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Chair

The Honourable Wayne Easter

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• (0850)

[English]

The Chair (Hon. Wayne Easter (Malpeque, Lib.)): We will come to order for the session in Halifax on pre-budget hearings in advance of the 2018 budget.

For the panellists who are here, welcome. We will get to you in a minute. We have a 15-minute space for what we call open-mike sessions before we start, and 30 minutes after, which will give people the opportunity to make a one-minute statement at the mic. There are no questions from members to those statements. They are statements that go on the record as part of the process.

We will start with those. I believe we only have two.

Welcome, Julianne. The floor is yours.

Ms. Julianne Karavayeva (As an Individual): Thank you very much for giving me the opportunity to speak this morning. I am very happy to be presenting on behalf of the ONE campaign with seven million people worldwide, as well as 130 million girls worldwide who are currently deprived of their human right to education.

As a student of international development, I can tell you that scholars in my field have been telling us for years of the positive benefits of educating young women in our world. We know this is the key to ending the volatile cycle of poverty, and we know that girls who graduate high school are less likely to be victims of child marriage and other forms of sexual abuse. We know that girls who graduate high school are also less likely to contract HIV/AIDS. We also know that for every \$1 we invest in education, we see a benefit of about \$10 in health care and income benefits.

Canada now has the ability and the opportunity to make a difference on this issue. The Global Partnership for Education is being replenished in 2018 and if we contribute our fair share of 2¢ per Canadian per day, we can become leaders in ensuring every child around the world has a decent quality education. This is the only global partnership that is dedicated solely to education in the developing world, and all the ONE campaign asks is that we contribute our fair share.

Thank you very much.

The Chair: Thank you very much, Julianne, and congratulations to your group. I believe there has been somebody at every presentation, and nearly every one of you speaks without notes, which is to your credit.

We now have Jane Ouillette. Welcome.

Ms. Jane Ouillette (As an Individual): My name is Jane Ouillette. I'm a volunteer with Engineers Without Borders Canada.

In budget 2018 we ask that Canada commit to a timetable of predictable annual increases to the international assistance envelope that would bring Canada's development assistance to 0.31% of GNI within this government's mandate.

Canada's current level of development assistance is 0.26% of GNI and is at the lowest in recent history. While development assistance globally has increased 9% in the past year, according to the OECD, it is disappointed that Canada's own contributions have declined by 4%.

Increasing aid will help Canada achieve sustainable development goals and increase economic growth. Forthcoming research from the Canadian international development platform suggests that countries receiving development assistance tend to import more Canadian goods than they would without aid.

We hope that budget 2018 can correct this downward spending trend so that Canada fulfills its global commitment.

Thank you for your time.

The Chair: Thank you, and the same to you, Jane. We've heard from Engineers Without Borders Canada everywhere except in Yellowknife. They were there, but because we were late starting they had to leave.

Turning now to the panellists, welcome. For any of the groups here who have presented submissions prior to August 9, or whenever it was, they are on our iPads, so you will see people looking at their iPads from time to time. The briefs are there and are certainly part of the pre-budget consultation. We thank you for that as well.

Before I start with the first panellist, we'll give you a bit of an idea of where people on the committee come from and what they represent. We're travelling with a subcommittee of the full committee on finance with seven members.

We'll start with introductions. Dan, do you want to start?

• (0855)

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

My name is Dan Albas. I hail from British Columbia. My riding is Central Okanagan—Similkameen—Nicola. I've been to Halifax a number of times. Every time I come here I learn something new, so I'm looking forward to today's panel.

Mr. Tom Kmiec (Calgary Shepard, CPC): I am Tom Kmiec. I'm the member of Parliament for Calgary Shepard. I represent a mostly suburban area.

[Translation]

Mr. Alexandre Boulerice (Rosemont—La Petite-Patrie, NDP): My name is Alexandre Boulerice. I am the member for Rosemont-La Petite-Patrie, in the Montreal region. It's a very urban riding that is home to mostly small businesses.

[English]

Mr. Raj Grewal (Brampton East, Lib.): My name is Raj Grewal. I'm the member of Parliament for Brampton East, just outside of Toronto.

Ms. Jennifer O'Connell (Pickering—Uxbridge, Lib.): My name is Jennifer O'Connell. I'm the member of Parliament for Pickering—Uxbridge on the east side of Toronto.

[Translation]

Mr. Greg Fergus (Hull—Aylmer, Lib.): My name is Greg Fergus. I am a Quebec member of the Liberal Party. My riding is Hull-Aylmer, located just outside Ottawa.

[English]

The Chair: I'm Wayne Easter, the member of Parliament for Malpeque, Prince Edward Island, which is just across the water a little ways.

To start, we'll go to the Atlantic Canada Airports Association, with Ms. Pasher.

Welcome.

Ms. Monette Pasher (Executive Director, Atlantic Canada Airports Association): Thanks, Mr. Easter.

Good morning. Thank you for the invitation to appear before you as part of the pre-budget consultations.

In 1914, one of the early English pioneers of aviation, Claude Grahame-White, forecasted this:

First Europe, and then the globe, will be linked by flight, and nations [will be] so knit together that they will grow to be next-door neighbours.... What railways have done for nations, airways will do for the world.

Fast-forward a hundred years, and I think truer words were never spoken. Aviation has created a much more global world. Airport runways have quickly become the main streets of many of our towns and cities throughout Canada. Airports and air travel are so important to trade and economic growth here in Atlantic Canada, and I'd like to touch on that as well as discuss some of the challenges that our region faces.

First, let me start by saying thank you to this committee for your support for our 2017 budget submission. Our region's airports are very pleased that progress was made, particularly on the infrastructure funding file for eligibility for small national system airports across Canada. The Government of Canada's new national trade and transportation corridors program allows all airports to apply for funding, which is a big win for us. For several years, six of our small national airport system airports, four of which are located here in Atlantic Canada, were not able to apply for any form of federal

funding support. They are now finally eligible to access federal funds to improve safety at their airports.

Our region's airports move nearly eight million passengers per year. That's three times the population of our region. That number has grown by about 22% over the last decade, and this year that growth has continued. We're already seeing an increase of about 3%. With that growth, it's imperative that we continue to maintain, improve, and invest in infrastructure at our airports.

The creation of the national airports policy back in 1994 resulted in the transfer of financial responsibility for airports from the Government of Canada to the community. This financial model has resulted in a net transfer of funds from aviation to the Government of Canada, which in 2016, for example, was \$344 million in the form of airport rent.

Only a small fraction of those funds contributed to government go back into the aviation system. In fact, in 2016 approximately 10% or \$38 million was invested through the airport capital assistance program, which is set up to support 200 small airports across Canada. Since 2000, the funding in this program has not changed, while the cost of doing business over those last 15 years, as you can imagine, has risen considerably. The airport capital assistance program needs a dramatic increase in funding support for small airports across this country.

As I mentioned, Canada's airports pay \$344 million a year to the federal government in airport rent. Our Canadian airports are recommending that the government eliminate rent for all airports with fewer than three million passengers, which would amount to approximately \$11 million of the \$344 million paid to the federal government last year. In addition, we would like to see a cap on rent for other airports, so that it no longer continues its upward climb. Airports are closed-loop systems, and any reduction in rent would be passed on through lower airport charges and debt requirements.

Lastly, one of the main issues travellers are faced with in Canada today is increased wait times. There is a need to raise service level standards for screening and reduce wait times without increasing fees charged to air travellers. This can be accomplished through a more productive system and improved service standards and by expanding the adoption of new innovations, which do exist. We are pleased to see that some progress has been made.

Just under a year ago, Minister of Transport Marc Garneau committed to look at the CATSA governance model to make its funding more nimble for growing demand and more accountable to service standards. It is our understanding that governance changes for CATSA are now being discussed this fall. We would like to caution you that one size does not fit all across this country for the various sizes of airports.

CATSA currently targets to process 85% of passengers in under 15 minutes, which means that about 10 million travellers are waiting anywhere from 16 minutes up to an hour, and even this target is inadequate from a global competitiveness standpoint. Yet we understand from our Canadian airports that CATSA is not even consistently meeting that target.

● (0900)

Canada's largest airports are already having to spend millions of dollars to top up a service that travellers are already paying for through the air travellers security charge. These customers should not have to pay twice.

While CATSA's future governance is being evaluated, we need to ensure that in 2018, CATSA is sufficiently funded to support demand. Allocating all revenue from the air travellers security charge to CATSA screening would be a very good place to start. In addition, we need to move forward on innovation. CATSA-plus is a program that adopts technology and procedural innovations proven in other parts of the world. To date, the program has only been partially deployed at some checkpoints at the four largest airports. CATSA-plus is already helping airports manage summer travel volumes, but deployment to additional checkpoints at these and other airports is stalled pending additional funding.

Thank you for your support in recognizing the important role airports play by allowing national system airports to be eligible for national trade corridors funding. Seven airports in our region have already submitted projects. We look forward to working together on furthering the economic prosperity of our region and this country.

Thank you.

The Chair: Thank you, Monette.

We'll now turn to the Atlantic Institute for Market Studies, and Mr. Navarro-Génie.

Mr. Marco Navarro-Génie (President and Chief Executive Officer, Atlantic Institute for Market Studies): Thank you, Mr. Chairman.

Mr. Chairman, honourable members of the committee, and witnesses, good morning. I'm grateful for the chance to appear before you on behalf of the Atlantic Institute for Market Studies this morning.

Among the greatest killers of productivity are less-than-thoughtful regulations and taxes. In Atlantic Canada the levels of taxation have reached murderous rates and they need reform. For over two decades our research shows that wealth is most productive in the hands of dynamic, creative individuals: entrepreneurs. While government can sometimes be a force of good, it is no replacement for the innovative and entrepreneurial spirit. The more we leave in the hands of entrepreneurs, the more productive we are likely to become as an economy, providing, of course, that public services are delivered well.

Conversely, the more government directly vacuums from the hands of entrepreneurs, the less productive entrepreneurs can be. Reforming the tax system to take even more away from entrepreneurs seems inconsistent with increasing productivity.

I would like, perhaps, for us to consider a couple of things. Even some of the proposed reforms.... I know the whole thing is in flux at the moment. Rural businesses, as the chair would know well, are regularly family businesses and they are likely to be detrimentally affected by some of the rules as they are proposed and changed, even while they're being changed.

We accept that the tax code needs reform and income tax sprinkling might be an issue to address in specific contexts, but the nature of the family farm, for example, is that the family is involved. Greater clarity in terms of what exactly it means to be engaged in the family business, in a farm, in a family restaurant, and generally speaking in the agrifood business, is welcome. The new rules, as they were proposed, largely disadvantage rural businesses.

In particular, these new rules as they were conceived may also have an enormous impact on business succession, which is a significant problem in our region and has been on the radar of local governments for quite some time now. As one of our senior fellows has recently pointed out in a newspaper publication, more farms in Canada have become incorporated, even though there are fewer farms, in order to encourage the next generation to take up farming. The new rules impair the efforts of regional governments in reversing rural decay in Atlantic Canada, so this is crucial for us.

When a family-run restaurant, farm, or grocer decides to retire, the proposed rules make it significantly more difficult for a family member to take over the business. We risk vaporizing strong efforts by the regional and local governments to find solutions to what essentially could be a succession crisis in the years ahead. Often because these are small family businesses, they are not likely to be bought by outside investors or foreign corporations, so family succession is the best option available. When people walk away from businesses, important wealth disappears from smaller communities, undermining productivity and undermining at the same time rural communities in this region.

Similarly, our own chair of the board has recently pointed out in another publication that the nature of the start-up sector in our region, which is a growing sector in all Atlantic provinces, risks being negatively affected. Start-ups often rely on investments from friends and family. Under certain aspects of the new rules, as he pointed out, "gains made by family members who invested in helping get the business started would be taxed at the highest marginal rate. This is more than twice the rate that the same individuals would pay in the event they invested in any public company."

Ironically, Mr. Chair, the technologically advanced sector of our economy is greatly responsible for developing tools and techniques that would increase our productivity.

Finally, Atlantic Canadians already live in the most taxed region of the country. Mark Milke recently calculated for our institute that people pay 30% more in the lowest-taxed Atlantic province, which is New Brunswick, than in the least-taxed non-Atlantic province, that being Manitoba, and double that of a similar family in Saskatchewan. The comparison between Newfoundland and Alberta is off the scale.

The proposed changes, unless carefully reconsidered, will only make the existing problem of the region's existing high taxes even worse. As a whole, the Atlantic Canadian economies and the Newfoundland economy in particular, given its current fiscal troubles, cannot afford to be sending more money to Ottawa in indiscriminate ways.

•(0905)

The tax code needs reform, to be sure, almost as badly as there is need for disciplined federal spending. Rushing through, as the government appears to be doing, without carefully evaluating potential negative consequences, will harm productivity in two major ways.

First, botched jobs always need redoing, and doing things twice is always less productive. Let's measure twice and cut only once.

Second, impairing succession, or making investment more difficult to flow into the start-up sector at crucial moments in its cycles will deprive our Atlantic economies, rural and urban, of vital oxygen, and will set us back on the fragile progress being made on these fronts throughout the region.

To sum up, while reform is needed, virtually confiscating capital from small entrepreneurs will not improve productivity in this country, and surely not in this region.

Thank you.

The Chair: Thank you very much, Marco.

We're turning to the Canadian Worker Co-operative Federation, and Ms. Corcoran.

Ms. Hazel Corcoran (Executive Director, Canadian Worker Co-operative Federation): Thank you very much for inviting us to appear before your committee.

Worker co-ops are inherently more productive than other business types because they make workers into business owners. They are also longer lasting than other business forms. We've quoted various studies in our brief that provide evidence for this.

I have four main points to present to the committee. The first is on business succession using co-operatives. As previously mentioned, a wave of business owner retirements is coming, estimated to be about half a million in Canada. This is only now starting, and the issue will be most acute in rural areas. Many companies risk closure, as a result of which thousands of jobs could disappear. However, the employees of these companies could mobilize to save their jobs and their communities by creating worker and other types of co-operatives. It's another way beyond family business succession.

This is why our federation, along with Co-operatives and Mutuals Canada, has submitted a joint proposal for a support program for co-op business succession so that Canada can maintain more locally owned jobs and services. This approach can also help to increase salaries, helping to strengthen the middle class.

The Careforce home health care worker co-op in the Annapolis Valley is a great example of this potential. When the owner there decided to look at the options for succession nine years ago, there were about 20 workers. A worker co-op was then formed to purchase the business. The co-op has been profitable every year, now has about 80 employees, and has received numerous business awards.

The second is on the need for a RRSP program adapted for employee entrepreneurs. Unfortunately, a change was made in budget 2011 that hurt the capacity for co-ops to capitalize themselves through member investment. The measures on self-directed RRSPs

in that budget rendered co-op shares ineligible for RRSPs by members who hold more than 10% of any class of shares in the co-op. If an individual is affected, there are very high penalty taxes. We believe that these provisions are unfairly putting jobs in co-ops at risk. We further believe that the old limit of \$25,000 should be adjusted for inflation.

The third is on distinctive tax treatment for indivisible reserves in worker co-ops. An indivisible reserve in a worker co-op is property owned by the co-operative that cannot be divided among members as is typical in non-profit societies. Because indivisible reserves cannot be cashed out by members, they provide long-term investment capital that supports the longevity of the co-op and more clearly demonstrates the community benefit of the co-op. Such a reserve can be created either because it's required by law, as in Quebec and Newfoundland, or because the co-op decides to adopt it, which is the case in other jurisdictions. Providing distinctive tax treatment for such reserves would be fair because the co-op would be receiving a benefit for its commitment to community, reflecting the same logic that says that non-profits are not taxed on their surpluses, and also because co-ops generally cannot access a capital gains tax exemption.

The fourth is on co-operative capital. One of the key differences between co-ops and other corporations is the role of capital. In a co-op, capital is simply one of the tools required to achieve the goals of the co-op. Under most co-op acts, capital receives a limited return and most shares have par value, so that there is no potential for capital gains. In seeking capital, emerging co-ops have two barriers that conventional corporations do not face. First, the democratic structure and the limited returns on capital mitigate against the usual sources of venture capital, which seeks significant control of the enterprise. Second, because co-op par value shares do not generate capital gains, members don't receive the same taxes they do from the government to reinvest in their enterprises.

To help address these barriers, Co-operatives and Mutuals Canada announced just yesterday the creation of a \$25-million Canadian co-op investment fund, or CCIF, funded by co-op sector contributions, including from our federation. CMC is requesting a federal contribution that would give the fund the capacity to meet more of the needs of emerging co-ops in Canada.

I would urge the committee to recommend to the government an investment on a matching basis in the fund. We note that better resourcing of this fund could fit well under the federal social innovation and social finance initiative being developed by ESDC. We urge the government to adequately fund this social innovation initiative and to equip it to resource entities like this fund.

Thank you for the opportunity to present.

●(0910)

The Chair: Thank you very much.

We'll turn now to the Halifax Chamber of Commerce. Mr. Sullivan and Ms. Conrad, welcome.

Mr. Patrick Sullivan (President and Chief Executive Officer, Halifax Chamber of Commerce): Good morning. My name is Patrick Sullivan. I am the president and CEO of the Halifax Chamber of Commerce. The Halifax Chamber of Commerce is a best-practice business advocacy organization that continuously strives to make Halifax an even more attractive city in which to live, work, and play. Together the approximately 1,600 member businesses and their over 65,000 employees act as a single, powerful voice, through the chamber, to promote local business interests.

