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Chair

The Honourable Wayne Easter

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• (0855)

[English]

The Chair (Hon. Wayne Easter (Malpeque, Lib.)): We'll call the meeting to order. As everyone knows, these are the pre-budget consultations in advance of the 2018 budget.

I first want to welcome everyone. For those who are at the table, we have what's called an open mike session for 15 minutes or thereabouts before we start, depending on how many witnesses we have, and for half an hour after the last panel at 12:15.

We'll start with the open mike session, which is really, for those who don't know, a one-minute statement at the mikes. There are no questions, but it does give people the opportunity to get their point of view on the record and be part of the pre-budget consultations.

We'll start first with Jerome St-Denis.

Welcome, Jerome. Go to one of the mikes and you're away.

Mr. Jerome St-Denis (As an Individual): Honourable members, 130 million girls are out of school. That is 130 million potential engineers, potential entrepreneurs, and potential political leaders the world is missing out on.

The African continent is on the cusp of a demographic transition. By 2050, the continent will be home to nearly two in five of the world's youth. Sub-Saharan Africa's working-age population is set to triple to 1.25 billion and its population is projected to rise to over two billion. The potential of a demographic dividend can be an immense economic opportunity for Africa and for the world, but this opportunity can only be hastened if we take action now.

Today, we ask Canada to contribute to the financing of the Global Partnership for Education in 2018 as part of the solution so it can help millions of girls in the poorest countries get the education they deserve.

The Chair: Thank you very much, Jerome, and congratulations to one who has had a presentation at every panel hearing, I believe, including in Yellowknife.

Mr. Ron Watt is next.

Welcome, Ron.

Mr. Ron Watt (As an Individual): Thank you, and good morning.

My name is Ron Watt. As you may have guessed, I'm a senior and I worked for the Canadian public service for 35 years. When I

retired, I joined an organization that is now known as the National Association of Federal Retirees. I joined here in Windsor, am a proud member, and I continue to serve as the past president of that organization. We have about 850 members locally, and nationally we have about 180,000. That includes 60,000 ex-military personnel.

Today we have three points that we would like to leave you with for your consideration in the 2018 budget: one, secure retirements; two, strong health care; and three, a national seniors strategy. We feel these are the best ways to help seniors and their families.

On retirement security, I urge the government to scrap Bill C-27. This bill would introduce a new type of pension plan and target benefit pensions, while taking away retirement security and killing off a good defined benefit plan that people have worked for and that bring benefits back to their communities and their families.

For budget 2018, I believe the federal government should lead a national seniors strategy that builds on the home care and seniors housing investments that have been made so far. The strategy needs to include a national palliative and end-of-life care strategy and better pharmacare for seniors, and it must continue to tackle infrastructure investments with age-friendly communities and universal design standards in mind. To ensure residential needs are met, the government should appoint a minister responsible for seniors. This would allow public policy to be heard that impacts our age group.

In summary, these actions would lead to better productivity and a stronger economy, not just for seniors but for their families and Canadian communities.

Thank you for giving us the opportunity to appear. Good luck with your ongoing work.

The Chair: Thank you, Mr. Watt.

We turn then to Kamal Mann.

Ms. Kamal Mann (As an Individual): My name is Kamal Mann. I am here as a volunteer on behalf of Engineers Without Borders Canada.

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

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

Increasing aid will help Canada achieve the 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 can fulfill its global commitment. Thank you very much for your time.

• (0900)

The Chair: Thanks very much, Kamal.

With that, then, we will turn to our witnesses. I know a couple are coming in late. Mr. Fisher just got here. I know he was flying in through Detroit. In any event, we will start with presentations in one moment.

Just to begin, to give an overview of the makeup of the committee, this a subcommittee of the finance committee. The full membership doesn't travel. To give an overview, to know where people come from and where they represent, I'll get members to introduce themselves, going around the table.

I'm Wayne Easter, member of Parliament from Malpeque, Prince Edward Island, which is the middle riding in P.E.I., between Summerside and Charlottetown.

We'll start with our Ontario folks and Mr. Grewal.

Mr. Raj Grewal (Brampton East, Lib.): Thank you, Mr. Chair.

My name is Raj Grewal. I'm the member of Parliament for Brampton East. I'm happy to be back in Windsor. I spent my first year of law school here at Windsor law school before I transferred out. I always appreciate its charm.

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

[*Translation*]

Mr. Greg Fergus (Hull—Aylmer, Lib.): Good morning. My name is Greg Fergus, and I am a Liberal Party member representing the riding of Hull—Aylmer, which is very close to Ottawa.

[*English*]

The Chair: On the translation devices, I think English is likely 1 and French is number 2.

Mr. Albas is next.

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

Good morning to everyone. My name is Dan Albas, and I am the member of Parliament for Central Okanagan—Similkameen—Nicola in the interior of British Columbia. I was here in Windsor last year doing some tours of local businesses with my interim

leader, and certainly found it to be a very vibrant city. I'm looking forward to hearing the testimony today.

Mr. Tom Kmiec (Calgary Shepard, CPC): I'm Tom Kmiec. I'm the member of Parliament for Calgary Shepard.

The Chair: Go ahead, Alexandre.

[*Translation*]

Mr. Alexandre Boulerice (Rosemont—La Petite-Patrie, NDP): Good morning, everyone. My name is Alexandre Boulerice, and I am the member for Rosemont—La Petite-Patrie, a riding in downtown Montreal.

[*English*]

The Chair: Thank you, all. We'll start with the first witness, the City of London, and Mr. Helmer and Mr. Thompson.

Welcome. The floor is yours.

Mr. Jesse Helmer (Councillor, City of London): Thank you.

Chair and members of the Standing Committee on Finance, thank you for the opportunity to appear before you today. I'm joined today by Adam Thompson, who is our manager of government and external relations with the City of London.

As the largest urban centre in southwestern Ontario, London provides economic and social opportunities for all 2.5 million residents in the region. Southwestern Ontario is a very large region of 2.5 million people. We are embracing our role by providing infrastructure, jobs, and amenities that citizens rely on every day. Those of you who have been councillors in the past know how municipalities are delivering at the local level.

We recognize that we rely on our entire region's success much the same as the region relies on our success as one of the big mid-sized cities in the region, and we do want to speak to some regional aspects today.

Southwestern Ontario, as you may know, is really a region of mid-sized cities. We don't have any one dominant city, but a number of mid-sized cities fairly close together.

To ensure London and southwestern Ontario continue to prosper, we have identified three areas for partnership with the federal government in the 2018 budget, and I want to speak to those today.

Our number one priority is for the city to continue to bring rapid transit to London. We're looking at a bus rapid transit system. We are the largest city in Canada that does not have rapid transit already in planning or in operation. "Shift" is what our rapid transit is called, and it will really unlock our full potential and make it easier for people to move around the city in an affordable way. It will connect our education and health care institutions, universities and colleges, the hospitals, major employers downtown, and our really great neighbourhoods that are scattered throughout, especially at the core of the city, where they're very transit-supportive.

We're expecting about 43,000 new jobs and a lot more people to move to the city of London over the next two decades, so making sure that we do not run into paralyzing congestion problems is very important for our long-term economic success and future competitiveness. Doing rapid transit now before it's, frankly, more expensive and more disruptive is very important for London.

In the last budget, \$81 billion was advanced for municipal infrastructure, and we certainly were glad to see that. We're expecting more details to come in the coming months, and we're ready to bring that transformative change to London through rapid transit.

Our second priority relates to providing safe and secure homes for Londoners. It has certainly been encouraging to see governments at all levels focusing greater attention on issues of poverty reduction, affordable housing, and homelessness prevention. Increases to the federal homelessness partnering strategy and support for enumeration events will help us to understand and improve capacity and provide concrete data about what's going on in London when it comes to homelessness. As the homelessness partnering strategy is reviewed in advance of 2019, we would certainly encourage the federal government to commit to an increase in the total funding allocated to the strategy, particularly for mid-sized cities such as London that address regional needs in their communities.

Just to give you a sense, because we have a series of mid-sized cities in southwestern Ontario, we have a disproportionate burden, in that a lot of people from rural areas will move into the bigger cities when they run into issues around precarious housing. Support services are just not available in rural places, so they come to places like London. Unfortunately, sometimes the partnering strategies can be designed for very large cities like Toronto or Montreal, and they don't necessarily work as well for a mid-sized city like London. Those mid-sized cities have particular challenges, and we hope that the partnering strategy recognizes that.

I also want to speak about affordable and social housing, and what we would consider to be a crisis there. I know it's discussed many times in the context of bigger cities, but also in mid-sized cities it's a significant issue. In London we have 3,200 social housing units. In Ontario, the responsibility for that infrastructure was downloaded to the municipalities years ago, and our property managers at the London and Middlesex Housing Corporation are telling us, after doing an audit of the condition of the buildings, that we're looking at maybe a \$225-million infrastructure problem in terms of repair and maintenance of those social housing units. That's just in the city of London that \$225 million is going to be needed over a 20-year to 25-year period.

A lot of these housing units were built around the same time, so the problem is happening all at once. It is not unique to London; it's common across many mid-sized cities and larger cities.

To begin addressing this looming deficit, we need to start now. It's, frankly, cheaper and easier to start fixing some of these issues now before they get worse. We are looking at for a 10-year, \$20-million investment from the federal government, over and above existing funding. That's \$20 million a year over 10 years.

Finally, I wanted to speak to public infrastructure. The way we travel, the water we drink, and the spaces where we connect have a profound impact on every aspect of our lives, so we were certainly glad to see phase one of the Investing in Canada fund, which has enabled a number of important infrastructure projects. We have a lot of construction projects under way in the city of London, and I've certainly been hearing about it from residents. Construction is great and the infrastructure renewal is great, but it's also pretty disruptive

in the summer, as everyone knows. The reason we have so many under way is the money that was made available in phase one.

• (0905)

We're making some important improvements through the public transit infrastructure fund, the green infrastructure fund, and the community culture and recreation fund.

The PTI funding, the public transit infrastructure fund, has allowed us to make significant improvements to support that rapid transit project. Even in phase one it's helping us do that and it's helping us look at highly congested areas. As an example, we have a number of at-grade rail crossings through the middle of the city and we have a freight rail line running through there for both CN and CP. We're able to deal with some of those issues as well with that federal funding, which is helpful.

The green infrastructure fund is going to contribute for sure to the long-term sustainability of our city and help us address some of the bigger environmental concerns in the region. In particular, I want to talk about the Canada–U.S. domestic action plan for reducing phosphorus in Lake Erie. This is a major regional concern. Frankly, it's of international concern. That's why we have the provinces and the states in the Great Lakes region talking about it, municipalities all over the Great Lakes region, and the federal government and the Government of Ontario and the Government of Quebec and other areas are really working on this issue.

The targets are very aggressive in Ontario. We're talking about a 40% reduction in phosphorus loading into the lake. That is going to require some significant expenditures, and it cannot be done by municipalities alone. The federal government and the Ontario government have set out targets, and we would like to see that funded through the green infrastructure fund but not with the municipal allocation. We don't want it to displace all the other things we need to do around climate change adaptation and green energy. There are all kinds of things that need to be done with that fund, and specifically for the investments we need to make around the domestic action plan and phosphorus, we'd like that to come ideally from the provincial allocation.

The community culture and recreation fund is the last thing I'd like to speak about. That really helps us to do things at a local level that make the city more livable and improve the quality of life. To give you one example, we have a great river valley bike trail, very similar to the one you'd see in Edmonton, for example, but it's disconnected from east London, which is the blue-collar working-class side of our city. There's just a gap. You can't get across the river, so people in east London are really blocked from that area. This kind of funding is going to allow us to do things like connecting those folks with the existing recreation corridor.

I would like to thank the committee for inviting us here today. We're certainly very excited about the infrastructure funding. We also want to make sure that it flows in a practical way that allows us to execute on the projects quickly. As phase two is coming up, the details of that phase are very important in terms of how we deliver the projects.

I would certainly be happy to answer any questions. We really hope that London and southwestern Ontario will be a priority in the budget process.

• (0910)

The Chair: Thank you very much, Jesse.

Turning then to McMaster University, we welcome Mr. Baker.

Dr. Robert Baker (Vice-President, Research, McMaster University): Thank you.

My name is Rob Baker. I'm the vice-president for research at McMaster University. I want to thank the committee for the opportunity to speak to you today about McMaster and our views on the country's productivity and competitiveness.

At McMaster, we put a lot of emphasis on integrating research and learning, helping our students develop the skills they will need to move into the workforce. The federal government's investment in research and education drives productivity by developing a talented workforce who discover innovations and address tomorrow's big challenges.

This year we have a real opportunity. The Minister of Science commissioned the fundamental science review, which highlights the critical role of scientific research in shaping a dynamic society and a competitive economy in Canada.

The fundamental science review recommended changes to funding programs, governance, coordination, and budgetary recommendations. It is quite simply a road map for research.

At McMaster, we support the review's recommendations for the further investment in the tri-councils, those being CIHR, NSERC, and SSHRC. The review also recommends a stable annual budget for the Canada Foundation for Innovation so that we can continue to reap the benefits of our world-class research infrastructure, which enables us to attract world-class researchers and train tomorrow's innovators and helps us discover the solutions to tomorrow's challenges.

Lastly, the fundamental science review calls on the federal government to fund the full cost of research by increasing investments in the research support fund. We strongly support the science review's findings and recommendations and believe that they are a critical way to increase productivity and Canadian competitiveness.

At McMaster, our researchers find new solutions to Canada's big challenges. We have several areas of expertise that align with Canadian priorities, areas where we would encourage government investment. One example is our research on antimicrobial resistance. At the Michael G. DeGroote Institute for Infectious Disease Research, our researchers have helped position Canada as an international leader in drug-resistant infections. The institute has cutting-edge equipment and leading experts working on global solutions to the ongoing threat of these very dangerous microbes. Addressing this challenge will reduce health care burdens and costs.

Another significant research initiative at McMaster is our longitudinal cohort studies. The 2016 census showed that there are more Canadians over the age of 65 than under the age of 15 for the

first time ever. This demographic shift will create new challenges that can be addressed only by understanding issues facing aging Canadians. Improving the quality of life and enabling Canadians to make positive, healthy choices are federal objectives that will directly impact Canada's productivity.

McMaster's longitudinal cohort studies study many large groups of participants over an extended period of time in order to determine the effects of various risk factors on healthy aging from birth to death. Due to their length, these longitudinal studies often face difficulties in securing consistent funding over the entirety of the study period. McMaster encourages you to consider alternative methods of providing long-term funding.

McMaster also leads in advanced manufacturing research, working with industry partners to develop more innovative solutions to industry problems. McMaster leads Canadian universities—all Canadian universities—in industry-sponsored research. Over the last five years, we have attracted over \$588 million in corporate research money, which helps drive competitiveness in our region and the country.

We also leverage targeted government funding to attract international investment. One example of this is McMaster's biomedical engineering and advanced manufacturing project, supported by FedDev, other government partners, and Germany's Fraunhofer Institute.

Lastly, McMaster's nuclear reactor is in a critically important position with the upcoming closure of the reactor at Chalk River. Chalk River and the McMaster reactor supply Canadian and international researchers with neutrons for research in environment, energy, medical sciences, and nuclear physics. Our reactor is the only facility in the country able to absorb some, but not all, of this research demand. At McMaster, we are constantly working to improve neutron access for Canadian research and building national and international partnerships to ensure this critical research continues. Without access, we will lose industries, business, and our competitive basis in this most critical area.

I want to thank the committee for the invitation to speak to you today and I look forward to any questions you may have.

• (0915)

The Chair: Thank you very much, Mr. Baker. Just as a point of clarification on the fundamental science review, is that the same thing as the Naylor report?

Dr. Robert Baker: Yes.

The Chair: Okay, great. I think we've heard, at every stop, about the Naylor report. It's just so we're talking the same language.

Next we have the Sarnia Lambton Chamber of Commerce.

Welcome, Ms. de Silva and Ms. Shepley.

Ms. Shirley de Silva (President and Chief Executive Officer, Sarnia Lambton Chamber of Commerce): Thank you.

The Sarnia Lambton Chamber of Commerce is a nationally accredited membership organization, representing over 700 businesses that together employ 17,000 employees in the Sarnia-Lambton area. This chamber has been fostering prosperity in our community for over 112 years by empowering business to succeed and by initiating major tourism, health, and education projects that have a lasting impact to this day. We thank the Standing Committee on Finance for inviting us to comment on the 2018 federal budget.

Over 95% of our members are small businesses, and what we've heard from them is that they are finding it increasingly difficult to succeed because of increasing costs and regulations, labour market changes, and trade uncertainty. These factors can lead to profoundly negative consequences, including job losses, inflation, and business closures. There's much to be said about how the federal government can tackle these challenges, but the past couple of months, and especially this week, have made it very busy for us, and I must first address the most recent events, which have left our members confused and uncertain, which is never a good thing for business.

As you know, about two and a half weeks ago the government concluded its rushed dead-of-summer consultations on the most significant corporate tax changes in 50 years. Then it was revealed that Revenue Canada was going to start taxing employee discounts. There was a huge outcry, and the government backtracked. Now this week, which also happens to be Small Business Week, the government announced a small business tax reduction and its intention to rethink the proposed corporate tax changes. The government appears to have heard the enormous outcry by business organizations and is scrambling to make improvements. After months of uncertainty, we are now informed that the capital gains on intergenerational business transfers will not be touched, that income splitting will be permitted for family members involved in a business to some degree, and that a maximum of \$50,000 annually can be invested passively into a company, but that's all that we know. The details remain to be seen, and other announcements are expected this week. As you can understand, we've been a bit preoccupied and are cautiously waiting to see what will happen.

