



HOUSE OF COMMONS
CHAMBRE DES COMMUNES
CANADA

Standing Committee on Finance

FINA • NUMBER 008 • 2nd SESSION • 41st PARLIAMENT

EVIDENCE

Wednesday, November 20, 2013

Chair

Mr. James Rajotte

Standing Committee on Finance

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• (1530)

[English]

The Chair (Mr. James Rajotte (Edmonton—Leduc, CPC)): I call this meeting to order. This is meeting number 8 of the Standing Committee on Finance. Our orders of the day are, pursuant to Standing Order 83.1, for continuation of our pre-budget consultations 2013.

Colleagues, here is a very short housekeeping note at the start. I hope many of you are utilizing the paperless system on the iPads. If you need any assistance, we have our technical person in the back, who is providing some very good help for us, Mr. Martin Lacaille. If you need some help, please feel free to contact him or have your office contact him to get set up.

Colleagues, we have six witnesses before us during this hour and a half panel. First of all, from Cambri Development Group Incorporated we have Ms. Cecelia McGuire, controller; from the Canadian Federation of Independent Business, senior policy analyst Madame Monique Moreau; from the Canadian Taxpayers Federation we have the federal director, Mr. Gregory Thomas; from the Canadian Union of Public Employees we have the national president, Mr. Paul Moist; from Canadians for Tax Fairness we have the executive director, Mr. Dennis Howlett; and from the Retail Council of Canada we have the vice-president, Mr. Karl Littler.

Welcome to all of you. Thank you so much for being with us.

You have five minutes maximum for an opening statement. We will begin with Ms. McGuire, please.

Ms. Cecelia McGuire (Controller, Talasa at Sun Rivers, Cambri Development Group Inc.): Ladies and gentlemen of the standing committee and fellow witnesses, we've brought these issues forward today on our own behalf as non-first nations developers partnering with first nations.

We want to exemplify the onerous burden placed upon many developments on first nations leased land. Why would anyone risk developing on this land if the status quo and rules are different from those on provincially leased land or on fee simple land? These issues go against the grain of the Canadian Charter of Rights and Freedoms, democracy, economic law, and the growth of entrepreneurialism. Canada is all about being treated fairly, equitably, and respectfully in all facets of law, government, and economic policies.

The following three key issues were brought up in the brief that I provided.

First is the GST/HST on multi-family residential developments completed on first nations leased land. These brand new condominiums that are being built are treated as rental properties as a result of the leased land, because of the federal regulations rather than the provincial regulations.

Basically, what happens is that any developer who builds on first nations land that is federally regulated has to prepay, or is assessed, 100% of the GST and the GST rebate at the time the building is substantially complete, regardless of whether the units have been sold. In effect, the taxes are collected on non-revenue: the revenue hasn't come to fruition yet.

For us and many other developers, this kind of burden is very difficult to handle, moving forward in any future developments.

On this issue, I have a suggested resolution in the brief, which is that there seems to be a missing definition in the Excise Tax Act, in subsection 123(1). It seems that first nations federally leased land is completely omitted from the law; there is no definition of it. The act simply has a definition of provincially leased land or fee simple land. What happens is that the CRA and anybody involved can assess it. We're basically at the mercy of the interpretation taken by any auditor who comes through. What has happened is that the development has been treated as a MURB, which is a multi-use residential development. This deems it to be a landlord, so there is a prepayment. We feel that this is undermining any development moving forward with first nations land, for any outside developers. This would be a very large burden for them.

My second notation is about the B.C. First-Time New Home Buyers' Bonus. What has happened is that the Province of B.C. has assessed this bonus incentive on any individuals who purchased new condominiums in this particular development on first nations leased land. They have assessed them as second-hand units, because we had prepaid the GST or were assessed the GST.

The Chair: You have one minute remaining.

Ms. Cecelia McGuire: We therefore have a bunch of young adults in the province of B.C. who were denied \$7,500 to \$10,000 in a bonus incentive to help them purchase their unit.

The suggested resolution is that if the federal government changes the definition in this law and advises the provincial government of such change, these people will be eligible for this particular bonus.

The third issue that I want to bring up is the Indian land registry and delays in property transactions, registrations, and additional costs. There is a much larger burden of regulation and paperwork associated with the transactions on first nations leased land. This causes many delays in closing deals for first nations.

What happens under fee simple is that usually in 24 to 48 hours we can close a transaction. Under first nations, it takes anywhere from three days to ten days, and I've seen it take as long as six months because of hiccups in going through the registration.

• (1535)

The Chair: Be very brief, please; we are over time.

Ms. Cecelia McGuire: In summary, I would like to reiterate the importance of these barriers' being rectified. If the first nations cannot transact, register, or sell their real estate, how does that promote their being independent or self-governing? These barriers are detrimental to Canada.

Thank you.

The Chair: Thank you very much for your presentation.

I'll go to Madame Moreau, *s'il vous plaît*.

Ms. Monique Moreau (Senior Policy Analyst, Canadian Federation of Independent Business): Thank you, Mr. Chair.

CFIB is a not-for-profit, non-partisan organization representing more than 109,000 small and medium-sized businesses across Canada that collectively employ more than 1.25 million Canadians and account for \$75 billion, or nearly half of Canada's GDP. Our members represent all sectors of the economy and are found in every region of the country. Addressing issues of importance to them can have a widespread impact on job creation and the economy.

You should have a slide presentation in front of you that I'd like to walk you through over the next few minutes.

CFIB's October business barometer on slide 2 shows that after a rough spring, small business optimism has trended into more positive territory so far this fall. The barometer has shown a gain of half a point, up to 65 from September's reading, but it generally remains in line with the average value from the past four months. Full-time hiring plans are basically unchanged this month and are typical for this time of year. We see this as a sign that business owners remain cautious. Only 41% of owners report a generally good state of business.

The barometer has shown us that the economy remains sluggish. To help us get through the sluggish economy we believe governments need to address the issues of greatest concern to small business so that business owners can focus on their own business, that is, hiring staff and growing their business, thereby growing the economy.

So, what are these concerns? As you can see on slide 3, the top issue of concern to small business is the total tax burden, and this includes all levels of government, which I will address in more detail shortly.

Second is government regulation and paper burden. We are pleased to see movement through the government's response to the Red Tape Reduction Commission. Now the hard work begins of

implementing these changes, and CFIB plans to monitor closely how this is implemented.

The third high-priority issue is government debt and deficit. Small business owners understand the importance of paying down debt, and we have seen this issue grow in importance to them as the deficit has grown over the years.

The top issue of concern to small business owners is their total tax burden. There is only one taxpayer, but they pay taxes to all levels of government. With so many taxes it's important to understand which ones have the biggest impact on the growth of their business.

As you can see on slide 4, payroll taxes have by far the greatest impact on growth. Why? Because they're a tax on jobs. They must be paid, regardless of whether the business has any profit that month. One of the most costly payroll taxes is CPP/QPP. CFIB continues to advocate strongly against any increases in CPP or QPP premiums as they have a direct impact on job creation among smaller firms.

While the goal of enhancing retirement savings is a laudable one, CFIB and its members strongly oppose any plan that would involve mandatory increases to the payroll tax burden, as you see on slide 5. It is important to note that while CPP appears to be well managed at the moment, several years ago the fund was in terrible shape. Putting more of our retirement eggs in one basket is not a good option. CFIB encourages the federal government to take a leadership role in urging its provincial counterparts to examine other alternatives to help Canadians save for retirement, including PRPPs.

On slide 6 you'll see that small businesses are also concerned about the corporate taxes they pay, and reducing the small business corporate tax rate is an important step that can help businesses maintain or strengthen their performance. This is not surprising, as there has been a gradual erosion of the value of the small business rate relative to the corporate rate over the last several years as the general rate has come down. While CFIB supports reducing all corporate tax rates to stimulate job investment and growth, there are solid reasons why the small business rate was originally significantly lower than the general rate. For example, small businesses have a higher tax and regulatory burden per capita and they do not have access to all the market information that larger businesses do. Once the deficit is eliminated, CFIB suggests that government commit to reducing the tax rate by several percentage points to 9%.