With all due respect to the members seated here today and their constituencies, I would say Halifax is one of the most economically dynamic cities in the country. Recently, innovation minister Navdeep Bains named Halifax as the winning Atlantic region for our ocean supercluster, incorporating digital technologies and aquaculture, fisheries, offshore oil and gas, and clean energy.

Nova Scotia is a province rich in history and culture, and together with our drive for prosperity through our multitude of educational institutions, economic sectors, and—as mentioned—superclusters of innovation, we continue to strive to make Halifax a vibrant and successful community. We appreciate the opportunity to address the House of Commons Standing Committee on Finance today.

What we tried to do was address the specific questions that the committee presented. The first question was, “What federal measures would help Canadians to be more productive?”

Halifax is facing a significant challenge to generate a talented workforce that can not only replace the number of current employees who will be retiring over the next few years, but also provide for future growth in our business community and address our aging population. Our province, and subsequently our country, cannot be completely productive without a full labour force driving economic growth, ensuring that Canadians, particularly those from under-represented groups, have the skills they need to participate productively in the modern economy as a critical part of building the labour force our region will need to succeed in the future.

The federal government plays a key role in skills training in Canada, and it is important to ensure the existing programs provide effective training to Canadians. As well, Nova Scotia has struggled to retain its youth and recent graduates in recent years, compounding our demographic challenges of building a productive workforce. To address this, the federal government could continue to increase supports enabling youth and recent graduates to take better part in experiential education opportunities. We define “experiential education opportunities” as opportunities for youth to participate in co-ops, internships, and anything that puts them in the workforce prior to graduation and then provides them with better skills to obtain a job at graduation. This would help prepare them for the workplace and increase labour force attachment and retention, thus replacing those retiring with highly skilled and educated graduates.

Halifax is a hub for innovation. As mentioned, it was recently named an oceans supercluster. That continues to provide our

province with productive and competitive resources and employment. The government has taken the initiative to invest in Nova Scotia's clean technology sector, as well as the oceans sector. We ask that the government continue to invest in other sectors, such as life sciences, and more specifically in preventive health care, which can increase workplace health and in turn workplace productivity.

The second question was, “What federal measures would help Canadian businesses to be more productive and competitive?”

When we speak to our members, the overall tax burden, as Marco mentioned, is a constant source of frustration and a deterrent for business productivity, especially now that the federal government has taken actions to make changes to the corporate tax policy. These proposed changes have caused undue stress for individuals, as they leave many with uncertainty for their business future. That uncertainty has now been going on for four months and is expected to continue.

The proposed changes may have a significant impact on Nova Scotia's economy, and more specifically on small businesses and entrepreneurs both within Halifax and—again as Marco mentioned—in the rural areas. These changes could raise taxes, increase the administrative burden on SMEs, harm gender parity, and have negative impacts on family-run businesses. These tax changes may reduce the productivity of business in Canada. Many individuals may delay or are already delaying important decisions, or will choose not to go into business at all.

While we were very pleased to hear yesterday's announcement—the October 16 announcement on the reduction in small business taxes to 9% by 2019—we urge you to think about the consequences that the uncertainty is having on Canadian business productivity and global competitiveness.

We've heard that additional announcements are coming this week on topics such as income sharing and transitional impacts, which will undoubtedly have an impact on our members in Halifax. Additionally, reducing regulation, providing timely customer service, consulting the business community early in the regulatory process, reducing red tape, and continuing with fiscal responsibility will help make life easier for business.

●(0915)

Ensuring that Canada has the transportation and information technology infrastructure required to participate fully in the global economy is critical for productivity and competitiveness. Investing in trade-enabling infrastructure and improving the ability of companies in our region to export their products and services around the world is a key productivity goal for business and will help communities across the country.

Thank you very much.

The Chair: Thanks very much, Patrick.

Turning to the Prince Edward Island Fishermen's Association, we have Mr. Avery and Mr. MacPherson.

Mr. Ian MacPherson (Executive Director, Prince Edward Island Fishermen's Association): Thank you very much.

I would like to thank the chair for the opportunity for the Prince Edward Island Fishermen's Association to present to the Standing Committee on Finance this morning.

My name is Ian MacPherson, and I'm the executive director of the PEIFA. Today I'm joined by Captain Craig Avery, who has over 40 years of experience in the commercial fishery, harvesting species such as lobster, tuna, and herring.

In terms of the mandate of the House of Commons Standing Order 83.1, we would like to expand on item two, which asks what federal action would assist businesses to meet their expansion, innovation, and prosperity goals, and item three, which asks what federal measures in rural or remote communities would encourage expansion and prosperity in serving domestic and international customers. This all ties in with the question around improving productivity.

The PEIFA represents the interests of 1,288 independent businesses on P.E.I. The association is dedicated to making positive changes in the fishery so that current and future generations can remain active and financially viable in the fishing sector for many years to come. As a side bar, we would like it noted that we strongly support the federal government's current position of strengthening the language around owner-operator and fleet separation policies and putting these policies into permanent legislation. Each of our owner-operator captains has significant financial investment in their fleets, which translates into a direct connection with our fishery and the desire to improve it.

Our fishery, along with agriculture and tourism, is one of the three top economic drivers of the Prince Edward Island economy. Proportionally, the fishery on P.E.I. contributes the highest percentage to provincial GDP than any other fishery in Canada. Our focus today is the reduction of licences under a fleet sustainability program as an effective way to increase the financial viability of fishing fleets.

The reduction of greenhouse gas emissions is also a key component of this program. One of the most impactful and effective methods to improve our multiple species fisheries is the permanent retirement of licences that allow those who want to exit the fishery the ability to do so in a dignified and planned manner.

In addition, a fleet sustainability program would reduce fuel consumption and the amount of gear in the water. This past summer has shown that conditions can change rapidly in our coastal ocean environments. Many times our fishery has been the subject of crisis management. We welcome the recent Atlantic fisheries fund that will assist in funding projects in technology, infrastructure, science, and marketing.

The PEIFA, in conjunction with Fisheries and Oceans Canada, has been one of the leading organizations in Atlantic Canada in fleet reductions. In the past five years, the P.E.I. fleet has retired 59 lobster licences, and over 44,000 traps have been removed from the water, resulting in increased catches for many harvesters and increased

economic viability. Positive environmental impacts were also significant in the reduction of carbon footprints by having fewer boats make fewer trips while using less gear on the water.

The PEIFA and DFO program is an effective, proven, and implementation-ready program that can be applied to other species. However, to make a significant impact, hundreds of groundfish and tuna licences need to be retired over a much shorter period of time. This can only be achieved by an injection of additional funding to complement the financial resources that the PEIFA is now allocating towards this program. An overall contribution of \$3 million towards the retirement of groundfish licences and \$7.5 million towards the retirement of tuna licences would have a significant and positive impact on these fisheries. A 50% reduction in 872 groundfish and 360 tuna licences would achieve the impact that is required to put these fisheries in line with available quota.

From an environmental perspective, fuel reductions in tuna alone would be as follows. On average, 200 to 400 litres of fuel are consumed on an average trip. The reduction of 180 trips per year would result in reduced fuel consumption of between 36,000 to 72,000 litres annually based on each boat making one trip to catch fish. A more realistic projection would be three to five trips per boat, which would reduce fuel by between 108,000 and 360,000 litres per year.

All active licences have been issued by the federal government, and we are seeking the assistance of the federal government to help bring back balance to these targeted fisheries. This type of streamlining has taken place in the past in other sectors, such as tobacco and hog production in the agricultural sector.

● (0920)

In summation, the Canadian inshore fleet is a key component of both provincial and national export-growth strategies. With increased efficiency and economic viability of the inshore fleet on P.E.I., these growth strategies would be attainable for Prince Edward Island, the federal government, and the people of Canada.

Thank you.

The Chair: Thank you, Ian.

From the Canadian Cable Systems Alliance, we have Mr. Edwards, vice-president.

Welcome.

Mr. Chris Edwards (Vice-President, Regulatory Affairs, Canadian Cable Systems Alliance): Good morning. Thank you for your invitation to appear today.

I'm Chris Edwards, vice-president of regulatory affairs with the Canadian Cable Systems Alliance, known as the CCSA. CCSA represents some 125 cable, telephone, and Internet companies that serve more than 1,200 communities from sea to sea to sea. Our members are community co-operatives, family-owned businesses, municipalities, and first nations. They provide communication services to rural and remote communities throughout Canada, including across the north.

CCSA has been very pleased to see that the government's \$500-million "connect to innovate" program has focused on providing broadband transport connections to rural and remote communities and that it has also included funding for last-mile network builds. That is the right approach. We need to build the main connections and then encourage local entrepreneurs to expand networks out from those connections.

We recommend that the government continue to expand the connect to innovate funding program. Many more dollars are needed to meet the ultimate objective of connecting all Canadians regardless of where they live. Expansion of the program would be a strong step toward accomplishing that goal.

Our key point today is that our members already operate networks that extend broadband service to Canadians at the edges of the existing terrestrial network. They are a vital and necessary component of a national broadband strategy.

Canada's fiscal policy should support the government's objective of extending broadband service to all Canadians. That policy should leverage the existing networks, skills, and entrepreneurial drive of these locally based companies. Current government funding programs provide only for capital building costs. However, ongoing operational costs often present just as great a hurdle to network extension as the capital investment required does. As an example, capital project funding may enable a small cable company to extend its physical network to 250 new homes. However, the increased monthly wholesale cost of the additional broadband capacity needed to serve those new customers may still make the project unviable. There's no point in building an unsustainable network.

For that reason, it's important to consider how smaller companies that are willing to extend and improve their networks can be supported on an ongoing basis.

That leads us to recommend that the government should consider lowering the capital gains inclusion levels and the income taxation rates that apply to small businesses like those our members operate. In our written brief, we also recommended a reduction of the business income tax to 9%, and we were very pleased to see yesterday's announcement of that initiative.

We recognize the revenue implications that such measures have for the government. For that reason, we favour targeted measures that relate directly to the successful execution of a national broadband strategy. As an example, small companies that invest in network improvements and extensions could be allowed to recover sales tax rebates for the equipment purchases they make to do that. Similarly, there could be a sales tax rebate for the wholesale purchases of transport capacity that these smaller companies must make.

What we ask then is that government consider how targeted fiscal policies might be coordinated with and used to support Canada's broadband strategy. We ask that the government, in making such policies, recognize the vital role that local entrepreneurs with existing networks and expertise can play in achieving Canada's broadband goals. We ask that those policies recognize the special ongoing economic challenges of sustaining networks in often rugged, spread out, and thinly populated areas.

The extension of broadband infrastructure and service to all Canadians is a critically important but daunting task. It requires efficient application of all the resources we can bring to bear. Locally based independent communication companies are an important existing resource. Canada's fiscal policy can and should be used to unlock the great potential such companies have, which contributes to the success of Canada's goals for a modern digital economy.

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

● (0925)

The Chair: Thank you very much, Chris. I can't help but think the one thing any of us who are rural MPs gets is lots of complaints on the speed of the Internet in rural areas, so there will be some questions on that, I'm sure.

I know the P.E.I. Fishermen's Association has a flight to catch, so we'll go to the first round for each party and then we'll open it up for anybody else who has questions for the P.E.I. Fishermen's Association at that time so they can leave.

We'll go to seven-minute rounds.

Mr. Fergus.

[*Translation*]

Mr. Greg Fergus: Thank you all for your presentations. I thought they were very insightful, and they will be very useful to us for making recommendations to the Minister of Finance.

Mr. Navarro-Génie, I have a point of clarification. You said that tax rates have historically been very high, but it seems to me that it's quite the opposite. Governments are increasingly reducing tax rates for businesses and for individuals. Could you comment on that?

● (0930)

Mr. Marco Navarro-Génie: Yes, Mr. Fergus.

Thank you for your question.

I was not referring to a historical dynamic, but rather to a calculation we just did, a few days ago, concerning only three factors: personal income, fuel revenue and consumer product tax rates. When we put all that together and take into account regions across the country, we note that the Atlantic provinces are the most taxed provinces in the country. The outrageous thing is that the province with the lowest taxes in that region, New Brunswick, is taxed 30% more than the least taxed province in another region.

So we are not really comparing Newfoundland and Labrador—the most taxed province of the region—and Alberta. The disparities are so wide that comparing them is impossible, or nearly. I tried to show that, if we compare very conservatively the least taxed province of the Maritimes and the least taxed provinces elsewhere, there is a great disparity.

Mr. Greg Fergus: I don't want to get into a debate with you, but I recommend that you choose your words more carefully because earlier, you said, "reached murderous rates". That implies that tax rates are increasing. That said, I understand you when it comes to comparing the most taxed provinces with the least taxed ones.

We can say that taxes are nearly at the lowest level in Canadian history, especially when we compare them with those of 50 years ago, when tax rates for the highest incomes were much higher than today.

Mr. Marco Navarro-Génie: I don't have the figures going back 50 years, but it seems to me that what you are saying is not right. Fifty years ago, people were not paying as much tax compared with....

Mr. Greg Ferguson: Mr. Navarro-Génie, I assure you that it is quite the opposite and that I am right. We won't argue over that. I think that a few of my colleagues can confirm that the tax rate for the highest incomes in Canada is much lower than it was for past generations. We could debate tax rates in Newfoundland and Labrador to determine whether they have dropped enough to be similar to those in Alberta, but we cannot deny the fact that income tax rates are much lower than they were for past generations.

Mr. Sullivan, I have a question for you. You mentioned the importance of providing young people with work experience, while they are studying, so that they would contribute to the economy, be it in the private sector or in a non-government sector. I know that, in Nova Scotia, you have a number of universities and colleges and that post-secondary institutions are amazing. Can you talk to us about the efforts made by institutions to establish partnerships with your organization or with businesses in order to provide young people with experience?

[English]

Mr. Patrick Sullivan: We are working closely with the post-secondary institutions, particularly the community colleges, at this point. Our strategic plan has experience, so experiential learning, as a key component for our building the skilled workforce and the new economy. We have a task force that is working closely with the community colleges and has representatives from a number of the local universities, and we're seeking ways to provide that experiential learning to our students.

Part of the problem we have is the number of available programs. Even if we just list the programs, it goes three, four, five pages. It's very difficult to narrow it down so that students find the relevant programs and opportunities available to them. We're working to provide greater information for our 1,600 employers and for the post-secondary institutions so that they can reduce the list to have only the most effective programs available to their students. Those are a couple of the things we're doing.

It's a fairly new initiative. We've been working on it for a couple of years, but there's a general agreement among the post-secondary institutions that experiential learning is a key component for the students. Just next week, for instance, there's a full day on co-operative education that many of the post-secondary institutions are putting on, which will be available for employers in the community as well.

Does that answer your question?

• (0935)

[Translation]

Mr. Greg Ferguson: Yes, somewhat.

[English]

Am I out of time?

The Chair: You're out of time.

Dan.

Mr. Dan Albas: Thank you, Mr. Chair.

Thank you to all the witnesses for your testimony here today. It's wonderful to see a variety of different views on how we can make things better for the economy particularly.

AIMS, every policy at any level of government ultimately has a trade-off. You're choosing one thing over another when you make a decision. Is that correct?

Mr. Marco Navarro-Génie: I suppose that's true.

Mr. Dan Albas: Okay. You have talked about demographics, taxation levels. I'm going to start with demographics and work there.

Obviously, we've heard today from a number of different groups that demographics is causing more and more concern. Would you say that's correct?

Mr. Marco Navarro-Génie: In Atlantic Canada the problem is even more acute than in the rest of the country.

Mr. Dan Albas: Yes, so you're on the thin edge of the wedge when it comes to our aging demographics.

Mr. Marco Navarro-Génie: Correct.

Mr. Dan Albas: Where I'm going with that is that the government made a decision a few years ago that it would lower the eligibility for old age security. Now that ultimately means that government is going to be spending more at the federal level to deal with aging demographics. To pay for that, it has to be able to get the money from somewhere.

You have raised the question of taxation, that taxation levels are already prohibitively high and it's going to be less productive because of these proposals like the small business tax changes. Is that correct?

Mr. Marco Navarro-Génie: Yes, sir. I find the reference of 50 years quite telling, because 50 years ago more or less we had a federal minister who proposed more or less similar changes to the tax code, an MP from Cape Breton, Mr. MacEachen, and those were reversed.

The compounding effect of higher taxes is a problem for a receding demographic, and the demographics essentially have three negative points. One, in the last couple of years in all but one province in the region we have more people dying than are being born, so the natural replenishing factor is receding.

Two, we also have more and more young people leaving the region looking for opportunity elsewhere, and this by and large is policy driven. For example, this is a region that is wealthy in resources, yet we have all kinds of policies and regulations against the exploration and the commercialization of many resources.

Three, more to your point about age and the taxing of the system, more and more Atlantic Canadians are coming back to retire here after spending their better years paying taxes elsewhere. It's not that we don't want them back. It's that when they come back, they come at an age where they are taxing the health system more.

When we look at the fiscal panorama of the region, if we look at health and education alone, within variations they represent between 50% and 60% of the spending of most of the provinces. This is clearly unsustainable.

● (0940)

Mr. Dan Albas: Again, if you have governments that are actually winding down activity, for example, moratoriums on fracking and whatnot, then ultimately there's not the taxation levels to provide those services that are wanted and needed. What happens?

Mr. Marco Navarro-Génie: I hate to make predictions. I'm not a demographer, but it seems to me that it's pretty clear that at some point we'll run out of young people to export.

Mr. Dan Albas: Young people to export...but also, at some point you have to rationalize how you're going to pay for things. You're either going to add more deficits that create more debt, which inevitably is taxes, or on the flip side of that, you end up being where you have to make drastic cuts.