Of course, we're pleased to see that finally the federal government is fulfilling its campaign promise to lower the small business tax rate to 9%. It's something that chambers of commerce and boards of trade across Canada have been calling on for years. It will indeed help our members reinvest back into their businesses and the economy and to become more competitive. Unfortunately, it will not come soon enough. The reduction is already late by two years, and it will not be fully implemented until 10 months after the next federal election. It's hard to say how much it will offset the new costs of the proposed corporate tax changes.

We're also pleased to see that the federal government appears to be backtracking on the flawed and unfair corporate tax reforms. When the government released its white paper in July, our members were left reeling, not just by the measures proposed in the documents but also by the tone and language used. We welcome further improvements, but it must be done in consultation with the business community. The devil is actually in the details, and we know that it will take the expertise of accountants, tax preparers, and those affected to understand the real impacts.

In fact, what would be fair to business and to all taxpayers would be a full, independent review of the tax system. Chambers and boards of trade across Canada are calling for an immediate and thorough review. The United States is conducting one, so it is critical that Canada do the same to remain competitive. We cannot risk losing professionals, entrepreneurs, and start-ups to the U.S.

Before my time is up, I'll quickly mention a number of other priorities that we think the 2018 budget could address to help business.

The first is increasing the GST/HST tax filing threshold for small businesses from \$30,000 to \$50,000, and indexing it to inflation. The second is developing a national bioeconomy strategy so that communities like Sarnia-Lambton could attract new businesses and develop bioeconomy clusters. The third is enabling VIA Rail to improve its financial position and services by supporting its plan to invest in a high-frequency corridor using dedicated tracks. The fourth is establishing a task force to harmonize the transportation of oversized load shipments across the country.

I would be happy to answer any questions. Thank you.

• (0920)

The Chair: Thank you very much, Shirley.

Then turning to 3M Company Canada, we have Ms. Rayner and Ms. Maheu. Welcome.

Ms. Elise Maheu (Director, Government Affairs, 3M Company Canada): Thank you. On behalf of 3M Canada, I'd like to thank the Standing Committee on Finance for the opportunity to appear before you as part of the consultations of the 2018 budget.

Ranked as the third most innovative company in the world, behind only Apple and Alphabet, 3M remains focused on utilizing technology to meet Canada's current and future needs in key areas such as energy, health care, safety, automotive, aerospace, and general industrial.

Research and development is at the very heart of 3M. That is why we reinvest 5.8% of sales annually into science. This investment helps 3M produce more than 3,000 patents each year. In collaboration with our customers, 3M is helping solve the world's toughest challenges by leveraging the power of 46 technology platforms to create better, safer, and more economical solutions for different market spaces. Headquartered in London, Ontario, since 1952, 3M Canada continues to invest in science, research, innovation, and talent.

There are several federal measures that would help Canadian businesses become more competitive.

One of the most powerful levers any government has at its disposal is taxation. Taxation can and should be used as a tool to incent investment in Canada and drive innovation. In an increasingly globally competitive environment, both manufacturing and research and development investments are subject to competition when it comes to choosing one jurisdiction over another. Half of 3M Canada's sales are generated by our nine Canadian manufacturing facilities, and the great majority of these sales—more than 85%—are exported to the United States.

3M Canada must compete with other countries around the globe for manufacturing capital investment. In 2012, the “Global Tax Competitiveness Report” ranked Canada the 19th-highest tax burden on new business investment among 34 OECD countries. By 2014, Canada had moved up to the 14th place. Consequently, the proposal that we will highlight today focuses on incentives to attract investment in Canada.

The most impactful proposal, in our opinion, is to implement an innovation box system, also called a patent box system. To help accelerate the commercialization of intellectual property developed in Canada, we echo the recommendations set out by the Advisory Council on Economic Growth in February 2017 to create a patent box. A patent box would incent R and D investment in Canada and encourage businesses to develop and commercialize patents in Canada. It provides a preferential tax rate to manufacturers on income derived from patents and other intellectual property.

More than 12 countries now have some form of patent box. A version of this plan has also been introduced in Quebec and in Saskatchewan in 2017. The Quebec program applies an effective tax rate of only 4%, and Saskatchewan 6%, on qualifying patent income. While action at the provincial level is needed and most welcome, action is also required at the federal level to develop a truly effective and compelling Canadian patent box system to help attract manufacturing and R and D investment.

In addition to a patent box, we also recommend a permanent accelerated capital cost allowance reduction for environmental and advanced manufacturing technologies to allow manufacturers to claim an immediate first-year writeoff of all qualifying capital expenditures, including software.

Another tax measure to spur investment would be to expand the Atlantic Canada investment tax credit program to the rest of Canada and increase the tax credit rate from 10% to 20%.

Finally, as NAFTA negotiations continue to be top of mind, we would like to take this opportunity to further emphasize the importance of negotiating a successful NAFTA trade agreement and avoiding trade retaliation measures that could impact integrated supply chains. 3M is committed to Canada and will be part of its growth in the long term. We have a long-standing history in both Canada and the U.S. and would like to see that strong trading relationship continue. We have a fully integrated North American operation. 3M Canada is a net exporter from Canada to the U.S., and more than 1,000 of our Canadian employees' jobs are dependent on our ability to sell globally.

In conclusion, thank you for the opportunity to present to you today. I look forward to your questions.

● (0925)

The Chair: Thank you very much.

We're turning now to Mr. Fisher, from the Council of the Great Lakes Region. Mark Fisher, go ahead.

Mr. Mark Fisher (President and Chief Executive Officer, Council of the Great Lakes Region): Thank you, sir, and thank you for the opportunity to appear before you today.

As the record shows, my name is Mark Fisher. I'm the president and CEO of the Council of the Great Lakes Region. I'm also pleased to have with us today one of my board members, Rakesh Naidu, the COO of the WindsorEssex Economic Development Corporation.

The council was established in 2013 with the help of Gary Doer, Canada's ambassador to the U.S., and his U.S. counterpart, David Jacobson. Our goal is to bring government, business, academia, and the non-profit sector together to find new ways of growing the Great Lakes economy while protecting the environment. We achieve this mandate by conducting insightful public policy research, convening dialogues with diverse interests at events such as our Great Lakes Economic Forum, and serving as a strong voice on regional matters.

My introductory remarks today will focus on the importance of the Great Lakes economy and, more importantly, on what more we can do to strengthen our long-term competitiveness and sustainability.

I'll begin with a number: \$6 trillion. That's U.S. dollars, and it's the estimated value of the region's economic output in 2016. It's pretty big. Did you know that if the Great Lakes region were a country, it would be the third-largest economy in the world, behind only the U.S. and China?

Home to 107 million people, this region directly supports 51 million jobs, or a third of the combined U.S. and Canadian workforce. Over 50% of Canadian and one-fifth of U.S. manufacturing is based in the region, including over half of Canada's SMEs—roughly 650,000. Ontario and Quebec account for roughly 58% of Canada's \$22 billion in agriculture and agrifood trade to the United States. The Great Lakes region is also an important energy hub, from clean natural gas to nuclear energy to hydro power.

Twenty of the world's top 100 universities are Great Lakes institutions. They help to attract three-quarters of Canadian and a quarter of U.S. R and D spending. There is a growing services sector in the areas of health care, education, engineering, legal services, and banking. In fact, though manufacturing employment is down roughly 15% from pre-recession levels in the Great Lakes region, education and health care are up by 21%, and professional services are up by 16%, according to BMO.

What's more, education, health care, and professional services have added 2.5 million jobs over the last 10 years, dwarfing the nearly one million job losses in manufacturing. Contrary to popular belief, the Great Lakes region is thriving and serves as the economic engine of the U.S. and Canadian economies.

However, the global economy is changing at an accelerated rate, and in unimaginable ways. We need to keep pace and figure out a way to get ahead of the curve, so where do we go from here?

First, we need to continue to support advanced manufacturing, invest in technology advancements, and get our SMEs export-ready.

Second, we need to build smart, energy-efficient transportation systems and increase our connectivity to global markets through supply networks and value chains.

Third, we need to accelerate investment in public and private sector R and D, as well as the backbone infrastructure that drives innovation, such as data science, analytics, and computing.

Fourth, we need to build a skilled and mobile workforce to respond to short-term labour gaps and long-term demographic headwinds.

Fifth, we need to double down on protecting and restoring the Great Lakes and investing in Great Lakes science and monitoring. Securing a clean environment, as well as an innovative and connected economy, will be our competitive advantage.

Sixth, we need to invest in high-growth sectors such as advanced manufacturing, sustainable food production, and services like tourism. If we can make these investments and do so by leveraging provincial and city investments in these and other areas, we will be positioning the Great Lakes to compete and win in the new economy.

Thank you. I'm happy to take your questions, especially with respect to the modernization of NAFTA. I also have a more detailed backgrounder that I'll leave behind; I'm more interested in your questions today.

• (0930)

The Chair: Thanks very much, Mark, and thanks to all of you for your presentations.

We'll start with seven-minute rounds. We have five panellists. We should have time for three in a second round.

We'll be starting with Ms. O'Connell. You have seven minutes.

Ms. Jennifer O'Connell: Thank you.

I want to start with you, Councillor Helmer. Thanks for your presentation. I too was a regional councillor and deputy mayor in Ontario, so I somewhat understand the issues here. Also, being from a smaller community outside of Toronto, I know what it's like.

In the sense of infrastructure funding, one of the big issues that we had in our region, the Durham region, was the fact that the federal government put the money forward, but the provinces ultimately were choosing a lot of the projects. Do you have a similar concern in terms of how the money is flowed? You mentioned that it's really how it's flowed that's important. Do you have any comment in terms of the distribution once it gets to the provincial level and then how it flows out within the province?

Mr. Jesse Helmer: In terms of phase one, I would say that it went fairly well. That was on a small scale, compared to what will happen in phase two. I think there's some concern about the abilities of both the provincial government and the federal government to process all of the information that is going to be coming forward for infrastructure projects.

What I would say is that I think the programs are designed very well to allow municipalities to choose the projects that are important to them and to put those forward and have them funded. On that front, it's great. In terms of actually concluding the agreement in a timely manner, Ontario was pretty late in agreeing, and that really put us under the gun in the construction season we have in terms of delivering the projects on time, by the end of March. We will have some projects that will go over because of the lateness of the agreement.

Concluding the agreement bilaterally with Ontario is going to be really important for how well we can deliver phase two projects.

Ms. Jennifer O'Connell: One of the suggestions I made to the minister in moving forward on agreements with provinces is to also demonstrate how they're being regionally distributed. I agree that the municipalities have to decide on the projects, but we also have to make sure that the funding is being distributed across...

Durham region sounds very similar to London in the sense of the housing backlog in terms of maintenance, let alone new builds. In terms of wanting those future phases in the agreement with the provinces, do you think your municipality or the region would agree to have some type of mechanism or accountability to demonstrate regional diversity? Keeping in mind, obviously, that where there are large populations there are going to be greater needs, there has to be some demonstration of regional disbursement being somewhat equitable.

Mr. Jesse Helmer: Very briefly, I would say that's the challenge in a country such as Canada: designing national programs that support the variations we have at the local level and at the regional level. It can be very challenging. I do think that needs to be recognized.

On the transit front, I think it's working very well. It's a very clear allocation based on ridership. I think a formula approach there works well.

For other things, such as housing funding, the circumstances are a bit different. It's not as though you can just count up per capita and divide it up so easily in terms of needs. I think you have to recognize the unique circumstances of smaller municipalities, mid-sized ones like London, and then larger cities. I think that is important.

Ms. Jennifer O'Connell: In regard to the housing question, one of the suggestions I've heard recently was for not only an injection of cash, although that's important—and I think our government has made significant announcements on that—but for also loosening up some of the abilities for housing corporations, for example, to use some of the capital asset to borrow against it and allow for those types of maintenance and upkeep, or even if the housing is owned by the municipality.

That's been a suggestion. It's not just about cash. It's also about loosening some of the regulations in terms of what a municipality or a corporation can do, a public corporation, in the sense that a lot of these are run in conjunction with municipalities. It's around how they can loosen up those regulations to allow the flexibility of renewal, really, in some of these locations. Is that something your city, your region, or your housing corporations have talked about? I don't know exactly how it's set up here.

• (0935)

Mr. Jesse Helmer: I would say that it's an interesting idea, and it might help with the London and Middlesex Housing Corporation, which is the owner of the social housing, but in London we have not waited around for those changes to happen. We've set up a housing development corporation owned by the municipality. It's focused on the creation and regeneration of existing units. It is separate from the owner of the social housing units. It tries to work with Middlesex housing but with also private sector partners to create new units. It is able to do things—like borrowing in a different way—that the housing corporation is not able to do.

The housing development corporation is a good, innovative approach that we've taken in London. I think that's possible for people right now with the existing rules.

Ms. Jennifer O'Connell: Thank you. My last question is for you. I'm sorry. I don't mean to pick on you, but this is my wheelhouse in terms of budgets.

You spoke about phosphorus in Lake Erie. We have the same problem in Lake Ontario along the Ajax and Pickering watersheds. There's some debate in my area in terms of the cause, but I think studies have shown that it's wastewater discharge. The region doesn't think so, but many municipalities do.

Is there a similar cause and concern in terms of the cause of the phosphorus coming in? For us, it caused all different kinds of issues in terms of the algae and all of that. What local municipalities were asking for was better upgrades to the wastewater sewage plants, essentially. Is that the ask in terms of upgrading these facilities to deal with some of the issues of the runoff going into the lake?

Mr. Jesse Helmer: In London we approach this issue at a regional level, because it's certainly a regional problem.

The sources of phosphorus going into the watershed are many. In London, around 15% is coming from urban sources, so we certainly contribute our fair share to the problem. A lot of that is coming through the wastewater treatment plants, and it's certainly coming through when we have overflow events. In some areas of our city that are older, we have combined sewers that are overflowing. They flow directly into the river. It's a very bad situation. We're working to separate those, and that's part of resolving the issue in terms of phosphorus.

There is a push at the provincial level, and I think almost an expectation, that we'll move to tertiary treatment for all wastewater treatment plants. We believe we have a better way of doing it that is cheaper and is going to solve the problem. We want to pilot that. In London, we have a great firm, Trojan Technologies, that works on wastewater treatment and sells all over the world. They have a suggestion about how we can bolt their technology onto our existing plants. It's going to be a lot cheaper. It probably will get us down to

0.1 milligrams per litre of phosphorus, which is a reduction of about 75% in what we have coming out of the wastewater treatment plants now. If that works, I think it will help with the urban sources.

The other parts of this are primarily rural. In southwestern Ontario, you are in the heartland of agriculture. There's a lot of farming going on, and there's runoff that comes from those operations. That's tougher to deal with, because a lot of it's coming off private properties owned by many different people, and a lot of the solutions are not easy to implement on private property.

Some of the solutions, such as tertiary treatment, are expensive. We don't think that's the right approach. We want to go with a more cost-effective approach that's going to let us achieve those targets. Hopefully, that pilot will prove out and other municipalities can benefit from it.

The Chair: Thank you, Jen.

If any of you want in on any of these questions, just raise your hand. You will notice members on their iPads from time to time. We have all the submissions on iPads, so people will be going back to look at the original submissions.

Mr. Albas is next.

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

Again, thank you, everyone, for your presentations today. They're very illuminating.

I'm going to start first with the Sarnia chamber of commerce. Thank you, Ms. de Silva and Ms. Shepley, for being here today. I certainly appreciate the fact that 95% of your members are small businesses and they're who you're here to represent.

I've done a lot of travel throughout Canada, as many of the other members have, and what I hear from many business owners is, first of all, that because of the uncertainty, they are not hiring. Second, they are not investing, because they are waiting for the changes. As you've said, the government has given some indications of what it'll do, but, as you also said, the devil is in the details. Are you concerned that your entrepreneurs are not going to be hiring and that they're not going to be investing until they have complete certainty as to where these changes are going?

• (0940)

Ms. Shirley de Silva: Absolutely, it's a concern. What we've been hearing from our membership through our surveys, focus groups, and one-on-ones is that uncertainty is just not good for business. As a result of it, there are just so many questions, and not only at the federal level. If you compile those questions with the challenges at the provincial level as well, you can see that small businesses are feeling completely overwhelmed.

They're overwhelmed with changes that they really don't have time to understand because they're busy running their small businesses and they're overwhelmed by the burden of additional red tape that they have to deal with.

Also, farmers are concerned. They're overwhelmed in terms of how they can pass on their family farms to their children. How can they do that?

It's just grinding things to a halt. A lot of businesses are saying that they're just stopping at this point and waiting to see what will happen.

Mr. Dan Albas: Also, of course, I'm a big believer in free trade. I believe that both sides benefit when we do this, but I think one of the challenges we have right now is that with many of the problems, both provincially in Ontario and federally, and with the lack of certainty, new regulations, and new costs being added on, it's pushing many entrepreneurs to open operations in the United States instead.

Do we have reciprocal people coming here to invest? I've had a number of economic development officers say to me that it's difficult to attract new foreign direct investment when they hear the language that's being used against locals. They seem to say that if we don't appreciate our own people investing in our communities, why would they? Are you hearing that similar kind of sentiment in terms of very much a disinterest in investing in Sarnia?