As you will recall from slide 3, government spending is an important issue to business owners. One important way to reduce government spending is to start bringing federal public sector wages and benefits more in line with the private sector, as outlined on slide 7. Small business owners are particularly concerned with the sustainability of the federal pension plan, as it has an unfunded liability estimated to be between \$140 billion and \$220 billion. Public sector pensions were created under different demographic conditions from those today and are now unsustainable, given current lifespans and expected payouts. The government has important work to be done in this area, including converting all MP pensions and new hires in the public sector to defined contribution plans, as was done at EDC, a federal government agency; increasing the normal age of retirement to 65 for all in the federal public service, as was done for the OAS changes; and eliminating the bridge benefit, as has already been done at the Bank of Canada.

These are but some ideas we have to help support small businesses and grow the economy. To recap: we recommend first that you reject calls to increase CPP or QPP premiums or any provincial variation on this; second, we'd like the federal government to start addressing the erosion of the value of the small business tax rate; and third, we encourage the government to reduce spending by bringing public sector wages and benefits more in line with the private sector.

● (1540)

Small businesses truly are the backbone of Canada's economy and the heartbeat of our communities. They employ millions of Canadians and take risks every day. Government's role is to foster the spirit and create the conditions for small businesses to grow into medium and large businesses, and to encourage more Canadians to take a leap into becoming entrepreneurs.

The recommendations presented here are just some of the ways this can be done.

Thank you.

The Chair: Thank you very much for your presentation.

We will now hear from Mr. Thomas.

Mr. Gregory Thomas (Federal Director, Canadian Taxpayers Federation): Thank you, Mr. Chairman. On behalf of the 84,000 Canadians who support the Canadian Taxpayers Federation, we welcome this opportunity to share some time with members of Parliament on the finance committee.

We have put our report in front of you and you have a copy of it. Also available on our website, released yesterday, is "Unmasking Employment Insurance", our exposé of what we describe as how employment insurance increases unemployment and steals billions from working Canadians.

The theme of this meeting is how a government can promote economic growth by reducing red tape. We have a number of points that we've made in our presentation to you.

First, we can't say it often enough, balance the federal budget by 2014. That was a commitment that this government was elected on. It was an emphatic commitment made by Prime Minister Harper. It looks like you're on track to actually do that in the 2014 fiscal year.

We salute you. We tell you to keep at it. Nothing matters remotely as much as having a balanced budget. It affects the confidence of the business community, the economy, and the world community. This government stands for fiscal responsibility, and you absolutely must deliver on that.

On employment insurance, we appreciated the comment from Matthew Mendelsohn, who is the guru of employment insurance at the University of Toronto, the Mowat Centre for Policy Innovation. He appreciated how we outlined the very shabby way that the majority of Canadians were treated by EI.

Residents of Ontario have contributed \$75 billion more in EI taxes since 1981 than they received in benefits. Albertans contributed \$18 billion more. A young person can work in the city of Toronto for 26 weeks and earn about \$16,000. They forfeit \$700 of their hard-earned wages to EI taxes and they get nothing, not a penny. They don't even get their contributions back. The same person in another part of the country will collect \$17,000 in EI. There is no other nation in the developed world that does this. It doesn't matter if this scheme has been around for 40 years, it's criminal. We ask parliamentarians of conscience from all parties to do something about this. It's a scandal.

We also echo the sentiments, facts, and submissions of the Canadian Federation of Independent Business on bargaining with the federal government employees. Everyone believes that federal government employees should be paid fairly, but we also have to recognize that we've been through a tough economic time when the rest of us have had to tighten our belt. Many have taken wage cuts. Over 400,000 people lost their jobs in the financial meltdown of 2008-09.

The government has made back those job losses, but the people who lost their jobs in that period are in many cases working for less than they used to earn. Yet government employees sailed right along. You need to restore some balance to labour markets, and government employees should not enjoy an advantage. Going to work for the government should not be the only responsible choice for someone who wants a retirement or who wants start a family. There has to be parity in the labour market, and we urge you to hold the line in the coming round of contract negotiations.

We have many more recommendations, but those were the ones we wanted to highlight.

Thank you again.

● (1545)

The Chair: Thank you very much.

We'll now hear from Mr. Moist.

Mr. Paul Moist (National President, Canadian Union of Public Employees): Thank you for the invitation, Mr. Chairman and members of the committee.

We are very privileged in CUPE to represent 630,000 Canadians who work all over Canada in big and small cities and communities delivering front-line services like municipal health and education, to name a couple. Our members work very hard to provide quality public services, but they're taxpayers as well. On the income tax side, a little over \$3 billion in income taxes are attributable to CUPE's members, along with a host of other taxes, as you'll know.

When we discuss these issues, as we did in convention in Quebec City a couple of weeks ago, as opposed to tax cuts people speak about restoring social programs such as medicare, employment insurance, and public pensions. The average CUPE full-time members—that's about 75% of the membership—if they have full-time jobs, make \$40,000 a year, a quarter of what members of Parliament make. Quality public services are critical to their standard of living, just as they are to the vast majority of Canadians. They want tax fairness, but they don't want tax cuts at the price of needed public services.

As is clear from our submission in August sent to you, we disagree with those who want to take the country backwards by abolishing the employment insurance system. Involuntary unemployment is not a choice, and a public insurance system to cover it should not be a choice either. Even if people did self-insure, it would take eight years of premiums at current levels to save up the money for an average period of unemployment. Instead of further cuts, the EI program needs to be restored so that vulnerable Canadians are protected. Successive cuts mean that fewer than 40% of the unemployed are eligible for benefits. Eligibility is even lower for women and the most vulnerable. You might pay heed to the message from the Atlantic Maritime premiers of all political stripes and their comments on EI.

The Canada Pension Plan also needs to be enhanced, in our view, as provincial premiers recently reiterated, along with provincial finance ministers. Mr. Flaherty met with our Canadian Labour Congress executive in 2010 and talked about the timing of an enhancement, not whether it should be or not. Interestingly, now government argues that it needs unanimity amongst provinces to improve the CPP, but not to make constitutional changes in relation to the Senate.

Fewer than 25% of Canadians contributed to RRSPs last year, and only 32% of the national workforce has a workplace pension plan. Canada has the highest private investment fees in the developed world, five times those of the CPP administrative costs. Canada's CPP system is well run, fully portable, fully paid for by employees and employers, and is funded sufficiently for the next 70 years, according to the federal actuary. We need to build on this success through an expansion of the CPP.

There are many areas where government could and should improve efficiency and reduce red tape. PPP Canada and the \$1.25 billion P3 Canada Fund should be eliminated. Canada is the only OECD country with a fund like this to subsidize privatization of public services.

Bill C-377 is back in the House, if you want to speak about red tape for a moment. It should be rejected by parliamentarians. This is vindictive legislation. Senator Segal described it as immature, ill-conceived, and small-minded. It would force every single labour organization in Canada to submit 24 schedules detailing every aspect of their finances and political activities, or face penalties of \$1,000 a day. It will cost the federal government, as well as labour organizations, millions of dollars to implement, including an expansion of CRA staff.

Bill C-377 is also, in my view, extraordinarily hypocritical, given that MPs fully paid by the public purse only publicly disclose one schedule with 14 lines of information, and the government amended a private member's bill recently requiring disclosure of public sector salaries; only those over \$444,000, quadruple the amount of the forced disclosure in Bill C-377 for labour officials, because labour dues are tax deductible.

Witness the Parliamentary Budget Officer having to go to court to get basic information about departmental spending and operations. Government could become much more efficient and effective in representing the needs and interests of all Canadians, if it changed its approach and acted transparently, accountably, fairly, and in the best interests of all citizens.

Thank you, Mr. Chairman.

• (1550)

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

We'll hear from Mr. Howlett, please.

