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Chair

Mr. James Rajotte

Standing Committee on Finance

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• (1530)

[English]

The Vice-Chair (Mr. Nathan Cullen (Skeena—Bulkley Valley, NDP)): Good afternoon, everyone. I call to order meeting number 49 of the Standing Committee on Finance. Pursuant to Standing Order 83(1), we are continuing our pre-budget consultations for 2014.

[Translation]

I would like to welcome everyone in the first panel of witnesses we will be hearing from this afternoon.

Good afternoon. You will have five minutes to give your presentation.

[English]

We'll start with Mr. Mahar from the Canadian Council.

Mr. Michael Mahar (Director, Canadian Council, Amalgamated Transit Union): Ladies, gentlemen, and Mr. Chair, good afternoon. I want to thank you for the opportunity to participate in this pre-budget consultation. Today I want to speak briefly on the need for the federal government to design a Canadian transit framework.

I represent the Amalgamated Transit Union Canadian Council, the largest transit union in North America, representing 200 workers in Canada and the United States. ATU Canada is the governing body in Canada regarding all external matters of Canadian interest, whether legislative, political, educational, cultural, social, or economic.

We've represented front-line support staff and front-line staff in transit from Vancouver to Newfoundland for over 100 years. We've experienced first-hand the public's response to both well-funded and underfunded transportation systems and have seen the challenges to the industry when the economy fluctuates while transit infrastructure is funded ad hoc or through a short-term vision in some areas.

ATU Canada proposes permanent dedicated funding for public transit to maintain, renew, and expand transit services across Canada. ATU Canada recommends to government that at least one source of this permanent funding be a percentage of the current fuel and gas tax funds. Additional revenues sources should be considered, such as a small portion of the goods and services tax and/or an employer payroll tax.

Canada is one of the few developed countries without a federal policy covering the long-term predictable transit investment that would permit our transit systems to achieve their full potential. A Canadian transit framework would provide economic and environmental benefits to all Canadians by ensuring that gridlock is reduced

while allowing the public to reach their destinations in a safe and timely manner. Furthermore, tourism would be enhanced when our cities could boast world-class transit systems.

Effective world-class transit systems will increase Canada's ability to compete globally in a world economy, help to protect our environment, and improve our quality of life. Expanding public transportation can help create thousands of new, green, well-paid jobs and save billions of dollars in time, energy, and other efficiencies.

Equally important, a world-class public transit system creates an all-inclusive community, a community that provides and even protects the most vulnerable in our society. A Canadian transit framework would also help to level the playing field for a large segment of that group, those who cannot afford a private vehicle, thereby aiding a segment of society that tends to get marginalized under the current system.

Industry Canada notes the following inequity in vehicle use in Canada and recognizes those who tend to be most disadvantaged by that inequity. Under the title "Vehicle use in Canada: Some unintended consequences", it notes:

Canadians are avid users of private transportation. If sustainable transportation initiatives are ever to be implemented, changes in vehicle use will be required. Private automobiles...account for a significant share of transportation operations and are associated with relatively high environmental costs. That all environmental costs are not reflected in the vehicle price favours an inefficient focus on private transportation that has sufficient distributional impacts...".

Industry Canada goes on to note:

...in car-oriented industrial countries, those who either cannot afford a car or are unable to operate one often have no access to jobs, schools, health centres, and other important destinations. Children, the handicapped, the poor and the elderly are not only made less mobile by an auto-based system, but they also bear the brunt of its costs: the physically weak suffer the most from pollution, and the poor are those most often displaced by roads.

At the FCM conference in 2010, Prime Minister Stephen Harper stated that better transit means fewer cars; fewer cars mean cleaner air, and of course cleaner air means people breathing easier.

It is unusual for any industry's biggest stress to be their success, but even some of the more progressive transit systems in Canada struggle financially due to a steady growth in ridership owing to urban sprawl, an aging population, and more and more younger Canadians moving away from cars and onto public transit.

It appears that these same Canadians are now ready to pay for better public transit also. A recent survey by CivicAction in Toronto shows that people are willing to pay more for public transit if the funds are dedicated to and assured to go towards public transportation. These same sentiments have been echoed across Canada. The main platform for the candidates in Toronto's current municipal election is public transportation. ATU Canada has seen these same sentiments unfold at the municipal level across the country for many years.

