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## **Standing Committee on Finance**

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**EVIDENCE**

**Thursday, May 15, 2014**

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**Chair**

**Mr. James Rajotte**



## Standing Committee on Finance

Thursday, May 15, 2014

• (1530)

[English]

**The Chair (Mr. James Rajotte (Edmonton—Leduc, CPC)):** I call this meeting to order. This is meeting number 36 of the Standing Committee on Finance. I ask colleagues and guests to take their seats, please.

Pursuant to the order of reference of Tuesday, April 8, 2014, our committee is looking at Bill C-31, an act to implement certain provisions of the budget tabled in Parliament on February 11, 2014 and other measures.

Colleagues, we have two panels here this afternoon. In our first panel we have Christopher Worswick, a professor from Carleton University. From the Canadian Manufacturers and Exporters, we have Martin Lavoie. From the Chartered Professional Accountants of Canada, we have Matthew McGuire. From the Fruit and Vegetable Dispute Resolution Corporation, we have Fred Webber, president and CEO; and from the Office of the Veterans Ombudsman, we have retired Chief Warrant Officer Guy Parent, Veterans Ombudsman.

Welcome to the committee. Each of you will have maximum five minutes for an opening statement, and then we'll have questions from members.

We will begin with Professor Worswick, please.

**Professor Christopher Worswick (Professor, Department of Economics, Carleton University, As an Individual):** Thank you for the invitation to appear. I probably don't need the full five minutes, but I'll make a few comments on the proposed changes, and I'll be happy to follow up during the question-and-answer period with more detail.

I'd like to start by talking about the regulations regarding the establishment of a system of administrative monetary penalties for the contravention of conditions applicable to employers hiring foreign workers. I see this as a very good change. As everyone knows from the media coverage, there is a lot of concern about potential abuses by some employers. I think it may well just be a very small minority of employers.

The concern I have, which others share, is that temporary foreign workers often value the jobs they're receiving in Canada a great deal. It may be that the incomes they're earning are significantly higher than what they would get in their home country. That creates a sort of power imbalance in that some employers may see this and realize they have the potential to extract some concessions from the original contractual arrangement.

How could that happen in practice? Well, we've seen examples of alleged cases of this in the news, but the kind of thing you could imagine is forcing temporary foreign workers to work unpaid hours, perhaps receiving an effectively lower wage than what they were promised, or perhaps forcing them to live in and pay for rental accommodation at above market rates.

In general, I'm supportive of temporary foreign worker programs. I think they work better at the more highly skilled end of the job distribution. I'm less supportive of them for low-wage jobs.

If we are going to do it, we have to be realistic that there are enforcement problems. Maybe it's only 1% or 2% of employers. It's hard to know, but I think we need a mechanism to punish employers who do this, and this seems like a move in the right direction.

My other comment is on the movement towards electronic filing of applications. I certainly support the government's movement in that direction. On the immigration front, as a country we've suffered when trying to attract highly skilled workers because of the long waiting periods that immigrants have often faced. So I think this is a movement in the right direction. It does improve our competitive position sort of vis-à-vis the other major immigrant-receiving countries, like Australia and New Zealand, which have had faster processing times.

In terms of the termination of certain applications for permanent residence, with respect to a decision as to whether or not the selection criteria are met not being made before February 11, 2014, I'm generally supportive of measures that speed up the processing of applications. I see this as part of the government's approach in this area.

With regard to the investor entrepreneurial programs, I'm generally not supportive of this type of selection. I probably should have said this at the beginning, but my background is as an academic economist. I do research primarily on immigrant selection and to a lesser extent on temporary foreign workers.

• (1535)

**The Chair:** You have one minute remaining.

**Prof. Christopher Worswick:** Okay.

The empirical evidence really doesn't support investor-class or entrepreneurial-class immigrants being as successful as, for example, the skilled-worker immigrants.

Let me just sum up by saying that in general I think this movement towards an expression-of-interest regime is a good one. I think it will be beneficial. I'll stop there.

**The Chair:** Thank you very much for your presentation.

[Translation]

Mr. Lavoie, you have the floor.

[English]

**Mr. Martin Lavoie (Director, Manufacturing Competitiveness and Innovation Policy, Canadian Manufacturers and Exporters):** Thank you, Mr. Chair. I congratulate all the Boston Bruins fans for shaving their beards today. I still have mine.

I will start my remarks in French and finish them in English.

[Translation]

The situation of the manufacturing sector started to improve in 2010, after the great recession. Some macroeconomic indicators are announcing better days. Since 2011, the rate of plant capacity use has gone over 80%, which leads us to believe that capital and manufacturing expenditures will go up as the U.S. market picks up and companies will be faced with production capacity issues.

Investments in machinery and equipment are an indicator of productivity. In 2013, they were at their highest level since the recession, meaning at \$14.3 billion. This fine performance is attributable in part to the federal government's accelerated capital cost allowance. We feel that it is important for the federal government to keep a high accelerated capital cost allowance rate for machinery expenditures in order to facilitate investment and productivity gains.

The manufacturing sector currently has 1.73 million employees, whereas, in 2007, there were 2 million.

In 2013, exports almost reached their level prior to the recession. They are at \$39.3 billion in goods, which is an increase of 34% since the 2009 low point.

However, research and development expenditures are a little more worrisome. Given the budget cuts to the scientific research and experimental development program, that was somewhat predictable.

Last year, research and development expenditures were close to their historic low of 2010, with a drop from 2011 and 2012. In my view, this performance is not likely to improve in the short term, given the elimination of capital expenditures in 2014 and the reduction from 20% to 15% of the research and development tax credit for large businesses from the federal government.

[English]

There are three areas in or related to Bill C-31 that are of particular concern for members. One is to keep supporting the companies that are facing labour and skills-shortage issues. While we agree that there should be no tolerance for abuse under the temporary foreign workers program, our members are concerned with the current uncertainty of the program.

We get calls from members asking, "Am I still okay buying this next piece of equipment if I need to bring those foreign workers here to set it up and to get some training?" There are a lot of questions. Not all of them are necessarily touched by the current situation with the program, but there is uncertainty.

Our member survey indicated that, year after year, more than 50% of our members are facing skills and labour shortages, and most of them think the situation will get worse in the future. One of our recommendations is to really make sure that we keep a foreign skilled workers program specifically for the advanced manufacturing sector.

The second area of concern is with division 3 of part 6 of the bill, which amends the Hazardous Products Act to implement the globally harmonized system of classification and labelling of chemicals. CME supports the benefits of harmonization of safety data sheets and labels on products used in the workplace. Canada, however, must make sure that all labelling requirements are fully harmonized with those in the U.S., so that companies do not have unnecessary costs related to relabelling products if there is a lack of harmonization.

We also think that importers of chemical products should be able to label their products here in Canada without the obligation to label them in the country of origin prior to their importation, as is currently required in the legislation.

I would like to say a few words on the Canadian International Trade Tribunal as well. Our members' competitiveness relies on high-quality assistance from the Canadian International Trade Tribunal to make sure that their competitors compete according to the rules. Division 29 of part 6 is proposing to remove the Canadian International Trade Tribunal's budget, research staff, and registry and to consolidate these into the administrative tribunals support service of Canada.

● (1540)

**The Chair:** You have one minute.

**Mr. Martin Lavoie:** The CITT, according to our members, is the most efficient and leanest of operations. We believe the proposed changes will weaken the CITT's administrative and analytical capacity and have potentially negative repercussions on our international trade obligations at large.

We recommend that the government remove the Canadian International Trade Tribunal from the list of tribunals covered by Bill C-31.

Thank you again, and I look forward to receiving your questions.

**The Chair:** Thank you for your presentation.

Mr. McGuire, please.

**Mr. Matthew McGuire (Chair, Anti-Money Laundering Committee, Chartered Professional Accountants of Canada):** Thank you very much.

My name is Matthew McGuire, and I am the chair of the anti-money-laundering committee of the Chartered Professional Accountants of Canada. I'm a CPA, a member of the Department of Finance's public-private advisory committee on AML and ATF, and a partner and the national anti-money-laundering practice leader at MNP LLP.

We appreciate the opportunity to provide input on the amendments to the Proceeds of Crime (Money Laundering) and Terrorist Financing Act proposed by Bill C-31. My comments today focus on the issues relevant to accountants and accounting firms arising from the proposed amendments and certain areas where there are amendments that we hope to see.

The Financial Action Task Force, of which Canada is a member, released its updated recommendations in February 2012. We're concerned that the proposed amendments would not completely align the PCMLTFA with the expectations of accountants and accounting firms articulated in those recommendations. In particular, FATF recommendation 22 sets an expectation that anti-money-laundering obligations for accountants should be triggered when they prepare for or carry out transactions for their clients concerning the following activities that we believe should be covered: the organization of contributions for the creation, operation, or management of companies; and the creation, operation, or management of legal persons or arrangements.

One of the greatest challenges in complying with the anti-money-laundering legislation is the determination of "reasonable grounds to suspect" in the case of a suspicious transaction report for money laundering or terrorist financing. Reporting entities need information to confirm whether their basis for suspicion of money laundering or terrorist financing is valid in order to develop meaningful processes for risk and transaction monitoring following the submission of those reports. The amendment in the bill that provides FINTRAC the ability to make public their involvement in cases where they make disclosures and there was a prosecution is laudable, but we think it could be expanded to make public any details of suspicious transactions and the indicators that supported the disclosure and their characteristics, of course without identifying the person who submitted it. That intelligence would surely help reporting entities, from accountants to banks to credit unions, improve their monitoring and reporting practices.

We are also concerned about proposed section 68.1 of Bill C-31. It would permit FINTRAC to file with the court suspicious transaction reports and other voluntary reports in the case of any action, suit, or legal proceedings brought or taken under the PCMLTFA. We submit that in the case of such filings, the details about the reporting entity—the folks who submitted the report—should be sealed so as to not discourage suspicious transaction reporting volumes and quality for fear of public scrutiny of those reports.

We'd also like clarity on the ministerial countermeasures with regard to the regulations that support those countermeasures. The full range of possible countermeasures is not known; therefore, we're concerned about the practical extent to which our members will be able to design systems and processes quickly to adhere to them, and the agility they require in that respect. We would ask that any regulation supporting these measures would provide sufficient lead time for compliance with the directives.

Common among reporting entity sectors, from banks to real estate brokers to dealers in precious metals and stones, is a frustration with identification standards, particularly in cases where the client does not present themselves physically for identification. Altogether, the program of client identification is not proportionate to risk, is burdensome compared with the regimes in other countries, and

doesn't appear to be addressed in this bill. We understand, however, that the Department of Finance is addressing it in the course of regulations. We fully support a move towards a more practical and risk-based approach to knowing who we're dealing with.

In closing, we'd like to outline some of the changes we'd like to see as time moves on. Under the current regulations of the act, an "accountant" means a chartered accountant, a certified general accountant, or a certified management accountant. When the unification of the profession is complete across the provinces, we would like the act to reflect that renaming as well as the change from the CICA handbook to the CPA Canada handbook.

• (1545)

**The Chair:** You have one minute left.

**Mr. Matthew McGuire:** Additionally, we suggest that there are those in the accounting profession, who practise the accounting profession, who are not provincially regulated, such as those with foreign accreditations. We believe they should be subject to the act to address the money-laundering risks they pose as well.

We appreciate your consideration of the issues we've identified today in the course of your review of Bill C-31. We'd be delighted to answer any questions.

Thank you.

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

We'll now hear from Mr. Webber, please.

**Mr. Fred Webber (President and Chief Executive Officer, Fruit and Vegetable Dispute Resolution Corporation):** Mr. Chairman and committee members, thank you for the opportunity to appear before the House Standing Committee on Finance to speak to the amendment to the Safe Food for Canadians Act that will authorize the Governor in Council to make regulations related to fresh fruits and vegetables, specifically the requirement to be a member of a specified entity or organization. This amendment would also repeal the Board of Arbitration.

My name is Fred Webber. I'm the president and CEO of the Fruit and Vegetable Dispute Resolution Corporation, commonly known as the DRC. I'm here representing the industry in support of both of these items.

The highly perishable nature of fruits and vegetables makes commerce in these commodities unique. It is a credit to the industry that they can move to Canadian consumers a product whose shelf life is measured in days, once harvested, while they're still fresh and with maximum nutritional benefit. Because the product deteriorates quickly, and supplies and quality can vary widely, licensing standards and specialized dispute resolutions have long been part of the fresh fruit and vegetable business.

The sector contributes \$10 billion in economic activity to the Canadian economy, and provides direct employment to 90,000 people. Because of Canada's climate and resulting short growing season, we must import much of our fruit and vegetable needs. You'll not find many bananas and oranges growing here, particularly in February.

A dispute settlement body that maintains a common set of trading standards helps makes each party's rights and responsibilities clear and provides a forum for fair and ethical trading. In that light, a bit of history would be helpful here.

From 1934 to 1974 the Canadian Board of Arbitration administered the licensing and dispute resolution program for shippers and receivers of fresh fruits and vegetables. In 1974 that board's statutory authority to provide rulings over disputes was challenged in court and proven illegitimate. In 1983 the Canada Agricultural Products Act was amended to partially reinstate the authority of the board of arbitration and strengthen licensing requirements. The board still remained unable to rule on contract law disputes pertaining to non-payment and commercial contracts.

This situation also created an imbalance with Canada's trading partners, particularly the United States, who allows Canadian sellers to utilize and benefit from the licensing and dispute resolution provided under the USDA's Perishable Agricultural Commodities Act. In the world, only Canadian shippers from Canada do not have to post a bond or other form of security to do so. Preserving this relationship was important to both Canadian and American business. A dedicated group of government and industry stakeholders organized a committee under the authority of article 707 of NAFTA, which provides for the private resolution of commercial disputes.

The organization that I represent is the result of those NAFTA organization negotiations. We're a not-for-profit corporation based in Ottawa. We provide education, trading standards, mediation, and binding arbitration to members. The DRC model is the model that government and industry have evaluated and studied as the type of entity to provide the services contemplated under the pending Safe Food for Canadians Act regulation specific to trade in fresh fruits and vegetables.

In 2000 the Canadian government recognized that the DRC met or exceeded the requirements of the Canadian federal produce licence and arbitration system, and amended the regulations to state that DRC members were exempt from the federal licence. Today over 90% of Canadian buyers have opted for that DRC membership.

For the last 14 years since the inception of the DRC, the vast majority of produce transactions have in fact been transacted utilizing the DRC membership rules and trading standards. There has been no use of the Canadian Board of Arbitration because the disputes are handled to conclusion by the DRC.

In 2011 the U.S.-Canada Regulatory Cooperation Council committed to establishing comparable approaches to achieve a common goal of protecting Canadian and U.S. fruit and vegetable suppliers from buyers who default on their payment obligations. A portion of this initiative was the strengthening and streamlining of the licensing system and dispute resolution system in Canada. The DRC model was again identified as the potential solution for the licensing and dispute resolution process by stakeholders from both the U.S. and Canada.

