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## **Standing Committee on Finance**

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**EVIDENCE**

**Monday, September 25, 2017**

**Chair**

**The Honourable Wayne Easter**



## Standing Committee on Finance

Monday, September 25, 2017

• (1530)

[English]

**The Chair (Hon. Wayne Easter (Malpeque, Lib.)):** I call the meeting to order.

As witnesses know, just for the record, pursuant to Standing Order 83.1, we're dealing with pre-budget consultations in advance of the 2018 budget, and we have six panellists here.

Welcome. Thank you for coming. As well, I want to thank those—I think most of you—who have presented submissions prior to the mid-August deadline.

We will start with the Canadian Construction Association, Mr. Atkinson.

I might say as well that if you can hold your comments to about five minutes, that would be helpful; then we have more time for questions from members.

Mr. Atkinson, the floor is yours.

**Mr. Michael Atkinson (President, Canadian Construction Association):** Thank you, Mr. Chair.

I wish to first of all thank the committee members for providing the Canadian Construction Association with the opportunity to appear before you in connection with your annual pre-budget consultations.

The Canadian Construction Association, CCA, represents some 20,000 individual member firms operating in the non-residential sector of the construction industry from coast to coast to coast in Canada.

You have our submission. It focuses this year on three main areas: supporting apprenticeship training and increasing labour mobility; increasing industry productivity through the use of a targeted tax incentive; and finding a more efficient way to fund infrastructure at the provincial and municipal levels.

Let me speak first of all on apprenticeship training. Very briefly, CCA, like the federal government, would like to see more employer engagement in apprenticeship training. However, according to Statistics Canada, 99% of the firms operating in the construction industry in Canada are small businesses; 60.4% are micro businesses with fewer than five employees.

The real question or challenge for us, then, is how we incent SME employers to engage in apprenticeship. It's CCA's belief that we

should take a page from the successful tax incentive program used in the United Kingdom, which specifically incents small and medium-sized business enterprises to engage in a first apprenticeship experience. We think the federal government is best positioned to do that by enhancing the apprenticeship job creation tax credit that is already in existence.

As to supporting labour mobility, most employers will reimburse an employee, once hired, to relocate. But what about cases in which there is no compensation or in which an EI recipient needs help to travel to look for work? It is estimated by the building trade unions that a tradesperson can incur \$3,500 annually in non-compensable mobility expenses, presenting a significant obstacle to moving outside their local labour markets. We believe that a change to EI policy to permit unemployed construction workers on EI to obtain an advance from their approved benefits to support employment searches outside their local area would do a great deal to incent labour mobility.

Third, concerning capital cost allowance, we are recommending that the permissible depreciation rate for class 38 assets—mobile equipment, usually diesel-powered in the construction industry, for earth-moving, compacting, and excavating—be moved from 30% to 50% to better align with the true productive life of these assets. In fact, we have situations in which projects will not allow that type of equipment on the site if it's more than three to four years old, for environmental purposes alone, or diesel emissions.

Next, as regards federal infrastructure programs, simplify the application approval process by instituting a single window for applicants, “applicants” being primarily municipal and provincial governments. In 2016-17, Infrastructure Canada alone was managing 15 different infrastructure programs.

We believe the gas tax fund should be modernized to ensure that it keeps pace not only with inflation but also with population growth, since the allocations are made based on the census, which only occurs every five years or so.

Concerning construction innovation, we support the ask of the Canadian Construction Innovations group, which calls for the development and implementation of a comprehensive innovation strategy for the construction sector. The CCI's pre-budget submission is with you.

Just in closing, I can't resist a final word on the proposed corporate tax reforms to Canadian-controlled private corporations. Given that 99% of CCA businesses are small businesses that are greatly impacted by these proposals, let's get past the rhetoric on both sides and have meaningful consultations, rather than work to some arbitrary deadline. Those consultations must take place prior to the enactment of any reforms. It's no good to say we're going to have a reasonableness test for family employees and to go and negotiate with CRA after the fact—been there before, don't want to do it again.

With that, Mr. Chair, I'll conclude my presentation and will be happy to answer any questions the committee might have.

• (1535)

**The Chair:** Thank you very much, Mr. Atkinson.

We will now hear from the Canadian Urban Transit Association. Mr. Leclerc is president and CEO.

[Translation]

**Mr. Patrick Leclerc (President and Chief Executive Officer, Canadian Urban Transit Association):** Thank you, Mr. Chair.

Honourable members of the committee, thank you for inviting me to appear before you today as part of the pre-budget consultations in advance of the 2018 budget. My name is Patrick Leclerc, and I am the president and chief executive officer of the Canadian Urban Transit Association, commonly known as CUTA.

CUTA is the influential voice of public transportation in Canada. We are the national association representing public transit systems, manufacturers and suppliers, government agencies, research organizations and related organizations in Canada.

I would first like to thank the government and parliamentarians, including the members of this committee, for their unfailing and unprecedented support of public transit. The benefits of increased investments in public transit across the country are already being felt. The transit systems turn investments into concrete projects. They help to make our communities more prosperous, greener and fairer, but above all they help to improve the quality of life of Canadians.

[English]

The public transit infrastructure fund, PTIF, has provided short-term funding of up to \$3.4 billion to support the rehabilitation and modernization of transit systems. Many commitments have already been made under the first phase of PTIF. While most projects will be completed within the prescribed time frame, the time needed to conclude bilateral negotiations and approve project lists, the complexity of transit infrastructure projects, the procurement process, and the limited construction seasons have created some delays. Unfortunately, some projects will not be completed by the required deadline of March 31, 2019. Therefore, CUTA is urging the government to confirm that all funds committed to communities under the first phase of the public transit infrastructure fund remain earmarked to transit with the same funding conditions and criteria after the March 2019 deadline for project completion.

[Translation]

Once the first phase of the public transit infrastructure fund is completed, the federal government will invest more than \$20 billion

in public transit over 12 years. These investments must be based on reliable industry data so that we can objectively evaluate and measure the impact of government investments.

CUTA is internationally recognized for its leadership, experience and expertise in the collection and analysis of data related to the Canadian public transit industry. Indeed, we have been conducting the largest public transit data collection program in Canada for decades. We collect more than 1,300 unique pieces of data annually for each CUTA transit network member, representing approximately 98% of ridership nationwide.

[English]

Given the need for evidence-based decision-making and CUTA'S experience and expertise in leading the most important national transit data program, we recommend that the government both partner with us in establishing comprehensive performance metrics and mandate CUTA to track, analyze, and report to the government, in a harmonized way, on the industry's progress and outcomes of transit investments.

We're also following closely the creation of a climate change strategy. One of the most effective ways to reduce emissions from passenger transport is to measure transit's direct and indirect contribution to reducing GHG emissions through modal shift, the reduction of traffic congestion, and densification. We're recommending that the government clearly identify modal shift from single-occupancy vehicles toward sustainable mobility options—walking, cycling, transit, carpooling, and car sharing, just to name a few—as a key objective and performance metric of federal transit investment to reduce GHG emissions.

Finally, Mr. Chair, the Canadian transit manufacturing sector is a remarkable success story. Our bus and rail manufacturers and their suppliers lead the North American transit market. The Canadian transit industry supports nearly 75,000 high-quality, good-paying jobs. However, it's with great concern that the industry has seen the implementation of an increase in the Buy America requirement for transit procurement in the United States. We believe the government must leverage the current trade discussions with the U.S. to ensure that Canada's transit industry has fair access to U.S. market, especially at a time when the Canadian government is making record investment in transit. It's critical that we treat our transit manufacturing industry as a strategic sector to defend, protect, and promote.

The Government of Canada should therefore seek fairer access to Canadian companies in U.S. public transit procurement by requiring that Canadian components receive national treatment in the calculation of the Buy America requirement.

[Translation]

Thank you, Mr. Chair.

• (1540)

[English]

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

We'll turn now to Canada Without Poverty, to Ms. McLachlan and Ms. Biss.

**Ms. Harriett McLachlan (Acting Deputy Director, Canada Without Poverty):** Good afternoon, and thank you for the opportunity to address this committee. My name Harriett McLachlan, the interim deputy director of Canada Without Poverty, and I am joined this afternoon by CWP's legal education and outreach worker Michèle Biss.

For those who are not aware of our organization, Canada Without Poverty is a non-partisan, not-for-profit, charitable organization dedicated to the ending of poverty in Canada. The organization was created in 1971 as an outcome of the Poor People's Conference, a national gathering of low-income individuals, as the National Anti-Poverty Organization, or NAPO. Since that time, CWP's board of directors is comprised entirely of people with a lived experience of poverty.

In Canada, 4.8 million people, or one in seven, live in poverty, including 1.2 million children. Poverty, homelessness, and food insecurity also disproportionately impact marginalized groups across the country, including persons with disabilities, single parents, women, racialized persons, indigenous peoples, and LGBTQ2S youth.

While budget 2018 must look towards solutions to the staggering rates of poverty in this country, Canada also has a legal obligation to address the violations of human rights that poverty, homelessness, and food insecurity represent. As signatory to the International Covenant on Economic, Social and Cultural Rights and other human rights treaties, Canada is obliged under international human rights law to meet the right to housing, food, work, health, and an adequate standard of living. Adherence to these human rights obligations would also be an important step forward, towards the commitment and further realization of the UN's sustainable development goals.

**Ms. Michèle Biss (Legal Education and Outreach Coordinator, Canada Without Poverty):** We recommend 11 immediate steps the government can take to support the economic contributions of people in Canada. These measures would also implement recommendations of United Nations treaty bodies. Our recommendations are as follows.

One, implement a human rights approach to budget 2018, which requires an analysis of the effect of spending on marginalized groups, including women, persons with disabilities, and racialized persons, along with concrete measures to address equality and nondiscrimination.

Two, ensure that the forthcoming Canadian poverty reduction strategy uses a human rights approach, with dedicated, adequate funding in the 2018 budget.

Three, increase the amount of transfer payments to provinces and territories with earmarked sufficient funds for social assistance, and designate that payments are conditional on rates being set at levels that meet an adequate standard of living.

Four, reinstate the national standard protecting refugees from a minimum residency requirement before receiving social assistance benefits.

Five, set national wage standards, including a federal minimum wage, to meet a living wage indexed to the consumer price index.

Six, increase federal spending on child care, with the ultimate goal of achieving the international benchmark of spending at least 1% of gross domestic product on childhood education and care by 2020.

Seven, ensure that the Canada child benefit is indexed and that conditions are made to prevent provinces and territories from clawing back benefits.

Eight, develop a national pharmacare program that provides cost-effective prescription drugs at little or no cost.

Nine, dedicate adequate funding to implement a national right-to-food policy with particular collaboration with first nations, Inuit, and Métis peoples.

Ten, ensure adequate funding is dedicated in budget 2018 to a rights-based national housing strategy that engages a variety of robust policy measures.

Lastly, address the financialization of housing and the perception of housing as a commodity rather than a human right by increasing capital gains tax on profits from selling secondary residences and implementing a tax on foreign investment in property, to be funnelled into affordable housing options.

For further detail on these recommendations, we'd steer members of the committee to the Dignity for All campaign's model anti-poverty plan, which was developed through meaningful consultation with people with lived experience of poverty.

We look forward to answering your questions in this regard. Thank you.

• (1545)

**The Chair:** Thank you very much to you both for that presentation.

We have, from the Co-operative Housing Federation of Canada, Mr. Ross and Mr. Wong.

**Mr. Timothy Ross (Director, Strategic Affairs, Co-operative Housing Federation of Canada):** Thank you to the chair and members of the committee for the opportunity to present our perspectives on budget 2018 today.

We both work with the Co-operative Housing Federation of Canada. It's a membership association of housing co-ops from coast to coast to coast, where a quarter of a million Canadians call home. On behalf of our organization, it is my pleasure to be here today to discuss our recommendations to help support the federal government in its effort to solve the national housing crisis, and to increase productivity and competitiveness in the Canadian economy.

Canadians are calling on their government for more affordable housing. In markets across the country, moderate-income and low-income households are finding it difficult to find an affordable place to live in light of soaring prices and a lack of housing options. For many Canadians, productivity begins at home, and the lack of affordable housing options is a roadblock to social and economic inclusion. We believe that our three recommendations can help begin to solve the housing crisis.

I will turn it over to my colleague Douglas Wong to go through those recommendations.

**Mr. Douglas Wong (Program Manager, Policy and Government Relations, Co-operative Housing Federation of Canada):** First, the federal government must protect 20,000 at-risk households living in housing co-ops. The government has already pledged to do this on a number of occasions dating back to before the last election. It is now time for concrete measures that will protect long-term affordability for those who need it the most.

It is imperative that these new measures feature the same breadth and depth of support, ensuring that the same number of households are supported moving forward, and that those households are offered the same level of financial support. Low-income households need certainty now and cannot wait until next year to get an update on the status of this vital program.

Second, co-ops across Canada are ready to do more with their assets. In only a few years, co-ops have leveraged over \$100 million for capital renewal, fuelling their local economies and creating jobs. One key tool that co-ops have utilized to kick-start their asset regeneration has been to prepay their CMHC-held mortgages. These mortgages were signed at interest rates of between 8% and 11%. These rates made sense in the 1970s, but today they are an impediment to capital renewal and job creation.

We are calling on the government to accelerate and improve the options for co-ops to prepay their high-interest CMHC-held mortgages. This simple fix would enable co-ops to launch hundreds of millions of dollars of affordable housing regeneration, protecting their affordable housing assets for decades to come.

**Mr. Timothy Ross:** Finally, in order to create more affordable housing, we ask that the government earmark supply measures like predevelopment assistance, grants, and loans to catalyze development of more mixed-income non-profit housing, much like housing co-operatives. Our sector is ready and eager to build more. Co-ops can build more now. However, a meaningful government investment in the creation of new supply would strengthen any effort that the sector could spearhead alone.

A CMHC study found that those living in housing co-ops saw more improvement on key quality-of-life indicators, such as an improved sense of community, skills development, and labour force

participation. Co-ops are a time-tested platform for providing affordable housing and ensuring affordability over the long term, and are well positioned to help solve the housing crisis.

This government deserves credit for presenting a vision for housing in this country, and has made great progress in furthering the housing discourse. Our sector is excited to tackle the housing crisis with the federal government as a strong partner in the years ahead through the national housing strategy. It's unique at this time that we all have a chance to work together to turn the housing problem into a solution for our communities.

Thank you for your time, and we look forward to questions as well.

• (1550)

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

We turn to the Association of Canadian Faculties of Agriculture and Veterinary Medicine, Mr. Wichtel, dean, Ontario Veterinary College; and Mr. Dufour, president-elect, dean, Université Laval.

Welcome.