It is worth noting that a recent CBC online poll showed that 88% of the 359 respondents said yes when asked if Canada should adopt a national transit strategy. Of course, the Canadian Urban Transit Association is here today, so I won't go into any detail, but our friends from CUTA have lobbied for a Canadian transit framework for many years now and have released a paper on the same issue. I know they'll be speaking on that today. We certainly share a lot of the same philosophies with respect to that. We certainly share a lot of the same philosophies with respect to that.

• (1535)

I thank you for your time.

The Vice-Chair (Mr. Nathan Cullen): Thank you very much, Mr. Mahar.

Ms. Reynolds, you have up to five minutes, please.

Ms. Jennifer Reynolds (Director, Community Services, Town of Milton, Past President, Canadian Parks and Recreation Association): Mr. Chair, committee members, on behalf of the Canadian Parks and Recreation Association, or CPRA, I'd like to thank you very much for inviting our association to appear at your pre-budget hearings. I'm Jennifer Reynolds, a past president of CPRA and the director of community services for the Town of Milton, Ontario.

CPRA is the national voice on the social, health, economic, and environmental benefits of parks and recreation. We most directly serve the interests of municipal parks and recreation while also supporting the broader sector in its delivery of these benefits nationally. We were pleased when we saw that two of the themes for your pre-budget process included ensuring prosperous and secure communities, including support for infrastructure, and supporting families and helping vulnerable Canadians by focusing on health, education, and training. Our recommendations support these themes.

We believe high-quality, accessible recreation opportunities are essential to the healthy well-being of individuals and the vibrancy of a dynamic society. All people and communities deserve equitable access to recreational experiences, yet the physical deterioration of the country's sport and recreation infrastructure is dramatically inhibiting many Canadians from achieving the health and social benefits derived from recreational pursuits. As such, we're here before you to recommend that the 2015 budget include an annual commitment of \$925 million for three years to partner with

provinces, territories, and municipalities to invest in an infrastructure program dedicated specifically to recreation and sport.

I'll take a moment to explain our recommendation. In the first half of the last decade, provinces and territorial governments and affiliated not-for-profit recreation and parks associations undertook studies that inventoried and assessed the physical condition of sport and recreation in Canada. The results of these studies were used to estimate that over \$15 billion in deferred capital investment was required to repair or replace those facilities. This estimate did not account for funding for new facilities to meet growth-related requirements or to meet the country's changing demographic or cultural profile.

In 2006 provincial and territorial ministers responsible for sport, physical activity, and recreation used this information as the basis for calling for a designated national infrastructure program that would help to increase opportunities for Canadians. Since 2006 a number of programs—the Canada economic action plan, the infrastructure stimulus fund, and the recreation infrastructure in Canada program, or RInC—provided some needed funding support. These programs have helped certain communities with pressing recreational imperatives, but they really only represent a small proportion of the national need.

The \$14-billion 2014 new Building Canada fund was announced, yet sport and recreation does not comply. The federal budget also included a federal gas tax fund increase, which is allocated to provinces and territories. While sport and recreation projects can apply, they must compete against 16 other categories. Evidence suggests that many municipalities will allocate funds to sewer and roads rather than pools, arenas, or trails, yet our sector across Canada is in desperate need of investment. Consider the scenario that more than 50% of municipally owned sport and recreation facilities across the country are at the end of their useful life, and most require renovation or upgrade. Facilities built before 1990 require retrofit to protect public safety and meet new standards for accessibility and energy efficiency. New facilities are needed to meet future population growth.

The 2006 estimate of \$15 billion is now valued at \$17 billion. Recognizing the many important demands on tax-supported funds, we're calling upon the federal government to work collaboratively within a shared mandate to address these needs. We're seeking an investment that focuses strictly on addressing critical repairs, maintenance, and adaptations necessary to ensure that these valued facilities remain as safe and reliable public assets.

Based on traditional tri-party funding programs involving federal, provincial, and municipal governments, the total ask of \$925 million per annum for three years links directly to the pre-budget theme of ensuring prosperous and secure communities. Parks and recreation touch all Canadians. Recreation infrastructure is one of the most important core investments that can be made into the prosperity, health, and security of urban and rural communities. Although economic benefit is not the primary driver, recreation and sport infrastructure creates jobs. We provide welcoming communities for diverse cultures and aboriginal people.

As we near Canada's sesquicentennial, a meaningful investment into the health of our citizens would result in recapturing a community spirit second to none. The inclusion of a dedicated community fund will deliver a meaningful and tangible impact on the lives of families in rural and urban communities across the country.