Mr. Dennis Howlett (Executive Director, Canadians for Tax Fairness): Thank you for this opportunity to present again.

You can imagine my surprise last year, when I was in the budget lock-up and got the budget document, to see a whole section devoted to tax fairness and action on tax havens. We were very pleased that there were some initial steps taken in that regard. I'm here today to urge that you take further steps to close more tax loopholes, simplify the tax system, and reap revenue dividends.

A concerted effort to go after tax cheats who use tax havens and to close a number of unfair and ineffective tax loopholes could yield significant revenue. We estimate that closing unfair and ineffective tax loopholes could raise \$10 billion of additional revenue for the federal government, as well as an additional \$200 million or more for provincial governments.

We have also estimated that Canada loses about \$7.8 billion a year to tax cheats using tax havens. Many of the loopholes or tax breaks disproportionately benefit the wealthiest and increase income inequality. They also make the tax system more complex, making it difficult for ordinary taxpayers to know all the deductions and tax benefits they might be entitled to claim without the assistance of a professional tax expert. Many of the tax loopholes that have been introduced over the years have also been shown to be ineffective in achieving their intended objective. Many of the richest taxpayers actually pay far less than their income tax bracket would suggest because they are able to use all kinds of loopholes to reduce the taxes they pay. While the top marginal federal rate is currently 29%, the average effective income tax paid by the richest 1% was 19.7% in 2008.

Many of the very rich hire accountants and wealth managers to do aggressive tax planning. A few cross the line of legal tax avoidance into illegal tax evasion by hiding their wealth in secretive offshore tax havens. The two most important steps the government could take to make our tax system fairer and simpler would be to close unfair and ineffective tax loopholes and take stronger action on tackling the problem of tax evasion facilitated by tax havens.

The most unfair tax loophole, in our view, is the stock option deduction which allows high-paid company executives and directors to pay half the rate of tax on their compensation that is given in the form of stock options. This policy exacerbates the problem of growing income inequality when governments should be doing more to close the gap. The stock option deduction cost the federal government \$785 million last year. If losses to provincial governments are added, the total revenue loss tops \$1 billion.

How can we justify subsidizing the incomes of the wealthiest Canadians and then claim that we don't have the resources to end child poverty or ensure clean drinking water for aboriginal communities?

If wasting money was not bad enough, the stock option deduction has been criticized as bad business as well. According to Roger Martin, the former dean of the Rotman School of Management at the University of Toronto, stock options generally encourage short-term horizons and game playing with the stock market expectations at the expense of boosting long-term corporate performance through major new investments.

Canadians for Tax Fairness would also recommend taxing income from capital gains in the same way as employment income.

Also, we would urge the elimination of the business entertainment tax deduction. It is probably the most abused tax loophole. It allows businesses to deduct half the cost of meals and entertainment expenses from taxable profits. The law stipulates that business must be conducted at these events to be eligible to be claimed. But a U.S. study—they have a very similar tax provision—found that this tax measure was widely abused and almost impossible to police.

● (1555)

We need to make our tax system fair, not just to reduce inequality and increase revenues, but also because it would strengthen our economy and make the tax system simpler.

Thank you.

The Chair: Thank you very much for your presentation.

Mr. Littler.

Mr. Karl Littler (Vice-President, Provincial Government Relations and Strategic Issues, Retail Council of Canada): Thank you, Mr. Chairman and members of the committee.

I'd like to begin by saying that RCC's 45,000 storefront retailers were delighted with the focus on consumer issues in the recent Speech from the Throne. Not only is a consumer-focused approach of great importance in its own right, but it is also very beneficial for the retail industry and the over two million employees who work in that sphere.

While principles are foundational, presumably the reasons we're here today are the policies that flow from those. In the time available, I would like to touch on two of those areas: tariffs and payments.

In the last budget the government began the process of tariff reductions by removing duties on baby clothes and most sporting goods. RCC worked closely with the government on those deliberations, strongly applauds what was done last year, and is calling for further steps in budget 2014. The tariff reduction initiative stemmed, in part, from concern about price differential between Canada and the U.S., and particularly the Senate's— I think I'm supposed to refer to it as “the other place”—detailed study of that price gap.

One of the key issues noted in that study was the price impact of the customs tariff, a 98-chapter schedule of customs duties, organized, I believe, into more than 7,000 headings, though I've not made a personal count. Retailers are naturally concerned about the cost impact of the customs tariff on consumers.

As we understand the purpose of tariffs, they're tools of industrial policy, designed to support domestic manufacturers, but, of course, they also serve as revenue mechanisms for government. While tariffs may once have helped nascent Canadian manufacturers compete with imported product, they are now seriously out of alignment with any existing manufacturing base.

There are multiple examples of tariffs of 17% and 18%, and more, in areas where there is not even a single Canadian manufacturer and no reasonable likelihood of there being one soon. Once the industrial policy angle is lost, a tariff simply becomes another tax, targeted at a specialized list of goods.

In numerous cases, and I'm going to use the example of footwear, these taxes are often double or triple the 5% GST rate on the same items. Given the cascading effect of GST on top of those tariffs, and absent any markups by wholesalers or retailers, a woman's shoe with a value under \$30 carries a combined federal tax rate on landing of 24%. This isn't an unusual example. Indeed, pretty much every item of apparel and footwear at a wholesale level labours under an effective tax burden of between 16% and 24%. Most are not luxury items; in many cases, they're necessities.

RCC understands that the government lacks the fiscal capacity to provide immediate tariff relief across the board, what with the tariff bringing in approximately \$4 billion annually. But neither can we ignore an issue that has such an obvious impact on consumers. The government did the right thing last year in starting the process of tariff reductions, and retailers are calling for further action this year.

The second issue that RCC would like to address is that of credit card acceptance fees, being the charges that merchants pay to the banks every time a credit card is used. Members may ask how that is a consumer issue rather than a merchant one. The simple answer is that over \$5 billion dollars in credit card acceptance fees get passed on to all Canadian consumers, in the form of higher prices.

The Competition Tribunal recently found that there's a problem in the payments marketplace, that the networks possess market power, and that there's been a deleterious effect on competition. Worldwide, the European Union, Australia, New Zealand, France, and Israel, among others, have all moved to cap interchange rates. They've said enough is enough. Why should a Canadian consumer see the impact of interchange fees that are double those in Australia, quadruple that in France?

Burdened as they are by over \$4 billion in customs duties and \$5 billion in credit card acceptance costs, Canadians are delighted by the stated intention of the Speech from the Throne that this will be a period of focus on the consumer.

We look forward to the next budget and hope that it will give full effect to that principle.

Thank you.

● (1600)

The Chair: Thank you very much for your presentation.

We will begin members' questions with Ms. Nash, for five-minute rounds, please.

Ms. Peggy Nash (Parkdale—High Park, NDP): Welcome to all the witnesses this afternoon.

Ms. Moreau, I'd like to begin with you.

New Democrats have advocated reduced taxes for small business as a job creation incentive because we know your sector creates so many jobs. Speaking with small business in our area, they've appreciated the hiring tax credit that we've proposed, especially the youth hiring and training tax credit.

Are those kinds of incentives useful for small business that are members of your organization?

Ms. Monique Moreau: There is no question that the EI hiring tax credit was enormously popular with our membership and very well

used. We are in a different situation this year given the freezing of EI rates. So we are examining what would be most useful to our members now and looking at that credit and maybe other opportunities available to use with it.

Ms. Peggy Nash: Great. Thank you.

In your brief you pointed that the Competition Tribunal's recent decision on Visa and MasterCard made the case that the government should move to regulatory measures for a means to restrict the enormous power wielded by the credit card giants, especially Visa and MasterCard. They control 92% of Canadian credit card transactions. They are demanding exorbitant fees from small businesses. I hear that from small businesses all the time. I'm sure you do too. It's clear it needs to stop. Do you have specific proposals at CFIB that would remedy this? Do you have specific regulatory ideas?