**Dr. Jeffrey Wichtel (President, Dean, Ontario Veterinary College, Association of Canadian Faculties of Agriculture and Veterinary Medicine):** Thank you for the opportunity to allow us to present to you today.

ACFAVM comprises 13 world-class training and research faculties spread coast to coast. Together, we are a catalyst for the development and adoption of innovations in food, agricultural, and veterinary medicine. Our work has greatly evolved over the past two decades. It is now highly interdisciplinary and closely aligned with societies' health, food, and environmental challenges. We provide the science and the trainees that ensure continued public trust in Canada's ability to safeguard our food systems. We are a powerful network of Canadian food universities, a tremendous resource that needs to be better leveraged. Why do I say that? First, Canada needs our trainees. Our graduates, whether domestic or international, have virtually 100% employment. It is estimated that there are four jobs for every one of our graduates. We need to invest in people to realize the export-led growth in agrifood that we know is possible.

In research and innovation, we prioritize the application of our discoveries by the agrifood industries and we ensure the safety of our food systems. I have some examples: improving disease resistance in food animals, thus reducing the need for antimicrobials and protecting humans from antimicrobial resistance, while providing Canadian genetic businesses with an outstanding international market advantage; enhancing plant, crop, and animal efficiency, quality, and safety, for example, to reduce the climate change impact of crop production practices.

Canadians nation-wide were recently asked about research and innovation priorities at universities. Respondents ranked health, feeding our growing population, and climate change as the top three. These topics are our business.

What can we do for you? The Barton report says that establishing an appropriately trained workforce and innovation ecosystem will help “unleash the potential of...the agfood sector”. We certainly agree with that. Together with agrifood businesses, through enhanced training, research, and innovation, we can develop the Canadian brand for safe and nutritious food envisioned in the Barton “Path to Prosperity”.

I'll now hand it over to Dr. Dufour to present our specific recommendations.

[*Translation*]

**Dr. Jean-Claude Dufour (President Elect, Dean, Laval University, Association of Canadian Faculties of Agriculture and Veterinary Medicine):** Good afternoon, Mr. Chair and members of the committee.

We have three recommendations.

The first recommendation involves matching funds. We are well aware that small and medium enterprises are highly innovative, but that they are challenged to invest as much as major councils or to pay the indirect research costs. Therefore, we are asking you to help these businesses by increasing funding to the matching funds program so that they can invest more in research and development than they can currently. For instance, SMEs can invest \$2,000 or \$5,000 in R and D, but they could be much more innovative if they had more help. There is no doubt that large companies can pay the matching funds for major programs, which can reach up to \$1 million, something SMEs cannot do.

There is another element to this, which is the recognized percentage of in-kind contributions in matching programs. We would like this percentage to be higher because these companies are often able to make a contribution by providing products, staff or equipment of some kind. This could help them to be even more innovative.

The second point concerns training. For several years, we have been developing a number of distance courses and programs, but few of these employees are attending. We understand very well that this is how it is, given cost and availability issues, as well as the fact that the courses are given at the university or elsewhere. It isn't necessarily consistent with their ability to travel.

Therefore, we recommend that you support these employees by creating a special fund to give them training on production sites. The

universities are ready to do it. We already have lecturers and equipment. We could improve the capacity for innovation even more if the employees of SMEs could take training on site instead of having to go to the university.

Thirdly, in terms of innovation support, we recommend that you create a national network of excellence in innovation. All our faculties already involved in innovation could both transfer a good part of this knowledge and acquire more. In the past few years, great headway has been made in terms of big data, but companies need our knowledge to understand how they can use it in innovation. There are biotechnologies, for instance. These are important elements.

Thank you very much. Jeffrey will take over.

•(1555)

[*English*]

**The Chair:** Okay. Go ahead, Jeffrey.

**Dr. Jeffrey Wichtel:** In summary, what steps should we be taking to help double our GDP growth in agrifood?

First, we need to invest in people. ACFAVM members are the suppliers of the human capacity required for innovation in agrifood. We can help develop policy to enhance our agrifood and veterinary capacity, including how best to attract top talent from overseas to support our Canadian economy.

Second, we need to make funding for both fundamental and applied agrifood research a clear and stated priority for all federal funding agencies.

Finally, innovative networks must include both businesses and academic sectors. Neither sector can do it alone. ACFAVM is a rejuvenated network among universities, but it needs better and stronger partnerships with government and industry. We need NCE-like platforms to make this possible.

Mr. Chairman, thank you very much. We're happy to address any questions on our proposals.

**The Chair:** Thanks to both of you.

With Spirits Canada, Mr. Helie.

**Mr. C.J. Helie (Executive Vice-President, Spirits Canada):** Thank you very much, Mr. Chair.

My name is C.J. Helie. I am the executive vice-president of Spirits Canada.

The Canadian spirits industry is a local industry employing hard-working Canadians across the country, and we are proud purchasers of the finest cereal grains bounty that Canadian farmers produce. In many parts of the country, we are well into harvest time, and our master distillers are keen to get their hands and their well-trained noses into this year's crop.

[Translation]

Made from locally sourced barley, corn, rye and wheat, Canadian spirits and our signature product, Canadian whisky, can compete with the best from around the world. Compete and succeed, but not with two arms tied behind our backs.

Our member companies are primary manufacturers, sourcing local agricultural products transforming these into high value-added branded consumer products of the very highest quality. We are an industry with a history that predates Confederation and an international reputation for making truly great whisky.

[English]

Recently, however, we feel very much like the proverbial canary in the coal mine. Unfortunately, the canary died, very few paid attention, and no lessons were learned. The Department of Finance, once renowned for their professionalism and expertise, has in our view unfortunately lost touch with hard-working Canadians.

In many instances, the department's advice to ministers and to members today now appears largely limited to wealth redistribution and ignores the most basic principles of wealth creation. Finance officials, hiding behind the principle of budget secrecy, have essentially built walls to insulate themselves, and it is now extremely challenging for wealth creators—large, medium, or small—to have meaningful dialogue with Finance officials. Nowhere is this unfortunate dynamic more prevalent than within excise duty policy.

On April 1, 2018, under a dubious provision included in last year's federal budget, beverage alcohol duties will increase by CPI. It's certainly foolish, but unfortunately it's no April Fool's joke.

Given the excise duty's carve-out for Canadian wines, the measure is a clear and distinct breach of Canada's international trade obligations. Due to Finance's lack of consultation with Global Affairs Canada or other trade experts, we understand that Canada's entire federal beverage alcohol excise duty structure may now be part of the NAFTA renegotiation, will be a focus of the new dispute settlement provisions of CETA, and may be a catalyst for a potential WTO dispute by a range of Canada's major international trading partners.

Some have stated that last year's increase of seven cents on a bottle of spirits—mind you, 21 cents at retail—was insignificant and that this year's automatic increase will be insignificant, yet as the evidence provided to this committee by Finance officials themselves shows, no analysis was undertaken by those responsible to substantiate those claims. The unfortunate reality for spirits is that the automatic annual increase in excise duties is akin to one more turn of a tourniquet wrapped around the neck of the Canadian spirits industry. A difficulty in breathing has become life-threatening.

In fact, the industry has already felt a compelling investment chill. The prevailing international sentiment is that Canada is no longer open to investment in the sector.

• (1600)

[Translation]

Canadian spirits and our signature Canadian whisky franchise now faces even stronger headwinds, headwinds that have recently

pushed Canadian whisky behind Scotch, American and Irish whiskies on the international market.

Canadian spirits, as the most highly added-value Canadian processed agri-food products, made here by Canadians, from Canadian-grown produce, we respectfully suggest, deserve more than to be milked dry by excessive taxes, taxes that account for 80% of the retail price of a typical bottle of spirits.

[English]

Truly progressive tax reform needs to be about more than simply taking more. It must instead be based on sound, transparent principles such as fairness, equity, and global competitiveness. The current excise duty structure and its ill-advised, new automatic escalator clause failed to meet these guiding principles. We hope the committee will recommend two adjustments to the current excise duty structure. One, the immediate elimination of the annual automatic escalator clause for beer, wine, and spirits introduced last year. Two, the adoption of a reduced excise duty rate on each spirits producer's first 100,000 litres of pure alcohol sold in Canada each year, a step system similar to that already in place for beer. A profitable home market is essential to any international success. Moreover, continual reinvestment in facilities, in people, in product innovation, in market development, and in the Canadian whisky franchise itself is a prerequisite for a sustained domestic spirits industry. Canadians will always drink and enjoy spirits. The questions are whether these will be made by Canadians from Canadian inputs, and whether spirits exports from Canada will continue to be a wealth and jobs creator for the country.

Thank you. I will be pleased to answer any questions the committee may have.

**The Chair:** Thank you very much, Mr. Helie.

Turning to questions, we will go to the first round for seven minutes, Mr. Sorbara.

**Mr. Francesco Sorbara (Vaughan—Woodbridge, Lib.):** I thank everyone for your presentations. It's quite insightful on all accounts.

I want to turn my attention to a couple of comments. First of all, to Canada Without Poverty, welcome, Harriett and Michèle. One of your most important recommendations, from my view, is that the Canada child benefit is going to be indexed. I think it's two years out. I think we can proudly state that this program is lifting and has lifted literally tens of thousands of children out of poverty. We should all be proud of that. It's an extra nearly \$5 billion that is being sent to families across Canada from coast to coast to coast. It's simple, it's tax free, and I think it's working its way through the system and translating into the results where even the Bank of Canada governor commented on its power for benefiting.



I want to move on to Mr. Atkinson and the Canadian Construction Association. With regard to the capital cost allowance in class 38, getting new equipment out there for individuals in that field, how important is that bump-up from 30% to 50%?

•(1605)

**Mr. Michael Atkinson:** Sure. I'll give you a comparison of where we are with respect to the U.S. Under the current system in the United States, which is more of a direct depreciation, a typical piece of equipment is written off within six years. Under the current system in Canada it takes 11 years, and you're still not really there. The useful life of a lot of this equipment is turning over in a three- to five-year cycle.

**Mr. Francesco Sorbara:** Okay, thank you.

Then there's the issue with regard to labour mobility, because I do hear that we still like to think it's easy for workers to move from, say, northern Ontario or northern Saskatchewan to York region of the GTA. What can you say about the importance of having an impetus or catalyst for labour mobility within the trades?

**Mr. Michael Atkinson:** It's absolutely key in our industry. We need the workers to go where the work is. We'd love to be able to move a northern mining project in British Columbia to downtown Vancouver but it just doesn't work that way, so we need a mobile workforce.

**Mr. Francesco Sorbara:** Okay.

Moving to the Canadian Urban Transit Association, we know the bilateral agreements that are signed between the provinces and the federal government take time to happen. We also know there is a time period for projects to get under way and get all the approvals. Out of the first PTIF 1, which I believe is about \$3.4 billion, and then the second PTIF 2, which is approximately \$20 billion, if I'm not mistaken, do we have any estimate of the amount of funds that may be left over in PTIF 1, or is it too early to tell?

**Mr. Patrick Leclerc:** At this time it's a bit too early to tell because some projects are still awaiting approval. We're monitoring that closely and reporting to the minister. We know there will be a better estimate when all projects are approved.

**Mr. Francesco Sorbara:** Okay.

Moving on to the Co-operative Housing Federation, one of your ideas was with regard to the prepayment of high-interest CMHC mortgages. When I first moved back to Ontario, I lived in a downtown Toronto riding that had a lot of co-op housing that's represented by the Parliamentary Secretary to the Minister of Human Resources and Skills Development. What amount in mortgages are we talking about, and how big a catalyst would this be to the development or the construction of new co-operative housing?

**Mr. Timothy Ross:** We think we've really only scratched the surface of the potential of new financing of housing co-operatives to fund modernization. Again, the indicator right now is that, just in about a two- to three-year period, we've leveraged about \$100 million in new mortgage financing to finance the renewal. We think it could be significantly more if the terms of prepayment were improved for certain types of housing co-ops.

**Mr. Francesco Sorbara:** I do agree with you. I remember canvassing some of the co-ops in that riding and meeting the

individuals there. These are individuals who we want to make sure are not being left alone or behind, if I can use that term, and who we need to assist. Our government is there doing that with the development of our national housing strategy as well.

Mr. Atkinson, I do want to go back to you for one second. Thank you for your constructive comments with regard to the current conversation around tax policy in Canada. Thank you for using the terminology that we need to calm down the rhetoric, that our government is consulting, and we are listening to all sides of the debate and all ideas that are being generated. Thank you for saying that. That was nice of you to say.

Moving on to the Association of Canadian Faculties of Agricultural and Veterinary Medicine, we know the agrifood business in Ontario is, if I'm not mistaken, the largest industry in Ontario right now, and we need continuing innovation there. Please comment on your top two ideas on how we can move the needle with regard to innovation with regard to a very important sector of the Ontario economy specifically, and of course of the Canadian economy.

[Translation]

**Dr. Jean-Claude Dufour:** Mr. Sorbara, I will answer your question.

If we want to accelerate innovation, we must first help SMEs with matching funds. I'll give the example of the faculty at Université Laval. About a hundred small businesses are working with us, whether they're producers or small processors. These people need help with matching funds. If we want to rapidly increase innovation, the first element is to get them to invest in innovation.

Then we obviously have to deal with training. Producers and small processors have staff, and we have equipment that is often very efficient, thanks to the Canada Foundation for Innovation. We have the necessary knowledge. They must now have access to this knowledge. That is often where the problem lies. I think they need help in going and getting it, and we need a training program that can be directly adapted to the industry. Obviously—

•(1610)

[English]

**The Chair:** I'll have to end you there, Francesco.

Mr. Albas, you have seven minutes.

**Mr. Dan Albas (Central Okanagan—Similkameen—Nicola, CPC):** Thank you, Mr. Chair.

I want to thank all of our witnesses for coming here and sharing. I try to learn something new every day, and you have done a very good job, so it must be downhill for rest of this meeting for me.

Mr. Helie, what are Canadian firms' marketplace share here in Canada domestically?

**Mr. C.J. Helie:** On the spirit side, we represent just under 60% of Canadian spirits consumption.

**Mr. Dan Albas:** Okay, so we have 60% of it currently.

Who is most sensitive to these excise tax changes? Is it the larger firms or is it the smaller ones?

**Mr. C.J. Helie:** It's equally damaging. From a large producer perspective, what it does is it rips out any investment in innovation, and on the smaller producer side, it just destroyed his business plan because most of these have been open for less than three years.

**Mr. Dan Albas:** That was going to be my next question because the maturity of firms is also a big question. Obviously, someone new has to pay off the capital investment and keep the doors open with their staff. You would then think that the more mature, larger firms are able to weather the storm a little bit better.

**Mr. C.J. Helie:** The second recommendation we have is a step system that would provide every producer a break on their first 100,000 litres of pure alcohol, let's say. Obviously, there's a much greater proportion and value to small producers producing up to 100,000 hectolitres, but the actual investment is going to come from the larger firms, so it depends on what you're looking for, jobs or investment.