The work of the RCC in this area flowed into the portion of the Safe Food for Canadians Act that we are discussing today. The DRC and its model for dispute resolution were identified and supported as the vehicle that Canada would support based on the results of the

exhaustive CFIA consultation that concluded in November of 2013. This is not a surprise, as the vast majority of the industry had already adopted the DRC into their business plans.

Even though we established an effective system for licensing and dispute resolution during the course of normal business transactions, one area where we are lacking and where we are out of sync with the U.S. is in the protection for suppliers in the event of a buyer bankruptcy or insolvency. This remains an outstanding issue for us, and we continue working with our partners in the RCC process. We are now looking at amendments to the Bankruptcy and Insolvency Act in order to help us create a deemed trust, similar to what exists in the United States, to give suppliers of perishable fruits and vegetables a limited priority to access the funds generated from the sales of their products.

Both of these amendments are the result of a wonderful collaboration between civil servants and government and industry. These amendments have been discussed at great length, and there's been great support for both of them.

Thank you.

• (1550)

**The Chair:** Thank you for your presentation.

[*Translation*]

Mr. Parent, you now have the floor.

**Mr. Guy Parent (Veterans Ombudsman, Chief Warrant Officer (Retired), Office of the Veterans Ombudsman):** Good afternoon, Mr. Chair and members of the committee.

Thank you for inviting me to appear before this committee to share with you my views on division 1 of part 6 of Bill C-31, entitled Payments—Veterans Affairs.

[*English*]

I also wish to take this opportunity to briefly explain why Veterans Affairs Canada needs to take other measures to improve the support provided to injured or ill veterans and families under the new Veterans Charter. Bill C-31 will provide many veterans, survivors, or dependent children with additional financial support as a result of government's decision to cease the offsetting of the Pension Act disability pension from other financial benefits, such as the earnings loss benefit, Canadian Forces income supplement, and war veterans allowance. The one-time payment for those benefits will provide retroactive compensation to cover the timeframe from the date the decision was made to cease the practice of offsetting to the date that Veterans Affairs Canada implemented the decision.

Numerous veterans have called my office to complain that the short periods of retroactivity are not fair. They argue that the Federal Court settlement under the *Manuge v. Canada* case provides retroactivity back to 1976 for the Canadian Forces service income security insurance plan, known as SISIP. Consequently, they believe the retroactivity for the affected Veterans Affairs Canada programs should be provided to the date the programs came into force.

SISIP clients are receiving retroactivity going back to the start of the program, because in the context of an insurance contract, the offsetting of the disability pension as income was unlawful. However, Veterans Affairs Canada was operating within the full context of the legislation. When confronted with a new understanding of the disability pension, a policy change was made to amend the regulation to eliminate the harsh effect that this policy was having on veterans.

From an ombudsman's perspective, there is nothing unfair about what has occurred. Although both situations appear to be similar, they are structurally quite different.

[*Translation*]

I do not believe that this is a matter of fairness. The reality is that the Federal Court decision did not specifically compel the government to change the way it offset the disability pension from Veterans Affairs Canada benefits. But the government made the change anyway. There was also no obligation for the government to provide retroactivity—but it did. This ensures that veterans are not penalized because of the length of time it took to implement the new policy.

I believe that government is treating veterans and their families equitably on a go forward basis by harmonizing how Veterans Affairs Canada and the Canadian Armed Forces deal with the offsetting of the disability pension from respective financial benefits.

[*English*]

Let's quickly look at other issues in relation to the new Veterans Charter. The most pressing shortcomings to address, and the main source of discontent amongst veterans, are those related to financial support. Adequate financial support is a key enabler to many intended veteran outcomes, such as successful transition to a new civilian career, reasonable standard of living and quality of life, and improved physical and mental health.

There are five main issues with the financial support provided under the new Veterans Charter: first, the insufficiency of the economic financial support provided after age 65 to at-risk totally and permanently incapacitated veterans; second, the drop in income for veterans who are transitioning from a military to a civilian career, as the earnings loss benefit pays only 75% of their pre-release salary; third, the accessibility to the permanent impairment allowance and the permanent impairment allowance supplement, which is a problem for many severely impaired veterans; fourth, the unfair practice of providing a reduced earnings loss benefit to part-time reservists who suffer an injury or illness related to service; and fifth, the non-economic benefit designed to compensate for pain and suffering, the disability award. This benefit is supposed to have kept pace with civilian court awards for pain and suffering, but it has not.

The shortcomings that have been presented to government through my reports and by the many witnesses who have appeared before the House of Commons and Senate committees on veterans affairs over the past several months are impediments to achieving the charter's core objective.

● (1555)

**The Chair:** You have one minute.

**Mr. Guy Parent:** With a few focused improvements, the new Veterans Charter could become a system of benefits and programs that has a tangible and positive impact on all veterans and their families, a system that veterans can be proud of rather than the object of unabated discontent.

In closing, I have a simple vision of what the new Veterans Charter should be: a well-integrated system of programs that provides the transitioning veteran with optimism for the future and for the new opportunities available to him or her. In other words, veterans should be able to look forward to the future with enthusiasm and with a sense of purpose rather than feeling overwhelmed with the present, and longing for a past that is no longer possible. To create this optimism for all veterans, substantive improvements need to be made to the new Veterans Charter, and in particular to financial support programs. Government has the opportunity to make a real difference for veterans and families by resolving long-standing problems with the new Veterans Charter.

Thank you, Mr. Chairman.

**The Chair:** Thank you very much for your presentation.

We'll begin members' questions with Mr. Cullen. We can do seven-minute rounds for the first four, if that's acceptable.

Mr. Cullen.

**Mr. Nathan Cullen (Skeena—Bulkley Valley, NDP):** As long as I'm in the first four, then I'm very enthusiastic about your proposal.

**The Chair:** Well, you're the first one.

**Mr. Nathan Cullen:** Thank you to all our witnesses for being here today.

As you can see just by your colleagues at the table, this is an incredibly diverse piece of legislation. The five of you would not normally appear before a House of Commons committee together, because we are going right through the gamut here from veterans' issues to the temporary foreign worker program to manufacturing to food. The challenges we have with the process you are now involved in are with the massive and complex nature of this legislation in an omnibus bill.

The challenge we'll have here today—and I won't take up any more time on this—is that in order to understand what the implications are, committee members from all sides of the House, I would say, are somewhat incapable of anticipating what the impacts are going to be for everything from temporary foreign workers all the way through to our veterans. We'll try, but I remove any expectation that the House of Commons is doing a thorough job. That's not possible. We also exist under time limitations.

Mr. Worswick, I want to start with you. Much has been made of the temporary foreign worker program and the potential abuses, as you talked about. We do see these things probably by a minority of employers who are abusing the system, and I mean that in both ways. One is gaming the system to replace Canadians with temporary foreign workers, because, for various reasons, they prefer having temporary foreign workers to giving a job to Canadians. The second side of abuse is abusing the workers themselves. There seem to be opportunities, given the way the program is drawn up right now, for temporary foreign workers to be abused by unscrupulous employers, whatever the number.

Can you offer a fix on the first part that would prevent employers from gaming the system? We saw that with HD Mining, and we have seen it with a number of examples that have made the news. As the current program is designed, it just seems too easy to simply make an “effort” to find a Canadian—not really try—and then simply bring in temporary foreign workers, which was the intention of the employer from the start.

**Prof. Christopher Worswick:** Sure. I can try to address that issue. I think it's a difficult problem. I'll start off by saying I don't think there's an easy solution. The easiest solution is to just not have the program, but I think there are some benefits to the program.

I did a piece for IRPP in Montreal last year, in which I looked at some of these issues. I think we need to try to make it a program that's attractive to employers who get a really large benefit from bringing in a temporary foreign worker and not very attractive for those who get only a small benefit under the terms of the arrangement. So maybe some kind of sliding fee structure might create that kind of incentive. If you're a repeat user of the program, something like sort of an experience-rating structure, such as they have with EI, could work.

• (1600)

**Mr. Nathan Cullen:** Let's talk about the second side, and then I want to move on to another topic. In terms of punishing bad employers, the Conservatives two years ago, as you know, announced a blacklist for employers who abuse the system. In two years, no one was put on the list up until a month ago, and I think a couple of McDonald's franchises, a couple of employers, were thrown on when this really started to hit the news. It was maybe coincidence, but I suggest not.

Is there some mechanism that could be better used for those few employers who do abuse the system—who abuse temporary foreign workers, in fact—which would prevent this from happening more in the future, rather than having some pretend blacklist or bad employers list that doesn't get used?

**Prof. Christopher Worswick:** Without commenting on the past, I think in principle the decision last year to begin excluding employers

was a good move, and I think financial penalties are another way to go. But obviously, it only works if it is fully implemented. I think that can work. I think employers will respond to those types of incentives, and I agree with what you said. I think this is a very small minority of employers in practice.

**Mr. Nathan Cullen:** Yet the principle of Canadian law and human rights is that even the small incidents matter to us all, right?

Mr. Lavoie, in your presentation you said a word that caught my attention. You talked about uncertainty. With regard to the manufacturing sector in Canada, speak to us briefly about the uncertainty that's been created, because from my understanding, particularly with the larger companies and with resource-based companies, uncertainty is a word they don't want to use when they talk about government programs and services, because it has all these other effects.

**Mr. Martin Lavoie:** Absolutely. In our sector, most of the temporary foreign workers are in positions that are highly skilled. The preference of our members would be to hire Canadians, but sometimes that's just not possible. When we look at the data for southern Ontario, there have been just over 5,000 temporary positions in all sectors, 70% of them in advanced manufacturing, and 93% for under 12 months.

It creates uncertainty when people hear a lot of the things in the media. They think we're going to put everybody from McDonald's to advanced manufacturing companies in the same basket. Our president wrote letters to some members of Parliament, which I can send to you after, which call specifically for an advanced manufacturing skilled workers program. We're even ready to fix a certain above-average wage threshold for temporary employment, if necessary. We're not in the business of paying foreign employees less than what's in the Canadian market.

**Mr. Nathan Cullen:** Thank you.

**The Chair:** You have only one minute.

**Mr. Nathan Cullen:** Oh boy, one minute....

Sorry, Mr. McGuire, I'm going to go to Mr. Parent.

I want to understand this difference, because we've had veterans talk to us about the fairness and about the potential lawsuit in the waiting because of the clawback, which began in 2006. I think your suggestion was that the government is not legally obligated to go back even to 2012 for the recompensation of this clawback to injured veterans, yet the Manuge decision and the case referred to the changes in 2006.

Are you suggesting that what's being done is fair? Why are so many veterans contacting us to say the opposite?

• (1605)

**The Chair:** Could you give just a brief response, please?

**Mr. Guy Parent:** Certainly.

What we're looking at is the fact that, yes, there was no obligation on the government to follow the court's judgment, because the court's judgment was in fact for a specific client base, the SISIP clients. So that had to do with the new Veterans Charter and insurance under SISIP.

The government of the time actually decided to look at the possibility. In fact it stopped all clawbacks from Veterans Affairs Canada payments, and at the same time it looked at retroactivity. You can see that the population affected here is more than just the new veterans clients. We're talking about the war veterans allowance clients as well. So we're talking about going back 40 or 50 years.

With regard to fairness, we think the government acted fairly. Going forward we would rather see money spent on people who would be destitute at 65 rather than on having people who are now well off get more retroactively.

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

Mr. Saxton, go ahead, please.

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

Thanks to our witnesses for being here today.

My first few questions will be for Professor Worswick.

Our government introduced changes to the temporary foreign worker program to ensure that Canadians have the first chance at available jobs, while cracking down on employers who abuse the program.

Would you agree with the general direction of these changes?

**Prof. Christopher Worswick:** Yes, I would. I think they're definitely a move in the right direction. I still have some concerns, as I have already indicated, that at the less-skilled end of the occupational or wage distribution, this program could have negative effects, but I think this is a move in the right direction.

**Mr. Andrew Saxton:** What would be your assessment as to the approximate percentage of employers who might be abusing the TFW program or have abused it in the past?

**Prof. Christopher Worswick:** I have no data to base that on. I would think it would be less than 5%.

**Mr. Andrew Saxton:** So it's very low.

**Prof. Christopher Worswick:** I would say it's low.

**Mr. Andrew Saxton:** So then you agree that suspending the TFW program would hurt small businesses across the country and also hurt the economy. Would you agree with that?

**Prof. Christopher Worswick:** I think if you suspended the entire program, it would hurt the economy. I don't know how large that effect would be, but it would hurt.

**Mr. Andrew Saxton:** So you believe the program is serving a worthwhile process and that, once reformed, it could be a good program.

**Prof. Christopher Worswick:** Yes, but just to be clear, I think the existence of positions for temporary foreign workers who come in with, say, some form of post-secondary education, including skilled

trades-type qualifications, is beneficial. I think there may be negative consequences for the others. I think on net it's probably a positive.

**Mr. Andrew Saxton:** Thank you.

The expression of interest system improves how the government manages applications, resulting in faster and more flexible processing while also increasing the labour market responsiveness of the immigration system. Moreover, the introduction of a two-step application process in certain economic classes will help prevent the accumulation of new backlogs by ensuring that only the best candidates, not simply the first ones, are able to apply to immigrate to Canada.

Do you concur with the assessment that this new EOI process will speed up application processing while ensuring that Canada can attract the best skilled immigrants?

**Prof. Christopher Worswick:** Yes, I think that's highly likely to happen. Especially given the fact that we've been so slow at the process in the past, it's likely that would speed it up. Whether it completely solves the problem or not is a different story. But I agree.

**Mr. Andrew Saxton:** Okay.

So you think the expression of interest system is a good route to take?

**Prof. Christopher Worswick:** I think it's going to bring in skilled workers more quickly, and I think it's going to help us compete with the other countries that are taking similar approaches.

**Mr. Andrew Saxton:** Okay, thank you.

My next questions are for Mr. Lavoie.

Mr. Lavoie, our government introduced the economic action plan to create jobs and grow the economy and to ensure prosperity. What measures in the economic action plan 2014 will help members of your organization compete in the global marketplace?

**Mr. Martin Lavoie:** There are many measures that I think are very beneficial. This government has been very aggressive on trade agreements. That's really good news. I think CETA was great news for us. I think the next big one is the Trans-Pacific Partnership. That's definitely a big one. I think last year's extension of the accelerated capital cost allowance was also a good measure to improve productivity. This measure is going to end by 2015, but we still think we need to keep an aggressive depreciation rate for machinery equipment to at least stay on par with U.S. depreciation.

**Mr. Andrew Saxton:** Okay, thank you.

Now, since coming to office in 2006, our government has cut taxes in just about every way that Canadians pay them—in fact in 180 different ways—while reducing red tape for businesses as well through initiatives like the one-for-one rule.