Ms. Monique Moreau: We are looking at a variety of different options at this time. For us it's about what's going to impact the market the least. We have looked at rate-capping as one option. We're not sure that is the best option. Our research has demonstrated that Visa and MasterCard, powerful as they are, have been able to find other ways to charge merchants for that fee. For example, bank fees have gone up. I believe that was the case in Australia, where a rate-cap occurred but then small business bank fees went through the roof. So they are going to find a way to recoup their money. We're not sure that is the best option.

We are encouraging—I'll just conclude on this—Visa and MasterCard to work directly with business at this point. We're going to start with them. We are asking them to look down the wire. As we know, our recommendation to the federal government is to move to regulation at the next point if they don't.

Ms. Peggy Nash: We have certainly recommended an independent body to look at these anti-competitive practices. We think that would be useful. We have some other ideas as well and look forward to continuing to work with you on this.

Something we've been very concerned about is the \$3.1 billion that the federal government has misplaced, as the Auditor General found. It has been unaccounted for. We don't know that it was misappropriated or used improperly, but we don't know that it wasn't.

Mr. Moist, I want to ask you because I think whether you're in business or whether you're representing working people, that's a significant amount of money. You've talked about the impact of cuts to services and programs that Canadians need when there are cutbacks in the federal sector. When you have a situation of mis-administration and moneys lost, how does that combine with these cuts to erode the services that Canadians rely on?

Mr. Paul Moist: Thank you. Through the chair, I note the premiers of all political stripes met last week. They are universally upset at new programs being imposed on them that are being paid for out of transfers that already exist to provinces.

I guess the confidence of CUPE members is a bit shaken when we read about billions of dollars that can't be accounted for and at the same time we are told we are unaccountable organizations. I don't know why the trade union movement should have to supply more salary information than that which is required by government, which employs people directly. And our tax deduction is no different than the tax deduction of the Canadian Medical Association or the dentists' association. I think people are looking for tax fairness.

The last thing I'll say, and Mr. Howlett mentioned it, is we thought after budget 2013 there would be something looking at tax havens. I heard a presentation yesterday that \$15 trillion globally is improperly housed in tax havens and not accounted for. We shouldn't be hiring more CRA staff to look into union books; we should be hiring more CRA staff to look for Canadians not paying their fair share.

• (1605)

Ms. Peggy Nash: Especially since the federal government obviously is not paying enough attention to their own books, as it stands now.

Just one last quick question on—

The Chair: You have five seconds.

Ms. Peggy Nash: Well, I'd just like you to think about the infrastructure deficit and the economic price we all pay for the lack of ongoing increasing infrastructure spending. We'll get back to that maybe.

The Chair: We'll have to leave that as a statement for now.

We'll go to Mr. Saxton, please.

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

Thanks to our witnesses for being here.

I just want to remind Peggy that in budget 2013, \$70 billion, an unprecedented amount of money, is going to be spent on infrastructure over the next few years. That should take care of much of the deficit and the gap.

My first questions will be for Monique Moreau, senior policy analyst at the Canadian Federation of Independent Business.

Monique, earlier this fall the government announced a three-year freeze on EI premiums to promote stability and predictability for job creators and workers. This measure will leave \$660 million in their pockets in 2014 alone. How important is it for small business to have this predictability when it comes to EI premiums?

Ms. Monique Moreau: The key piece in that whole rate freeze is exactly that: it's the freeze. It's rate stability.

Of course, deficits in the programs and the rather unpredictable nature of having rates go up and down, up during a recession and down when times are good—that was a very challenging tax for our business members to contend with. So we welcome the rate freeze, and we're very pleased that members now will be able to look down

the line and understand what the costs to them will be for hiring or increasing the salaries of their employees over the next couple of years.

Mr. Andrew Saxton: Thank you.

Now, enhancing the Canada Pension Plan, the CPP, is expected to be a focus at the next finance ministers meeting, in December. We all agree that retirement security is important for Canadians. However, given that economic growth is still fragile, economic recovery is still fragile, there is some concern now that this is not the appropriate time to be increasing the burden on workers as well as on businesses.

As your organization represents over 109,000 small business owners, could you describe the impact that CPP expansion at this time would have on small businesses in Canada?

Ms. Monique Moreau: As I mentioned in my presentation, the CPP/QPP payroll tax is the granddaddy of all payroll taxes. It is by far the biggest. The CPP is 4.9% on wages.

Our members have told us that they will not hire as they had planned to, or they will have to lay off staff, or they will be looking at reduced salaries over the coming year in order to accommodate that increase in payroll taxes. They also told us that their employees told them that it will mean less take-home pay for the employees, and will displace other mechanisms of saving that they could be investing on their own.

We're not quite sure that Canadians aren't saving enough at this point in time. We want to make sure that we investigate all opportunities available to Canadians, including PRPPs, including their own personal savings, to make sure that we don't rely on the CPP. It's funded right now, and it is looking good for the next 70 years, but not that long ago it wasn't. Canadians across the board had to pay increased premiums but for no increased benefit.

So we're not sure that's the best way to put all our eggs in one basket at this time.

Mr. Andrew Saxton: Thank you for that.

Sticking with the topic of hiring, our government recognizes the important role that small businesses play in helping the economy grow and in creating jobs for thousands of Canadians. In 2011 we introduced the small business hiring credit, which you're well aware of. We extended that in 2012 and again in 2013.

Could you speak to the impact this credit has had on supporting small businesses and job creation in Canada?

Ms. Monique Moreau: The credit was a critical tax credit for the smallest of businesses especially. It allowed them to in some cases keep their staff on hand.

Mr. Flaherty said in his most recent economic update that payroll taxes are job killers. Increases in payroll taxes, whether they are EI, CPP, or others, really limit growth for small businesses. They are not able to hire and they are not able to increase salaries.

The EI hiring credit, especially during a time of economic difficulty, did play a huge role in letting our members keep their own employees or absorb the increased EI rates that were occurring; we spoke about that difficulty in rate setting previously. It allowed some stability, for especially the smallest businesses to maintain their payroll.

• (1610)

Mr. Andrew Saxton: Okay.

Thank you, Chair. I'm done.

The Chair: Mr. Scarpaleggia, please. You have five minutes.

Mr. Francis Scarpaleggia (Lac-Saint-Louis, Lib.): Thank you very much.

This is a very interesting discussion, with multiple points of view represented at the table. That's what I guess makes it interesting.

In terms of closing loopholes, someone came to my office last week and talked about a loophole that was discussed in the business pages, I think, of *The Globe and Mail* involving the OAS clawback.

I don't know, Mr. Howlett, if you're familiar with this. As they explained it to me, let's say someone with a fair amount of money is earning interest on \$800,000 of capital. If they just take that interest, of course they'll be subject to the OAS clawback. But if they put the \$800,000 in a trust, the interest on that \$800,000 is taxed in the trust, and therefore they as an individual will not be subject to the clawback.

Are you familiar with this loophole?

Mr. Dennis Howlett: I'm not aware of all the details of it, but I know there are a number of loopholes like that.

You know, it's true that there are always people looking for loopholes. The government has to keep vigilant to close those loopholes. Really, if the ultimate result of those loopholes is that it makes the tax system more unfair, then I think they need to be closed. Those kinds of issues should be addressed.

It's unfair, and again, it makes it more complex. Only someone who is able to hire professional advisers can make themselves aware of those possibilities. It's not fair to those who don't have the means to be able to hire professional tax advice.

Mr. Francis Scarpaleggia: You weren't too familiar with that particular loophole, so I just bring it up because no doubt it's something the government will want to look at as part of its—

Mr. Dennis Howlett: There are a number of other loopholes that we have identified as part of our “close tax loopholes” campaign. I didn't have time to address all of them.

Mr. Francis Scarpaleggia: That's fine. I was just bringing it to your attention. I remember doing some research once based on an inquiry from a constituent. It showed that when it comes to the OAS clawback, the speed at which you're clawed back depends upon whether your portfolio is weighted more toward interest-bearing securities or stocks. I don't know if you're familiar with that.

