to Greenpeace. Our mission is to present an analysis of the most pressing issues regarding environmental sustainability in Canada and to make a consolidated annual set of recommendations to the federal government regarding fiscal and budgetary opportunities.

The coalition has welcomed the Government of Canada's progress on the GBC's recommendations, including the Prime Minister's May announcement of the national conservation plan, reductions in tax preferences to the extractive industries, funding for fresh water and infrastructure, and the proposed measures to enshrine the polluter pays principle into law in Bill C-22.

However, many more federal actions are still needed to conserve Canada's natural heritage, to ensure Canadians can live healthy lives, and to play a responsible role in advancing global environmental sustainability

For budget 2015, the Green Budget Coalition is recommending that the Government of Canada pursue three strategic agendas, each of which has a number of associated recommendations. First is energy innovation and climate change leadership with an integrated agenda to capitalize on the blossoming global clean energy economy and to demonstrate leadership on climate change when it is increasingly clear that it its needed. Second is to advance Canada's national conservation plan and make progress on protecting our life-support system starting by meeting our international Aichi biodiversity targets of protecting 17% of our lands and fresh water and 10% of our oceans. Third is to ensure healthy communities for all Canadians, featuring a new environmental health equity agenda to ensure that all Canadians, including vulnerable and disadvantaged populations, can enjoy the same level of protection from preventable environmental health hazards.

Implementing these agendas together could lead to pivotal progress on each of the finance committee's consultation themes, as outlined in the executive summary of our submission, creating prime environmental, economic, and human health benefits.

Given today's focus on jobs, I'd like to outline the key actions we're recommending to accelerate progress on energy innovation and climate change leadership. First is to continue progress on phasing out inefficient fossil fuel subsidies, honouring our commitment to the G-20 by committing to not provide new subsidies to liquefied natural gas or renew the mineral exploration tax credit. Second is to announce and implement a well-designed price on greenhouse gas emissions as has been endorsed by the World Bank, the IMF, the Canadian Council of Chief Executives, our friends here from the Canadian Chamber of Commerce, and, I suspect, others at the table here, in 73 countries and over 1,000 companies. Third is to fund fast-charging stations for electric vehicles around major urban centres and provide accelerated capital cost allowance for all forms of power storage to remove key barriers to an efficient Canadian energy system. Fourth is to play a leadership role in United Nations climate change negotiations, including committing $400 million annually for climate change adaptation and mitigation in developing countries. Fifth is to protect Canadians and our environment from increasingly volatile weather events, building on the funding for disaster protection that was in Budget 2014, by renewing and expanding the adaptation funding under the clean air agenda before it sunsets in 2016 to at least $45 million per year, and to complement that, by integrating adaptation considerations into all infrastructure project planning and assessment under the Building Canada plan.

Before my time is up, I would also like to highlight a few of the other recommendations we're supporting: renewing and increasing implementation funding for the Species At Risk Act; mapping conservation value across Canada to support the success of the government's national conservation plan; promoting the new environmental health equity agenda, by building on a model that's already in place in the United States; and establishing a tax credit to help Canadians remediate radon, which is the second-leading cause of lung cancer, in their homes.

Thank you all for your time.

● (1550)

The Chair: Thank you for your presentation.

We will now go to the Retail Council of Canada.

Mr. David Wilkes (Senior Vice-President, Grocery Division and Government Relations, Retail Council of Canada): Thank you, Mr. Chair, and members of the committee for inviting RCC to present some of the key issues that we had outlined in our pre-budget submission for the upcoming federal budget.

Before beginning my specific remarks, I would like to take time to express the condolences of our association, as well as those of mine personally, for the losses to our military last week. As Corporal Cirillo is laid to rest today, I think it's important to take time to pause and reflect on that.

I would also like to reiterate what was said by my colleague and thank the members of this House for getting back to work so quickly. I've often said that it is an honour and a privilege that part of my job allows me to be here in these buildings and take part in this process, and I'm very glad that we're back to work. So, thank you very much.

As many of you well know, the Retail Council of Canada is the voice of retail across this country. Let me illustrate three key facts that demonstrate the importance that the retail industry has to the economy of this land. Retailers sell over $486 billion worth of goods in communities from coast to coast. Our employees, within our membership and within our industry, generate over $53 billion in salary on an annual basis. We are the country's largest employer employing over 2 million Canadians, or one in nine jobs across the country.

The Retail Council of Canada represents some 45,000 store fronts and our members include grocers, specialty retailers, clothiers, and electronic retailers. Our membership ranges from small independent retailers to large multi-store companies.

As we sat back with our members and developed the recommendations that we wanted to bring forward to the committee, we ensured that we focused on those areas that were identified as the themes. One, we wanted to bring forward recommendations that would support families and help vulnerable Canadians; and two, provide opportunities for improving taxation policies that govern our land.

Mr. Chair, we have focused on two key areas that are consistent with these themes. First, we want to recommend further elimination of import tariffs that are no longer serving their original purpose of protecting domestic manufacturing and are just adding costs or taxes to the system. Secondly, we want to ensure that the budget commitment that was made in 2014 to lower interchange fees from merchants, that started with credit card costs, is brought to its closure and fruition.

Let me focus the majority of my introductory remarks on tariffs. As members of this committee may recall, in Budget 2013 there was an initial reduction of $79 million in tariffs for baby clothes and certain sporting goods. This has had a real impact on Canadian families and shortly I'll show you the savings by way of example that have been generated for hockey equipment. We believe the time is now for more tariff free elimination because of a couple of other factors that are being introduced in the economy in the coming year. The first and probably most significant is the transfer of over 72 of our trading partners from GPT tariff status to MFN. This includes large trading partners like China, India, and Brazil, and by the government's own calculation will result in $333 million more in additional tariffs across the economy.

I'd also like to highlight a tax or an import levy that the Minister of Agriculture is considering on fresh raspberries and strawberries, as well as some other products, which could add an additional $2.4 million in cost for these basic products that Canadian families rely on every day to have a healthy diet.

I just illustrate these by way of example that there is an opportunity to level this playing field to continue to reduce costs for Canadians and to continue to update our taxation policy.

The Retail Council has highlighted four areas which are noted on the screen here—children's clothing, linens, gloves and mitts, and footwear—where we believe there is an opportunity for further tariff relief. The criteria that we have used is articulated in the box on the left-hand side.

As I mentioned, we have seen real benefits for our consumers. For the youth hockey player that you equip from helmet to skates, a family that was doing that would save approximately $51 in cost.

Our story on tariffs is an important one because Canadians are not only looking to shop around the corner, but we're seeing that more and more Canadians are going online to research and purchase their goods. It is vital that we continue to level the playing field between our two economies.

My final slide is a quick one. We are appreciative of the government's commitment to address interchange fees. This need has only grown since that time and we're looking forward to conclusion on this file.

● (1555)

Mr. Chair, thank you very much. We are very keen for the questions and discussion that follow, and I thank you for the opportunity to present our views.

The Chair: Thank you very much for your presentation.

Colleagues, we'll begin members' questions with Mr. Cullen for seven minutes.

Mr. Nathan Cullen (Skeena—Bulkley Valley, NDP): Thank you, Chair.

To Mr. Wilkes and Mr. Brakel as well, thank you for your comments at the opening of your statements. I think they're well received, certainly by myself and my colleagues.

The work continues. So now we've heard from the restaurant association, from Mr. Wilkes and his association, as well as from Ms. Pohlmann, on these merchant fees, these pesky merchant fees. Help us understand exactly the prescription that we need to write.

Ms. Pohlmann, maybe you can start us off. Why is this such an intractable problem? Why is it so hard to stand up to these credit card companies and the banks that collect the fees, and help Canadian consumers out? Why has the government struggled with this?

Ms. Corinne Pohlmann: Well, I think it's something small businesses have been facing now for about seven to eight years. With the introduction of premium cards into the market back in 2008, we suddenly saw pretty significant increases in the merchant fees being collected by small business merchants, as well as larger merchants. It was pretty much overnight. There is a total dominance in the industry by MasterCard and Visa in this particular area. Small business is known as price takers, not price makers. It's very difficult for them to push back. Basically, it's difficult to say no to accepting credit cards today. The response we often get from the credit card companies is that, well, businesses don't have to accept credit cards, but many small business owners have no choice. Their consumers demand it, so they basically have to take it.

Mr. Nathan Cullen: To be clear, does the law now allow them—these small businesses or even some of the large ones represented by Mr. Wilkes—to charge differential rates for consumers if they're... because some of these credit card fees have very, very high merchant rates? Is that essentially being absorbed by those small and medium businesses? Can they not just simply charge a different amount for a product depending on which card the customer swipes? Is that not an option?

Ms. Corinne Pohlmann: No. That's not an option. They have to honour all cards regardless of the type of card they accept, even if they can recognize which card is actually a higher rate or a lower rate. That's a problem in and of itself; it's often difficult. What you may think is a rewards card is actually sometimes a lower merchant rate card.

Mr. Nathan Cullen: We have a free market here. Why is this the responsibility of government?

Ms. Corinne Pohlmann: Well, it's because there's such a market dominance by these two industry players, and in fact we need to have some oversight of those industry players. We felt the code of conduct was a great first step, and it helped to sort of bring them into the—

● (1600)

Mr. Nathan Cullen: Is that a mandatory or voluntary code of conduct?

Ms. Corinne Pohlmann: It's a voluntary code of conduct. Yes, and it at least started to bring some fairness into the system, for example, by allowing merchants to get out of contracts when they change rates, which was not really allowed previous to this, but obviously we need more. We see the rates continue to go up, and we'd like to see more movement by the industry to recognize that this is time to pull back a little bit on increasing rates, going forward.

Mr. Nathan Cullen: You're going to find support from us.

Mr. Wilkes, did you find anything to add in there?

Mr. David Wilkes: Yes, I do, and thank you very much for the question.

The last part of your question is why this is a government responsibility. I think there are two key points I'd like to raise there. The Competition Tribunal, approximately a year and a bit ago, ruled that the market practices of Visa and MasterCard—I'll paraphrase here—were distorting the market and that the normal influences that would be in place to regulate prices were not functioning within the Canadian economy. That's first. The evidence that was brought forward to the tribunal really resulted in that conclusion. Second, we look at international experience. More than 37 countries around the world have chosen to cap and regulate fees because they recognize that the normal indicators, the normal price functions, do not work in this market because the fees are hidden.

Mr. Nathan Cullen: So is that a market failure, in a sense? I don't want to be judgmental about what's happening, but you suggest that other countries have realized that there's a distortion in the market, as has been realized here, and that in the market, as of right now, the to and fro between consumer and supplier has not been able to capture the realities of this market distortion.

Mr. David Wilkes: I would agree with that statement, and let me give a couple of examples of the type of action that has been taken.

Mr. Nathan Cullen: Wait; I only have a little bit of time.

Mr. David Wilkes: Okay, and I'll be very quick.

France has limited interchange fees to 0.25%, and the EU is looking at a 0.30% cap, so we do believe that there is opportunity to move in that direction.

Mr. Nathan Cullen: Thank you very much.

Mr. Brakel, I have two quick questions. Does the chamber do any projections on the health of the Canadian economy? Do you folks in the chamber look forward and do forecasting as to the strength of the Canadian economy?

Mr. Hendrik Brakel: We do, absolutely.

Mr. Nathan Cullen: Do you do much projection in the way of the variance of the price of oil on the health of the Canadian economy and the strength of government revenues?

Mr. Hendrik Brakel: We don't look too closely into forecasting oil. We see generally it's on a downward—

Mr. Nathan Cullen: Does that cause concern for the chamber in terms of both the health of the Canadian economy and the strength of government revenue?

Mr. Hendrik Brakel: It certainly is a cause for concern, but we don't see it going far below $80. It will go down to about $80.

Mr. Nathan Cullen: You mentioned qualified people. Is the chamber currently satisfied with the quality of labour market research that is performed in Canada?

Mr. Hendrik Brakel: Well, it would be great to have more information, because one of the challenges, for example, is that our economic regions are so broad that when we look at unemployment or the skills.... Vancouver Island is huge, obviously, the parts within it, so I think I would be helpful to have more labour market information and to know what skills we're missing and where the vacancies are.

Mr. Nathan Cullen: You mentioned a review of the impact of the changes to the temporary foreign worker program. Are you aware of any review of the government's policy changes that is being conducted right now? They've made policy changes.

Mr. Hendrik Brakel: Yes. We're talking about the most recent changes that happened in June of this year. We would like to take a look at what happens with business and whether they have been able to cope—

Mr. Nathan Cullen: Are you aware of any review being conducted right now?

Mr. Hendrik Brakel: No, I'm not.

Mr. Nathan Cullen: Were you aware of any analysis done before the changes were made to the temporary foreign worker program?

Mr. Hendrik Brakel: I'm not sure exactly what—

Mr. Nathan Cullen: Was there analysis by the federal government before they made the changes, including of the potential impact on the Canadian economy?

Do you understand the question?

Mr. Hendrik Brakel: Yes.

Mr. Nathan Cullen: Before they made the changes, are you aware of any analysis that the federal government performed on the —

Mr. Hendrik Brakel: I'm certain. We've met with people in the department and I know that they did quite a lot of analysis. They did extensive research.

Mr. Nathan Cullen: Ms. Pohlmann, are you aware of any review being conducted right now, with these changes to the temporary foreign worker program?

Ms. Corinne Pohlmann: No, I'm not aware of any review except for groups like us trying to put forward—

Mr. Nathan Cullen: So with shaky labour market data, the government got caught using Kijiji, which obviously distorts the impacts....

My last question if for you, Ms. MacEwen. Did the government use Kijiji data? I'm not sure if my Conservative colleagues want to contest that. It was in the public and the government admitted to it.

With a lack of good labour market data, with a lack of analysis of the changes to a key program, Ms. MacEwen, do you have any suggestions on where we should head with this, as it has been called a radioactive program?

The Chair: Okay.

A very brief response, please....

Ms. Angella MacEwen: Okay.

The Canadian Labour Congress is calling for a national summit on this issue, bringing together all stakeholders to discuss the issue. Also, Statistics Canada has data that they haven't analyzed. The survey went out on workplace and employment skills and it hasn't been analyzed. So that kind of thing....

Mr. Nathan Cullen: Thank you.

The Chair: Okay, thank you.

Thank you, Mr. Cullen.

We'll go to Mr. Saxton, please, for your seven-minute round.

Mr. Andrew Saxton (North Vancouver, CPC): Thank you, Chair.

Thanks to our witnesses for being here today.

My first question is for the Canadian Chamber of Commerce.

In Budget 2013 our government introduced the Canada jobs grant, recognizing that Canada faces ongoing shortages of skilled tradespeople and other professional occupations. There are too many jobs that go unfilled in Canada because employers can't find workers with the right skills. Meanwhile, there are still too many Canadians looking for work. Could you speak to the need for skilled training amongst your membership?