Can you share your thoughts on the need to continue to cut red tape?

**Mr. Martin Lavoie:** Absolutely. I travel across the country meeting our companies, and regulations and red tape are always in the top three issues that are raised, along with R and D tax credits and labour issues. So I think it's almost an ongoing battle, because the one-for-one rule is great in principle, but it's maybe more difficult to apply. We're quite supportive of it. We dedicate a lot of time to looking at those things and trying to get feedback from our members as well.

•(1610)

**Mr. Andrew Saxton:** Have you heard from your members what areas in particular they find most onerous when it comes to red tape?

**Mr. Martin Lavoie:** In the last couple of years, that would be all of the changes introduced in the scientific research and experimental development tax credit. For example, the documentation requirements are much greater than they used to be, and a lot of our members only find out when they're audited. So we actually met with CRA recently to convey that message to them and to make sure they got industry input so they could try to fix the way that.... They want to reduce red tape at the top of the pyramid, but they want that to be translated to the technological reviewers on the floor. So that's one area that is very problematic. A lot of our members think it's just not easy to apply for and to claim R and D tax credits. Also, all the changes and interpretations are very difficult to follow as well.

**Mr. Andrew Saxton:** Okay, thank you very much.

I have no further questions, Chair.

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

Mr. Cuzner, go ahead, please.

**Mr. Rodger Cuzner (Cape Breton—Canso, Lib.):** Thanks, Mr. Chair.

It's great being here with my evil twin today.

Mr. Lavoie—

**The Chair:** I'm much taller.

**Mr. Rodger Cuzner:** —I'll have you know that you sort of waded into some dangerous waters there. You'll notice the chairman is not only clean-shaven but in a foul mood as well, because his Bruins lost last night.

Between 2006 and 2012, the number of temporary foreign workers more than doubled in this country. Give me a profile of your organization as to, for your members, how much your investment in skills training would have increased over that same period of time.

**Mr. Martin Lavoie:** We don't have numbers on how much companies actually spend. What we hear a lot from our members in certain areas, engineering for example, is that, in some areas of the country, where there's a lot of construction going on for natural resource extraction, such as for oil sands or with the shipbuilding contracts coming in, companies are really worried about putting too much money into training and then losing the employees. So that's one area.

At the same time, though, they invest a lot of time when somebody who's out of school comes to their plant. What I hear a lot is that they're just not ready to work. Most of them have a very good

theoretical knowledge of what they should be doing in the plant, but they've never worked with the equipment.

**Mr. Rodger Cuzner:** If I could put it this way—and we only have seven minutes here—it's sort of an arse-first approach to thinking that through, whether or not you want to invest in training. I agree wholeheartedly with the minister that industry should have more skin in the game, and I would think it would be worthwhile, before we.... Nobody's going to fight over some of the entry-level positions with low-skilled wages, but in a high-tech sector like yours, people are wondering why we can't get somebody who was trained here. For somebody who's been with the company, why aren't we investing in training to have them fill that position?"

So I would suggest that your industry should start to monitor the number of dollars they invest. I don't doubt that they invest, but I think it would be a good measurable.

Mr. Parent, this comes off something that Mr. Cullen had initiated. I don't pretend to have a deep knowledge of this, but I have had interventions on it in my office. Perhaps you could just clarify.

There was no legal obligation, more so a moral obligation, on the part of the government, and they fulfilled that moral obligation with retroactivity back to May 2012 in the wake of the Manuge decision. But what I'm hearing from people in my riding is this. Why didn't they go back to when the charter was initiated in 2006?

Are you hearing those same rumblings? Is there a constituency out there advocating for that position?

**Mr. Guy Parent:** We receive a lot of complaints every year, and I must say that we have received very few complaints on this matter. We have received some, though, I must be honest. For us it's an issue of compensation and not fairness, because the court case dealt with an insurance company and its clients, quite different from the government program.

In the case of Veterans Affairs Canada, according to legislation, money was taken back from these allowances in the earnings loss benefit. When the government decided not to carry on with the clawback, our biggest concern at the time was that the government didn't move very fast in coming up with an answer that would actually...because there were a lot of expectations out there. Certainly we thought it took too long to come up with a decision, and then, once the decision was made, it took too long to come up with the details.

We are satisfied that it actually meets the principles of fairness. There's a saying in the ombudsman world that you must be careful not to pursue fairness in such a way that you disadvantage the others. In this case, for us, fairness is to use the money that's available going forward to fund the programs that are now lacking, such as no income after 65.

•(1615)

**Mr. Rodger Cuzner:** Okay.

Mr. Worswick, with regard to the temporary foreign workers program, last week, in response to a question about the low-skilled stream for the temporary foreign workers, Minister Kenney said that the Liberals began the program in 2002; all the Conservatives have done since then is put on additional regulations and restrictions.

I agree with half his answer. We did begin it in 2002, but to tighten regulations.

That's in contrast to what Minister Finley said in 2008, that "We are processing a record number of temporary foreign worker applications.... We have made it faster and simpler for employers to hire a foreign worker".

Which would you say would be closer to the genesis of the program: more restrictions and regulations have been placed on it, or what some might think as Mr. Kenney having had to come in and sort of clean up the mess that Ms. Finley made?

**Prof. Christopher Worswick:** I'm not an expert on the details of the history of that part of the program, but as has already been articulated, the program expanded quite significantly over the 2003 to 2010-12 period. To me, it doesn't seem like it tightened up. It seems like it expanded and became easier. That's my reading overall.

May I make a quick comment related to your previous question?

**Mr. Rodger Cuzner:** Is that on the investment in training?

**Prof. Christopher Worswick:** Yes, the training point.

**Mr. Rodger Cuzner:** Okay.

**Prof. Christopher Worswick:** I think one of the key things to keep in mind with temporary foreign workers is turnover. We can say, look, we've advertised this job, no Canadians have taken it, and a temporary foreign worker is prepared to come. Now, what you implicitly have with a temporary foreign worker is a worker who is not going to leave, whereas I think for a lot of employers the issue is that they can bring someone in, they can train them, and then six months or a year later the person will leave. If employers are facing turnover, they're not going to be that likely to invest in training, I would have thought, on theoretical grounds.

My sense is that this is one of the reasons why temporary foreign worker programs, if they grow too large, can be problematic. Even if workers are equally productive, the employer will always want the worker who will stay.

**The Chair:** Thank you.

Thank you very much, Mr. Cuzner. That's it.

**Mr. Rodger Cuzner:** Much as you'd like me to continue....

**The Chair:** I would, yes.

You can go and watch your Leafs play tonight somewhere.

**Voices:** Oh, oh!

**A voice:** Speechless.

**The Chair:** We'll go to Mr. Keddy, please.

**Mr. Gerald Keddy (South Shore—St. Margaret's, CPC):** We'll leave the hockey analogies out of it.

Thank you, Mr. Chairman.

Welcome to our witnesses. It's an interesting disgusting...or discussion here today.

**Voices:** Oh, oh!

**A voice:** [*Inaudible—Editor*]...the Leafs.

**Mr. Gerald Keddy:** There's a Leaf comment; I'm still hurting on it, okay?

Mr. McGuire, in your role as chair of the anti-money-laundering committee at the Chartered Professional Accountants of Canada, I'm sure you've had a chance to look at what we've done in this budget. The number of changes to the Proceeds of Crime (Money Laundering) and Terrorist Financing Act that are embedded in here are certainly important for the Canadian government to be able to collect taxes that have been delinquent and deliberately not paid and to really look at international crime and terrorist activity.

We've put in a number of amendments here. First of all, we've strengthened the customer due diligence standards, including for politically exposed foreign and domestic persons. We've closed the gaps of the regime, such as online casinos, to persons and entities that deal in virtual currencies and foreign money services businesses. We've improved compliance monitoring and enforcement. We've strengthened information sharing. For instance, we allow FINTRAC to disclose to federal partners on threats to national security. We've repealed the regulation-making authority pertaining to the ministerial directive power, under part 1.1 of the act, in order to bring part 1.1 into force, and other technical amendments there.

Understanding the nature of what we're dealing with, the underground activity that we're dealing with, and the difficulty of dealing with that, in your assessment I would hope you'd think these amendments go some way in the right direction to actually dealing with this type of criminal activity. But is there anything else we could add to that list?

• (1620)

**Mr. Matthew McGuire:** Thank you very much for your question.

I do agree that the amendments go a long way in the right direction. One of the important things from my perspective is how far the amendments go to align with the international standards. I would say they get us almost all of the way there.

Where I think we should focus going forward is on effectiveness. In the next evaluation, the FATF will evaluate Canada's measures to control money laundering. By most estimates, about \$55 billion is laundered through Canada every year. They will be evaluating not just whether or not our program conforms to their standards but whether or not we're achieving the things we look to achieve.

There are two things that I think are important in that regard. The first is the ability to track our effectiveness. The second is a greater emphasis on civil forfeiture regimes. I'm not sure I'd comment on budget implementation act measures themselves, but I do think more resources in Canada should be put into the prosecution side of things and the civil forfeiture side of things. At the moment, we have the equivalent of a firehose going into a garden hose. FINTRAC is producing incredible intelligence in thousands of cases. We need to be able to act on them in an appropriate way.

**Mr. Gerald Keddy:** Thank you.

Mr. Webber, you raise a number of points. Most of them really involve an ongoing discussion about harmonization with Canadian regulations and American regulations. You represent the fresh fruits and vegetables, the perishable group. Do you also represent other perishables, such as the fresh fish industry or Christmas trees?

**Mr. Fred Webber:** No, sir. It's strictly related to fresh fruits and vegetables.

**Mr. Gerald Keddy:** Has there ever been any consideration of expanding that? In my part of the world, and Mr. Cuzner could concur, when it comes to fresh fish, when you're crossing the border out of Atlantic Canada into the U.S., typically one load in every 70 or 80 is stopped for a compliance check. That's a serious problem with a load of fresh fish. Most of the time we don't lose the entire load, but sometimes we lose a portion.

**Mr. Fred Webber:** When the DRC model was put forth originally under NAFTA, a portion of our charter...I hate to say "required", but it did require that we be open to look at other commodity groups. We were approached by a couple of firms in Mexico regarding sugar and coffee. Those were never followed up on.

It is certainly something we could expand into. I think the fruit and vegetable part of it is strictly because both the U.S. and Canada have had these rules in place since the thirties.

**Mr. Gerald Keddy:** Could you give me some idea of how long your dispute resolution can take? If you have a tractor-trailer stopped at the border and you have a high-value product on there, hours are important.

**Mr. Fred Webber:** In the vast majority of our cases it's a quick phone call. We handle hundreds, if not thousands, every year just by talking to people about what is the right thing to do.

Probably the strength of what we do, though, is in the default rules that kick in for members. There are times when there is that delay at the border, it's been out of refrigeration for a period of time, and it may no longer be suitable for a supermarket to bring that in and put it in a dry tray. A lot of what we do is to work with the parties to get that product to a secondary marketing chain so that we can mitigate the loss.

The actual disputes we have on paper that go to an arbitrator are really very few. Even for those, on the smaller cases that are less than \$50,000, it's usually 90 days from the time it comes through our door until there's a written enforceable decision. The ones that are for more money obviously take a bit more time. They're required to have a hearing and to bring in a little more well-trained arbitrator. But the vast majority of what we do is work with the parties to very quickly resolve it amicably online.

It really is a great industry. I like to say it's the last bastion of free enterprise. People want to do the right thing.

• (1625)

**The Chair:** Thank you.

Thank you very much, Mr. Keddy.

[Translation]

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

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

I would also like to thank all the witnesses for joining us today.

My questions will be for Mr. Worswick first.

Yesterday, we heard the testimony of Dominique Gross, professor at Simon Fraser University and researcher specialized in this area. She said that one of the problems with our temporary foreign worker program is the poor quality of information on the labour market.

Do you agree with that statement?

[English]

**Prof. Christopher Worswick:** Sure. I'm familiar with Dominique's work. I think the issue there, as I understand it, is that it's just very difficult to know....

As I said, if you think about the process, the employer advertises a vacancy at a particular wage. If no one applies, or no one suitable applies, then they can approach the federal government for a temporary foreign worker. I think the issue is how we decide whether that wage is appropriate or not.

My understanding of Professor Gross's idea is that if we had better information, then we'd have a better estimate of what that local wage is for that particular occupation. I'm sure we could improve in that regard, but I think it's also a difficult thing to do.

[Translation]

**Mr. Guy Caron:** You also seem to agree with her on another aspect.

I know the reality is different for every sector, but in many cases, Canadian companies do not manage to find qualified Canadian workers because the salary they offer is not high enough. With access to temporary foreign workers being easier and simpler, there is more pressure to have lower wages. Actually, Canadian workers are forced to accept wages that, without this program, would not be as low.

[English]

**Prof. Christopher Worswick:** There are a couple of things I'm comfortable saying. One thing I'm certainly comfortable saying is that with a large temporary foreign worker program, it's hard to see how you get wage growth. If you imagine a situation where the economy's growing, wages should tend up. If employers always have the option to bring in temporary foreign workers, I think at the very least it will slow wage growth. The bigger question is whether it depresses wages, actually causes real wages to go down. My belief is that it can, but I don't think it always does.

[Translation]

**Mr. Guy Caron:** In her study, she came to the conclusion that not only did this issue contribute to maintaining the unemployment rate at the same level, particularly in the case of pilot projects in Alberta and British Columbia, but it also had the impact of depressing wages.

You are in favour of implementing application fees for temporary foreign workers. I think the fee is \$275. Dominique Gross believes that the amount should be much higher, considering that some programs in Europe are very successful, particularly in Switzerland.

In your view, should the application fees be higher?

[English]

**Prof. Christopher Worswick:** I think we should look at raising them, but as I said earlier I wouldn't do a fixed fee across the board. I think Mr. Lavoie mentioned something earlier about employers being willing to pay more to bring in qualified temporary foreign workers.

One way to think about this is instead of saying you have to pay the temporary foreign worker more, you could have to pay a significant fee, maybe \$1,000. I don't know what the right number is. I suspect it's above \$275. If you're wondering whether we really want to take that money out of the economy, you could rechannel that into training or use some of it to try to solve the underlying reason we need temporary foreign workers in the first place.

[Translation]

**Mr. Guy Caron:** Mr. Lavoie, are some of your members small and medium-sized businesses?

**Mr. Martin Lavoie:** They represent 85% of the members.

**Mr. Guy Caron:** I remember that when you appeared here before, you talked favourably about the hiring tax credit for small businesses. However, the credit will not be renewed.

What impact will that have on your members?

•(1630)

**Mr. Martin Lavoie:** That tax credit was much appreciated. Of course, it also helps with the cash flow. I cannot tell what the impact will be, but it will definitely cause a bit of disappointment.

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

[English]

Mr. Allen, go ahead, please, for five minutes.