I don't know how one solves those problems, but anyway, I just thought I'd mention that for future reference.

Ms. Moreau, you were saying the small business tax rate has gone up over the years. I came in about a minute late, so I missed the beginning of your presentation. But you seemed to be saying that the small business tax rate has gone up and it should be brought back down. Is that to previous levels? Did I understand correctly?

Ms. Monique Moreau: The rate has actually decreased but not at the same rate as the general rate has decreased.

Mr. Francis Scarpaleggia: You mean the general public rate.

Ms. Monique Moreau: Right, so we're addressing the erosion of that value for owners of small businesses.

Mr. Francis Scarpaleggia: How could that happen? Every government professes to be on the side of small business, yet you're saying that the large corporation tax rate is going down faster than the small business tax rate. Is that a correct understanding?

Ms. Monique Moreau: In the sense of the value of the rates, the spread is not as high. So, yes, there were increased cuts to the corporate rate in general that weren't reflected in the small business rate.

Mr. Francis Scarpaleggia: Right, that's interesting. What about the SR and EDs, the scientific research and experimental development? Are you in favour of the direction the government is going with respect to that tax measure? A lot of small business owners have written to me saying, “What the government is doing is really hurting me”. It's getting rid of a more grassroots mechanism for encouraging innovation, and it's going to move toward directed grants to corporations for research and development.

• (1615)

The Chair: You have 30 seconds.

Mr. Francis Scarpaleggia: Those decisions can become very political. I'd like to know your opinion about that.

Ms. Monique Moreau: We support attempts to foster innovation at all levels. SR and ED has its good points. It is a very difficult and expensive credit to gain. Many of our small business members have told us that they need to hire consultants to help them navigate the red tape and to apply. The benefits can be quite substantial. But it only affects a small portion of our membership at this time because of that complexity.

The Chair: Thank you, Mr. Scarpaleggia.

We'll go to Mr. Keddy.

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

Welcome to our witnesses. This is an interesting discussion.

There has been a lot of discussion around the table about fiscal responsibility, the fact that tax havens are unfair and ineffective and how we mean to get rid of tax loopholes. Although I don't think every witness is on the same page, I think most would agree that is the direction the government needs to take.

I want to come back to that in a minute, because I'm puzzled by something.

Before I do that, the Canadian Taxpayers Federation recommends that we amend the Financial Administration Act so that no legislation could be tabled in the House or in the Senate without a detailed forecast of its true cost. Over the lifetime of legislation, many of us, on the both the government side and the opposition side, agree on sunseting legislation over a period of time. But is that a practical suggestion? Legislation can be in place for 20 years. Once you get beyond three or four years, it's almost impossible to predict what's going to happen with the world economy and how it will affect us.

Within reason, is that a reasonable or responsible request?

Mr. Gregory Thomas: These estimates go to cabinet, so there is no reason they shouldn't go to Parliament. If that had been in place, then the government wouldn't have all the embarrassment it had over the cost of replacing our air force. There is a consensus that Canada needs an air force, and everybody realizes that it costs quite a bit of money to equip an air force. So if the forecast that went to cabinet had gone to Parliament when the thing was tabled, we would have all been a lot further ahead. That's all we're suggesting with that.

Mr. Gerald Keddy: I might have some sympathy for the ask on how we have real costs of real expenditures, but lifetime costs, I don't think are accurate and I don't think they're practical. So I think somehow or other we have to couch that in real terms.

My next question is for the Retail Council of Canada. The government is currently monitoring the impact of tariff reductions. We did that in economic action plan 2013, and we're doing that in an attempt to address the price gap, especially between Canada and our largest trading partner, the United States.

Do you believe that it's a step in the right direction? I'm not saying it's a cure-all or a panacea, but is it a step in the right direction to level out retail costs?

Mr. Karl Littler: First, as I noted earlier, retailers were delighted to see the government beginning the process of tariff reduction and obviously we're calling for more, recognizing the fiscal position in which the government finds itself.

The tracking exercise, for which we're working very closely with officials at the Department of Finance and the Nielsen Company, actually is obviously still out in the field. There are a lot of other issues that affect the price gap. There are some legitimate distinctions, distributional costs, transportation costs, and so on. There is a factor called country pricing with which you may be familiar, where a supplier will supply goods at higher prices to Canadians than they do to elsewhere in the world.

I know that the department in particular is spending quite a bit of time thinking about ways to address that, including potentially easing the path for parallel imports, or the grey market as they're known. There are some limitations to Canada's ability to control the prices at source for non-resident entities from which goods are imported and so that presents a challenge, but, as noted, in dealing with that price gap certainly a move to address the tariff burden would be greatly appreciated and obviously it's the beginning of a long process and we applaud it.

• (1620)

The Chair: Twenty seconds.

Mr. Gerald Keddy: Then I'll just make a quick statement.

I think all Canadians understand the fact that we have to pay tax in order to have the goods and services that we require and government needs that money for its expenditures, but I'm looking at a group of you there, with the exception of one, that are not-for-profit and don't pay tax. Yet we're talking about tax loopholes and everything that gets caught up in the tax loophole, and I'm just wondering if this is not another one.

The Chair: Thank you. Thank you, Mr. Keddy,

Monsieur Caron, s'il vous plaît.

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

Mr. Thomas, bear with me for a second, I'm asking you a quick question but it's related to another thing I will be asking you after.

Are you aware of who coined the phrase "survival of the fittest"?

Mr. Gregory Thomas: Darwin?

Mr. Guy Caron: That's what everybody thinks, but it's actually an economist by the name of Herbert Spencer back in the 19th century. He was actually using the evolutionary insights of Darwin and trying to apply them to sociology and societies. I must say that what I've seen in your brief reminds me a lot of what we were seeing in the 19th century with this guy who actually had lots of followers.

I know your organization. I have followed your organization for a long time, even before I was a member of Parliament. I think your organization actually has done some good work in the past, especially regarding waste in governance. I think we all need those insights to be able to improve government, to make sure it works well. But what I'm seeing before me is not suggestions for waste. It's a political program. It's a political and economic program for governance. It's not waste reduction. It's not waste elimination.

I have some problems believing.... How many members did you say you had at the beginning? I think I missed it.

Mr. Gregory Thomas: We have 84,000 supporters and about 23,000 of them sent us a cheque last year.

Mr. Guy Caron: Thank you very much. I'm really surprised that you can have annual general meetings inviting 84,000 members and you could actually come up with this program. Is that how it works? You say supporters. Do you have members? How many members do you have?

Mr. Gregory Thomas: We're not a membership-based organization. Like many other not-for-profits, we have been around for 23 years. We have a self-sustaining board, similar to many of the foundations such as the World Wildlife Fund, Tides, and others.

Mr. Guy Caron: I understand.

Mr. Gregory Thomas: We have the broadest...we've had more individual people who have sat down at their kitchen tables and written us cheques than all but three or four political parties in this country.

Mr. Guy Caron: I don't deny that, but what I want to know is how many people participate in your policy writing, because that's germane. You have 84,000 people supporting policy writing of this kind, especially since you peg yourself as a government watchdog. This is not a government watchdog. This is a political program that you're representing. In—

Mr. Gregory Thomas: You asked how many participate. In our last survey of supporters, we had over 7,000 people on Senate abolition, so the Canadian Taxpayers Federation, late to the party, has joined the NDP in advancing the cause of Senate abolition—

Mr. Guy Caron: And I thank you for that.

Mr. Gregory Thomas: —after soliciting the opinions of our supporters.

We believe that we have a very straightforward.... Similarly, you don't find us talking about marijuana laws very much, because our supporters are divided on it and it has very little to do with government waste. That's an issue that we don't talk about much.

Mr. Guy Caron: I understand that, and there are things you propose that I agree with, but this is going so far off where you usually go that I don't even know where to start on it.