Ms. Shirley de Silva: I don't know if I'm hearing a disinterest in investing in Sarnia, but I'm hearing that the different initiatives that are being taken at the federal level—and at the provincial level as well, to add to it—are pushing businesses away from Ontario. In our area, we have one of the larger plants that's deciding if it should locate in Sarnia or elsewhere, south of the border. I believe that a lot of the changes that are taking place have an impact on those types of decisions. I agree with you, actually.

Mr. Dan Albas: Okay. Thank you very much for your testimony.

Councillor Helmer, I certainly appreciate your taking the time to be here to represent your municipality today.

I have some questions further to those asked by MP O'Connell. First of all, in terms of dealing with the federal government, you said that you wanted to work on phosphorus, but the infrastructure investment portal requires a 20% municipal payment. You'd like to see that removed. It's been my experience that oftentimes it's that way or the highway, so to speak.

How do you get your 20% together? In British Columbia, all municipalities are forced to have master plans. They're forced to track their infrastructure. They're becoming much more adept at doing so. Have you done a core service review? Have you been tracking these things? Ultimately, a 20¢ dollar is still an opportunity you can't miss.

Mr. Jesse Helmer: Yes. We're very fortunate at the City of London. We have a lot great staff, especially in the finance and engineering area. They have been way out in front for many years in terms of asset management plans and planning out on the infrastructure side what the condition of the assets are, when they need to be replaced, and what kinds of problems we have. Right now we have a pollution prevention and control plan under way. It's across the entire city. It's not just phosphorus, but all kinds of infiltration into the river system.

It is getting near the end. What we know so far from that work is that the bill for a lot of these capital works is very, very high. It's over \$200 million to do all these different improvements throughout the city. It will take probably between 10 and 20 years to implement all those things if we rely on the capital funding that we have now. If

there's federal funding to do that, we can do it a lot sooner and solve the problems a lot quicker.

We do have a good understanding of what is required, and we do have the money set aside to do those projects and cover the 20% piece. It's really to make sure, for provincial priorities that are regional in nature, that we're not relying only on the municipalities to cover those costs through the green infrastructure fund and that some of it comes from the provincial allocation.

● (0945)

Mr. Dan Albas: In my area, Mayor Colin Basran of the City of Kelowna has called for any excise tax that will be added to marijuana to be split three ways, rather than the fifty-fifty sharing that the Prime Minister and Minister Morneau seem to endorse, recognizing that the costs are mainly provincial and municipal. Do you think the current fifty-fifty cost-sharing is appropriate, or do you think it should be expanded so that municipalities that have to deal with RCMP or policing costs and whatnot should be compensated?

Mr. Jesse Helmer: Let me switch gears a little bit. I'm the chair of our health unit in London and Middlesex, and certainly when we met with Mr. Blair when he came in to talk about the government's approach, one of the issues we raised with him was how we were going to pay for the enforcement side of these things. A lot of it falls on the health unit to do some of the inspections in these pieces.

A public health approach to cannabis is fine from a public health perspective. We support that kind of regulatory approach. However, we have to pay for it. We need to make sure that the funding flows. In Ontario the public health units are funded primarily 75% from the province and 25% from municipalities. We need to make sure that the marijuana revenues are covering off those costs that will be borne by municipalities on both the policing side, as you've pointed out, and the public health side, which will not be insignificant.

Mr. Dan Albas: Do you support the current approach, or would you support having a larger share, whereby municipalities have some revenue to offset some of those costs?

Mr. Jesse Helmer: I expect that it will be an issue we'll have to sort out with the province. I think the federal government... You know, there's a lot of variation in terms of how things are delivered in different provinces. I think it's reasonable for them to be dividing it up that way for now, but I do think we're going to have to talk with the province about it. Do you really need this 50%? We're covering policing. We're covering a big chunk of public health. What is this money actually going to be applied to in terms of costs at a provincial level?

The Chair: Thank you.

Mr. Boulterice is next.

You may need to use your translation devices, folks.

[Translation]

Mr. Alexandre Boulterice: Probably, unless you can understand the language of Molière.

Good morning, everyone. I'm happy to be with you today. Thank you for making presentations before the Standing Committee on Finance.

I confess that this is my first time in Windsor, and I hope that Mr. Chair could give me some free time this afternoon, so that I can see some of the city and its beautiful spots.

My first questions will be for the London representatives, Mr. Helmer and Mr. Thompson. My first two questions are related, since you talked about challenges and problems in several areas. I first want to focus on transportation, public transit and traffic congestion. As a Montrealer, I can tell you that you are not alone in having to deal with those challenges. I am sure that people from Toronto could say the same. There are environmental challenges involved, but there are also economic challenges. Clearly, when people are late for work or goods cannot be moved properly, our collective productivity drops.

What are you seeing for your London urban region in the announcements made concerning public transit infrastructure? Do you think that what has been announced meets the needs, or would you need some additional help without which you won't be able to meet that challenge?

[English]

Mr. Jesse Helmer: We're very pleased with the direction that the public transit funding is going in for the City of London. We have about a \$500-million need immediately with rapid transit. That's a project we're going to have to build out over eight to 10 years. We need roughly \$200 million, maybe a bit more, from the federal government. The way the program design is happening for phase two, it looks like that's going to cover that off and allow us also to do other things we might need to do on public transit. Things are looking good on that front.

[Translation]

Mr. Alexandre Boulerice: Great. So much the better.

The figure is quite impressive: \$225 million for the maintenance and renovation of social housing in your municipality. I have a similar question for you. Does the funding set aside to reach that objective over the next few years seem to cover the current needs?

• (0950)

[English]

Mr. Jesse Helmer: I have a different answer for that one: no.

This is a very difficult challenge for all municipalities, including London. It's an unfunded issue right now. We don't have the funding set aside in capital plans to deal with the maintenance and repair. The province doesn't and the federal government doesn't. Nobody really has a good plan for dealing with the social housing units that exist and need to be repaired and maintained.

The difficulty in Ontario is that when these units were downloaded, there was not a lot of consideration for the long-term maintenance and repair of that infrastructure. It became a very large liability on the books of the municipalities. We need to do better in terms of planning for that infrastructure. As I mentioned earlier, on the engineering front, we've done a very good job of planning out on that front. On the social housing side, we should have done better and need to do better. Similarly, we're going to need all levels of government to get involved in funding that because it's a major issue.

[Translation]

Mr. Alexandre Boulerice: I have one last question for you, gentlemen.

You talked about the homelessness partnering strategy and you said that it was developed for large cities such as Toronto and Montreal, but it is less adapted to the needs of medium-sized cities like London. Could you give me a more concrete example, so that I can see the difference?

[English]

Mr. Jesse Helmer: For homelessness funding, I will give you an example. This is nothing against Hamilton. However, the way some of the funding flows is that cities are put into broad categories, so if you're larger than a certain size of population, you get a certain amount of money. It's larger per person if you're in a bigger city. The expectation there is that the demands are larger on larger centres, so more money is going to flow there.

Hamilton is over the threshold, and London is just under the threshold. Hamilton is one category and we're in the other category. Hamilton has, let's say, 550,000, and we have almost 400,000. Frankly, our needs are not that different, and they get 10 times as much money. There's a bit of inequity there in terms of how it's designed, and if it was per capita it would be more fair.

[Translation]

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

Mr. Fisher, you talked about a number of needs in your presentation. Thank you for that. It was very clear. You also talked about the transportation system and about research and development. I will come back to the research and development issue with Mr. Baker afterwards.

You also talked about a qualified workforce. A qualified workforce is a demand or a need expressed throughout Canada. Every region has a lack of skilled labour in a number of sectors. Business owners are constantly telling us about how difficult it is to recruit qualified people. I just want you to explain what you meant by "mobile".

Does it imply going to work far from home, being able to move or change provinces? For families with young children, for example, it is easier to obtain information than to be extremely mobile. What exactly do you mean by that?

[English]

Mr. Mark Fisher: Thank you for the question. It's a very good question.

When I talk about being mobile, I talk about it in three perspectives. One is mobility in Canada, and how we look at accreditation and certification of skilled labourers in Canada from province to province. That is an issue that in part can be addressed through the new Canada free trade agreement. At least, that's where it needs to be discussed.

The second component is very much a Canada-U.S. cross-border mobility issue. For a long time, upwards of 4,000 nurses from Windsor and southwestern Ontario have been commuting across the border every day to work in Detroit and Michigan hospitals. They're a unique class of professional in having that accreditation that enables them to move seamlessly across the border. We need to be doing more of that. If there's high demand in Buffalo or in the greater horseshoe around Toronto for plumbers, welders, pipefitters—you name it—there's no reason we can't be serving each other's economies better by having that skilled labour force moving across the border.

Thirdly, there's the global dimension. As global trade becomes more borderless, so does mobility in terms of people seeking out medium- and long-term work. When we look at the Canada-EU trade agreement or the trans-Pacific partnership agreement, mobility is going to be a key element of looking at our competitive advantage in the long term. It's about how we attract global professionals to work in Canada, but also how we look at Canadians whose talent and services we want to export around the world. There are really three parts to that mobility question.

• (0955)

The Chair: Thank you.

You had a question for Mr. Baker as well, did you?

[*Translation*]

Mr. Alexandre Boulerice: Yes, Mr. Chair.

We were talking about not losing entrepreneurs to the United States or other countries.

Mr. Baker, applied and basic research is underfunded in Canada, as indicated in the Naylor report. Are you also worried about Canada losing researchers, scientists and young minds who will go work in the United States because laboratories here are closing or are underfunded?

[*English*]

Dr. Robert Baker: Absolutely, there's just no question that when many of our best students leave, the States looks better. There's often better research funding and more opportunities for them there. We lose people.

I just came back from Silicon Valley a while ago, and I met with the Canadian Club at Stanford University. I met an awful lot of graduate students from Canada, and I was asking them if they wanted to come back. Virtually every one of them said they'd love to come back, but we don't have the opportunities in Canada. Yes, it's a big problem.

The Chair: If I can come in, what does it take to change that?

Dr. Robert Baker: The development of more of an innovation economy and entrepreneurship across all of Canada. One of the things we're trying to do with our students, partly because of demand from students, is more entrepreneurship training and business skills.

The Chair: Thank you.

Go ahead, Mr. Grewal.

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

I want to start with Mr. Fisher. You spoke about the importance of NAFTA. I don't think anybody at this table across partisan lines is going to disagree with how important NAFTA is to the Canadian economy. Obviously, everybody at the table also agrees on how challenging the negotiations have been thus far, and probably will be in the next year or so.

You spoke about its modernization. Can you give me three points you think the Government of Canada should focus on to ensure that this deal benefits the Canadian economy and people?

Mr. Mark Fisher: You'd like three points. That's a tough one.

Mr. Raj Grewal: It doesn't have to be limited to three points.

Mr. Mark Fisher: In no order of preference or priority, as we move to that innovation economy and we are looking at the movement and storage of data, data localization is increasingly going to be an important issue for both the Canadian and the U.S. economies. I think we have to be open to unique possibilities around what that would look like in a trade agreement.

Obviously IP is attached to that in many ways in terms of how we support innovation and entrepreneurship. What we see often is co-creation of IP, particularly in multinational companies and universities, which are increasingly shared, so thinking about modernized approaches to IP will be important.

Beyond the innovation ecosystems that we share in regions like the Great Lakes and the ways in which we support those, we need to continue to move forward on regulatory alignment and look at unique ways of finding opportunities to align the enforcement and the inspection of how we regulate. I think doing that will be an easy win. It wasn't in the original NAFTA; it should be in a modernized NAFTA in terms of institutionalizing the way that we look at regulations.

Freeing up the border is a constant struggle in terms of security versus trade facilitation. The bottom line is that this region is responsible for roughly 50% of the total value of goods that cross the border between the United States and Canada every single year. We have to get the security and the trade facilitation right. I think developing a smart border and using technology, including single-window systems, will ultimately help enable that future.

The new pre-clearance agreement that was signed by the two governments a couple of years ago, as well as an examination of the way we pre-inspect goods coming into North America, Canada, and the U.S. together, will help free up that border.

I would say that those are probably the three biggest challenges we face, outside of what I mentioned in terms of how we deal with labour. The categories of labour in NAFTA are woefully outdated, as you know. Jobs that exist today were never even contemplated when NAFTA was written, nor was the service economy, so we need to update the labour chapter in NAFTA to reflect the nature of work today, and we also need to look at the mobility piece. If we could look at having enhanced mobility across the border, I think we'd be doing ourselves a major favour in terms of supporting competitive growth, which is missing in the region.

•(1000)

Mr. Raj Grewal: Would both recommendations apply to Mexico? It seemed as though your testimony was really based on a Canada-U.S. relationship, but Mexico is important, especially when it comes to the auto industry. It's essential to ensure that there's a clean flow between all three countries.

Mr. Mark Fisher: I would say that it applies very equally to Mexico. I would be the first to say that most people have an outdated view of Mexico. Before I took on this job, I was the lead adviser for North America for the Privy Council Office, and it was astonishing to me how outdated people's views are on Mexico. It is an up-and-coming economy. There are going to be 30 million new customers in Mexico in the not-too-distance future. They are a skilled economy. They use high technology.

Are there issues around labour and wages? Absolutely, and they need to be addressed. Are there issues around the environment and environmental standards? Absolutely, and they need to be addressed. I think there's talk of doing that in a modernized NAFTA, but no one should think for a minute that Mexico is some backwater economy. They have more trade agreements than the United States does. All those modernization issues equally apply to Mexico. There are definitely some more things we need to do to get Mexico up to par, but they are a thriving economy. We need to think about Canada and the U.S. and how the Great Lakes fit within that, but the Great Lakes region is equally connected to Mexico, and we need to take advantage of that.

Mr. Raj Grewal: How would you say our government could ensure that we maintain our competitive advantage in the region, especially with rumours down south of a major corporate tax reduction rate coming forward from this administration? How can we ensure that if we modernize NAFTA, we'll keep our corporations here in Canada and they won't get up and move to the States to take advantage of that 15%?

Mr. Mark Fisher: I think it's positive news that they seem to have moved away from a border adjustment tax. That's a good thing. You never know in the U.S. system whether or not it will be brought back, but for now there's less talk of a border adjustment tax.

In terms of domestic tax policy, obviously it's something that as a government we need to consider because of the interconnected nature of our economies and what the tax structures will mean for multinational businesses as well as for small businesses that are looking to scale and grow and export or import. I think we have to keep a watchful eye on where that conversation ends up.

I also think that in terms of our own approach to taxation, we've been very competitive on reducing taxes for machinery and equipment. We need to continue to find unique ways of doing that. We need to find unique ways of providing credit to and recognition of large companies like 3M that invest heavily in R and D, and we need to figure out how to use tax credits to attract foreign direct investment.

I think we're doing okay. Obviously there are some challenging conversations today about taxation, but I don't think it's all bad. We just need to keep a watchful eye on what the U.S. is doing and continue to innovate in terms of that tax policy structure.

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

To the chamber of commerce, thank you so much for your testimony. I sense the frustration, from your voice and from your testimony, on the uncertainty of the tax proposals. I've said the same to other panels. When it comes to government consulting with stakeholders and its citizens, there's a balance there. This is especially when it comes to tax policy. Even if you put forward an idea that's intended for legislation or that's just to get feedback from the Canadian public, it's inevitable that if it's tax policy or any finance measure, there will be a level of uncertainty created. However, there is also the balance there that good policy is created in this country when you get feedback from businesses, chambers of commerce, and Canadians from coast to coast to coast.

At the finance committee we've had a unique three months on the finance proposals. We've heard some great ideas. I think the government is taking them back and ensuring that we get to a fair balance when it comes to putting these proposals forward. Your voice is being heard. Democracy works best when you participate in the process, so I want to thank you for your comments.

That's it for me, Mr. Chair.

The Chair: You're over time anyway, so that's good.

Before I turn to Mr. Kmiec, perhaps I can ask a question of 3M.

How do we stack up? You mentioned that we're now in 14th place on highest tax burden. How do we compare with the United States?

Second, you mentioned the commercialization of international property and what the Barton report said. There's no question that we're great innovators but terrible commercializers in this country. How do we go about getting there? What do we have to do to get to that comparable position with some other countries on the patent box?

•(1005)

Ms. Nicole Rayner (Senior Manager, Taxation , 3M Company Canada): Unfortunately, I don't have the study in front of me to tell you where we rank with the U.S. Obviously our corporate tax rate is lower.

As to how we keep innovation, attract innovation, and attract new manufacturing through the patent box, first, does everyone understand what the patent box does? Yes? Not sure? Okay.

The patent box is a tax regime that applies a preferential tax rate, obviously a lower tax rate, to taxable income earned from the sale of property that includes an intellectual property component. That intellectual property component was either developed in Canada and licensed exclusively for use in Canada or else acquired by a Canadian company. This IP could be a patent. We call it a patent box, but it doesn't always have to be a patent. It could also be a copyright that relates to computer programming code. It could be trade secrets. In certain cases it could be plant breeder rights.