**Mr. Mike Allen (Tobique—Mactaquac, CPC):** Thank you very much, Mr. Chair.

Thank you to our witnesses for being here.

Mr. Webber, I'd like to start with you. I've had folks from the perishable and fresh fruit sector visit my office the last couple of years, and I have a large table-stock potato business in the riding. You talked in your concluding comments a little bit about the risk of nonpayment, especially on the side of bankruptcy and other things and about how the U.S. system is a little better than Canada's when it comes to that.

The first part of it, this harmonization, was one pillar that the folks talked to me about. How much of a problem is that lack of payment to our sellers here in Canada, and does this harmonization pillar get us on the right road to tackling that next?

**Mr. Fred Webber:** Just for a bit of a clarification, as you say, there really are two pillars here. The first pillar is dealing with slow-pay or no-pay contract issues between solvent businesses.

**Mr. Mike Allen:** Right.

**Mr. Fred Webber:** What we're talking about here will get us a long way towards resolving that problem with our neighbours around the world, quite frankly, but particularly with the United States.

In terms of the second part of this, when there is an insolvency, it is a trade irritant. I will say that. It is beyond the scope of the amendments we're talking about here today.

The trade irritant is the fact that since 1984 Canadian sellers have been able to go into the United States and they're treated exactly the same way as U.S. firms are. So when there's a bankruptcy—and I want to stress that there's a very limited trust, because there has been a lot of miscommunication about that—what it really does is trace the accounts receivable through. So if the buyer goes bankrupt and he takes your potatoes and sells your potatoes, they try to find that receivable from the potatoes and bring it back to you.

What we've accomplished here in pillar one will help, but without the trust or some similar tool that will help equate that, I think it will remain a trade irritant simply because Canadians are getting something for free.

**Mr. Mike Allen:** Okay. I'm glad we got the first part of it anyway, at least for the solvent companies. I know we have to do some thinking about tracing those receivables. It's kind of an interesting thing.

Mr. Lavoie, you're the second person who has brought up the full U.S. harmonization and labelling issue. It came up the other day in the committee meeting when we were talking about labelling in Canada versus prior to importing.

I think Mr. Keddy brought this up the other day when he offered the alternative regarding whether it would be better to handle that through an amendment or by regulation instead. I think the reply to that question was that regulations could handle it. I would like to get your opinion on that.

**Mr. Martin Lavoie:** I agree that regulations could handle it. We also feel a lot of pressure to get that bill passed, because June 1, 2015, is going to be the implementation date. I would say it could be handled by regulation.

**Mr. Mike Allen:** Okay. So that's a good alternative.

Mr. McGuire, I'd like to go to you. You talked a little bit and I was intrigued by your comment with respect to proposed section 68.1, regarding FINTRAC and how they would seal details regarding a reporting entity. You talked a little bit about being able to protect the reporting entity on that. I wondered what specifically were you thinking about. Did you have a specific amendment in mind on that, which would protect that reporting entity? What was your thought there?

**Mr. Matthew McGuire:** Thank you.

The idea is simply that a suspicious transaction report happens when a financial institution or accountant gets to the point where they suspect the client they are dealing with is involved in money laundering or terrorist financing. There's a threshold they get to, and they describe in fair detail within the suspicious transaction report what they found suspicious, the basis of suspicion, and what they've done about it.

It also can reveal a fair bit about the mechanisms the institution used to detect the behaviour in the first place. In my view, having that information become public could be detrimental in a whole number of ways. In the U.S. we've seen lawsuits started by the subjects of the reports against the institutions that filed them.

I think there must be a mechanism to either summarize the information in the suspicious transaction report, or otherwise redact or anonymize it for the purposes of those proceedings.

• (1635)

**Mr. Mike Allen:** The idea of what you were saying in terms of a change was that there would be wording in there to protect those actual entities. It would just say there would be no reporting, or something like that.

**Mr. Matthew McGuire:** That's right. It would talk about redacting the information related to the reporting entity that submitted it in the first place.

**Mr. Mike Allen:** Thank you.

Thank you, Chair.

**The Chair:** Am I starting with Mr. Rankin or Mr. Cullen?

**Mr. Nathan Cullen:** Yes, please.

**The Chair:** Mr. Cullen.

**Mr. Nathan Cullen:** Thank you, Mr. Rankin.

This is not for our witnesses, but I want to give committee members a heads-up that we'll be submitting a motion, not on Bill C-31, but to bring Minister Kenney to committee to talk about the temporary foreign worker program. We're hearing a lot of testimony on it, Chair, and I think that would benefit the committee. I know it's a moving target for the minister as well. He's spent some time making modifications or cancelling or suspending certain aspects of the program. More and more I'm of the inclination that the finance

committee would do well to hear from the minister for some short time, depending on his availability.

I'm just giving committee members a heads-up on that.

**The Chair:** Thank you.

We'll go to Mr. Rankin now, please.

**Mr. Murray Rankin (Victoria, NDP):** Welcome, witnesses.

My first question is for Professor Worswick.

Back in October you did an economic analysis. In your paper you commented on the changes made to the temporary foreign worker program last year and on the fact that the government created a blacklist to suspend employers who misused the program.

We know that as of today there are only four companies on the list, and all of them have been added in the last couple of weeks. In light of the numerous concerns of abuse that have been raised across the country—for example, Alberta alone has seen 100 cases of abuse—do you find that the enforcement of those provisions has been stringent enough?

**Prof. Christopher Worswick:** It's hard for me to say. Certainly, historically we've had a significant problem with enforcement. To be fair, I do think the changes that Minister Kenney has implemented have been, as I said, in the right direction.

It's hard for me to comment on whether there should have been more firms on the list. Probably there should have been, but I think we have to be realistic about the situation in that the people who know about the abuse are the temporary foreign workers, and they don't have a very good incentive to bring that to light. That's definitely a challenge for the government.

I think the idea of blacklisting firms, at least the threat of it, is essential. I think the threat of financial penalties is essential. How it's implemented, I don't know.

**Mr. Murray Rankin:** Having a threat that's credible, obviously, in most enforcement regimes, is seen as important.

In your October paper, you also stated, “considering the large global pool of less-skilled workers, many of whom might willingly come to Canada to find work, increasing flows of TFWs could have significant negative consequences for less-skilled Canadian workers”.

What kind of negative consequences were you referring to, and by what mechanisms would they come to be?

**Prof. Christopher Worswick:** I've already mentioned that it could eliminate wage growth for these workers. We haven't had a large amount of wage growth over the last 30 years in Canada.

If every time we see wages going up, the firm continues to advertise at the past wage or the current wage without accounting for the growth, then you could see a situation in which these workers really wouldn't see a wage increase.

**Mr. Murray Rankin:** You're saying essentially, in simple terms, that it has the effect of wage growth suppression?

**Prof. Christopher Worswick:** Yes.

**Mr. Murray Rankin:** Thank you.

My next question is for Matthew McGuire of the Chartered Professional Accountants of Canada.

In the written paper you presented, you say:

Common among reporting entity sectors is a frustration with identification standards, particularly in cases where the client is not physically present at the time of identification. Altogether, the program of client identification is not proportionate to risk, is burdensome compared to the regimes in other countries, and that situation does not appear to be addressed in this bill.

I wonder if you could elaborate on those comments.

**Mr. Matthew McGuire:** Certainly.

Increasingly, as you might expect, interactions for financial services and otherwise take place without meeting the client face to face and pressing palms. They happen in online environments, over the phone, and in a number of other ways.

At the moment, the way things are set up, the non face-to-face measures require reliance on, for one thing, six months of Canadian credit history. You can imagine a new Canadian coming in not having that credit history and not being able to satisfy that requirement. The necessary condition is some sort of reliance on a Canadian credit history. The second thing is the sufficient condition. The sufficient condition is that you have to prove you have a Canadian deposit account or you have to clear a cheque. These combinations of methods rely on old systems. They are slow, and sometimes they can become frustrated. In the case of a credit check, if there is not an exact match of the address, for instance, the whole identification can be frustrated.

• (1640)

**Mr. Murray Rankin:** You commented that it's burdensome compared to the regimes in other countries. How do other countries do it better than Canada does?

**Mr. Matthew McGuire:** Other countries are relying on the new technologies that are available for identification. There are even private sector initiatives whereby you can evaluate the credibility of a passport by electronically scanning it. There are any number of mechanisms that address that concern.

**Mr. Murray Rankin:** Nothing in this bill addresses that.

**Mr. Matthew McGuire:** I think it needs to provide for a risk-based approach that leaves much of the decision-making up to the financial institution, which isn't the place to understand—

**Mr. Murray Rankin:** Is there nothing in this bill to address your concern?

**Mr. Matthew McGuire:** No.

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

Mr. Van Kesteren, go ahead, please.

**Mr. Dave Van Kesteren (Chatham-Kent—Essex, CPC):** Mr. Worswick, I'm going to go with you. I want to talk some economics.

You said, I'm going to quote from an article, "The reason employers choose to bring in foreigners rather than hire local youth is the 'elephant in the room' in the debate around temporary foreign workers, Worswick said, and it has to do with work ethic".

I have a son, and he's pretty sharp. He's a little suspicious of evolution. He said, "Dad, if we'd evolved, I think we would have turned out to be like a big old snake. We'd have about one meal a month, just lie around, and not have to do a lot. Instead, about three times a day, I'm hungry and it just kind of reminds me I have to get up and get back to work."

I'm probably a little older than you are, but you probably have the same memories. I remember as a kid in my neck of the woods down in southwestern Ontario—a lot of farming goes on there—we couldn't wait until harvest time, the spring or the fall, because if we wanted to wear blue jeans when we went back to high school, we had to make a little bit of money. It's somewhat ironic that the very people who criticize the foreign worker program the most are the ones who have implemented these things that have caused it. I'm just wondering if you want to comment on that.

I have one final observation. We always have had foreign workers, haven't we? We used to call them immigrants. Again, back in my day, people would come into this neck of the woods. I know our friends from Quebec were the ones who picked the tomatoes. We just had this steady supply of people, but we've run out of that. Is there any turning back? Is there a way we can get out of this?

**Prof. Christopher Worswick:** There's a lot there to talk about. I'm very much making a distinction between immigration and temporary foreign workers. I think they're two very different programs.

**Mr. Dave Van Kesteren:** They served the same purpose years ago.

**Prof. Christopher Worswick:** I think they both still serve the same purpose in the sense that they're both sources of labour supply or labour services to our economy, but with immigration we're making a commitment to bringing a person in and allowing them to stay permanently. We typically do this without any requirement. Well, traditionally, there's been a small employer nomination track, and it is now likely to grow. But historically, we haven't said you can't come unless the employer says they can't replace you.

I do think they're different. I think the movement towards temporary foreign workers is quite recent, with the exception of the agricultural worker program.

You mentioned migration of young workers from Quebec into other parts of the country. That was an important source of labour to the agricultural sector. I have no problem with that. I believe in free mobility of labour within Canada.

**Mr. Dave Van Kesteren:** They're not coming anymore. That's the point I'm making. They're not coming. The kids aren't going into the fields, and so we—

**Prof. Christopher Worswick:** I would say it depends on the wage rate. I think if employers pay a high enough wage, they will find a supply of local labour.

**Mr. Dave Van Kesteren:** But you're an economist—

**Prof. Christopher Worswick:** Yes.

**Mr. Dave Van Kesteren:** —and we both know that when we start messing around, when we start doing things, there are always ramifications.

You must agree that we have industries, that we've created industries, which we've agreed are critical to our region.... They're spinoff—we consider that spinoff as the reason for that—but we are competing with, say, the Americans, who have a huge pool of labour from Mexico in terms of migrant workers or illegal immigrants.

I guess this is the question I'm asking: have we put ourselves in a corner where we really have no choice? I'm talking about the low end of the spectrum.

•(1645)

**Prof. Christopher Worswick:** I firmly believe we have a choice. I'm not advocating this, but we're talking hypotheticals. If we hypothetically decided to stop temporary foreign workers for less educated workers, it would hurt some individuals and some firms. I don't think it would have a large impact on the country.

**Mr. Dave Van Kesteren:** It would wipe us out in, say, Chatham-Kent—Essex, in the Leamington area, where they rely solely on the foreign worker program for the farming.

**The Chair:** You have 30 seconds left.

**Mr. Dave Van Kesteren:** We're at the point now where we must have that pool of labour.

**Prof. Christopher Worswick:** I guess, rightly or wrongly—I know we don't have much time here—I would probably exempt the agricultural sector because I don't see big problems in it. It's a bit of a cop-out, but we've had that program for a long time. Most of the stories don't seem to be coming from it.

But I take your point that it might be hard in certain regions.

**Mr. Dave Van Kesteren:** Too bad we don't have more time, because I think we could talk about this for a long time.

**The Chair:** Thank you, Mr. Van Kesteren.

I'm going to take the final round. I appreciate a lot of the clarification by many of you on your suggestions for amendments.

I want to follow up, in the time I have, with you, Mr. Lavoie. You said in your statement, "Our members' survey indicate year after year that more than 50% of manufacturers are currently facing skills and labour shortage...". That's certainly what I hear in my region, and it's certainly what I hear from a lot of business organizations. Yet there have many national studies done, by the C.D. Howe Institute, Parliamentary Budget Officer, TD Economics, essentially saying that there is no national labour shortage whatsoever, that this is a problem that has been overblown in terms of its attention.

What is your response to that? It's certainly not the reality faced in my riding, but my riding may be an anomaly. You're a business organization with members across the country. How do you respond to those kinds of reports?

**Mr. Martin Lavoie:** I would say that if you talk to colleges and polytechnics and you ask them how many people they take in their programs, or what their rate of placement is, a lot of them are approaching above 95%. They tell us that they have more applications than they can take; they could place more people.

I don't know how to reconcile these numbers, but what I hear from my members and from applied research and colleges is really in line with what we're hearing from our members. I can't see how I can

reconcile why they're saying that or why they think there's no problem. I don't see why our members would say so if it weren't a problem. The labour and skills shortage is one of the top issues I keep hearing all the time across the country.

**The Chair:** It's one of the top issues consistently that you hear from your members.

**Mr. Martin Lavoie:** Consistently with research and development as well.

**The Chair:** Are there certain sectors within the manufacturing coalition that face bigger challenges than others?

**Mr. Martin Lavoie:** It's pretty broad. It's not one particular sector. We've heard it recently from even the food processing sector. We've heard it from the metals and the plastics, from natural resource-related sectors, from construction related to manufacturing. We've heard it in a lot of different skilled trades for sure.

**The Chair:** Okay.

In my remaining time, I want to go to you, Professor Worswick.