Thank you.

• (1540)

The Vice-Chair (Mr. Nathan Cullen): Thank you very much, Ms. Reynolds.

Mr. Roschlau, you have up to five minutes, please.

Mr. Michael Roschlau (President and Chief Executive Officer, Canadian Urban Transit Association): Thank you very much, Mr. Chair.

[Translation]

Honourable members of the committee, we are extremely grateful for the opportunity to appear before you today.

The Canadian Urban Transit Association, or CUTA, is the collective voice of Canada's public transit and integrated mobility sector.

[English]

I'd like to begin by highlighting that over the last decade, all orders of government have recognized the importance of public transit by increasing their investment in this strategic sector. Since 2006 the federal government alone has invested nearly \$8 billion in transit infrastructure across the country, particularly through the Building Canada plan. It's no secret, however, that no single government can sustain the cost of building major transit projects single-handedly.

[Translation]

The federal government can certainly appreciate this dilemma, having, itself, recently looked at innovative tools to help pay for infrastructure projects, such as public-private partnership as an alternative funding mechanism.

[English]

The industry is open to alternative funding sources such as P3s, but the current procurement model restricts the federal government to a maximum of 25% share of the cost in a P3. This often leaves municipalities and provinces with a more substantial share of the initial capital investment up front. As the federal government prepares its next budget, it should consider raising its maximum share of P3 projects from 25% to 33%, especially in cases where no private partners are providing initial capital investments.

On another note, building public transit is one of the best solutions for our communities to grow and prosper. Transit plays an important role in reducing traffic congestion, which costs Canada over \$10 billion in lost productivity every year. It's estimated that Canadians spend on average 32 working days a year commuting back and forth to and from work.

To respond effectively to these challenges transit projects require a predictable and stable investment. As it stands, the transit industry still faces a \$3-billion annual funding gap to meet the needs of infrastructure expansion and renewal. CUTA recommends that the federal government work with its provincial and municipal counterparts to increase the ratio of infrastructure funding going to transit projects.

By investing in transit infrastructure, we can maximize job creation in communities across the country. The Canadian transit industry employs 75,000 people and creates thousands more in spinoff jobs. In addition, many of the manufacturers, consultants, and suppliers at the core of the industry have developed their expertise here in Canada and export a substantial share of their production. Despite difficult economic times, they've continued to sustain a long legacy of public transit innovation, which has helped them increase their share of the North American transit market.

In order to maintain our competitive advantage, the federal government can partner directly with the Canadian Urban Transit Research & Innovation Consortium, a new not-for-profit organization dedicated to bringing industry and academia together to increase technological development in Canadian transit.

Before concluding, I'd like to be clear on one more point: buy America. Now more than ever, the threat of protectionist measures being debated in the United States regarding buy America procurement rules is real. That could raise U.S. transit content from 60% to 100%, putting hundreds, if not thousands, of Canadian jobs at risk if transit manufacturers are forced to shift their production to the U.S. We will continue to work with the Government of Canada to come up with solutions to help protect the high-value jobs in the Canadian transit industry and address these concerns with our U.S. counterparts.

• (1545)

[Translation]

In conclusion, public transit investments grow our economy, create jobs, fund made-in-Canada technological innovations and provide sustainable transit solutions to communities of all sizes.

We commend the Government of Canada for its support and wish to extend our full cooperation in the ongoing improvement of our policy framework. Together, we can create an optimal environment to maximize Canada's return on public transit investment in the 21st century.

[English]

Do I have a few seconds left?

The Vice-Chair (Mr. Nathan Cullen): You have about 20 in total.

Mr. Michael Roschlau: Okay, I'll take 10 of those just to thank you all for your support of Bill S-221 on crimes against transit employees.

Thank you so much.

[Translation]

The Vice-Chair (Mr. Nathan Cullen): Thank you, Mr. Roschlau.

[English]

Mr. Mattina, you have up to five minutes, please.

Mr. Domenic Mattina (Chairman, Merit Canada): Good afternoon and thank you for the opportunity to appear here today.

My name is Domenic Mattina and I am the current president and owner of Mattina Mechanical Limited, a second-generation open-shop mechanical contracting firm in the industrial, commercial, and institutional sectors based out of Hamilton, Ontario.

I am also the current chairman of the Merit Canada board of directors. Merit Canada is the national voice for Canada's eight provincial open-shop construction associations. For us the term "open shop" simply describes a workplace where membership or non-membership in a union is not a condition of employment.