The patent box is used in over 12 countries already, and, as we mentioned, in Quebec and Saskatchewan, but not one jurisdiction uses it in exactly the same way. They tailor it to meet the needs of their country. Our recommendation is that we implement a patent box model such that... 3M Canada does not own the R and D that we are developing here in Canada. It is owned by our parent, which is a regular situation with multinationals, but we would be licensing it back. If we can put forth an argument that we should be charged a lower tax rate if we manufacture and commercialize that IP, it makes Canada more competitive when 3M is making the decisions about where their manufacturing mandates will be located around the globe.

The Chair: Okay.

We'll go to Mr. Baker and then Mr. Fisher on this one.

Dr. Robert Baker: On this concept that we're good innovators but not good at commercializing, we certainly believe that's very true.

There are two other points I'd like to bring up that we discuss in universities an awful lot. One is the procurement of devices and infrastructure that are made by our innovators. One of the great difficulties, of course, is they're not going to ramp up their profits or their sales internationally if the various provinces and the federal government don't bother to support them. If they don't buy it out of Canada, why would we invest it in another place? I would like to see some kind of policy that would lead to better procurement of IP that's generated at home.

The other issue we see—and perhaps this is peculiar to McMaster, because of its strength in medical research—is that there are a number of government programs that support the development of IP and commercialization. Many of these programs, however, are too short in duration for that to come to fulfillment. If you think about putting anything in a person's body—drugs, devices, or anything like that—there is an incredible range of analysis and hoops and jumps that you have to go through, particularly for things like clinical trials. These take years and years and many millions of dollars to do. Frequently it takes more than five years to run through all the clinical trials that are needed. By that time, the funding has run out and there's no place to go when the project fails.

Many of my colleagues in medicine say we need something like a seven-year runway on some of these programs before we can really figure out whether something is going to work or not. Five years is just too short.

As a contrast with other technical things, if someone is developing an app or a small technical thing in their basement, sure, five years is great, but in the more complicated things, you need more time.

The Chair: Thank you.

Go ahead, Mr. Fisher.

Mr. Mark Fisher: To support Robert's point, any public sector procurement of innovative technology has to become a policy and a practice. Industrialized economies like the United States are very much front and centre in helping de-risk R and D and commercialization by acting as both an investor in the innovation cycle as well as first adopter and buyer of promising technology products and services. That is certainly one area the government should look at, along with the provinces and perhaps even the

municipalities. It's got to be a common approach. We seem to be the only industrialized economy that hasn't really adopted that methodology for supporting innovation.

The second point I would make is that in the last couple of years, the government has been very direct, through organizations like FedDev, in supporting and investing in public-private research consortiums like SOSCIP in Toronto, which really help collaborations between industry and academia. The challenge there is that the backbone infrastructure—the computing technology—is extremely expensive. Perhaps we've made a front-end investment to get them up and running, but we need to think about investing in that O and M, the operations and maintenance, over the longer term.

I know when SOSCIP got started, it was roughly an \$18-million investment in that backbone infrastructure in terms of machine learning and computing. It's about time to update that technology, because it's getting a bit old after five years. The government could be a major partner in supporting some of that backbone infrastructure and allowing industries and universities to scale on top of that. I can tell you that with SOSCIP, the dividends they've achieved by working with that infrastructure are certainly well beyond the investment that was required for that infrastructure on its own.

• (1010)

The Chair: Thank you.

Go ahead, Mr. Kmiec.

Mr. Tom Kmiec: Thank you, Mr. Chair. I'm going to focus a lot of my time with the chamber. I used to work for the Calgary Chamber of Commerce. Actually, Monica, I had the exact same role you did at the chamber there for about 18 months or almost two years.

I want to start with your 2017 pre-budget submission. Then I am going to ask you a bit about the small business tax changes that have been proposed, and the new proposals to change the original proposal they put forward during the summer, and then the scaling up of small business tax rates.

In your 2017 pre-budget proposal, you proposed changing the GST limit from \$30,000 to \$50,000. How did you arrive at that \$50,000 number?

Ms. Shirley de Silva: The amounts were suggested through the Canadian Chamber of Commerce. That's how we arrived at those numbers.

Ms. Monica Shepley (Manager, Policy and Advocacy, Sarnia Lambton Chamber of Commerce): We developed that policy with our members in Sarnia. We were proposing a higher number, but after we brought it to the Canadian Chamber of Commerce, that was the amount the Canadian chamber network agreed on. We thought it was more reasonable.

Mr. Tom Kmiec: Okay. I saw that in 2012, your pre-budget request asked for it to go up to \$75,000, so I was just wondering why it got tailored back down to \$50,000. You're saying it was the Canadian Chamber that said to do that.

During your presentation, you referred to the small business tax and said the government was scrambling with these new, one-a-day, out-of-the-box kinds of changes, and now we're playing "Where's Waldo?" with the Finance Minister because he's not appearing in question period. I was going to ask what you think of the government's communication so far on these proposed changes to their original proposal that they made in July, and the way they're rolling out the amendments to it. What's it doing to business in the region?

Ms. Shirley de Silva: The way they're communicating out to small businesses about the changes is very poor. We put out some information on our website, and then we had commentary come back from small businesses asking why this was important and saying that it was not going to change anything for them. We realized that small businesses just simply didn't have time to assimilate the information and become aware that this was really going to impact them. In order for them to be ready for upcoming changes, there needs to be both greater communication and a larger time frame so that they're able to assimilate the information, think about how it's going to impact them, and provide feedback.

Mr. Tom Kmiec: On that, I found it interesting, considering your presentation talked about the \$50,000 for passive investments. Talking about bad communication, to be clear, the implication is \$50,000 of interest earned on the small business assets they have. I found it interesting that my colleagues on the other side didn't correct you on it. However, even in the media, both sides have been proposed as the correct answer, which is that you can have \$50,000 of assets or \$50,000 of interest, and then you have the new tax rates kick in.

On scaling up a business, Jack Mintz, Canada's leading tax expert, has already analyzed some of the implications of these tax changes. He said that new effective tax rates, the smaller small business rate, the higher taxes on dividends, and the new earnings stripping rules—which are still going ahead, as far as we know—would basically mean that businesses would now face a higher effective tax rate, going up an extra 3.5%.

When you talk about scaling up a business, once you get into the asset range where you have enough assets to generate income—for example, \$10 million's worth of assets, buildings, a second business, and employees—at that range you are looking at the tax rate when determining whether you're going to make a merger and acquisition, hire new people, or expand and scale up your business to get into the medium and larger range.

What do you think your members will say when they see that effectively their tax rates are going up 3.5%?

•(1015)

Ms. Shirley de Silva: I think it will not be welcome news that it's going up by 3%. It will impact them negatively.

Did you want to add anything to that?

Ms. Monica Shepley: I think that if it discourages growth, it's not a good thing. We're trying to encourage our small businesses to grow and we're trying to encourage entrepreneurs.

It's also the uncertainty. There are a lot of these details that we don't know about to really comment on yet. That's what needs to be

clarified so that businesses aren't afraid and we're not giving them misinformation.

I can't really comment on that, but it sounds like it's not great for business at all.

Ms. Shirley de Silva: I guess the devil is in the details, right? We need more information. We need to inform our members about what is taking place.

Mr. Tom Kmiec: I'm going to switch over to Mr. Fisher with the Council of the Great Lakes Region.

At the very beginning, you talked about the modernization of NAFTA, and then you kind of left it. I want to let you finish your thoughts on the ongoing negotiations and especially on the impact on the region, if they're less than successful. We can compare it to Brexit, soft versus hard possibilities for NAFTA, a soft deal, a hard deal, a soft exit or a hard exit.

What do these ongoing negotiations mean for this region? Are businesses today making decisions during all the mounting uncertainty from the Trump administration's varying positions on trade?

Mr. Mark Fisher: I think it's fair to say that if you're in business in the Great Lakes region and you have operations on both sides of the border, you're thinking about plans B and C.

Three months ago I was probably more of an optimist about where we started, but I'm probably sitting at about 50/50 with respect to where we're going with the negotiations from a modernization standpoint.

The challenge is that there are issues from the last 25 years—real issues, technical issues—that we need to address, but we seem to be overloading the conversation with new issues and proposals, particularly from the U.S., that are unworkable. From my perspective, unless there is a major shift in that conversation, I'm not sure how we get to a successful outcome.

It's still early days, though. We just finished the fourth round, but each round seems to be getting a bit tougher. I'm hoping that cooler heads will prevail among the negotiating teams, and that businesses in the United States will start speaking up very loudly over the next couple of weeks about the importance of doing trade with Canada and Mexico. If we end up in a position where the talks break down and a decision to withdraw from NAFTA is ultimately made by the President, the default is going back to most favoured nation status, which would obviously create some new tariff structures.

From what I understand from business, as much as they don't want to go in that direction, they would probably live with it. It's certainly going to add costs to consumers. I was speaking to a company yesterday that makes appliances, and the tariff rate for them would likely go to 8%, which would probably add between \$50 million to \$60 million to their supply chain. That's going to be passed on to the consumer in additional costs. I think people are starting to figure out what that world looks like in new MFN tariff rates, but I hope we don't get there, to be honest.

The second point I would make as we're thinking about NAFTA is that there are new opportunities with Europe through CETA, and this region needs to start thinking really hard about how this region serves as a platform for serving Europe. We've been very focused on north-south engineering of our business and supply chains, and there are reasons we did that. However, with the opening of a 500-million-person marketplace in Europe, I think it's time for us to also start thinking about how this region can serve Europe.

• (1020)

The Chair: We'll have to end it there. I don't want us as a committee to add to the confusion. There's no question that Jack Mintz does very good work in his analysis, but the truth of the matter is that not all the government's responses to the consultations have been tabled yet. There will be more tomorrow and more clarifications. I think it would be wrong to publicly and definitively say that, on balance, the lowering of the small business tax rate and the other changes that are coming on small business would mean a 3.5% increase in taxes. I don't think we know yet, and I would suggest waiting until all the proposal rolls out, and then we'll do that analysis.

Go ahead.

Mr. Tom Kmiec: To be clear, Mr. Chair, I was referring to a *Financial Post* article written by Jack Mintz, in which he goes through today's proposals as far as we know them. I'm not making it up.

The Chair: I know you're not making it up. I said that Jack Mintz's analysis is usually very good, but I don't think all the government's announcements have been rolled out. When tomorrow comes and the last announcement on—

Mr. Tom Kmiec: And then tomorrow and the day after and the day after.

The Chair: —the small business consultations are done, when the analysis is based on that, then we'll know where we stand.

Go ahead, Mr. Ferguson.

[Translation]

Mr. Greg Ferguson: Thank you very much.

I would first like to expand on what the chair said. I think it is very important for our decisions to be based on facts and not on government proposals. The minister was very clear on that. Those were proposals. He wanted feedback from Canadians. We received feedback until October 2. This week, and even today, he made several announcements to address the gaps in his proposals. I think that enables us to make evidence-based decisions, and that is important for business people, especially small business owners, who want to have some sort of stability before they make decisions.

I would like to turn to you, Ms. Maheu. I want to thank you very much, as well as your colleague Ms. Rayner. As I have worked in the private sector, I know that 3M Company Canada is a business that does a lot of research and makes a great deal of investment in Canada. So thank you very much.

As for the patent box—and this may be an intellectual discussion—how does it work, especially with multinationals? Does it yield investment results in a target country like Canada? Does it work

really well? Based on your experience in the United Kingdom, where there are patent boxes, can you talk to us about the way to ensure that investments will be made in the target country?

• (1025)

[English]

Ms. Nicole Rayner: The biggest challenge to investment in the manufacturing sector is return on investment, and part of the component that goes into that calculation would be the tax rate applied to the profit. 3M Company Canada competes globally with other 3M subsidiaries for our new investment. If you have a patent box in any particular country and if it results in a lower tax rate for that particular manufacturing line, it improves that return on investment calculation and puts you in the running to get that manufacturing mandate in your country. It does work, even in multinational situations.

[Translation]

Mr. Greg Ferguson: If several countries adopt a patent box, does it mean that it's really a race to the bottom tax rate?

[English]

Ms. Nicole Rayner: We have heard that criticism. However, for every individual country, if otherwise you have no opportunity whatsoever to obtain that manufacturing mandate, any incremental tax that is collected because in this case a mandate comes to Canada is beneficial.

[Translation]

Mr. Greg Ferguson: Thank you.

Professor Baker, I'm very happy to have you with us because this is not the first time McMaster University has been mentioned before this committee. When we were in Saskatoon, Dr. Root, of the Canadian Centre for Nuclear Innovation Inc., praised you when he talked about the importance of investing in McMaster University's nuclear research centre.

He mentioned some figures, and I would like you to confirm something. He suggested an amount of \$24 million over five years and \$19 million per year thereafter to ensure the sustainability of McMaster University's nuclear research centre. Can you confirm those figures?

[English]

Dr. Robert Baker: In general, yes, I can. We have been working a lot with various universities across Canada. The \$19 million on an ongoing basis represents a sum of about \$7 million that would be needed at McMaster to increase the amount of time the reactor runs there. We run it a certain number of hours per day; if we had about \$6 million to \$7 million more, we could run it literally 24-7. Simply, the more you run the reactor, the more neutrons you get out of it. We could also upgrade the power; right now, we're running at a relatively low rate.

That would be a relatively easy fix for the problem of Chalk River shutting down in the spring. We can turn it on more, but we need more staff to run it, obviously.

For the other part of the funding—let's say we had \$6 million or \$7 million for McMaster directly for the extra running of the reactor—the other thing that has gone on is access to international neutron sources around the world, and again, this has been led by McMaster. A little while ago, the Canada Foundation for Innovation, the CFI, had international access to international infrastructure. We put forward a CFI grant that generated many millions of dollars and would allow Canadian researchers to visit nuclear sites around the world to do their experiments and use neutrons in specialized facilities around the world.

Unfortunately, that program has now come to an end, so we're talking about this perfect storm. With Chalk River shutting down, there are no neutrons there. We have the only active research reactor in the entire country, and, at the same time, we now have no funds to access neutron sources around the world.

We are very concerned about access to neutrons, particularly in advanced manufacturing materials. These sources are incredibly important in understanding the safety of materials, the development of new materials, and the creation of medical isotopes. They're incredibly important.

Of that \$19 million on the ongoing thing, we'd probably need something like maybe \$8 million or \$9 million for access to international sources. There's also a small amount in the budget—and to be honest, I'm not so sure we need all of that—to organize the access to international sites. We obviously have to contribute to these international sites to get access, but to be honest, I think we may be overestimating the amount we need to organize and strategize that kind of discussion.

However, I would argue that, yes, on an ongoing basis, close to \$19 million is probably what we need.

• (1030)

[Translation]

Mr. Greg Ferguson: How many minutes do I have left, Mr. Chair?

[English]

The Chair: You're out of time, but we'll follow up on this discussion. You can come back in here in a second, Greg.

On the CFI program that's ending, Mr. Baker, what is that project called? You could send that to the clerk.

Dr. Robert Baker: I can certainly send it to you.

The Chair: Go ahead, Greg.

[Translation]

Mr. Greg Ferguson: I have a quick question for Mr. Fisher.

Thank you for your testimony. A heated discussion is ongoing, and I would like to talk to you about it.

If Mr. Trump decides to end NAFTA, and if the House of Representatives is unable to ensure the long-term viability of that agreement, what will become the default system? Will it be the policy of the most favoured nation, or will it rather be the Canada-U.S. Free Trade Agreement?

[English]

Mr. Mark Fisher: That's a good question. I don't think that issue has been talked about enough. My understanding is that the Canada-United States free trade agreement would not come into force if NAFTA were to be terminated, and that the default would be most favoured nation status through WTO rules.

The Chair: Ms. de Silva wants in, I believe. That will be the last one for this round.

Ms. Shirley de Silva: Thank you.

I wanted to share with you that we did appreciate the consultations, but where we saw problems was simply in the way they were handled. For example, for the proposed legislation, the change on income splitting, for example, was not received by businesses as though it was just a proposal. It really came across as though it was a done deal, and that this was the way it was going to be moving forward.

Also, the rhetoric that was used was borderline offensive. I thought I'd just share that. Many small businesses, doctors, physicians, and dentists expressed to us that they felt they were being considered cheats or were looking for loopholes to dodge the system when they were actually simply using the process that was in place to run their business in the way they do.

The Chair: We've heard that loud and clear, Ms. de Silva.

With that, we will conclude this panel and start the next panel at 10:45.

I thank each and every one of the witnesses for coming, for presenting, and for answering questions.

Thank you very much.

The meeting is suspended.

• (1030)

_____ (Pause) _____

• (1045)

The Chair: We shall reconvene.

As everyone knows, these are the pre-budget consultations in advance of the 2018 budget. I want to thank all the witnesses for coming. To those who presented submissions in early August, we appreciate those as well. They are on members' iPads. You will see them looking at their iPads to refer to them every once in a while. They are all part of the pre-budget consultations as well.

Before I start, we'll go around the room and introduce the members so you have an idea of where they're from and what area they represent. It gives a cross-section of the country.

We'll start with you, Ms. O'Connell, from Ontario.

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

Mr. Raj Grewal: I'm Raj Grewal, the member of Parliament for Brampton East. It's good to be back in Windsor.

[Translation]

Mr. Greg Fergus: My name is Greg Fergus. I am the member for Hull—Aylmer, a riding across the river from Ottawa, on the Quebec side.

[English]

The Chair: I'm Wayne Easter, the member of Parliament for Malpeque, Prince Edward Island, which is the riding between Summerside and Charlottetown.

Go ahead, Mr. Albas.