I come from Alberta. I represent Edmonton—Leduc, which has areas like Nisku that are suffering from a real shortage of all types of labour. Just looking at your recommendation on the temporary foreign worker program going forward, if you look at the three prairie provinces—I'm going off memory here—I think for 2013 the unemployment rate for Saskatchewan was 4%, for Alberta it was about 4.6%, for Manitoba it was 5.5%, for Ontario and Quebec it was around 7.5% and 7.6%, and it was higher in Atlantic Canada. Obviously we have different regional realities in this country. We're facing a bigger challenge on the Prairies in terms of accessing labour.

Should we have a temporary foreign worker program that recognizes different regional realities and says that employers in regions where it's 4% unemployment ought to be perhaps facing a different reality from employers facing 11.5% unemployment?

**Prof. Christopher Worswick:** I support that kind of direction. I've made this point clear, I think, in other venues that temporary foreign worker programs make a lot of sense in booming regions of a country, where you might have to see very large wage increases in order to attract workers from the less successful regions.

Especially with something that might be related to a commodity cycle where the boom might not last forever, do you really want to attract a bunch of people across the country who might have to go back again to communities that have been hurt?

I do support a limited temporary foreign worker program. I like the idea of focusing it on more skilled and educated people, because I think the supply responses are smaller there, because you might have to wait until someone finishes their training before they can really enter that area. Targeting it at regions of the country that are booming makes sense.

• (1650)

**The Chair:** Would you also favour, perhaps, considering other measures? A lot of employers who approach me say 5% of their employees are temporary foreign workers; so 95% are Canadian citizens or permanent residents.

Is it fair for the government to say, for a certain maximum percentage of employees, use temporary foreign workers, to thereby ensure that the vast majority of people the employer is hiring are Canadian?

**Prof. Christopher Worswick:** I think that is a good idea. It's something I've considered. I don't know what the percentage is, but I think in situations where 100% are temporary foreign workers, I would think that would raise alarm bells. This might be a questionable enterprise in this regard.

**The Chair:** I think that's to put it mildly, yes.

**Voices:** Oh, oh!

**The Chair:** My time is up. I will cut myself off, as I do others.

I want to thank you very much for being with us this afternoon and contributing to our discussion on Bill C-31.

Colleagues, we're going to take a break for a couple of minutes. Before I do, I've passed around the budget for Bill C-31. Could I have someone move this budget?

**Mr. Nathan Cullen:** I so move.

**The Chair:** It's moved by Mr. Cullen.

(Motion agreed to)

**The Chair:** Thank you so much for that.

We'll suspend for about five minutes.

• \_\_\_\_\_ (Pause) \_\_\_\_\_

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• (1700)

**The Chair:** I call this meeting back to order. This is meeting 36 of the Standing Committee on Finance. We're continuing our study of Bill C-31.

I apologize for the heat. We are endeavouring to address that.

I want to welcome our second panel. Speaking as an individual, we have Ms. Sandra Nelson. From the Canadian Museums Association, we welcome back Mr. John McAvity. From the Canadian Taxpayers Federation, we have Mr. Gregory Thomas. From the PEI Mutual Insurance Company, we have Mr. Blair Campbell. From the Progressive Contractors Association of Canada, we have Mr. Sean Reid.

Thank you so much for being with us. You each have five minutes maximum for your opening statements, and then we'll have questions from our members.

We'll begin with Ms. Nelson, please.

**Ms. Sandra Nelson (As an Individual):** Thank you.

We sit before you today as proof that the TFW program is broken. I am Sandy Nelson, and with me today is Shaunna Jennison-Yung. We are two waitresses from Weyburn, Saskatchewan.

Further to our brief, which you have already received, the following points highlight our concerns.

First, an employer such as ours can simply restructure his business and discharge all staff and keep only the people he wants by saying, "We offered jobs and they didn't want them." Clearly, in our case, jobs were not offered to us. We believe all staff did not receive the notice of discharge. If it were the case, was Service Canada notified? Were new LMO contracts applied for? Were ROEs issued? This, to us, is a blatant abuse of the federal guidelines. The same guidelines state that TFWs or LMOs should be laid off first in times of work shortage.

Second, I myself in January 2014 lost 20 hours a month to the then TFW, and was told she needed her 40 hours per week.

Third, there's the question regarding TFWs coming here to do specific jobs. Is it not against the rules to have someone hired as a waitress or server to then work in housekeeping while the restaurant is under construction, without a change to the contract? As well, a TFW cook is dishwashing part-time and has taken hours from a Canadian dishwasher to ensure that her 40 hours a week are filled. This particular Canadian is now getting, at most, nine hours a week.

On the hotel side of the business, is it not against the rules to have housekeepers going to the bosses' homes to do chores such as yardwork and cleaning? Also included in their duties is the cleaning of bosses' vehicles. This is paramount to slavery. As contract workers, they simply oblige.

Next, we would like to discuss the LMO itself. Shaunna saw firsthand a Canadian applicant who was applying for a prep cook job sit and wait to speak to the boss for an hour. The applicant seemed qualified and was eager for a job. After talking with the boss, the young man left. The boss, Harry, then tossed the application aside, explaining to Shaunna that the job had to be posted in order to get an LMO for a brother-in-law of a current employee from the Philippines. This was the norm, as people did apply for jobs in all categories at the hotel, including housekeeping.

There needs to be safeguards for Canadians such as us. The media was a last resort for us, as we first contacted labour standards, human rights, program integrity services, and the office of Jason Kenney. We did meet with Dustin Duncan, our local MLA, and although he would do what he could, his hands were tied.

There needs to be more information readily available to Canadians regarding the reverse discrimination they may be experiencing in their workplaces. There needs to be more than a telephone number to report abuses. Even a lawyer can't help in regard to this program, since it is a federal program and there are no laws and no legislation to address these issues.

We believe as well that what our boss did in the discharging of all employees was done at this particular time to indeed protect one TFW who had just recently obtained landed immigrant status. The other employee, a cook, who was discharged along with us has been here for approximately seven years and still has only landed immigrant status, which for him is good enough. He could become a citizen, but as he says, he has an open permit to work for five years, and the only right he hasn't got is the right to vote. We don't know how many keep just their landed immigrant status, but that should be an interesting statistic to know.

We believe the reasons more people don't speak up include not knowing what their rights are, no one to actually handle complaints, and having others turn it into a racist issue.

It has been quoted time and time again that the government will not tolerate employers who hire foreign workers when Canadian workers are available and willing to do the same jobs. Yet here we are. The province has started an investigation, and for that we are grateful. However, they can do nothing as it pertains to this program. We have yet to hear from any person from Jason Kenney's office, even though there is to be an urgent investigation.

There must be a tightening of these rules immediately. We sit before you today maintaining that this program is severely broken. We hear talk of stiff fines, suspensions for rule breakers, and severe consequences for abuse. Where is it? We dare anyone to read our brief and tell us that our former employers did not break the rules. As Canadians, we feel unwelcome in our own country. This is unfair not only to us but also to the vulnerable temporary foreign workers now in this country.

• (1705)

I would like to add that we did get an e-mail from Jason Kenney's office on May 13 regarding our e-mail of April 7. As noted in the letter, no information will be divulged due to privacy issues. None of our questions will be answered, and it is apparent that we will not be interviewed or be part of this investigation. We cannot understand why we as complainants would not be part of an official investigation process.

Thank you.

**The Chair:** Thank you, Ms. Nelson.

We'll now hear from the Canadian Museums Association.

**Mr. John McAvity (Executive Director, Canadian Museums Association):** Thank you, Mr. Chair.

In the interests of time and temperature, I will try to be under the five-minute line.

We are very pleased to be here. I'm John McAvity, the executive director of the association. We have approximately 2,000 not-for-profit museums and galleries all across Canada. They welcome about

60 million visitors each year, so they're enormously important and spread out, from large metropolitan cities to small rural communities. They're also extremely popular and are viewed very favourably by Canadians. In fact, according to studies, 96% of Canadians believe museums contribute to a better quality of life.

I believe I speak on behalf of all of our members when I say that we were very pleased with the federal budget of February 11, which protected the museum programs at the Department of Canadian Heritage and also at the Canada Council for the Arts, programs that are vital to the well-being of our country's museums. There are, however, two other issues that we would like to bring forward to you today.

The first is division 11, which amends the Museums Act of Canada in order to transfer responsibility for two programs, the virtual museum of Canada and online works of reference, to the Canadian Museum of History. Particularly, we are concerned that there was a lack of consultation. We did not see this decision coming, and there are a number of subsequent questions that we are awaiting clarity on.

As a national museum, the Canadian Museum of History is a world-class institution that adheres to the highest professional standards. We applaud its mandate of raising the profile of Canadian history and have no doubt about its capacity to deliver on these programs being transferred to it.

Our concern refers to clause 193, in which proposed subsection 9 (3) states:

The Canadian Museum of History may support other museums or organizations that have a purpose that is complementary to its own

On the positive side, the transfer of these programs does represent an opportunity to renew and broaden these programs, integrating new forms of technology and helping the programs move forward. We do not want to see these programs be narrowed. We want to ensure that our nation's heritage is not restricted to historical artifacts or archival materials, as per the museum's role, but also through art, science, oral history, and other forms of culture. We argue for the very broadest definition possible.

I should also go on to talk a bit about the virtual museum of Canada, because it is an important program that supports museums across the country and teaches them the process of developing online exhibits as well as helping to digitize museum collections. We need to ensure that it and the other program being transferred are inclusive and accessible to the whole community.

A second matter of concern to our community is the recent changes to the cultural property review board in this budget. This is a very valuable program that assists in the protection of cherished historical items and encourages the growth of private giving in Canada. In the last two reported years, the board's permits and actions resulted in over 34,000 items of outstanding significance and national importance, valued at over \$178 million in tax credits, being saved for the public good in our museums and galleries.

On February 11, the federal budget effectively closed down one donation model that some taxpayers had used. Some had used favourable tax treatments, fluctuations in values, and exemptions from capital gains to their advantage, all very legal activities. These shelters are now ineligible under the program. Some professionals are wondering what further changes may be coming.

The next part in Bill C-31 sees the authority of the cultural property review board being transferred from the Minister of Canadian Heritage to a new administrative tribunal. Again, there was no consultation. We were not aware of this change.

We are wondering where all of this is leading. Assurance is badly needed for the integrity, openness, and long-term stability of the cultural property review program.

We thank you for your time.

• (1710)

**The Chair:** Thank you very much for your presentation.

We'll now hear from Mr. Thomas, please.

**Mr. Gregory Thomas (Federal Director, Canadian Taxpayers Federation):** Thank you, Mr. Chair, and members of the committee.

We welcome this opportunity to present to you on behalf of our 84,000 supporters across Canada, the Canadian Taxpayers Federation, Canada's oldest and largest taxpayers' advocacy organization.

We realize the first-ever appearance by the leader of the official opposition to a parliamentary committee is a tough act to follow.

I understand that it's now mandatory to lead with some Latin, so I'd like to say *boni pastoris est tondere pecus, non deglubere*. The emperor Tiberius advised his regional governors that it is important to shear the flock of sheep and not to slaughter them, in reference to taxation policy.

**Voices:** Oh, oh!

**Mr. Gregory Thomas:** So we bring you that reminder in the spirit of the day and in the new spirit of reviving classical languages at the Commons committee meetings.

With regard to the debate around the future of Canada's supply of workers, we remain troubled that since the financial meltdown of 2008 the average Canadian couple—each partner earning \$50,000, at least—between them and their employers, they're sending \$934 a year more to Ottawa in employment insurance payroll taxes than they were at the onset of the recession. We think that Parliament ignores the fact that this money is coming right off people's paycheques. It is diminishing their disposable income and it is making it more difficult for a consumer-led recovery that generates employment and prosperity. It makes it tougher for Canadian families.

We think that the absolutely first order of business with family-friendly tax relief in the coming budget has to be getting these payroll taxes back in line and getting this program under control. By the government's own projections, the government is expecting to bring in at least \$4 billion, and possibly \$5.5 billion more, in employment insurance payroll tax revenue than goes out in benefits.

Yet, for every dollar of payroll tax revenue that's collected, the government is spending 11¢ on administration.

How does this affect Canada's labour markets? We just heard a story today of a boat maker in New Brunswick who moved to Maine. He cited employment insurance regulations as one of the biggest aggravating factors. A young person today can work 26 weeks in any major Canadian city, whether it's Halifax, Moncton, Calgary, or Vancouver, and they won't even get their contributions to the EI fund back. People who are working and making a working person's wages don't even get their contributions back. Yet in some of these economic regions, someone can work the identical number of hours and get \$17,000 in EI benefits.

Well, no wonder we're having a hard time filling job vacancies in Canada, when, depending on your postal code, you can get \$17,000 in benefits, while someone living in a major city where there is work gets nothing. They don't even get their contributions back. It's an injustice. We urge this committee to tackle that issue.

• (1715)

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

We'll go to Mr. Campbell, please.

**Mr. Blair Campbell (General Counsel, Corporate Secretary, PEI Mutual Insurance Company):** Thank you, Mr. Chairman.

I for one will not be complaining about the heat, after the winter we've had in Prince Edward Island.

**Voices:** Oh, oh!

**Mr. Blair Campbell:** My name is Blair Campbell. I'm the general counsel and corporate secretary for Prince Edward Island Mutual Insurance Company. I come to you in this capacity, but I also sit on the executive committee of the Canadian Association of Mutual Insurance Companies.

I'm here today to address division 14 of part 6 of Bill C-31. It provides, in part, rules to enable the conversion of mutual insurance companies to capital stock companies, which is otherwise known as demutualization. I come to you to express grave concern over this decision and to explain the impact that these rules may have on our companies, and in particular on rural Canada.

Our company, Prince Edward Island Mutual Insurance Company, is one of 100 mutual insurance companies serving in the property and casualty insurance market in Canada. Our company, like many of our sister mutuals, was formed by farmers between 100 and 175 years ago out of need in the farming sector and for rural property owners to provide insurance that was not adequately serviced by stock companies. Mutuals are still relevant today in rural Canada. Most of our companies are based in small Canadian towns. We have boards that consist of local farmers and business people. We serve local residents, make decisions locally, and serve the needs of many rural Canadians.

Our companies were founded on principles of mutuality and sharing. They were not formed based on capitalistic principles or ideals of individual property rights. As mutualists, we believe the assets of a mutual insurance company are a common good. They are indivisible. The surplus of our companies has been built up as security for the policyholders over many generations. This surplus was not accumulated to become the property of a particular generation. Members of the company do not have any direct or even notional ownership rights in the assets of the company, as when they leave, there is no payment of a share in the company. The surplus is held for the policyholder's benefit while they are a mutual policyholder.

The best example of proper disposition of the surplus of a mutual is in Quebec with cooperatives. When they convert, the assets of the cooperative will stay in the cooperative federation or system. As well, in France, if we are looking for precedent, policyholders voting on a demutualization proposal must also vote on the disposition of the surplus, which must be to a continuing mutual company or companies, or charity.