● (1605)

Mr. Hendrik Brakel: Absolutely. Business certainly recognizes that it has an important role in providing that training. The challenge is that there are certain areas and certain regions where they've done everything possible. They've tried desperately to recruit people and they're just not finding them, and it's a problem from coast-to-coast. It's not just an Alberta thing. It's the Montreal pharmaceuticals. It's the tech industry in Vancouver, the financial industry. It really goes right across the board.

So business certainly recognizes they have a huge role to play in training and there has been quite a lot spent on training, but it's a continuing problem. All of the surveys from Canadian Manufacturers and Exporters, all of them right across the board, talk about this challenge of not being able to find the right skills and qualified people.

Mr. Andrew Saxton: So you agree that there is a skills shortage in Canada?

Mr. Hendrik Brakel: That's what we're hearing from our members, sir. They tell us that very aggressively

Mr. Andrew Saxton: Thank you very much.

My next question, Chair, is for the Retail Council of Canada.

First of all, you've advocated for a reduction in tariffs, and I'd like to know in particular which import tariffs are causing the most price discrepancies with the U.S.?

Mr. David Wilkes: The key ones we have listed are where we see tariffs in that 17% to 18% range—so linens and footwear, for example, where the price gap between Canada and the U.S. is compounded by those tariffs. We believe that they are really just adding an unnecessary tax to our economy. It is an opportunity to continue the work that was identified both by the Senate report and the government budget of last year to level that playing field between Canada and the U.S. by addressing those tariffs in that double-digit range.

Mr. Andrew Saxton: Okay, now we've tested the waters in previous budgets to see how a reduction in tariffs would in fact help to bring the price differences between the U.S. and Canada more in line, and of course the success of these efforts is contingent on the retailers passing those savings on to consumers. Do you have specific examples of where retailers have passed those savings on to consumers?

Mr. David Wilkes: Yes, I do. Let me highlight a couple. In the hockey equipment example that I provided, there was almost a $51 saving in the cost of equipping a youth hockey player after the tariff was eliminated in 2013. If we look at selected baby clothes, which was the other category where a tariff was eliminated—and I have a chart that I can leave with the clerk that illustrates this—if you purchased a set of pants and shirts, some shoes, a printed hanging bodysuit, and snowsuits, as illustrated here, that family would have saved $12.

So we have very clear evidence where the savings are passed on to our retailers by their wholesalers, and where other factors remain even or equal, as it were, the savings do fall in the price on the shelf.

Mr. Andrew Saxton: Thank you very much.

My next question is for the Canadian Federation of Independent Business, also known as CFIB. In 2013, our government announced a three-year freeze on EI premiums to promote stability and predictability for job creators and workers. This measure will leave $660 million in the pockets of job creators and workers in 2014 alone. Then we built on that with our small business job credit, with savings of approximately $550 million for small businesses over those two years, with a seven-year break-even rate in 2015. How important is it for small businesses to have a predictable and stable forecast for EI premiums?

Ms. Corinne Pohlmann: It's very important. It's one of the things we've been pushing for probably for decades, because the last thing you want to do during a downturn in the economy is to start raising EI rates. The stability that we see coming over the seven-year horizon, starting in 2017, and maybe sooner if we can get there, is going to be extremely important in bringing that stability to small business owners when times get more difficult. We also welcomed the small business job credit. We felt it was an important piece to continue to stimulate growth within small firms, and we congratulate the government for putting that forward.

Mr. Andrew Saxton: Thank you. Some members of the opposition have said that the small business job credit will encourage business owners to lay people off. Do you agree with that?

● (1610)

Ms. Corinne Pohlmann: Not at all. We don't believe that's going to be the case. If anything, you're going to hear of more folks looking at increasing compensation, investing more in training, the types of things that we specifically asked our membership about in a survey. You have fresh data in front of you that shows that their plans with that extra money is to invest it back into their business and back into their employees.

Mr. Andrew Saxton: Thank you.

I'm moving on to the Canada Pension Plan. Enhancing the pension plan is expected to be the focus of the next finance ministers' meeting in December, led by Ontario. We all agree that retirement security is important for Canadians. However, given that economic growth is still fragile, there is concern that now is not the appropriate time to increase payroll taxes on businesses. As your organization represents over 109,000 small business owners, could you describe the impact a CPP expansion would have on small businesses in Canada?

Ms. Corinne Pohlmann: As I mentioned in my remarks, we have done extensive surveying of this over the last couple of years to understand the impacts, and small business owners have told us in no uncertain terms that it would cause them to freeze or decrease salaries, and reduce investments in their business. CPP is a big amount of money for many small business owners and any increases in that scares them. It will have an impact on their decision-making when it comes to hiring more people and investing in their own business.

Mr. Andrew Saxton: The Ontario government has stated they're going to go ahead with plans to have their own pension program. How is that going to impact the competitiveness of Ontario?

Ms. Corinne Pohlmann: We have a lot of fears about what this will mean for Ontario. It will make it a lot less competitive for businesses in Ontario to compete and to attract folks and investment, and so we are fighting hard to try to lessen that blow for our membership in Ontario. We have something called the "axe the Ontario pension tax" campaign going on right now in Ontario to try to make sure that we fight back against it.

The Chair: Okay. Thank you. Thank you, Mr. Saxton.

Mr. Brison, please, for your round.

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

To begin with the Canadian Labour Congress, you've said that with cheap money—and yields being so low and real interest rates being negative today—and with crumbling infrastructure, we have a historic opportunity to invest significantly in infrastructure. That's the position of your organization?

Ms. Angella MacEwen: Yes. That is the position of our organization and has been for a couple of years now.

Hon. Scott Brison: The Canadian Chamber of Commerce, would you agree with that position, that we have a historic opportunity to invest in modernizing and improving Canada's infrastructure?

Mr. Hendrik Brakel: Absolutely we would support more spending, with borrowing costs for 10 years at 2%.

Hon. Scott Brison: The Green Budget Coalition, do you agree that investing in and greening and strengthening Canada's infrastructure is something we ought to be focused on?

Mr. Andrew Van Iterson: Yes, we do, as long as adaptation and environmental considerations are made central to them.

Hon. Scott Brison: Thank you very much.

Here is a question on skills and training. You, the Chamber of Commerce, have stated as an organization that we need to invest and work with provinces to improve skills, training, and life-long learning opportunities for Canadian workers.

Mr. Hendrik Brakel: Yes, absolutely

Hon. Scott Brison: And how would the Canadian Labour Congress feel about that?

Ms. Angella MacEwen: We agree that there should be more investment in workers' training. We think that very often, when employers say there is a skills shortage, what they mean is that there is an experience shortage: workers don't have the on-the-job experience they're looking for or skills very specific to that firm. We're also looking at mentorship programs or programs that would give workers on-the-job experience with employers.

Hon. Scott Brison: Do you agree, Ms. Pohlmann, that we need better labour market data than we're working with right now and that we need to invest as a government in better labour market data?

Ms. Corinne Pohlmann: Yes. It would be great to understand a lot better where the skill gaps are and what we need to do to invest in them, and it would definitely be helpful to have more information available to us.

Hon. Scott Brison: Mr. Wilkes?

Mr. David Wilkes: Yes. In the retail community we see a variety of types of jobs, very specific ones involving members such as bakers and meat cutters, to use a couple of grocery examples. So yes, we would agree with that.

Hon. Scott Brison: We've heard from the employers and from the labour perspective. Ms. MacEwen, do you feel that we should have better labour market data and that this would benefit your members?

Ms. Angella MacEwen: Yes, absolutely that would benefit our members. It would benefit all workers who are looking to invest in their own skills and employers who are looking to hire and grow their business out in the future.

Hon. Scott Brison: Thank you very much.

Here is a question on the tariffs, Mr. Wilkes. You cited a $79 million reduction in certain tariffs. Did the same budget implementation act not also increase tariffs on goods from China, as a result of those—?

● (1615)

Mr. David Wilkes: Yes.

I'm sorry for the interruption.

Hon. Scott Brison: What was the net increase of the two measures?

Mr. David Wilkes: The reduction was $79 million, as you indicated. The Department of Finance has indicated that the change from GPT to MFN, which I referred to in my opening remarks, would result in an additional $333 million in revenue being collected. Those changes come into effect on January 1 of the coming year, 2015.

Hon. Scott Brison: Thank you.

The Parliamentary Budget Officer has told us that unnecessarily high EI taxes over the next two years will cost 10,000 jobs from the Canadian economy. Is that consistent with what you're hearing from your members about the impact on jobs in this soft job market?

I'm asking the groups representing employers here.

Mr. Hendrik Brakel: Absolutely. Payroll taxes are the most harmful types of taxes. As Corinne pointed out, it's those for which it doesn't matter how much income you have; it's just a tax on jobs.

Ms. Corinne Pohlmann: I absolutely would agree.

Hon. Scott Brison: Sure.

And the retailers...?

Mr. David Wilkes: Yes. Any time you tax a job, it is a difficult balance to achieve.

Hon. Scott Brison: Thank you.

Here is a question to the Green Budget Coalition. What impact have government cuts had on addressing Canada's environmental responsibilities and on the creation of a greener economy and opportunities therein?

Mr. Andrew Van Iterson: I can't offer you specific numbers. I can tell you that a reinvestment in protecting Canada's environment would be very important to protecting Canada's environment but also to creating jobs. And those kinds of jobs can be the best for Canadians, because protecting nature is the kind of work that often gets done in local, rural communities and creates jobs often in areas that need employment. Those pieces can be important.

And a reinvestment in science, in terms of mapping the conservation values we have across Canada—and we have those kinds of capacities in various departments, but linking them together—could play a really important role in building our science capacity.

Hon. Scott Brison: Thank you.

Mr. Wilkes and Ms. Pohlmann, we're told by people in retail and small business that the voluntary approach regarding credit card fees isn't working. Should we be adopting a compulsory approach, or a cap approach similar to Australia's? Has the time for evaluation passed, and should we be acting at this point?

Mr. David Wilkes: We know this is a very active file that the Department of Finance is looking at. I won't prejudge the outcome of those discussions. We are supportive of the commitment to reduce acceptance costs for merchants, and we do believe there is lots of international experience that suggests they can be brought down significantly. But we will wait and hold our judgement based on the outcome of the discussions.

Ms. Corinne Pohlmann: I would say that we're always very cautious of the cap approach because we've seen some of the outcomes of that in other countries as well, where we see other prices going up, whether it be bank service fees or bank charges, so we have to be very cautious about that if we go that route. We also are waiting to see what happens, but I can tell you that our patience is running out as well. But at this point, we're hoping still to see something happen in the short term.

Hon. Scott Brison: Just a comment, I'll keep it brief, Mr. Chair.

The Chair: Keep it brief.

Hon. Scott Brison: I've seldom seen such unanimity on important issues facing the Canadian economy between labour and business, both small business and larger business, on issues of training, infrastructure, good data. I just think it's encouraging and informative for parliamentarians as we move forward in considering what we should do to grow this economy.

The Chair: Thank you, Mr Brison.

We'll go to Mr. Keddy, please, for seven minutes.

Mr. Gerald Keddy (South Shore—St. Margaret's, CPC): Thank you, Mr. Chair.

Welcome to our witnesses.

To the Canadian Chamber of Commerce, you recommended adopting an innovation box. You're saying this would "reduce the normal corporate tax rate for income derived from developing and commercially exploiting patented inventions and other intellectual property connected to new or improved products, services and related innovation processes to the benefit of Canada." I'm reading your words.

I'd like to talk a little more about that. I'd like to know the cost of an innovation box. I'd like to know if you're intending to reinvest those extra dollars that you'd get out of an innovation box, and if it wouldn't skew the patent process beyond what it is today, because you already have a product that's in demand, as you're the only person who can manufacture it, if you've patented it to begin with.

● (1620)

Mr. Hendrik Brakel: That absolutely is a great point, and we haven't been prescriptive about the specifics or the rates of how much. We would like to work with Finance or tax policy to design how a program would look like. We've seen some really great examples, as we said, in the U.K. or in the Netherlands, where instead of just giving the SR and ED tax credit for some sort of R and D activities in the businesses, which may or may not actually result in innovations, they really put the focus on commercializing the products. Whatever patent that the innovation box refers to, you check a box on your corporate tax return to say this revenue comes from this particular patent, and it goes through at a lower rate. The idea is much simpler and easier to administer than the SR and ED and it really goes at developing that innovation.

The risk is that if you do a whole lot of R and D activities and you don't get any innovation out of it or you don't actually commercialize the product, you won't benefit from the tax credit. That's why we want to put that in centre right on the actual product. But in terms of actual costing, we think it might be great to replace one with the other, but we haven't.

Mr. Gerald Keddy: On the same subject I have another question.

Beyond cost recovery, if you used an innovation box for cost recovery but you recover the cost of producing that patent, now you still have an advantage over all of your competition. Why should you continue to get a reduced rate? And is there danger, quite frankly, of evergreening? You suddenly decide you're going to evergreen this patent, you've changed it a little bit and you're already getting a tax break.

Mr. Hendrik Brakel: You're absolutely right. That is one of the risks with the policy, so it has to be designed very specifically, so that it can't be evergreened and there are limits to it. Either you would cap the amount, so you can say up to $200 million or half a billion, whatever, in tax relief on this particular patent box, or you would define more specifically what sort of innovations would count as a new patent. You're right, there would absolutely have to be tight guidelines and rules around how that would be done. It could be abused, certainly.

Mr. Gerald Keddy: Thank you.

To Mr. Wilkes from the Retail Council of Canada, the made in Canada branding campaign has been successful in other countries. I think it's successful in Canada with products like Canada Goose and some others that we could name. But does it really encourage companies to manufacture inside Canada? Can you name some other examples besides the very obvious ones, some that I've noted.

Mr. David Wilkes: The short answer is that Canadians do like to purchase products that are made in their own country, whether they're manufactured or they're grown from a grocery perspective, or other aspects. I believe there is an opportunity to continue to promote products that are made in this country. We have seen very specific examples, and let me once again use something that we purchase every day from a grocery point of view. There is a preference to buy local, and we've seen in it our consumers, and you see our members within those categories promoting those types of products within local growing season because that's how they compete.

I do believe you've also seen in the sporting good areas and, as you mentioned, in some of the clothing areas where people enjoy supporting those products that come from this country—I apologize I'm repeating myself—but at the same time those products have to be of the right price, they have to be of the right quality, and they have to be available where consumers are looking for them. So it is something where we see consumer preference. We believe there is an opportunity to exploit that type of marketing. We see many of our members already doing it, and we see there's more opportunity as well.

Mr. Gerald Keddy: One of my pet peeves on buy local is, what exactly is local? I mean the Retail Council of Canada is a good place to ask this question, especially in fresh produce. If it's local in Nova Scotia, is it Nova Scotian produce? My understanding is that different regions and different provinces set their own parameters of what local is, and local's usually within 24 hours of travel. Well, 24 hours of travel is a long ways today. So do we have a standard, and are you promoting a standard? Because I really think we do need one if we want our consumers to truly buy local.