**Mr. Dan Albas:** Well, we're certainly looking for both, and we're looking to see them do well.

Again going back to the smaller firms, there are many people who have opened up small artisan distilleries in the Okanagan, for example. What are some of the concerns for someone with these new excise taxes? Can you maybe elaborate on that a little bit further?

**Mr. C.J. Helie:** People are enthused about the idea of getting into the artisan spirits business. It sounds very romantic but what they don't always do is have a full business case done in advance and they are surprised and shocked by the amount of investment that is required to get into a liquor board system, to develop a product that differentiates them from what's already in the market. One more hit like excise threatens closing some of those stores.

**Mr. Dan Albas:** Where do you see most of the growth in the spirits industry in the past five years? Is it in the mature market or is it in these new craft artisan distillers?

**Mr. C.J. Helie:** It's in new artisanal products made by producers of all sizes. That's what has differentiated spirits from the other sectors. Products like Lot No. 40, Pike Creek, Gooderham & Worts, are all produced on a craft basis by established large firms.

**Mr. Dan Albas:** Who are our main competitors in the domestic market?

**Mr. C.J. Helie:** On the whisky side, it's the Scots, the Irish, and the Americans. The Irish and the American whiskies have been seeing double-digit growth for the last five years or so. Canadians still prefer Canadian whisky, so 65% of the whisky market in Canada is occupied by Canadian whisky. That was 70% six years ago.

**Mr. Dan Albas:** Why have the Americans, the Scots, and the Irish seen large returns in growth in their industry?

**Mr. C.J. Helie:** Primarily because of the level of investment they're putting against their brands, because all investment in foreign markets—so in this case an American investing into Canada—is funded by their local market. The fact that they have much higher

margins in their home market allows them to invest in foreign markets and develop new export markets, something that we don't have the dollars in our jeans to do.

**Mr. Dan Albas:** Already the Canadian producers basically are taxed much higher than other competitors.

• (1615)

**Mr. C.J. Helie:** Exactly, and that was the fallacy in the department's analysis last year. They assumed that there was all this tax room for them without doing the analysis to recognize that we are already dis-investing from the Canadian whisky business and the Canadian spirits business, as has been seen by some members here from Brampton. They know that a Bacardi plant that had been in operation for over 40 years had to announce their closure. People down in Windsor noticed that the Canadian Club Heritage Centre had to close its doors. It's all because we don't have enough resources to fully invest in our franchise.

**Mr. Dan Albas:** If we don't have a tax-competitive regime in Canada then when we open ourselves to tariff-free access—and I'm a big believer in free trade—is it going to put that 60% at risk?

**Mr. C.J. Helie:** We do not advocate tariffs or building walls because 70% of what we make we export. We have to have clean hands ourselves to make sure that we continue to have open access in foreign markets.

**Mr. Dan Albas:** I'm a big believer that we can compete and do very well in the world. It's just, again, what kind of regime are we operating under if we don't allow these small producers to become large ones and large ones to be able to get economies of scale that they can compete with? I imagine with the Scottish, as well as the Irish and some United States companies, they are very mature and established.

**Mr. C.J. Helie:** The spirits industry is a global industry. So we have a Canadian subsidiary of a multinational. That Canadian subsidiary has its own profit-and-loss responsibilities. If you increase the cost of that Canadian subsidiary, they can't reach into their Scottish counterparts or their American counterparts and pay for that. It has to be generated from the domestic business itself.

**Mr. Dan Albas:** I'd like you to explain a little bit more recommendation number two, which is again to get to that first 100,000. Maybe you can explain why you're advocating for that end of the industry.

**Mr. C.J. Helie:** Spirits Canada does not have a lot of small producers today because they're all relatively new and they're just getting into the business. We recognize that they bring tremendous value to the category. They bring excitement and innovation and a buzz to the business.

How do you in a trade-legal fashion provide proportionately more support to a smaller producer than a larger producer? This is the best way to do it. You give everybody the same value rate; i.e. let's say 50% reduction on your first 100,000 litres of absolute alcohol. If you're a small producer making 100,000 hectolitres or less, you get that benefit on your full production. If you're a 10-million litre producer, you only get that value on your 5 % of your business.

**Mr. Dan Albas:** It encourages people to hire and to really go for it. Eventually though it does pull it back where the taxpayer is receiving the full amount.

**Mr. C.J. Helie:** And you don't have that fiscal cliff problem of coming up to an arbitrary limit like \$100,000, and then having to go from this great rate to the full rate.

**The Chair:** Thank you both.

Mr. Boulerice, for seven minutes.

[Translation]

**Mr. Alexandre Boulerice (Rosemont—La Petite-Patrie, NDP):** Thank you, Mr. Chair.

I would like to thank all the witnesses for their presentations.

My first question is for Mr. Ross and Mr. Wong.

I simply want to say that, in my riding and in Montreal in general, we have had the luck, historically, of having several housing co-ops. They are highly valued, and are beautiful living environments. The families that live there are generally very good and are very satisfied.

In your presentation, you mentioned that the agreements, or the so-called interim financing program, that were extending the operating agreements will end in March 2018. For a number of years, many people in co-operatives that were built and founded 20, 25 or 30 years ago are living in uncertainty and are still wondering whether there will be a massive increase in their rent if no action is taken by the federal government.

A new deadline is coming. What will your demands be on this? For many people, and especially for many people living in poverty, housing is the main expense. A fluctuation in the cost of housing will have a tremendous impact on the ability of families to buy clothes for their children, buy groceries, and so on.

What specifically are you asking the Canadian government in order to reassure these families?

• (1620)

[English]

**Mr. Timothy Ross:** It's certainly becoming more time pressing. Low-income households, housing co-operatives, residents of social housing across the country need certainty about the future of assistance that's offered to low-income households, so they can continue to remain in place, and continue to enjoy the benefits of living in a housing co-operative.

Through our ongoing engagement with officials at CMHC and with the Government of Canada, we're very optimistic that we're moving in the right direction. Specifically, what we're looking for, and what we're hoping to see very soon, is a very clear declaration that there will be continuity of assistance to low-income households living in housing co-operatives.

It's important that this is announced soon, so that the implementation or renewal of this assistance is delivered in a timely and seamless manner, because as you can appreciate, if you're a low-income Canadian living in a housing co-op, you know your co-op will no longer be receiving a subsidy as of March 31. You need to start thinking about how you're going to pay for your housing charge if there's a significant increase. Do you need to move? Do you need to move into your parent's home? It's important that it's timely, seamless, and is offered at the same breadth and depth of support as before.

[Translation]

**Mr. Alexandre Boulerice:** Thank you, Mr. Ross. I would like to ask you another question, which will be quick.

In your presentation, your third recommendation is to build new housing.

In your opinion, if we were seriously in favour of social and affordable housing, how much housing should be built over the next five years, whether it's housing co-ops, social housing or affordable housing?

[English]

**Mr. Timothy Ross:** That's a good question. It's difficult to say how many units we necessarily need on the market, because by ensuring continuity of assistance, or delivering assistance directly to households you may be able to alleviate some of that core housing need, but certainly, there is a shortage of low- and moderate-income housing in Canada. There are 1.5 million Canadian households in core housing need. The need is quite significant, and hopefully, the census figures in October will give us a stronger indication of where we need to focus.

[Translation]

**Mr. Alexandre Boulerice:** Thank you.

I will now move on to Ms. McLachlan and Ms. Biss.

Obviously, given my political persuasion, your recommendations are music to my ears. I'm also very pleased that you are in favour of restoring a federal minimum wage. We, like many other partners, think it should be about \$15 an hour. Is that what you are recommending?

[English]

**Ms. Michèle Biss:** One of the recommendations we developed through the Dignity for All model national anti-poverty plan—which was a plan we developed in collaboration with a number of organizations, academics, and people with lived experience of poverty—was the negotiation of a living wage amount. We didn't land on whether that would be \$15, but we said it would be a living wage that's indexed to the consumer price index, so that it could move throughout the years due to inflation.

[Translation]

**Mr. Alexandre Boulerice:** Many of your recommendations are very interesting. You also agree with us when you say that the issue of housing concerns you. We consider housing a right. I am glad to see that you are looking at it from a human rights perspective. As a member of the G7 and a relatively wealthy society, Canada should do better and lead by example.

I'll be the bad guy. It's funny that I'm the one asking the question, but how do you plan to pay for all of this?

[English]

**Ms. Michèle Biss:** That's the million-dollar question, or perhaps the billion-dollar question.

One of the pieces that we've learned going through United Nations treaty body reviews is that Canada has an obligation to ensure that we are dedicating a minimum and adequate amount of resources towards our human rights obligations.

In fact, in many of our discussions with organizations like the Canadian Centre for Policy Alternatives—which, as you are likely aware, create an alternative federal budget—we've looked at different ways we can increase both revenue and the way we're conducting our social spending. One of the ways is, of course, through tax reform and ensuring we're getting the income we need.

The one piece that is really quite interesting that's come out of a number of these United Nations treaty bodies is the fact that when you look at the fall fiscal updates and the numbers that came out, our social spending as a percentage of our gross domestic product is at its lowest level since 1949, believe it or not. If we were to increase that by 1%, then a lot of revenue gets created or a lot of money becomes free to be spent towards our human rights obligations.

Under our international human rights obligations, we are required to spend an amount of resources that is adequate towards our obligations.

● (1625)

**The Chair:** Thank you.

We're out of time, but just spinning off that question of Mr. Boulerice, you have 11 recommendations here. May I ask which one or two of those recommendations pops out at you as a must?

**Ms. Harriett McLachlan:** One that includes a number of the others is recommendation number two, which is the Canada poverty reduction strategy, with a human rights approach that would address the comprehensive picture of poverty and human rights. It would include housing, food insecurity, and those types of things, so recommendation number two.

**The Chair:** Thank you.

Mr. Fergus, you have seven minutes.

[Translation]

**Mr. Greg Fergus (Hull—Aylmer, Lib.):** Thank you very much, Mr. Chair.

I would like to thank all the witnesses here today.

The documents you submitted are very interesting and raise many important questions. Some overlap more than others, but I found them very interesting.

My questions will be for the representatives from the Co-operative Housing Federation of Canada and Canada Without Poverty because their recommendations are somewhat similar.

However, I must declare a slight conflict of interest with the federation. When I started working 25 years ago, I shared the same position as my wife on a housing co-op. I saw with my own eyes how important it was to have a mix of housing, especially affordable housing. It gives people dignity, but beyond that, there is a very clear economic benefit.

I'm going to pick up on what Ms. Biss said or the question asked by my dear NDP colleague, Mr. Boulerice: how do we address these issues? Conversely, how can we not address the issue of housing, especially in a country like Canada?

Mr. Ross and Mr. Wong, you mentioned the certain value of having quality housing in a mixed environment. Some will pay the market price, while others will pay a certain percentage of their annual income, if it isn't very high.

Could you speak more about your experience and the importance of providing good housing for everyone?

[English]

**Mr. Timothy Ross:** The mixed-income model is certainly something that helps create more cohesion in a community. It ensures that households that may face typically systemic barriers to social and economic participation have a conduit to inclusion by virtue of having neighbours they can rely on for some support.

Oftentimes what's also advantageous about this model is that housing co-operatives are often very well placed in neighbourhoods and in a community, so residents of a housing co-operative are not segregated in any form from the mainstream of community life. By virtue of the model being inclusive and well placed in a community, we tend to see better housing outcomes for Canadians.

● (1630)

[Translation]

**Mr. Greg Fergus:** In your recommendations, you mention that it is important that CMHC allow co-ops to repay mortgages at rates of 8% to 10% to take advantage of the very low current rates.

How much savings would that generate? This money could be reinvested in housing co-ops and ensure that they would be sustainable.

[English]

**Mr. Timothy Ross:** In terms of prepayment options for housing co-operatives so that they can reduce the financial burden of high-interest mortgages, it allows housing co-operatives in today's low-rate environment to regenerate their housing stock. It's important to keep this issue separate from the continuity of assistance to low-income households. Under current operating agreements, all the supports are kind of jumbled together, but moving forward, we're looking for new models. Keeping the buildings separate from the assistance to low-income households is a very important dimension of looking at prepayment options for housing co-operatives.

[Translation]

**Mr. Greg Ferguson:** Ms. Bliss and Ms. McLachlan, you have surely recognized the importance of housing in reducing poverty and in making sure that people do not fall through the cracks. When people have no access to clean and adequate housing, it is very easy to become poor and end up on the margins of society.

Can you talk a little about your experience in showing how important it is to have rental housing available to all Canadians?

[English]

**Ms. Michèle Biss:** That's a very important question, because we know that housing is critical to people's dignity. It's critical to participation in the community. It's critical to all aspects of life. For people who don't have access to housing, temporary or stable and long-term housing, the cycle of poverty continues. Many of our board members could tell you, as they've all lived the experience of poverty, what those realities of housing insecurity are.

Really critically, when you don't have housing, when your rights are violated, the violation of dignity that exists is often overlooked. I think that's why the rights-based approach to a national housing strategy is so critical, to make sure that people can access housing and can access their right to housing.

**The Chair:** Thank you.

We'll go now to five-minute rounds, starting with Mr. Shields.

**Mr. Martin Shields (Bow River, CPC):** Thank you, Mr. Chairman.

I appreciate all the witnesses today and the information they've brought.

Turning first to the construction industry, Mr. Atkinson, you were talking about recruiting and employees' mobility. I just need to clarify, are you talking about the process of interviewing for a job or the process of moving somebody to a new work site? Those are two different things, and I think you said a little bit about both. Could you clarify that?

**Mr. Michael Atkinson:** The particular suggested change to EI would be with respect to people who are currently on EI, so it would be to look for a job. In some cases, although not all cases, as you probably well know, once somebody is employed, often the employer will pick up the relocation costs. But we're talking about a situation where somebody on EI can't find work in their own market, and about the expense to go to that next market to try to line up some interviews and look at potential employment. That's the kind of expense we're trying to see—

• (1635)

**Mr. Martin Shields:** So you're not talking about specifically party A applying for a job: party B.

**Mr. Michael Atkinson:** No. We're talking about a situation where they know there is work in the construction industry in a neighbouring province or in a northern region of their province, but to go to look for work in that area and be interviewed, etc., there's a cost to that, and it is a barrier.

**Mr. Martin Shields:** How about the use of technology in the sense of searches via technology using Skype and all those types of things?

**Mr. Michael Atkinson:** Sometimes that can be used, but if you're looking for a tradesperson, often you want to see a demonstration of their craft ability.