A demutualization decision by the policyholders of the day will be made out of self-interest. It won't be made out of acknowledgement of the sacrifice or contribution of prior generations, or the interests of future generations that will be served by mutuals. If enabling laws are made, our companies will be at risk of conversion for the purpose of expansion of existing stock companies with predatory ambitions of growth. Mergers and acquisitions professionals will become skilled in lucrative practices, converting mutual companies to stock companies.

I would just give you the example of the life companies. When the rules were made, the life companies served 50% of the life insurance market—life companies are different from our property and casualty companies—but now they serve less than 5% of that market.

It may be impossible to monitor and defend against the predatory and greed-based motivation in the examples I've given you. We are at the precipice of a decision that may have the effect of gutting the mutual industry in Canada. This will have irreversible effects on our companies and the cost of insurance services provided to Canadians, especially rural Canadians.

**The Chair:** One minute, please.

**Mr. Blair Campbell:** It's valid for government to say no to the circle of self-interest and refuse to create enabling laws. It is preferred that no enabling rules be established, but if there are to be enabling rules, it is vital to get them right. These decisions should receive the highest level of scrutiny within the company with supermajority quorum and approval thresholds. In Ontario there is a 90% requirement on this question.

The surplus of the company should remain in the mutual insurance system. Questions on the demutualization should be addressed by government as opposed to deferring to the courts. Not passing disrespect to the courts—I have the utmost respect for them—but politicians with public input are best suited to set public policy, especially in novel areas of the law, as opposed to deferring to courts.

Finally, government should pass a law requiring that all policyholders of a mutual are considered a mutual or voting member of the company. That will solve the problem with 4% of the mutuals where they have gotten themselves into a distorted ownership picture with a narrow mutual ownership situation. There is one company of 800,000 policyholders that suggests that they have 1,000 mutual policyholders. They have \$1.6 billion in surplus, and this company is the principal driver of these rules.

Thank you.

• (1720)

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

We'll go to Mr. Reid, please.

**Mr. Sean Reid (Vice-President, Federal and Ontario, Progressive Contractors Association of Canada):** Thank you, Mr. Chair.

We have covered a lot of ground on this panel already, I can see. I will cover a couple of topics, but I've also heard in previous sessions a lot of discussion around temporary foreign workers. I'd be happy to talk about that in the questions, if need be.

It's my pleasure to be here on behalf of the Progressive Contractors Association of Canada to share our perspective on Bill C-31.

PCA represents and supports progressive unionized employers in Canada's construction industry. Our member companies employ approximately 30,000 skilled tradespeople, unionized primarily by the Christian Labour Association of Canada.

In western Canada, where we account for about 40% of all natural resource industry construction and where provincial regulations best support the hiring and training of young workers, registered apprentices comprise over 35% of the total PCA workforce. Despite our leadership in the recruitment and development of new tradespeople, PCA member companies, like most companies in Canada's construction industry, continue to struggle to find enough workers to meet growing demand. This is particularly pronounced in B.C., Alberta, and Saskatchewan.

It's in this context that I want to express PCA's strong support for the measures within part 6 of Bill C-31, and to share our thoughts on how these measures fit into a broader plan for addressing Canada's workforce development challenges both today and into the future.

It starts with promoting and enabling skills training and apprenticeship in Canada. There are numerous barriers to entry for Canadians considering a career in the trades. These barriers include cost, proximity to employers and training providers, and family circumstances.

The Canada apprentice loan announced in the 2014 budget is a welcome step towards tackling some of these issues. For many of our prospective employees, the loan will help cover a variety of hidden costs of transitioning from a low-opportunity career path or occupation into the skilled trades—the cost of new tools and equipment, transportation costs, and income supplementation during technical training, just to name a few.

It's our hope that once implemented, this program will be flexible enough to accommodate someone who decides to change trades early on in their apprenticeship journey. At the same time, the program should maintain enough focus to facilitate improved completion rates.

While these sorts of investments in apprenticeship will help the longer-term landscape, they will not help our companies address the immediate acute skills shortages we are experiencing in certain regions and occupations. We must also look abroad to fill those gaps.

PCA supports the balanced approach of the federal government reflected in Bill C-31 pertaining to immigration. Our members are particularly excited about the potential of the express entry system, not only for recruiting high-demand tradespeople, such as heavy equipment operators and welders, but also hard-to-find corporate professionals, including engineers, project managers, and estimators. We'll continue to work closely with the federal government on the development and implementation of this new system.

I do want to highlight one other area around which we believe more can and should be done; namely, to better facilitate the mobility of workers in Canada from regions of high unemployment to regions of low unemployment. One solution that we believe the federal government should take a closer look at is the creation of a work travel grant or a lump sum training and mobility grant accessible through the EI system. Mobility grants allow a person who is unemployed in one area of the country to utilize future employment insurance benefits in the form of a lump sum payment in order to relocate to another area of the country where workers are needed. The funds advanced from the EI payments would then be used to fund job search, training, and relocation costs.

In conclusion, PCA thanks the committee for this opportunity to share our views on Bill C-31. I'd be happy to take any questions you have.

• (1725)

**The Chair:** Thank you very much for your presentation.

Colleagues, the first four members will have seven-minute rounds.

We'll start with Ms. Sims, please.

**Ms. Jinny Jogindera Sims (Newton—North Delta, NDP):** Thank you very much, Chair. It is a pleasure to be here today.

My questions will be directed toward Ms. Jennison-Yung. I want to thank both Ms. Nelson and Ms. Jennison-Yung for appearing before us today, but more so for their courage, more so for their courage.

When the story broke of what happened to you—it's a story that's reflected, by the way, from coast to coast to coast—I can tell you that you became well-known household faces. Everybody knew the

story. It galvanized Canadians and pointed out to them the kind of abuses that do exist.

After the story broke, the Minister of Employment and Social Development was quoted as saying:

Our message to employers is clear: We will not tolerate any abuse of the temporary foreign worker program....to ensure that Canadians are first in line for available jobs and to ensure that employers do not take advantage of foreign workers.

In this context, I have a series of questions for you. I would really appreciate yes or no answers, because time is very limited.

Did the minister blacklist your employer?

**Mrs. Shaunna Jennison-Yung (As an Individual):** No.

**Ms. Jinny Jogindera Sims:** Who is currently working at the restaurant: Canadian residents or citizens, or temporary foreign workers with LMOs? You'll have to give more than a yes or no on this one.

**Mrs. Shaunna Jennison-Yung:** There are three Canadians part-time, we believe, and the rest who are employed there are—

**Ms. Jinny Jogindera Sims:** How many make up the rest?

**Mrs. Shaunna Jennison-Yung:** There would be six, I believe. They're either on contract or landed immigrant.

**Ms. Jinny Jogindera Sims:** Thank you.

Have you heard from the minister or his office by phone?

**Mrs. Shaunna Jennison-Yung:** No.

**Ms. Jinny Jogindera Sims:** Have you received anything personally, in writing, from the minister's office?

**Mrs. Shaunna Jennison-Yung:** No.

**Ms. Jinny Jogindera Sims:** Did you receive a form letter from the Department of Employment and Social Development stating that ESDC takes the integrity of the temporary foreign worker program seriously and will not tolerate any abuse of the program?

**Mrs. Shaunna Jennison-Yung:** Yes.

**Ms. Jinny Jogindera Sims:** Thank you.

Would you suggest that the fact the government has done absolutely nothing about the abuse you reported well over a month ago, a story that was splashed on the front pages of newspapers and covered by almost every visual media outlet as well, the government is tolerating abuse of the program?

**Mrs. Shaunna Jennison-Yung:** Yes.

**Ms. Jinny Jogindera Sims:** If you could ask anything or say something to the Minister of Employment and Social Development if he were sitting here—I'm sure he will get this message—or if you got to meet him face to face, what would you want him to know, or what question would you want answered?

**Mrs. Shaunna Jennison-Yung:** There's one question we want answered: where's our investigation, and can you explain to us how this is right, how this is not wrong, by your guidelines set out for this program?

**Ms. Jinny Jogindera Sims:** What I'm gathering from you is that you warned the government about this employer, yet the status quo remains at that restaurant. I find that actually quite heart-wrenching. You're seeing, in the place where you worked, other people working there when you are not. It's really heartbreaking. You were good employees. Both of you had been there for a long, long time. You took a big risk in coming forward with this story, a big risk, and I want to thank you for it.

Can you tell me what your job prospects have looked like since you very bravely came forward on this?

**Mrs. Shaunna Jennison-Yung:** I was offered a job in another establishment, but the offer was rescinded due to the fact that they employ foreign workers. I am obviously not wanted in that respect.

• (1730)

**Ms. Jinny Jogindera Sims:** Just to be clear, you were offered a job by this other place.

**Mrs. Shaunna Jennison-Yung:** Yes.

**Ms. Jinny Jogindera Sims:** They then rescinded the offer because they said they had temporary foreign workers on site.

**Mrs. Shaunna Jennison-Yung:** Not in so many words, but they made it obvious that the offer was not there anymore.

**Ms. Jinny Jogindera Sims:** Thank you very much.

Recently the CEO of McDonald's gave a response to the news story that its franchises turn away Canadian applicants to bring in cheaper foreign labour.

Your colleague actually talked about a situation that describes that. You've seen that happen. You've seen how it's treated.

This is what the CEO had to say:

"This has been an attack on our brand. This has been an attack on our system. This is an attack on our people. It's bull....I used those words when I described my conversation with the minister last week. He gets it."

The story goes on:

Betts says he was "incredibly impressed" with the minister, adding, "He really knows his stuff. And I'll say he knows his stuff from a business person's perspective."

"Yes, they are disenfranchised. Some of them don't work for us anymore. But in the scheme of things, it doesn't matter."

"This story has been brewing for a lot of years. And you know at the end of the day we just happen to be the business that got tapped into it and we weren't the first..."

After your experience, what does hearing comments like that feel like?

**Mrs. Shaunna Jennison-Yung:** It doesn't give us a whole lot of confidence. It took a lot of thinking and courage to finally come out

and do what we did, not just for ourselves, but for all Canadians who find themselves in this position.

We are very disappointed that we're not worth the time or the effort of this government to stand behind their words, get this investigation going, and stand up for us.

**Ms. Jinny Jogindera Sims:** Once again, let me tell you that your heart-wrenching story has touched Canadians.

**Mrs. Shaunna Jennison-Yung:** Thank you.

**Ms. Jinny Jogindera Sims:** I get emotional every time I think about it and about the many, many Canadians I hear from, permanent residents and new immigrants, who are saying that it's the same for them.

To both of you, thank you for your courage. I know it's a very emotional time. You know that we'll keep pushing until this program gets fixed.

**Mrs. Shaunna Jennison-Yung:** Thank you.

**The Chair:** We'll go to Mr. Van Kesteren first.

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

I thank all of you for coming.

I wasn't going to go first, but I want to respond to this.

First of all, I've listened to your story, and what I heard is a very sad story. It must be something that has been very difficult for you.

When I saw the notes today and saw that you were coming, I did a little bit of investigating. I went on Google and tried to find the story. I found one story, and it is in the paper. You're absolutely right. After that, I found nothing. I was kind of at a loss, so I looked up the owner. I called and talked to the owner.

As is so often the case—and Mrs. Jennison-Yung, I'm not here to judge; that's certainly not my job—there's another side to the story. Of course, that other side talks about having to make some changes in the status of the business. It's a business, and one has to pay the bills and has to pay for the lights and all the others costs that are incurred when one runs a business.

I asked the owner some of these pointed questions, because I had your testimony. I asked him to tell me, because if I was going to talk about this, I needed him to tell me that he took issue with this, which is fair enough, because he's not here. Quite frankly, it's really unfair for us to make a judgment.

The other thing I should mention as well is that we're not here to make that judgment. I want to say at the outset that this case at this moment is being looked at, and he couldn't comment on all these things because this case is before a tribunal that looks after this type of thing.

The owner had some different numbers, and I jotted them down. As far as the foreign workers go, you're right. There are some foreign workers who are working there, but I think he talked about three foreign workers out of ten in the restaurant. In housekeeping, he tells me, it's half and half.

Again, I say that because you're going to say one thing and he's going to say another thing. That's for the courts or for those who identify these things.

Please understand I'm not here to criticize or even challenge you on these things. I just want this committee to understand that without having all the facts in front of us, it's pretty hard for us because, understandably, you may not even have all those facts. That's why we're going to look at these things.

I want to say as well that the minister is very concerned about this. This issue is being investigated. We have introduced laws within the temporary foreign worker program such that if abusers are found, they will be charged. I can assure you that is the case.

Do you know what the unemployment rate in your neck of the woods is?

• (1735)

**Mrs. Shaunna Jennison-Yung:** I do not know what it is in particular.

**Mr. Dave Van Kesteren:** It's 3.1%.

We've had this discussion among the different panel members. This is what makes it so difficult. There are those who say, for instance, maybe in Mr. Keddy's neck of the woods, that they need these people in the fishing industry. Then there'll be those who say, "No, you have a high unemployment rate and you don't need them." There are people in Mr. Reid's end of the world who say that they have to have these people. But it's 3%, which is virtually nothing, by the way. When economists talk about 3%, there is no unemployment. So there is a reason to have the program.

I don't want to get into too many technical explanations, but as far as evaluating and administrating the program go, when we have regions in our country that have virtually no labour pool, we have to administer it.

There are two things I wanted to say. First of all, we don't have Mr. Siourounis here to defend himself. The other thing is that we are investigating this.

I also want to thank you for coming out.

I just wanted to say that because I think we don't have the whole story.

Thank you.

Mr. Chair, how much time do I have left?

**Mr. Murray Rankin:** Does the witness get to answer, Mr. Chair?

**Mr. Dave Van Kesteren:** I didn't ask for your—

**The Chair:** Order.

As members know, the time allocated to a member is the member's time.

Mr. Van Kesteren, do you want to move on?

**Mr. Dave Van Kesteren:** How much time do I have?

**The Chair:** You have two minutes.

**Mr. Dave Van Kesteren:** Oh, good.

I want to talk to Mr. Reid. I want to talk about the foreign worker program.

I want you to tell us the other side of the foreign worker program, what you're experiencing in your neck of the woods, which is the same neck of the woods, which has a severe labour shortage. Can you maybe just tell this committee?

**Mr. Sean Reid:** Our contractors are small, medium, and large industrial contractors building the resource sector in western Canada. These are companies with workforces in the thousands. We don't search for just one welder; we search for 50 or 100 welders at a time, or for 200 welders in some cases.

When a project ramps up, we go to every extent possible to first look in the immediate area. If we're talking about the Fort McMurray area, for example, we'll look in the Fort McMurray area. We'll then look in Calgary and Edmonton. Then we'll look in B.C. and ultimately out east as well. The reality is that to ramp up for some of these projects, there just aren't enough welders at the scale we're talking about, in terms of the demand on contractors, to address those needs in the timeframe we have.