● (1625)

Mr. David Wilkes: There is no standardized definition of local that I'm aware of, but certainly any claims that are made by local have to be backed up by that explanation, whether it's within a region such as Atlantic Canada, to continue with your example. There is indeed a lot of work that our members support both from not only purchasing local products, but also supporting local campaigns and various other activities within the community. So the short answer is no. The long answer is it is defined as the claim is made.

The Vice-Chair (Mr. Nathan Cullen): A short question if you like, Mr. Keddy.

Mr. Gerald Keddy: I guess that a point that I would make is that I think the definition needs to be bit clearer, and I actually think it would be a sale point for the Retail Council of Canada. It wouldn't be a disincentive; it would be an incentive.

The Vice-Chair (Mr. Nathan Cullen): Thank you, Mr. Keddy and Mr. Wilkes.

[*Translation*]

Mr. Caron will start off our second round of questions. You have just over six minutes. Please go ahead.

[*English*]

As well for our witnesses, I think everybody has their earpieces in.

Committee members, it's just a little short of seven minutes to make up our time.

Monsieur Caron, you have a little over six minutes please.

[*Translation*]

Mr. Guy Caron (Rimouski-Neigette—Témiscouata—Les Basques, NDP): Thank you very much, Mr. Chair.

I would also like to thank the witnesses for their informative presentations.

I will start with Mr. Brakel.

Your brief is very interesting. I assume you support balancing the budget and reducing Canada's deficit.

[*English*]

Mr. Gerald Keddy: Certainly.

[*Translation*]

Mr. Guy Caron: I could support a number of your recommendations, particularly increased infrastructure investment. You talk about labour market information. The question was asked. No problem. I see, though, that you would like a lower tax rate for corporations and yet fewer tax credits for individuals and corporations. There is a direct connection there.

Furthermore, you would like the government to create a financial incentive to increase apprenticeship completions. Very often, such a measure takes the form of a tax credit. You are asking for another reduction in income derived from patented inventions, in other words, the innovation box, but you want greater investment.

I am trying to understand how you can want the budget balanced and the debt eliminated while, at the same time, calling for a lower tax rate, lower income derived from patented inventions and more investment in infrastructure.

Mr. Hendrik Brakel: We believe that certain tax reductions will generate economic activity and thus more revenue. Given the labour shortage in some industries, investment in training could really help stimulate economic activity that, we hope, will in turn raise revenues.

Mr. Guy Caron: I thought you might say as much. That is in keeping with what Ms. Pohlmann indicated in the Canadian Federation of Independent Business's submission. It states that, "[a]ny lost tax revenues for the federal government in the short term will be severely outweighed in the longer term by the benefits of small business' contributions to the economy through job creation and the growth of small businesses. . . ."

Given that reducing the tax rate and reducing—or eliminating—patent-related taxes represent a fairly sizeable loss of revenue, I have a really hard time believing that economic growth would offset that loss. Our current tax rates are fairly low for an OECD country, and that is especially true when you compare them with those in the U.S.

[*English*]

Unless we're on the wrong side of the Laffer curve, I don't see it being enough to compensate for the loss of revenue, especially since we'll need that revenue to invest in infrastructure and other expenditures and investments that will be needed by businesses.

[*Translation*]

Could you comment on that?

Mr. Hendrik Brakel: Yes.

The Federation of Canadian Municipalities estimates that $172 billion in infrastructure investment is needed in Canada. If you add to that figure airports, ports and highways, you get $500 billion. That is massive.

The private sector could play a key role in that investment. That is why it's important to establish a plan that incorporates the private sector, particularly by offering incentives to invest in Canada's infrastructure obligations. We really believe this kind of investment is crucial to generate that economic activity.

● (1630)

Mr. Guy Caron: I agree wholeheartedly. But even if the private sector does contribute, which is often done through PPP arrangements, the federal government still has to make massive investments in infrastructure. I don't think the private sector has the resources to invest $175 billion in infrastructure or identified it as a priority.

So the question remains. If you want to reduce corporate taxes and eliminate taxes on patented inventions, for example, where will the money needed for the investment come from?

I agree with you. If a lower tax rate results in a loss of $10 billion, the total loss will not amount to $10 billion because of the increase in economic growth. That increase, however, will not reach $10 billion. So it would represent a tax loss for the country at a time when we need that money to make investments.

Mr. Hendrik Brakel: I understand your concerns fully and I agree with you.

It has been suggested that rates be lowered by eliminating special reductions for certain tax credits. But we think it would be possible to balance the budget by making infrastructure investments without granting huge reductions.

The Caisse de dépôt et placement du Québec is a massive fund, with investments in Australia and India. Bonds and investment vehicles should be created so that the fund could invest here, in Canada. That is the reason that people look to pension and insurance funds for money.

Mr. Guy Caron: Thank you very much.

Mr. Wilkes, you talked about the elimination of tariffs on a variety of products set out in the last budget. You said the savings achieved were passed down to consumers. Is there evidence of that? Has any research been done on that? The other possible outcome of that tariff elimination is a higher profit margin for retailers.

[*English*]

The Vice-Chair (Mr. Nathan Cullen): You have time for just a brief answer, Mr. Wilkes.

Mr. David Wilkes: We have surveys from our members where they have indicated that in a savings comparison of like-for-like products, we do see a direct reduction in prices as tariffs are eliminated. They were some of the examples that I provided.

The Vice-Chair (Mr. Nathan Cullen): Thank you, Mr. Wilkes.

Mr. Allen, you have six and a half minutes.

Mr. Mike Allen (Tobique—Mactaquac, CPC): Thank you very much, Mr. Chair. I appreciate those extra 30 seconds.

Thanks to our witnesses for being here. I appreciate all your kind comments with respect to getting back to business in committee and in the House.

I would like to start with the Canadian Chamber of Commerce. Mr. Brakel, I'd like to pick up on the innovation box a little bit. If I heard you right—I won't put words in your mouth—I think you said “in lieu of” the SR and ED. I guess I just want to push down on that a little bit more.

We heard from our witnesses yesterday that there are different ways that this innovation box has actually been implemented in different countries. It's simply a matter of one way versus another. When I look at a small business, they might do a lot of patent work with respect to a process within their business, and that doesn't lend itself well to a product that they're actually selling. With that in mind, they would never be able to take advantage of this if you took out the SR and ED completely. So I'd be concerned that you'd say “in lieu of”, because that would completely eliminate that away from them.

How have other countries been successful in implementing it? If you're going to pursue this, it seems to me that it would take a little bit of time to figure out how to implement it, and to implement it properly.

Mr. Hendrik Brakel: That's actually an excellent point because the European Union is doing a review of how these have been looked at. There's a lot of research going on to see how these have been put in place. We think if the definition of an innovation box is sufficiently broad to talk about potentially providing tax shelters for certain types of processes, certain broader innovation.... In other countries they call it a patent box. So it's any revenues derived from a specific patent. Our view is that if it's broadened to certain types of processes, it can be beneficial to small business as well. But you're right that as part of the ultimate design, which we haven't been that specific about, it would be prudent to hold some component of the SR and ED, particularly for...[*Inaudible—Editor*].

● (1635)

Mr. Mike Allen: I guess the point would be that we need to think about this a little bit more before we go down that road.

Mr. Hendrik Brakel: Absolutely. You're right.

Mr. Mike Allen: I'd like to ask you and Ms. Pohlmann about the following issue. With respect to labour market information it seems to me that one of the common complaints I get from small businesses in my riding is about StatsCan. StatsCan drives them absolutely nuts with the surveys that keep coming in. In a lot of cases in these small businesses it's the owner, or someone who responsible for running the business, who's actually has to fill out the forms. Maybe a bigger business has an easier time of doing that. I don't think there's any question that we'd like to see more labour market information and ways to do that, but have there been ways to successfully to collect this information without infringing on the small business owner as the one who has to provide it all the time?

Ms. Corinne Pohlmann: I would agree that Stats Canada is one of the bigger red tape burdens that small businesses have to face given that they have a requirement to fill out often a 20 to 30 page survey. I think there are a lot of other ways that data can be collected. It can be shared more often between government departments, because sometimes they're being asked the same questions multiple times. I think there can be a better job done at understanding of what's maybe being collected through provinces, through associations, through other means. We as an organization have a huge amount of data that we are also happy to share. So I think there are other ways of getting at some of this information, but I do believe that we need to look a little bit more at what kind of labour information is missing and make some efforts to put that in place.

Mr. Mike Allen: Mr. Brakel, do you have any comments on that?

Mr. Hendrik Brakel: Absolutely. The one thing we've heard from some of our members is that small business is more dependent on this type of labour and market information than others and big businesses can go out and get their own information, or pay for it. Hotel chains have enormous amounts of data they can get. We actually have resolutions at our annual general meetings where we're small businesses are saying, we really need this data, it's an important source for us. So we absolutely agree with Corinne that it is a burden, but it's actually small business that benefits from some of that free government data from StatsCan.

Mr. Mike Allen: Ms. Pohlmann, I'd just like to follow up on something. You talk about job vacancies and say there are a lot of job vacancies. Do you have a wage profile for those job vacancies?

Ms. Corinne Pohlmann: In our last what we call “Help Wanted” report, which we do on a quarterly basis, we did compare the average increase in wages, because it's part of a monthly thing that we do as part of the “Business Barometer”, where we ask about the average wage and price increases they are foreseeing for their companies for the next three months, and we compare those with the companies that said they had job vacancies. What we found was that those with long-term job vacancies actually had higher increases in pay. So they were trying to increase their salaries to attract more people. Again, I don't have exact numbers, but we know that the actual amounts they were trying to increase salaries by for those vacant jobs were quite a bit higher across the board. It didn't matter by sector, it didn't matter by size, and it didn't matter by region. It was generally across the board: if they had longer-term job vacancies, they were much more likely to have higher salary increases than those that did not.

Mr. Mike Allen: Mr. Wilkes, would you concur? With the vacancies in the retail sector would it be the same kind of thing?

Mr. David Wilkes: We're seeing the vacancies concentrated in geographic “hot spots” as we refer to them—areas that would come as no surprise to the committee—as well as in specific skill areas, a few of which I mentioned earlier. We believe there is an opportunity to look at that and to ensure that as those vacancies are identified, the programs and policies that have been put in place by the government, such as the temporary foreign worker program, allow for those unique needs to be met. From a wage perspective certainly, we do know that it is not necessarily the salaries or wages that are causing the vacancies to remain. It's just the sheer lack of availability of people.

The Vice-Chair (Mr. Nathan Cullen): Thank you, Mr. Wilkes.

Thank you, Mr. Allen.

Mr. Rankin, go ahead for six and a half minutes.

Mr. Murray Rankin (Victoria, NDP): Thank you, Chair.

Thank you to all of our witnesses.

First of all I would like to welcome the Green Budget Coalition back. It's nice to see you again, Mr. Van Iterson. I wanted to pursue a few of the themes you were raising. You had three overarching strategic themes and a number of recommendations. Perhaps I'll invite you to elaborate on any you'd like, but you mentioned clean energy and climate change, meeting our biodiversity targets, and ensuring healthy communities. You mentioned specifically something about radon, and I think you said it was the second-leading cause of death by cancer if I'm not mistaken. Is that correct?

● (1640)

Mr. Andrew Van Iterson: It's the second-leading cause of lung cancer in Canada.

Mr. Murray Rankin: What specifically were you recommending in that regard then?

Mr. Andrew Van Iterson: We're recommending that a tax credit of up to $3,000 be available to Canadians who incur costs when a certified agent ascertains that the radon in their homes presents a risk to their health. They would be eligible for a tax credit for those costs of up to $3,000.

Mr. Murray Rankin: Thank you.

My next question is for Ms. MacEwen from the CLC.

Welcome. First of all I'd like to thank you for your leadership on pension reform and your recognition of the importance of CPP for all of the very powerful reasons you set out in your material. The specific question I have though is with reference to the migrant worker commission concept that you elaborated on in your written report. I don't think you had a chance to speak to it very much here today. You recommended strict enforcement for recruiters and employers and also the notion of a migrant worker commission with enforcement powers. Tell us a little bit about that.

Ms. Angella MacEwen: In the written report that we sent in for the prebudget consultation, we looked at the example of Manitoba and what Manitoba has been doing in order to both enforce standards for migrant workers and also investigate examples of wage theft or exploitation by these third party agencies that you talked about. That's been very successful in Manitoba, and we think it's an example that other provinces and the federal government should look at to protect migrant workers and make sure that these sometimes very vulnerable people aren't being exploited. We hear in the news all the time about people who have paid thousands of dollars to some third party in order to get a job, and sometimes that job isn't even there when they arrive.

Mr. Murray Rankin: My next question is for Mr. Brakel of the Chamber of Commerce. I was pleased, just as my colleague Mr. Caron indicated, at just how much we're in agreement with many of the recommendations you've made today regarding investment in infrastructure and the need for better labour information because, as the TD recognizes and you recognize, the Government of Canada just isn't doing the job.

Innovation was the thing that caught my eye, and I want to just ask you about a recommendation that I had heard was coming in your materials but that may not have been as clear. As you may know, there's a conference with university presidents. AUCC is here in Ottawa meeting with Israeli innovators. One of the ideas that have been bandied about, which I'd like your reaction to, is the notion that paid interns and co-op students who are, let's say, at universities go to work in a small business for a period of three months or so and bring any insights that modern research has to contribute to that small business. But there's a gap and sometimes people hesitate to spend the money on bringing these interns in. So the suggestion was made that there be either a subsidy or a tax credit of perhaps $1,000 a month for the three months that a student would be there in order to provide that kind of expertise to the small business, which might otherwise hesitate, as well as provide some jobs for people trying to enter the workforce. Do you have any reaction to that idea?

Mr. Hendrik Brakel: Absolutely we think these types of programs giving students the experience to make a decision are a great idea. We just put out a report a couple of weeks ago on how hard it is for students to bridge going from university into the workforce and how it's something we have to do a better job of. So absolutely that kind of stuff and that real world experience are great.

Mr. Murray Rankin: Ms. Pohlmann, do you have any reaction to that recommendation? Would that fit with your membership?

Ms. Corinne Pohlmann: We would have to test it with our membership, but knowing what we know, they do like co-op programs. They find them very useful. The same is true for internships, and they would love to be able to attract more of them. They often feel though that it's hard for a small business to attract them because they tend to be taken up by the big guys and the governments and so forth.

Mr. Murray Rankin: So if a subsidy or some kind of tax credit were more available, especially in small towns, that would serve that dual purpose I referenced?

Ms. Corinne Pohlmann: Yes, we would like to test that. We know the apprenticeship tax credit and the apprenticeship grant are well liked by our membership as well.

Mr. Murray Rankin: Thank you.

The Vice-Chair (Mr. Nathan Cullen): You have a little less than two minutes, Mr. Rankin.