**Mr. Martin Shields:** I appreciate that.

You mentioned something about the gas tax, which I know a little bit about. You also mentioned StatsCan and the population. Many of the communities in the province I live in do it annually. They don't wait for StatsCan. They pay for it themselves, and they're getting to be very successful at doing it technologically. I know that one community of 60,000 people gets a 60% return online without spending a cent. Communities are doing that because they can't wait five years. I appreciate your pointing that out.

You talked about the gas tax model of how money gets to municipalities, which are often the major piece of what you're talking about. How about the current funding model of grants that go through the federal and the provincial to get to them? Do you have any opinion on that process?

**Mr. Michael Atkinson:** Well, that's Canada, right? We have a provincial level of government. In many cases, municipalities are nothing but a creature of statute, so they don't have any legal status. It's difficult for the federal government to do an end run in those circumstances.

Quite frankly, the model, with all its complexities, works pretty well. There are some places where improvement can be had, but given our multi-government levels, it's surprising we get anything done at three levels.

**Mr. Martin Shields:** Thank you for that.

You pointed out micro-businesses, and I really appreciate that. I know that micro-business in construction are family groupings.

Do you want to make another comment about that percentage? What's your knowledge of that?

**Mr. Michael Atkinson:** Well, yes.

StatsCan's current data says 60.4% of the firms active in the industry are micro with fewer than five employees; 99% of small businesses have fewer than 100.

I want to talk about passive income, which is coming under a bit of an attack by Finance Canada. The suggestion that these companies are keeping money in their businesses to avoid paying tax is ridiculous.

In our industry you have to keep a healthy balance sheet if you want an operating line from the bank. You want to support your bonding limits. In many cases, to have that money in there is also your war chest when things go badly.

**Mr. Martin Shields:** You mentioned a critical piece to that industry, the bonding. That is a financially passive thing. These days the bonding industry is a huge cost. You have to have access to that funding.

**Mr. Michael Atkinson:** You can't do any federal government work of any meaningful size without it.

**Mr. Martin Shields:** That's great. Thank you.

I have a quick question for agriculture.

I know of a couple of examples in the feedlot industry where a co-operative with the feedlot industry and government funding produces a world-class animal safety program.

Potato producers of Alberta have also, that's another example.

I know my colleague asked for an example. Do you have one example of a co-operative with your level and producers?

**The Chair:** You can pass the information to us later if you want to be absolutely clear, Jeffery or Jean-Claude.

**Dr. Jean-Claude Dufour:** Okay.

You're looking for one example where our collaboration succeeded. We have many.

I will take my faculty as an example. In 2000, our faculty created the Institute of Nutrition and Functional Food. At that time we changed our business model. At that time, we received 7% of our annual research fund from the industry. Today we are at 57%. It means \$30 million a year. If you want the name of the companies working with us, come to see me after this meeting.

I have many success stories to share with you.

● (1640)

**Mr. Martin Shields:** That's a good example.

Thank you, Mr. Chair.

**The Chair:** Thank you both.

Mr. McLeod.

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

Thank you to all the presenters here today.

I wanted to start off by talking about housing and more specifically the presentation by the Co-operative Housing Federation. I really applaud your efforts in bringing some of the issues forward. I think you have some very good recommendations that would work well throughout all parts of Canada, especially in the Northwest Territories where I come from. That's the jurisdiction I represent.

We've had issues with the operating agreements for social housing for many years. It's been on a sliding scale. It's really been posing challenges, especially in areas of our communities. It's limited our ability to create more stock. That's compounded the issue. Of course

our population doesn't allow the funding agreements to be well-balanced for us. We were getting \$1.8 million a year for housing from the last government. We can't do much with that.

It's forced our government to spend more money than they can afford; 8% of our budget is being spent on housing, which is probably just about the highest in Canada. I think Nunavut is at 13%, which is the highest in Canada. It's really creating a lot of challenges because now 70% of the budget of the Government of the Northwest Territories is on the social envelope, which includes housing.

I had a chat with Mr. Wong earlier. We have three housing co-ops in the Northwest Territories. They seem to work really well but we only have three. I don't know if that's because of limited financing or what that situation is. I'm not sure how well that's being promoted in the north. I'm curious to know if Nunavut or the Yukon has tried the co-op concept.

I also want to know if you've looked at this or tried it; has it been tried in indigenous communities? We have huge issues in the north because we don't fall under Indigenous and Northern Affairs for housing. We have public communities that are aboriginal.

Maybe we could get you to talk a little on that.

**Mr. Timothy Ross:** Those are some very good questions. Perhaps we can have a lengthier conversation about these very complex issues, but also about opportunities moving forward.

Specifically on our focus on the development of new housing co-operatives writ large, members of our own association have said they believe so much in the importance of the growth of housing co-operatives—so that more of our neighbours can enjoy living a housing co-op—that our small association is putting up \$1 million for new development efforts. That's how much our members want to give back to communities. We're hoping to augment that in partnership with governments and with anyone who wants to see the growth of housing co-operatives.

As to the role or history of housing co-operatives in offering housing options to indigenous communities, we have a number of members across the country whose housing co-operatives were developed under older urban native housing programs. They are certainly looking to see some sustainability as a result of the national housing strategy.

I hope that answers a few of your questions and would invite a lengthier conversation on more specifics.

**Mr. Michael McLeod:** Thank you.

I have a quick question for the Construction Association. I appreciate the discussion around labour mobility. That is a challenge in the north. Most of our communities are fly-in and fly-out. You could put a diamond mine 500 kilometres away, but it doesn't benefit a whole lot of people if they can't get there. We continue to look for solutions to that problem, and I really appreciate your recommendation.

We have limited public transit. We have one bus in the north, and it's in Yellowknife. It's defined as "public transit". Also, the federal government still has a lot of responsibility for infrastructure. The Government of Canada is still responsible for all roads in the Northwest Territories.

I'd like to know what measures you would recommend be included in budget 2018 to ensure that infrastructure projects specifically in remote parts of Canada, in the north, can be funded efficiently.

• (1645)

**Mr. Michael Atkinson:** First of all, our association has always been on record as saying that we believe priorities should be set by the custodians, not by somebody sitting in Ottawa or Gatineau. I think that's key going forward, since the devolution of custodianship for infrastructure has taken place over a while, devolving to the municipalities, territorial governments, and provincial governments. It's absolutely key that any national program we develop be flexible enough to understand the different priorities and methodologies all across Canada.

With respect to the north in particular, it's absolutely paramount that any national program developed really understand the needs and priority of needs of the north from the people who live there and the people who are responsible for its overall custodianship. That's absolutely key.

**The Chair:** Thank you all.

To continue while we are with the Construction Association, Mr. Atkinson, you mentioned the apprenticeship training program in the U.K. I don't think information about it is attached to your brief. Could you send the clerk the information on it, or a link to it?

**Mr. Michael Atkinson:** Absolutely.

**The Chair:** Thank you.

Mr. Kmiec.

**Mr. Tom Kmiec (Calgary Shepard, CPC):** I want to continue with you, Mr. Atkinson, where my colleague left off about the bonds. At the beginning of your presentation you mentioned that the small business tax changes being proposed would have an impact on your industry. Speaking specifically about the bonds, could you give us an idea of how much a company needs to hold in order to obtain a federal government contract—just on average, or for a small-sized company?

**Mr. Michael Atkinson:** Actually, it's almost the other way around. Our firms in North America—not just in Canada, but in the United States as well— use the bonding facility to leverage their own balance sheets, and they can do so by 15 to 20 times. What the bonding regime does for them is allow them to operate on rather large projects and use contract performance security that doesn't hamper or restrict their other abilities to get an operating line, etc., which would be hampered in situations in which you had to put up letters of credit, for example.

To give you an idea of how important it is for construction companies to have a healthy bonding limit, not only can you not bid on significant work for the federal government without bonds, but if Bill 142 passes in the Ontario legislature later this year, all construction projects in Ontario will be bonded, by statute. It

becomes absolutely critical, then, for any firm of any size that works for the provincial government in Ontario to ensure that they have bonding capacity. One way you have by which to do so is to keep a fairly healthy balance sheet.

**Mr. Tom Kmiec:** At the end of the life of a construction company when someone is considering retirement, when does that usually happen in the construction sector, and what happens to these companies? That's a two-part question.

Is the company typically sold as is or are the assets stripped out of it first? Is it the client list that's valuable? Is it the assets that you've accumulated over time? For a lot of the construction materials and the vehicles you have, they may not be as valuable; they've already depreciated in value and they're not the latest. What happens to that company?

**Mr. Michael Atkinson:** It's all over the map. It's not all that different from other industries that are populated primarily by SMEs.

A lot of them are family-owned businesses, so a lot of them have generational succession, but just with Canada's aging demographic alone, we're finding that succession in family-owned businesses is much more challenging. I'm sure many other industries are as well.

It depends on the type of business they're in. It's certainly true that you will have a yard full of iron that's been partially depreciated, if you understood my other discussion about capital cost allowance, but it really depends on the kind of construction you're in and how big the company is, etc. We're seeing a lot of mergers and acquisitions in our industry, which I don't think is uncommon in other industries as well.

It's all over the map, but we tend to be the same as other industries populated by SMEs when it comes to succession and when a company winds up. It's very similar.

• (1650)

**Mr. Tom Kmiec:** In your presentation, you talked a lot about trying to make it easier for people to move for work, but also for them to take up apprenticeship and not have to bear some of the personal costs of moving, getting trained, and using that part of EI system. It obviously is difficult to convince people to get into construction. It's hard work. A lot of it is manual labour, especially when you're starting out.

How many people choose to start their own business early, when they're starting out in the field, versus those who choose to work for a large construction company that might be a unionized environment and might not? How does that decision-making happen?

**Mr. Michael Atkinson:** Again, it's all over the map, but it's one of the few industries left where you truly see a real entrepreneurial spirit, where somebody starts on the tools and ends up being the CEO of a multi-million dollar construction company. There are many examples of that. It really depends.

The industry is changing now, through technology advancements and innovation. It's no longer an industry of the past. It's very high tech. There's a lot of new innovation coming in.

More and more, we're seeing young people turned on to coming into the construction industry. One of our biggest problems is parental attitudes. Parents still think that their son or daughter is going to go to university and do this and do that, but very often we find that for young people, particularly when they have big school loans after coming out of university or college, it's one of the few industries where they find out very quickly that they can earn a very good and meaningful way of living.

**The Chair:** Thanks to all of you.

Mr. Grewal.

**Mr. Raj Grewal (Brampton East, Lib.):** Thank you, Mr. Chair, and thanks to our witnesses.

I'm sorry to keep picking on you, Mr. Atkinson. Brampton East has a really thriving construction industry. New home growth is quite prevalent. When I was elected, the population was 100,000. In two years, it has grown to 122,000. It's projected to be 135,000 or 140,000 by the time I run for re-election.

As you know, the economy is doing really well this year, and 400,000 jobs have been created. What do you think the biggest challenge is for the construction industry right now in terms of what we can help to do for it in budget 2018? We heard a lot of feedback from a lot of developers locally, and the labour shortage is a major issue for them.

**Mr. Michael Atkinson:** That's true, and it's not just for our industry. When we talk about labour shortages, what we're really talking about is the skill and experience walking out the door. It's not a case of bodies. It's a case of knowledge and experience walking out the door.

To give you some indication of what we're looking at, BuildForce Canada says that in the next 10 years or so we're going to have to find another quarter of a million new workers just to replace those who are going to be retiring in the next little while. It is a constant challenge, but one, though, that I think our industry is up to. We are looking at innovation and other things that hopefully will help with that.

One of the biggest problems we have in our industry is with respect to knowing where the demand is coming from over lengthy periods of time. That's why it's so important for governments at all levels to have long-term infrastructure programs.

Yes, the program may change from one year to the next depending upon other fiscal realities, but at least if you have a long-term plan in place you can do those adjustments three, four, and five years out, hopefully, so that the construction industry doesn't find itself having to turn on a dime when programs are stopped, cease, or have to start up again.

I think what governments can do as major users of construction services at federal, provincial, and municipals levels is make sure that they have long-term capital plans that are capable of being massaged when needed, yes, but that are available to industry.

**Mr. Raj Grewal:** You spoke about skilled labour. How is the temporary foreign worker program being used by your industry?

**Mr. Michael Atkinson:** Until recently, the only reason we used the temporary foreign worker program was that the front door for

permanent entry was closed to us, under the old points system. There was no way you were getting in as a tradesperson under the old points system, so what we would do is bring them in under the temporary foreign worker program and hopefully put them into a permanent entry program through one of the provinces, the provincial nominee program. Later on, when new programs became available, Canadian experience class, we could stream them into permanent entry. The main reason we used that was to get more permanent workers into Canada.

In fact, our first option is always to hire locally, just based on cost alone.

• (1655)

**Mr. Raj Grewal:** On a practical example, some of the builders have been coming up to me and asking why we have a language requirement for construction workers. Construction workers speak a different language when they are on the site, and if they can do the job, they should be able to get a work permit to come to Canada. Do you have any thoughts on that?

**Mr. Michael Atkinson:** I think there is a safety concern, in being able to use materials or products, etc. Knowledge of one of the official languages is key, just for that purpose alone. I know a lot of examples of entire crews speaking Portuguese on the site, and they seem to get along well enough, but I think a lot of the concern about being able to speak one of the official languages on a construction site has to do with safety requirements.

**Mr. Raj Grewal:** Thank you very much.

Mr. Helie, from Spirits Canada, how are you?

**Mr. C.J. Helie:** I am well, thank you.

**Mr. Raj Grewal:** Excellent.

The Bacardi building was a loss for the city of Brampton. We actually tried to reach out to the company to see what we could have done to save that factory in the riding, but they just said it was on an overall scale, that it was just cheaper to go somewhere else.

What do you think the government could do to keep these types of companies in Canada? We have a lot of incentives in Brampton. We have a lot of human talent. We are close to the airport. It's a great place to start up business, and we have a lot of manufacturing jobs, so we were really shocked to see them leave.

**Mr. C.J. Helie:** And they make great products.

**Mr. Raj Grewal:** Well, I don't drink it, but, yes, sure.

**Mr. C.J. Helie:** The biggest challenge facing the Canadian spirits industry is attracting our fair share of the global investment pool. The number one question that is raised is this. When a Canadian subsidiary puts its hand up and says, "I need \$10 million to upgrade the Bacardi bottling line, to make it competitive with our other Bacardi plants around the world", the question always comes back to what the return on that investment is.



The unfortunate fact is that, in Canada, our return on that investment is invariably less than in every other market.

**Mr. Raj Grewal:** I used to work at Pepsi, and Coca-Cola is headquartered in Brampton. We've toured their facility, and they have the biggest bottling plant in North America, in Brampton. When I used to work at Pepsi as a financial analyst, they would sell Canada as a test case. It just represents a very small portion of the Fortune 500 companies revenue model, and they used to use it launching new products, etc.