We support all the government's work and investment in developing apprenticeships, but we have an immediate problem. If we want to continue to keep these projects moving at a prosperous and efficient rate, we have to get more people in here, and that's what the temporary foreign worker program actually helps us address.

**Mr. Dave Van Kesteren:** Very quickly, the fact that you're pulling the labour pool, this is affecting every aspect of labour, I would assume, from the skilled to the unskilled.

• (1740)

**Mr. Sean Reid:** I would say that it's primarily the high skilled but certainly there are skills at all.... In some circumstances we're short of general labour as well, but definitely we're feeling the pinch at the higher skilled labour level.

**The Chair:** Thank you, Mr. Van Kesteren.

Mr. Cuzner, go ahead, please.

**Mr. Rodger Cuzner:** Thanks very much.

Could we be fairly quick? We have only seven minutes.

This is for Mr. Thomas first. We prefer shearing the sheep to slaughtering them, but if the wool is used to pull over our eyes, then we get a little testy, so I know you wouldn't want to do that.

Perhaps you could give us a quick comment. Your reference is that the premiums paid for EI are really an indirect tax. Some argue that they would be best used to invest in skills training; others say they should be used for job creation, if they go back to employers. Do you have a quick thought on that?

**Mr. Gregory Thomas:** We would prefer that the money be left in the pockets of working Canadians to go out and spend in the economy, because the overhead administrative costs—11¢ for every dollar that makes it into the pocket of a recipient—are unheard of. Those support the economy in the national capital region, obviously, but it's not an efficient system and it should be reformed.

**Mr. Rodger Cuzner:** Do you see it as an indirect tax, really?

**Mr. Gregory Thomas:** It's the most direct tax, because you can't shelter it by putting money into retirement savings. It's a regressive payroll tax, and it has an immediate effect on diminishing consumer spending in Canada, which is—

**Mr. Rodger Cuzner:** I'm going to cut you off, because I want to get in a little question for everybody.

Ms. Jennison-Yung, I first want to identify the situation that Ms. Nelson referred to in her comments, the uncomfortable situation that the temporary foreign workers found themselves in, of doing household chores for the employer. I really respect the fact that you've taken their well-being into consideration.

Were all of you, the temporary foreign workers and you folks, let go on the same day, or were you guys let go, and the temporary foreign workers were kept on?

**Mrs. Shaunna Jennison-Yung:** Well, we're not sure of that.

We all got a formal written notice of discharge saying that they were discharging all staff. At the time, they said the contract workers would get a different letter later. This is one of our questions for Mr. Kenney, because if we were all discharged—and as the letter stated, “all staff have been discharged and we will interview those we want to come back and work for us”—and the employer fired or laid off temporary foreign workers, Service Canada would need to be notified. ROEs would need to be printed up, and new LMO applications would need to be submitted. That was the process under which everyone was fired.

**Mr. Rodger Cuzner:** With absolute respect, I know Mr. Van Kesteren to be an honourable member. I know he wasn't trying to imply anything by where he was going with his questioning, but were the temporary foreign workers doing the same work that you guys were doing? Is that work being done by temporary foreign workers now?

**Mrs. Shaunna Jennison-Yung:** Absolutely.

You're right. We can't get that information on who is on contract and who is not. All I would like to say to his question is that if he's saying there are only two or three or it doesn't matter, they still have their jobs. Ms. Nelson and I do not.

**Mr. Rodger Cuzner:** Thanks very much.

Mr. Reid, how much are your members spending now on skills development apprenticeship?

**Mr. Sean Reid:** I don't have the immediate number handy, but it's a significant portion. Virtually all of our members pay into—

**Mr. Rodger Cuzner:** You guys do track that, though.

**Mr. Sean Reid:** We do. We all pay into a training fund that is robust.

**Mr. Rodger Cuzner:** What is the participation rate? Would most of your members be involved in the apprenticeship and training?

**Mr. Sean Reid:** It's about 95%.

**Mr. Rodger Cuzner:** What about your commitment to hiring apprentices?

**Mr. Sean Reid:** Apprentices are 35% of our workforce.

**Mr. Rodger Cuzner:** Is that right across the membership?

**Mr. Sean Reid:** That's throughout western Canada. The ratios in Ontario don't allow us to do 35%, but where we can, we have 35% in apprenticeship.

● (1745)

**Mr. Rodger Cuzner:** Obviously, with the increase in the number of temporary foreign workers, I would imagine that the amount of money invested in training over the last six years would have increased considerably as well proportionally.

**Mr. Sean Reid:** There's no question. Our membership invests substantially in training. We've been very supportive of the work that the federal government has done on training in the recent budgets. But, at the end of the day, again we're talking about significant economic enterprises out west that require a scale of workforce that we don't have.

**Mr. Rodger Cuzner:** What percentage of your members will access and utilize the job grant?

**Mr. Sean Reid:** Our expectation is that it will be substantially leveraged by our membership. PCA has been a strong supporter of it.

**Mr. Rodger Cuzner:** Mr. Campbell, I'll turn to you with regard to the whole situation around demutualization.

We're seeing our rural communities just sort of gutted, really, for a couple of different reasons. What kind of impact is this going to have on small communities across the country?

**The Chair:** You have one minute.

**Mr. Blair Campbell:** I know that the availability of insurance affects the availability of credit to buy properties and to improve properties, farms, businesses, and whatnot. If the mutuals aren't there to provide the services that they currently provide...

**Mr. Rodger Cuzner:** Is there a risk they could be snapped up by outside buyers and—

**Mr. Blair Campbell:** That's a significant risk.

**Mr. Rodger Cuzner:** —they would just sort of galvanize around one service provider?

**Mr. Blair Campbell:** Yes.

**Mr. Rodger Cuzner:** The moms and pops are gone, and the big box providers are the ones that...

**Mr. Blair Campbell:** That's right.

Decisions will be made on a different street. They won't be made on Main Street in Summerside. They'll be made on Bay Street, perhaps. Decisions are made differently on that basis. I know from our own experience pricing is a big factor, especially in the rural areas.

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

We'll go to Mr. Saxton, please.

**Mr. Andrew Saxton:** Thanks to our witnesses for being here today.

I'd also like to begin by recognizing and thanking Mrs. Jennison-Yung and Mrs. Nelson for being here today.

I was, as many people were, moved by their story. I want to assure you that our government is serious about reforming this program to make sure that Canadians do come first. That's extremely important.

I'd just like to ask you what you think about the penalties we've proposed to employers who abuse the program.

**Mrs. Shaunna Jennison-Yung:** You'll have to let me know what —

**Mr. Andrew Saxton:** But you do agree, though, that employers who abuse the program should be penalized.

**Mrs. Shaunna Jennison-Yung:** That's right. That's what the federal guidelines say, that they will be penalized, blacklisted, and fined, but we don't know what that means or what that looks like.

**Mr. Andrew Saxton:** But the new legislation is going to be significantly tougher on employers—

**Mrs. Shaunna Jennison-Yung:** Yes.

**Mr. Andrew Saxton:** —so that we can crack down on employers who are abusing the program. I would assume that you would be supportive of a move of that nature.

**Mrs. Shaunna Jennison-Yung:** Oh, absolutely, because I truly believe that if there are consequences to these actions, then people will think twice about abusing this program, whether that abuse is towards Canadians or temporary foreign workers themselves.

**Mr. Andrew Saxton:** Right. It's our understanding that the opposition is actually going to be opposing our proposal to strengthen the penalties against employers. I'm sure you're surprised to hear that as well.

**Mrs. Shaunna Jennison-Yung:** Well, I'm here because of the issue I'm here for. We are here to support tougher sanctions and more blacklisting. Let's see some of these fingers actually get slapped, so that they don't do it again. That's what I'm here to support.

**Mr. Andrew Saxton:** Good. Thank you very much. I appreciate that.

**Mrs. Shaunna Jennison-Yung:** Thank you.

**Mr. Andrew Saxton:** My next question is for Sean Reid.

Mr. Reid, there's a strong relationship between educational programming and the skills demanded by industry. Skills matching is critical not only to the success of our students but also to our graduates' ability to be immediately productive upon entering the workforce. As a result, various stakeholders and businesses have called for the loosening of restrictions to entering the skilled trades. Budget 2014 provided, as you know, over \$100 million for the new Canada apprentice loan program, providing tens of thousands of apprentices with access to interest-free loans.

Do you support the government's investments in the skilled trades as a part of the diverse strategy to create jobs and economic opportunities for young Canadians?

● (1750)

**Mr. Sean Reid:** We absolutely support the government's focus on the skilled trades. If you'd like, I can elaborate a little bit.

**Mr. Andrew Saxton:** Please elaborate.

**Mr. Sean Reid:** Sure. We see three barriers in particular when we talk about people coming into the skilled trades, which, we should acknowledge, is probably the highest growth sector of employment in the country. First of all, there are barriers of perception. What I'm talking about there is that frankly, people think skilled trades are for dummies, that smart people go to universities, and dummies go to skilled trades as a last resort. Clearly, the tone that the government has been setting over the last several years is one that rejects that presupposition, and we support that.

Second is barriers to entry. In some cases, I should say, there are significant provincial barriers in terms of apprenticeship ratios and the expansion of compulsory trade certification. We support the minister's work on bringing the provinces together to discuss those barriers and hopefully bring them down.

The third is really the barrier to mobility. That's an issue we see a lot of. We have tradespeople in southern Ontario or in parts of the Maritimes, who for one reason or another find it prohibitively expensive to move to where the employment opportunities really are in the west, for example, or perhaps in northern Ontario. That's the one area in which we want to encourage the federal government to continue to focus its attention: facilitating greater mobility for people to move to where the employment opportunities are.

**Mr. Andrew Saxton:** I have just one more question.

On the temporary foreign worker program, as you know, and it has been discussed here today, our government has proposed significant changes to reform and improve the temporary foreign worker program. I'd just like to ask if you agree within those proposed changes.

**Mr. Sean Reid:** We do. We think it's a balance. The approach the government is taking on the temporary foreign worker program is balanced, and we particularly want to continue to encourage the federal government to focus on a temporary foreign worker program that addresses the acute skill shortages in specific occupations and in specific regions.

**Mr. Andrew Saxton:** Thank you very much.

Chair, how much time do I have?

**The Chair:** You have about a minute and a half.

**Mr. Andrew Saxton:** Terrific. Thank you.

My next question is for Gregory Thomas.

Gregory, welcome.

Would it be your assessment that the amalgamation of government bodies such as ACOA and ECBC is an effective way of providing government services while respecting taxpayer dollars?

**Mr. Gregory Thomas:** We certainly wholeheartedly support these reforms as well as the administrative tribunals and the administrative tribunal support services.

**Mr. Andrew Saxton:** Okay. As you know, since coming to government, we've reduced taxes in just about every single way that Canadians pay taxes, in fact, in over 180 different ways, including reducing red tape on businesses with the one-for-one rule, for example.

Do you support our reforms for cutting back red tape?

**Mr. Gregory Thomas:** We do. We've consistently supported the tax reductions that have come forward, and we're particularly excited, as the government enters a surplus, by the prospects of additional tax relief in next year's budget.

**Mr. Andrew Saxton:** Thank you very much.

Thank you, Chair.

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

[Translation]

Mr. Caron, you have the floor. You have five minutes.

[English]

**Mr. Guy Caron:** *Merci beaucoup.*

As my colleague Ms. Sims said, thank you to Ms. Nelson and Ms. Jennison-Yung for their courage but also for making this testimony.

I'd like to go back quickly to something that Mr. Van Kesteren mentioned. I'll be paraphrasing, because I don't have the exact formulation, but basically, after contacting the owner of the business, the owner of the business basically said, "Well, we are in a tough business, especially right now, and we have difficult decisions to make."

To me, that sounds a lot like saying, "You're paid too high; we'll fire you so that we can actually find a way to get people lower"—

**The Chair:** Mr. Van Kesteren.

**Mr. Dave Van Kesteren:** On a point of order, Chair, I did not say that.

You need to go back to the blues.

**Mr. Guy Caron:** I'm not saying that you did say that; I'm paraphrasing the owner who you talked to...in your comments.

**Mr. Dave Van Kesteren:** Okay, because I did not say that.

**The Chair:** Let's refrain from members saying what other members said.

**Mr. Guy Caron:** I'm not saying that Mr. Van Kesteren said that; I'm saying that's what the owner he talked to said. People will be able to refer to the answer because it's on record.

Ms. Jennison-Yung, I'd like you to actually confirm for me if that's what happened there. Basically you got fired, and the justification given to you was that...?

•(1755)

**Mrs. Shaunna Jennison-Yung:** We were given no reason at all. We were just dismissed.

**Mr. Guy Caron:** Okay. We'll see on the record what reason the owner gave when he talked to Mr. Van Kesteren.

The topic of procedure was brought up, and how things happen. Mr. Saxton knows very well that we will be voting in committee on the over-300-page bill. On some of the things we'll be voting in favour, and on some of the things we'll be voting against. But in the House we'll be stuck having one single vote on more than 300 pages of legislation, of which temporary foreign workers will be about two pages. So that's the way it works.

[Translation]

I would like to go back to Mr. Campbell and address the issue of demutualization.

Last year, as part of this committee's work, we had a briefing on demutualization. At that meeting, we talked a great deal about the Economical Mutual Insurance Company.

Are you familiar with the situation?

[English]

**Mr. Blair Campbell:** I'm somewhat familiar with the situation, yes.

[Translation]

**Mr. Guy Caron:** In a minute or so, could you summarize it for us so that we understand it clearly? This issue is extremely complex.

[English]

**Mr. Blair Campbell:** It is our understanding that Economical Mutual wishes to demutualize. They currently have, as I said, 800,000 policyholders; however, less than 1,000 of them claim to be mutual policyholders.

In the mutual, the members are the owners of the company. I talked about the property rights issue earlier in my presentation. In a demutualization of Economical, with \$1.6 billion in surplus plus the value of the business as a book of business, the value to each of those fewer than 1,000 policyholders would be significant.

[Translation]

**Mr. Guy Caron:** So in this particular case, just under 1,000 individuals are mutual policy holders, but around 1 million people are regular policy holders. Through demutualization, those with mutual policies that have accumulated over 125 years, would each have \$1.6 billion in surplus, while those with regular policies would be left out in the cold.

Is that right?

[English]

**Mr. Blair Campbell:** I think that's the original intent. I don't know what their intent is now. Of course, their intent will be guided by the laws and regulations that are put in place by government.

[Translation]

**Mr. Guy Caron:** Given the situation and the intent of Economical Mutual Insurance Company at the time, and based on the situation we have experienced in the past, what do you think the impact will be if the legislation proposed by the government is enforced?

[English]

**Mr. Blair Campbell:** The proposed legislation is opening the door to creation of regulations, so the regulations will further define what those rules look like.