Merit Canada has two priorities for its 2015 budget, neither of which costs a dime. Both issues—open tendering and union job targeting funds—are market-distorting measures that impose severe competitive challenges for the non-unionized construction sector.

I want to address a key point. Merit Canada does not view unionized contractors as adversaries but rather as competitors. However, for that competition to be fair, there has to be a level playing field, and that simply does not exist with these two issues.

Let me start with open tendering, a system in which construction contracts are awarded on the basis of corporate merit. Unfortunately in too many jurisdictions, not all Canadians are allowed to bid on federally funded projects. Instead, access is restricted to specific unionized contractors affiliated with the building trades. As a result, approximately seven out of 10 Canadian construction workers in the open shop sector are excluded from employment on such projects. To make things even less competitive, specific unions, over other unions, also have privileged access to these contracts, thereby further

shrinking the competitive pool. It is easy to predict what will happen when 70% or more of the competition is shut out: quality will go down and costs will go up. These costs are very real.

The City of Montreal found that closed tendering inflated project costs anywhere from 30% to 85%. For Hamilton, it was 40%. A Cardus study suggests that Ontarians are paying 20% to 30% more for construction projects subject to closed tendering.

Obviously there is a fiscal argument to be made regarding open tendering, but there is also the issue of fairness. Our members and their employees are barred from bidding on contracts paid for with their tax dollars because they do not belong to the right union. In fact, on the latter point, Cardus suggests that restrictions on competitive bidding serve as a petri dish for corruption in public procurement. It is, in short, an inherently flawed system with no basis in public policy.

Therefore, our primary recommendation for the 2015 budget is to implement open tendering for all projects that use federal funds.

Let me address our second priority, job targeting funds or JTFs. You may also have heard them referred to as market enhancement recovery funds or MERFs. In simple terms, these are superfunds managed by union bosses that are built through mandatory contributions from members of a union or their employer, which are then used to undermine the competitive bidding process. The funds are administered by a union local, and payments are made in response to employer applications to subsidize wages to be paid by that employer to workers for a contract or a job for which the employer may be competing against a non-unionized one. In effect these massive funds are used to cross-subsidize workers on jobs for which unionized employers have to compete against non-unionized ones.

Merit Canada believes their use raises a number of important public policy questions. First of all, is the practice a violation of the Competition Act? Second, should unionized employers and workers be given a leg up when bidding as a result of subsidized wages? Third, should job targeting funds be exempt both for the contributor and for the recipient? Fourth, should unionized workers and employers be forced to subsidize the salaries of other workers via mandatory contributions to these funds? Finally, are job targeting funds having an impact on public infrastructure costs?

•(1550)

Given these important public policy questions, we recommend that the government ask the commissioner of competition to review job targeting funds for compliance with the Competition Act, and ask Canada Revenue Agency whether contributions meet the requirements for a deduction under the Income Tax Act.

As mentioned at the outset, neither of these recommendations costs the government anything. However, both are critical to ensuring a fair and competitive construction marketplace, with the added bonus of open tendering potentially saving billions in infrastructure costs and creating more employment.

Thank you again for the opportunity to be here today. I'd be happy to answer any questions.

The Vice-Chair (Mr. Nathan Cullen): Thank you, Mr. Mattina.

Mr. Johal, you have five minutes, please.

Mr. Sunil Johal (Policy Director, University of Toronto, Mowat Centre): Good afternoon. My name is Sunil Johal, and I'm the policy director at the Mowat Centre with the University of Toronto. I'd like to thank the committee for the opportunity to participate in these pre-budget consultations.

My remarks will focus on the role of infrastructure investments in enabling prosperous and secure communities. I will briefly touch on four issues: the need for investment in infrastructure, the importance of linking investments to broader policy considerations, challenges with existing federal investment plans, and how Ontario is disadvantaged by existing approaches.

First, Canada has a clear and recognized need for infrastructure investments that support future prosperity. Public infrastructure investments—over 5% of GDP through the 1960s—declined in subsequent decades, with some recovery over the past decade. This trend can be seen in figure 1 of my brief.

This period of lower levels of public investment was exacerbated by low levels of private capital investment in Canada compared with OECD peers. This investment shortfall has left a significant share of public infrastructure in need of renewal, from our increasingly congested cities to first nations communities with substandard housing and inadequate water systems.