Mr. Marco Navarro-Génie: On that score, I think one point to keep in mind is that the regional governments in Atlantic Canada are being more or less fairly disciplined when it comes to their spending, unlike the federal government.

Mr. Dan Albas: Okay, that's very good.

I'd like to quickly touch on the Internet issue, because you're absolutely right, Mr. Chair. I represent a rural area and I met with a councillor in Logan Lake. She runs a café, and she told me she actually had to give most of her clients who came in for a coffee.... She said they wanted to pay by Interac but she couldn't get it uploaded because the Internet wasn't at a high enough speed to be able to take it, for whatever reason. This is costing small business people in rural areas.

You suggested that the federal government could participate more. I see that more provincial governments are investing in urban areas, like in British Columbia. That's where the programs and money seem to be going. The federal government seems to be waiting for large corporations like Telus to come to the table to help on these kinds of matters. Should there not be some sort of alignment between provincial spending on Internet broadband access and the federal government's?

Mr. Chris Edwards: The short answer is absolutely. This is something we've said to the CRTC. We've said it to government as well.

When we look at this, first of all, it's a huge challenge to connect all Canadians. It's a vast geography with a really thinly spread out population. When you think about that, there's probably not enough money to do it all very quickly, so you have to use what you have very, very effectively. To us, that means you absolutely need to coordinate not only among the federal and provincial governments, but among the municipal authorities as well.

What we have is various levels of government funding different levels of projects, often with different speed and quality of service targets. To us, there appears to be some lack of coordination there. We think a national broadband strategy should involve bringing all the authorities together. It's a very difficult task to do, but at least we should be setting some standard speed targets, quality of service targets, things like that, and also some coordinated criteria, I guess, around where the priorities for funding are.

I absolutely agree with that comment.

The Chair: I am sorry, Dan, you're out of time

Mr. Boulerice.

[*Translation*]

Mr. Alexandre Boulerice: Thank you, Mr. Chair.

Off the top of my head—we could look this up—the tax rate for large companies and large corporations in Canada was 38% in 1983, 28% in 2000 and 15% in 2012. So it has been trending downward. Provincial and municipal governments also have their say on the matter afterwards.

I would like to thank everyone for being here today.

My first question is for the representatives of the Canadian Worker Co-operative Federation. I also want to thank them very much for their presentation.

This is not only because I am from Quebec, but I am very committed to co-operatives, as is my political party. That commitment is not only the result of values, but, as you so aptly pointed out in your brief, it also has to do with effectiveness. The survival rate of co-operatives is practically double that of other companies, and staff turnover is much lower because people are engaged in a process that is their own.

In my riding, worker co-operatives are established every summer for students. They learn to provide quality customer service and to work, and they also learn about democracy, co-operative management, self-management and compromises to be made, if necessary. I think that is a very attractive model, as it is different from the public model and the private model.

You raised an interesting point when you talked about capitalization when a co-operative is being launched or created, as well as problems caused by the changes resulting from budget 2011. Those changes concerned the ability to use RRSPs and the caps. You are proposing that the cap be increased, from \$25,000 a year to \$37,000 a year, if I remember correctly.

● (0945)

Ms. Hazel Corcoran: We are proposing that it be increased to \$37,500.

Mr. Alexandre Boulerice: Thank you for the clarification.

Have you assessed the consequences of that increase on the federal government's revenue? Is that measure inexpensive or very expensive for the government?

Ms. Hazel Corcoran: In the context of worker co-operatives, that measure would not be very expensive. If that measure was open to all types of co-operatives, it would be more expensive. I don't have the exact figures, but that is how I would explain it

The risk is that it will make the capitalization of small co-operatives more difficult.

Mr. Alexandre Boulerice: Right now?

Ms. Hazel Corcoran: Yes, that focuses more on small co-operatives. That's one of the reasons why I say that it would not have a major impact.

Mr. Alexandre Boulerice: Thank you very much.

Mr. Edwards, at a different point in my life, I represented cable companies' workers. I think that industry is currently suffering from unfair competition.

How would you qualify the situation of the cable companies you represent? Are they growing, experiencing difficulties or are they stable?

[English]

Mr. Chris Edwards: First of all, there has been tremendous consolidation in the business. When I think of our member companies as broadcasting distributors, which is television, they are very much up against huge media conglomerates now. There is tremendous upward pressure on the pricing for television programming, particularly sports.

It's to the point now where I think many of our members are close to treating broadcast television as a loss leader. The part of their business where the margins are is the Internet business now, and when you marry that with the idea that there are new disruptive technologies like Netflix, Apple, Amazon, and these companies coming, we don't know what that will look like. More and more of our members will be operating as Internet companies that are carrying content as opposed to broadcasting distributors in the regulated system.

It's a very challenging business on the broadcast side.

[Translation]

Mr. Alexandre Boulerice: You may not be surprised to hear my second question.

Do you think it is fair that American companies like Netflix don't have to impose the goods and services tax, or GST, on their Canadian clients, while the people you represent have no loophole or exit strategy? What kind of an environment does that create?

[English]

Mr. Chris Edwards: My response to that is that the people I represent are not competing with the Netflixes of the world, so that's an issue that the broadcasters may find an unfairness with, not so much us.

Our future on the broadcast side of the business is to find ways to become aggregators who help their customers navigate the tremendous amount of content that is becoming available from all sources.

[Translation]

Mr. Alexandre Boulerice: Mr. Sullivan, thank you very much for your presentation.

I don't want to get into any one-upmanship to find out which city is more dynamic. I am very pleased if Halifax is doing well since I love the city.

The challenges you have raised about the training of the workforce are experienced everywhere, in all the provinces and all regions of Quebec. We don't have a real need for unskilled labour. However, all the companies are telling us exactly the same thing, that they don't have semi-skilled or highly skilled labour. There's a labour shortage across the country, mainly when it comes to vocational employees and tradespeople, such as plumbers, welders and electricians.

What would you like the federal government, jointly with the provinces, to do to increase the supply of on-the-job workforce training? As we know, this is both a federal and provincial issue. In your opinion, what could we do better as a federal government?

● (0950)

[English]

Mr. Patrick Sullivan: I think there are a few things. Number one, rationalize the number of programs that are available to make it easier for both students and employers to find those programs. That would go a long way. Make those programs more visible through co-operative efforts with organizations like us.

We're very enthusiastic about getting that word out to our members. We don't charge for communication if it benefits our members, so we would be very excited about getting that information out to our members, and better programs in perhaps targeted areas. You mentioned plumbers and electricians. I don't know if there are shortages in those particular areas. I'm sure there are in various areas of the country.

Nova Scotia has a very strong community college program, but if we looked at some of the specific areas that will be in shortage in the coming years, it would be very beneficial to perhaps ramp up the programs for those shortage areas.

The Chair: Thank you, all.

Before I go to Jennifer, does anybody have any questions for the P.E.I. Fishermen's Association?

Ms. O'Connell.

Ms. Jennifer O'Connell: Thank you, Mr. Chair.

Thank you for your presentation.

You didn't mention small craft harbours, but is this something that has come up? The chair has even recommended that I get some feedback, because this came up in yesterday's panel as well as from some of my colleagues. I'm wondering if you can comment at all on small craft harbours and the needs you might see that we should consider for the pre-budget consultations.

Mr. Craig Avery (Director and Past President, Prince Edward Island Fishermen's Association): Mainly, it's the harbours on P.E.I., and I'll speak for the driving force behind the fishing industry on Prince Edward Island, which probably represents well over \$1 billion with the processing sector and the infrastructure we need there.

I think we have 40 active small craft harbours on P.E.I. Some of them are in good shape, but others need a lot of dredging. You can talk to the chairman about that. He gets lots of calls every spring, when his boats are all aground trying to get out of his harbour.

It's definitely very important in Atlantic Canada. I spoke to a friend of mine from Cape Breton, Osborne Burke, who will be giving a presentation later. I'm not going to start going into his presentation, but he has a lot of information on that. It basically covers all of Atlantic Canada.

Ms. Jennifer O'Connell: I don't know if it would be appropriate, but maybe that could be shared if there is any additional information in terms of this issue.

One of the things stated yesterday in Newfoundland was the suggestion—and I'm paraphrasing here—to do somewhat of an overall review. Maybe some harbours are not necessarily utilized. It's not that they are being maintained for no reason, but are there other areas where they could be better maintained if they are more vital in that particular area. Do you have any suggestions? Is it just a funding issue in terms of needing more, or is it an assessment of the funding and the allocation of where it's going?

Mr. Craig Avery: I definitely think an assessment would be good. If you look at harbours on P.E.I., for instance, you see there are harbours with maybe 15 fishing vessels and there are others with 200. A review to see where the funds are going would definitely be good. As I said, of the 40 active harbours on P.E.I. that are small craft harbours that you would be looking after, I think most of them would be used for the fishing industry. Maybe 10% is recreational use.

A review would definitely be helpful to know that the dollars are going to the right place. As I said, if you have eight or 10 vessels in a harbour, it's important that it's maintained. If, at the same time, you have a harbour that is using 200, it needs a lot more infrastructure. If you have a harbour where all the fish are coming into that particular harbour, they're going to need more infrastructure to keep that harbour active.

• (0955)

Ms. Jennifer O'Connell: My second question, again, is not directly to your comments here today but following up on yesterday in Newfoundland, where the conversation was around taking a value-added approach. With climate change and declining resources, or having one great year and then the next year not so much, the conversation really focused around changing the model to look at a more value-added approach, whether it's fish or whatever is caught, so that you are utilizing every aspect of that.

Are you having that same conversation in P.E.I., understanding that there might be differences in terms of how much you can utilize? Are you having that conversation in terms of the long-term sustainability?

The Chair: That's the Iceland model, Ian.

Mr. Ian MacPherson: I think from our perspective there's a lot of opportunity out there. One thing we have said in the past is that in a typical Canadian household most people wouldn't consider having lobster on a Tuesday night, while they would consider a whole other range of similar proteins and other fish. I think there is lots of opportunity there.

Obviously, we want to reduce wastes and maximize return as much as possible. As well, part of what we talked about here today was the dialogue of rationalizing, or helping the fleets to be more efficient on the water. The new program, the Atlantic fisheries innovation fund, is going to look at some things to keep the quality and the vitality of the fish right from the boat to the consumer.

As I said, there are lots of opportunities, and I think, particularly in some of the sectors, there hasn't been a lot done. We have been, for example, processing lobster the same way for many years.

Ms. Jennifer O'Connell: Just to clarify, you would see that investment and that kind of ask for the innovation fund as the bridge to get some of these answers or some of this dialogue happening.

Mr. Ian MacPherson: Absolutely. In our presentation we mentioned that it's an industry that has been governed by crisis management, and I think we need to get away from that. We need to get into longer-term planning. Some of the numbers I talked about here today, yes, seem like big numbers, but we have to start somewhere. I think if we can look at all aspects of the industry, then there's lots of opportunity.

The Chair: We'll come back to you in the regular round, Jennifer.

Does anybody else have any questions for the fisherman's association before they leave?

I just have one. On the retirement of licences on other species beyond lobsters, if there was a program instituted, it would have to cover Quebec, New Brunswick, Nova Scotia, Newfoundland and Labrador, and P.E.I., at least on the eastern end. Is there general favour for going that way, do you know?

Mr. Ian MacPherson: We haven't had a lot of dialogue on that, Mr. Chairman, for a particular species. I think where it get a little complicated is that certain areas have more allocations in certain species that makes a particular fishery more lucrative. We've targeted some species. We'd welcome the opportunity to be a pilot program on P.E.I.

If a program were set up, it should be such that it can be applied regionally to target the species that need to be looked at in a particular region, not just identify one or two and say that the program is just for that.

The Chair: For the Atlantic fisheries innovation fund, some have said there are difficulties with the process. What's the situation there?

Mr. Ian MacPherson: We have a submission in and so far so good. We've met with them. The province seems to be working hard to get this together. Our application is number four. Obviously applications are going in, so we're going to be very positive about it. We're going to be aggressive. There are different areas that we're looking at. We're looking at technology, infrastructure, and science submissions.

I think it has the ability to be a good program, and it's been significantly needed in the industry.

•(1000)

The Chair: Back to the regular round. Jennifer, you have three minutes left.

Ms. Jennifer O'Connell: Thank you.

Ms. Pasher, I remember reading your brief early on, and I appreciated how you answered the questions of our study.

Certainly we've even experienced it ourselves as we're travelling across Canada for these committee hearings in that sometimes when you get to the smaller airports, screening can take longer than what I'm used to at Pearson, which you would assume would take a long time. Do you need more screening so you can process, or is there a difference in the way the CATSA standards are set?

I know that when we heard from different airport associations, they said they are now moving towards CATSA-plus. Could you highlight for me the difference in terms of the processing? Is it just the screening ability or is it something different?

Ms. Monette Pasher: At the bigger airports, obviously, you have the most volume, so the biggest chunk of screening resources goes to those four airports, and then they top them up. They're actually investing and paying additional to what passengers are paying for screening resources. The smaller airports just don't have the ability to invest further in those screening resources, so it is a challenge. The standard is still the same. I think smaller airports also face airline schedules that can be, at peak times of the day, moving people through the system into the hub airports. It can be difficult to keep up with screening standards in those peak times. I think our biggest challenge is that the hub airports do take the largest amount of the resources for security screening across the country.

I think CATSA-plus is something that is a big priority for our airports. It's only at the four largest. They want to expand it. We would love to see it here in Halifax, for example. It needs to be rolled out to more airports across the country. It speaks to innovation. The research has been done. It really improved things this summer as well. We'd like to see that rolled out more. It is a funding issue, and CATSA needs to be able to move forward with that.

Ms. Jennifer O'Connell: Thank you.

Turning to the Canadian Worker Co-operative Federation. I have to admit I don't have a lot of experience with co-ops in my riding, but I just wanted to clarify the RRSP contribution. It used to be a 10% ownership, or up to a \$25,000 cap, but the \$25,000 cap was eliminated, if I read and heard correctly, and you'd like that \$25,000 cap reinstated but adjusted to inflation. Is that to bring it more in line with, let's say, the average Canadian who can invest into their RRSP up to a certain level, or is there something else there that I'm missing that you may want to clarify?

Ms. Hazel Corcoran: Previously in worker co-operatives, which are necessarily at least three people, it was judged that nobody has control of this enterprise, so there was no rule about what percentage of any kind of share you would.... That was a brand new rule that came in for all types of enterprises in 2011. At the time that program was set up, I think it was in the early nineties, any worker co-op could participate in the program as long as any individual member

didn't have more than \$25,000 invested. Then of course those individuals have all the same rules about RRSP ceilings as anyone else does.

The issue is just that it's no longer possible in those small co-ops. You have to have at least 11 people, just by definition, and generally co-ops don't start with that small a number.

The Chair: Thank you, all.

Mr. Kmiec.

Mr. Tom Kmiec: When we're talking about corporate tax I think it's that burden, the total amount you pay as a percentage, that's important. When we talk about property taxes everybody talks about the tax rate. Actually the mill rate is the most important. From my time working for a chamber of commerce that's the most important thing you count on because people have a tendency to confuse the two.

Maybe we'll start with the Atlantic Canada Airports Association. You talked about eliminating the rent for small airports that have under three million travellers. Which airports would that be in Atlantic Canada?

•(1005)

Ms. Monette Pasher: In Atlantic Canada in 2016, five of our airports began paying rent to the federal government, and they are smaller airports: greater Moncton, Gander, Charlottetown, Fredericton, and Saint John. Most of these airports have fewer than 500,000 passengers. It's an additional burden on them, an additional tax that has to be passed through the passengers.

Mr. Tom Kmiec: The land is an asset of the federal government, so how much are we talking about in forgone revenue that the government would give up?

Ms. Monette Pasher: Those airports just began paying rent. If you take the example of greater Moncton, I think they're going to have to pay around \$500,000 a year in rent. It's a big item off their bottom line. Airports are not-for-profits and that's money they can't invest in their runways in order to grow cargo to ship our lobster, for example. It is a significant number for them but it's not for the federal government.

Mr. Tom Kmiec: I have a question about your members. This committee heard in Vancouver, I think it was, that a lot of these airport authorities are not transparent, that they're not accountable to the local community. Sometimes they don't publicly list their meetings or they don't provide minutes. Do your members do that? Do they make it possible for the public to attend and know about the meetings, know about what decisions are being made?

How much transparency is there?

Ms. Monette Pasher: The national system airports operate under the Canada Transportation Act, the national airport policy, and they follow those rules very clearly. The federal government has appointees, the community has appointees, and the airport board is filled with community members. These boards are run by the community.

Mr. Tom Kmiec: Are your meetings public right now in Fredericton and Moncton?

Ms. Monette Pasher: No, they're not public, but the airports issue annual reports and they have a public meeting. In terms of the lease agreement with the federal government, they're accountable to one public meeting a year.

Mr. Tom Kmiec: I'll switch to the chamber now. I used to work for the Calgary Chamber of Commerce, I was their national policy researcher, so I appreciate what you do and I know how hard it is sometimes to analyze the tax changes the federal government is proposing.

You talked about certainty and how important that was for business. We saw a government announcement yesterday that said more news is yet to come. They created uncertainty on July 18. Now they've compounded uncertainty by changing things but not declaring exactly what they would do going forward, and there's also no legislation yet. Have you heard from your members already? What did they expect to see from the federal government?

Mr. Patrick Sullivan: I spent last week with Adam Legge, by the way—

Mr. Tom Kmiec: My old boss.