One of the provisions in the bill that's under consideration deals with the minister's ability to defer questions, and perhaps ownership questions, to the courts. It's my view that this is really a public policy decision that needs to be addressed with public input, instead of a technical legal argument on a novel area of law, and I think Parliament is best suited to deal with the question.

**The Chair:** Thank you.

We'll go to Mr. Keddy, please.

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

Welcome to our witnesses.

Mr. Campbell, I'd like to pick up on the thought that the rules surrounding demutualization and ownership rules would be better made by political entities rather than judicial ones. I find that a little bit surprising, because most of the time when it comes to division of property and assets, that ends up being a court-regulated process anyway.

**Mr. Blair Campbell:** The court may take a strict property rights interpretation, whereas when you look at the creation and formation of Economical Mutual, or any mutual for that matter, what was the intent of that surplus? What was the intent of the ownership? How did the ownership structure wind up at 1,000 members?

I think you understand what I'm saying; do you?

• (1800)

**Mr. Gerald Keddy:** No, no, that's an interesting statement, but I don't think we can take it just on a single case. I mean, obviously, for mutualized companies, and insurance companies in this case, there has to be a process for demutualization. That process has to be fair and equitable and allow shareholders to be able to get their assets, if they have assets in the company, out of the company. That's what's intended in the budget bill.

I do take a little bit of exception to something. You made a comment about mutual insurance companies being the only insurance companies for rural Canada. You know what? I farmed for 25 years, and I used a mutual insurance company in Atlantic Canada. I had great service and a great agent. I still run a very modest little farming operation, but I don't use a mutual insurance company anymore. I didn't get anything for the assets I invested with the company; plus my insurance is cheaper, and I have more of it.

So there are two sides to that, and I think that needs to be put on the record: there are other companies. In this case, I think competition is.... Whether it's good or bad, it's not for us to decide, but it's fair.

**Mr. Blair Campbell:** Yes. I know that in our experience as a mutual company, we are a company that will consider business that stock companies do not or that other insurers do not. In your case, you may be a very favourable risk. Oftentimes stock companies, big companies, like to cherry-pick risk. So that may be a compliment to you.

**Mr. Gerald Keddy:** For example, there's a difference in insuring my tractor for the highway. Every farmer needs PL and PD in order to go on the highway with a farm vehicle. Under a private insurance company, it's considerably cheaper, almost half, than under a mutual insurance company. So every case is separate: that's what I'm trying to say. I appreciate your testimony, but I want to put that on the record.

To John McAvity from the Canadian Museums Association, two entities that are out there, the virtual museum of Canada with that online presence, and the Canadian encyclopedia of music and the directory of Canadian biography, these are newer online resources that never used to exist. They have comprehensive information in them available now to all of Canada's museums to assist in the development of those.

How accessible are they to your organization? How often do you use them? How important are they to you?

**Mr. John McAvity:** Actually, they're public programs. They're not new programs. They've been in existence for a number of years, and they are available to all Canadians. They're open and accessible. That, to us, is a very important asset.

Our concern is simply in the transfer to the Museum of History. Will they be bound by narrower criteria that is the role of the Museum of History, or will they be broader, to include art, natural science, history, technology, other disciplines, other subjects? We would argue for the broadest possible application.

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

Thank you, Mr. Keddy.

We'll go to Ms. Sims, please.

**Ms. Jinny Jogindera Sims:** My question is for Ms. Jennison-Yung again.

Let me see. The government has reduced red tape, which has meant that the temporary foreign worker program has now ballooned to well over 350,000. Almost every day in the media, we are seeing stories of abuse. More people came forward today, as was witnessed on TV.

You lived in this community for a long time, yes or no?

• (1805)

**Mrs. Shaunna Jennison-Yung:** Yes.

**Ms. Jinny Jogindera Sims:** You've been a long-term employee, yes or no?

**Mrs. Shaunna Jennison-Yung:** Yes.

**Ms. Jinny Jogindera Sims:** Were you laid off?

**Mrs. Shaunna Jennison-Yung:** I was dismissed.

**Ms. Jinny Jogindera Sims:** You were dismissed. You're not employed, but the temporary foreign workers who were working at the time are employed. That's through no fault of their own, by the way. It's not their fault.

**Mrs. Shaunna Jennison-Yung:** Right.

**Ms. Jinny Jogindera Sims:** Right. Thank you.

Do you have bills to pay, or did your bills just stop the day you lost your job?

**Mrs. Shaunna Jennison-Yung:** No, ma'am, I have bills.

**Ms. Jinny Jogindera Sims:** You have bills to pay.

What we have here is a situation in which you have a Canadian person living in a community for a long time, not working through no fault of their own, and instead what we have is an employer who has brought in workers who he can treat in a very different way because they are vulnerable.

Thank you.

I'll hand it over to my colleagues.

**Mr. Murray Rankin:** Thank you.

I also just want to say, Ms. Jennison-Yung, that I appreciate very much your being here, and I want to say that we've heard today that the minister is very concerned about how the temporary foreign worker program is going.

Have you been told by any federal officials that any new laws would be made backwards in time to fix your situation?

**Mrs. Shaunna Jennison-Yung:** No.

**Mr. Murray Rankin:** Okay.

I'd like to ask a question of Mr. Thomas.

First of all, Mr. Thomas, welcome. It's nice to see you again. Thank you for raising the tone of the debate with a Latin phrase to begin. That was very good. I also appreciate your efforts with the giant balloon of Senator Duffy across Parliament Hill recently. That was very, very funny as well.

You've heard from Ms. Nelson and Ms. Jennison-Yung today. On behalf of the Canadian Taxpayers Federation, do you think what you've heard is either fair or good public policy for Canadians?

**Mr. Gregory Thomas:** No.

**Mr. Murray Rankin:** Okay. Thank you.

I want to ask Mr. McAvity something.

Your organization is an important one. I know it well. We've met before.

I wasn't very clear about your proposed subsection 193(3) of the Museum of History's legislation, which may support other museums if they have a complementary purpose. You weren't consulted on some changes. Could you elaborate? I wasn't clear on what you were suggesting.

**Mr. John McAvity:** First of all, we were not consulted on or aware of the transfer of two very major programs to the Museum of

History. We have all the faith in the world in the Museum of History. It's a very well run organization.

The question is what does "complementary to" mean? We're arguing that that should be a very broad definition. What is history? Whose history are we talking about? Is there a beginning and an end? How do you define that? It is an elastic word.

**Mr. Murray Rankin:** Your organization and, I think, a number of organizations for which you speak have hired students for internships over the years. Could you comment on any changes in federal funding that may have affected that?

**Mr. John McAvity:** Actually, we previously recommended to this committee that additional funds be put into internship programs. We operate on behalf of the Government of Canada what is called Young Canada Works. It is so oversubscribed and it is so important to developing skills by younger Canadians that we are turning down 90% of the employers' applications, not those of the young people—that would be a ginormous figure—but 90% of those of the museum employers across Canada.

**Mr. Murray Rankin:** Why are you turning down 90% of the employers' applications?

**Mr. John McAvity:** There is insufficient funding to meet the demands of the program.

**Mr. Murray Rankin:** In the past, who has provided that funding to you?

**Mr. John McAvity:** The Government of Canada has.

**Mr. Murray Rankin:** And it no longer provides that funding?

**Mr. John McAvity:** No, it still does. It has been consistently funded. We have started going out actively to the private sector and bringing in some corporate and private money to help with internships. That's a major challenge for us, but at least we're showing entrepreneurship in doing that. The Government of Canada has been investing more and more in youth employment. We've simply not seen any benefits from the recent \$50 million and the previous \$40 million that were added.

**Mr. Murray Rankin:** And 90% are now being turned down as a consequence.

**Mr. John McAvity:** Ninety per cent of internships are. Yes.

**Mr. Murray Rankin:** Thank you.

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

I have Mr. Allen on the list.

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

Thank you to all of our witnesses for being here today. I appreciate your taking the time.

Mr. Thomas, I'd like to start with you. I'd like to ask you a few questions with respect to EI.

Do you agree that in principle, in the long run, the EI system should be financed by the premiums of the people who will be recipients of it?

•(1810)

**Mr. Gregory Thomas:** Yes. We believe that training should be part of the education system within K to 12 and in post-secondary education. We don't believe it's the obligation of a Canadian worker to fund training programs for others out of EI payroll taxes. We also believe that EI should be similar to the Canada pension plan, such that money comes off your cheque; it's invested for you in the event that you suffer a loss of employment; and if you manage to stay employed throughout your productive life, and your family, your spouse, and your dependants all manage to stay productively employed, then you get to keep those funds into your retirement.

**Mr. Mike Allen:** So you disagree with the part II programs for labour training and labour market development agreements and that type of thing that we have with—

**Mr. Gregory Thomas:** Yes. We believe that funding them out of a regressive payroll tax is bad public policy.

**Mr. Mike Allen:** At the end of the day, if you look at the budget numbers—and granted, the Government of Canada did subsidize EI premiums over the downturn in the economy—it's going to be the end of 2015 before the EI operating account comes out of the negative position it's in. Then, budget 2014 says, “as a result, in September 2013 the EI premium rate for 2014 was frozen at the 2013 level of \$1.88 per \$100 of insurable earnings and it was announced that the rate will be set no higher than \$1.88 for 2015 and 2016”, and the chart shows it's going down to \$1.47. So, in fact, over the seven-year timeframe, it will actually start to go down again in the cumulative account.

Do you think it's a responsible position that we should be managing this over a period of years as opposed to just jumping the premium up and down?

**Mr. Gregory Thomas:** I don't want to take too much of your time, but between the previous government and the current government, you had a \$57 billion surplus in the EI account in the 2010 budget, which was liquidated into general revenue. So—

**Mr. Mike Allen:** Actually it was the Liberals who did that.

**Mr. Gregory Thomas:** —the economy could use a shot in the arm now. Canadians have paid through the nose for a recession they didn't create. If you want to see economic activity and consumer spending, you should get those rates down sooner rather than later.

You're taking in \$5.5 billion more in revenue this current fiscal year, 2014-15, than you're paying out in benefits. For the next budget, in 2015, our strong advice would be to get that down. As far as the notional deficit in the EI operating account goes, that's all smoke and mirrors. That account was created to create a deficit.

**Mr. Mike Allen:** Well, part of it's in the \$5 billion deficit right now anyway.

Mr. Reid, I'd like to go to you.

With respect to the apprentices, you said about 35% of your people are apprentices where possible. It struck me with some of the testimony that we've heard regarding youth employment and other types of situations about the trades that there are inconsistencies across provinces. I just wanted to know how you are partnering with community colleges and how you are working to try to frame your block release program so that there's consistency across the country

in this. It seems to me that some of our students are getting hung up in block release, and it's taking them a long time to get out into the workforce.

**Mr. Sean Reid:** Let me try to answer that as well as I can. I'm not sure we see a ton of issues with block release, per se. I think the biggest restrictions or challenges we face are actually regulatory at the provincial level. Frankly, to western Canada's benefit, Ontario is shutting out apprentices through its high apprenticeship ratios and compulsory trade certification. People are leaving to go to western Canada.

That, to us, is probably the strongest barrier we're seeing in that regard.

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

I'll take the next Conservative round, if there's no objection.

Mr. Reid, at the end of your presentation you talked about a mobility grant. You said, “The funds advanced from EI payments would then be used to fund job search, training and relocation costs.”

Would this be a repayable loan? If the person is relocating, would they get an advance from EI and then, after they work in their position for perhaps a few months, pay that back? Is that how it would work?

•(1815)

**Mr. Sean Reid:** No. It would be essentially reaching forward into your EI contributions and basically taking a lump sum instead of the regular contribution you get every two weeks, or whatever it is.

**The Chair:** This is a person who is currently collecting EI payments, then.

**Mr. Sean Reid:** They're currently collecting EI, yes.

**The Chair:** That clarifies that. I appreciate that suggestion.

Ms. Jennison-Yung, on the situation that you and your colleague describe, I don't know the particulars. I don't know what particular restaurant that is, or what hotel. But this describes clear rule breaking. This describes someone, if this is all true, who clearly broke the rules of the program. They did not hire Canadians preferentially, when that is exactly what people are supposed to do under the current rules.

I guess what makes this doubly upsetting for me is that I come from an area—I represent Edmonton—Leduc—of very low unemployment; an area that is really searching for all types of people in all types of occupations; an area where some very decent employers are facing some really tough challenges. They have maybe 5% of their workforce as temporary foreign workers, and their concern is that they get tarred with the same brush that the employer you're describing gets tarred with.

Frankly, there's actually a fair amount of common ground between you, between those employers, and I think between the policies advanced by the government in the sense that those people who break the rules ought to be held to account. You've made those points here today. I fully support that, and I'll certainly follow up to ensure that this is done. It's certainly fair to ask for an investigation.

With respect to the blacklist, it's fair to ask that anyone who transgresses this program be put on a blacklist, absolutely. The good employers, frankly, support that 110% as well. There's a lot of common ground on that.

I just want to go back, though, to what was mentioned earlier by Mr. Saxton. To me, this bill seems to partially move in the direction of what you're recommending with respect to the fines. You're saying that employers who break the rules ought to be investigated, held accountable, put on a blacklist. What this legislation will enable the government to do is fine these companies. If these companies then break the rules, they ought to be held to account. The surest way of punishing a company like this is to fine them very quickly so that they see there is an immediate cost to this kind of activity, and it acts as a deterrent to any others who are thinking they should do this.

Perhaps you could comment on that, on the government imposing fines on those companies that do break these rules.

**Mrs. Shaunna Jennison-Yung:** I understand that they want to change and make the fines more, but in all the literature that we could find, that was something that was already in place. It stated

that companies that were caught abusing the programs would be fined, and possibly do criminal time.

Our standpoint is that if this had already been done, and the rules had already been followed, then perhaps we wouldn't find ourselves in this situation. Just saying now that they're going to levy heavier fines, which would...

How many fines have been given out in the first place?

**The Chair:** Just to clarify, the blacklist has been established.

**Mrs. Shaunna Jennison-Yung:** I got that.

**The Chair:** What this does, in part 6, is it enhances the monitoring and enforcement of this program and enables the minister, the government, to apply “administrative monetary penalties”, which is a technical way of saying fines.

**Mrs. Shaunna Jennison-Yung:** Right.

**The Chair:** It will actually empower the government to levy fines, which I think you and I are in complete agreement on.

**Mrs. Shaunna Jennison-Yung:** Oh, and we absolutely agree with that as a point, but you have to move forward and take those steps to actually use that blacklist, which still only has four companies on it, and impose those fines.

**The Chair:** I appreciate that, and I look forward to seeing it. The vote on that division will be interesting.

I appreciate all of you being with us here this afternoon. Thank you so much for your testimony and for responding to our questions. If there is anything further you wish the committee to consider, please submit it to the clerk. We will ensure that all members get it.

Thank you so much.

Thank you, colleagues.

The meeting is adjourned.

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