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

Welcome to everyone.

My name is Dan Albas. I'm the member of Parliament for Central Okanagan—Similkameen—Nicola in the interior of British Columbia. I'm very happy to be here. I was fortunate enough to come last year with my interim leader. It's a fantastic city you have here.

Mr. Tom Kmiec: I'm Tom Kmiec. I'm the member of Parliament for Calgary Shepard.

The Chair: Go ahead, Alexandre.

[Translation]

Mr. Alexandre Boulerice: Good morning, everyone.

My name is Alexandre Boulerice. I am the member for Rosemont—La Petite-Patrie, which is located right in the middle of the Island of Montreal.

[English]

The Chair: Again, thank you for coming.

We'll start with Mr. Chera, from the Canadian Convenience Stores Association.

Mr. Satinder Chera (President, Canadian Convenience Stores Association): Thank you very much, Mr. Chair, for the opportunity to present the convenience channel's recommendations for the upcoming budget.

Let me first start by acknowledging the measures announced this week by the government relating to small businesses, particularly around rate reduction, which we had recommended. I'm very happy with the series of announcements that have come out this week. The remarks we put out earlier this week on those measures are in your kits. I'm certainly looking forward to working with all parliamentarians, including the Minister of Finance, to provide additional feedback as we get it from our members.

I'm going to speak directly from our slide deck, which is in the kit you have before you. The first four slides really give you an overview of the convenience retail channel in Canada.

Let me start with the number of convenience stores throughout the country. I'm very proud to represent a channel that, through over 27,000 retail locations in the country, provides goods and services to Canadians in urban, rural, and remote parts of the country. I also want to take the opportunity to thank many of you who helped us and supported us on national Convenience Store Day at the end of August, when we raised over \$80,000 for the Children's Wish Foundation to help children in need.

In terms of employment, we have a nearly even split between full-time and part-time employment among the 27,000 locations. Approximately 234,000 jobs are directly attributable to the retail locations across the country.

As you see on the slide on taxes collected by convenience stores, our channel collects over \$22 billion in taxes for all levels of government in Canada. It's something that certainly, as one of my members said, "We don't get paid to do this", but we do it. It's an obligation that we take very seriously.

This takes me to the first issue I wanted to raise with the committee, credit card fees. That is on slide 5.

Our members use a number of methods to collect dollars from their customers, most notably credit cards. I think I've spoken to this committee before about the fact that Canada has among the highest credit card fees in the world, ranging anywhere from 1.5% to 4% per transaction. We certainly would like to see these fees come down. We believe that if other jurisdictions such as Europe and Australia can bring them down to 0.3% or 0.5%, Canada can certainly do the same.

We support Minister Morneau's review of credit card fees. Our understanding is that his review will conclude at the end of this year, and it's certainly our hope that, in time for the next budget, there will be some good news for retailers with respect to those fees.

On slide 6, in terms of some of our regulatory concerns, there are two bills currently in Parliament that are of concern to us. One is Bill S-5, which is the vaping and plain packaging legislation. We are very worried that this legislation will make the illicit tobacco market even worse while adding additional costs to small-business retailers, and at the same time doing very little to correct the unfair advantage vape shops currently have vis-à-vis convenience stores when it comes to selling vape products.

On slide 7, I want to highlight that as the largest channel for selling age-tested products, most notably tobacco and lottery, our members take their responsibilities very seriously. We have training modules in place that our members take on an annual basis. It was our channel that abided by Health Canada's rules on e-cigarettes, preventing them from being sold in our channel.

On slide 8, you will see some of our specific concerns and the feedback we received from our members with regard to plain packaging. Most notably, at the very end security concerns have been highlighted by our members, as well as increased costs to their businesses. Again we want to impress upon the committee and the government that our channel should not be an afterthought with some of these policies, but that in fact they will have a serious impact on them.

•(1050)

On slide number 9 we highlight the illicit market in Canada, which is fairly big. I would note that the government's marijuana policy specifically does not recommend plain packaging and also recommends low levels of taxation, which is counter to what you find with the tobacco policies that are being advanced. Certainly we believe that action needs to be taken on the illicit market first and foremost, to bring it under control, before Bill S-5 is looked at.

Slide number 10 looks at vaping, specifically providing for a level playing field, which we don't think currently exists in the legislation.

Moving on to slide 11 and 12, with regard to Bill S-228, which is currently moving into the House of Commons, there are serious concerns around the downstream implications for our members. For example, will employees under age 17 now be prevented or prohibited from handling products such as a box of chocolates or a bag of chips? These are some of the concerns that our members have. Will they have to change the layout of their stores to abide by the rules that could be coming as a result of this legislation? Again, there are a lot of unknowns, and the feedback we're getting from our members involves questions on the government's intent on this front.

I would say that our channel is committed to working with the government and all parliamentarians to ensure that there is a wide selection of goods available in convenience stores. In certain communities, convenience stores are the only game in town.

One of the things we have recommended in the past—and we will continue to do so—is to provide targeted tax relief, including measures that can help convenience stores to carry fresh fruits and vegetables.

On my final slide, committee members, you will see our list of recommendations. The issues I've just spoken to are provided in more detail on the left-hand side of your kits.

I would be more than happy to take any questions you might have. Thank you very much.

•(1055)

The Chair: Thank you very much, Satinder.

We turn now to the Canadian Music Publishers Association, with Ms. McGuffin.

Welcome.

Ms. Margaret McGuffin (Executive Director, Canadian Music Publishers Association): Thank you for the opportunity to take part in these consultations. More than that, on behalf of Canada's music publishers, I would like to commend the government on the new creative Canada framework.

We are a membership-based organization committed to providing opportunities for our music publishers and to promoting their interests and those of their songwriting partners. These companies all represent and invest in thousands of Canadian songs and songwriters who are heard daily on the radio, on streaming services, in video games, and in film and television productions around the world. By combining this country's talent, entrepreneurial expertise, and global reach, we strive to advance the music publishing industry and our

songwriting partners by providing a competitive edge, both at home and abroad.

Indeed, Canadian music publishing companies have recently grown their revenue to \$280 million; that's a growth of \$120 million in 12 years. The industry is transforming itself into an increasingly export-driven endeavour, with two-thirds of our revenues coming from foreign sources.

We are asking the government to contribute to the ongoing growth of the music publishing sector. Minister Joly recently announced an investment of \$125 million in Canada's creative export strategy. CMPA welcomes this funding. It will go a long way toward growing the businesses of medium and small-sized music publishers in Canada.

We recommend that a portion of this future trade money be directed to a fund that benefits all music companies, including the music publishers who are driving this growth. In our ongoing discussions with Canadian Heritage, we continue to stress that our needs are different from those of the rest of the music sector.

The news that the Canada Music Fund will be modernized is definitely something we welcome. This increase is helpful, because the music publishing industry is a focus of increased global competition, and the Canadian sector is very much in need of better access to capital to compete internationally, particularly for the acquisition of catalogues of musical works, which are a key to revenue generation.

Specifically, we would like to see the music entrepreneur components of the music fund enhanced. Despite our strong track record, the maximum annual contribution that a publisher can receive is currently out of step with the rest of this sector. We would recommend that the Canada music fund increase its support to Canadian entrepreneurs to finance the development of their companies and the creators they invest in. We would like to see an increase from approximately \$24 million to \$30 million a year, and we would like to see music publishers have the ability to access other federal programs that provide access to capital, which would allow them to grow and compete internationally.

We also welcome the support for the protection of creators' intellectual property and fair compensation for those who help contribute to Canadians' creative content. Changes to the Copyright Act are needed to ensure Canadian works are competitive with international standards, and reform of the Copyright Board is essential so that we can have a thriving music publishing industry. The government needs to act quickly to allow us to remain globally competitive. We seek a wide-ranging review of the Copyright Act and hope to see a detailed commitment to reform the act from innovation Minister Bains and Minister Joly. Initial signals have been positive, and we appreciate that our voices are being heard.

Thanks to our partnership with the federal government, in the past year we were able to sponsor trade missions to L.A. and Germany. I just returned from Berlin. The Canadian Music Café showcases our country's talent to screen-based industries worldwide, and our music tech summit is becoming a very important part of our calendar. These projects have been a success, and we are greatly enhancing global opportunities as an innovative sector.

Our goals are closely aligned with the government's cultural and economic strategies. We are convinced that Canadian creative industries represent a key and growing innovation sector. We hope to be able to continue working to expand and improve Canada's music publishing industry and take full advantage of the progress that Canadian publishers and songwriters are already achieving internationally.

In closing, we hope to see you all at meetings in Ottawa, November 6-8, as our global partners meet to discuss copyright, sector growth, and much more.

I would like to thank you for this invitation. I'm happy to answer your questions.

• (1100)

The Chair: Thank you very much, Margaret.

We now turn to Ms. Barocas, from Earth Rangers.

Ms. Tovah Barocas (Vice-President, External Relations, Earth Rangers): Thank you, Mr. Chair, for inviting me to speak to members of the committee today. My name is Tovah Barocas, and I'm the vice-president of external relations for Earth Rangers, which is the only national charity in Canada focused on empowering children and families to take action for the environment.

Earth Rangers is committed to engaging Canadian families in learning about and protecting species and their habitats, as well as addressing the impacts of climate change. For Canada to become a world leader in protected areas and in mitigating and adapting to climate change, public engagement is critical. With the digital community of 170,000 members and their families, in-school programs that reach 250,000 students annually, and a national television presence that garners millions of impressions, Earth Rangers reach is unmatched in the conservation community.

We are well positioned to help nurture and sustain a culture of environmental ambition, which is an important foundation to the Government of Canada's belief that the environment and economy go hand in hand.

Given Canada's dependence on our resource-based economy, it is critical that families understand the intrinsic link between our country's environment and economy. Through partnerships with industry, Earth Rangers effectively promotes sustainability and the need to balance environmental considerations and economic growth. This includes educating our audience on issues like sustainable forest management, land reclamation, and carbon offsets.

One of the most powerful and effective ways we reach children with these important messages is through our no-cost, in-school programs offered across Canada. From rural areas to inner cities, and most recently in the far north, we have grown to reach 900 schools in

only four years, in large part due to our partnership with Environment and Climate Change Canada.

These in-school programs are complemented by a robust and active membership base, which includes francophones, indigenous peoples, and new Canadians. We have surpassed our initial goal of activating 150,000 members ahead of Canada's 150th birthday. Earth Rangers currently has over 170,000 members across Canada. These members put what they learn into action in their communities through various sustainable activities and fundraising initiatives.

Our partnership with Environment and Climate Change Canada not only contributed to this growth but also supported our French-language program in Quebec and our successful pilot program in northern Canada, which reached schools in Yellowknife, Whitehorse, and Iqaluit.

In addition to our work with the federal government, Earth Rangers has also developed new partnerships with provincial governments in Ontario and Alberta, as well as with various private sector partners.

Success in achieving Canada's climate change conservation and biodiversity goals is significantly dependent on sustained public education and engagement. Earth Rangers harnesses the inherent optimism and altruism of children through a program that provides tangible activities and outcomes for them to engage with their families and communities. The sense of pride and accomplishment that results from seeing the impact of their actions drives the ongoing participation of kids and parents and, in turn, our growth as an organization.

We believe that Earth Rangers is well positioned to help nurture and sustain a culture of environmental ambition and to help avoid the polarization that can happen around some of the policy choices that are needed to achieve important goals related to both conservation and decarbonization. Across the country, people need continuous reinforcement of the idea that our society can achieve environmental ambitions and fulfill economic hopes as well.

To meet these goals, Earth Rangers would like to diversify our programming and how we offer it to ensure we are reaching all Canadians with our conservation messages. This plan for growth and inclusion is the basis of our 2018 pre-budget request, which centres around three core initiatives.

The first is cultivating a generation of engaged, environmentally minded Canadians through the growth of our membership program. We have set an ambitious target of expanding membership from 170,000 youth to 300,000 young Canadians by 2020.

The second is expanding our digital programming to ensure we are able to reach youth in all parts of Canada, including rural and remote communities.

The third is developing new, long-term, indigenous-focused programming that will build off our successful programs in northern communities. It is important to note that we are not only focused on bringing our programs to indigenous communities, but also on educating and building an appreciation among non-indigenous youth for the rich history and contributions indigenous people have made and continue to make toward protecting our environment.

I would be pleased to elaborate on these three goals as a part of the question-and-answer period.

Given the important targets Canada has set for climate change and protected areas, we believe there is a significant need to communicate with and educate Canadians on the importance of conservation today for a healthy environment tomorrow.

We see a role for Earth Rangers to help communicate this with our expansive and growing audience of young Canadians and families across the country.

We want to establish a partnership with the Government of Canada that provides long-term, reliable, and sustainable funding to achieve our shared objectives. To that end, we have asked the Government of Canada for a commitment of \$6 million over three years as part of the 2018 pre-budget process.

This funding would directly support the expansion of our programming, allowing us to engage more youth and their families across Canada in a real, tangible way.

We are confident we can build on the success of the last four years to communicate the importance of climate change adaptation, conservation, and the environment to children and families across the country.

• (1105)

I would like to invite you to ask more about our programs and about how, with your continued support, we can partner in engaging families on climate change education, action, and results.

Thank you.

The Chair: Thank you very much, Tovah.

From the Institute for Quantum Computing, we have Mr. Laforest and Ms. Day-Hamilton.

Welcome.

Ms. Tobin Day-Hamilton (Director, Communications and Strategic Initiatives, University of Waterloo, Institute for Quantum Computing): Thank you, Mr. Chair, and thank you to the committee for the opportunity to speak to you today about the importance of the investment in fundamental science, in particular quantum science.

Quantum science and technologies are poised to be the economic engine of the 21st century. Today Canada sits among the global leaders in quantum research, in large part due to the investments from the federal government. We have the potential to lead the coming quantum revolution and bring quantum technologies to the world. To maintain our leadership position, strategic, consistent, and sustainable funding for quantum science is needed.

Some of you may be wondering what quantum science is and why it is important. Quantum science involves the behaviour of atoms and molecules. This behaviour is fascinating and completely different from the behaviour of objects around us. Some even call it completely counterintuitive. The ability to harness this quantum behaviour gives us a richer and radically more powerful approach to building new technologies. These quantum technologies will have impact on computing, information security, drug design, cancer detection, natural resources exploration, artificial intelligence, and areas we have yet to discover. Quantum technologies promise profound and transformative opportunities.

Canada was one of the first countries to make significant investments in quantum research, and right now, as I mentioned, we are a world leader. Canada's "Quantum Valley", in the Waterloo region, is known worldwide as a hub for quantum science and the development of quantum technologies. Our public-private partnership model is one that other nations look to as they ramp up initiatives in quantum research. Our investments in people, infrastructure, and educational programs have attracted researchers and students to Waterloo from around the world. Waterloo is the only place with a full ecosystem, from theory to technology to commercialization, ready to bring quantum technologies to life.

The Institute for Quantum Computing at the University of Waterloo is the driving force behind the quantum innovations to come. IQC's community of over 200 researchers is exploring quantum technologies with game-changing applications, such as those involved in early cancer detection, targeted drug design, and unlocking the mysteries of Parkinson's and Alzheimer's. They are building quantum computers with unprecedented power, which will play a critical role in materials for efficient energy harvesting and transport, machine learning, and other critical scientific challenges. Our researchers are developing quantum technologies that will have transformative societal impact right here in Canada.

However, we're not alone. Global investments in quantum research by both government and industry have grown substantially in recent years. The U.K. has launched an initiative of 450 million pounds. The EU has created a \$1-billion flagship in quantum research. Japan, Singapore, and the United States all have bold investments in quantum technologies, and just last week China announced a \$10-billion investment to create a laboratory for quantum information science. In addition, companies like Google, IBM, Microsoft, Intel, Alibaba, Lockheed Martin, and others are also heavily investing in quantum science.

Canada currently holds about a 7% share of the worldwide quantum science investment, yet forecasts expect global budgets to increase threefold, potentially leaving Canada with a significantly reduced share relative to other jurisdictions. The race to realize the opportunities of quantum science is tightening, but Canada still has the potential to maintain a leadership position in bringing these technologies to life. To do that, to remain a leader in quantum science, we need to do a few things. We need to continue to attract and retain top talent; we need to continue to make significant research and infrastructure funding available to quantum research and technology development; we need to maintain a focus on the importance of fundamental research as a driver of innovation and economic prosperity; and we need to establish a funding stream for high-risk and high-reward research initiatives.

Strategic, consistent, and sustainable funding will keep Canada in a leadership position in quantum research and its resulting technologies. We can't take our leadership position for granted. We have to go further. We must keep the pace through strategic investments in quantum research and development so that Canadians—all Canadians—can experience the immense economic and social impacts of the quantum revolution.

• (1110)

Thank you again for this opportunity. I invite you to join us in Ottawa in December when we launch “Quantum: The Exhibition” at the science and tech museum.

I'd be happy to answer any questions. Thank you very much.

The Chair: Thank you very much.

We'll turn to Results Canada and Christina Dendys.

Ms. Christina Dendys (Interim Executive Director, RESULTS Canada): Thank you. It's my privilege to be here today and to be among what is a very diverse set of witnesses.

Results Canada is a national grassroots advocacy organization that is committed to creating the political will to end extreme poverty globally. Extreme poverty is a place where hunger and disease thrive, and where too often children don't live to reach school age, let alone attend school. It's a place where home might be a corrugated tin shack in an urban slum. One in ten, or 767 million, people live there.