Canadian governments have recognized the need for infrastructure investments and responded with long-term investment plans.

This brings me to my second point. As these plans move forward, it is essential for our economic prosperity that they be adequate, aligned, and integrated with other policy objectives. The increasing prominence of the service sector in our economy, an aging population, and urbanization among other trends demands different approaches to what we consider critical economic infrastructure. Additionally, federal infrastructure investment decisions ought to take into account the way emerging technologies might cause an existing infrastructure to fall out of step with the needs of communities and the economy.

Given the long life of assets, it is essential that the choices we make today on public infrastructure set us on a sustainable course. This means ensuring that investments maximize efficiency of our

resource usage and minimize impacts on air, water, and land resources. Adaptation to climate change must also be integrated into design and planning.

The third issue I'd like to address is the fact that it will be difficult to meet these objectives in the context of existing federal infrastructure investment plans. While the long-term commitments in the new Building Canada plan are welcome, federal infrastructure investments are by far the smallest contribution to public infrastructure in Canada. According to the Canadian Centre for Economic Analysis, the federal government is responsible for about 12% of public infrastructure investments in Ontario, with provincial and local governments covering the remaining 88%.

Canada stands apart from OECD peer federations by a large margin in the role that subnational governments play today in public investment, as can be seen in figure 2 of my brief.

Building adequate infrastructure to meet our needs depends on greater investment from the federal government. However, not only must the level of federal infrastructure investment be addressed but also the way those investments are managed. Federal dollars are delivered through a long list of programs that have often diverged from their original commitments on focus and funding level. It is exceedingly difficult to map which projects have been selected under which program and why. One example is the green infrastructure fund, which has nearly \$150 million unexplained publicly.

In addition to transparency challenges, the use of boutique programs brings challenges from a policy and operational standpoint. Designing programs to leverage additional funding from other governments makes the returns on federal investments appear larger, but skews local investment decisions to federal criteria. The need to fit federal project selection windows for limited funds often prioritizes the shovel-ready over the important. Furthermore, transaction costs are higher and flexibility is limited by the multitude of infrastructure programs.

Finally, I'd like to address how the current federal approach disadvantages Ontario. The largest of these concerns stems from the provincial-territorial infrastructure component of the Building Canada fund in the new Building Canada plan. Ontario is set to receive about 28% of this \$9.6-billion fund over the next 10 years, compared to its 38.5% share of the population. This is because the federal government has carved out about one-third of this fund to distribution to provinces on an equal basis: \$250 million per jurisdiction, regardless of size or need.

In conclusion, to take advantage of a generational opportunity to invest in our infrastructure, Canada will need to move towards a more strategic and coordinated approach that takes account of a broader range of policy considerations and the priorities and capacity of other governments and sectors.

Thank you.

• (1555)

The Vice-Chair (Mr. Nathan Cullen): Thank you very much, Mr. Johal, as well as all of our witnesses today.

Committee members, I'm going to suggest that the first round be seven minutes each, if that's acceptable.

We'll start with Monsieur Caron.

[Translation]

You have seven minutes.

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

I would like to thank the witnesses for their informative presentations. I am going to focus more on the issue of public transit.

I will begin with Mr. Mahar until Mr. Roschlau is ready.

Mr. Mahar, you mentioned that Canada was the only G8 country without a national public transit strategy. I assume you wish there were one in place.

Could you tell me how many OECD countries have a public transit strategy? Could you list the ideal components of such a strategy, in 3 to 5 points? What does a national transit strategy need to have so that the federal government can make effective investments in public transit?

Mr. Michael Roschlau: First of all, just to put the question in context—

Mr. Guy Caron: Pardon me, Mr. Roschlau, but my question was for Mr. Mahar. I will get to you next.

[English]

Mr. Michael Mahar: I apologize that I don't have the exact numbers, but certainly when you look at the European countries that do have it, they have a fulsome type of transportation system that interchanges among all modes of transportation, whether it is bike, car, bus, high-speed rail, heavy rail, or light rail. Those countries that do have it have a very high percentage of ridership, which I believe we currently lack in Canada.

[Translation]

Mr. Guy Caron: Mr. Roschlau, what are your thoughts on that?

Mr. Michael Roschlau: Let's put the question in context.

It really depends on how you define a strategy. Different countries have different approaches to how they support public transit, be it through funding policies or other mechanisms. So that makes it really tough to say which countries have a strategy and which ones don't.