Mr. Murray Rankin: Also then, to pursue this, Mr. Brakel, your third recommendation mentions increasing apprenticeship completions by creating a financial incentive for employers who retain apprentices in their third or fourth year of training. I thought that was a really excellent suggestion. How exactly would you do it? How rich would you make the incentive? Have you given any thought to how it would work?

Mr. Hendrik Brakel: Yes, one of the challenges has been why more apprentices don't fill out the third or fourth year. One of the challenges is that they just find another job or something different. That's why we were really looking at a tax incentive to make it more reasonable for businesses to hold them through that third and fourth years, and potentially that could lead them to pay the apprentices a little bit more just to keep them around to the third and fourth year.

We don't have specific numbers. We think that's something that would really work well. We heard from our members that is something they would consider.

● (1645)

The Vice-Chair (Mr. Nathan Cullen): You have just 30 seconds left, Mr. Rankin.

Mr. Murray Rankin: In your eighth recommendation, you talk about lowering tax rates, with fewer tax credits for individuals and corporations. It was refreshing for me to read that. Do I read correctly that you're opposing the plethora of boutique tax credits that now litter our tax act?

Mr. Hendrik Brakel: There are quite a lot of taxes—even some of our tax accountants who are members say that it's quite complicated now. In terms of how to pay for the tax reductions, we're saying that an overall reduction in some of the tax credits would enable us to lower the overall rates and simplify—

The Vice-Chair (Mr. Nathan Cullen): Thank you, Mr. Rankin.

Over to Mr. Van Kesteren for up to six and a half minutes, please.

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

Thank you all for being here.

I'll go to the chamber first. I don't think anybody has asked you to elaborate on your sixth point, to establish a development finance institution. Can you maybe just talk about that quickly?

Mr. Hendrik Brakel: Yes, absolutely. When we were looking at measures to improve trade and trade with emerging markets, we heard something from businesses about every country in the G-7 having a development finance institute, an institute that provides financing for development. That's quite different from our export credit agency, which just does exports. This would be a financing body that would just provide financing, not just the usual foreign aid, but actually provide long-term loans to create the infrastructure and private sector involvement to boost growth in emerging markets and developing countries.

We think it would be hugely advantageous in boosting local growth in a lot of developing countries and getting Canadian companies potentially more involved in those types of markets.

Mr. Dave Van Kesteren: Let me understand this correctly. Are you suggesting that if, for instance, a company wants to set up shop in Ghana—I've been to Ghana; I've seen lots of people who would love to go to work in Ghana—you would give financing or create an institution that would enable that company to set up shop there, so that we can...?

Mr. Hendrik Brakel: When we're looking at development aid, what works best isn't providing just straightforward grants but actually providing the financing to build those infrastructures to create the private sector. A lot of those institutions and businesses in Ghana can't borrow five- or ten-year money, so whether it's the World Bank or a Canadian development finance institution that comes along and gives them that ten-year money so that they can build a business, then you get that private sector growth. That is what creates the sustainable long-term growth. That's why we're very supportive of a development finance institute.

Mr. Dave Van Kesteren: Didn't we have that happen—I'm a little confused here. Are you suggesting this for reasons of giving our Canadian businesses a chance to set up shop in foreign countries, or are you trying to develop the economy so that they'll buy our goods?

Mr. Hendrik Brakel: It's a bit of both. The best way to develop growth in some of those developing countries is this private sector growth, and the way to do that is through financing.

Canada already participates in IFC and World Bank and so a lot of those contracts are done in countries like Ghana, but the Canadian companies don't always get to participate, because they don't have the same experience as certain others. So we think a Canadian development finance institute would benefit and create a lot of development growth in those countries, and it would also give Canadian companies a chance to get in on the ground floor of a lot of those developing countries.

Mr. Dave Van Kesteren: Ms. Pohlmann, this question was also asked of Mr. Wilkes. Have you found in your surveys that the job vacancies are both skilled and unskilled?

Ms. Corinne Pohlmann: Yes, they absolutely are, and in fact, in the more recent surveys I would say that the greater proportion is skilled labour, but there's definitely a growing concern with unskilled labour as well. I have to say, with the change in the temporary foreign worker program, that is becoming even more apparent.

Mr. Dave Van Kesteren: What about some suggestions that we raise the minimum wage? Would that help the unskilled? Maybe it would attract them to the workplace.

● (1650)

Ms. Corinne Pohlmann: Raising the minimum wage is always a challenge because, ultimately, the issue is about putting money back into the pockets of people and we don't believe that raising the minimum wage is the way to do that. We believe that you need to increase your basic exemption and make sure that you're not taxing people more. That is the better way to make sure we're dealing with people who are at the low income part of the salary scale, rather than trying to impose more costs on small business. It's not just the minimum wage that goes up for small business for their minimum wage workers. It's their entire workforce that all has to go up incrementally, so it's a big cost.

Mr. Dave Van Kesteren: I think I used your name and I was wrong. I've read so many reports that I forgot where I read it, but someone has suggested that we split the EI. Is that something your membership has talked about? Just so that everybody understands—and I'm just going to ask this question across the board—currently the employer pays 60% and the employee pays 40%. You said it was 40-40-20, but in essence you're asking taxpayers to make that. I mean there's only one taxpayer.

What about the split of 50-50?

Ms. Corinne Pohlmann: Just to be clear, we were not asking for the government to put in 20%. We were asking to move it to a 50-50 split. It once was 40-40-20.

Mr. Dave Van Kesteren: It was you.

Ms. Corinne Pohlmann: Yes. There was a time when employers and employees paid the same. Today we see the opportunity to move it to 50-50, given that a bigger and bigger proportion of the EI benefits is actually special benefits paid out, which benefits society, and perhaps the worker should be paying a bit more of a fair share in EI costs.

Mr. Dave Van Kesteren: If we move in the right direction—I guess the question will answer itself—if we build a strong economy, the need for EI will lessen, won't it? That won't be that great a concern because, if that is the case, then the premiums will drop as well.

Having said that, have we a kind of agreement that maybe we should see a lowering of EI and to start with it at 50-50?

I'm going to go to you, Mr. Brakel—

The Vice-Chair (Mr. Nathan Cullen): You have just 30 seconds left so maybe you could concentrate questions.

Mr. Dave Van Kesteren: Just quickly right across, yes or no.

Mr. Hendrik Brakel: Yes, lower it. They should go down with unemployment as long as we have a stronger.... The 50-50 is important.

Mr. Dave Van Kesteren: Ms. MacEwen.

Ms. Angella MacEwen: Absolutely not. We think the extra money should be spent toward helping to train workers. There is room in the LMDAs and the LMS to spend more money on that.

Mr. Dave Van Kesteren: I'm going to skip you because I haven't time, but when we have time we'll go back.

Mr. Wilkes.

Mr. David Wilkes: Certainly we believe there's an opportunity as more people work. We have not consulted our members on the 50-50 split.

The Vice-Chair (Mr. Nathan Cullen): Thank you, Mr. Wilkes.

Thank you, Mr. Van Kesteren.

Mr. Adler, for up to six and a half minutes, please.

Mr. Mark Adler (York Centre, CPC): Thank you, Chair.

Thank you all for being here today. We really appreciate your input. We've had a very fulsome discussion over the last number of weeks.

I'm going to start with Ms. Pohlmann. Under our government we have the lowest debt-to-GDP ratio here in Canada, at 32%. Getting down to 25% by 2021 is our goal, the lowest in the G7. We have a AAA credit rating. It's been reaffirmed year after year. Bloomberg has said that we're now going from the sixth-best to the second-best place country to be doing business with. These are all laudable accomplishments of our government.

However consumers and people on the street don't have that in mind when they go out to spend money. What they do have in mind is that they now pay 5% blended HST, rather than 7%. They know that they have more money in their pockets because our government has lowered taxes about 160 times. They know that they have more money to spend.

My question to you is this: lower taxes benefit both business and consumer, is that correct?

Ms. Corinne Pohlmann: We believe so, yes. The total tax burden is the number one issue our members face. When we ask them what they will do with lower taxes, small businesses always want to reinvest it back into their businesses, whether through employees, in hiring more employees, increasing salaries and compensation, as well as investing in infrastructure in their business.

Mr. Mark Adler: How many members do you have?

Ms. Corinne Pohlmann: We have 109,000.

Mr. Mark Adler: You poll your members regularly, don't you?

Ms. Corinne Pohlmann: Yes, we do.

Mr. Mark Adler: They are all job creators, correct?

Ms. Corinne Pohlmann: We think so.

Mr. Mark Adler: Absolutely.

Mr. Wilkes, I have the same question for you.

● (1655)

Mr. David Wilkes: I would answer it with a different approach. We also believe there are some unnecessary taxes in the system, as we've highlighted, such as the tariffs that are certainly no longer performing the function for which they were originally intended. We believe this is an opportunity to further lessen the tax burden—

Mr. Mark Adler: To further lessen them, because we did reduce them in the last budget.

Mr. David Wilkes: Absolutely. As was indicated in that budget, we believe that was a pilot approach to demonstrate the positive work. As we've indicated, there continues to be an opportunity to remove those taxes.

Mr. Mark Adler: We are talking about the most favoured nation tax?

Mr. David Wilkes: No, to clarify this, it is the recommendations we've made in the four areas, where we believe that a 17% and 18% tariff rate on things like linens, mitts, and gloves, etc., is unnecessary taxation in the system. If we remove that we are going to see benefits to both consumers and business.

Mr. Mark Adler: Okay, that's excellent.

I also want to talk a bit about free trade. We've negotiated 43 free trade agreements since we became government in 2006, and these have all been widely lauded as great accomplishments. They are job creators and one in five jobs in Canada relates to trade.

Mr. Brakel, could you talk a bit about how significant it is that we've negotiated these bilateral trade agreements? Also, could you talk about interprovincial trade, because now in many instances it is easier for us as a country to trade with other countries than it is for us, or people in Ontario, to do business in Alberta or have labour mobility?

Mr. Hendrik Brakel: Absolutely.

In answer to the first part of your question, the trade agreements are huge. CETA is free trade with 300 million and $17 billion of GDP. It's massive. It is 20% of global GDP, so we think it's very important.

On the second point, absolutely. One of the key recommendations in our policy is we would like an agreement on internal trade that's as aggressive as or even more aggressive than what we could negotiate with CETA. If we can bring down trade barriers with Europe we should be able to have much more aggressive agreements on trade within Canada.

Mr. Mark Adler: Ms. Pohlmann, could you speak to that?

Ms. Corinne Pohlmann: From a small business perspective internal trade is critical. We are also pushing very strongly right now to bring down those barriers, given that CETA is coming into place and it may be easier now for some European countries to get bids on certain—

Mr. Mark Adler: Our bilaterals that we have negotiated?

Ms. Corinne Pohlmann: Again, the European free trade agreement in particular and the agreement with the United States for sure have been very important.

Mr. Mark Adler: I asked the restaurant association yesterday when they appeared before the committee, and I'm going to ask you, Ms. Pohlmann, about premium cards. Many of these cards issued by the credit card companies went to people who already had a basic MasterCard or Visa card and then they were all of a sudden awarded the premium card, which had all kinds of bells and whistles and now costs consumers, etc., a higher fee.

With the introduction of premium cards have you found that people are spending more on purchases in an average basket of goods because they may have more credit than they did before the introduction of this premium card, or has it stayed relatively the same?

The Vice-Chair (Mr. Nathan Cullen): We have just a little less than a minute, Ms. Pohlmann.

Ms. Corinne Pohlmann: This would be anecdotal, but from our evidence from our membership they are not spending any more. These cards are being distributed to anybody who wants them, in our opinion. We see them all over the marketplace. It really doesn't matter what level of income somebody has, it's about how much they spend. So we have not necessarily seen an equation between having a premium card and spending more money. It just costs more.

Mr. Mark Adler: Mr. Wilkes, could you respond?

Mr. David Wilkes: We have seen an increase in purchases made by credit, now being about 50% of total purchases. We have seen that shift.

We have seen two major shifts within that, the increase of premium cards being almost 30% of the credit card volume. We've seen a shift to smaller and smaller purchases being put on credit. So we do believe this reinforces the need to fulfill the commitment that was made in the last budget.

The Vice-Chair (Mr. Nathan Cullen): Thank you, Mr. Wilkes.

Thank you, Mr. Adler.

[*Translation*]

Thank you all for your remarks.

We are going to break for five minutes and invite our next panel of witnesses in.

Thank you all.

[*English*]

Thanks, everybody. We'll suspend for five minutes.

● (1700)

(Pause)

● (1700)

The Chair: I call back to order meeting number 52 of the Standing Committee on Finance, with our second panel here today discussing the 2014 pre-budget consultations.

I want to welcome our guests for the second panel. We have first of all Mr. Scott Clark, the president of C.S. Clark Consulting. Welcome. We have Ms. Fiona Cook, the director of business and economics with the Chemistry Industry Association of Canada. We have from Metcalf Foundation, Metcalf Fellow Mr. Tom Zizys. Am I pronouncing that correctly?

● (1705)

Mr. Tom Zizys (Metcalf Fellow, Metcalf Foundation): I have trouble pronouncing it, but yes.

The Chair: Thank you.

We have from the Quebec Employers' Council, the vice-president of research and chief economist Madame Norma Kozhaya. Bienvenue. From Startup Canada, we have co-founder and chief executive officer Ms. Victoria Lennox. Welcome, *bienvenue à tous*. You will each have five minutes for your opening statements. I encourage you to use the earpiece for translation and to hear members' questions.

We will begin with Mr. Clark, please, for five minutes.

Mr. Scott Clark (President, C.S. Clark Consulting, As an Individual): Thank you, Mr. Chairman.

First, let me apologize for not having a written submission for members of the committee. However, I am going to make a few comments in the time I have. If members wish to find out more background on what I'm saying, they can go to a blog that I co-author with Peter DeVries of 3D Policy. Also, we have a regular opinion piece every Tuesday on iPolitics that deals with issues of public policy and public finance.

I know your deliberations are very important now. The government has a surplus on the horizon—and I'll come back to that in a minute—so there are lots of expectations being created externally in the public, and no doubt internally in the government, about what to do with that surplus. I have been in government long enough to know that managing a surplus, in my experience, is probably more difficult than managing a deficit, given the demands that everybody puts on the government. I would like to address a number of cautions that I would propose for the committee to think about in going ahead in terms of how to use that surplus.

I say that because I have years of experience. I was a deputy minister of finance during the good years of the 1990s and the bad years of the 1980s, so I've lived through both fiscal crises and the management of surpluses.

There are a number of cautions I want to focus on. No doubt many of you have also been reading about them and been seeing them on television. They have to do with the state of the global economy first.

The IMF, the International Monetary Fund, at its recent meeting in early October came out with some pretty sobering conclusions and observations that I think we all need to take account of. In its report, which was just released two weeks ago, the IMF reduced, once again, its forecast for the global economy to 3.3%. That's down 0.4% from last April. China makes up one-third of that. If you exclude China, they're suggesting the global economy will grow about 2.5%.