Actually, I do know where to start. I'll start at EI. What you're suggesting, basically, is to remove the whole rationale of the program, which is to pool the money that actually helps. You're trying to put it by regions. It doesn't go by regions. It goes by individuals. Individuals and businesses are actually putting the money into this. The government doesn't pay a cent.

What I want is for this plan to be able to actually help the people in need. We do that best by pooling the money. What you're suggesting is to basically say that I will be responsible for my own situation, you will be responsible for your own, and so on.

Obviously, those who are well off, those who are successful, and those who have good jobs will only be responsible for themselves. But people in my area, which is still highly dependent on seasonal work, have nothing to gain from this. Basically, in your presentation, you almost called the whole situation from which they are benefiting criminal. I find this very offensive, because inasmuch as people are using EI often in seasonal work, that's because of the nature of the work. That's because of tourism. That's because of fisheries. That's because of agriculture. That's because of forestry. That's still a large part of the economic activity in my region.

I want to help to diversify the economy of my region so that it will be less dependent on it. I want the government to participate in this so we'll be less dependent on this. What you are suggesting is to me highly offensive, because it refers back to the mentality that government has nothing to do to actually help with inequalities and that we're all responsible only for ourselves, which is to me anathema to what good government and good governance are about.

• (1625)

The Chair: We have time for a very brief response, Mr. Thomas.

Mr. Gregory Thomas: That's a good point.

What we regard as criminal is the seizure of the public service pension fund surplus by the government for deficit reduction in the 1990s. The \$57 billion in excess EI tax that was paid and that was

seized and not used for EI, and also the \$16 billion in extra EI taxes that is going to be charged between now and 2016: that's the real crime. It's government taking from the people.

Thank you for the chance to clarify that.

The Chair: Merci.

Mr. Adler, please.

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

I want to thank all the witnesses for being here this afternoon.

I would like to focus my questioning on Mr. Moist.

In CUPE, how many members did you say you have?

Mr. Paul Moist: We have 630,000.

Mr. Mark Adler: That's an impressive number. Roughly, the dues collected a year are...?

Mr. Paul Moist: It's up to each local when they must remit some payment to CUPE National. We don't actually know how much is remitted nationally. It goes to the locals.

Mr. Mark Adler: I see. Are there financial statements that are prepared by CUPE National for CUPE National?

Mr. Paul Moist: Yes. They're on cupe.ca, under the treasurer's report, Deloitte and Touche, 2013.

Mr. Mark Adler: Okay. You're a registered non-profit, is that it?

Mr. Paul Moist: We're a registered trade union of the Government of Canada. Each provincial jurisdiction requires you to register, so we're a registered trade union and we're treated as such. We pay all taxes—GST, HST—but our members' union dues are tax deductible as determined by the Income Tax Act.

Mr. Mark Adler: They are.

According to the financial statements, then, did CUPE National have a profit last year?

Mr. Paul Moist: No. We don't operate on a profit basis.

Mr. Mark Adler: None whatsoever?

Mr. Paul Moist: No. We have reserved funds for our strike fund. We pay for our photocopiers and we pay for our cellphone plans, but we're not an entity that exists to publish a profit. It's all on the web page at cupe.ca. The last four years of audited statements by Deloitte here in Ottawa are there for any CUPE member to see—or any member. It's not a blocked site.

Mr. Mark Adler: Okay, fair enough.

What's the mandate, the mission statement of CUPE?

Mr. Paul Moist: The mandate is to provide economic and workplace security for all the members we organize and to contribute to the social fabric of the country where part of the debate was to create medicare and CPP, so we have a direct responsibility to our membership and a social responsibility.

Mr. Mark Adler: And you played a very significant role in creating our social system. I know the unions have been very important and I commend the union movement, of course. But I'm just a little confused because I'm looking at a number of motions that have been passed by CUPE over the last half dozen years or so, and I'm seeing one that calls for an academic boycott of Israeli academics, another one for supporting the boycott, divestment and sanctions movement, and one calling for an end to the Israeli occupation of Palestinian territories. Could you please tell me how that supports or promotes the interests of CUPE workers?

Mr. Paul Moist: Yes. CUPE National's policy is very similar to that of the Government of Canada. We invest ourselves with the UN resolutions calling for a two-state solution. A decade ago one of our provincial wings got themselves into the debate you reference, but CUPE National has a twelve-year-old policy for a two-state solution very similar to the one Mr. Baird talked about recently.

• (1630)

Mr. Mark Adler: You might say that but I would say it's not very true because I've never heard Mr. Baird say in a letter that you wrote to the Prime Minister January 2, 2009, where you claim that Israel is committing war crimes and crimes against humanity. I've never heard our government say anything like that. What evidence do you have to say that, Mr. Moist?

Mr. Paul Moist: Through the chair, CUPE's official policy on the Middle East is a two-state solution.

Mr. Mark Adler: No, but I'd like you to answer that question, please. You're a witness here, and I have a right to ask you that question.

Mr. Paul Moist: Okay. CUPE National's policy on the Middle East is very similar to the one enunciated by the minister responsible that we need a two-state solution.

Mr. Mark Adler: I would suggest that it's absolutely not at all like our government's policy because our government has never said that Israel is guilty of war crimes or crimes against humanity. Could you explain that to me, please?

Mr. Paul Moist: Yes. I never said that Mr. Baird had said that at all.

Mr. Mark Adler: No, but you accused the Prime Minister of saying that in a letter I have right in front of me, January 2, 2009. It's right here. I can document it here with the committee, if you would like.

Mr. Paul Moist: Through the chair, as part of the finance committee report, I won't deny that we correspond with government on a range of issues. CUPE National's position, as forged in convention and reaffirmed twice, is for a two-state solution.

Mr. Mark Adler: Yes, I heard you say that, but I'm a member of Parliament elected by the people of York Centre to come here and give them the best possible representation I can. You're a witness who chose to be here today, and I'm asking you a question. I'd like a direct answer, please.

The Chair: Okay, please give a brief response.

Mr. Mark Adler: What makes you say that Israel is guilty of war crimes or crimes against humanity? I deserve an answer as a member of Parliament, sir.

The Chair: Thank you. Please give a very brief response.

Mr. Mark Adler: My constituents are waiting.

Mr. Paul Moist: I've answered the question, Mr. Chairman.

Thank you very much.

The Chair: Okay, thank you.

[Translation]

Mr. Côté, the floor is yours.

Mr. Raymond Côté (Beauport—Limoilou, NDP): Mr. Chair, thank you very much for protecting my time, like my colleagues'.

I will be rather harsh right off the bat.

Mr. Thomas, are you claiming that your organization and the people it supports are representative of Canadians as a whole?

Mr. Gregory Thomas: No. We always say that we represent those who support us. Last year, 24,000 people offered us financial support and 84,000 people even signed petitions in addition to showing their support. Those are the people we represent.

Mr. Raymond Côté: Mr. Thomas, I should point out that we have been bumping into each other for over two years. The document you submitted is in English only, which is really deplorable. It is not like you didn't have time to translate it.

Mr. Gregory Thomas: Unfortunately, Mr. Côté, it is just a question of money. Two months ago, our president and I drove to Montreal to hold a meeting and to gather the support of francophones. Our organization is funded by donations, and our budget is not sufficient. Nick and I are alone here in Ottawa. This year, we translated most of the website, but our goal is to have dynamic translation.

Mr. Raymond Côté: I do not really buy your excuses, but let us go back to your first recommendation.

On the issue of employment insurance fund, you talked about a waste of \$1.8 billion in administration. I do not agree with that view, but I am curious about the individual employment insurance system. You must have assessed the administrative costs for millions of individual accounts designed to protect the income of workers if they become unemployed.

• (1635)

Mr. Gregory Thomas: Yes, that is what is happening with the pension plan in Canada.

Mr. Raymond Côté: No. I am sorry, Mr. Thomas, I was talking about the employment insurance system.