In your industry, how can we increase the foreign investment in our country so that we don't have that type of feedback and it's not based solely on return on investment? Obviously, businesses are there to make a profit, but a lot goes into making that profit in terms of human capital and natural resources, and Canada goes nine out of 10 on everything else.

**Mr. C.J. Helie:** In addition to the fiscal pressure, the other barrier we have in Canada, sad to say, is the Canadian liquor boards. If you have an innovative new product that you want to test market, they won't take it, because they want a track record for listing that product.

In an open market, you can go to one retailer and say, "Listen, can I make a deal with you? Can you try this new product, and we're both going to make some money on it?" You can't do that in Canada, other than in Alberta, with their private system.

**The Chair:** Okay, we'll have to cut it there.

I have one question for the agriculture and veterinary institutions. In your second recommendation, you recommend that the federal government "support two programs to invest in employee training and development". Mr. Atkinson brought up this issue as well, basically, employment training and labour markets.

I'm wondering where the federal government should be going in this area. We have labour market development agreements with provinces. We increased the spending in that area by \$125 million, and now \$2 billion is being transferred to the provinces from the federal government for labour market development. Can you or why don't you, or how come you can't, tap into that \$2 billion that's being transferred from the federal government to the provinces? Is it working? Is it not? I know it's up for renegotiation at the moment. It may be something we want to think about. If anybody else wants to come in on this—Mr. Atkinson—they can come in.

• (1700)

**Dr. Jean-Claude Dufour:** First, it's certainly not working quite well because we have very few personnel coming for training in the university. It probably works for other levels like the secondary level or maybe the college level but not for the university.

The second thing is the fact that probably many companies do not have sufficient personnel able to work with the new technologies, so they need other types of personnel. This is why it is important that HQP be interested to buy small and medium-sized companies, and it happens. The question that you have asked is how many of our diplomas go to entrepreneurship. It is around 10% to 15% now. Most of them have a Ph.D., so they have their own start-up, or they invest with small and medium-sized companies to develop.

**The Chair:** Okay. Thank you.

Mr. Atkinson, did you have anything you wanted to add?

**Mr. Michael Atkinson:** Some of our provincial associations do utilize the provincial governments through those types of funding, so they're certainly aware of it. But, as you probably are well aware, it's a different kettle of fish right across the country.

**The Chair:** Yes, very much so.

With that I'd like to thank everyone for their presentations and answering committee members' questions.

We will suspend for five minutes and go to the next panel.

• (1700)

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

• (1705)

**The Chair:** I call to order the meeting on pre-budget consultations in advance of the 2018 budget.

Welcome to the witnesses. Also, thank you for your submissions prior to mid-August.

Let's try to hold it, if we can, to five minutes. We'll start with the Association of Faculties of Medicine of Canada.

Ms. Moineau, welcome.

[Translation]

**Dr. Geneviève Moineau (President and Chief Executive Officer, Association of Faculties of Medicine of Canada):** Mr. Chair, members of the committee, thank you for making it possible for me to speak to you today.

[English]

I'm Geneviève Moineau. I am a practising pediatrician here at the Children's Hospital of Eastern Ontario. I'm also a full professor at the University of Ottawa. I'm here as president and CEO of the Association of Faculties of Medicine of Canada, which is the voice of academic medicine in our country and represents our 17 faculties of medicine.

We train tomorrow's doctors and health researchers, and we represent thousands of health researchers, Ph.D. holders, and trainees across the country.

Canada must reinvest in health research and innovation, and better support the future leaders in these fields. This will result in better health and economic benefits for Canadians, and help Canada regain a leading role in health research and innovation on the world stage. Ninety-six percent of Canadians surveyed in an Abacus poll that came out this last weekend consider it important for the federal government to support discovering medicines and breakthrough health innovations. Nine out of 10 Canadians consider it important that the federal government support young researchers to obtain funding.

The financial benefits of health research are tremendous. A study we performed in 2014 on the economic impact of academic health science networks—our faculties of medicine, teaching hospitals, research hospitals—found that that network accounts for \$66 billion of total economic impact, which is 3.5% of the GDP and helps us develop over 300,000 jobs across the country.

Canada has been at the forefront of discoveries in innovation and health. As a pediatric trainee in the late 1980s, I had patients dying of cystic fibrosis under my care. I had children dying of HIV. We don't see that anymore in pediatrics, mainly due to discoveries and treatments that have been developed by Canadian researchers.

Our researchers now are trying to find a way to treat heart disease and to find a cure for Alzheimer's through stem cell research.

In recent years, Canada has fallen behind. In Europe, many countries have reinvested heavily in health research and development. Even in the United States in 2017, the U.S. Congress supported a \$2-billion increase in NIH funding, bringing the U.S. to a \$110 per capita investment in research while Canada only provides one-third of that amount per capita.

• (1710)

[Translation]

That is why it is important to implement the recommendations in the Naylor report, namely to invest \$485 million over four years for investigator-led research, to provide funding of \$300 million per year for the Canadian Foundation for Innovation, and to enhance support for trainees and young researchers.

[English]

A key group of these trainees who require our support are MD-Ph.D. trainees who have been shown to be the most successful in maintaining robust careers in health research and have led to innovations for better care for Canadians. These are the future leaders of health research and innovation in Canada.

Under the previous government, the Canadian Institutes of Health Research, CIHR, cut the programs supporting these trainees by \$2.6 million, eliminating the program completely, in fact. These funds were being used to help support only the Ph.D. part of their training. As we know, MD training is already well supported by the provincial governments. Funding those three years of Ph.D. study means that these very bright individuals don't have to try to seek funding elsewhere and can focus their energies on the training that they need. It supports their room and board, and any other schooling expenses. Losing the federal funding for this program will reduce the number of such students, while some programs may need to shut down completely.

In conclusion, AFMC calls on the federal government to support the future of fundamental science and health research, discovery, and innovation by restoring the \$2.6 million annually to fund the MD-Ph.D. program. Investing in the training and development of these young clinician researchers will stimulate our research and innovation. Not only will it lead to better health and more prosperity for all Canadians, but it will enhance Canada's reputation on the world stage.

[Translation]

Thank you very much.

• (1715)

[English]

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

We'll now turn to Big Brothers Big Sisters of Canada, with Mr. Coleridge, the president and CEO. The floor is yours.

**Mr. Peter Coleridge (National President and Chief Executive Officer, Big Brothers Big Sisters of Canada):** Thank you, Mr. Chair and committee members, on behalf of all young Canadians, for the opportunity to present today.

Investing in Canada's children and youth lays a foundation for a productive and competitive Canada. Big Brothers Big Sisters of Canada has been providing mentoring programs to young people in Canada for over 100 years. We're currently serving 1,100 communities across the country, with 108 locations.

Youth mentoring is a dynamic two-way relationship that puts children and youth at the centre, and it plants the seeds for leadership and civic community engagement. Mentoring can take many forms, from natural supports to formal, structured mentoring. The goal or intent can include career development, academic achievement, personal development, cultural or faith-based growth, or life skills development. Mentoring can also occur in a variety of settings: in the community, schools, the workplace, or online. It can be one-on-one, or in some cases, group mentoring. There's no question, though, that mentoring Canada's young people changes the course of their lives, and in turn, changes the future of our communities to create a better society in which children, youth, and adults live, work, play, participate, thrive, and become productive citizens.

Many children and youth in Canada struggle with societal barriers and face adversities in their lives, such as various detrimental living conditions, family violence, risk factors for mental health, identity challenges, or challenges with school. These circumstances have nothing to do with the value of who they are or who they can become. These circumstances or adversities, known in neuroscience research as “toxic stress”, have an impact on children's brain development, and if not checked, they often deprive our Canadian children and youth of the opportunity to live their life to full potential. In many cases, these youth develop behavioural and social problems that cause them not to complete school or move into post-secondary education, find employment, or become contributing members of our society. Even worse, they fall into the cycles of poverty and crime, and develop mental health issues. The cost to the young person and to society is very significant.

However, I'm here with some good news. With the guidance and support of a mentor, these risks can be reduced or even avoided and youth can be anything they dream of being. Neuroscience also tells us that mentoring—two-way, back-and-forth relationships—can repair the damage of toxic stress resulting from these adversities present in the lives of hundreds of thousands of young Canadians, millions of young Canadians.

According to the Center on the Developing Child, at Harvard University, “children who do well despite serious hardship have had at least one stable and committed relationship with a supportive adult.” Today, more than ever, we're seeing young Canadians facing more and more complexity in our society and more adversities such as poverty, unsafe communities, and poor mental health. Statistically we know that more indigenous and ethno-racial youth are facing these adversities, or toxic stressors, as they're known in neuroscience. Ethno-racial youth are the fastest growing youth population in Canada.

Such adversities affect young Canadians in terms of detrimental effects around educational, employment, and quality of life outcomes. For example, indigenous youth and youth who have recently immigrated to our country are more likely to be directed away from academic-level courses, with lower expectations, more limited opportunities to learn, and fewer post-secondary options. However, the ability of mentoring to intervene and redirect these trajectories is well documented.

In 2013, a consulting group's study of youth who participated in our mentoring programs found that they were 17% more likely to be employed as adults, 13% more likely to be involved in charitable giving, and 50% more likely to be involved in volunteering in their communities. Of the study respondents, 63% had post-secondary education, 47% held senior-level positions, 13% had higher earnings than their counterparts, 80% said they pursued healthier lifestyles as a result of their mentoring program, and 96% said they were happy.

● (1720)

When we're talking about industry and competitiveness, if we don't have this foundation, we won't have healthy adults to move into all these industries in the future.

For success in today's global economy, providing young people with mentorship opportunities keeps them in school, enables them to find employment, and it helps them be contributing and productive

citizens of our communities. It gives them the confidence to achieve more.

Mentoring helps to close the opportunity gap for underprivileged children, but also encourages kids of every socio-economic background to stay in school and achieve more. It's clear that a critical lever in fostering better educational outcomes and improving Canada's productivity and prosperity is to provide positive mentoring relationships that can transform the trajectory of young Canadian lives.

**The Chair:** I'm sorry to interrupt, Mr. Coleridge, but you have a fair bit to go in your submission. I'm wondering if you can tighten it up a little.

**Mr. Peter Coleridge:** Yes, I just have some highlights from the last page. I'll move quickly.

Youth mentoring provides a cost-effective approach to improving our country's prosperity. The “Social Return on Investment Study” that I also mentioned found that there was an \$18 to \$23 return for every dollar invested in mentoring, and that's through higher taxes, volunteerism, and charitable donations. Mentoring has many positive impacts.

It's true that young Canadians are facing more and more complexities in today's society, and there are countless number of young Canadians facing societal barriers. It's at a stage where youth mentoring is not a nice-to-have relationship, science tells us that it's a need-to-have intervention to improve Canada's productivity and prosperity.

We're calling for an investment of \$20 million over three years for a pan-Canadian mentoring approach that would strengthen our communities and strengthen Canada's prosperity. The investment would enhance youth employability, improve outcomes for indigenous young people, enhance the mental health and well-being of young Canadians, increase connectedness among immigrant and refugee youth and families, and increase the quality and capacity of youth mentoring across the country, including volunteerism and networks of support for Canadian youth.

I'll leave you with this. Just imagine who the millions of Canadians facing toxic stressors can become if we invest, and the impact that could have on Canada's productivity and prosperity.

Thank you. I look forward to your questions.

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

Turning to the Canadian Association of Science Centres, Ms. Deschenes and Ms. Corbeil

**Ms. Stephanie Deschenes (Executive Director, Canadian Association of Science Centres):** Good evening and thank you, Mr. Chair and honourable members of the finance committee, ladies and gentlemen, for inviting us to provide our thoughts as part of the pre-budget consultations.

The Canadian Association of Science Centres represents over 50 science centres, science museums, aquariums, planetariums, and science outreach organizations across the country. Collectively our members reach more than eight million Canadians each year.

I'm here representing our partners in a women in STEM initiative: Ingenium, Canada's Museums of Science and Innovation; and Research2Reality, an organization that shines a light on world-class scientists engaged in innovative and leading-edge research here in Canada. In this initiative, our goal is to increase the number of women entering and staying in the science, technology, engineering, and math, or STEM-based careers.

You asked two questions of us: what federal measures would help Canadians be more productive; and what federal measures would help Canadian businesses to be more productive and competitive. I won't repeat what's in the brief that we submitted, but I will speak more broadly on how diversity in STEM careers will contribute to a more productive Canada.

To be more productive, Canadians need to be more innovative. To be more innovative, Canada needs more science and engineering graduates. To graduate more science and engineering professionals, we must widen the pool of potential graduates. One of the best ways to do this is to look at who is excluding themselves from the candidate pool in Canada, particularly indigenous peoples and women.

We request that the finance committee encourage the government to adopt the recommendations submitted by the Council of Canadian Academies in 2014 to cultivate a strong science culture in Canada, particularly recommendation two, "Making science inclusive". Women currently make up over half of all post-secondary graduates, but they represent less than a third of STEM graduates. In 20 years, from 1991 to 2011, the proportion of women in scientific occupations requiring a university degree only rose from 18% to 23%, and only 1% of 2016 undergrads who were enrolled in engineering programs self-identified as indigenous. Meanwhile, editorials are filled with stories about a looming shortage of skilled workers, particularly engineers, in the near future.

There are reasons for that lack of diversity in the fields we need to fill, and it is not a new story. Our culture does not support the diversity Canada desperately needs in these careers to be competitive globally. How can we motivate indigenous peoples to consider a path to STEM careers when the culture around them doesn't support it? How can we encourage women to stay in STEM fields when subtle and not-so-subtle barriers continue to exist?

The good news is that we can shift our culture in ways that aren't just directed at addressing individual issues. We can shift the perceptions of all Canadians to subconsciously expect that there will be diversity in the sciences and welcoming of new perspectives. This shift is rooted in culture change and can happen in homes, schools,

post-secondary institutions, in labs and in the field, in governments and in boardrooms.

Currently there are good examples of programs that connect science mentors with the Canadian public. These are funded through granting councils and typically target young girls or indigenous youth with small grants, but they are a patchwork approach that lacks Canada-wide reach and coordination. There are no efficiencies or economies of scale, and they do not address the need to shift the public perspective. I'm here to highlight the exceptional nationwide opportunity we have by supporting our substantial science engagement community, including science centres, in this significant transformation in Canadian culture.

The critical opportunity is upon us now. We urge you to support our recommendation to fund programs such as ours that will shift Canada's culture to embrace diversity in STEM careers, thereby increasing our national productivity and global competitiveness.

Thank you once again for the opportunity to speak with you today. I look forward to answering your questions.

● (1725)

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

On recommendation two, of making science inclusive, if you could put on the record later on what that recommendation says, that might be helpful.