Mr. Patrick Sullivan: Our members started speaking to us quite loudly in July. It took a little while, I think, for them to figure out what was going on, but they started speaking quite loudly. Since yesterday we've had some communication with our members. Obviously the announcement only happened yesterday at about 12:30 Halifax time, so we haven't had significant conversations.

We have a committee of senior tax partners, to be honest, who are providing us with some guidance on this.

I would say our members are still very concerned. It does look like there will be additional answers this week. However, I believe the communication that came out from Finance was that there will be some information but legislation won't be written until almost January.

Mr. Tom Kmiec: In terms of certainty for the business environment, there is no certainty.

Mr. Patrick Sullivan: There is no certainty at this point.

I'll give you two specific examples, very quickly, of a business that is not being sold right now because of that uncertainty. In one example, the purchaser had planned to purchase and given the current tax criteria had planned to fund the loan based on the tax they would pay. Given that they don't know what that tax would be at this point, they've deferred the purchase and that purchase may take place from a business outside of Nova Scotia, so the five jobs that are involved there would leave Nova Scotia. It's a travel business.

There is another business that's an example. Again, an individual has already purchased 40% of the business and he has the right to

purchase another 60%, in fact, an obligation to purchase it at a price that was set two years ago. He has now chosen not to purchase that additional 60% because he will not be making the amount of money he thought he would be making when he wrote the contract two years ago.

•(1010)

Mr. Tom Kmiec: I was going to ask about this Halifax start-up culture and these small and medium-size businesses that are emerging here. Obviously these businesses need a lot of certainty that they will make back the capital, and a lot of these businesses rely on family members and friends to finance themselves.

Can you maybe talk more about what the impacts would be? In this region of the country, a lot of people finance their small businesses through family. They don't always have angel financing networks to get it done. Can you just expand on it more? You had given a short presentation, but I think there is a lot more there that we could look at, specifically in this tech start-up field that's here in Halifax.

Mr. Marco Navarro-Génie: There is a significant and burgeoning high-tech and start-up field in all four provinces. We have some aero industry in P.E.I. This is all over the place, so it's not just in Halifax, although I think the largest concentration is in Halifax.

We know that it is very difficult for new companies to raise capital and it is more difficult here because, as the numbers show, there is less local capital available in Atlantic Canada. Atlantic Canadians save the least of all Canadians, according to our research, so there is a diminished pool of capital and it is largely dependent—not that this is a good thing—on the largesse of governments.

Removing, or potentially impairing, the ability of members of the family, friends, and so forth to be able to provide capital at different points of what is essentially the development of a start-up is.... We know that sometimes when start-ups have good ideas they can bring capital in, but it's along the way—there are several different stages when they become cash starved as well—when family members often step in there. It is all the more important to be able to maintain that ability so that this vital and burgeoning sector of the Atlantic Canadian economy continues.

The Chair: Thank you, all.

We will turn to Raj, and it's unusual but we will have time for about three more quick questions after that before the next panel.

Mr. Grewal.

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

Thank you to the witnesses for coming here today.

My first question is for the Atlantic Canada Airports Association. We hear you guys loud and clear in terms of investing in smaller airports, and that's why the government made the decision to ensure that all airports across the country could apply for funding.

My colleague asked you about the rent portion, and should airports that have fewer than two million passengers be paying airport rent. My question is more on governance structure. Do you think the government has achieved a balance in terms of how the airports are currently governed?

Ms. Monette Pasher: I think our association views that our airports are run quite well. Even to follow up on Mr. Kmiec's question, they go above and beyond even their boards. They create committees around air service development and noise, and reach out to the communities. They are part of their chambers of commerce, part of the tourism industry association of each province and city, and the country.

I think our airports and boards do quite a good job of reaching out to the community. They are run as not-for-profits, so they essentially are run by the community. They also have committees, with their airline stakeholders, to talk about infrastructure investment. It goes much beyond just the board that operates the airport when you get down to the committee level and all the layers that reach out and consult with their stakeholders.

Mr. Raj Grewal: The previous government did it, and our government is doing a comprehensive review of transportation in this country. In the Emerson report, there was a recommendation that airports be privatized.

What is your association's position on that?

Ms. Monette Pasher: The Emerson report was great, and there are a lot of great recommendations in there.

In terms of privatization, they looked at four different models. Our view, in terms of a for-profit corporation, would be that there are not any airports in our region that it would work for. I think all of our airports have less than five million passengers. Halifax is coming up to that four-million passenger mark.

It would just increase the cost of travel. Some of our smaller airports wouldn't be able to be viable in a for-profit model.

However, there was one of the pieces of the privatization discussion that was around divestiture. I think down the road that's something that our airports could look at. Could they be divested totally to the community so that they are not on federal land anymore? I think there are many of our airports, especially the small ones, that would be open to that discussion.

• (1015)

Mr. Raj Grewal: Thank you so much.

My next question is for the chamber of commerce.

I haven't been to Halifax many times in my life, but it's a lovely place. I was doing some research before I got here, and, surprisingly, you had a pretty decent year in 2017 in terms of the economy. There were a lot of articles on how it's become its own little tech hub out here on the east coast. A lot of people from Toronto are moving here and have great things to say.

How have you been able to create such an innovative atmosphere in this province, and what can the other Atlantic provinces learn from you?

Mr. Patrick Sullivan: I think we have some—I don't know if I'd call them natural advantages—advantages. We have the education facilities. We have a large number of post-secondary institutions. I actually think it's close to.... Well, it's a lot. There a lot of universities in Halifax and across Nova Scotia. We have a disproportionate number of universities. I think that certainly helps.

We have the advantage of lower costs than markets like Toronto, Vancouver, or Montreal that have an enthusiastic start-up culture but are recognizing that the costs of operating a start-up in a major metropolitan are difficult.

We do have support, I will say, given the announcement of the supercluster. We have enthusiasm from the federal and provincial governments on these kinds of initiatives. I think all of these things combined are creating Halifax. It's a seaport. It's a fairly dynamic city, as well.

Mr. Raj Grewal: In terms of population growth, a lot of, I guess, your cousin provinces out here are having issues maintaining an increasing population, which is stunting their economic growth. You have been able to increase your population, actually outpace most of the major cities on a per capita growth basis this year.

Are there any secrets behind that success?

Mr. Patrick Sullivan: We were a beneficiary of the Syrian refugees, and that certainly helped to bump us up.

We did have the largest increase in population growth in Halifax since World War II, so it was significant growth. Halifax is a bubble in Nova Scotia. In Nova Scotia, we are experiencing population declines overall. Nova Scotia did have growth last year, but Halifax had greater growth. We are a major metropolitan centre in this area, and we are attracting growth from the rural areas in Nova Scotia. That is not such great news, to be perfectly honest.

We're also attracting people back to Nova Scotia, as Marco said, with the cost of living in Toronto or Vancouver at a point where people can cash out on a house and purchase a significant dwelling here for certainly less cost. For young people now, the chances of actually building or getting a house in some of those markets is becoming unaffordable. I think that is attracting the youth as well. Last year, I believe, we had less university students leave than we've had in the last 10 or 15 years, which is a wonderful accomplishment.

Mr. Raj Grewal: Absolutely.

You spoke about tax reforms. I get it—

Mr. Patrick Sullivan: You've heard it.

Mr. Raj Grewal: I understand that it has to be clear, predictable, and concise, but at the same time, if you say that government policies are best developed by engaging with the citizens and with stakeholders, I guess it's particularly difficult when it comes to tax policy, because it's hard to put out a proposal to get feedback. This was a proposal, and there was a lot of feedback, and that created uncertainty.

In your professional opinion, how could a government, whether ours or a future government, engage in...because in essence, you're saying that any time a government puts out tax proposals, it's going to create uncertainty.

Mr. Patrick Sullivan: To be fair, when government puts out tax proposals that are legislation, that creates a level at which discussion is a little more difficult. I don't disagree with you. I think it's difficult to have consultation.

That being said, there are many people, us included, who would say the tax policies need to be redone. I don't think anybody would disagree about that. There are many changes that could be made to tax policy, but 75 days of consultation is probably not enough consultation. I think involving experts in the field could create some great discussions. It takes a long time to build tax policy. It's taken us a long time to get to whatever it is—2,000 pages in the tax code. It'll take a long time to get it down to a couple hundred pages, but I think involving experts in the community and having one year or whatever it happens to be of conversation could result in a better tax code for Canada and help us build for the future.

• (1020)

Mr. Raj Grewal: I don't disagree that the tax code has to be reformed. I think everybody on this committee probably agrees that there should be tax reform.

The issue I have is that over the last few weeks we've heard from chambers of commerce and so-called expert groups. If you're a small business, your number one objective is to pay less tax. That's the nature of being an entrepreneur or businessman. I am an MP, and my number one objective is to provide accessible service to my constituents.

When we hear that people take these—I would hate to use that word, so I won't use it—hypothetical scenarios and proposals.... You mentioned that somebody did not go forward with a transaction on the sale of a business, but these proposals were going to be going forward and there's nothing in the proposals that would have impacted somebody selling their business.

Mr. Patrick Sullivan: It wouldn't impact the sale of a business but it would impact their expected return on the business in the future. Given the tax proposals that were on the table, they would have expected less income.

I hold a private corporation with my wife. Before I joined the chamber of commerce just a year and a half ago, I earned income and I used the tax laws as they exist to minimize my income. As you say, a private business would do that. An individual would try to minimize their tax, I suppose, as well. I certainly tried to do that. Knowing my specific example and the measly amount of money that I earned, I know that I would have.... I took dividend income. Taking dividend income and sharing it with my wife, who invested in my

business, allowed me to pay less tax, which I then reinvested in the business.

At that point, I was a part of the middle class and I was getting a little bit more income by utilizing the tax codes as they existed. That would have changed, given the change.

The Chair: We'll have to end it there. We're well over time, but it is nice that we're having a calmer discussion than we had a week ago on this issue.

Dan and Greg have questions.

I have one for you, Mr. Sullivan. You talked about the training and skills development, etc., and you mentioned rationalizing the number of programs available, which is an interesting idea. Even in our offices—and I expect other MPs are the same as I am—when we get requests for money available either under EI or skills development or something else, we don't know which program to turn to, and we have to do research to find them. You're not alone in that.

There is a multitude of monies going out there in terms of training. Under the labour market development agreement there's \$3 billion that the federal government transfers now to the provinces. Rationalizing may be one way, but are we getting the best bang for the buck? How do we get the best bang for the buck in getting people the skills they need to match up with the jobs that are available where we have shortages? What's the best way to do it? Are we just spending money and not knowing where it's going or what's the story from your point of view? How do we fix that?

Mr. Patrick Sullivan: That is a difficult question, I will say. I think part of it is the rationalization. Part of it is directing that towards jobs that will provide future longer-term benefits.

To use your example, I know that in my previous role the federal government provided funding for visitor information centres and for folks to work in visitor information centres. It's a wonderful job, and it's a wonderful summer job; however, I wouldn't say that it provides most university students with work in line with their skills training or the programs they're taking at university. It might be better to have that program reallocated to provide funding for something that is directionally more in line with their programs, or that will meet the future needs of Canada rather than the immediate needs of Canada.

• (1025)

The Chair: Okay.

We have time for another couple of questions from Mr. Albas and then Mr. Fergus.

Mr. Dan Albas: This is just a side comment about my experience. I ran my own small business for 15 years and was a chamber director at the B.C. Chamber of Commerce. The perspective of almost every entrepreneur I know who has done well is that they've never looked at taxation as the purpose for their business. The purpose of their business is to execute their dream, right? It's a vehicle. Anyone who says that it's all about lower taxes.... As long as you have money coming in the door, most entrepreneurs don't care about lower taxes. They care about doing what they do best. I want to leave that there, because I don't want to create a perception that entrepreneurs are only about paying less tax. That's just false. I think people need to talk to more entrepreneurs. They'll find the same thing.

In regard to co-ops, I sincerely believe that co-ops should play a larger role. Again, they're a different kind of structure, but it seems that past governments—and I'm including this government here, but I'm not making any predictions—have not added significant tools to make Canadian co-ops more usable. For example, foreigners can't be a part of a co-op in Canada, or at least a Canadian one; that's my understanding. What kinds of things can co-ops do to help deal with succession planning and to offer more choices of ownership for Canadians?

Ms. Hazel Corcoran: In terms of whether foreign individuals can be involved in co-ops, under most legislation that's possible, but because co-ops tend to be more locally focused, it's not necessarily a priority. We did a study at our federation on where in the world the worker co-op movement is growing fastest and best and is the most dynamic, because that is the part of the co-op sector that is growing the fastest. Those tools are generally not in place in Canada except in Quebec, which is why they have two-thirds of the movement.

We need to have support for technical assistance and around the capitalization challenges. The co-op movement has taken the initiative of starting this fund, this Canadian co-op investment fund, which I think is going to be very important. That's one thing the sector is doing, but for some of the other tools, we are looking to the federal and other governments to play a role.

Mr. Dan Albas: What kinds of structural tools? Again, funding I set aside, because everyone oftentimes believes that more money will solve everything. Quite honestly, I think that for most co-ops historically, especially the ones that have been around 50 or 60 years, it's that people saw it as a local way to solve their own problems.

Ms. Hazel Corcoran: It is. It's just that you must have some tools that come from government. The places in the world that have the fastest-growing movement provide people with those tools. They have supports for co-op development, whether it's around capital or the right regulations, like in the RRSPs and the indivisible reserves, and sometimes it is funding. All of those things need to be in place for them to come together and for people to know, because people generally don't know about the model. They can't do it if they don't know about it. You have to promote it.

The Chair: We'll have to go to Mr. Fergus for one question and then Mr. Boulerice.

[Translation]

Mr. Greg Fergus: That's a shame, because I wanted to ask two questions.

Ms. Corcoran, I have been involved in the co-operative movement for a long time, and I completely agree with you. I have no questions for you because you fully answered the previous questions and you gave a presentation.

My question is for Ms. Pasher instead.

Ms. Pasher, you gave Mr. Grewal an excellent answer about the Emerson report. The airport close to me is the Ottawa airport, on the other side of the river. According to the airport's CEO, the privatization of airports is raising concerns. The Toronto airport is a huge airport hub, just like in Halifax. Do the other members of your association, the airports in Moncton, Charlottetown or even St. John's, Newfoundland and Labrador, have the same fears or concerns about the possible privatization of the Halifax airport?

• (1030)

[English]

Ms. Monette Pasher: I think airports all worry about the privatization of Toronto, for example. Halifax is the hub for the airports in our region, but Toronto is also the major hub for Atlantic Canada, and even Halifax as well. I think there is concern about what privatization would look like and whether it would increase costs overall to the system. It's simply an unknown right now. I think until it's discussed and what it would mean is really looked at—you know, would they be paying as much to their capital corporation as they do right now in rent—we don't really know what that divestiture would look like in terms of privatization. It's a really complicated question and we just don't know the answer.

In terms of Halifax, we definitely don't want to see the Halifax airport privatized. We don't think it's big enough, and we don't want to see the cost of travel increase in our region.

[Translation]

Mr. Greg Fergus: Mr. Sullivan, thank you again for the work that you do to give work experience to young students in the post-secondary institutions in the region.

You said that next year is the first time fewer students will be leaving. What percentage of students with experience on the labour market will stay here for their first job once they graduate?

[English]

Mr. Patrick Sullivan: I don't know that I could give you specific statistics. However, what I would say is that we know there's a much greater likelihood for someone who has a co-op work term, an internship. If they begin to work for an employer in Halifax or Atlantic Canada they are much more likely to get a job offer from that individual, and then much more likely to stay. But I couldn't say that I know what the statistics are.

The Chair: Mr. Boulerice.

Mr. Alexandre Boulerice: Thanks, Chair.

Quickly, for the record, I want to say that we share the preoccupation of Madam Pasher about the risk of increased costs for travel if privatization happens.

I have a technical question. You are suggesting that the small airports with less than three million passengers would not pay rent to the federal government, but why three million? Why not two million, or 2.5 million, or 3.5 million? I don't know. I simply want to understand.

Ms. Monette Pasher: It's something that the Canadian Airports Council looked at closely to see at what point the airport can afford some form of additional rent. It was clear that around that three million mark it became—

Mr. Alexandre Boulerice: Strong enough...?

Ms. Monette Pasher: Yes, a little bit stronger, for sure, so they could afford more.

The Chair: Is that it? Okay. We're on time. It's hard to believe.

Thank you to all the witnesses for both your presentations and answers today, and the submissions you sent in earlier.

With that we will suspend and reconvene at 10:45.

• (1035) _____ (Pause) _____

• (1045)

The Chair: We will reconvene now, please. Welcome to all the witnesses.

As you know, this is the pre-budget consultations for the 2018 budget. We want to thank you for coming today. Also, to any of those who put in a pre-budget submission by mid-August, they are on people's iPads and that information is certainly a major part of the pre-budget consultations as well.

We look forward to your testimony, but before we start, to give you a kind of tenor of the members who are on the committee and where they come from, I'll tell you this is a subcommittee of the finance committee. Not all the members of the whole committee travel.

I'll ask people to introduce themselves in a round of introductions. I'm Wayne Easter, member of Parliament from Prince Edward Island, from the riding of Malpeque, which is in central P.E.I. between Charlottetown and Summerside.

We'll start with you, Mr. Fergus.

[*Translation*]

Mr. Greg Fergus: My name is Greg Fergus. I am a Quebec member of Parliament for the Liberal Party. I represent the riding of Hull—Aylmer, which is just outside Ottawa.