I want to put that in perspective. In the second half of the 1990s, when the Liberal government at that time had lots of surpluses, the global economy was growing at between 5% to 5.5%. The prospect going forward for the next decade, at least, is for a very moderate growth in the global economy.

The reason is pretty simple. The euro area is about to enter its third recession since 2008. It's going to take years and years for the euro area and the EU to recover into a sustainable economic growth entity. The Chinese economy is dramatically slowing. Russia is about to enter another recession. Certainly if oil prices fall to $70 or stay below $80, the Russian economy is going to be in serious difficulty. Finally, the developing economies are stalling. The global economy is not doing well.

I think it's worth my quoting, if you will, from the IMF. The IMF is saying that growth will be mediocre and stagnant going forward:

> Downside risks have increased since the spring. Short-term risks include a worsening of geopolitical tensions and a reversal of recent risk spread and volatility compression in financial markets. Medium-term risks include stagnation and low potential growth in advanced economies and a decline in potential growth in emerging markets.

For Canada, the IMF has said that growth will be 2.3% for 2014 and 2.4% in 2015, but this was before oil prices started their dramatic decline. We all know what the implication of that could be for Alberta and Saskatchewan, which have been driving the economy for the past number of years.

The Chair: You have one minute.

Mr. Scott Clark (President, C.S. Clark Consulting, As an Individual): I have one minute. Okay, I'll just quickly move on, then, to concerns about the surplus.

In my view, if you are going to use the surplus, I'd be very prudent. The outlook is too risky to get rid of all that surplus. In my estimation, if oil prices stay below $80 for the next three years, you could lose up to $4 billion to $5 billion annually in your revenues, and that would pretty much take away much of the surplus.

If you are going to continue to use the surplus, consideration should be given to using it in a way that stimulates economic growth and creates jobs.

● (1710)

In my view the government needs to reconsider the tax changes it is proposing, because none of them achieve that objective.

Furthermore, in my view the government needs to look to building a domestic growth strategy, one built on infrastructure spending. Finally, based on the IMF and its research, I would suggest that this be financed through debt rather than raising taxes.

Thank you.

The Chair: Thank you.

Thank you, Mr. Clark.

We'll go to Ms. Cook now, please, for your presentation.

Ms. Fiona Cook (Director, Business and Economics, Chemistry Industry Association of Canada): Thank you very much, Mr. Chairman, and members of the committee, for the invitation to speak to you today on behalf of the Chemistry Industry Association of Canada.

CIAC is the voice of Canada’s chemistry industry, which a $50 billion a year industry for this country. Our member companies apply knowledge to take resources, such as natural gas, electricity, minerals, and biomass, and convert them into high value products that are used to produce other manufactured goods and consumer products. In essence, we provide the building blocks, technology, and services needed by many other Canadian industries. These range from clothing and pharmaceutical companies to natural resource developers and manufacturers of energy-efficient housing and cars. I should mention that, although fairly invisible, we are Canada's fourth largest manufacturing sector.

The business of chemistry employs 82,000 Canadians directly and supports another 400,000 jobs in the Canadian economy. So we have a fairly large multiplier. One job in our sector creates another five elsewhere in the economy.

The United States is our largest customer. The bulk of our exports, about three-quarters, moves there. For many years we enjoyed a competitive advantage when it came to natural gas feedstocks and electricity. Until recently, about two years ago, the U.S. chemical industry was actually in decline. Once that country's leading export industry, it had slipped into a negative trade balance and most global investments were gravitating to China.

That is changing. Shale gas is shifting the competitiveness equation. Canada no longer has a natural gas advantage, and the shift to cheaper natural gas-fired electricity generation in the U.S. is increasing the competitiveness of manufacturing there in general, and increasing the demand for chemical inputs as well. Our electricity rates are no longer cheaper than jurisdictions in the U.S.

Announced investments for the chemistry industry in the U.S., currently at $120 billion, will increase production by 30% to 50%, which represents at least $250 billion a year. This wave is cresting in 2017 and it has not yet washed ashore in Canada. If we want to catch that next wave and be part of the reshoring of manufacturing we need to act now. I circulated a couple of charts there which will show you what's going on. There's one that shows the investment trends, Canada versus the U.S., and you can see there that the investments are shooting up in the U.S. and have yet to show a similar trend for Canada.

The opportunity for investment is real and immediate here as well, but at this point we have not even seen a proportional number of announcements. We estimate that there is a potential for $10 billion worth of new projects in Canada by the end of the decade, but we cannot attract that when the playing field is not level. U.S. companies enjoy a depreciation allowance that allows companies to write off the cost of new projects at roughly twice the rate of Canada, and this time value of money is very important for investments that can take up to six years from initiation of project analysis to commissioning and startup. Again, I circulated a chart which just gives you an idea of how long it takes to start when you start even thinking about a chemical project to when the production actually starts.

You have our pre-budget submission and our case for why Canadian manufacturing needs a permanent or long-term greater than five years depreciation rate that at least matches the U.S. A recently released independent study calculates that a 45% declining rate would only match the current and permanent U.S. rate, and coverage for the U.S. projects is much broader. So, to match that coverage differential we urge this committee to recommend a permanent 50% depreciation rate for manufacturing machinery and equipment. It will bring new investment and jobs to Canada.

Thank you very much.

● (1715)

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

We'll go on to the next presentation, please, with the Metcalf Foundation.

Mr. Tom Zizys: Thank you. I would like to thank the committee for inviting me to participate in your deliberations.

I am an independent labour market analyst. I am also an innovation fellow with the Metcalf Foundation, a charitable foundation dedicated to helping Canadians build a just, healthy, and creative society.

My message is a simple one: high-performing workplaces, ones that offer good jobs and career opportunities, are the way to maximize the number and types of jobs for Canadians. To achieve that requires engaging with employers in what are called demand-focused initiatives.

Let me elaborate. Much of what we do in Canada to ensure better labour market outcomes is focused on the supply side of the equation, that is, how people become ready for work. We place a great deal of emphasis on securing the best education, we provide employment services so individuals can find vacant jobs and present themselves as attractive candidates to employers, and we encourage individuals to upgrade their skills through continuous learning throughout their lifetimes.

Here's an important fact: among all the industrialized countries in the world, Canada has the highest proportion of workers with post-secondary education, yet Canada also ranks first for having the highest percentage of post-secondary degree holders working in jobs where they earn half or below half the median income, the commonly accepted cut-off point for the poverty level.

At the same time, a frequent complaint of employers is that they cannot find skilled job candidates. Some studies have concluded that there is little evidence in the labour market data to indicate a skills shortage, apart from certain specific geographic areas and apart from certain specific technology and skilled trades occupations.

I don't think we can so easily dismiss the views of so many employers. Through my work, I do numerous surveys of employers, and the challenges they face finding employees is real. The biggest shortcomings about job candidates that employers express in these surveys are lack of experience and lack of so-called soft skills such as personal communications, working in teams, and understanding the culture of a business.

The fact is that these are the skills that one acquires on the job—experience, obviously, but also many of the soft skills, many of which involve dealing with the particular circumstances of that job. In short, we have more of an experience shortage than a skills shortage, and to overcome an experience shortage, we need the active engagement of employers.

Canadian employers invest less in workplace training than many of our competitor countries. As it turns out, our workforce also has lower levels of productivity growth as well as lower levels of innovation. These are all related: skills are acquired through workplace training and mentoring, and skills are one of the essential ingredients for productivity growth and for innovation.

Studies show that there's a direct positive return on employer investment in workforce training, through less employee turnover, lower recruitment costs, less absenteeism, fewer days lost to accidents, greater employee engagement, greater consumer satisfaction, and on and on. Training also typically leads to higher wages and improved productivity, and higher wages contribute to a stronger economy.

There are understandable reasons that many employers do not undertake workplace training, from cost and convenience to inertia and managerial competence. For some, their business model relies on lower wages and little training, and they accommodate the staff turnover that goes with it.

How do we get more employers to invest in their workforces? The answer has three parts. First, there are technical barriers: concerns about cost, poaching of workers, the value of training, what kind of training. Part of the solution is education and advocacy. Second, there are institutional challenges. Intermediary bodies that advocate for training, that undertake research into best practices, that match employers to the right training institutions, that bring together groups of employers in the same industry are all ways to make workplace training more accessible and less costly through economies of scale.

The Chair: You have one minute.

Mr. Tom Zizys: Third, there are attitudinal barriers, which include the view that employees are a cost to be constrained as opposed to an asset to be invested in and developed. We can establish different standards regarding attitudes towards training.

We have placed increased expectations on job seekers when it comes to the labour market. It is also appropriate to increase our expectation of employers, because access to good jobs, increasing productivity, and supporting greater innovation are important public policy goals. A recent commission in Great Britain, the UK Commission for Employment and Skills, characterized it as raising employer ambition. I think that's an approach worth pursuing.

● (1720)

Many Canadian employers do invest in their employees, creating high-performing workplaces. That is what delivers good jobs and a strong economy. We need strategies to encourage more Canadian employers to adopt such practices.

Thank you.

The Chair: Thank you very much for your presentation.

[*Translation*]

We now turn to the Quebec Employers' Council. Ms. Kozhaya, you have five minutes. Please go ahead.

Ms. Norma Kozhaya (Vice-President of Research and Chief Economist, Quebec Employers' Council): Good afternoon. Thank you for the opportunity to appear before the committee today.

I would like to start by saying that the Quebec Employers' Council welcomes efforts by the federal government to balance the budget by tightly controlling public spending, while preserving transfers to the provinces.

The council invites the federal government to make balanced and strategic use of future budget surpluses by, first of all, reducing the corporate and personal tax burden and, second of all, investing a significant portion in government programs that exert structural leverage on productivity, innovation, marketing, reduction of the environmental footprint and, of course, infrastructure. I will come back to that.

With respect to transfers, we underscore the particular case of health transfers. The council feels that tying health transfers to growth of GDP does not reflect the needs of an aging population. Furthermore, an in-depth review of the Canada Health Act should be undertaken.

On the revenue side, we would like to point out the online sales problem, which is not only depriving the federal and provincial governments of tax receipts, but also doing harm to the competitiveness of Canadian companies.

Moreover, skills training is essential in order to better match labour market requirements and improve workforce productivity. In this connection, the council sees the introduction of an employment insurance contributions credit for training expenses, especially for formal training when new investments are set up, as another way for the employment insurance program to help maintain and create quality jobs.

We would like to stress that it is not necessary, in our view, to enhance the Quebec and Canada pension plans because the need is not widespread.

Another point I would like to make regarding labour is that the recent changes to the temporary foreign workers program, despite their laudable objectives, make the hiring process much more complicated and expensive.

[*English*]

The Chair: I'm sorry; we have a point of order.

Mr. Van Kesteren.

Mr. Dave Van Kesteren: Am I the only one who has lost translation?

[*Translation*]

The Chair: Is the simultaneous interpretation coming in?

[*English*]

Does everyone have translation?

Mr. Dave Van Kesteren: It's back now. Thank you.

[*Translation*]

The Chair: Thank you.

Ms. Kozhaya, you may resume your presentation.

Ms. Norma Kozhaya: Back to temporary foreign workers.

Despite laudable objectives, the changes to the program, in our view, may have negative repercussions on employers who are facing real problems.

Turning to the need to improve business productivity, the Industrial Technologies Office could support strategic innovation programs for manufacturing companies. And, of course, companies would appreciate continued implementation of the measures bringing regulatory and administrative relief and simplification.

Investment in infrastructure remains a major concern for employers in Quebec and Canada. In Quebec, a major infrastructure project is being undertaken, the replacement of the Champlain Bridge, and we encourage the federal government, the government of Quebec and the stakeholders to initiate a constructive dialogue to arrive at financing solutions. Even though the council agrees with the principle of tolls, it is important to have a harmonized approach and to take into account the fact that this is the replacement for an existing infrastructure. The federal government should also invest in public transit and related projects.

The situation regarding airports is another structural problem that needs examining. Particularly because of the various charges being imposed, the current situation puts Canadian airports at a clear disadvantage.

In addition, maximizing job creation is achieved through openness and market diversification. Therefore, the Quebec employers we represent are delighted at the various trade agreements and discussions, whether the Comprehensive Economic and Trade Agreement between Canada and the European Union, discussions with Korea or the Trans-Pacific partnership.

Finally, the Quebec Employers' Council would like to reiterate the importance for the federal government of stepping up its efforts to more effectively combat the smuggling of tobacco products in Canada. It is equally important that the government not yield to pressure to limit innovation in the industry, which would be to the detriment of consumers who might benefit.

Thank you.

● (1725)

The Chair: Thank you very much for your presentation.

[*English*]

Next we'll go to Ms. Lennox, please.

Ms. Victoria Lennox (Co-Founder and Chief Executive Officer, Startup Canada): Thank you, Mr. Chair.

I'd like to thank the committee for inviting me to discuss the issue of maximizing jobs in Canada. I'll make a brief statement and then I'll answer questions you might have afterwards.

I'm the co-founder and chief executive officer of Startup Canada, which is a grassroots, entrepreneur-led movement that brings together, celebrates, and gives a voice to Canada’s entrepreneurship community.

In 2012 we completed a cross-country tour during which we visited 20 cities and received input from 20,000 startups and entrepreneurs, from mompreneurs and artisans to manufacturing and high-growth tech entrepreneurs. With the feedback from these entrepreneurs we launched an entrepreneur connect strategy to improve entrepreneur access to support, mentorship, and resources and to help entrepreneurs communicate and connect experiences as they grow their ventures.

We have become a voice for entrepreneurs over the last two years and now are the go-to social media site for entrepreneurs in Canada. We have piloted startup communities across the country to strengthen community support for entrepreneurs and to share best practices. We're in Fredericton, Quebec City, Montreal, Ottawa, York Region, London, Sault Ste. Marie, Winnipeg, Calgary, Nanaimo, and other communities.

We've heard from entrepreneurs that it's difficult for them to know where to go to access support for their businesses. Essentially what has been missing is an umbrella organization to connect the entrepreneur support infrastructure in Canada.

This is where Startup Canada plays a role. Startup Canada connects accelerators, incubators, colleges, universities, co-working hubs, entrepreneurs, mentors, investors, and the necessary elements that foster an entrepreneurship culture and community in Canada. We have a mission to create jobs on an entrepreneurial basis.

We know that the rate at which we produce major entrepreneurial successes is directly correlated with the presence of a strong entrepreneurship community and culture. That's why we submitted a budget submission to this committee to ask for a partnership of $15 million over three years to help us reach more entrepreneurs.

Our Startup communities are led by entrepreneurs with a mandate to drive economic activity through entrepreneurship in their communities. They identify weaknesses and strengths in their communities and fill gaps as needed.

Many rural communities simply don't have the resources that urban communities have. For example, earlier this year Startup Smithers launched a venture fund with the local forest council to support entrepreneurial investment and retention in Smithers.