Mr. Gregory Thomas: Yes, but everyone has their own account with the Canada pension plan. You and I can go on the Government of Canada website and see all our contributions for—

Mr. Raymond Côté: You may answer in English.

[English]

Mr. Gregory Thomas: You can go to the government website and see every penny you've paid into the Canada Pension Plan your entire working life, and it will tell you what your pension would be today based on all the funds that have been put aside for you, and that's the pension—

[Translation]

Mr. Raymond Côté: Mr. Thomas, I will have to interrupt you.

[English]

The Chair: There is only a little bit of time left.

[Translation]

Mr. Raymond Côté: Suppose that, overall, your proposal will be more costly because of the individual administration fees. Let's say that the fees will be twice as high. Would you still keep your first recommendation? I gather that you have not looked at the issue of administration fees. An independent study should be carried out.

[English]

The Chair: A brief response, please.

Mr. Gregory Thomas: The Canada Pension Plan is much more administratively efficient than the employment insurance plan.

Let's remember that the government plans to run a \$16-billion surplus between now and 2016, and they ran a \$57-billion surplus on EI. Our point is that the money isn't going to the people who need it, nor to the people who are paying for it.

The Chair: Thank you. *Merci.*

We'll go to Mr. Van Kesteren, please.

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

Thank you all for attending. Some of you have been here before, for others it's your first time.

In Mr. Thomas' defence I say to the opposition, the Canadian taxpayers are many times a thorn in the government's side, too. I don't think you guys pick any sides, and I commend you for that. I think that's a commendable thing, because you do represent taxpayers and taxpayers feel, sometimes, they don't have a voice. What you do, I think, is to prod us on, sometimes in directions we oftentimes don't like to go, so I'll give you that little tip of the hat because I think you're well deserving of it.

Having said that, I want to go to Ms. McGuire. I am intrigued with what you said about the issues you are confronted with on residential property. I say that because we had a witness here from the Whispering Pines/Clinton Indian Band in B.C. The chief there recommended—didn't so much recommend as say that this is absolutely necessary—that they need property rights on Indian reservations.

I'll give you a few minutes to talk about how much of a difficulty that presents for you as an organization. Would you endorse what the chief—I apologize, I forget his name—recommended, that property rights become entrenched in our constitution for first nations people?

Ms. Cecelia McGuire: Yes. We believe that very strongly.

The way it is now, they can't do anything on their land. They can't improve it. They can't sell it. They can't make any money. They can't generate revenue for anything to do with their land. Basically, they're allowed to use it, but they can't improve themselves in the sense of being entrepreneurial, to increase businesses and to develop. If they don't have the ability to develop because the government is regulating them continuously, then they can't become more like the rest of society, right?

I think the younger generation on first nations land is very open and wants to move forward and become a self-sufficient society. They don't want to have to deal with the government anymore. They want to be able to take care of themselves. As an outside developer—and before I came to this company I had never been involved in residential development on first nations land—I could not get over the complexity and the difficulty and the constant need for consultation and legal advice and the costs involved. We had difficulties with the CMHC for mortgages. The banks couldn't understand it. The lawyers don't understand it. There's a constant burden, in every area, of doing any kind of transaction on first nations land. Outside developers would run away from this because there are so many more risks involved with it, over and above what a developer normally risks.

● (1640)

Mr. Dave Van Kesteren: Okay.

I don't want to put words in your mouth, but I want you to tell me if I'm on the right track.

Ms. Cecelia McGuire: Okay.

Mr. Dave Van Kesteren: I found his name. Chief Michael LeBourdais was the chief.

What you're telling is that from an economic viewpoint—from the side that works within, as in your case, your business—it's a hindrance. It stops economic flow, and it hinders first nations people from developing their potential as well.

Do you agree with that statement?

Ms. Cecelia McGuire: Yes, I do.

Mr. Dave Van Kesteren: Okay.

How much time do I have left?

The Chair: You've got 30 seconds.

Mr. Dave Van Kesteren: That's all I want to have confirmed. I appreciate your telling this committee that.

Thank you, Chair.

The Chair: Thank you, Mr. Van Kesteren.

Mr. Rankin, it's your round.

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

Thank you, and welcome to all of the witnesses for attending today.

I direct this question to Mr. Thomas and to Ms. Moreau. It has to do with tax havens and the perspective that your organization has on the use of tax havens.

I must start by commending the Canadians for Tax Fairness, and Mr. Howlett, for the enormous work you've done on raising consciousness on this issue. However, the government has made such significant cuts to the Canada Revenue Agency that it is difficult to see how they can address this issue seriously. Rather than making the investments to do the job that's required, they've cut over \$250 million from the CRA and over 2,500 FTEs. A SWAT team of 10 to 12 people who pursue tax cheats was announced with great fanfare. But if the enormity of the problem you've identified were understood, I think people would be much more involved and the government would take it much more seriously.

Anyway, the organizations—the Canadian Federation of Independent Business and the Canadian Taxpayers Federation, your members, for example—Starbucks is able to use these fancy schemes to pay very little tax, we've learned, yet the person in the corner store with the coffee shop isn't able to take advantage of those same things.

Have you spoken out? Do you intend to speak out?

I ask each of you for your response to that.

Ms. Monique Moreau: I'll start.

We would have to go to our members on this issue specifically. We operate by survey research, so for this particular issue, we would need to get their views on it. We generally find that on tax issues, our members want competitiveness and fairness, and to be able to administer their taxes as simply and efficiently as possible. I can speak to those broad issues. On this particular issue, we'll have to go our membership and get their vote on it.

Mr. Murray Rankin: Is that something you intend to do?

Ms. Monique Moreau: We are in the midst of planning our lobbying and legislative affairs for 2014. So I'm not sure where it is on the list, but...

Mr. Murray Rankin: Okay.

Mr. Thomas, have you taken a position on this?

Mr. Gregory Thomas: Yes. We obviously denounce all illegal use of tax havens and we strongly encourage every Canadian corporation and person to pay every penny of tax that's owing under the law in Canada. To the extent that there are people who think it's cute to take advantage of being able to move money out of the country or use techniques that are outside the law, we denounce that.

• (1645)

Mr. Murray Rankin: But some of these techniques are not outside the law. These are perfectly legal but morally reprehensible activities. That's what we're talking about, and I wondered if you have taken a position on those.

Mr. Gregory Thomas: Well, I think you're talking about both, aren't you? You acknowledge that there is a tremendous amount of illegal exportation of revenue—

Mr. Murray Rankin: Absolutely.

Mr. Gregory Thomas: —and concealment of revenue that is legally taxable in Canada. That's a huge problem, and that's something that Canadians for Tax Fairness have talked about. They—

Mr. Murray Rankin: I only have a limited amount of time.

I would like to go, if I could, to Mr. Howlett. You spoke about a couple of examples in your new tax loophole campaign. You talked about stock options. You talked about the business entertainment deduction. I'd like to invite you to speak about other examples that your campaign is addressing.

Mr. Dennis Howlett: We're also concerned about the high maximum contribution levels that are allowed for RRSP and the tax-free savings account. The RRSP level is way beyond the max. At \$23,000 a year, it's way beyond what most ordinary people could contribute. So effectively, that kind of a high max acts as a subsidy to the retirement incomes of the richest people.

Similarly, on the tax-free savings account, which is broadly utilized—and we're not suggesting eliminating the program, but if you look at the estimates from the finance department of tax expenditures, the cost to revenue is almost doubling every year. Even though currently it sits at about \$305 million in 2012, it could go up to \$6 billion a year. We raise that because we've heard that's one of the things the government is thinking of increasing, the benefit, which would be disastrous in terms of the cost to revenue. So we're not saying get rid of it, but we are saying there should be a cap set on it. That would not hurt the vast majority of Canadians. They would not be negatively affected by that at all. It would just make the system fairer.

There are also a number of boutique tax cuts and fossil fuel subsidies that we think should be examined because many of them are ineffective, and they are not fair, and they don't serve the public good.