[*English*]

Ms. Jennifer O'Connell: I'm Jennifer O'Connell, member of Parliament for Pickering—Uxbridge, which is on the east side of Toronto, in Ontario.

The Chair: That's where the Pickering airport was at one time, I believe.

Mr. Raj Grewal: My name is Raj Grewal, the member of Parliament for Brampton East, just outside of Pearson Airport. It's lovely to be in Halifax today.

Mr. Dan Albas: I'm Dan Albas from Central Okanagan—Similkameen—Nicola in beautiful British Columbia.

I'm happy to be here. We had a very informative panel before, so I'm looking forward to your comments today.

Mr. Tom Kmiec: I'm a member of Parliament from Calgary. I represent a very suburban area.

The Chair: You have a new mayor this morning, or it's the same old mayor, I guess, Tom.

[*Translation*]

Mr. Alexandre Boulerice: I am Alexandre Boulerice and I am the member of Parliament for Rosemont—La Petite-Patrie. It is a very urban riding in the centre of Montreal.

[*English*]

The Chair: Thank you, all.

Starting with the Atlantic Chamber of Commerce, we have Mr. Davis, vice-president, policy.

Welcome and thank you for coming.

Mr. Glenn Davis (Vice-President, Policy, Atlantic Chamber of Commerce): Thank you, Mr. Chair, and thank you, honourable members. We did not put in a pre-budget submission, but we plan to put one in before the end of the week.

I'd like to introduce the Atlantic Chamber of Commerce. It's actually the current manifestation of an organization that started in 1896 as the Maritime Board of Trade. We represent 95 chambers of commerce and boards of trade, and their members represent more than 16,000 businesses and professionals across Atlantic Canada. Our organization is active in advocacy at the provincial, regional, and national levels.

To put in context my remarks, it's important to make some reference to the Atlantic Canadian economy, and some of the differences that are prevalent here. They are structurally different from the rest of Canada. We really have had several decades of slow growth with GDP numbers that are half the national average partially because our economies are based on a large percentage of seasonal employment.

Some of the disturbing statistics you might recognize are our demographics, which include a rural population that's close to 50%, whereas the national average is somewhere around 18% to 20%. We have a disturbing inability to retain our youth in the region. We have issues with below-average literacy rates, below-average immigration and retention statistics, and because of that, a population whose average age is growing close to 50 with the associated higher costs of health services to our population.

As a region, at worst, we're trying to be average. At best, we're trying to fully exploit the numerous advantages we have, and we do have many. On the plus side, we're blessed with highly valued natural resources in the fisheries, forestry, and mining areas that are available for export. We have many highly respected post-secondary institutions that help us in the provision of skilled labour. We are strategically located close to global trade routes, and near major markets in Europe and the eastern U.S. seaboard. With a strong tradition of entrepreneurship, about 98% of our businesses employ less than 500 workers, and provide more than three quarters of the jobs in our neighbourhood.

To the extent that we have been working with government, we certainly want to applaud the federal government in its development of the Atlantic growth strategy. We see that as a significant positive step, but we think there's still more to be done.

I will provide several examples of what we feel would be additions to the issues of productivity and competitiveness, but it must be said that our members believe any attempts to improve productivity and profitability are in danger because of the finance department's recent proposed tax changes on Canadian-controlled private corporations. We feel these proposals have created a controversy between business owners and the public that did not exist before. In fact, chambers across the region have voiced their concerns and have organized hundreds of standing room-only sessions with local tax experts, and these are still ongoing across Atlantic Canada.

The tax experts have unanimously said the changes will have huge implications for small businesses, intended or not. We cannot expect our businesses to invest in productivity-increasing technologies if at the same time we remove the legally mandated foundation they have had up until now and remove family finances as an attractive option.

The key recommendation we have regarding those proposals is to cancel them in favour of a royal commission on personal and corporate taxation to achieve fairness, and avoid the concept of one-off solutions to address narrowly perceived problems.

In the time I have left, I'll share several recommendations that the Atlantic Chamber of Commerce supports for improving productivity and competitiveness. In terms of measures that can increase productivity, the most obvious issue is a need to ensure an adequate supply of skilled workers, where and when needed.

In terms of individual development, we recommend programs that increase access to training, increase the mobility of workers to better respond to labour markets needs, reduce hurdles to international graduates by improving access to work experience, adopt workable residency regulations, for example, by improving express entry, and enhance the processes for compiling and accessing up-to-date labour market information.

• (1050)

In order to support Atlantic Canadian companies—and most of these will focus on the issue of reducing the burden of compliance—we encourage governments to adopt such measures as developing a national strategy to expand coverage of high-speed Internet to rural areas, simplifying the application and processing for immigrants and temporary foreign workers to support seasonal industries, developing workplace standards and regulations to address the upcoming issue of marijuana in the workplace, addressing the significant compliance burdens associated with anti-spam legislation, engaging business in development of Canada's innovation strategy as was announced in the last budget, considering a one-year 100% write-off of investments to combat cybercrime where small companies are under-resourced in their battle against personal information hacking, and increasing the funding to aboriginal financial institutions to at least previous levels. It used to be an annual budget allocation, I believe, of \$4.1 million, and that was cut back in 2011.

We would also urge you to maintain the tax-exempt status of health and dental plan benefits.

The Atlantic chamber is committed to creating a dialogue between business and government and all with the objective of promoting economic growth and prosperity for all Canadians.

Thank you for your time and I look forward to any questions.

• (1055)

The Chair: Thank you very much, Glenn.

Turning to the Atlantic Partnership for Literacy and Essential Skills, we have Ms. Hunter and Ms. Greaves.

Ms. Jayne Hunter (Executive Director, Literacy Nova Scotia, Atlantic Partnership for Literacy and Essential Skills): Thank you. In my speaking notes, the first page has just some facts. I won't go through those.

On behalf of the Atlantic Partnership for Literacy and Essential Skills, which is a collaboration of the P.E.I. Literacy Alliance, Literacy Nova Scotia, and the Literacy Coalition of New Brunswick, I would like to thank you for the opportunity to appear before you today.

We believe our people are our greatest resource. Everyone is on the literacy continuum, and as literacy coalitions, our focus is on those who are at the lower end of the scale, the most vulnerable.

The literacy bar is always rising. A hundred years ago, if you could sign your name you were considered literate. Thirty years ago, grade 9 was enough. Today the level of skills we need continues to rise and includes essential skills such as numeracy, critical thinking, computer skills, and others. Today, half of us in Atlantic Canada do not have the literacy and essential skills required to work and thrive in a knowledge-based, digital society. This results in some of the highest unemployment rates in the country and employers facing labour shortages.

We know that investment in human resources has three times the return on capital investment and has the greatest impact for those who move from having weak to adequate skills. Improving the level of literacy and essential skills of our citizens positively impacts business productivity and profitability. Literacy has cross-sectoral impacts, with additional benefits including reduced spending on health, justice, and social systems.

You ask what federal measures would help Canadians and Canadian businesses be more productive. Everything points to improving literacy levels. Adults with low literacy levels often face employment barriers, including mental health problems, learning challenges, and lack of recognition that they need to improve their skills. Adults need access to quality literacy and essential skills and to lifelong learning opportunities.

For more than 25 years our organizations have played a leadership role in developing effective programs and supports that created a positive and lasting impact upon the lives of many Atlantic Canadians. As literacy coalitions, we have played an integral role in upskilling the workforce of today and building the workforce of tomorrow. A current lack of access to a skilled workforce is hindering innovation in Atlantic Canada.

The federal government was our partner until 2014, when funding was cut, thereby dismantling the once vibrant and effective network of provincial, territorial, and national literacy organizations. In our Atlantic region, Literacy Newfoundland and Labrador has already closed its doors, and the remaining coalitions are in a precarious position, with eroding capacity to fill a void that is getting larger.

To simply cut off funding to literacy programs doesn't make economic or moral sense, but that is exactly what is happening. The current federal funding mechanisms—and the lack thereof—erode the capacity of our organizations to continue to be leaders in our field. The federal government must support Atlantic Canadians to improve their skills, rather than stifle and further marginalize our citizens.

Last October, we presented to this committee on behalf of the Atlantic partnership, requesting \$600,000 per year. This funding would provide us with the stability we need to effectively meet these needs and allow literacy to be the catalyst for progress. Our request has not changed, nor has the need.

Improving literacy and essential skills is a complex problem, and the solution requires collaboration. As provincial organizations, we're doing our part. We collaborate with our literacy colleagues, community-based organizations, businesses, and our provinces, but to succeed we need the federal government to do its part. We require stable, adequate, and predictable funding.

We were naive after our last presentation, thinking that the positive response would result in funding. Collaboration requires trust and transparency. We need to know where this funding will be coming from and when it will be received.

While the federal government is interested in providing project-based funding for adult literacy, it's not enough. In February 2015 we responded to the call for project proposals from the office of literacy and essential skills. We are still engaged in negotiations of the proposed project almost three years later. Even though in 2015-16 ESDC was underspent on literary and essential skills projects by more than \$13 million, OLES has kept us waiting since 2015 for project funding.

Situations like these result in a diversion of resources, create barriers to outcomes, and further diminish capacity and impact. Project-based funding, when an effective process is implemented, pays for valuable short-term initiatives but does nothing to support the ongoing needs of our communities. Without additional funding, our organizational capacity continues to erode, and our ability to leverage funds for important project work is significantly diminished.

• (1100)

We are asking for designated funding for the Atlantic partnership to ensure there is not a reduction in support to existing programs.

The federal government must complement and not jeopardize programs.

We see the potential of a collaborative regional approach and have committed to working together. However, if the federal government does not see this as a positive development, and is not willing and able to support this work, we must pull back from our big-picture thinking and focus our waning resources on our own communities. We believe this will be an opportunity lost, but given current levels of resources our only option is to continue to serve the needs of our individual members for as long and as best we can.

To conclude, our recommendations are that the federal government needs to invest in Atlantic Canadians. The best rate of return on investment is for the investment to be focused on the 50% who have inadequate skills for the workplace. The federal government must be accountable funding partners that provide stable, adequate, and predictable funding. The federal government must designate specific funding for the Atlantic Partnership for Literacy and Essential Skills to ensure there is not a reduction in supports to existing programs. The federal government should enable, not hinder, collaboration among stakeholders. Strong partnerships among all sectors and all levels of government are required.

Thank you.

The Chair: Thank you very much, Jayne.

From the Canadian Association of University Teachers, we have Ms. Foster, director.

Go ahead, Pam.

Ms. Pamela Foster (Director, Research and Political Action, Canadian Association of University Teachers): Thank you, Mr. Chairman and honourable members.

On behalf of the 70,000 academic staff members of the Canadian Association of University Teachers, I'd like to thank you for giving us the opportunity to focus in on our priority within our pre-budget submission today. With me is Karl Bélanger, a policy adviser with us at CAUT.

I'd like to begin by acknowledging that we are on the traditional territory of the Mi'kma'ki, the unceded territory of the Mi'kmaq people.

Though our members are the front-line scholars and scientists who play an essential role in advancing knowledge and ultimately shaping our future, for the past decade the erosion of federal support for fundamental science has been of significant concern for our members. We welcome the advisory panel commissioned by this government on federal support for fundamental science. We welcome their analysis of this situation and their recommendations. We join others who have appeared before this committee to call for a stronger federal partner when it comes to basic investigator-led research in Canada.

Canada has stalled, when it comes to investments in science and knowledge in comparison with both its peers and its potential. We're no longer in the top 30 in the world in terms of research intensity. The proportion of federally derived funding for research has declined. Canada is now an outlier, in that funding from federal government sources accounts for less than 25% of the total of higher education expenditures on research and development. Post-secondary institutions now cover 50% of these costs. That has an adverse effect on both research and education across Canada. In the last decade, scholars, scientists, and trainees wishing to pursue independent research have seen a decline of available real resources of about 35%.

Look at the impact on institutions. At Acadia here in Nova Scotia, in the last 10 years they've seen a drop in their funding from federal research dollars by 27% in constant dollars. Investments in infrastructure and related operating costs have not been consistently aligned. Whereas we welcomed the 2015 federal investment of \$2 billion in university infrastructure, which was needed and welcomed, there also needs to be an increase in funding for the people and the students who work and study in those buildings.

Fundamental science impacts all Canadians. Research plays a crucial role in protecting our health, our safety, the environment, and our high standard of living. Here in Nova Scotia, I can give you four examples of critical research that's under way. Researchers are exploring tidal currents as renewable energy sources. They're seeking to render visible the experiences of African Canadians in our military history. They're determining what makes active citizens, and learning how girls make career decisions in an effort to encourage more women to go into science, technology, engineering, and mathematics.

By keeping pace with our peers and our potential, we will be better positioned to solve problems and to face our collective challenges. We urge this government to take the advice of its advisory panel and invest the \$1.3 billion over four years, of which \$485 million will be directed to investigator-led research. As the panel notes, given global competition, current weakened capacity in Canada, the importance of research in underpinning innovation and productivity, and the need for research to inform evidence-based policy-making, this increase is among the highest-yield investments in Canada's future that any government could make. This investment would make Canada a promising place once again for early-career researchers.

I was intrigued by something in the report—that if you're a Canadian, you're twice as likely to get a Nobel Prize if you're working elsewhere than in Canada. It was 2:1 in terms of Canadians elsewhere.

We want to help ensure that universities of all sizes are able to attract and retain researchers and ensure that knowledge from under-represented groups, indigenous and racialized scientists and scholars, is supported. The recent increases in tri-council base funding is a start, but more is needed to close the gap between our knowledge needs and our existing funding. Significant efforts are under way right now to innovate, to create jobs and a more diverse and inclusive society, and to improve health and social outcomes. Basic research underpins these efforts. As a country, we must get science right.

Thank you. I welcome your comments.

• (1105)

The Chair: Thank you, Pam.

Turning now to Colleges and Institutes Canada, we have Ms. Amyot, president and CEO, and Mr. Bureaux, board member.

Welcome.

Ms. Denise Amyot (President and Chief Executive Officer, Colleges and Institutes Canada): Good morning, Mr. Chair.

We appreciate the opportunity to testify on behalf of our network of colleges, institutes, CEGEPs and polytechnics. The members of Colleges and Institutes Canada, CICan, serve 1.5 million learners from 3,000 urban, rural, remote, and northern communities across Canada. I'm pleased to join Don Bureaux, president of the Nova Scotia Community College and a member of the CICan board of directors, this morning.

CICan's written brief includes recommendations aimed at helping Canadians to be more productive and competitive by fostering innovations through applied research services, increasing indigenous people's access to post-secondary education and skills upgrading, and enabling Canadians to build the skills and the know-how needed to be resilient in a changing economy.

Given the short time we have with you, we will focus on how colleges and institutes are contributing to the the government's skills and innovation agenda through applied research. Don will expand on this topic, and then we will both be pleased to discuss any of our recommendations with you during the question and answer period.

Mr. Don Bureaux (President, Nova Scotia Community College, and Board Member, Colleges and Institutes Canada): Thank you, Denise.

Thank you, Mr. Chair.

College and institute applied research is conducted through hands-on partnerships with companies and community organizations in our region. Our students and faculty work with all sectors, but in particular they work with small and medium-sized enterprises to adapt or develop new products, services, technologies, and processes.

Some of our students get to work directly with employers in their field, getting real-world experience through applied research and problem-solving processes that lead to innovation. However, only a small proportion of the college and institute students currently have this kind of opportunity. Speaking as president of NSCC, I would love to offer every learner who walks through our doors this opportunity.

I want to share a story with you that illustrates how applied research brings benefits to our students, our industry partners, and the local economy. Nova Scotia's proximity to the sea has always defined our economy, the local labour market, and opportunities for innovation. It has, therefore, defined many of the training programs that we offer at NSCC and created conditions for a strong applied research specialization in ocean mapping. We are, at NSCC, one of the first colleges in North America to use topo-bathymetric lidar equipment to map where no one has mapped before, which is the ocean floor.

By working with key industry partners, like Acadian Seaplants, we apply this knowledge to map economically viable seaweed populations and gauge the health and location to ensure a sustainable harvest. Through another industry partnership, we're using acoustic mapping and camera systems to better understand the ocean floor and to provide details on scallop habitat to ensure less invasive harvesting and to identify appropriate quotas for species.

Students in our programs, like our advanced diploma in ocean technology, participate in these research projects, where they develop new skills, contribute to the unique research insight, and get hands-on experience that often leads directly to employment.

As noted in CICan's submission, the funding through current federal programs is unfortunately not keeping up with demand. We literally have businesses knocking on our door every day with innovative ideas and money to invest that we simply have to turn away. The same is true for colleges right across the country. CICan data shows that in 2015-16 colleges and institutes worked with over 6,000 companies and 500 community organizations across Canada. Virtually every dollar of federal investment is matched by our business partners, who are keen to invest in research and development but have limited in-house capacity.

We believe this represents a missed opportunity of significant proportions. A relatively modest increase in the funding envelope, from \$57 million to \$100 million a year, would substantially expand the innovation potential within communities across the country. This will most certainly help address many of the issues targeted in the Atlantic growth strategy.

The persistent skill shortages and the high unemployment that we see in this region can be alleviated by strengthening support for business innovation and increasing student innovation involvement in applied research. With greater access to research grants and internships, colleges, institutes, and their students could play an even bigger role in bolstering Canadian competitiveness and productivity.

Mr. Chair, I look forward to a discussion ahead, and I would be open to answering any questions.

Thank you.

• (1110)

The Chair: Thank you very much, Denise and Don.