At Results we champion cost-effective, proven, tangible, and high-impact solutions and approaches that address the causes and mitigate the impact of poverty. Our volunteers across the country are parents who think that no parent's child should die needlessly from a lack of immunization that costs pennies. They are neighbours who think that nobody around the block or around the world should suffer from a disease that costs dollars to treat. They're everyday citizens from coast to coast. They're your constituents. I'm honoured to be here today to represent their views.

The most important message I want to bring today is that Canada does not stand alone in the world. In our interconnected globe, ensuring that our international aid envelope is increased is not only about being charitable or about making good on global commitments but also in Canada's strategic interest, and not to give away the ending, that is my single recommendation today: ensure that the next

federal budget, unlike the last, commits to increasing Canada's international assistance envelope.

As members of the finance committee, you know that how we allocate our resources paints a picture of who we are as a people—what we stand for in the world, what we hold as values—and right now, when it comes to foreign aid, that picture is more Dorian Gray than it is Group of Seven.

There are three key reasons that this matters and why I hope you will include this recommendation in your report to the House.

First, it matters because our credibility is at stake globally and here at home. Canada used to be a leader when it came to foreign aid. In fact, we literally set the bar. This week 47 years ago, a commission led by Lester Pearson set the target that called for rich countries to commit 0.7% of GNI to international assistance. That was 70¢ for every \$100 we earned. Today Canada's support for international assistance hovers around 26¢ for every \$100 we earn. Despite leading the G7 in growth, that puts us at the bottom of the list compared with international allies and far below the global target. It's also a new low historically for Canada. If we stay on this track, this government will have the worst record on aid than any government in decades, Conservative or Liberal.

It's time to right this situation. It's time to make good on a recommendation that came out of this very committee last year, when you called on the Government of Canada to increase its investments in ODA to reach 0.35% of gross domestic product within three years.

Second, it matters because the world is increasingly interconnected. What happens over there matters over here. In my earlier days working in development, I used to say that our neighbour's house is on fire and we can stand by and watch it burn or we can work together to put out the flame, but now that house is a duplex. We live on the other side of the wall. If we watch it burn, we do so at our own peril. In our increasingly global economy and community, in an instant external events or trends could impact our own economic interests, national priorities, policies, and directions.

Consider these facts. Today, with rampant migration and displacement, there are more refugees in the world than in any other time in recorded history. Diseases like Ebola, which shook the world a few years ago, or tuberculosis, which has been with us for centuries, are airborne infectious diseases that do not respect geopolitical borders. Right now, as we sit in this room, alarm bells are sounding on what the UN is calling the largest humanitarian crisis since the creation of the United Nations. A catastrophic famine has 20 million people starving, or at risk of starving, in Yemen, Somalia, South Sudan, and Nigeria. These challenges have global impacts, and they demand global solutions, interventions, and investment. The duplex is on fire. Doing our part to quell the fire is in our own strategic interest.

Third and finally, it matters because there is tremendous potential and opportunity to tap, and Canada is well positioned to be a leader in unlocking and benefiting from that potential. Aid works, and aid coupled with smart development policy has seen tremendous wins. Child deaths have been cut in half and the number of people living in extreme poverty is lower than ever before, but hard-won gains require smart, sustained support. Today's generation of young people is the largest in history. Globally, half the world's population is under 30. Nine out of ten people aged 10 to 24 live in low-income countries. This massive wave of youth could be alarming—or it could be viewed as an opportunity to support a generation of young people who are equipped to transform the world. There are many things we could be doing, with support for education being at the top of the list.

• (1115)

With 263 million children out of school globally, investing in education, gender empowerment, and other critical inventions will be critical to quelling the alarm in favour of opportunity.

In the coming months, Canada has two opportunities to shine in this space. In February, the Global Partnership for Education will be hosting a replenishment in Senegal. Canada can and should be leading in contributions. Beyond that, when Canada hosts the G7 next year, we could lead on a development initiative that prioritizes actions to support girls' education and training within fragile contexts.

Educating girls is a best buy in development. Every dollar invested in an additional year of education sees a return of \$10 in future earnings and health benefits. Together, these investments could really make a big difference, but they won't if we are just cutting off a bigger piece of an increasingly shrinking pie.

In conclusion, aid matters, and Canada's leadership matters beyond our borders now more than ever. Please consider recommending that aid, especially impactful and effective aid, is prioritized in your recommendations, as you did last year. The eyes of the world will be on Canada in 2018. Let's live up to the leadership, compassion, and vision that this opportunity affords.

Thank you.

The Chair: Thank you very much, Christina.

Now we'll turn to the last panellist, Mr. Marchand, with the Windsor-Essex Regional Chamber of Commerce.

Mr. Matthew Marchand (President and Chief Executive Officer, Windsor-Essex Regional Chamber of Commerce): Thanks, Mr. Easter. It's good seeing you again. I'm a big fan of P. E.I. Actually, I've been to Summerside and Charlottetown. You come from a very nice part of the country. I hope to get back out there before long, and maybe I'll see you.

Good morning. Thanks for inviting the Windsor-Essex Regional Chamber. We've been representing this region for over 141 years, so we have our fingers on the pulse on the community.

I'll get right to the key points. Before getting too far, though, I want to thank the government for following through on its commitment to lower the small business tax rate from 10.5% to 9%. We also want to thank our local MPs Tracey Ramsey, Brian

Masse, and Cheryl Hardcastle for standing with small business. I also want to thank you, Mr. Easter, for your work in that regard.

Chambers across Canada take the government at its word that meaningful consultation with us will follow. We will be vigilant on this ongoing small business tax issue and offer ideas and solutions. The one thing we need is a full economic assessment of what these changes mean in terms of investment, jobs, and tax revenue. We also believe this raises an opportunity for a full review of the tax system.

The Prime Minister said on Monday that the problem isn't individuals, but the system. We agree. The tax system is too complex, and we need to simplify it. We need to make our tax structure more competitive. The U.S. government right now is embarking on the most massive tax reform package of our lifetime. Its goal is to improve the competitiveness of the American economy. We urgently need a policy response; hence our call for a comprehensive tax review here in Canada.

The big issues that affect our economy locally are jobs without people and people without jobs. This is one of the top concerns of business here and across Canada. Right now, Canada is leaving tens of billions of dollars of economic opportunity on the table in lost wages as companies are unable to bid on work and find workers. More than half of Windsor-Essex and Ontario businesses cannot find qualified staff. The local impact here is about \$600 million a year.

Skills Canada reports that 40% of the jobs in the next 10 years will be in the skilled trade sector, yet only a quarter of our young people are considering a career in skilled trades. The problem is only getting worse.

Here are some quick ideas to drive jobs and productivity: encourage the provincial government to address the skills gap by changing the apprentice ratios, encourage young people to take on skilled trades as a career, and use the power of government to drive changes in attitudes. In addition, we would suggest tax incentives to get more people in the trades and reward them for graduating. We need to be aggressive if we want to be successful.

Another top issue is the skyrocketing cost of doing business in Canada. For example, our competitor states in the U.S. Midwest, such as Ohio, have one-third the electricity costs, no carbon taxes despite using 50% coal, lower regulations, no border or political risk, and a much lower wage structure. We need cost offsets to be competitive and to maintain jobs and investment here in Canada.

The U.S. is pursuing an America-first, jobs-first agenda. We need a policy response, and we recommend that a manufacturing strategy including auto and steel, two big pieces of the Canadian economy, be developed and executed.

The Windsor—Essex chamber can assist in that regard. We have resolutions, and the Canadian chambers are supporting us. Included in a manufacturing strategy would be the goal of a level playing field. It's unfair to expect Canadian entrepreneurs and workers to compete with one set of rules for labour, environmental, and safety standards while other countries we compete with for investment and jobs have far lower standards along with much lower costs. Some of our competitors aren't even companies at all; they're essentially government departments.

For our agricultural community, PACA, the Perishable Agricultural Commodities Act, is the key issue. We are waiting for the agriculture minister and the industry minister to follow through on their election commitments to provide the agricultural sector, which is largely made up of small businesses, with an alternative to PACA.

Work visas for Canadians working in the U.S. are another key issue. Just so the committee understands, right now, every day, we have 6,000 people in the Windsor-Essex region commuting to Michigan for employment, predominantly in health care and automotive-related industries. We need certainty that the work visa issues will be addressed in the current NAFTA discussions.

Last but not least is innovation. While it's exciting that many communities across Canada and the U.S. are trying to land tech companies, Windsor—Essex would also like to create and build more of them here. How do we do that? Our ideas include investing in 5G network technology, looking at funding models to support training and retraining due to technology advancement, and supporting community-led accelerators and innovation centres.

Thank you.

• (1120)

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

We will now turn to questions, starting with Mr. Grewal.

Mr. Raj Grewal: Thank you, Mr. Chair, and thank you to our witnesses today.

I want to apologize. I'm going to duck out after my questioning round because I have to get back for Diwali functions in the beautiful riding of Brampton East.

My first question is for Satinder. You spoke about credit card fees. We have some of the highest credit card fees in the world. How do we compare to our neighbours down south?

• (1125)

Mr. Satinder Chera: I think we're probably comparable in many ways. I noted just yesterday that down in the U.S., the Supreme Court has now accepted a case, and they are looking at American Express and the fees they charge merchants. I think certainly the challenges down there are pretty comparable.

I would say that in Canada there were positive efforts made by the previous government in bringing in a code of conduct for the credit card industry. Unfortunately, what we have found with that code of conduct is that some of the commitments that were made, particularly around transparency and openness about those rates, haven't come to pass. I think this is one of the reasons Minister Morneau is reviewing the file, which is certainly encouraging. My

hope is that this committee will add to that momentum. Hopefully, we can get some hard caps in place in the next budget.

Mr. Raj Grewal: Thank you.

You spoke about the marketing to kids in terms of Bill S-228, which is going to the Senate, I believe, at this point. You were saying that it would have a negative effect on your members in terms of how it almost feels as though the bill is designed to make things much more difficult for small convenience stores. Can you comment further on that?

Mr. Satinder Chera: The bill itself has passed in the Senate now, I believe, and is waiting for first reading in the House of Commons. If you take Bill S-228, along with Health Canada's review of marketing to kids—we're putting those two together since the government is reviewing both in parallel—I guess our concern is with the unknowns.

As we read the legislation, it's not clear to us that at the end of the day retailers would not be held accountable for any contraventions of the act. Certainly, from the perspective of our members, one of the concerns is.... For example, we talk about limiting advertising for anyone under 17 years of age. One of the practical concerns is that if you have an employee who is 17 years of age, will they now be prevented from handling certain products in their stores? Also—

Mr. Raj Grewal: Maybe you know the answer to this question. If you're 18 years old, are you allowed to work in a gas station?

Mr. Satinder Chera: I'm talking about convenience stores like—

Mr. Raj Grewal: Convenience stores and gas stations go hand in hand. Even in a convenience store, you would be handling tobacco, right?

Mr. Satinder Chera: Well, they wouldn't be handling tobacco.

Mr. Raj Grewal: You wouldn't be able to sell it if you were an 18-year-old?

Mr. Satinder Chera: No.

Mr. Raj Grewal: That's good to know. That was just a personal question.

Mr. Satinder Chera: I think the concern is more around some of these other products—for example, chocolate or chips. It's more of a question mark: would that be prohibited under the legislation? I think that's where our concerns lie.

Mr. Raj Grewal: What's the number one thing that the government could do in the budget to make the lives of convenience store owners easier?

Mr. Satinder Chera: I think the credit card fees are the top recommendation for us. There is certainly that, along with going after this contraband market, which I think is critical. I think everybody would agree that—

Mr. Raj Grewal: Yes. We heard about that yesterday from Imperial Tobacco Limited. They came and testified on especially the situation in the province of Ontario. You included that chart as well.

Mr. Satinder Chera: Yes. We will be putting out numbers in the next month, Mr. Grewal, around the dollar impact that it's having on retailers, and certainly we will share those numbers with the committee.

Mr. Raj Grewal: That sounds good.

My next question is for the Windsor-Essex Regional Chamber of Commerce. Thank you for being here.

You spoke about the costs of doing business in Canada being a concern. One of the biggest frustrations I have as a member of Parliament is the levels of government and the way that some of our processes work. If you have an idea federally and you want to build something in your riding, you first have to get your city on board. Once you get the city on board, you have to get the region on board. Once you get the region on board, then you have to get the province on board. By the time you get through this whole thing, you may not even be re-elected, so the idea will fall by the wayside.

On your comments on how we could make it easier from a common sense perspective to get entrepreneurs, an easy example is always the builders and their permits to get building.

Mr. Matthew Marchand: That's a great question, and thanks for asking it. I could spend all afternoon responding to it, but I'll just take about two minutes.

There are a couple of things. In automotive investment, for example, we've lost arguably tens of billions of dollars in investment in the auto sector to the southern United States and Mexico. The cost of doing business is one of the reasons, along with the permitting time in the different levels of government. It could take three or four years for something to go through here in Canada. Down in the southern United States and Mexico, it can go much more quickly.

It's an attitude adjustment that has to happen. We have to compete for business. We have to say to people "Hey, do you want to spend money and employ people here in Canada, here in Ontario? We're going to make it fast for you. Here's what we're going to do. We're going to fast-track this, we're going to have concierge service, and we're going to get this department involved and that department involved." For example, in Mexico it's one-stop shopping. We've been arguing for that here in Canada.

When a large company wants to invest here in Canada, instead of shuffling them off to different departments—I know that's the way things are done in Ottawa, since I've been through it a number of times—we have to have the attitude of how to make it happen in the quickest amount of time to get it done. We could be more competitive. If we cut our time in lending investment from where it is now to where it should be in line with the southern United States, Mexico, and even the Midwest, we'd be in a far better place.

The top of the list is a concierge service. Second is a change of attitude in the administration so that private sector investment is to be heralded and welcomed and should be done as quickly as possible. It shouldn't be, "Here's what the problems are, and here's what our department's answers are." We should give civil servants targets in terms of how quickly they're driving the permit process through. We should be coordinating with the federal and provincial offices to get things done, and they should be held accountable for targets, jobs created, and speed of permitting. That goes to the local

level, too. We've talked about that here at the Windsor-Essex chamber with our local folks here.

• (1130)

The Chair: Thank you for that. We'll have to end it there. We are converting to six-minute rounds now.

Mr. Albas, you have more time than I thought.

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

Again, thank you to all the people here today to share their expertise. I learn something new every day, and you're certainly giving me a lot, for at least a week.

I'd like to start with the Institute for Quantum Computing. I was terribly disappointed by your presentation, particularly when you didn't address how political particles are just different. They act differently, they seem to do weird things on their own that regular particles, behaviours, don't do.

Voices: Oh, oh!

Seriously, I appreciate the position, because your organization is part of the reason Canada has taken a world role. Given the fact that we see more investment by multiple actors, I think that's a good thing. I think it's certainly going to extend human knowledge and it's also going to disperse the costs of that human knowledge over a wider tax base, because it shouldn't just be up to Canada to do that.

As a smaller player, we have one of the greatest, most highly educated population, so I certainly think Canada can continue to play a leading role, but given that context, I would much rather hear from you how we are creating a specialized niche, an area of leadership where Canada can contribute more than any other country in the world, given our own context and our own work. Could you elaborate on what that position is?

Dr. Martin Laforest (Senior Manager, Scientific Outreach, Institute for Quantum Computing): I'm Martin Laforest. I work with Tobi at the Institute for Quantum Computing.

When you mentioned that we are creating a particular niche, I would like to come back to that. Yes, maybe now it looks like a niche, quantum technologies, but the impact that quantum technologies can have is extremely vast and across the board. I will take, for example, the idea of digital technology. Back in the 1960s, there were five computers on earth and a few people were using them. Now 7% of the global economy relies on digital technologies. In the long run, quantum information and quantum technologies are the same type of idea.

Here in Canada, we have set up a very strong research base, but also smooth out the path to commercialization. It's not just a question of building one or two little gizmos that a few people might buy. We're setting up Canada to reap the economic benefits of this in the short, medium, and long run. This is why the importance of—

Mr. Dan Albas: I certainly appreciate it, but when you see China apparently investing \$10 billion, then you ask the question given those circumstances, because I imagine they're going to do a fair bit of general research as well. We may see some duplication there, and that's not a bad thing, since basic research is important, but again, when we're talking about Canada's competitive advantage in quantum computing, which areas of specialization will we pick? Is what you're requesting all going to go into general research, or are we going to ask if this is the area where we think Canada can lead more than any other country?

• (1135)

Ms. Tobi Day-Hamilton: I'll take that one.

The interesting part about what we can do here in Canada is we're seeing lots of investment in quantum computing around the world. In IQC and other places around Canada, we're doing a broader scale of research. We're looking at quantum communication, satellites that provide unbreakable cryptography. We're one of the leaders, behind China—unfortunately, they did it first—but we're working with the Canadian Space Agency now to be the next to put an unbreakable quantum satellite in the air. We're also looking at quantum sensors, and those will have a profound impact.

I think those areas, along with quantum computing, will be where we'll have the most impact on health, medicine, and natural resource exploration, because we won't be able to compete with the \$10 billion. Also, Alibaba just put \$15 billion into quantum computing. I think we have more opportunity on the sensors, on the other technologies that will be there.