**Ms. Stephanie Deschenes:** Absolutely.

**The Chair:** We'll turn, then, to the Canadian Labour Congress, with Mr. Yussuff, who is the president; and Mr. Luff, a senior economist. Welcome, fellows.

**Mr. Hassan Yussuff (President, Canadian Labour Congress):** First, Mr. Chair and members of the committee, good afternoon and, again, thank you for allowing us to appear before the committee.

As you know, I work representing the Canadian Labour Congress, the largest labour central in the country. We represent the voice of 3.3 million workers across the country, representing national and international unions, both provincial and territorial, and 100 district labour councils across the country.

The CLC has made a detailed written submission to the committee's pre-budget consultation. I won't be able to speak to the full range of issues raised in the written submissions today. Instead, I will speak primarily to two issues: tax fairness and child care.

On tax fairness, the tax reform must address two issues: tax fairness and the increasing fiscal capacity to support investments in housing, indigenous communities, and social programs like health care and child care. I welcome the federal government's plan to close some of the loopholes for very high-income earners.

This tax proposal is an important first step towards bringing more fairness to the Canadian tax system. The current tax rules make it possible for someone earning \$300,000 to save more on their taxes than the average Canadian worker makes in a year. This is fundamentally unfair.

The labour movement supports the federal government's proposal to address three ways of using CCPCs to avoid higher tax rates. On income sprinkling, high earners who own CCPCs can split or sprinkle their income among family members with lower incomes, paying them salaries or dividends to take advantage of lower tax rates. This is something that other working families can't do.

Regarding exploiting capital gains, high-income earners who own CCPCs can pay themselves capital gains, only 50% of which are taxed at the personal tax rate, instead of dividends that face higher taxes.

On passive investing, CCPCs offer the wealthiest Canadians another tax advantage that others don't have access to, more capital for their investment portfolio. CCPC owners can park income in their businesses so that it's taxed at a lower business rate, leaving them more capital to invest in passive investments like mutual funds. Lower tax rates for businesses are meant to encourage investment and job creation, not to help the wealthiest Canadians make more out of their retirement portfolio.

This kind of tax avoidance is costing the federal government as much as \$500 million plus a year. Taxes pay for the vital services that we rely on such as physical security, food safety, health care, education, and disaster relief, and Canadians expect everyone to pay their fair share.

As difficult as this process has been, reforms can't end here. We need to ensure that the top 1% of corporations pay their fair share, too, which means an aggressive clampdown on tax havens and corporate tax dodging. This would include eliminating regressive and ineffective tax loopholes by cancelling stock option deductions, fully including capital gains in taxable income, cancelling the flow-through shares deduction, taxing foreign e-commerce companies at the same level as Canadian providers, increasing taxes on banks and finance that have received windfall profits from corporate income tax cuts over the last decade and a half, introducing wealth taxes, and making income taxes far more progressive.

The government's 2015 platform commitments included generating some \$2 billion annually by 2018 through the elimination of unfair tax breaks. Budget 2017 declined to take this step and instead projected that revenues would remain essentially flat between 2016-17 and 2017-18.

We hope the 2018 budget will take on some of those most regressive and wasteful tax breaks that favour tax benefits that go disproportionately to a small group of high-income earners.

The committee has asked that submissions to this process address two very important questions: what federal measures would help Canadians be more productive, and what federal measures will help Canadian businesses be more productive and competitive?

The answer to both of these questions is a national child care strategy that includes the key principles of universality, high quality, and competitiveness.

● (1730)

The CLC supports an expanded public investment in affordable, universal, quality child care as a way of stimulating economic growth and raising private sector labour productivity growth, while improving child development and labour market outcomes for mothers, and of course, for families on the whole.

The 2017 budget allocates some \$7 billion over 10 years for early learning and child care, starting next year. A much-needed, ambitious federal commitment to universal, quality, public child care in Canada is both necessary and feasible. Federal child care funding could be increased tenfold, significantly expanding the number of child care spaces available, and reducing fees as rising labour market participation among mothers and associated taxes offset the cost of this program.

The government's commitments to date are far too conservative. Canada's spending on early childhood education and child care at just \$82 U.S. per child in 2015 remain the lowest among the advanced economies. The federal government has also failed to comply with the orders of the Parliament and of the Canadian Human Rights Tribunal to eliminate the gap in child welfare funding for indigenous children.

The CLC joins other civil societies and organizations in insisting that the federal government live up to this obligation and end the discrimination against indigenous children and youth across this country.

I welcome any questions on behalf of the committee.

Thank you so much.

● (1735)

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

We now welcome Mr. Prouse from CropLife Canada.

Dennis, the floor is yours.

**Mr. Dennis Prouse (Vice-President, Government Affairs, CropLife Canada):** Thank you, Mr. Chair. I really appreciate it.

CropLife Canada is the national trade association representing the manufacturers, developers, and distributors of plant science innovations including pest control products and plant biotechnology for use in agriculture, urban, and public health settings. We are committed to protecting human health and the environment. We believe in driving innovation through continuous research.

CropLife Canada is a member of CropLife International, a global federation representing the plant science industry and a network of regional and national associations in 91 countries.

Our mission is to enable the plant science industry to bring the benefits of its technologies to farmers and to the public.

Mr. Chair, there has never been a better time to strengthen and enhance Canada's competitive advantage in agriculture than right now. In fact, that immense potential of Canadian agriculture was recognized both in budget 2017 and by the advisory council on economic growth chaired by Dominic Barton. Mr. Barton's council has done some tremendous work. The vision he has set out for the Canadian economy is, in our view, the right one, and there's a great excitement amongst agriculture stakeholders to see our industry receive recognition for both being a key economic driver and a source of future growth.

The goals are very lofty. The paper talks of increasing Canada's share of global agriculture exports to 8% from its current 5.7%, thus making us the second-largest agricultural exporter after the United States.

In the agrifood sector, the Barton report goal is to double our share of world exports to 5.6% from the current 2.8%. Obviously, this would require tremendous increases in the productivity and competitiveness of Canadian agriculture and agrifood.

It is our view that these increases in productivity and competitiveness will only stem from bold, meaningful policy initiatives from the federal government. For Canadian agriculture to realize the goals set out in the Barton report, CropLife Canada and its members believe it is imperative for the federal government to take the following actions.

First, revise the mandates of the Canadian Food Inspection Agency and the Pest Management Regulatory Agency to include issues to the promotion of Canadian innovation. Virtually all innovation upon which Canadian agriculture relies as an engine of growth is ultimately regulated by these two agencies. At present, however, their mandates do not include the competitiveness of Canadian farmers and agrifood businesses globally, and the need to promptly commercialize innovations without compromising safety. These two agencies play a critical role in the facilitation and adoption of new technologies, and it's imperative that their respective mandates reflect this fact.

Let us be clear. Without a whole-of-government approach to the Barton report and an integration of its goals into the mandates of the critical regulatory agencies, there is no meaningful prospect of Canada ever hitting the goals outlined. The Barton report would

simply be warm words and fond wishes, and that would be a shame given what a forward-looking piece of work it is.

Secondly, Mr. Chair, continue the focus on expanding multilateral and bilateral trade agreements with a strong focus on addressing non-tariff trade barriers. Across Canada nine out of every 10 farms are dependent on exports. This represents 210,000 farms and includes a majority of farms in every province. The fall of tariffs around the globe, however, is often quickly accompanied by a rise in non-tariff trade barriers, which often have a highly detrimental effect on Canada's agricultural exports. Fighting non-tariff trade barriers and insisting upon science-based regulatory standards will be critical to improving the competitive standing of Canadian agriculture globally.

These recommendations are entirely consistent with the Government of Canada's innovation agenda, particularly the commitment to ease of doing business, the goals set out in budget 2017, and the government's trade agenda. CropLife Canada urges the Government of Canada to take the necessary actions so that, in co-operation with industry and farmers, we can continue driving the Canadian advantage and improve productivity and competitiveness throughout Canadian agriculture and agrifood.

Mr. Chair, thank you again for inviting us to be here today. We look forward to the discussion with the committee, and at four minutes and 30 seconds I came in under your five.

**The Chair:** You're doing well, and usually you're long-winded. That's pretty good.

**Voices:** Oh, oh!

**The Chair:** With the Railway Association of Canada, we have Mr. Bourque.

**Mr. Michael Bourque (President and Chief Executive Officer, Railway Association of Canada):** Thank you very much, Mr. Chair.

The Railway Association of Canada represents 50 freight and passenger railway operators, consisting of the six class I carriers including CN and CP, 40 local short-line railways, as well as passenger and commuter service providers, including VIA Rail and GO Transit as well as such tourist railways as the famous Rocky Mountaineer.

Although I'm going to focus on the movement of freight and the importance of a robust supply chain infrastructure, I would like to remind the committee that more than 80 million people use passenger rail every year to go to work or take a holiday, reducing emissions and congestion as well as wear and tear on Canada's busiest roads and highways. We hope the government will give the green light to VIA Rail's high-frequency rail plan, which seeks to establish dedicated tracks for rail passenger service between Quebec City, Montreal, Ottawa, and Toronto.

For the movement of freight, Canadian railways are an economic enabler, allowing Canadian businesses to compete globally. Last year they carried some \$280 billion of Canadian goods across Canada, the United States, and to international markets. Last year alone, Canadian class I railways invested more than \$4 billion in their continental networks, representing approximately 22% of their revenues. This is a greater share of revenue reinvested into their physical plant than that of any other industry I can think of.

These investments are critical to maintaining safety, velocity, capacity, and service of the network. More importantly, these investments benefit rail customers. As mentioned in our written pre-budget submission, we recommend that the government introduce an accelerated capital cost measure to encourage railways to invest even more in track and related property as defined under class 1 of the Income Tax Regulations.

Today I would like to draw your attention to a specific part of our sector, and that is the short-line railway. These are railways that typically operate on less than 100 miles of track and whose revenues are less than \$250 million. Short-lines are an integral part of Canada's railway network, providing vital services to regional and remote communities. They operate on low-density rail lines, feeding traffic to class I railways. They provide service to many customers, from pulp and paper mills to automotive manufacturers, with a critical link to global markets via class I railways. Moving over relatively short distances, short-lines compete directly against the subsidized trucking sector, which has access to publicly funded infrastructure.

I would ask you to consider short-lines from a public policy perspective. They are largely self-financed, operating on private track and infrastructure, including their own bridges and crossings. Their competition, mostly trucking but also marine shipping, operates on publicly subsidized highways and waterways. Water transport is extremely sustainable, but railways are much more efficient than trucking. On average, rail is four times more fuel-efficient than truck, with lower greenhouse gases and other pollutants.

Rail is also safer than trucking. Shifting freight from truck to rail will take trucks off the highway and save money on roads. A single freight train will displace about 300 trucks from our road and highway network, and yet trucking is subsidized, because trucks drive on public infrastructure, and now they are planning to run trucks in platoons on our highways.

Again, from a public policy perspective it seems to me that society is asking government decision makers to facilitate the move to a sustainable future. Creating a level playing field for short-lines to compete with trucks is a sensible way of doing so. Moving ahead with VIA's high-frequency rail plan is another.

The Honourable David Emerson, in his recent Canada Transportation Act review, recommended the creation of a funding program dedicated to short-line railways, and just two weeks ago, before the Standing Committee on Transport, reiterated the urgency to invest in short-line infrastructure to maintain that vital link in the supply chain.

For this reason, the RAC recommends that the government create a capital funding program to support short-line infrastructure investment. In our written submission we suggested the amount and some modalities of the fund. We also provided other suggestions in our pre-budget submission, on which we would be happy to elaborate.

Thank you very much.

● (1740)

**The Chair:** Thank you all for your presentations.

We turn to the first round of questions. We'll have to go to five minutes to get everyone in.

Ms. O'Connell.

● (1745)

**Ms. Jennifer O'Connell (Pickering—Uxbridge, Lib.):** Thanks to all of you for coming here today.

To Mr. Coleridge, I think mentoring is incredibly important for all the reasons you outlined in your brief. In terms of the pan-Canadian mentoring approach, is this something that exists? There's not only the investment; you also have to come up with the approach. Is that something you're recommending? Does the cost that's in your brief include essentially coming up with the pan-Canadian approach?

**Mr. Peter Coleridge:** Yes, that is correct. It doesn't exist now. To form the various partnerships across stakeholders and organizations, to do that level of training and recruitment and screening for mentors—all of that requires planning and investment to roll it out.

**Ms. Jennifer O'Connell:** Are there other jurisdictions you could point to that have done something similar? I'm wondering what the results were, particularly in and around the economics, such as the graduation rates, the employment, the skills, and the employability of the people involved.

**Mr. Peter Coleridge:** Yes, it has occurred in other jurisdictions, the closest one being our American neighbours. There's an organization called Mentoring USA, which provides that kind of umbrella approach and ensures various standards and the most effective approaches for mentoring. It provides training and technical assistance. They've increased in the U.S. the number of options for mentoring, from hundreds of thousands to several million. It involves corporate U.S.A. as well, and numerous partnerships.

Closer to home, the Alberta Mentoring Partnership is a great example that we can leverage and build on to try to invest in and plan across Canada for that coordinated approach.

**Ms. Jennifer O'Connell:** Thank you.

My next question is for the Canadian Association of Science Centres. In your brief and in your presentation, as the chair has already pointed out, you specifically referred to a recommendation, but it wasn't part of your brief; it was part of your partnership. Could you maybe elaborate on that so we can get it on the record and learn a little bit more about what you are recommending?

**Ms. Stephanie Deschenes:** The Council of Canadian Academies issued a report in 2014, entitled "Science Culture: Where Canada Stands", with five recommendations for strengthening science culture in Canada. Recommendation number two was to make science more inclusive. They specifically referenced the need to be more inclusive of indigenous peoples and women. In particular with indigenous peoples, it was the need to make greater connections between traditional knowledge and western science, and to find those opportunities to make indigenous peoples more comfortable in the sciences. Not only that; there's introducing in the sciences some of the traditional knowledge that isn't necessarily considered now. That's one very distinct part of inclusivity.

The second major part of that recommendation is increasing women in STEM careers by looking at the entire talent pipeline and looking for the leaks. We know from several research documents that girls tend to like science as much as boys do, but between grades 4 to 7 they start to not see themselves in these careers. They're not seeing the mentors. They're not seeing themselves as university professors. When they get into the workplace, they're finding difficulty in advancing in these careers because of several barriers that are in place.

The report specifically looked at those two things to make it more inclusive.

**Ms. Jennifer O'Connell:** Thank you.

Mr. Prouse, in one of your recommendations you talked about encouraging the food safety agency—I was writing my notes really quickly, so these might not be your exact words—to support Canadian innovation. Can you give me an example of what maybe isn't happening, and that you'd like to see happening, so that I can put those words into something that I can really understand?