Turning to the Greater Charlottetown Area Chamber of Commerce, we have Mr. Francis, president, and Ms. McGuire, executive director.

The floor is yours.

Ms. Penny Walsh McGuire (Executive Director, Greater Charlottetown Area Chamber of Commerce): Thank you.

Good morning, Chair and standing committee members. The Greater Charlottetown Area Chamber of Commerce is pleased to be here today to serve as the voice for close to 1,000 members in the greater Charlottetown area. We provide services, opportunities, and advocacy support for members to enhance their ability to do business.

I'm joined today by our board president, Rory Francis, who is also the CEO of the Prince Edward Island BioAlliance.

It is our philosophy that if it is to prosper, Canada must have an economic development strategy that is private sector driven, export oriented, and focused on innovation. Our chamber stresses the need for the federal government to move from deficit financing to balanced budgets. Fiscal prudence is an essential ingredient for budget deliberations now and into the future.

In early August, we provided written recommendations to the finance committee. These recommendations addressed questions of Canadian productivity and competitiveness through the lens of our chamber's three advocacy priorities: taxation, population growth, and education and skills development. As you are well aware, the discussion from the business community has been dominated by the proposed federal tax changes since shortly after we provided our budget submission.

In addition to our original comments, we also want to discuss those proposed changes. There is no question that the tax system has a direct bearing on productivity. In our submission, we acknowledge the theoretical and practical reasons for a lower business tax rate. We have also advocated for the federal government to maintain their election promise to lower the small business tax rate to 9%. We wish to recognize this week's announcement that the government has reconsidered the election promise to reduce small business tax to that 9%.

That said, our members have legitimate concerns that this reduction will not negate the harmful impact of the proposed tax changes that our chamber and many like us have been vocal in advocating against. For the past three months, the federal government has unfairly painted legitimate small business owners as tax cheats. We cannot express how disappointing this has been to our members, who work tirelessly for their business, their employees, and their communities.

However, we want to thank the chair of this committee for publicly pointing out the shortcomings of the consultation process and recognizing the unintended consequences that were identified by the business community. It is the collective voices of our members and MPs like you that have caused government to give pause to this proposal.

We will continue to monitor further developments on the proposed tax changes, as it is our understanding that the federal government plans to make several announcements on this topic throughout the week. It has always been and remains our position that these proposed changes need to be stopped and a comprehensive analysis undertaken.

● (1115)

Mr. Rory Francis (President, Board of Directors, Greater Charlottetown Area Chamber of Commerce): Good morning, everyone. I'm being passed the baton here. We're a tag team.

I have a couple of our other priority areas within our advocacy program that certainly feed into a conversation about productivity.

In our pre-budget submission, a second item of our proposal was related to demographics, population, and immigration. We all know that Atlantic Canada is facing a demographic challenge. Deaths now outnumber births. Without positive net migration, either from other provinces or internationally, the population will stagnate, with consequences on labour supply, economic growth, productivity, and the growing tax base that we require to support an aging population.

We are fortunate that Prince Edward Island has indeed been on a roll in the last number of years. We are a leader in Atlantic Canada in population growth, which is primarily due to our success in attracting and retaining international immigrants, as well as consistent growth and investment in the diversification of our economy.

The chamber recommends that the federal government continue to support the Atlantic immigration pilot, part of the Atlantic growth strategy, and programs that link immigration to employment and business opportunities, like one that our chamber runs and others do in the region as well, the connector program, which has been very effective in increasing that retention that's so important for new immigrants. This is funded in part by the department of immigration, refugees and citizenship of the federal government.

Other areas of concern, which again link directly to productivity, are educational attainment and skills levels. As an advocate of business, we've been active and consistent in recommending improvement in our provincial kindergarten to grade 12 system and improving linkages between post-secondary education providers and the business community.

As K to 12 is primarily a provincial jurisdiction, we won't comment more here on those matters, but we would like to comment on the area of transitioning graduates to work. Research, which reflects particularly on what is considered poor integration of new entrants, suggests that successful transition is negatively affected by an education-labour market disconnect, leading to overqualification in some areas, too many people with the same qualifications chasing a limited number of jobs in others, and some lack of effective incentives.

Our chamber suggests that the federal government review all federal programming directed at the transition from school to work to ensure that the level of funding and program designs are meeting current labour market challenges and needs. Particular attention should be given to work experience and work permit requirements for international students, which is a growing population, particularly at the University of Prince Edward Island, for example, now representing over 20% of enrolment.

There are a couple of other areas that we want to comment on and wind up on that are really important in terms of how the federal government is influencing productivity and our economic development potential in the region. As I said, Prince Edward Island has been on a roll and we've benefited from a number of unique economic development partnerships and models that involve the business community, the academic and research community, and government partners at all levels. These novel structures that we've created have been important contributors to the economic development results and gains that our province has made over the last decade. I would be happy to speak more about that in the question period perhaps.

There are a couple of related priority areas.

Certainly, the first is NAFTA. The chamber is keenly interested and concerned with the current NAFTA negotiations. Exports are absolutely central to our province's continued economic growth, in particular, exports to the United States. While our economy and our export destinations have been diversifying, the U.S. is still a key partner.

The second area is economic diversification. Our province has seen some very good results over the last decade or more in the diversification of our economy, as a continued way of expanding the economy and improving productivity. The current federal government's innovation agenda has established important support mechanisms, which are very much aligned with the strategies that I just mentioned.

● (1120)

As the chair is aware, I work with the biotech sector in Prince Edward Island, some 52 businesses with over \$200 million in sales, a bit of a story that perhaps we haven't told loudly enough across Canada. It's absolutely the new economy and new opportunities for our citizens in terms of jobs and business.

These are high-productivity areas. What we are finding, of course, is that with this growth and success is a shortage of appropriate infrastructure to support that growth, some of that coming from the infrastructure within our academic centres, which has been very important. In terms of enabling infrastructure, we would recommend that the federal government focus on new infrastructure funding, including world-class business accelerators, scale-up facilities, and specialized manufacturing space that can be made available to early-stage and growth-stage businesses at internationally competitive rates.

The return on investment to the Canadian taxpayer from these investments will be substantial, but we need that kind of infrastructure if we're going to continue to grow our economy.

In conclusion, we want to thank you again for the opportunity to provide our comments on behalf of the business community of the greater Charlottetown area, and we look forward to any questions you may have.

Thank you.

The Chair: Thank you, Rory and Penny.

We'll turn to the national harbour authority advisory committee's Osborne Burke.

Go ahead, Osborne.

Mr. Osborne Burke (National Committee Member, National Harbour Authority Advisory Committee): Thank you, Mr. Chair and honourable members, for the opportunity to present here today.

My name is Osborne Burke, and I'm a volunteer member of our local harbour authority in Cape Breton. I'm an elected volunteer with the small craft harbours regional advisory committee and our national committee since its establishment in 2001. The small craft harbours program began in 1987 through the Department of Fisheries and Oceans and is supported by local harbour authorities, which are volunteer organizations that manage the day-to-day operations of these federal facilities across Canada.

The harbour authorities themselves and collection of fees contribute approximately \$30 million annually to the program. It's a very successful program and it's worked very well. There are approximately 720 core harbours as of May 2017 that are being managed and 295 non-core harbours. In all these cases, there's public access to the waterways via these harbours, and in many cases, it's the only federal presence in a number of rural communities.

Ninety per cent of the commercial fishery use the small craft harbours facilities, with \$3.3 billion in landings and the total value to Canada of \$9.5 billion in the fishery. Atlantic Canada contributes 70% of the Canadian fishery exports out of this country. There are 42,500 jobs directly in the fishery, plus significant supporting industries that are there to support the fishery.

The program is basically running on a budget of approximately \$95 million a year. Subtract \$20 million for salaries and staffing, and we have \$75 million for projects and infrastructure. The replacement value of the core harbours is about \$5.2 billion. With asset deterioration and life-cycle management, the latest study last year indicated that small craft harbours would require an additional \$75 million annually to maintain these facilities, just to bring them back

to safe operation. Fifty-two per cent of the current assets are either in an unsafe, poor, or fair condition.

On operational needs and even beyond that, we have overcrowding, and we're having larger vessels. In the deck I've provided there are a few pictures of vessels. They're not 14 feet anymore. We chuckle sometimes when we say small craft harbours. The vessels are 28 feet wide. They're 65-plus feet long and take up a significant amount of space. They provide real challenges with dredging.

On dredging, in this budget we're running about \$8.6 million annually, estimated to increase to \$20 million because of increased dredging requirements. New environmental requirements in Nova Scotia and other provinces will have an impact on where you can dispose of dredged spoils.

We have major impact from climate change. We have limited ice cover. We have more intense storms more often, and with more impact on the infrastructure. We have increasing first nations access, which affects distribution of fishing effort and increases congestion at the harbours.

Over the last 18 years, we've had \$946.7 million, or an average of \$52.6 million annually, of B-base funding. These are one-time monies, typically with a two-year lifespan. We're very thankful for that, but it presents other challenges in trying to manage the program because of limited timing to do environmental assessments and planning. Truly, if you average it out to the \$52.6 million, if that were in A-base funding, it would allow for more time and overall I think we'd have a better impact for our dollar.

In conclusion, the commercial fishing industry needs harbours that are safe and meet their operational needs. The small craft harbours A-base has not increased since 2007, which was the last increase in A-base. Despite the many B-base funding investments made by the government in the past 18 years, there's a significant funding gap. Investments in small craft harbours support the growth of the commercial fishing industry and provide economic opportunities for middle-class Canadians.

A number of core assets have exceeded or are about to exceed their life expectancy. Sizes of vessels have increased, and I mentioned climate change. We're doing our part as volunteers contributing \$30 million annually. We have a significant section of non-core harbours, as I mentioned. These are very limited activity or recreational activity.

As of 1995, small craft harbours' mandate is to the core harbours only. The divestiture program, I think, is \$123 million since 1995, which has divested over 1,000 harbours, facilities, or sites. If I use an example, I believe that in Port Dalhousie in Ontario there's interest in the municipality taking over some of these facilities, but they require, for that particular harbour alone, \$27 million to bring it up to a certain standard before it could be divested.

• (1125)

Some will never be divested because of contamination, and a number of them have issues or discussions taking place with first nations and aboriginal interests.

Thank you, Mr. Chair, and I'll look forward to some questions.

The Chair: Thank you, Osborne, and thank you to all the witnesses.

I think we have time for seven-minute rounds, starting with you, Mr. Grewal.

Mr. Raj Grewal: Thank you, Mr. Chair. I can only hope that my political career is as effective as yours is in this neck of the woods.

Thank you to all the witnesses who came today.

The Charlottetown Area Chamber of Commerce spoke about economic growth in Canada and that government policy should be focused on economic growth.

I'm sure you guys know that Canada is growing at the highest rate in the G7 at around 4%, which has been the best growth rate in the last 10 years. Our unemployment rate is on the decline from 7.5% to 6.2%, and 437,000 jobs have been created. But I have a feeling that this benefit isn't being felt as much in the Atlantic provinces.

What more can we do over and above the Atlantic growth strategy to make sure that Canadians on this side of the coast are feeling the success of the other side of the coast?

Mr. Rory Francis: It's a really important question. I think Atlantic Canada has a lot of really good things going, so I'm not going to start with a doom and gloom picture of where we are. Survival is a very strong incentive, and I think we've realized, from the business community side of things, we have to step up and not depend on our government leaders to have all the answers. I think the business community across the region has shown a lot of leadership in identifying areas of opportunity for the region based on our natural resource base and our human resource base that allow us now to be establishing businesses that are competing nationally and internationally in markets that we have not been in traditionally.

Our traditional industries are a great platform, but we're now building on them, innovating in those areas, and diversifying into other areas across the region like the ICT sector, the bioscience sector, aerospace, advanced food manufacturing, and so on.

I'm going to start with a positive because I think we are positive about the future of Atlantic Canada, and we're seeing some very good results. Besides that, what can be done? I mentioned one particular area. I think we're getting better at supporting the development of early-stage companies in some of these new areas, like IT, bioscience, and so on, through the use of some tools that have been supported by the federal government, the incubators and

accelerators that can help early-stage companies be successful. We operate one of them ourselves, but there are several in the region. Those are really key to helping companies get from an idea stage or that pre-commercial stage through to commercial success.

We're running out of the appropriate infrastructure, and this is not just a Prince Edward Island issue. While the federal government has put significant investment into infrastructure in the last few years, we would like to see that focus on infrastructure shift to what we would consider strategic infrastructure. Not that water and sewers and roads aren't important, but we need strategic infrastructure directly connected to economic development opportunities where there's a clear return on investment to the federal government, to the taxpayers of Canada, from those investments in some key sectors.

• (1130)

Mr. Raj Grewal: Thank you.

You spoke about international students. A lot of people are surprised to know that international students contribute \$12 billion to our economy across the country.

How has your experience been with international students and what percentage of them are staying here after graduation? What percentage are getting PRs through the PNP?

Ms. Penny Walsh McGuire: I had the opportunity to present as a witness last evening with the Standing Committee on Immigration and international students were an important topic that was discussed. I don't have any specific stats for you. I know that in Atlantic Canada we have the fastest growing international student population.

As a chamber of commerce and as the collective chambers of commerce, we are pleased to co-sponsor a resolution that focuses on some of the barriers that international students are seeing to access pre-grad work experience. That could be everything from not being eligible for the Canada summer jobs program to having to get additional work visas for co-op terms. More and more employers are looking for that pre-grad experience for employment.

The other barriers, post-grad, are related to accessing permanent residency and citizenship, whether it be time accounted for or... But I think there's a lot of positive and I think it's one of the biggest opportunities that we have for retention and recruitment of international students in the region who are Canadian-educated. A few barriers still exist in encouraging them to stay, not just in the region.

I have to acknowledge, obviously, that the Atlantic immigration pilot has an international stream and I'm sure, although it was just launched in March, we hope to see some further results of that in the next school year.

Mr. Raj Grewal: You spoke about the tax proposals. Obviously, nobody is going to sit here and say that tax reform isn't something that the country needs. I think a lot of the debate and miscommunication, maybe, over the last few months has been rather unfortunate. I said this in a previous panel too. If the government is going to go out and talk to its citizens and get feedback, it's rather difficult when it comes to tax proposals, because the nature of it is that if you propose an idea on taxes, it's going to create uncertainty, even though it's just a discussion that's been going forward over the last three months. That's a unique challenge that will be felt by our government, and subsequent governments, and previous governments.

I hope you're happy that yesterday there was an announcement reducing the small business tax rate, a good day for small businesses across this country, and the benefit will be felt for all shops across the spectrum. I just wanted to comment on that. We are listening and we're taking that feedback right back to the minister and the Prime Minister as well.

The Atlantic Partnership for Literacy and Essential Skills, thank you for coming today. What percentage of the Canadian population is able to read and write at a high school level?

• (1135)

Ms. Jayne Hunter: Canadian...? I think it's a little higher, maybe, than the Atlantic. In the Atlantic, it's 50%.

Mr. Raj Grewal: What is it in Canada?

Ms. Jayne Hunter: It's 60%.

Mr. Raj Grewal: You probably don't have an answer to my next question. How does it compare to G7 countries? It's just for my own personal interest to see how we do against other G7 countries.

Ms. Jayne Hunter: We're about average.

The Chair: This is your last question.

Mr. Raj Grewal: Thank you, Mr. Chair. You're firm, but fair.

When it comes to the essential skills, one of the things that we've heard in testimony, and I've actually experienced in my riding, is that we're focused on immigration. When we focus on immigration, we focus on skilled labour, which requires you to pass an English test, an IELTS test, or a French test. That actually is sometimes a disconnect in terms of the job requirements that are needed. You don't need to have that much proficiency in English reading or writing to be able to complete some of the jobs that are essential for economic growth.

I'm very supportive of your organization and I think that everybody should have the basic skills, but I feel like there's almost a disconnect. At a certain age we're not going to invest in teaching because they're happy, they're moving forward, they're able to work and put food on the table, and this isn't their number one focus.

From an earlier life stage, in terms of making sure that new Canadians who have children are making sure that they have the opportunity to complete their high school education, I think that's where our focus should be as a government.

Ms. Jayne Hunter: There's a huge area of productivity that's lost. There are people who have the physical skills but they don't have the literacy skills in order to get the certification, for instance, Red Seal

approval, so they're working under the level that they could be so that affects the business possibility, and it affects their own life circumstances, although I think we need to be focusing on cradle to grave for literacy improvement. I don't think we should be giving up on adults as well, or even the seniors who can improve their literacy to help manage their health. We can't just wait for people to die off and think, oh, the problem will be solved.

Mr. Raj Grewal: Sorry, I didn't mean it like that. I do not want to say that I want people to die.

The Chair: We'll cut you there. Thank you, all.

Mr. Kmiec.

Mr. Tom Kmiec: Thank you, Mr. Chair.

For my comments I'll stick to the two chambers. I'm a former chamber guy, so I'm going to stick to what I know best. I'll ask you questions about the small business tax changes and about energy east. On the small business taxes, it's been said that whoever drafted the proposals doesn't have a clue of what goes into establishing or running a business.

I was going to ask specifically on some of the rhetoric used inside the document. I used to also work for Alberta Finance. I ran consultations for the ministry through the minister's office and I've never seen a tax document have so much populous language implying that small business owners are tax cheats or tax dodgers, implying that they're not paying their fair share, implying that somehow they're cheating the system, or they've taken advantage of loopholes.