The communities across Canada are interconnected. They can leverage resources from each other and learn from each other. For instance, the strength of Waterloo in the high tech sector can benefit the strengths of the resource sector in Calgary.

Connecting entrepreneurs to this wealth of knowledge and these connections can help in creating jobs and innovation in Canada. We currently have 20 Startup communities in Canada. If we're successful in our budget submission, we will launch more than 100 Startup communities in urban and rural municipalities. This is the first pillar of our strategy.

The second pillar of our strategy is called Startup Connect. This is an online website that provides a one-stop shop for entrepreneurs to quickly and easily find and access support, space, finance, mentors, talent, events, news, and opportunities to grow their startups and grow jobs. Startup Connect helps entrepreneurs to easily identify and access support within and outside of their communities. We are already in talks with NRC concierge service to position Startup Connect as a communications vehicle and lead generator for federal government services for entrepreneurs.

The third pillar of our strategy is the installation of 1,000 community connect points across Canada. Community connect points are business support kiosks equipped with local community resources and online access to Startup Connect installed in business, economic development, and academic community spaces across Canada, including rural Canada, where support systems may be less accessible.

Together, Startup communities, the Startup Connect website, and physical access points across Canada will go a long way in building the foundations to connect Canada's entrepreneurship infrastructure and improve entrepreneurs' user experience of it.

In the past five years alone, the Government of Canada has invested billions of dollars to support innovation, commercialization, small business, and entrepreneurship. The Canadian accelerator and incubator program is a good example of this. However, investments to date are made in individual organizations, programs, industries, demographic segments, and regions, which while strengthening the individual nodes fails to connect entrepreneurs into these nodes and connect these nodes to each other.

I want to highlight that this failure is not government's alone, but also the private sector community's. We believe that by working together we can connect Canada's entrepreneurship ecosystem to ensure that every dollar invested is maximized to its fullest potential. A strong entrepreneurship ecosystem will only generate more economic activity, and this will create more jobs.

As closing remarks, we support any investments or measures that foster an entrepreneurship culture in Canada. We believe that cultivating a better ecosystem for entrepreneurship will lead to better and more jobs for Canadians.

Thank you.

● (1730)

The Chair: Thank you very much for your presentation.

Colleagues, I think we can provide the first four members with seven minutes, and we'll likely move to five-minute rounds after that.

We'll start with Mr. Cullen, please.

Mr. Nathan Cullen: Thank you, Mr. Chair.

Thank you to our witnesses for being here today.

I'm so glad you mentioned the Startup Smithers, Ms. Lennox. It's in my home town. One of the questions that I had was around barriers.

I'm not sure I've come across the term “mompreneurs” yet. I assume it means what it sounds like it means.

Talking about barriers, particularly for women in the entrepreneurial market, do you ever survey your members or potential entrepreneurs around the aspect of child care, and particularly affordable child care, as being a consideration in whether a mom or future mom is able to enter in and become an entrepreneur?

Ms. Victoria Lennox: We've not yet surveyed our members. The Startup Connect platform that we are developing and are currently piloting has a feature where we're starting to survey our members who are part of that network. What we do know is that in our Startup communities women are disproportionately represented and find their way differently than the traditional Startup type community. We're making extra efforts to engage women in our programs, whether it's Startup Weekends or Startup...[*Inaudible—Editor*] and getting them out and building as part of the community. But certainly, they face different issues than men do.

Mr. Nathan Cullen: Would you suggest that affordable child care for some is one of those issues?

Ms. Victoria Lennox: Absolutely. In Toronto, there's been a community coming together around women and mompreneurs who are sharing child care costs within a women incubator, so we see this Startup community mobilizing at the grassroots level to find solutions to the challenges they're facing.

Mr. Nathan Cullen: It would be very helpful if you passed some of the details of that group to the committee at some point.

What's the current contribution from the federal government to Startup Canada?

Ms. Victoria Lennox: We haven't received a contribution from the federal government. We're two years old and to date have raised $25 million in support from the private sector, organizations like Intuit Canada and Microsoft Canada, as well as the in-kind donations of 500 volunteers.

Mr. Nathan Cullen: Just to be clear, zero is the answer to that?

Ms. Victoria Lennox: Zero.

Mr. Nathan Cullen: Zero. Thank you for that.

Mr. Clark, I'm tempted to get into a very large conversation about the state of the global economy and its impacts on Canada as a trading nation. Let me zoom in on energy prices for a moment, something that occupies Ms. Cook's world as well.

As the federal government prepares its budget this year—and this is what we're engaged in right now—from what you're seeing of the global energy perspective, what would be a prudent price for Canada to assume for oil going ahead through this year and into the next? You made a number of allusions to IMF studies and the like. What would be prudent for Canada, and what is the impact on the Canadian treasury if we get the price wrong, if we overestimate the value of what we're going to get from our oil products?

Mr. Scott Clark: That's a good question and I'm sure the Department of Finance is busily trying to figure out what assumption they should make. It's hard to find what assumption they were making in the last budget, but when you track the price of oil since 2010 it's fluctuated above $100 a barrel. Now we're at roughly just over $80 on Brent and $70 on West Texas, so that's a really tough call. I would probably err on the prudent side, to be frank.

Mr. Nathan Cullen: So the prices that we're seeing right now or perhaps even lower?

Mr. Scott Clark: I would probably be either looking in the $80 to $85 range.

Mr. Nathan Cullen: Just to back up a second, you said it was difficult to find what the assumptions were in the last federal budget round. What do you mean?

Mr. Scott Clark: Usually in the budget you can find interest rate assumptions, assumptions on U.S. growth, and so forth. I think there's a chart, but you can't find the price that was assumed each year going forward, so it's hard to—

Mr. Nathan Cullen: Was that the traditional with Canadian budgeting?

Mr. Scott Clark: No, it wasn't.

Mr. Nathan Cullen: Would that be something helpful to those trying to understand what the government's assumptions are, for them to lay it out in black and white?

Mr. Scott Clark: Absolutely, because it goes to the second part of your question where you asked what if the price of oil were to come in at $80 for the next three years, instead of at $90 or $100? What would that do to government revenues, and it—

Mr. Nathan Cullen: Would it be advisable, then, for government to outlay some scenarios, that a $70 barrel, it expects this; at $80 or $90, it would expect this?

Mr. Scott Clark: Yes, I think so. We call those our rules of thumb. In fact, in the budget you can find rules of thumb for what would happen if nominal GNP fell by...or real GDP fell by, inflation.... There are those rules of thumb that we use—

● (1735)

Mr. Nathan Cullen: But not with respect to energy prices?

Mr. Scott Clark: I haven't seen that.

Mr. Nathan Cullen: But you would recommend this simply because of the importance of energy prices to the federal treasury, not necessarily the global risks in volatility.

Mr. Scott Clark: To our economy and to the federal treasury.

Mr. Nathan Cullen: You made somewhat of a harsh criticism here for the government to consider reviewing its tax changes, as they don't stimulate the economy. What specific tax changes the government is contemplating would you seek to reconsider?

Mr. Scott Clark: I think of the circumstances that we've talked about. The primary focus of our fiscal plan right now should be on strengthening growth and job creation going forward. So I would say that when you look at extending the tax credit for fitness, any of that business, including splitting income for families, I don't see any of that contributing to economic growth or job creation.

Mr. Nathan Cullen: Again, just to back up for a moment, when talking about the current situation that we're in, with global numbers coming in lower and inconsistently for Canada, the IMF has re-evaluated almost at every quarter and downgraded Canada's growth projection. What is your current opinion of the state of Canada's recovery since the recession? Are we in a place of flatness? Is it a potential that's about to come forward and create much more in the way of job creation?

Mr. Scott Clark: I think that if you look since 2010, the 2010 growth was very strong in Canada because of the temporary stimulus that was being put in, but if you go from then on, annual growth has fallen for every year, so has employment growth, so there is a risk and it's a global risk and a domestic risk that we are entering over the next five years. Our potential growth has gone down to 2% a year from 3% a year. I think that's a challenge for us to both strengthen that and get some demand in this economy, which has been lacking.

Mr. Nathan Cullen: Very quickly, Mr. Zizys—I'm going to pronounce your name incorrectly—you talked about raising employer ambition. Can you expand upon what that means? I have not come across that term before.

The Chair: Just a very brief answer, please.

Mr. Tom Zizys: What it means is that we need to encourage more investment in workforce development in the workplace.

Mr. Nathan Cullen: That's brief. Thank you.

The Chair: Thank you, Mr. Cullen.

We'll go to Mr. Keddy now, please, for seven minutes.

Mr. Gerald Keddy: Thank you, Mr. Chairman.

Welcome to our witnesses.

This is for Victoria Lennox at Startup Canada. Those are impressive numbers. You were founded in 2012 and you've raised $25 million. Congratulations.

I have a couple of questions. One of your suggestions is the one-time investment of $15 million over a three-year period. I'm expecting that your intention would be for Startup Canada to match that.

Ms. Victoria Lennox: We will absolutely leverage our private sector investments to match the funding that we're soliciting. A large portion of the funding is to install the Startup Canada community connect points across Canada and, once established, then we can leverage that infrastructure to add value to our private sector partners.

Mr. Gerald Keddy: But at the end of the day you would be putting $15 million up to match the government. Would the 1,000 start-up points across Canada be all online?

Ms. Victoria Lennox: Think of the physical infrastructures as kiosks, so you walk up to a kiosk. This is particularly relevant in rural communities and northern communities where there aren't government services to the same extent as urban communities. To have that physical Cisco view access point so that entrepreneurs in Nunavut can access the resources that are being put forth by MaRS Discovery District in Toronto becomes very powerful.

Mr. Gerald Keddy: I just want to be clear. Of the 1,000 community connect points, would some of them be actual physical connection points where someone would walk into an office, whether that's rendered from a community centre or whatever?

Ms. Victoria Lennox: Currently, we have 400 community connect points, real people on the ground across Canada. We want to expand that beyond where we're currently present, especially to smaller communities.

Mr. Gerald Keddy: At the end of the three-year period, would continued funding and financing come from Startup Canada, come from the folks, the entrepreneurs who actually were mentored and maybe got a start there?

Ms. Victoria Lennox: Exactly. Some of our patrons include Brett Wilson, former dragon on the *Dragons' Den*, and Dani Reiss, the founder of Canada Goose. This has so far been built by entrepreneurs for entrepreneurs, so we want that to continue, but we also seek global urgency to move faster.

Mr. Gerald Keddy: Okay. Good for you. That's quite impressive.

Ms. Kozhaya, I have a couple of points. You're asking for some, I would say, balanced and strategic use of future budget surpluses, but you're also talking about spending these surpluses. To go to Mr. Clark's comments earlier about prudent investments, because we probably will be looking at some periods of modest growth, would you only suggest that in the case of surplus or are you suggesting that whether we have surplus or not?

● (1740)

Ms. Norma Kozhaya: Regarding infrastructure? Sorry, the question is...?

I guess in the case you have a surplus, yes, my suggestions—

Mr. Gerald Keddy: Exactly. The other issue becomes how you maintain a surplus if you're continuing to reduce the corporate and personal tax burden. We've got the best corporate tax rate in the G-7. We've got a very reasonable personal income tax rate. Do you think there's a lot more room there for lowering taxes?

Ms. Norma Kozhaya: I think that for the personal income tax rates, marginal tax rates could be lowered. For companies it's more about looking into ways to help them be more productive, so we need to focus on innovation issues because, as we always say, innovation is not only research and development, but beyond that. Try to focus on issues that help companies be more productive by innovating more. Also, it's helping companies to maybe reduce their environmental footprint, which is an issue.

In our discussions with Europe, it is also an important point, as it's part of or an issue of our competitiveness.

Mr. Gerald Keddy: Thank you.

One of your other points was to introduce an EI contribution credit for training expenses, and specifically expenditures for formal training when new investments are set up.

There's a huge investment by the employer—60% of the EI fund —and the employee is 40%. Are you suggesting that portion could somehow be drawn out of the EI fund and reinvested into training and skills development?

Ms. Norma Kozhaya: Right. There's always a question of how to encourage employers to invest more in training, so this might be a way.

There's almost $2 billion that is focused on training in the employment insurance programs. We might think, and a lot of people ask, is this an efficient way to do this? Is it being done the proper way?

We think that maybe linking.... It's a bit like the Canada job grant, where there are more links with the employers' spending, a more direct link between the training and what the employer gets by way of an incentive.

The Chair: You have about 30 seconds or so.

Mr. Gerald Keddy: Skills development in the country is a huge challenge. We've seen it time and time again at the table here. The challenge is, how do we have skills development, break down trade barriers between our provinces and still accept all of those skills that are learned in the province of Quebec, Alberta, or in Nova Scotia?

It's tough to bring that horse to the trough and make it drink, I can tell you.

I don't have time for an answer on that, but it's a comment.

The Chair: Thank you, Mr. Keddy.

We'll go to Mr. Brison, for seven minutes, please.

Hon. Scott Brison: Thank you very much.

[*Translation*]

Ms. Kozhaya, according to the Parliamentary Budget Officer, the government's decision to keep employment insurance premium rates higher than needed will cost the economy 10,000 jobs over the next two years.

Do you agree that overly high rates impede job creation for your members and businesses in general?

Ms. Norma Kozhaya: Generally speaking, higher payroll taxes, such as EI premiums, discourage employment and diminish the ability of employers to pay higher wages. When employers have to pay more in payroll tax, it affects the wages they can afford to pay employees.

In the light of the recession, the government had decided to freeze premium rates for a certain period of time. Obviously, making accurate long-term forecasts is always a challenge, but we welcomed the freeze, as opposed to an increase, on EI premium rates at a time when the economy was already weak.

Now, it turns out that the rates were a bit higher. And when you look at the full cycle over a number of years, you see that, on average, it evens out. The government's desire to keep rates stable for a certain period of time, for instance, seven years, is a measure we welcomed.

● (1745)

[*English*]

Hon. Scott Brison: Merci.

Mr. Clark, it's good to have you at the committee. I appreciate your insight as somebody who has spent a lot of time crafting budgets over the years.

On the risk of lower oil prices and the impact on our economy eliminating the surplus in the mid-term, what is the risk of income splitting to the fiscal integrity of the federal government? I think the price tag as proposed is $3 billion.

Also, what would be the impact on provincial fiscal frameworks, given that there's a $1.7 billion cost to the provinces? What would your insight be both on the federal and provincial fiscal situation?

Mr. Scott Clark: As I read it in the press the cost of income splitting would be a little over $2.5 billion federally and would impact on the provinces to the tune of about $1.7 billion, of which $1 billion would probably fall on lost revenues for Ontario. Given the fiscal situation of Ontario, I don't think Ontario would be particularly happy with that outcome.

Hon. Scott Brison: It's not just Ontario but the provinces in my part of the country are not exactly flush with cash these days either.