Mr. Dan Albas: When you come to the finance committee, those are the areas that I would much rather have a little more detail on. How can Canada step out, especially when considering there is so much focus on this area?

I'd like to move to the Canadian Convenience Stores Association—again, thank you for being here today—and Bill S-228. It has received first reading, so obviously it hasn't come up for formal debate at second reading.

Will this apply not just to the store owner and where they place products? Most of us would remember saving our pennies and nickels to buy gum and other candies, and they're at the lowest place on the aisle where of course kids can then see them. Is that what you're concerned with, or are we talking about the manufacturer of potato chips, etc., having to plain-package their bags or at least do it to have no cartoon characters?

Lastly, does advertising for those products generate enthusiasm and push people into your stores? Can you elaborate a little on that?

Mr. Satinder Chera: There are two things. I would say when you look at Bill S-228 on its own, it's pretty broad language. Again, it's not clear to us that any rules coming out of that legislation, enabling the legislation, would not be foisted upon retailers so that retailers would be ultimately accountable under whatever rules come out of that.

Then when you take Health Canada's current review on marketing to kids in conjunction with that, the concerns obviously are what impact this is going to have at the store in terms of layouts. Our members invest in ensuring family-friendly state stores. Will this

legislation force them to change the store layout? What will be the cost of that investment? In addition to that, in terms of some practical considerations, for example, will their employees be able to handle certain products or not? Again, it's not clear to us.

The legislation is very broad, and then when you have this consultation with next to no acknowledgement that these products are sold in convenience stores, the concern obviously is that our channel is being passed by and that people are going to realize at the 11th hour that this is actually going to have an impact on small family-run operations.

Mr. Dan Albas: As a parliamentarian, I'm quite concerned, because what the bill would actually do is make it subject to Health Canada to basically come up with the regulations. There is no reference to a fine or to any consequences to let me as a parliamentarian see what will go on. It may end up that they just simply ban certain activities. I'm also worried about, in a confederation as large as Canada, the unfair application of investigative ability by Health Canada to be able to fairly make sure the rules are being followed.

I certainly appreciate the concerns raised today. I'm sure there will be a full debate in the House. Thank you for your time.

The Chair: Thank you very much.

Go ahead, Mr. Boulgerice.

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

I just want to make a comment in front of the committee before asking questions. It's more about actual physics than quantum physics. This week we witnessed the collision of two neutron stars at 130 million light years—not really close, but very interesting. The collision produced, surprisingly, gold, so let's not say that science can not produce wealth. It's a little bit of a stretch, but....

• (1140)

[*Translation*]

I will continue in French.

I am extremely sensitive to all aspects of scientific research, be it of the applied or basic variety. The latter is just as important because, someday—we never know—it may become applied. I am very happy to see that you are in a position of leadership in quantum computing research.

However, I would like to understand something. I know that, in other sectors, such as particle accelerators, various countries are working together at CERN, in Switzerland. When it comes to very focused research of this kind, which has a very good chance of commercialization, I assume that you are competing much more with other countries and that, if you fall behind, others will manufacture the computer and flood the market, ultimately leaving us with nothing.

Dr. Martin Laforest: It depends on what stage the research is at.

There is currently still basic research to be done when it comes to quantum technologies. We know that those technologies are very powerful and we know about a few applications, but we are still trying to understand other applications. So there is still some basic research to be done, as well as highly applied research and research more focused on commercialization.

When it comes to basic research, as well as applied research, we are part of a global community. This is university research, so it is very open. We collaborate with about 60 different institutions from around the world. However, there is no doubt that, as we get closer to intellectual property, we start talking about businesses and things get a bit more competitive.

That is one of our goals in Waterloo. We don't want to be closed, either. It is important to have the entire community's support and collaboration. In addition, one of the benefits of having created an ecosystem in Waterloo is that we are in an extremely solid position to take advantage of that global research and ensure that the economy and the industry will be developed in Canada. We are well positioned to be able to take advantage of all that.

Mr. Alexandre Boulerice: I will ask you a question that has been put to many other guests this week.

As a scientist, do you support the recommendations of the Naylor report when it comes to investment in basic and applied research?

Dr. Martin Laforest: Yes, absolutely.

Mr. Alexandre Boulerice: Okay. Good.

Mr. Chera, thank you very much for your presentation.

As a member from Montreal, I can tell you that we have convenience stores on every street corner. There are many of them. So that is a very important aspect of the business fabric.

Over the past several years, the Association québécoise des dépanneurs en alimentation has also been approaching Quebec members about the fees charged when people pay with a credit card. That issue is still unresolved.

I had an opportunity to meet with MasterCard and Visa representatives in Ottawa. I put that question to them. The answer we often receive is that a lot of money has to be invested in new technology. There are now chip cards we don't need to slide, as well as contactless cards. All that leads to a lot of costs, and it has to be profitable.

What's your response to that argument?

[English]

Mr. Satinder Chera: Again I would say if you look at other jurisdictions where the same credit card companies provide the tap-and-go service, they've managed to bring credit card rates down to 0.3% of transactions or 0.5% of transactions.

I guess what we would say is openness and transparency are critical. We haven't, quite frankly, seen it from the credit card companies. They should justify why they can't do it in Canada. They can do it in other places in the world; why can't they do it in Canada? That's a question we've put to them, to which we haven't received an answer.

The Chair: You have two minutes.

• (1145)

[Translation]

Mr. Alexandre Boulerice: Okay.

Thank you for your answer, Mr. Chera. It's very enlightening. I have another question for you.

In Montreal East, there are several areas referred to as "food deserts". People who live there have no car and don't have easy access to a grocery store with fresh fruits and vegetables. So they get their food from your members, convenience stores, which generally don't sell fresh fruits and vegetables.

I see in your recommendations that you want to cooperate in order to provide a larger selection of fresh products in convenience stores.

That seems very worthwhile to me. What would you want the federal government to do to encourage you to move in that direction?

[English]

Mr. Satinder Chera: I think this is where we can find some alignment with the government's overall objective, which is to create healthy communities, most notably by giving convenience store operators the ability to invest in refrigeration equipment, which is not inexpensive.

You quite correctly have pointed out food deserts in certain parts of the country. We frankly do believe that this would go a long way in allowing community stores to broaden the selection of products that they provide to their customers. Again, they are there to reflect or to deliver what their customers are asking of them, and this is one of the reasons we tabled this recommendation last year for this committee's consideration. Certainly with the government's ongoing discussion around creating healthy communities, particularly in communities where convenience stores are the only option in town, this would make a big difference.

The Acting Chair (Mr. Dan Albas): I went a little bit over with the last two speakers, so I'm going to give you another minute.

[Translation]

Mr. Alexandre Boulerice: Thank you for your presentation, Mr. Marchand.

You raised a point that many people have brought up everywhere we go. I am talking about workforce training and having people who can fill positions. I really liked your expression,

[English]

"Jobs without people and people without jobs".

[Translation]

We have to push our young people to attend university, but we also have to reassert the value of jobs, professional training and trades. What role would you like the federal government to play in that cultural change? Jobs are all too often available, but no one can do the work.

[English]

Mr. Matthew Marchand: That's a great question. Thanks for asking it.

As to what we can ask from the federal government, I think there are a couple of things. Use the power of the microphone. Have your senior ministers and MPs engage your communities back home and tell them, look, skilled trade is important. It's a very well-regarded profession. There are lots of good reasons to go to university and get a liberal arts degree. There's nothing wrong with that. But if you want a job that pays well, if you want a path to entrepreneurship, if you want to be your own boss, if you want a chance to make lots of money, this is where you need to be.

In countries like Germany, the skilled trades are well regarded. We need the message. It's one thing for the Windsor-Essex chamber and for my colleagues to say it, but we need the leadership of the Canadian government across the board—MPs, ministers, even as high as the Prime Minister—to talk about the importance of getting into skilled trades.

I can go on and on. We're having the minimum wage debate here in Ontario, and it's a nice debate to have. At the end of the day, we have hundreds of jobs that are paying well more than minimum wage, often twice times more, in the skilled sector that are going unfilled. Let's get people skilled up, let's drive incomes, but we need help from you folks to drive home the message that the skilled trades are a very important career path and are well respected and well regarded. You can be your own boss. You can be your own employer. It's the way to go. We're going to do our part, but we need you to help us out.

The Acting Chair (Mr. Dan Albas): We appreciate that.

MP O'Connell, you have about seven minutes.

Ms. Jennifer O'Connell: Thank you.

Ms. Barocas, thanks so much for your presentation. I'm familiar with the program. When I was a member of the Toronto region conservation authority, we also had a presentation, but Earth Rangers brought a lemur. That really caught our attention. I was wondering if you'd be bringing anything today...?

Voices: Oh, oh!

Ms. Jennifer O'Connell: That's okay. Congratulations on the success you've had. It's really impressive. As I said, I'm familiar with it also in the schools.

My question is in regard to your second point in terms of the digital programming of your growth. You talked about reaching out to more rural and remote communities. I'm just curious about what your plan would be when it's usually our rural and remote communities that have limited access to broadband and things like that. Is it working with specific schools digitally, or what does that encompass?

Ms. Tovah Barocas: It can be different depending on the region. We took a trip to Iqaluit last September and did our school programs in all of the schools in that and the Ajax area. While there, we had some really interesting meetings with the local government, and also the Nunavut Teachers' Association, around the fact that cost is a barrier to be able to travel there every year, and also to be able to go to Rankin Inlet and some of the other bases in Nunavut. How can we work with teacher training, visiting teacher conferences, on providing resources through data keys and other opportunities? There's a program that Cisco has where they put screens in schools

that you can communicate with from major centres, so we've been speaking with them. There are a number of ways you can go about it.

We also feel that the school programs are really geared toward getting the kids excited. They're educational, but more than that, they're inspirational. The objective is that at the end of the program, when we ask who wants to be an Earth Ranger, every hand goes up, and then they can go home and engage long term with their families. That way, we don't have to travel to every city and community every year, which is cost-prohibitive, and the engagement and learning can continue at home online. Expanding those programs will allow us to have an ongoing relationship with kids all across the country without having to physically be there.

• (1150)

Ms. Jennifer O'Connell: The overall ask I heard was \$6 million over three years. You hope to grow your membership—if I wrote this correctly—to over 300,000 members. What constitutes a member? It's sounding like you're reaching a lot of people, kids in particular. How do you determine that? As I said, \$6 million is not an insignificant ask, especially if the goal is to reach 300,000 people, and I'm assuming you're actually reaching more, but what constitutes a member versus how many kids or communities you'll reach out to?

Ms. Tovah Barocas: A member is defined as a child who has gone on to earthrangers.com, filled out a full contact form, received parental permission, and then actually been sent a membership card with their name on it and a welcome package in the mail. They have then logged into their account numerous times to actually accept missions that are sustainable behaviours and to participate in fundraising campaigns, so they really are defined as an engaged group of people who are acting with the organization on an ongoing basis.

Then we have kind of a sub-level of kids whom we know we've reached and impacted in some way. For example, I was coming home from an Earth Rangers event and stopped at Loblaws on my way home. The girl at the checkout counter saw my shirt and remembered us in her school and the assembly from six or seven years ago. She never joined, but it impacted her in some way.

You're right that the reach is a lot more extensive than 300,000, but the 300,000 is defined as families that have signed up.

Ms. Jennifer O'Connell: Thank you.

Mr. Chera, one of your comments early on in your presentation was somewhat interesting to me. You said that you were repeating something one of your members said about the collection of tax and how you don't even get paid for it. Are you suggesting that your convenience stores and convenience store members don't mark up their products and don't make any profits on any of the goods they're selling?

Mr. Satinder Chera: No, I was simply making an observation about the fact that they collect \$22 billion in taxes for which they don't get paid and that it's important for governments to recognize the important role that convenience stores do play in helping to provide that revenue.

Ms. Jennifer O'Connell: Right. Then when you were responding to my colleague Mr. Albas' question in terms of the technologies and the growth, you said that other countries are doing it. In the U.S. they don't have the chip technology in most places, so they're not even quite at a tap of the card there. Are you saying that Australia has chip and tap technology?

Mr. Satinder Chera: My comment was that they've invested in technology in other jurisdictions as well. If that's the argument that is being advanced for why they can't do it here, then we would argue that they should show us the evidence of why they can't do it here.

Ms. Jennifer O'Connell: My question is that you said they're doing that in other places, but if they're not...because part of the technology, to my understanding, is that the technology has to have the security so that if a consumer uses a credit card, it's secure, and we're not dealing with fraud. In a lot of jurisdictions, for example the U.S., that don't have the more secure transactions, they actually are paying more because there's a greater risk.

In response to your question, you talked about jurisdictions that are doing it and offering it cheaper. Do Australia or the other jurisdictions that are cheaper have chip and tap technology?

• (1155)

Mr. Satinder Chera: I'm not specifically aware of that, no.

Ms. Jennifer O'Connell: Okay. In terms of the marketing, are you also suggesting that legislation moving forward to deal with the marketing of products to children will be handled in the same way as controlled substances to children? Children can't smoke cigarettes. They can't drink alcohol. You're suggesting that the marketing of chocolate bars will be handled in the same way as controlled substances. That's your take on that legislation.

Mr. Satinder Chera: No. In fact, I'm just making the observation that we don't know what—

Ms. Jennifer O'Connell: But you think that realistically that's a reasonable line—controlled substances and marketing to children of chocolate bars or cereal.

Mr. Satinder Chera: No. We've been very clear that in terms of controlled substances, the rules are very clear, and we support the government's initiatives to ensure that they don't fall into the hands of minors.

With respect to Bill S-228, my observation is this: what impact will it have on retailers? It's an obvious question. We're just making the observation that we don't know to date if there will be any implications for employees. That's the question we've received from our members, and it's one that we've asked the government.

Ms. Jennifer O'Connell: Right, but you think it's a reasonable correlation to say that how minors are able to sell or work in places that have controlled substances to minors... You think it's a reasonable correlation to suggest that aggressive marketing of products to children is the same thing as controlled substances.

Mr. Satinder Chera: No. In fact, what I'm saying is that with respect to Bill S-228 and the marketing to kids review, we certainly have not been advised on what impact this would have at the retail location. The legislation is pretty broad, so we're just asking the question: if this is where the government will be going, what implications will it have?

The Chair: We'll have to end it there.

Mr. Kmiec is next.

Mr. Tom Kmiec: Mr. Chair, I'm going to continue the line of questioning.

There's just one point I wanted to make. When you're talking about your members collecting taxes on behalf of the government, GST/HST is included, and then your members remit that back to the government. I think that may be what you're referring to.

I want to talk about the credit card fees, because at one point you said "hard cap". Did you mean to say a hard cap on credit card fees?

Mr. Satinder Chera: Yes. For example, if you look at Australia or the European Union, they have limits in place, at 0.5% or 0.3%.

Mr. Tom Kmiec: One of the bills before the House is from one of our Liberal member colleagues. Linda Lapointe has proposed one under which the cabinet would basically be able to decide what type of credit card fees would be acceptable. Do you support that? Does your membership support that?

Mr. Satinder Chera: Ms. Lapointe is someone whom we consider a friend to the convenience channel. She raised an issue that frankly, from our members' perspective, no one was really trying to address. We certainly don't understand why they can have caps in other jurisdictions and not in Canada. Again, if there are legitimate reasons why that can't happen, we would certainly welcome that dialogue. To date, we haven't received any information on it.

Mr. Tom Kmiec: Just generally, I'm opposed to giving the government even more control over different areas of the economy. You have 26,000 members. Walmart took on Visa and won eventually. You have 26,000 members. You have an ability to negotiate directly with the companies. The Canadian Chamber of Commerce has done so through First Data. They get preferential rates for their membership as part of the group benefits they provide, Interac payments and cheaper credit card payments. Why isn't your association able to leverage your membership base to negotiate with Visa and Mastercard on behalf of your members to provide a member benefit like the chamber network does?

Mr. Satinder Chera: We really haven't had much interaction with the credit card companies, period. Through the Small Business Matters coalition, of which we are members, we have reached out to them to get information. We haven't really had much of what I would call a receptive audience. I know there are some organizations out there that have gone and negotiated. We know these fees cost businesses a lot. The Competition Bureau has looked at this issue and put a number of \$5 billion on it.

We want to know why the credit card companies can't bring these rates down. In fact, under the code of conduct, they made specific commitments to doing an audit and releasing the results of that audit. We haven't seen any of that evidence. It's natural to ask if they are simply skating around the rules. If they are, then we have to ask what the government can do, because this is definitely a concern.

•(1200)

Mr. Tom Kmiec: I compare Canada a bit to Singapore. I travelled in Hungary and they have a POS system, or point of sale. There is tap in places like Budapest, so I assume it has to be there in many other jurisdictions. It's the machine itself. I've been told the problem isn't always with the rate, but it's the contracts that are signed between the merchants and the credit card companies that don't allow them to say things like, "If you don't use that card but you use Interac instead, I'll give you a better deal" or whatever.

Is that the case? Is that happening in the marketplace?

Mr. Satinder Chera: Our members have to accept whatever form of payment the customer is providing. If they don't, the customer will just take their business somewhere else.

With credit card fees, they have next to no ability.... They can't understand why rates are so high and why they can't come down. They've certainly heard that the federal government has tried to address this issue. Certainly the code of conduct was a step in the right direction, but since then, there hasn't been much in the way of rates coming down. Certainly that's been the feedback we've received from our members, which is why we've gone on record as saying that if you can't bring those rates down the way they have been lowered in other jurisdictions, explain why. There may be other options that we can take a look at.