The Chair: Thank you, Mr. Rankin.

I'm going to take the next round as the chair, and I don't know if I'll get to all of my questions but I'll do my best.

First I want to start with the Retail Council of Canada. Mr. Littler, you talked about Canada's custom tariff, and I think generally the measures that were introduced in the budget have proceeded fairly well, but as you mentioned it's a \$4 billion item there. So if you look at phasing these out over a longer period of time, does your organization have a ballpark in terms of the numbers?

If you look at the input tariffs from the manufacturing sector, I think that was a five-year phase-out. Do you have a timeline in mind for this?

Mr. Karl Littler: Over the long haul for phasing it out? No, I think what we've chosen to do instead is recommend areas that are priorities, whether areas that have counterintuitive public policy...

A case in point is the government did a good thing in promotion of its healthier lifestyles on sporting goods, but it did not include bicycles. In the intervening period the CITT has ruled that there is no domestic bicycling industry, so logically it would seem that an environmentally responsible form of transportation and healthy activity might be a reasonable priority where there's no domestic manufacturing industry.

The Chair: So maybe not a timeline, but have you done a full prioritization in terms of which ones should be looked at first?

Mr. Karl Littler: We have. We are particularly interested in children's clothing and footwear. We are interested in completing the work on bicycles. We have a list, and we would be happy to make that available to all members of the committee.

The Chair: I would appreciate that very much. We will make that available to all members.

I'd like to then move to CFIB. We had a discussion about the two rates, the 15% federal tax rate and then the 11% for small businesses. One of the other things we did by moving the rate from 12% to 11% was we also moved it from \$300,000 to \$500,000 in terms of business income.

Ms. Moreau, do you have a sense, a ballpark guess, as to what percent of your members would pay the higher rate and what percent would pay the lower rate?

Ms. Monique Moreau: I believe we have that figure, but I don't have that information with me at this time.

I can attempt to get that information for the committee.

The Chair: If you could provide that, I'd appreciate it very much.

I want to turn to slide 3 of your presentation.

I have to say I'm a little surprised as an Alberta MP, especially in my area, that the shortage of qualified labour is at 48%. I thought it would have been much higher. That's certainly the number one issue that I hear.

Do you find that labour is perhaps a greater concern on the prairies than it is elsewhere in Canada?

• (1650)

Ms. Monique Moreau: It certainly will be. We can get this breakdown for you by region, where you'll see it does move up.

However, members across the board are telling us that they're having difficulty finding labour. While the issue may be lower on this list, it's not substantially lower. It's certainly not down there with availability of financing, for example.

The total tax burden, as long as I've been with CFIB, has been the number one issue. But the shortage of qualified labour remains an important concern for many of our members.

The Chair: I want to move to availability of financing.

I've been an MP now for nearly 13 years, and I get far fewer complaints from financial institutions now about accessing financing, than, let's say, 10 years ago.

Is this anecdotal? I mean, is my experience commensurate with what your organization has seen? Are you getting fewer complaints in terms of accessing financing?

Ms. Monique Moreau: It's certainly a lower priority when compared with some of the others.

We are finding that credit unions, for example, are increasing their availability to small businesses. They take over, in a sense. Where they may get turned down by a bank, many business owners will go to a credit union.

In some cases, they're using their credit cards, which is not advisable. But occasionally they're turning to that if they have been turned down elsewhere, or if they have been turned down even from the BDC, for example.

We have a report on the banking industry. We survey our membership every few years on their opinions of how the banking sector is treating them and whether they're able to access financing.

Again, that's a big report. I can ensure that we get it to you.

The Chair: I appreciate that.

I only have a couple of minutes left, and I want to finish up with CPP.

I'm going to go out on a bit of a limb here. On your slide 5, I take all of your points. All of your points are true. In fact, I don't think the changes would be as good as those who proposed it are saying, but I don't think it would be as bad as those who are opposing it either. That's where I sit on the issue.

However, even though those are all true, there is the challenge of Canadians not saving enough. We have that challenge. I would like to believe, and I think your organization believes, that if we were to reduce the tax burden, to allow for vehicles...that Canadians on their own would save and invest. I would like to believe that. That's my inclination. As a Conservative, that's what I want to believe. There's an awful lot of evidence that flies in the face of this.

I take your point in terms of it perhaps not being the best approach. How, then, do we deal with that public policy challenge? That's the bigger issue for me. There are very few organizations that I respect as much as yours. But how do we deal with that public policy challenge?

We have very generous incentives in terms of people saving for their retirement in Canada, but people are not putting enough income away presently for the life they're going to live. I don't have an answer for that. I don't know if you do. I know it's a big challenge.

Ms. Monique Moreau: It is a big challenge. We are in the process of surveying our membership on what they are doing in their own businesses and for their employees as to what resources they have available for their retirements right now.

We're trying to broaden the scope. We're looking at the sale of their business, the sale of their house, inheritance, for example. These are tools that are not discussed frequently.

Another option, while it may not be the panacea that you mention, is PRPPs. They are something we would really encourage all provincial governments to implement. The federal government has shown leadership on that issue. It's an option for the smallest of businesses that have difficulty with small margins and offering retirement savings to their employees right now. That's one option.

The more options we provide, especially if they're low-fee and simple to access.... Mr. Moist spoke of the high banking fees that we're paying. PRPPs, if properly implemented, would remain low-fee. We think that would be a particular incentive to small business owners to help their employees save.

The Chair: I appreciate that, and I take your point in terms of it being bigger. There are many more things to address. It's something that this committee may want to look at in the future.

I appreciate your comments.

I'm sorry, but I am out of time. I've cut everyone else off, so I have to cut myself.

I'm going to go to Mr. Keddy for the final round.

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

I have only one question. Again, it's back to the discussion on tax loopholes and how as a government, and as a society quite frankly, we eliminate tax loopholes. Mr. Howlett, that was part of your presentation. I think we're in agreement and have some common ground on that particular issue.

In the economic action plan 2013, we closed 75 tax loopholes. That's a tremendous number. I have to agree that there are, unfortunately, more out there to close. We're expecting that will raise somewhere in the neighbourhood of \$2.5 billion in 2013-2014 and then another similar amount, \$2.5 billion or \$2.6 billion in 2015-2016. That's not exactly chump change.

In the search for some common ground I would hope that you're supportive of closing those loopholes and that the government's action in relation to that is the correct action. I'm not disagreeing that we can't do more.

•(1655)

Mr. Dennis Howlett: In my opening my remarks I mentioned how surprised I was when I was in the lock-up and found that as a key theme in the last federal budget.

The steps taken were welcome, but they were initial steps. We're suggesting in our brief another \$10 billion of loopholes that we feel

are not fair and are not effective. I'm not saying every loophole should be eliminated, but every one should be examined. Those that are not fair or not effective should be eliminated, and doing that would make the tax system fair and would raise a lot of revenue as well.

Mr. Gerald Keddy: I would have to ask, because of your statement, whether that would include not-for-profit organizations that have hundreds of millions of dollars of assets.

Mr. Dennis Howlett: There are some tax credits in the not-for-profit sector that are a problem as well. The finance committee did a study of this, and we did present at that time as well, and we identified some of them we thought were problematic, again because they unfairly benefit upper-income Canadians as opposed to having a benefit that's generally available to everybody.

We're not saying eliminate everything, but there are some even in the support for charitable receipts that are problematic and that should be examined carefully.

Mr. Gerald Keddy: But there is a difference between charitable and not-for-profit.

Mr. Dennis Howlett: Yes, there are both. I was talking about the charitable.

The Chair: Colleagues, just as a short note, tomorrow we are meeting at Queen Street from 11 o'clock until 2 o'clock. I want to point out that there is no bus that goes directly to Queen Street so we'll have to walk there from Promenade. It's room 7-52, 131 Queen Street.

I want to thank all of our witnesses for being here this afternoon. Thank you so much for your input into our pre-budget consultation process. It's much appreciated.

The meeting is adjourned.

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