Mr. Scott Clark: Yes.

Hon. Scott Brison: On infrastructure, given that we have interest rates that in real terms are negative, bonds yields at record lows, crumbling infrastructure, and a slow economy with soft employment, do we have perhaps an unprecedented opportunity in decades to invest massively in renewing our infrastructure in Canada?

Mr. Scott Clark: Let me make two points.

I think what you say is absolutely true, but it's not just in Canada. The IMF has said that globally that's what is necessary. There's been a significant decline in public infrastructure globally. The G-20 finance ministers met in Australia and have made a recommendation to the heads of state that new infrastructure and structural reforms should be implemented among the G-20 to raise GDP by 1.9% after five years.

In Canada I think we do. It seems that when interest rates are as low as they are, where you can borrow 10-year bonds at, what, 2%; and 30-year bonds at 3%; and when even the federal government is now issuing 50-year bonds to refinance, it's almost criminal not to borrow. Not all deficits are bad and not all debt is bad. It depends when you borrow and what you borrow for. I think the circumstances now are such that we have an opportunity to finance a new national infrastructure program through borrowing. This is exactly what the IMF says, that you should finance it through borrowing, not through raising taxes, and not through cutting spending, because in most cases the efficient infrastructure pays for itself.

Hon. Scott Brison: Could we also partner government investment, federally and provincially, with pension fund investments? With our pension funds in Canada, we probably have the greatest concentration of expertise in the financing of infrastructure in the world resident here. They're building infrastructure around the world. Could we do more to partner with them here, along with public funds, and working with institutional investors like our pension funds?

Mr. Scott Clark: I think that would be a distinct possibility. In a national strategy that would be an important element to look into. I think there are a number of other things you could also want to consider. You might want to consider, for example, that because 95% of infrastructure is provincial rather than municipal, a national infrastructure strategy is one where you need federal leadership to make sure the provinces are able to take advantage of it. You could create a federal financing agency that would lend to the provinces the borrowing that we would get as a federal government. That would be a direct benefit to the provinces and would have no impact on our bottom line.

● (1750)

The Chair: Okay.

You've got about 20 seconds.

Hon. Scott Brison: Finally, on infrastructure, the Australian model of national leadership involves a 15% kicker for provinces that sell brownfield assets and invest in greenfield.

Do you have any thoughts on that?

Mr. Scott Clark: It sounds like a good idea.

I don't have any particular thoughts on that.

The Chair: Thank you.

Thank you, Mr. Brison.

We're going to Mr. Allen for seven minutes, please.

Mr. Mike Allen: Thank you very much, Mr. Chair.

Thank you to our witnesses for being here today.

Ms. Cook, I'd like to start with you in the chemistry industry. I'm looking at your chart and it makes sense given some of the construction projects I've been involved in in the past. Before you actually buy the hard goods and put the equipment in place, you're talking probably two to three years out. I guess that's the point behind your accelerated capital cost proposal. You're promoting 50% on a declining balance basis. Is that the promotion?

Ms. Fiona Cook: That's assuming that the current accelerated capital cost allowance—which has been renewed on a two-year basis since 2007 and has been affected—is not renewed. Assuming that it is not renewed, we're recommending this 50% declining balance, but on a permanent basis. We say so because the issue with the two-year accelerated capital cost allowance has been that for the major, $1 billion, projects that we see as potential for Canada, the timeline of two years doesn't provide enough certainty to the investor. They're looking five years out. The measure has to be in place when the plant starts up, five years from when the initial planning begins. That's why we're recommending a 50% declining balance. Again, the 45% would give us equivalent treatment to the U.S., but the U.S. coverage is actually greater. Their class includes land improvements like roads and effluent ponds. They have much better depreciation treatment for rail cars and rail sidings, which are extremely important for our sector. That's why we're recommending the 50%.

Mr. Mike Allen: Just to carry on, one thing that we've heard a lot about yesterday and today, and in an earlier panel, is the patent box idea. It's the idea that new products could be exported for the patents and the revenues that are generated by them would come with a more favourable tax rate.

Has your industry thought about that?

Ms. Fiona Cook: No, we don't have a position on that. We would look more at the tax credit system for R and D. In terms of the patents, that's more suitable for pharmaceuticals and different products.

Mr. Mike Allen: I want to go to the Quebec Employers' Council, Ms. Kozhaya. I'll just ask the same question. You talked about productivity, innovation, and the environmental footprint. One thing we put in place over the past few years in budgets has been the accelerated capital cost allowance rates for clean energy generation.

Do you agree that those kinds of things are very helpful to the industry? The second piece on that, have you done any investigation on the patent box idea?

Ms. Norma Kozhaya: No. I'm not really familiar with this. Tax credits or any specific measures should be oriented toward fiscal benefits of the measure, specifically what measure would most probably encourage some activities that we think would induce more productive activities, and so more wealth creation overall.

I'm not necessarily familiar with the patent box idea.

Mr. Mike Allen: Mr. Zizys, I want to ask you a question. You talked about the creativity of employers and being engaged in actually training their workforce. One method we talked about, and we've actually implemented, and employers have been wanting is the job grant.

That is, in essence, for them to identify the people in their workforce and use it as a grant to help them skill up and actually increase their productivity, and get them ready, maybe, for their next jobs in that organization as well.

Do you see that and programs like it as being effective methods to do that?

● (1755)

Mr. Tom Zizys: I certainly think it's a step forward.

One point I make is that there's a lot of evidence that shows that training is beneficial to individual businesses. What has been striking to me in my research is why more employers don't train. I think there are a lot of reasons, as I mentioned, a lot of legitimate reasons. Sometimes it's cost, sometimes it's convenience, sometimes it's knowing the training.

The Canada jobs grant is only addressing one aspect of the issue. There are technical barriers like cost, but there are also institutional barriers. For example, it would be good to target something like the Canada jobs grant to specific industries where we want to make a difference.

It's not large enough to have a broad effect on the labour force, so targeting. Encouraging more linkages with educational institutions, so that we're changing the business culture, we're developing partnerships around training, so it's not just the one individual employee who's getting trained, but we're trying to actually make a systemic change.

Mr. Mike Allen: Ms. Lennox, I'd like to ask you a couple of questions with respect to Startup Canada. You mentioned that this could be self-sustaining and you guys would be on the run after a three-year investment.

I want to know, what are the different types of issues you're seeing at your various sites across Canada that are impacting entrepreneurs? Do you see different regional differences?

As you pointed out in your comments, you talked about information sharing, which is important, but what are some of the regional differences you're seeing in Eastern Canada, Atlantic Canada, and the other areas?

Ms. Victoria Lennox: There are absolute regional differences. As members of Parliament, I am sure you see them on the ground, whether it's in Atlantic Canada, in supporting succession of our senior entrepreneurs and getting the next generation of entrepreneurs into their businesses, trained and qualified to actually take hold of their businesses, to opportunities to go down to Silicon Valley with the C100, and how we retain our entrepreneurs to create anchors here at home. So from coast to coast there are certainly different barriers.

There are market barriers for our northern communities. We hear all the time about broadband access and how that disadvantages some of our northern tech entrepreneurs, and the importance of having consistent and reliable transport down to major cities for investment meetings. Our infrastructure impacts the success of our entrepreneurs. The success of Startup Canada is the result of Canada being in such a great position globally, as we are with all the infrastructure we have.

We've just invested $100 million in the CAIP fund in order to support accelerator and incubator programs across Canada. That's going to make a massive difference.

Entrepreneurs—consistently across the board and this is why we're focusing here—continue to have difficulty navigating the ecosystem, so we need to make it easier to plug in.

The Chair: Thank you.

Thank you very much, Mr. Allen.

We'll go to Mr. Rankin, please, for a five-minute round.

Mr. Murray Rankin: Thank you.

Thank you to all the presenters.

Mr. Zizys of the Metcalf Foundation, I wanted to plug the excellent report that you did entitled “Better Work: The path to good jobs is through employers”. You gave me a real paradigm shift as you spoke today, and in that report, about focusing on what you call the demand side, the employers, rather than, as we traditionally do, the supply side, the employees and the job seekers.

I was taken in your report—and I see it in my constituency all the time—by the fact that we have the highest proportion of workers with post-secondary education, but we have the highest rates of people with those degrees working in jobs that are way less than what they are qualified for. That is something we really must address head on.

I want to throw an idea at you that I threw at the Chamber of Commerce earlier that comes from work that's going on right now with university presidents meeting with Israeli entrepreneurs here in Ottawa. Their concept is that we ought to give small business owners co-op students or paid interns because they will perhaps bring the innovation ideas to the employers. Those employers don't have an incentive to hire full time. As you point out, they often hire contractors instead. The idea would be to provide a subsidy perhaps, or a tax credit, to those employers to hire people for a few months so they could benefit from that expertise. I would assume that idea fits in with your thinking.

Mr. Tom Zizys: Yes. We see a lot about unpaid internships, and that is really a concern for many people because it is suggesting that youth coming out of post-secondary education are having a difficult time finding their way into the labour market. They are seeking experience, which is what a lot of the employers are looking for, and they're willing to offer their services without pay. So anything that supports their ability to gain some income while they're acting as interns and gaining that kind of work experience would be beneficial.

● (1800)

Mr. Murray Rankin: It gets their foot on the employment ladder and helps get new ideas to small business which otherwise might hesitate. As you point out, all you do is hire contractors because they don't want the commitment that a long-term employment relationship suggests.

As I said, your concept of raising employer ambition and focusing on the employer side as opposed to the worker side is really an excellent approach.

Ms. Lennox of Startup Canada, your specific “ask” as we would put it, is for $15 million over three years. I just want to understand a bit more. You've done such great work with zero federal dollars. I'd like to know specifically how that money would be spent , $5 million a year, I presume. What would you target first?

Ms. Victoria Lennox: We would immediately install physical infrastructure in 1,000 points across Canada. These are kiosks. That would be done in year one. Then we would proceed to expand our Startup community network with hubs across Canada. We want 100 Startup communities in the next three years.

The challenge I face is that my counterparts across Canada are government organizations. Startup Chile is a government organization. Startup America is a public-private partnership. They're looking at what we're doing in Canada, and they wish they had what we had because this is all private sector, grassroots-led, but now they're starting to invest $25 million in Startup Mexico, $50 million in Startup Chile. As a grassroots organization, I'm competing with that to consistently deliver our global leadership, so I want to show the world that we can develop the best infrastructure for Canadian entrepreneurs through Startup Canada, and I want to do that in the next three years.

Mr. Murray Rankin: I have only one minute.

Mr. Clark, thank you very much for your idea about how it would be almost criminal not to borrow and for all the reasons you've articulated, which all strike me as eminent common sense.

Specifically on the infrastructure spending idea, building on what Mr. Brison asked you, the multiplier the committee has heard in the past for spending on infrastructure in the municipal context is about 1.6 for every dollar and zero for tax cuts.

The Chair: Okay—

Mr. Murray Rankin: Is that essentially how you would see that? Is 1.6 in the range of what you would use as a multiplier?

The Chair: Just a brief response, please.

Mr. Scott Clark: Yes, if you look in the Department of Finance budget documents that dealt with stimulus, expenditures on infrastructure had about 1.5. Depending on the type of tax cut, it was less than 1, probably about 0.5.

The Chair: Okay, thank you.

Thank you, Mr. Rankin.

We'll go to Mr. Van Kesteren for five minutes.

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

Thank you all for being here.

Mr. Clark, I want to go to you. Maybe we can get together sometime and just talk. I had the opportunity to speak to somebody else who had worked in Finance for years, and the insights that you get... I want to make a clarification and I'm sure that you meant this as well because there's a little bit of a misconception here. You're not suggesting that lowering taxes doesn't result in a stronger economy? You're talking more of those little perks that governments get. Am I correct in saying that? I don't want to put words in your mouth.

Mr. Scott Clark: No. What I'm talking about is that the current proposals as I read them, the proposal to extend the—

Mr. Dave Van Kesteren: Let me interrupt because I don't have much time. Let me ask you the question this way. Lowering taxes in an economy for a nation like Canada, or any nation, will result in jobs being created, stronger economies. Do you agree with that?

Mr. Scott Clark: Yes.

Mr. Dave Van Kesteren: We haven't put together this budget yet, so we don't know what's going to be in it. I wanted to hear that. I certainly would agree with that too. You would also agree that cutting red tape and having free trade agreements and the Building Canada fund, whether or not we agree if it were sufficient, were all good things to do to help.

Mr. Scott Clark: Yes.

Mr. Dave Van Kesteren: In your opening remarks, and I know you didn't mean this, but it did sound like you were saying that these tax cuts...and I know that you as an economist certainly wouldn't want to give that impression to Canadians who are listening.

Mr. Scott Clark: I would say this, though, that no tax is a good tax. You always try to choose the most efficient and fairest tax. I'm just saying that in the past number of years that's not been the case.

● (1805)

Mr. Dave Van Kesteren: All right, there are some things.... John Locke, the philosopher of the 17th century, said that men joined societies to protect their property and when governments steal their property they declare war on citizens. In essence, whether we want to go that far, we've come a long way from what we say is normal taxation, but when we're taking away wealth from people we are stagnating their ability to go out and be the best they can be. Do you agree?

Mr. Scott Clark: No. I think there's a broader public good decision here, a public policy decision about taxation and the role of government and the nature of government and how governments operate in society.

Mr. Dave Van Kesteren: We might disagree on that and you're the economist. I'm not suggesting that I've got all the answers.

Mr. Scott Clark: I don't think economists have all the answers either.

Mr. Dave Van Kesteren: No, I know. You know what Truman said about economists.

Is the U.S. going to end their QE3 in the next few days?

Mr. Scott Clark: That's what the chairman essentially intends to do. I think once that ends, the question becomes, how long will it be before they raise interest rates?

Mr. Dave Van Kesteren: Often times we point to the U.S. and say, ”Look how great these guys are doing“, but really in all fairness they have increased their debt—and this is where we maybe disagree —doubling it in six years. Is that correct?

Mr. Scott Clark: Yes.

Mr. Dave Van Kesteren: I want to ask you another question. The price of oil concerns me too. Why is the price of oil dropping so much?

Mr. Scott Clark: That's a good question. I think there are three reasons. First is the huge increase in supply from shale oil in the United States, which basically makes the U.S. the biggest producer of oil these days. Second is the much slower growth in demand for oil because the global economy is slowing. Third is the politics of the OPEC countries where Saudi Arabia is refusing to reduce its production of oil.

The Chair: You have one minute.

Mr. Dave Van Kesteren: Saudi Arabia dropped the price, so the Americans are not going to find it too lucrative or even profitable to do the shale oil.

Mr. Scott Clark: I think everyone is guessing, but I suspect the Saudis are seeing how low the oil prices can go before the marginal cost of shale oil.... You have to remember that Saudi Arabia produces a barrel of oil at $10.