**Mr. Dennis Prouse:** Absolutely.

At present, it takes two years to get a seed, a new trait, to approval. It's a two-year process. Why does it take two years? Well, we know that there isn't two years' worth of work going into that process. It's a few months. So that's a very lengthy process, and in our view, that could be shortened down. That could be cut in half and you could have a one-year guaranteed time. If you want to make Canada a global biotech leader, and you want global companies to want to invest here, then you need to shorten those approval times and have that kind of guarantee. That then makes Canada a very attractive place in which to invest, because now Canada becomes a place where you can get a novel trait approved and you can get a return on your investment in a faster and more timely manner.

• (1750)

**Ms. Jennifer O'Connell:** Thank you.

**The Chair:** How would that compare with the U.S. at the moment, Dennis?

**Mr. Dennis Prouse:** A little slower. We were doing well. The U.S. times have sped up, and they're now committed to moving faster.

The other area to consider, Mr. Chair, is the emerging areas of CRISPR and Cas9. How are those going to be regulated in the United States, and how are they going to be regulated in Canada? Innovation is moving at an incredibly fast pace, and how Canada reacts to that is going to be critical.

**The Chair:** Thank you. I'll have some questions in that area a little later.

Mr. Kmiec.

**Mr. Tom Kmiec:** I was going to continue with CropLife, because that's very interesting. It's nice to see that companies are involved in innovation, and you don't need a super-cluster to do it. The companies are already doing it.

You mentioned the non-tariff trade barriers. The Canada West Foundation produced a report very recently on TPP, saying that even without the United States, it's a net benefit to Canada, and that Canada would gain from it. Among the top three were agricultural and agribusiness products. Do you think we should go ahead? Should the government be doing more to actually proceed with TPP 11, minus the United States? That's my first question to you.

The second question is, can you give us some examples of these non-tariff trade barriers that your industry is facing?

**Mr. Dennis Prouse:** Certainly. There's a very easy answer to the first one: yes. We're strong supporters of TPP 11. Canada tends to do very well in multilateral trade agreements, particularly when it comes to science-based regulatory standards.

As for non-tariff trade barriers, China is an excellent example of a place where it's very difficult for Canadian companies to get new seeds approved. The process is opaque, to put it politely. When the standards aren't clear and the process isn't clear, and when a new seed doesn't get approved in China, it means a Canadian farmer can't grow it because he or she does not now have a market in China.

**Mr. Tom Kmiec:** Is some of that fear also related to IP protection in the case of the People's Republic of China?

**Mr. Dennis Prouse:** IP protection would be a somewhat separate area. This is more the regulatory system. This is more the predictability of putting a new trait forward in China and having it approved. I reference China simply because of the immense potential that's there and the fact that I believe 40% of Canadian canola exports currently go to China. They're working through that regulatory process, and they're not tariff barriers—these are non-tariff trade barriers. It's a huge issue.



**Mr. Tom Kmiec:** Mr. Bourque, CP has a yard in my riding. It's Ogden. When the stockyards were built, it was on the edge of the city, and now Calgary has built itself all around the shunting yard. Until very recently, right next to my constituency office, the shunting was blocking the traffic every single day along the main arteries. I notice a lot of businesses have moved into the area because of the spur lines. There are a lot of spur lines that go out, and that makes it really easy for them to move products.

Can you explain a bit more how this would work under the Income Tax Act, which we're proposing here? Are you talking about laying new track, or are you talking about maintaining current track, or are you talking about making it parallel lines in order to maximize how much product can be moved over it? Can you give some more explanation on that?

**Mr. Michael Bourque:** We're proposing a couple of things.

First, on the capital cost allowance, if we could accelerate that the way we've seen in other industries, companies would respond by investing in new track. Where you would really see a huge benefit is with short-line operators, because currently many of them have a lighter rail. If they were able to install heavier rail, literally heavier track, then they would immediately get a capacity increase, because often they have to only partially fill the containers they're carrying because they don't have the track infrastructure to carry the weight.

By incenting an investment in track you would immediately see a capacity increase, which would then be translated to additional productivity across the network. The second proposal that we have, which would benefit customers—which is maybe more appropriate for the example you gave—is where the government redirects carbon revenues into a program that would be accessible to rail customers. A rail customer that is not currently rail-served would be able to apply for funding to bring that infrastructure to their plant, for example. Then the government would get reduced greenhouse gas emissions, which would be used as credits toward the investment. They would only get that credit if they continued to use rail over truck on an ongoing basis.

That kind of program exists in Quebec. It has been very successful; it has reduced greenhouse gases, and it has led to the increase in customers that are rail-served. An example would be the forest product industry. Currently, only 50% of forest products, sawmills and the like, are rail-served. The Forest Products Association has a goal on behalf of their members to reduce greenhouse gases using rail. That's a great example of a customer that would directly benefit from that kind of program.

• (1755)

**The Chair:** We will have to move on to Mr. Boulgerice.

[Translation]

**Mr. Alexandre Boulgerice:** Thank you, Mr. Chair.

My thanks also to our guests for taking the time to come to share their points of view with us.

Mr. Bourque, I would first like to make a comment. I am a fan of trains. I actually took a VIA Rail train this morning to come here from Montreal. I just want to point out that, in a number of municipalities, CP or CN rail lines go through the city, sometimes blocking the residents' active transportation. Where I live, it is quite

a frequent problem. Unfortunately, your members are not always very open to the idea of increasing the number of level crossings, which creates some difficulties.

Mr. Yussuff and Mr. Luff, clearly, the idea of a national daycare plan is music to New Democratic ears. Quebec members find the plan even more interesting, given their experience with early childhood centres for some years, the results of which are positive. They are positive for the children, but also for the parents. It actually enables them to return to the workforce—mothers more than fathers, it must be said. The economist Pierre Fortin has estimated that it has actually allowed 70,000 women to return to the workforce. That increases our collective productivity. It is also very positive for those women in terms of their financial autonomy.

Do you see a federal public daycare plan having the equivalent impact in the rest of the country?

In your opinion, what positive effects could it have on the economy in general?

[English]

**Mr. Hassan Yussuff:** They're twofold. It would certainly increase women's participation in the economy. The statistics speak for themselves. I think Quebec has one of the highest rates of women participation in the economy. A large part of that has to do with having a child care program to assist women with the needs of their children while they're working. We've seen increased productivity that has come as a result of that and that the economy as a whole has grown because of their contribution.

The provincial government is getting back every penny they put into the program because women are offsetting that by contributing to the tax base by paying income tax. In addition to that, for the children.... Early learning is a fundamental principle, that we all learn through academic studies. That can help children get an early start in regard to their future. More importantly, it can provide an equal space for everybody to have the same...which over time will make our society that much more equal.

Quebec has done this to a large extent without much federal help. I think what the government is attempting to do here can certainly spur other provinces to invest more in the child care network across this country. It would be a tremendous boost to the economy overall going forward. Plus, it would help the kids. We want them to have a good foundation as they grow up to be adults. It would also allow families to be less stressed about what can happen to their kids when they can't find adequate child care.

As a father, I know first-hand that in absence of me and my partner being able to provide for my child to have personal care, I couldn't do what I'm doing because my schedule does not allow me to just send my child to child care and wait at the end of the day for him or her to be picked up.

•(1800)

[Translation]

**Mr. Alexandre Boulerice:** Mr. Luff, these days, there is a lot of talk about tax reform and fairness. I see that as a noble goal that most representatives in Parliament share. However, at the moment, the government is focussing solely on SMEs and professionals, especially health care professionals. It refuses to see the problems of tax evasion, abusive avoidance, or tax havens. There is a lot of secrecy and uncertainty in that regard.

In your view, how much money could taxpayers recover if they were to seriously tackle the problem of tax evasion and the exodus of our wealth to tax havens, a phenomenon that has been on the rise for years?

[English]

**Mr. Mike Luff (Senior Economist, Canadian Labour Congress):** I think it's a good point that the government's tax reform package could be more comprehensive. We've put forward a number of proposals in this area, including eliminating the stock option deduction. That would save \$670 million a year. Tax income from capital gains and investments, at the same rate as employment income, could save up to \$10 billion a year. Thirdly, eliminating the flow-through share deductions could save up to \$125 million a year. There's a number of additional steps that could be taken as part of tax reform that would, first, ensure greater fairness in the system, and, second, provide more revenue for the vital public services that Canadians rely on every day.

**The Chair:** Thank you all.

We'll turn now to Mr. Fergus.

[Translation]

**Mr. Greg Fergus:** Thank you, Mr. Chair.

Good afternoon, everyone.

My sincere thanks to all those testifying before the Standing Committee on Finance. The committee is very interested in all the ideas and recommendations you have presented.

Dr. Moineau, I certainly heard your message about investing in the sciences and in research, as the Naylor report mentioned. I feel that you are totally right to say that it would bring a lot to Canada in terms of the ability to be more innovative and competitive, and to deliver really meaningful health services in our country.

[English]

Mr. Coleridge, I thought your presentation on mentorship and the services that Big Brothers Big Sisters of Canada provide are... You're not asking for a lot, yet it can deliver a lot. We know that when you give young people exposure to a different way of living, a better way of living, and having somebody who they can confide in, and who they develop a long-term relationship with as a mentor...

I've seen that first-hand and how it works in Gatineau. I have to salute your colleagues in Gatineau.

[Translation]

The Grands Frères et Grandes Soeurs de l'Outaouais are doing exceptional work for the youth of the country, especially, as you mentioned, for newcomers, which is really important.

Ms. Deschamps and Ms. Corbeil, you have done a lot to popularize science. I offer you my thanks, as I did with Mr. Coleridge. You are providing an example for young people, especially young women, so that they can work in a scientific field. That is really important. We could certainly invest more in that area.

Mr. Yussuff and Mr. Luff, I greatly appreciate your taking the time to recognize the tax benefits inherent in our system. It is important for us to discuss the matter, so that we can fully explore the issue of tax fairness.

•(1805)

[English]

Mr. Prouse, I don't know what you did in a previous life to be associated with our chair, but thank you for your presence. Certainly, we do appreciate what CropLife can do. Again, it's similar to the faculties of medicine in Canada or similar to the association of science centres. Again, it's an opportunity for us to invest in research and development especially in the agriculture and agrifood sector. It's very important. As my colleague Mr. Kmiec said, it was very helpful.

[Translation]

Finally, to you, Mr. Bourque, from the Railway Association of Canada. I appreciate your recommendation on the accelerated capital cost allowance, which can lead to investments in railway construction and help to reduce greenhouse gases.

I also appreciate your support for VIA Rail's high-frequency passenger rail service.

Can we discuss that, Mr. Bourque? You said that producers, manufacturers, want to invest in railways. Can you tell us more about that, not only about what is being done in the Quebec forestry industry, but also elsewhere in Canada? Can it also apply to co-operatives and farmers in western Canada?

**Mr. Michael Bourque:** Thank you very much.

[English]

Certainly, yes, there are probably more short-line railways in Saskatchewan, for example, than anywhere else in the country. All of the short-lines, you might know, belonged at one time to the class I carriers— just about all of them. They were spun off when those were allowed to commercialize. The reason that the larger railways left those lines was because there wasn't a lot of traffic. Over the years there wasn't a lot of investment that went into those lines. By definition they are, for the most part, less built up, older, and have received less investment. Short-line railways in this country typically invest about 12% of their revenues in their track and equipment on an annual basis and the class I carriers have been able to invest closer to 20% over the last 10 years. Even through the big recession in 2008, they were still investing at that rate.

There's no question that from coast to coast there are short-line railways that would benefit from these kinds of measures. Consequently, rail customers would benefit because of the access to class I infrastructure. Of course, there's a societal benefit which is why I emphasize the public policy discussion here. There are reduced greenhouse gases, reduced emissions of all kinds, and reduced wear and tear on our highways; and rail is safer than trucking.

**The Chair:** Thank you. We will have to end it there.

It might be useful for some committee members to explain what a short-line is.

Michael, basically, they're feeder lines into the main-line railways not owned by big rail and sometimes owned by farm groups. Does that cover it?

**Mr. Michael Bourque:** Some of them are owned by communities, for example, in Barrie, Ontario. Most of them are small to medium-sized entrepreneurs providing all kinds of services, parking cars, and doing all kinds of things to make a living.

**The Chair:** Thank you.

Mr. Shields.

**Mr. Martin Shields:** Thank you, Mr. Chair.

I totally agree on the short-lines. If any money went anywhere for infrastructure to me it would be short-line. Those other big guys can figure out to get money for investment. We need the short-line guys in our country. That's where the money should go for infrastructure first, in my opinion.

Moving to science, you finally got to answer a question I was going to poke at. The fields I've been in, health and education...doing non-smoking programs with high school kids is way too late. Going back to education. You talked about grade 4 to 7. Can you identify for me any programs that you're aware of in grades 4 to 7 that you would look at or support?

• (1810)

**Ms. Stephanie Deschenes:** Certainly.

There are a lot of small programs across Canada. Several science centres have programs targeted specifically at girls in that range. The programs are great but they lack that consistency across Canada, particularly in the smaller and rural communities. I think the

challenge is to target them so they see themselves as potential scientists before they get to the age where it's not cool anymore to play with bugs or that kind of thing.

**Mr. Martin Shields:** In all those places you mentioned, who is there with those grade 4 to 7 kids?

**Ms. Stephanie Deschenes:** It really depends and that's part of the problem.

**Mr. Martin Shields:** They are called teachers.

**Ms. Stephanie Deschenes:** Oh yes, sorry. Of course.

**Mr. Martin Shields:** I've been in education; we have science. Do you have any programs to work with educational institutions? Do you have programs that encourage females to teach science in the elementary or junior high?

**Ms. Stephanie Deschenes:** Absolutely. Yes. My apologies for misunderstanding your question.

Yes, all our member science centres have school programs and work very closely with elementary schools to augment the curriculum. They very specifically speak to the things that the teachers are teaching in the class. It's a very good partnership to support what the kids are learning in class. A number of teacher training programs are also provided by the science centres, particularly for the elementary school teachers who may not have chosen science as their background university degree program before going to teachers' college. The programs are very specifically designed to be fluid and move with science as it is evolving, sometimes ahead of the textbooks, and making sure that the students are learning what's really happening in the world of science.

**Mr. Martin Shields:** Textbooks are an archaic thing, by the way. That's not where kids are at and instruction is. In the piece I saw, some departments of education were running one-week, science-oriented summer camps for teachers. Are you involved or would you support programs like that?

**Ms. Stephanie Deschenes:** Of course, yes.

**Mr. Martin Shields:** Okay, good. Thank you.

Going to health, 97% of our health dollars go to acute and 3% to public health. We've had great Canadian innovations in lots of things. But there are those shots that kids need, and we're at a tipping point in some of those general diseases that we fix like measles, whooping cough. Would you consider spending some of your dollars in research on how we convince people that they need to do those things that we have developed great things for?