I want to hear from the Atlantic organizations first, and then specifically from the biggest chamber on P.E.I. What kind of feedback did you get from the members on that populist rhetoric inside the tax proposal or tax consultation document itself? Typically, when these documents are put out, they have very little edits made to them afterwards because they're well thought out, well thought through by finance department officials, but this one was different. I saw the Atlantic chamber in P.E.I. using quite a few letters and submissions to different MPs and ministers on this issue.

Mr. Glenn Davis: Absolutely. Across Atlantic Canada, there were several thousand letters that were sent to MPs from the 95 chambers. We would agree with you that there was a certain tenor in the way the tax proposals were presented that indicated there was not a clear understanding of exactly who small businesses are, what they represent, the types of incomes they're earning, and how these tax proposals would impact them.

To that end, I would say there are numerous examples of Canadian legislation where government has tried to solve a narrow problem with a big, broad hammer. Another example would be the temporary foreign workers program with the previous government, where we were trying to stop a small number of individuals from gaming the system and ended by creating a whole expensive bureaucracy that limited access to a very necessary labour market in Atlantic Canada.

●(1140)

Mr. Tom Kmiec: For greater Charlottetown, have you ever seen a tax consultation document with this much populist rhetoric in it?

Mr. Rory Francis: It's all in your definitions, I guess.

I think there are a lot of folks who would love to pull some of the process back and start it again. The process certainly had its shortcomings. Frankly, at this stage we're mostly concerned about where to go from here. The communications were absolutely lacking. We know that. It's about what to do now. We're waiting this week to see whether or not the next level of details around the various elements of that policy.... The proof will be in the pudding.

Mr. Tom Kmiec: Twenty-two thousand submissions were given by organizations on behalf of their members, and by individuals as well. That's over 22,000 submissions in 11 days. That's about 1,000 or 2,000 a day to go through. Do you think that was a comprehensive enough review of the feedback received?

You mentioned that we need a comprehensive review. Do you think there was a comprehensive review of the feedback by Finance Canada and the Minister of Finance?

Ms. Penny Walsh McGuire: As a chamber, we didn't make any recommendation in our submission on this topic to extend the consultation. We recommended a comprehensive review that actually involved tax specialists and businesses versus legislation being drafted and, frankly, rushed through.

I would say for the consultation period we weren't suggesting an extension, but a more comprehensive review and perhaps an economic impact assessment on the proposal is needed.

Mr. Tom Kmiec: Back to the Atlantic Chamber, I was going to ask about energy east, the project that was cancelled by TransCanada due to the regulatory burden. They actually referenced it directly in their letter as the reason why they cancelled it.

In an environment where although prices are low, other projects are going ahead and have been approved to go ahead. What does the cancellation of energy east mean for business in Atlantic Canada?

Mr. Glenn Davis: The impact is enormous. We're talking about billions of dollars of lost GDP to the Atlantic region, and especially New Brunswick. We're very concerned that there has not been a balance established where we can get both economic growth and environmental protection. While the objectives of the current government tend to make you believe that is the end point, the most recent experiences tell us there's more to be done and that we do need to have a dialogue between the stakeholders to sort this out.

We cannot afford, certainly in this region alone, to play an all-or-nothing game when it comes to projects of this magnitude.

Mr. Tom Kmiec: This is not something I know enough about in this region. Are there any other large-scale industrial energy projects that are moving ahead and are actually being built in the region, or was energy east the only one that was being put forward?

Mr. Glenn Davis: It's kind of a unique circumstance. There are major projects in Newfoundland and Labrador. There's the Muskrat Falls development, a huge megaproject that is also facing a certain amount of controversy because it has run into significant cost

overruns. There are environmental aspects of mercury toxicity in building hydroelectric dams.

To the point, there is no magic solution to the energy needs of Atlantic Canadians and Canadians in general. We just need to have the dialogue and set the rules, because companies are not going to come to Canada any more to look at these opportunities, or go through a regulatory process that has no end to it or no set conditions for approval or rejection.

●(1145)

Mr. Tom Kmiec: Have you received any feedback from other large employers, or those who may be seeking approval for a large-scale industrial project of any type, not just energy now but who now look at things like the energy east cancellation and NEB expanding its scope all unto its own? Are they saying Canada or this region might not be the place to invest? Are you hearing that from your membership as well and from potential foreign investors?

Mr. Glenn Davis: I have to defer. I cannot tell you that I have heard any of those rumours. I'm not sure if the local chambers would have experienced that either. Would anybody else want to comment?

The Chair: There's also the Fundy tidal project, which is fairly huge.

On that topic of changing scenarios on regulatory requirements, environmental reviews, or whatever, we had a lot of discussion at our hearings out west, as well. The tax issue is another one. I guess the key question we have to look at is how governments can implement policy in a way that doesn't change the conditions that are already in existence for projects that are already planned.

I don't know how we get there. I don't know how we can make a recommendation on it, but I think we must because it does affect investment substantially.

Mr. Boulerville.

[*Translation*]

Mr. Alexandre Boulerville: Thank you very much, Mr. Chair.

Thank you very much for being here today. There are many of you at that end of the table and I hope you are comfortable.

I'll start with you, Ms. Foster.

Your presentation was quite troubling. You said that Canada is lagging behind in international research. It is not even in the top 30 countries, which is quite worrisome. Investments in constant dollars have also decreased. I think this shows a lack of vision on the part of successive governments, particularly with respect to basic research, which is often the poor cousin of research because it requires long-term investment. However, let us remember that without basic research, there would be no microwaves, no cellphones and no lasers. Of course, there would be no nuclear industry either.

With the way governments work, applied research is often trendier because they want to show results every four years, at election time.

How are funds allocated between applied research and basic research? According to your members, in what direction should we be headed?

[English]

Ms. Pamela Foster: The fundamental science review looked at the appropriate balance, and they took an ecosystem approach. Applied, obviously, it has great value and brings a lot to the country, so what's the best ecosystem? How do you have everything thrive across the ecosystem?

It talked about a ratio of investments in applied versus basic, a seventy-thirty ratio. Again, it's not hard and fast, but it's a ratio that through the best research and evidence shows the most thriving ecosystem. To make up for that, they called for the number they are asking in the report, which we're welcoming. It's an increase of \$485 million over four years in investigator-led research.

Part of the analogy is that you plant how many trees to get the fruit? I think John Polanyi who you all may know won the Nobel Prize for chemistry in 1986, put it this way when he said, "the edifice of innovation cannot be built on a foundation subject to neglect." It is about that balance and moving it toward the bigger balance within the research ecosystem to have the marketplace innovations we've seen, the commercialization components, but also the knowledge generation.

The last part on this is that the discovery research, the "blue sky" research as you called it, isn't only obviously beneficial for a market. It's also beneficial for our other challenges we face to innovate both in policy and practice to understand what's happening when we're looking at reconciliation, mass migration, thriving cultural industries, etc. All of these things require fundamental blue-sky research. That's fundamental science.

• (1150)

[Translation]

Mr. Alexandre Boulerice: Thank you very much.

I will now turn to Ms. Hunter and Ms. Greaves.

Ladies, your presentation was also a little troubling. I am always amazed that a rich country like Canada has such a hard time making sure that teenagers, young adults and adults learn to read and write properly. This is a challenge across the country, including in my riding, where many groups are working on the issue.

I want to talk more specifically about the funding models that governments use. In your daily work, what is the difference between project-based and mission-based funding? How does the funding model affect your organization's ability to provide services to adults?

[English]

Ms. Jinny Greaves (Incoming Executive Director, P.E.I. Literacy Alliance, Atlantic Partnership for Literacy and Essential Skills): Thank you for your question.

Project-based funding is great when it works. When it's not predictable, when we have to wait almost three years for it to come, we are losing important staff, who take with them much knowledge, many skills, and networking. That diminishes our capacity to continue with our programs to meet the needs of Canadians.

We do get other funding from other sources, such as businesses and foundations, and they all tend to be project-based as well. That creates a situation where we're waiting between projects, and if there

is a dip or we don't have funding for six months, what do we do in that time? How do we pay the bills? How do we keep our knowledgeable staff there? How do we keep our programs going that are currently running? How do we keep the training and the professional development and all those things in place?

In fact, last year our outgoing executive director was here, Amanda Beazley, and she has since moved on because we couldn't offer her permanent employment. She took with her a huge knowledge of the literacy field, and it's a huge loss for our organization. That's what's happening I think with all Atlantic literacy organizations. We can't keep the people we need to keep there to lead the literacy....

[Translation]

Mr. Alexandre Boulerice: Thank you.

[English]

Ms. Jayne Hunter: One other thing is that project-based funding doesn't cover the entire cost of the project. The organization and other partners always have to contribute as well, so it's taking away from our organizational capacity and resources to put into specific projects.

[Translation]

Mr. Alexandre Boulerice: Thank you very much.

I don't understand how you had to wait and work for three years to receive an answer about a project. I think that's completely unacceptable.

Ms. Amyot and Mr. Bureaux, you talked a lot about investment in innovation. We have a government that uses the word "innovation" almost as often as the term "middle class". We all agree on innovation. Having said that, could you briefly remind us how our investments in innovation can be a springboard for our ability to create jobs and keep our jobs? In fact, it does not take much.

Ms. Denise Amyot: That's an excellent question.

In my answer, I will focus on the applied research under way right now.

When funding goes to applied research, it always affects students, in our case. That's the first thing. This means that students learn to work with the private sector, or with non-governmental organizations (NGOs), since there is also social innovation. As a result, they acquire skills and abilities that they would not have acquired otherwise. Often, they are employed because the person whom they dealt with for applied research wants them to work within the organization.

Last year, we helped 6,300 small and medium-sized businesses that did not have the capacity to do research or the best practices to go about it. They have been able to create new products and services that have, in fact, created new jobs.

Let me give you a few examples from Quebec, because you are from Quebec, specifically from Rosemont, if I remember correctly.

For example, a French company recently moved to Shawinigan precisely because of the Centre national en électrochimie et en technologies environnementales (CNETE), which is affiliated with Collège Shawinigan and does applied research. That will create 300 jobs in Shawinigan. I don't know whether you have been to Shawinigan before, but 300 jobs in that city make a big difference.

I have a number of other examples, but I will give the floor to my colleague Mr. Bureaux, who will give you some examples from Nova Scotia.

In short, when you invest in applied research in colleges, you are really investing in concrete jobs at the end of the day.

• (1155)

[English]

The Chair: Mr. Bureaux, go ahead.

Mr. Don Bureaux: Thank you again for a great question.

I want to pick up on a couple of points before I give another couple of examples. I agree with Pam that there is a balance that we have to strike in Canada where, as you say, there is blue sky research and there is applied research, which are both very important. I would argue, though, that the time horizon for applied research is short. If we're able to create in the minds of our students a sense of inquiry that they're able to take to the workplace, that lasts for many years beyond just four years. That's what we hear back from the private sector partners that we work with. They want to hire not only a bundle of skills but a bundle of problem-solving abilities. That sense of inquiry that's gained through applied research development is a lifelong skill that helps the economy in Canada.

The second thing when we think about researchers is that there are big-I research and small-i research. The big-I research would be something that large corporations would develop and would have a dramatic effect on the economy, but there are thousands of examples of small-i innovation happening in the country.

That's what we're finding throughout rural Canada. Local volunteer fire departments are benefiting from small-i innovations, for example. One of our students was a volunteer firefighter. One of his biggest and most saddest moments was arriving at a car accident and having to wait literally hours before a car could be removed or lifted safely, because it had to be secured. He invented a special jack that could secure a hydraulic jack, secure a vehicle within minutes, and allow for the quick removal of the injured parties involved. He has now taken that product and patented it and is selling it around the world. There's an example of a small-i innovation. That individual now has gone on and taken that platform of technology and used it in different areas.

I think we need to look beyond just the ends of our noses in terms of the benefits of applied research.

The Chair: We are substantially over the time.

Mr. Fergus.

[Translation]

Mr. Greg Fergus: Thank you very much, Mr. Chair.

I would like to continue along the same lines as my colleague Mr. Boulerice, because I think there is a common thread in all your testimony, perhaps with the exception of Mr. Burke's.

Mr. Burke, I am sure that my colleague will ask you a question.

This common thread is the importance of having the necessary skills to learn. But you have to start by learning how to read and write. That's important and that's where I want to start.

Ms. Hunter, we have received your written submission, but you did not read it in its entirety. There was something on the first page. Can you tell all the members of the committee how much you are asking for to fund your activities in all the Atlantic provinces?

[English]

Ms. Jayne Hunter: There are four provinces that we want to cover. In Newfoundland, of course, they have lost their literacy coalition. There is no leader in that province currently at our college level. For New Brunswick, P.E.I., and Nova Scotia, we're asking for \$600,000 per year. That's a hundred and—

[Translation]

Mr. Greg Fergus: Can you repeat that amount?

• (1200)

[English]

Ms. Jayne Hunter: It's very small. In fact, we worked it out in the budget. It's 0.00018% of the projected expenditures from last year. When I sit here, I think, maybe if we would ask for more, we'd be taken more seriously.

Voices: Oh, oh!

Ms. Jayne Hunter: Maybe what we're telling you is too small. If we were asking for \$100 million to \$200 million to fix the problems of literacy, it would be....

The Chair: We only need a money tree. You heard all the requests here today.

[Translation]

Mr. Greg Fergus: The ability to read and write is the foundation of a well-functioning and educated society. Without that ability, we cannot send the young and not so young to colleges and universities; we cannot create companies with a trained workforce that will make its way to the chambers of commerce; and we cannot have employees in every industry. That is the foundation. So, congratulations! Duly noted.

Ms. Amyot and Mr. Bureaux, I am very familiar with the tremendous work that you do across the country. I have visited many of your institutions across the country, including yours, in Dartmouth, on the other side of the harbour. You are asking for more of the funding to go to research.

Do you also support the Naylor report? What changes would you like to see?

Ms. Denise Amyot: From the outset, we were very clear about the Naylor report, which involved pure, basic research.

Mr. Greg Fergus: The report talked about an ecosystem, correct?

Ms. Denise Amyot: It talked about an ecosystem, but it said that the people in the community would focus on the recommendations on pure research. However, we submitted a proposal to reiterate the importance of the spectrum from pure research to applied research. Our members focus more on applied research. That being said, it represents 1.7% of all funding for applied research, which is truly very little.

Mr. Greg Fergus: It's not as little as the amount Ms. Greaves and Ms. Hunter are asking.

Ms. Denise Amyot: We are asking for \$100 million in funding. Right now, this unfortunately means that we are leaving money on the table from business and industry, who are willing to invest in research and development. Canada is always criticized for that. Why do companies not invest enough?

Small and medium-sized businesses are ready to invest. However, there is unfortunately not enough capacity in colleges at the moment. We have to tell them no, because there is no money coming from the federal government. One of the reasons we asked for \$100 million is to stop saying no and to stop leaving money on the table. At the end of the day, this means we are saying no to economic development, no to productivity and no to developing students' skills. It is very unfortunate to be in such a predicament. There is also potential. Right now, only 5% of instructors do applied research. Imagine what all the others are doing. Only 3% of students have access to applied research.

The needs and expectations are huge. We look forward to the government's next budget. Unfortunately, not much is happening with social innovation because we only receive \$5 million a year and the demand is huge.

The demand is also considerable in health, because we train 80% of the people who work in this field. Unfortunately, the current funding does not allow us to innovate sufficiently.

Mr. Greg Fergus: Thank you very much, Ms. Amyot.

Since I know the chair is fair, as Mr. Grewal said, I would like to ask a quick question.

Ms. Foster, I would like to know something about your members who are where the action is. Mr. Francis, Ms. Walsh McGuire and witnesses from another chamber of commerce talked about how important it is for students that the curriculum includes work experience in NGOs or in the private sector.

Are your members in favour of that? How can you promote this opportunity to ensure that students will acquire the work experience in research?

•(1205)

[English]

Ms. Pamela Foster: Very supportive of applied learning opportunities, workplace opportunities, and also research and science opportunities.... To bring it back, what the Naylor report talked about was lost capacity, both for learners and for future research in science, in both the college and the university sectors, because of the lack of support for funding.

When a scientist or a scholar gets research funding, they hire students to help them with their research, which brings along those.

There are, then, important opportunities for work placements. It talks about support at all stages of the career.

[Translation]

Mr. Greg Fergus: So it's not only because of the experience with professors, but also the experience students will get from working with companies and NGOs outside the university.

Are you and your members in favour of that?

Ms. Pamela Foster: Yes.

Mr. Greg Fergus: That's fine. Thank you.

[English]

The Chair: Thank you.

Mr. Albas.

Mr. Dan Albas: Thank you, Mr. Chair.

Thank you to all of our witnesses for being here today.

Obviously, low literacy can lead to underemployment, but also a mismatch between skills and what is necessarily demanded by the market is important, so I'm going to go to Colleges and Institutes Canada to start with.

First of all, BCIT, one of the leading institutes in British Columbia, puts firmly on its web page a link so that students can find out not just about the program they're entering but also about the local labour demand for those jobs. That's something they do independently of anything. In the United States, for example, you have a college scorecard, which demands that any institution that receives federal funding, whether it is a college or otherwise, has to post that kind of information.

Are your members stepping up to communicate to students where the jobs are in their regions and making sure the programming matches those jobs?

Ms. Denise Amyot: I will start and then I will ask my colleague to answer for, specifically, Nova Scotia. In fact, BCIT is one of our members who publish this on their web page. For colleges and institutes, it's compulsory despite the fact that education is under provincial and territorial jurisdiction. It's compulsory to talk about the job placements with respect to the students who study in your institution. That's why we're so proud to be able to say that 91% of our student graduates find a job within six months, and we are very proud of that. In some cases, of course, it's 100%, and sometimes they choose to pursue studies instead of going to the workplace.