Mr. Dave Van Kesteren: I know, but there is a real possibility that there's going to be some other pressures that are going to be exerted. The Russians aren't going to take this laying down. It does create a global political situation that's quite tense.

Mr. Scott Clark: I think the IMF was concerned about the geopolitical tensions that are rapidly growing everywhere, whether it's in Europe, Russia, or anywhere else.

Mr. Dave Van Kesteren: We could see something happening in the Middle East which could shoot the price of oil right back up.

Mr. Scott Clark: I'm an economist and I don't predict political events in the Middle East.

Mr. Dave Van Kesteren: But you do factor in those equations?

Mr. Scott Clark: In my mind, yes, I do.

Mr. Dave Van Kesteren: Thanks. It's been good talking to you.

The Chair: Thank you.

Thank you, Mr. Van Kesteren.

[*Translation*]

Mr. Caron, you may go ahead. You have five minutes.

Mr. Guy Caron: Thank you, Mr. Chair.

I would also like to thank all of the witnesses for being with us today.

Ms. Kozhaya, I don't want to put you in the hot seat, but our previous panel of witnesses included business groups as well. And some of the requests we have heard are quite similar. Generally, business associations such as the Quebec Employers' Council ask for a tax reduction. You are asking for a reduction in payroll tax. At the same time, you want more investment in areas such as infrastructure, which is entirely commendable. Your organization, like the Canadian Chamber of Commerce, whose representative I questioned earlier today, would like the government to balance the budget and repay the debt.

I am trying to wrap my head around how we can lower revenues by eliminating or reducing payroll taxes, or corporate taxes, and significantly increase investments, while working towards a balanced budget and paying down the debt.

Ms. Norma Kozhaya: The reduction of corporate income tax to the current rate of 15% was extremely important, being one of the measures that made it possible for Canada to maintain its level of economic activity. Certainly, the ability of businesses to make investments and hire employees does not depend solely on the tax rate, but it does play a significant role. The global context likely played a role as well. Global demand was lacking. Lower corporate tax rates are clearly conducive to investment and job creation. To put it in economists' terms, these tax reductions tend to be self-financing.

● (1810)

Mr. Guy Caron: That is where I was trying to steer the discussion. That is something we often hear.

Unless we're on the wrong side of the Laffer curve, they would not be fully self-financing. On the contrary, it would be very partial. It would result in a loss of revenue for the federal government at a time when it wants to invest in infrastructure. I don't think you can actually say they would be fully self-financing.

[*English*]

Tax cuts don't pay for themselves entirely.

[*Translation*]

Only a portion would be offset by the economic growth generated by the reduction.

Ms. Norma Kozhaya: Yes.

Obviously, even economists don't agree on the percentage at which tax reductions become self-financing. Is it at 100% or partially? Fortunately, taxes such as the capital tax no longer exist. The impact of that tax was greater than 100%. Its elimination more than offset the loss because it was such a bad tax.

We have to be competitive. A number of countries, including social democratic ones like Sweden, recognize that low corporate tax rates are important for economic growth. They have rates that are comparable to Canada's, if not more competitive than ours.

Mr. Guy Caron: However, those same countries have higher payroll and sales taxes.

Ms. Norma Kozhaya: Yes.

Mr. Guy Caron: So they offset that revenue. But that isn't something your organization or the business community in general is asking for either, is it?

Ms. Norma Kozhaya: No.

We are asking the government to examine tax and other measures, whether tax credits or not, that are more effective when it comes to generating economic activity.

Mr. Guy Caron: Thank you very much.

I am now coming to you, Mr. Clark.

You talked about the tax multipliers regarding infrastructure or the reduction in tax. Were you referring to the multipliers for 2010 or more recent ones?

[*English*]

Mr. Scott Clark: They're for 2010.

[*Translation*]

Mr. Guy Caron: Those are the most recently released, are they not?

[*English*]

Mr. Scott Clark: Yes.

[*Translation*]

Mr. Guy Caron: Have these multipliers changed significantly? I am asking because we had a plenary session with the Minister of Finance and we asked him a slew of questions for the purpose of updating those tax multipliers. Some were significantly different.

Will they differ from those for 2010? Is there a reason that the Department of Finance does not publish those multipliers in budgets or budget updates?

[*English*]

Mr. Scott Clark: I can't really determine to what extent they might change, but I would suspect that in the Department of Finance, just as a matter of course, they would be looking at these kinds of calculations because they're important for their analysis.

[*Translation*]

Mr. Guy Caron: You said it's important to know what assumptions were made. You said the assumptions around energy prices were missing for analysis purposes.

Should we have access to revised tax multipliers on a regular basis in order to adequately analyze the models the Department of Finance is using?

[*English*]

Mr. Scott Clark: Well, I think they could be put in budget documents. There's quite a bit of good analysis and data in these budget documents. I think economists and people like you would find it useful, and it wouldn't be very difficult to do that.

The Chair: Thank you.

Merci, monsieur Caron.

Mr. Adler, please, for five minutes.

Mr. Mark Adler: Thank you, Mr. Chair.

Thank you all for being here. It's a wonderful discussion.

I want to begin with Ms. Lennox.

You seem absolutely wonderful at what you do. You've raised $25 million in two years. Why are you asking for $50 million. You seem to be excellent, as I said, at what you do. You're adept at raising money. Why?

Ms. Victoria Lennox: The infrastructure for entrepreneurs in Canada is a government infrastructure. All of the organizations that service entrepreneurs are funded by government.

Startup Canada was a volunteer organization until very recently. For us to have leverage in the ecosystem with government-funded organizations, we need to be in the game. To have that level of support from the federal government will show the ecosystem that we can be trusted partners in growing our ecosystem.

Mr. Mark Adler: Is it unattainable? I mean, you've raised $25 million in two years.

Are you saying it's not possible to raise more in the private sector, or are you maxed out right now until you get that $50 million.

● (1815)

Ms. Victoria Lennox: Part of it is because most of our private sector partners have had offices in the United States. It's is very challenging to get them excited about startup entrepreneurs when four out of five businesses fail in their first five years. We're trying to change a culture. Having government as a partner will help to create a team to tackle this issue together.

Mr. Mark Adler: I understand. Thank you.

Ms. Cook, the chemistry companies seem to have a hand in just about everything—every product, and virtually every industry.

Could you talk a bit about some of the new challenges? You broached some of them in your brief. And for things that are out of our jurisdiction, like hydro rates, could you talk a bit about some of the other challenges your industry is facing?

Ms. Fiona Cook: In general, it's just what we're facing.

As you point out, chemistry is what we call a keystone industry. It feeds so many different manufacturing sectors. I didn't name them all. You have forestry in there. You have mining and resource development. Again, because of what's going on in the U.S., we're seeing this erosion of Canada's manufacturing base. We are seeing the demand for our products decline, and that is a huge challenge.

Mr. Mark Adler: We, as a federal government, can do what we can, but there are things that are out of our control, for example, Ontario hydro rates, which have driven a lot of manufacturers out of business.

How do we face and overcome those challenges?

Ms. Fiona Cook: I don't think you can address them. As you point out, it is a provincial jurisdiction.

The reason I mention that is because it's important that when the federal government looks at what it needs to do to stimulate investment that it takes account of what is going on in the U.S. The traditional advantages we've enjoyed for our competitive position no longer exist in certain areas, so you need to take account of that.

Mr. Mark Adler: Okay.

Mr. Clark, what percentage of the world's oil production now is dominated by OPEC, verus non-OPEC?

Mr. Scott Clark: The U.S. is the biggest right now, but I would say that OPEC is the dominant producer for sure.

Mr. Mark Adler: But their percentage has been decreasing—

Mr. Scott Clark: Well, because of the U.S. now becoming dominant, and that's Shell oil.

Mr. Mark Adler: Yes.

It's not that they—

Mr. Scott Clark: I don't have a specific number, but yes.

Mr. Mark Adler: Okay.

I'm curious. How many budgets have you had a hand in crafting, would you say?

Mr. Scott Clark: Twenty.

Mr. Mark Adler: Really.

Okay.

Mr. Scott Clark: Is that bad or good?

Mr. Mark Adler: I was just curious. I think it's—

The Chair: You have one minute.

Mr. Mark Adler: One minute.

Ms. Cook, I will go back to you.

I've been asking a lot of the witnesses who have appeared before this committee about our internal trading barriers. Our government is aggressively trying to break those down, and the Minister of Industry has been working very hard on that.

Could you discuss how important that would be for your sector to break down those interprovincial trade barriers?

Ms. Fiona Cook: There are many of them.

I think one of the key ones for us—and it again goes back to the discussion you've heard from other people on the panel before—is about skilled trades, and encouraging labour mobility within Canada as well.

Right now we have different apprenticeship rules from one province to the next. That restricts people from getting trained in one province and being able to move to where the next opportunity is. There are also things like transportation, which is extremely important for our industry, so different trucking regulations from one province to the next. There are different construction rules or standards. This can cause a significant obstacle to productivity.

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

I'm going to take the next round. Sometimes the committee lets me ask questions as the chair.

First, just briefly from Ms. Cook, I've supported the ACCA since 2007, as you likely know. It gets extended every two years for another two years. Your association and members often say we need a five-year timeline or even something longer.

I think you're actually on to something here, in the sense that we actually need a broad comparison between Canadian capital depreciation rates and American capital depreciation rates. That's what we need to get to rather than a two-year extension and almost doing accelerated capital cost. We need to actually compare the two countries' two different sets of rates and ensure that your members can be competitive on a case-by-case basis.

● (1820)

Ms. Fiona Cook: We're in total agreement there. We just did a commission study. It was the first study done by the Canadian Manufacturers and Exporters last year.

The Chair: It was a very good study.

Ms. Fiona Cook: Yes. We saw that we needed to take that next step and look at what you would need to look at if you wanted to consider a permanent treatment that would bring us to a level playing field. You do have to look at coverages and different classes as well. It's complicated.

The Chair: Perhaps your recommendation is to have the Department of Finance do a comparison of the two countries and all the rates and publish it publicly.

Ms. Fiona Cook: We would support that, absolutely.

The Chair: I appreciate that.

Mr. Clark, what years were you in Finance, was it from 1984 to...?

Mr. Scott Clark: Should I really tell you?

A voice: You're going to date yourself.

Some hon. members: Oh, oh!

The Chair: Sure. Yes, go ahead.

Mr. Scott Clark: I think I started at Finance in 1978.

The Chair: Until...?

Mr. Scott Clark: Then I left for part of the 1980s, and then I was there until 2000.

The Chair: So you were there in 1994.

Mr. Scott Clark: Yes.

The Chair: In 1994 the Department of Finance produced a purple book and a grey book that I think are still two seminal, outstanding documents about the dangers of debt, about the need to address a debt situation, the need to lower interest rates, and the need to lower taxes, which I think formed a lot of the policy-making that's come out of the department—I think even until this day, frankly.

Those documents talked about a transition from a higher growth economy to a lower growth economy. Frankly, I think that's true today, but we're looking at growth rates that are even lower, so it is going to be a big challenge for countries like Canada, with modest growth rates here in our country, in North America, and across the globe. It is our big challenge. You combine that with our demographic challenges of an aging population and not enough people producing themselves domestically, for lack of a better phrase. That's going to be a challenge going forward.

Realistically, you present the challenges in terms of the global model. If say we doubled the infrastructure program we have, which is a 10-year, pretty ambitious plan on infrastructure, what could you expect in terms of a better growth rate for Canada, in your view?

Mr. Scott Clark: Well, two things. I think those documents that you referred to are excellent because I was instrumental in writing them.

The Chair: I assume you wrote them.

Mr. Scott Clark: Going to your question, it's an interesting thing about debt. The government has a target of 25% debt ratio, and I assume that when it gets there, it will be happy. Well, if you have a stable debt ratio, my high school math tells me that for a ratio to be stable, the numerator must grow at the same rate as the denominator. In other words, debt must grow in order for the ratio to stay the same, which means you have to run deficits, right? That's just mathematics.

There's an interesting study from the C.D. Howe Institute that said that when you reach 25%, the government should run a permanent deficit of 1% of GDP. In today's dollars that's close to $18 billion a year. That would still maintain a stable debt ratio, and you could use it to finance infrastructure.

The Chair: You're suggesting that the government actually run deficits of, say, close to $18 billion each and every year.

Mr. Scott Clark: Yes.

The Chair: That's your recommendation.

Mr. Scott Clark: Yes, and you borrow to finance it. At interest rates today, as I said earlier, it would be criminal not to. You could do that. If you read the International Monetary Fund's latest World Economic Outlook reports, which I'm sure the Department of Finance and the Minister of Finance did, they came out absolutely clear and said two things: investment in infrastructure will pay for itself, and you should neither raise taxes nor cut spending; you should borrow to finance it.

The Chair: But in those two books you wrote, you actually talk about a direct link between chronic deficits and taxation.

Mr. Scott Clark: Yes.

The Chair: Are you saying that's decoupled because of the lower interest rates?

Mr. Scott Clark: Of course if you go back to '94, interest rates were in the double digits. We had a fiscal crisis and we were borrowing on one credit card to pay another credit card. That's an entirely different world.

As has been said, we have a stable and sustainable fiscal structure right now.

The Chair: Federally....

Mr. Scott Clark: Federally, but not provincially.

The Chair: That's right.

Mr. Scott Clark: Absolutely. The federal government is the one level of government that has the capacity and the fiscal capacity to take the leadership, not the provinces.

The Chair: Answer my question, then. Suppose you did massively expand the infrastructure program. I think you have to admit we've had two large-scale infrastructure programs, seven years and ten years. We've done things like make the gas tax funding permanent for municipalities and provinces.

Mr. Scott Clark: Right.

The Chair: We had the knowledge infrastructure program, which was a huge investment in post-secondary institutions. So if you did that, given the global growth rates, how much could you actually change...?

● (1825)

Mr. Scott Clark: It would do two things. It would do exactly what the IMF said. We'd come at it from two directions. First of all, it would create demand in the economy, which we've been lacking for years. We simply do not have enough domestic demand in Canada, so on the demand side it would elevate that side of the equation. On the supply side, it would clearly create a more efficient economy. I mean, an economy which has modern infrastructure has to have higher productivity. So I think what it would do is contribute to an increase in the potential growth rate of an economy, which is predicted to run around 2%. We could raise that up over the next decade. You might say that it might only raise it from to 2% to 2.2% and that's not very much, but 0.2% year after year compounded is absolutely gigantic.

I think you're right, Mr. Chairman, it comes at two levels, but what it comes at now is that we can't depend on a global economy to grow the Canadian economy. We need a domestically created policy to generate growth in Canada right now.

The Chair: There are a lot of issues I want to follow up with you on, but I have to impose time limits on myself as well.

Mr. Scott Clark: I'm sure you do.

The Chair: Unfortunately, our meeting time is up and members will be wanting to go to a briefing on the budget bill next door.

I want to thank all of you for a very good discussion here this afternoon. Thank you all for your input.

Thank you.

The meeting is adjourned.