**Dr. Geneviève Moineau:** We have been involved in much research on vaccines to treat the daily occurrence of the usual infections. When I started my training, we had maybe four to six vaccines that we were giving children regularly. Now there are a dirty dozen. We have been doing that work. That continues to be an area where, in recent history, Canada has been and can continue to be at the forefront. But again, we need to support it.

**Mr. Martin Shields:** But we have fewer people taking vaccinations all the time. It's a growing social problem, and the tipping point is going to come.

**Dr. Geneviève Moineau:** Sorry, are you talking about providing vaccines?

**Mr. Martin Shields:** No, I'm talking about people not using them.

**Dr. Geneviève Moineau:** That's a very important public health issue, and—

**Mr. Martin Shields:** You can develop all the great innovations you want, but if people don't use them, we're going to have societal programs....diabetes is the next one.

**Dr. Geneviève Moineau:** I absolutely agree with you. We would love to support all efforts to ensure that more Canadians and particularly Canadian children are vaccinated.

**Mr. Martin Shields:** Thank you.

**The Chair:** Mr. Grewal.

• (1815)

**Mr. Raj Grewal:** Thank you, Mr. Chair.

Thank you to the witnesses for coming. It's very much appreciated.

My questions are for the Railway Association of Canada. I have a CN terminal in my riding, one of the biggest in the country. They employ a lot of people directly and indirectly because a lot of trucking companies are located in my riding, and a lot of truckers. We'll get to that.

I just want to ask you a question on the VIA proposal. VIA's ridership is pretty poor, or performing less than adequately across the country. Why do you think that is?

**Mr. Michael Bourque:** VIA Rail has actually increased their ridership over the last few years. I think they've done a really good job at increasing their ridership with what is fundamentally an older product.

The number that really jumps out to me in all of this discussion is 82%. Currently, 82% of the trips taken between Ottawa, Montreal, and Toronto are by car. I'll bet you that those of you who drive occasionally on the highway notice that most of the cars have one occupant. In Ottawa we have a high occupancy lane; you only need to be two, and most of the time it's empty. That really is what you would call low-hanging fruit, to move people out of their cars and into a train.

Why aren't they doing it? Because we currently don't have the frequency of schedules to make it convenient so that you can decide to take a train, knowing that when you're finished doing whatever you're doing at the other end you'll come back by train; and it's a little slow.

One of the members today was saying that they came by train from Montreal. Montreal is a great trip. If you go to Toronto it takes a little longer, and the competition by car is faster. If you could get there more quickly by train than by car, you're going to eat into that 82% and you're going to see tremendous benefit quickly.

I think they've done a good job of selling what they have.

**Mr. Raj Grewal:** Your rationale to invest in the railways was that it would take more trucks off the roads, but that would also take jobs off of the roads. How would you defend that? I understand that your job is to advocate for your industry, but our job as parliamentarians is to see what's in the best interest of the nation. Those are a lot of trucking jobs. I think your statistic was that for one train it would be 300 trucks. Those are 300 jobs and 300 families.

**Mr. Michael Bourque:** It's a good question. Thanks for that question because it allows me an opportunity to elaborate on that.

First of all, you're never going to drive a train up to a Walmart store. You need trucks. What we're really talking about here is long-haul trucking. The trucking guys will tell you that they have a shortage of drivers.

**Mr. Raj Grewal:** They do.

**Mr. Michael Bourque:** What we're really asking for is a nudge in the right direction to solve this problem, and to see more of the local trucking happen and more of the long-haul trucking switched to rail. If we did that, we would see that it would ease up on some of the driver shortages. It would be better for the drivers because they would be doing shorter hauls, and they would be able to go home to their families at night. We would also see fewer greenhouse gases and fewer pollutants by virtue of that change.

**Mr. Raj Grewal:** Thank you.

One of the things occurring at our CN terminal is the long wait lines to get the truckers in and out as they pick up and drop off loads. This may be out of the scope of your expertise, but in terms of railways and the industry, how does Canada compare to other countries?

**Mr. Michael Bourque:** Is that in terms of our efficiency?

**Mr. Raj Grewal:** Yes, and the technology we use.

**Mr. Michael Bourque:** In terms of efficiency, we're very fortunate in Canada with our class I railways: we have really the most efficient railways in North America, and North American railways are seen as the most efficient freight railways in the world. They've transformed from what was previously very inefficient to highly efficient. One of the ways they've done that is by creating longer trains, and that's had an impact on things like crossings. One of the members mentioned crossings earlier.

That's an interesting piece of this puzzle, because the fact is that over the last 10 years, 85% of the serious injuries and 91% of the fatalities involving railways have been at crossings or trespassing. This year, all of the fatalities in rail have been at crossings or trespassing, so there's no question that railways—partly because of their business model, but mainly because of safety—are resisting additional crossings.

Instead, what we need to do as a society is think about how we can consolidate crossings and protect them by having more bridges and tunnels. There was a great example with the Vancouver Gateway, where the province of B.C., the Government of Canada, and the local communities collaborated to solve the problem of congestion at the ports. It worked all the way backward, using rail and road traffic. We built more bridges. We made some changes at the port. We invested in rail.

The result was greater fluidity for the national economy, and greater local fluidity because you weren't held up waiting for a train. Now you had a bridge or a tunnel you could take, and greater fluidity at the port. And guess what? It's a lot safer. That corridor approach is what we need in the country, and that means more infrastructure investment at crossings, more collaboration between the parties, and closing crossings rather than opening new ones.

• (1820)

[Translation]

After the accident in Lac-Mégantic, everyone realized that railway safety is important. So we are against installing more level crossings. [English]

**The Chair:** We'll have to cut it there.

Mr. Albas.

**Mr. Dan Albas:** Thank you again. Thank you to everyone who has been here today. I won't have an opportunity to talk to you all, but I appreciate your contribution today.

Mr. Coleridge, you mentioned that the science is very clear and shows a positive correlation with mentoring. First of all, would you be willing to submit, because I'm sure it's not science itself but actually a paper that backs up what you've said here today?

**Mr. Peter Coleridge:** Yes, a lot of the data is in the submission, and we have several papers that we could submit.

**Mr. Dan Albas:** Have you heard about the Cambridge-Somerville youth survey?

**Mr. Peter Coleridge:** Yes.

**Mr. Dan Albas:** Obviously the work of Joan McCord, who is a criminologist, and the longitudinal studies that she did?

**Mr. Peter Coleridge:** Yes.

**Mr. Dan Albas:** I'd really like to see that, because her work actually shows that there is either a null or a slightly negative correlation. So when you say things like "the science says", I would really appreciate having that submitted. Thank you.

I'd like to go to Mr. Yussuff. Mr. Yussuff, you said earlier that companies, when they bring in money, are subject to corporate income taxation once. Then it seemed to be almost that you indicated there is no further taxation when the money moves, either through a

dividend to a shareholder, or through employment income to—let's say—an owner. Is that clear? I just want to make sure I understood what you were saying.

**Mr. Hassan Yussuff:** I submitted a copy of our comments for the clerk to distribute to you. It is very explicit. In regard to the changes the government is making, it's how income sprinkling is treated as an income, and also—

**Mr. Dan Albas:** Okay, but you recognize that there are again two elements of taxation there, one at the corporate income tax level and the other at the personal level, at the marginal rate, once it comes in as a dividend.

**Mr. Hassan Yussuff:** Yes, I do.

**Mr. Dan Albas:** You also know why that exists, right?

**Mr. Hassan Yussuff:** The tax rules allow for it to happen.

**Mr. Dan Albas:** Actually, sir, what it does is it allows for a company to be able to invest more and to save. It's a feature of the system. So to call it a loophole, I think we're going to disagree on it.

Again, if we did exactly what you said, what we're going to see is less capitalization, which means companies that are not going to be able to get loans or take care of themselves during economic downturns. I just want to point out it's a feature of the system because small businesses do not have the advantages of large ones. That's something we need to consider.

Thank you.

I'd like to go now to Mr. Prouse.

In the Okanagan where I'm from, I've been seeing a lot of changes. For example, there was a long time where people were pulling out their apples and switching into grapes for wine production. Of course, with grapes and consumer expectations and different changes in preferences, obviously grapes get pulled out and new vines get put down so they can keep up with it.

Now I also see grapes coming out for new types of cherries and new types of high-density apples. It seems to me in certain areas we can grow great fruit and great products, but we need to have those new products or plants that can grow well in Canada, which give us a competitive advantage. Is that really the heart of what you're saying, that we need to have those next products?

• (1825)

**Mr. Dennis Prouse:** Absolutely.

A great deal of the research that is going on now is towards new consumer traits. In the first generation, if you will, of biotechnology it was about higher yields. The industry did a great job on that.

Now what you're seeing...of course in your region you would probably know Okanagan Specialty Fruits and the Arctic apple, a tremendous Canadian innovation.

**Mr. Dan Albas:** Yes.

**Mr. Dennis Prouse:** The second wave of innovation, if you will, is going to be that more consumer-focused kind of innovation.

**Mr. Dan Albas:** Yes.

**Mr. Dennis Prouse:** The question now is what kind of a regulatory environment do we have that's going to allow that to be commercialized quickly. Is that innovation going to come to Canada or is it going to go elsewhere? Obviously we would vastly prefer to see it in Canada.

**Mr. Dan Albas:** Absolutely.

**The Chair:** I believe, Mr. Yussuff, you wanted to respond to Mr. Albas's comments.

I think there's time, Dan.

**Mr. Hassan Yussuff:** Yes.

I don't deny the point you make on the challenges that small businesses face from time to time in getting refinancing. In regard to the stats as I understand them, there are only 5% of the people who have a CCPC account or registration who are going to be affected by this change in regard to what the government is proposing.

**The Chair:** You can make a very short point.

**Mr. Dan Albas:** I would just simply point out that, again, this is a very small part of the overall framework that business is carried out under. Foreign entities as well as larger public companies are not going to be affected in the same ways.

Are you comfortable with that as well? There are trade-offs every time we choose to change something. That's where I think the challenge is here.

**Mr. Hassan Yussuff:** Of course, there are trade-offs. I do respect you for asking the question and making the point you do.

I do think fundamentally it's not going to be as dramatic in regard to the changes that have been proposed as been suggested.

**The Chair:** Mr. McLeod.

**Mr. Michael McLeod:** Thank you, Mr. Chair.

I think I lost some time there.

My question is for Big Brothers Big Sisters. I really appreciate your program. I think there is so much we need to do with youth. I have worked with youth on many different levels and capacities over the years. One of the issues is always the ability to attract mentors. I was wondering if you could just talk a little about incentives that would maybe help us in that area.

Maybe it could be some tax breaks, maybe things that could make it fiscally a little more attractive for people to come and work with youth. I work with aboriginal people a lot. A lot of the elders who

are on a fixed income, old age security, say if they do get any kind of compensation for their time, they are taxed on it. It's a small amount.

Is there a way you can change it? I think that applies to other organizations, and other mentors, especially the elderly.

**Mr. Peter Coleridge:** I think it's a very good idea. It's something we could look into.

Our focus has been trying to develop this pan-Canadian strategy and roll that out. Within that, this kind of tax break would very beneficial in terms of attracting volunteer mentors. There are numerous other ways we've been doing that as well, in terms of engaging corporate Canada, LinkedIn, and others, as a means to recruit volunteer mentors, but the tax break idea is a very good one.

While I have the mike, I'd also like to respond to the comment earlier.

**Mr. Michael McLeod:** I'd like to ask my questions, Mr. Chair.

**The Chair:** We'll give you time. We'll allow three minutes over.

Go ahead.

**Mr. Peter Coleridge:** I just want to say that in any kind of research there are varying perspectives, and the overwhelming research in the area of mentoring is quite positive and impactful. There are some studies that show there's minimal effect, but overwhelmingly it's there.

**The Chair:** Mr. McLeod.

**Mr. Michael McLeod:** Thank you, Mr. Chair. I saw everybody was looking at their watch and becoming impatient to get out of here, but I want to point out that there is a crisis with youth in the north.

• (1830)

**Mr. Peter Coleridge:** Yes.

**Mr. Michael McLeod:** We are experiencing a suicide probably every 10 days. There is a lot that needs to happen. We are seeing the fallout from residential schools; we're seeing the issue of mental health growing, drug use is becoming rampant in every community, even the tiniest of communities; the sexual abuse continues.

We're also seeing the cultural disconnect. Climate change is having an effect. What the elders used to tell the youth is no longer relevant, because climate change has changed everything so drastically. For technology, of course, it is easier to ask Google a question than to find an elder to put the question to.

I want to ask you what, in your opinion, would be the most culturally appropriate way to deliver the indigenous youth mentorship funding that you proposed in your submission?

**Mr. Peter Coleridge:** We have a very innovative program in Saskatchewan in which we do this, and we would use it as one potential model. All of our work within the indigenous community is in partnership with various organizations in those indigenous communities. We also have an e-mentoring program for the indigenous population. We partner with many local organizations, so the funding would flow through those organizations to implement the programs and to develop culturally sensitive programs for indigenous youth, with indigenous youth, and with the organizations providing service to them.

**The Chair:** Could you send us the information on that program in Saskatchewan?

**Mr. Peter Coleridge:** Yes.

**The Chair:** Send it to the clerk; then Michael can get it.

I have one quick question, to Mr. Prouse.

I am intrigued by your proposal on the CFIA and PMRA. Having dealt with those two agencies for many years, I think this is a great idea, in which you're basically saying we can meet productivity and competitiveness in the agricultural community. We can exercise the Barton committee report.

However, there's a problem. The theory and the rules in Ottawa just don't match the practicality of working on the ground in those industries. How, then, do you see making the two come together? You're not asking for money, but I know how hard it is to try to change that system. How do you propose to do it such that we can get things with PMRA and CFIA done faster?

**Mr. Dennis Prouse:** As I say, right now they look somewhat siloed. Here's the government talking about the Barton report, and there's discussion on innovation. In the meantime, there are regulatory agencies that aren't seized with it. What we want is for this to be written into their mandate.

To give you a "for instance", in PMRA's strategic plan there used to be reference to this, right up to a few years ago. Well, it's gone now; there is no longer a reference to that level of commercialization.

These regulators are very good professionals. We just think that if commercialization and making Canada competitive internationally are written into their mandate.... These are very bright, committed professionals. We think they can walk and chew gum at the same time just fine.

**The Chair:** Okay. That's a good suggestion.

Thank you all very much for your presentations and your questions.

Just to remind committee, tomorrow morning at 9:00 we meet the Finnish parliamentarians, and at 10:00 and for pretty much the rest of the day, we have meetings.

We'll see you all at 9:00 a.m.

This meeting is adjourned.

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