Mr. Don Bureaux: As part of that, we have a very rigorous evaluation of our programming. Many of our institutions and colleges have a three-year rotating cycle for programs, and if enrolment in job placement isn't high enough, those programs are stopped. In fact, that's the art and science that we have to deal with. I get calls often from parents or individuals who are on a wait-list and they think the solution is to simply open up the funnel at the front end to allow more students into the programs. The problem with that is that you have to match that with employment rates at the other end. It's something we look at constantly.

Mr. Dan Albas: Today, OSFI, the Office of the Superintendent of Financial Institutions has announced further regulations, adding a stress test to uninsured mortgages or, as they are sometimes called, portfolio mortgages, with which you have a down payment of 20% or more. These coupled with changes to the tax-free savings account and, whether or not the government proceeds with them, the proposed changes to passive investments to me bode a very difficult challenge, because the traditional tools that Canadians have used, whether those be tax-free savings accounts, a home, or a business, to actually be able to build equity, which actually creates social mobility, I think, are really at stake.

I have to ask both chambers specifically about passive investments. The changes that the government has proposed would raise the rate significantly, in effect, in some cases, causing businesses to change their behaviours and prepare for neither the rainy days in which the economy turns down nor those times when the economy is hot, or to capitalize on them effectively and take hold of opportunities that open up. Are you concerned that the government needs to address the area of passive investments in particular?

• (1210)

Ms. Penny Walsh McGuire: I'll touch on this specifically, having received hundreds and hundreds of submissions from our members. I think what we heard consistently on the proposal around passive income was, as you mentioned, that these dollars, this investment in their business, is being used for rainy days when there's economic downturn in order to make payroll, to keep their employees there, and to support the business, but I think even more importantly, it's there for investment in the business.

We hosted a tax town hall and had a number of witnesses talk about having already proceeded with a capital project or an investment opportunity, and they were holding their breath while they waited to see what this proposal could mean, because they were too far down the path.

I don't know if, Rory, you want to build on that.

The Chair: Glenn, do you have a comment?

Mr. Glenn Davis: I would only echo the comments. We've heard the exact same thing from our members in outreach, that the passive investment might be the most disturbing of the three proposals.

Mr. Dan Albas: In regard to this, it's just one more thing and it seems that OSFI has given a real tin ear even to this committee, because we actually recommended that they not proceed with any further major changes without actually digesting the current changes. So I think this is a difficult thing.

Obviously, in regard to your comments, Ms. McGuire, about the federal government needing to have a return to balance, we can't continue to spend and spend, particularly when we talk in Atlantic Canada about the demographics. We heard today from the Atlantic Institute for Market Studies that there is a disproportionate amount that a family here in Nova Scotia will pay compared with a family in Manitoba. I think it was a 20% difference, and 30% if you go to Saskatchewan.

What does the government need to do to be able to deal with that challenge?

Mr. Rory Francis: Are you asking about the specific challenge of balancing the budget?

Mr. Dan Albas: It's not just to balance the budget, but also what it will do if they do not do it.

You probably weren't here for it, but AIMS basically said that right now a family here is taxed at a disproportionately much higher level, because the taxation is so much higher. If we continue to see federal spending at that rate, eventually that has to be paid, and again, a family here will be paying disproportionately more for that. What is that to your chamber?

Mr. Rory Francis: What does it do to families across Atlantic Canada? It's really a matter of people being able to put bread and milk on the table and pay the bills and be in a community where they can have competitive businesses, job opportunities, and so on.

The tax situation is not top of mind for people every day until something such as we've experienced in the last while is facing small businesses, and then everyone pays more attention to taxes. We have a lot of benefits in Canada, but we really do need to make sure that we're going to be balancing those benefits with the costs of doing business.

Mr. Dan Albas: I have a quick question to follow up on your comments. You talked about the need to invest in infrastructure. Again, it does sound more to me that when you say "strategic infrastructure", it's certain companies and it's not publicly available to everyone, while Mr. Burke is talking about the need to support infrastructure that is at least used by the smaller communities that are heavily dependent on their access to harbours.

Maybe there is no answer other than that the government has a tough job ahead. I do appreciate both opinions. Again, it's traditional communities versus some of the opportunities of the future. I'm not sure how the government is going to slice that one.

• (1215)

Mr. Rory Francis: My comment was about infrastructure that is not specific to individual businesses. This is supporting businesses in general, but probably owned and operated in a not-for-profit fashion, or frankly, on the academic side of things. To be clear, it's not a competitive situation. It's creating public infrastructure that can support broad-based economic development.

Mr. Dan Albas: Thank you for the clarification.

The Chair: Thank you.

We'll turn to Ms. O'Connell, and we might have time for a couple more questions following Ms. O'Connell.

Ms. Jennifer O'Connell: Thank you.

Mr. Burke, thank you for your presentation. I look forward to receiving the slide deck so that we can go over some of those details.

In regard to your presentation about the maintenance, you did a good job of explaining the needs. Do you have any statistics or numbers on what the potential economic impacts would be if some of these harbours became unusable or couldn't handle the same volume or the same size of vessels, or those types of things? Even if you gave one example, it would help us understand the magnitude of not doing anything, or not maintaining or adapting to climate change, and what that could mean for the economy, especially in these communities.

Mr. Osborne Burke: Especially in rural communities, you can have harbours in Nova Scotia with 10 fishing vessels operating but the entire community is dependent on that facility, or you can have harbours that have 200 vessels that can generate additional revenues, but both facilities are just as important to those communities. As these facilities deteriorate and the assets become unusable, it's not a great situation. Even now, in Nova Scotia, we have fishermen operating from barricaded facilities.

We have a tremendous industry and tremendous resource. With these assets, as I said, over the years there have been more than 1,000 facilities and locations divested. There has been a move, and in fact, in my area, we've amalgamated five or six harbours. We've shared services where we can. That effort is taking place with the volunteers, not on a basis of it being forced on us by the government but working together with the small craft harbours program, where we can, to reduce our footprints where we have two facilities very close to each other. However, in some cases, for safety reasons, we might still continue to have a small harbour that, to somebody looking from afar, might not seem that important but it is critical.

With these facilities in deterioration and the other impacts we're seeing with climate change, storms, digging out sand only to have it return next year, and increased environmental requirements, there are all these challenges to the program. However, we have to remember that the core facilities are the main mandate, and they've identified approximately 720 core harbours. That's down significantly from what it was years ago. Those harbours are critical to the continued operation of the fishery, and when we look at free trade agreements with CETA in Europe and NAFTA as well, trying to increase our exports, these harbours are our roadways. These harbours are necessary for the vessels to leave from, return to, bring the product in, and generate that \$9.5 billion a year.

Ms. Jennifer O'Connell: It's one thing to maintain what you have and keep it up, and I totally understand that, but has the advisory committee looked at or done any analysis on the economic growth potential if you could take a harbour that is significant or busier, one that could handle more if it had the right type of investments, and what opportunities might exist there?

Mr. Osborne Burke: There are significant opportunities. I can't quote exact numbers, but when you look at the aquaculture industry in Canada, we're just scratching the surface. In Nova Scotia, for example, they've just done a renewal of the policy on aquaculture. There are a lot of opportunities to increase that because currently, with all the resources we have, if you're going to feed just the Asian market, you're not going to be able to do it.

There are a lot of opportunities on the aquaculture side, but as that aquaculture side is growing and the opportunities with it, you have large barges. You have large vessels tied to facilities that are falling

apart, literally in some cases. There's a lot of economic opportunity to increase beyond where we are, to do more value-added processing, to increase value rather than just shipping that fish out as it is. There are significant opportunities.

There are significant opportunities in the waste stream. Eventually, the waste stream that we have in the fishing industry will probably be worth more than the actual products we're shipping now. There are a lot of opportunities, whether you look at crab shells or different by-products going to the local dump site that could be better utilized as protein. There are a lot of opportunities with different companies, working with institutions as well, to grow that part of the industry.

• (1220)

Ms. Jennifer O'Connell: Part of the divestment plan, or the strategy or the idea there, is to take off some of the assets that are maybe not as essential or could be better managed either by municipalities or partnerships, even one you described. Obviously I was a municipal councillor, and as a councillor, I wouldn't take on, for example, a road in poor condition, and then all of a sudden take it on as a liability for us.

I know as part of the divestment plan it has to be brought up to a standard before it will be transferred over, but is the core idea behind this divestment plan to get some of these, I don't want to say non-essential harbours, but maybe to reallocate and refocus where resources from the federal government can be better utilized in the future?

Mr. Osborne Burke: Yes, that's correct. By removing those non-essential, as you say, low activity or recreational harbours that would be better utilized by municipalities, it's reducing that footprint for the core mandate of the core commercial fishing harbours. It happens over time, but eventually it allows us, and the Fisheries and Oceans' small craft harbours program, to concentrate on the critical core mass of harbours. As we say, though, we're still \$75 million a year behind, never mind all the new challenges.

Ms. Jennifer O'Connell: Thank you.

My next question is for the Atlantic Partnership for Literacy and Essential Skills.

I don't have the fact sheet in front of me either, but in terms of your ask for the designated funding, the modest ask of \$600,000 a year, for how many years was that?

Ms. Jayne Hunter: We asked for four last year, and that was considering that, during that time, the office of literacy and essential skills underspent on their budget by \$13 million, so it wasn't like it wasn't there to give us.

Voices: Oh, oh!

Ms. Jennifer O'Connell: I guess my questions are similar in a sense. Do you have any data—and again if it was on your sheet, it's just that I don't have it in front of me—to suggest, for example, what that type of investment that \$600,000 actually means in economic growth or the opportunities for all Canadians?

I'm not just referring to young people, but let's say people who are skilling up, which is how we usually refer to it. Have you looked at those measurables, and what this type of investment actually means for the larger economy? Obviously it makes a big impact on that person's life. Do you have any of those measurables?

Ms. Jayne Hunter: We have statistics for our own organization, such as how many learners are served, and how many practitioners receive professional development. That's a big thing. In Nova Scotia, in particular, the province pays for a lot of the actual learning programs, but those learning programs need supports, and that's the practitioner's need to know how to best meet the needs of the adult learner coming through. I know there was a report just done on the upskilling project, and it came back with a 25% return on investment for those individuals who were in that program.

Ms. Jennifer O'Connell: Jinny, do you have anything you want to add to that?

Ms. Jinny Greaves: I don't really think I have anything to add. Thank you.

Ms. Jennifer O'Connell: Great.

Thank you.

The Chair: We have to cut it there. I thought we went to 12:30 p.m., but we only go to 12:15 p.m.

I just have one or, I guess, two questions really. This is really worrisome. Ms. Hunter, you're still engaged in negotiations on a proposed project with the office of literacy and essential skills, which is now 32 months in the system, and you haven't had a yea or a nay. Do you have any idea why? That is absolutely ridiculous.

•(1225)

Ms. Jayne Hunter: Your guess is as good as ours. The main proponent is the coalition in New Brunswick. They've put it forward, but we're all partnering. We're all putting our resources and assets into it. It's a fisheries sector project. They keep us hanging on and say that we're going to get a yes, but we haven't gotten a yes. They were quick with a no when asked if we could get some stable predictable funding. When we asked for the \$600,000 from the office of literacy and essential skills, they told us no for that.

The Chair: The other question really ties into that.

I don't think there's been a panel—and we've had well in excess of 160 witnesses now, I think—that didn't mention training, skills, matching skills to jobs, that kind of thing, and a lot of requests for more money. But the federal government, through the labour market development agreements, which goes to the provinces, is already spending now \$3 billion. That's a lot of money. What are we doing right or wrong? Does there need to be different guidelines around labour market development agreements? Does there need to be more coordination? Should some of that money go to groups like the literacy alliance?

We had the squabble with the province of Prince Edward Island two weeks ago over them needing \$150,000, and the province wouldn't provide it. Do we need to do something around labour market development agreements? They're being renegotiated now. Does anyone have any thoughts?

Ms. Denise Amyot: I used to run those labour market agreements years ago when I was a public servant. I think what is happening right now is that there are needs that were not there before. If you just look at automation, you see that it means there are fewer and fewer jobs for people who don't have basic skills, and it means there is more need for more training.

Look at where we are going with artificial intelligence right now. Look at what is happening. Every year there are fewer jobs that are available for those who have no skills, so that's why there are so many demands.

I don't think the labour market agreements have looked at that aspect. The circumstances are changing to amend the scale right now, and we need to look at the needs of those people because, if not.... If you even look at lawyers, lawyers are at risk with artificial intelligence. Their jobs are at risk. The jobs of truck drivers are at risk, so we need to put way more emphasis into reskilling people.

The Chair: Rory.

Mr. Rory Francis: I am, again, going to take the positive road and I'll reflect on the biosector.

I think something is going to be broadened in Prince Edward Island using labour market agreement dollars; that is, putting more onus and more responsibility on the shoulders of some of the not-for-profit coordinators of industry sectors—BioAlliance, the aerospace sector, and so on—those folks who are on the ground, close to the companies, the businesses, and have a good relationship with the academic partners. They would coordinate a strategy for identifying the needs of industry; the capacity of the infrastructure we have regionally to supply our labour market needs; and recruitment, retention, and training needs.

It's close to the ground, at the coalface, knowing what's going on within the business community and what the needs are. We do quarterly surveys with companies of the hiring that's happened, the skill areas, job postings, what's not being met, what we need, and what our strategy is for filling those gaps. It's just bread and butter, paying attention to the details, and being very close to the action.

The labour market agreements, at least the way we're using them, and I think we're influencing some other sectors in the province, are getting a better set of results.

•(1230)

The Chair: Okay, that's really good information.

With that, we will have to adjourn and go to the open-mike session. On behalf of the committee, thank you to each and every one of you for coming in, for your presentations, and for answering questions.

We'll suspend for about three minutes and go to the open mike. We have three open-mike presentations.

The meeting is suspended.

• (1230) _____ (Pause) _____

• (1235)

The Chair: Committee members, we'll come back to order.

We have three open-mike presenters: Hannah Dawson-Murphy, Manal Quraishi, and Rhonda Doyle Leblanc.

Welcome.

Ms. Dawson-Murphy, go ahead.

Ms. Hannah Dawson-Murphy (As an Individual): Thank you, Mr. Chair.

I'm happy to see you all in Atlantic Canada today.

As for me, I'm striving for political change in my riding of West Nova. This makes it important for me to listen to the people and what matters most to them. Since July I've heard a lot of concern from small business owners, employees, and even regular customers on the tax changes. That has been a hot topic recently.

I believe fully, after consulting with tax experts and entrepreneurs in my region, that these changes will hurt small businesses greatly.

Many are frustrated with the lack of consultation on this issue, also. Our member of Parliament held town halls for which fewer than 10% of households were notified, and he has been missing in action since those town halls. I find it worrisome that the consultation period was so short, and in the middle of summer, and despite the opposition's efforts, remained in the same period of time.

I hope you all use your influence on the government to speak about these policies that will hurt not only West Nova, but the rest of the country.

Thank you for your time.

The Chair: Thank you very much, Hannah.

Ms. Quraishi, go ahead.

Miss Manal Quraishi (As an Individual): My name is Manal Quraishi, and I'm the head girl at Sacred Heart School of Halifax.

For over 168 years, my school has been providing girls with an exceptional education, and for me that means my potential is limitless. However, not enough girls around the world have access to education. In fact, 130 million girls are out of school, not because they want to be but because they are denied the right.

This is a travesty, and we believe that educating girls is the key to economic, societal, and political health. Today, Sacred Heart joins voices with ONE Canada to ask our government to contribute to the financing of the Global Partnership for Education in 2018. With a meaningful investment, we can stop this crisis and help millions of girls just like me fulfill their potential.

Thank you.

• (1240)

The Chair: Thank you very much, Manal.

We'll now turn to Ms. Doyle Leblanc.

Welcome.

Ms. Rhonda Doyle Leblanc (As an Individual): Thank you, everyone, for giving me the opportunity to come and speak this afternoon.

My name is Rhonda Doyle Leblanc, and I am the women's director for the Public Service Alliance of Canada. More importantly, I am a mother and, hopefully, a future grandmother.

My concerns and issues are around early learning education. We need a strong, publicly funded child care system in Canada. I know from my own experience how incredibly expensive it is to obtain quality child care that works for children and is affordable for parents. It is such a financial burden on parents that the mother often considers having to leave her job.

I know that in my case, when I had my first child, I was able to afford and find a spot, but three years later when my second child came along, that was no longer an option for me. Like many other parents, I had to find unregulated child care, often a babysitter working out of their home without any early childhood education.

This means settling for an unregulated provider. In cases where parents can afford child care, sometimes there aren't any spots remaining. We need a system that is regulated, high-quality, universally accessible, and inclusive of all children.

I want to add that I very much appreciate what the Liberals have already invested in child care, but more needs to be done. With increased investment and direction in child care, we will improve equality for women and children. We will improve Canada's economic value as well. Costs could be recouped through economic growth and increased tax revenues. A human rights international convention states that quality, affordable, and inclusive child care is essential to uphold the rights of children, indigenous peoples, and the rights of families.

I ask you to increase your funding for the early childhood education program.

The Chair: Thank you all very much. It's good to see people coming to the open-mike session. Your words go into the record and are considered as part of the pre-budget consultation.

With that, lunch is being served in this room for members. We have to meet in the hotel lobby at 1:35 to catch the bus to the airport.

The meeting is adjourned. Thank you.

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