Until we have that open conversation, which we haven't had to date, we're left to think that maybe the government should do what they've done in other jurisdictions.

Mr. Tom Kmiec: Here in Canada, and in a few Southeast Asian countries too, consumers really like their points. It's one of the jurisdictions in which people have the most points on cards. Consumers really want the points. They don't care about the back end, and what's happening between the merchant and the company. You might introduce a hard cap, and the government would be typically slow to react; it sometimes gets things wrong, like this proposed small business tax change, or the proposal to change the proposals. Why do you think more government would be the answer, instead of leveraging your 26,000 members and forcing the companies to come to the table with you the way Walmart and the chamber network have done?

Mr. Satinder Chera: I would say that you've highlighted an interesting point, which is that there certainly is no free lunch, right? These points do come at a cost, and the cost is typically on retailers.

I note that the credit card companies have recently given merchants the right to add a surcharge. It's convenient for the credit card companies to do that. They created the problem in the first place, and now they're saying to merchants, "Well, you be the bad person if you want to recoup some of those costs from your customers." Again, I would just make the argument that if they can do it in other jurisdictions, why can't they do it in Canada? It's not good enough to simply say that we should speak to the credit card companies. We have tried, but some of the information they're supposed to provide to government they haven't provided to date, so we believe the government needs to step in.

I think the one positive benefit of the government and Minister Morneau reviewing this file is that hopefully it'll bring some further

transparency to this file. Again, if it can't be done in Canada, explain why it can't.

The Chair: Ms. McGuffin, before I go to Mr. Fergus, you say in your submission that the Canada Music Fund needs to be modernized to better support you. How do you see that being done?

Ms. Margaret McGuffin: There are three particular things. One is that music publishers are capped at a funding of only \$75,000 a year, whereas record labels are capped at \$650,000. It's a very big difference. You could have a bigger music publisher than a label, and because of some old rules and how the industry used to be structured, there are caps that don't benefit from growth in the music publishing industry and the innovations in the music publishing sector.

Second, we'd like to see more funding overall to allow for those changes, and unlike the Ontario music fund, we punish success. Our most successful companies cap out earlier than they would if they were in other types of innovation funding. This is a fiercely competitive global market. Our Canadian companies are competing against independent companies worldwide that are getting private equity financing. It's become a very hot industry.

•(1205)

The Chair: Thank you.

Go ahead, Mr. Fergus.

[*Translation*]

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

I want to begin by thanking you all for your presentations today. They have been very interesting and useful.

I have a few questions for you. I will start with Ms. Day-Hamilton and Mr. Laforest.

I want to thank you for the work and research you are doing in quantum computing. I can say in front of my colleagues that I believe there are two or three things that will really change the future of the human race, and the first is the potential creation of quantum computing. That's tremendous. Next is nuclear fusion, with artificial intelligence in third place. Those are major projects, and I hope that we will be involved in them.

I think it is important for all Canadians with skills in those areas to pool their efforts.

That brings me to my question. You are working with the academic community and the private sector in the Kitchener-Waterloo region. Are you also working with all the other entrepreneurs and scientists in Canada in order to successfully develop an operational quantum computing system?

Dr. Martin Laforest: Yes, and I will add that this is not only happening in Waterloo. Canada is a nation, and this is happening across Canada. There are some very good research centres in Vancouver, Sherbrooke, Montreal and Ottawa. We all talk to each other. We are part of a community and we all know each other. There are even a few networks to ensure good cooperation and a good transfer in Canada, not only in terms of staff, but also in terms of knowledge.

When it comes to working with industry, we have a new program, the Canada first research excellence fund. One of its goals is to increase our collaboration with members of the Canadian industry in particular. That program was just launched and it's very new. We are actively working on finding potential partners from the private sector, so that we can work together on not only identifying problems quantum science can resolve, but also on finding solutions.

So we don't just want private sector people to come see us to tell us that they have a problem and ask us to find a solution. We want to work together and invest together to find new ways to use quantum science to solve our current problems, which the private sector is trying to resolve.

So, yes, we are working together across Canada.

Mr. Greg Fergus: Are any of the groups that are collaborating a bit more reluctant because no model has yet been developed to share the benefits stemming from a quantum computing patent? What can be done to help you overcome that problem?

[English]

Ms. Tobin Day-Hamilton: I don't think there are researchers within the Institute for Quantum Computing who are hesitant to work with other jurisdictions, particularly because the University of Waterloo has a unique IP policy. Our intellectual property policy is inventor-owned. The researchers actually own what they create.

Whether they're researchers, students, or other people they work with, they own that IP themselves. They're free to go and work with other partners and jointly develop those technologies should they see fit.

I think that's a unique opportunity for Waterloo in particular to have more collaboration, because they have that ownership. The university doesn't take a stake there, so they can go out and find industry partners. They can find other research collaborators to take that technology further.

• (1210)

[Translation]

Mr. Greg Fergus: I had the pleasure of visiting D-Wave, in Vancouver, at some point. It will also be my pleasure to visit your institution.

As I said, it is crucial for all players to work together. That will probably change our history.

Mr. Chera, thank you very much for your presentation. I appreciate your concerns over interchange fees. I know that is a concern.

I would just like to ask Mr. Kmiec and Ms. O'Connell's question again. I had the pleasure of meeting with Visa and MasterCard representatives, who have a completely different point of view. I have not had an opportunity to run this by you. They told me that, in countries like the United Kingdom, the government legislated to cap the fees that are charged, and then used the back door to impose other fees that have made credit cards more expensive for consumers.

Do you agree with that point of view? Can you give me another perspective on that?

[English]

Mr. Satinder Chera: That is one of the reasons we wanted to have this review that the minister is undertaking, to get all the facts onto the table. When we hear from our members that they see their bills going up, the question is why. As well, when we look at other jurisdictions, the numbers are more favourable than they are here in Canada. Again, why is that the case?

There were commitments made by the credit card companies under the code of conduct introduced by the previous government. We've certainly felt that the code of conduct was a step in the right direction, but there were certain commitments, particularly around bringing their rates down and demonstrating a clear, open, and transparent audit. That hasn't happened to date, and one of the things we've asked is, why not?

I think that is one of the reasons the minister is doing the review, because when the announcement came out from Visa and Mastercard in September 2016, the information that they were to provide they did not provide. The natural question, then, is why they can't do it in Canada. From our perspective, payments are an important area, certainly for our members. For many independent, family-run operations, costs continue to go up. Is there a way to bring these costs down, and if they have done it in other jurisdictions, can we look at doing it here in Canada? That is why this review is so critical.

[Translation]

Mr. Greg Fergus: I have another question for Mr. Chera.

You have members in Quebec, right? Some convenience stores from that province are members of the Canadian Convenience Stores Association.

In Quebec, we have long had legislation that prohibits the marketing of certain products to minors. I can buy chips and chocolate bars at a convenience store close to my home.

I assume that the intent of Bill S-228 is the same. I can't imagine it being any different. Are you aware of the situation in Quebec? How can those two objectives be combined? I am talking about selling products, but without marketing them to young people.

[English]

Mr. Satinder Chera: I think everyone would agree. As I understand it, the government's intent is to help reduce childhood obesity. Everyone acknowledges that it's a noble goal and it's something we should be working towards. There are many different ways you can help to implement that.

• (1215)

[Translation]

Mr. Greg Fergus: Are you aware of the situation in Quebec?

[English]

Mr. Satinder Chera: Yes. However, with this legislation, the concern is that because there are a lot of unknowns and the legislation is created pretty broadly, our read of it is that anything the government would pass would ultimately fall on retailers to implement and they would be held accountable for it.

Mr. Greg Fergus: If I remember the legislation, though, it's not much different from the legislation before the National Assembly. I'm trying to figure out whether there is any undue concern over ambiguity.

Mr. Satinder Chera: Again, our read of the legislation is that it would impose an obligation on retailers. We haven't heard evidence otherwise. We know that Health Canada is doing a review on it. We've raised these concerns with them, but we haven't yet heard back. In fact, I met with them earlier this week and certainly we reiterated what our concerns were, but we haven't received any response yet.

If we were to receive a response, we would certainly take it back to our members. However, in the absence of any clarity around how this legislation would be implemented and what impact it would have, it's difficult for us to provide a clear answer.

Mr. Greg Fergus: Mr. Chair, I know I have no more time, but I just want to add one thing.

I'm not trying to be difficult. It's just that I'm trying to look at this from the other way around. I'm wondering why you haven't heard from your Quebec members as to this situation. The Quebec members would probably tell you that there is not a problem here, given their experience, which has been over a little more than a generation, in terms of not marketing towards children.

I know you're waiting for the government to answer, but my question is around why you haven't heard from your Quebec members.

Mr. Satinder Chera: No, I get that. In terms of the implementation of the rules and who would be responsible for enforcing them, again, would it be similar in other parts of the country as it would be in Quebec? We don't know. In terms of the legislation as it is currently written, we were never consulted on it in the first place. We have picked up on it, and we see this review that Health Canada is doing on marketing to kids.

I want to be very clear. We don't disagree with the intent of the government; our concern is to make sure that we're part of the conversation. These are some of the obvious questions and concerns we have. To date, because there hasn't been any sort of response, we're not really sure whether to remain worried or not.

The Chair: Thank you both. That was substantially over time.

Mr. Albas, I know you had another question or two.

Mr. Dan Albas: I have a quick question for Ms. Day-Hamilton.

Obviously, I think most Canadians would agree that funding basic research is important and government does have a role to play there. You commented earlier, though, that researchers end up holding the patents themselves and can then decide to commercialize and whom to partner with, etc. We've seen recent cases in which taxpayers have funded new R and D in Bombardier for their C Series only to have Airbus swoop in, and now they're going to be building those planes down in Alabama.

That's a practical example of taxpayers subsidizing research only to find the economic benefits going somewhere else. I can see why recruiting must be very easy for Windsor, not just for the reputation but because researchers will get that intellectual property. I'm

wondering what your answer would be to the critic who would say, "Why should my federal tax dollars be funding a group that will end up giving a private benefit to an individual?"

Ms. Tobi Day-Hamilton: I think we have to look at it from a different perspective. We are enabling the researchers to create technologies that will have huge societal impact, that will potentially give back to both taxpayers and to the university.

Let's take Mike Lazaridis as an example. Mike Lazaridis has invested \$100 million of his own private dollars in the Institute for Quantum Computing. He's a great example of giving that investment to the institute and matching that with private money so that we can give back again.

Mr. Dan Albas: But again, he's giving his own money, investing in that, so it's private giving for a private gain. Why should taxpayers be asked to subsidize research when ultimately there is zero guarantee that it will be developed fully and commercialized fully to the benefit of Canadians?

• (1220)

Dr. Martin Laforest: Thank you for your point. I think this is where we reinforce the importance of creating that ecosystem in Canada that will foster and nurture commercialization, so that when you have something that can be commercialized, you don't go to Silicon Valley or to Europe to commercialize it. You come to Canada so that the economic impact happens in Canada.

This is what we're creating with Quantum Valley. If somebody has an intellectual property that has some value based on the research they have done, the company will be created in Canada. The investment will come from different sources, VCs, but that will remain in Canada and the job creation will happen in Canada.

Mr. Dan Albas: To that point, though, I don't think there is any agreement that says they have to do that. They get to keep it for themselves. Again I go back to the same common point. If they're expecting public money to fund that research, and there is a portability, we hear time and time again at this committee that we are fantastic at certain elements of research but that the gap from discovery to actual economic activity is huge. To me, this seems to point to the reason. It's because people will go to places where they are better capitalized, where they can take that discovery that they now own the intellectual property to. They take it to Silicon Valley.

Anyway, those are my concerns, but I do appreciate your presence and I do appreciate your answering this question.

The Chair: Are there any safeguards that could be put in place there to at least in some way protect the public investment?

Ms. Tobi Day-Hamilton: I think creating the ecosystem that we have in Waterloo region is part of the safeguard that we can replicate across the country, because if we provide the incentives and the partnerships for people to stay here in Canada, they will stay here in Canada. I think if we put too many restrictions on them, they won't come because there are so many other places to get investments and to take those opportunities.

We want them to come here. We want researchers to come and know that they can take their technologies, they can build them here, they can create jobs here, they can create companies here. They can have that investment here in Canada. Having that full ecosystem ensures as much as we can that they'll try to stay here in Canada.

The Chair: I know we've gone a little over time, but I don't believe there is any open-mike session.

Ms. Dendys, you never had a question. Is there anything you want to add? You make a pretty dramatic point that if we stay in this track, this government will have the worst record on aid of any government in the last 50 years. Maybe you need to send this to the Prime Minister. I know that the Prime Minister would be a little concerned about that.

Do you have anything you want to add?

Ms. Christina Dendys: It's true.

The Chair: I'm not saying it's not.

Ms. Christina Dendys: I just want to add that it is not about condemnation; it is about wanting to work with the government to try to get back on the right course. I hope I've made a compelling argument about the reasons why.

Maybe I'll just make one point—because we're in Windsor and this is my hometown—in terms of the interconnectedness of the world, bringing together the idea that aid works, that it matters, that Canada's leadership has been immense, and the idea in a border town that borders are important but that they are also dissipating.

I used to work for an organization called Nutrition International. It does tremendous work in terms of addressing malnutrition issues around the world. Our huge Canadian success story is in something called vitamin A. Many millions of children have died over the years because of a vitamin A deficiency when they are under five. It makes them susceptible to things like measles and other deadly diseases that kill them.

Over the years, Canada has been a tremendous leader on that. It costs two cents for a little capsule of vitamin A, and kids get it twice a year. They cut the end, and they put it in their mouths while they are getting other immunizations and getting treated at health posts. Because of that little two-cent intervention, Canada's leadership has contributed to saving about three million children's lives over the last decade.

The interesting connection to Windsor is that the Government of Canada funds the Nutrition International organization to procure the world supply of vitamin A—the vitamin A that is at health posts from Afghanistan to Zimbabwe, by the way. Those vitamin A capsules are manufactured right here in Windsor at Nutricorp, which is a manufacturing plant down the street, and Accucaps, which is a manufacturing plant in Strathroy. I had the opportunity to go and open that plant and cut a big ribbon. It was one of my key moments. I think I even had giant scissors. I engaged the people who work in the plant, those people from the area of Windsor, and told them their work is actually having an impact around the world, and we had a conversation about that. It was significant.

I bring that point up because in coming back and speaking to you here in my hometown, I'm thinking of that. It just illuminates the connectivity between here and there.

On the aid question, the one last point I would make is that I think it is about setting a global goal and target, about Canada being back—not way back, but back—and being willing to work with the government on what a realistic on-ramp could be to meeting our global obligations.

• (1225)

The Chair: Thank you, Christina. I actually toured that plant at one time.

I have just one other question, Mr. Marchand. You're the only one who brought up PACA so far. Do you want to expand on that a little? I expect there are quite a number of people who probably don't know what PACA is. It's important to deal with that issue. I'm familiar with it, but let's hear your expectations.

Mr. Matthew Marchand: Thank you, Mr. Chair.

PACA is the Perishable Agricultural Commodities Act. In July 2014, the U.S. government advised Canada we would no longer be part of PACA. We've been part of PACA since the 1930s. Basically it is a way for small businesses in the agricultural sector to ensure that they get paid. If we boil it all down, that's what it is. There's a minimal fee of about \$100, and Canada was allowed to participate in the American PACA system. That means here in Windsor-Essex or southern Ontario you sell \$10,000 worth of tomatoes over to Detroit, the vendor in Detroit goes bankrupt, PACA steps in, and you get most of your money back in relatively short order.

The current government said it would reinstate PACA—a Canadian-style PACA, since the U.S. was not allowing us to participate—and that's fine. The number of small businesses in southern Ontario in the agricultural sector is enormous. They need certainty that they're going to get paid. These are not items that you store and then wait for 30 days to get a disposition on bankruptcy. These products perish rapidly. Our small agricultural sector needs the certainty that they're going to get paid in relatively short order. As it sits right now, companies have to put up double the bond while this process is ongoing. The cash flow requirements are enormous for small businesses. They just can't handle it.

We've had lots of events here, and I've talked to you about it, Mr. Chair. Thank you for your support on that issue. It's a big issue here in southern Ontario. There's a national Canadian Chamber of Commerce resolution on it as well. We've had some correspondence with the agriculture minister and the industry minister. We would encourage the government to fulfill its campaign platform promise to adopt PACA-style legislation here in Canada to help our small business in the agricultural sector.

The Chair: Okay. I think that's it, unless somebody else has...? Are we all okay?

All right. With that, thank you, witnesses, for your presentations and your answers to questions, and thank you to committee members as well.

Committee members, lunch will be just next door. We'll meet in the lobby at 3:30 p.m. and then head to the airport. The schedule says three o'clock, but I've been to this airport. I don't want to criticize the Windsor airport, but Charlottetown has at least a place where you can eat.

Voices: Oh, oh!

Mr. Matthew Marchand: We do have a place to eat, Mr. Chair. It's after you clear security, though. The chairs have been upgraded and there's Wi-Fi and all sorts of good stuff. I would encourage you to spend your money here in Windsor.

The Chair: I was there the other day with a number of Americans and couldn't get anything to eat. It was closed. They were not happy.

With that, we'll adjourn the meeting.

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