However, a core element of a strategy could be better alignment between infrastructure investments in new subway lines or light rail

systems, for instance, and land use planning. That is the most important principle. Ensuring that investments are as effective as possible is key, so it's important to target the investment in the area that will deliver the best return and ridership. The right investment formula is also necessary to ensure adequate and ongoing funding in the context of a multi-level government partnership.

Finally, a research and development program to help develop state-of-the-art technology would be important, in addition to ridership incentives. That could take the form of an excise tax exemption for employers who want to give their employees a choice between a parking spot and a monthly transit pass, for example.

• (1600)

Mr. Guy Caron: I don't have very much time left, but I have other questions I'd like to ask you. So I am going to pick up on the topic of research and development.

One of your recommendations was to partner with private contributors and universities to build a research network. You also highlighted certain facts regarding current levels of R and D investment. In your brief, you said that Canada ranked 20th out of 37 countries in R and D spending.

Today, what are the barriers preventing us from establishing a network like the one you describe or an R and D infrastructure that would enable us to do what needs to be done?

Mr. Michael Roschlau: The first challenge is to build a community that brings together the private sector, transit networks, universities and government. That is the idea behind the new not-for-profit consortium that was just approved by Industry Canada. In the coming months, we will establish a board of directors that represents the interests of the various stakeholders to determine the degree to which a true consensus exists as to the next steps.

Mr. Guy Caron: I have about two-and-a-half minutes left. I'd like to discuss the Buy American Act. I have two or three short questions for you on the subject.

First of all, there is clearly a problem. Have you raised the issue with the government? And if so, what was its response?

Second of all, you talked about negotiating an exemption. Usually, when you negotiate to get something, you have to give something up in return. Do you think the Americans would accept that? What could we offer them in exchange for an exemption?

And lastly, you mentioned in your brief that Canadian-based builders and manufacturers held 70% of the manufacturing market, and that is despite the Buy American Act. How are Canadian companies managing to do so well in the face of the restrictions, or barriers, imposed by our trading partner?

Mr. Michael Roschlau: I'll start with the last question.

In Canada, we have a very rich history in terms of public transit innovation and manufacturing. The vast majority of bus manufacturers, as well as rail manufacturers, have long been based in Canada. The industry has grown accustomed to complying with the U.S. standards as far as 60% American content and final assembly in the U.S. are concerned. So a manufacturing approach has been established to adhere to those rules.

That being said, it's a very fine line. Any change, even raising the level of American content from 60% to 70%, could wreak havoc in the industry and prompt companies to move their manufacturing operations to the U.S.

As for our position and that of the current government, we strongly support free trade and keeping the current standards and rules in place. We are against raising the proportion of American content. The federal government and Canada's ambassador in Washington have made that clear. We are all very much on the same page. The problem is it's definitely a big threat from a U.S. policy standpoint right now.

The Vice-Chair (Mr. Nathan Cullen): Thank you, Mr. Roschlau.

Thank you, Mr. Caron.

It is now over to Mr. Keddy.

[English]

Mr. Keddy, go ahead for up to seven minutes, please.

Mr. Gerald Keddy (South Shore—St. Margaret's, CPC): Welcome, witnesses.

From the Canadian Urban Transit Association, Mr. Roschlau, I'm looking for two things. First, we should negotiate a special permanent exemption agreement for buy American procurement rules pertaining to public transit rolling stock. Second, we should partner with transit manufacturers, universities, and other private contributors to invest in research and development.

On the second point, in budget 2014 we established the Canada first research excellence fund with \$1.5 billion in investments over 10 years. We committed to a long-term strategic vision for research and innovation in Canada, and, in fact, it's been well received, especially by the universities in Canada. David Barnard, the president of the University of Manitoba, has said this is a pivotal moment for research excellence and innovation in Canada.

That being said, is this enough? Is this going to be the spark that generates research and innovation in the transportation sector?

We can always do more. That's a loaded question, but how do you see that being applied in practical terms?

• (1605)

Mr. Michael Roschlau: We're really not sure, because this new consortium is something that's just been created in the last month. The reason for having it here, really, is to let you know that we are starting this new consortium, this new partnership, and we're looking to the government to be one of the partners.

The contributions or the support could come from a variety of different areas. We've started exploring those with various federal departments just in the last couple of months. It could very well be

that the initiatives that could be mobilized to contribute to this consortium going forward are there already. We certainly hope that's the case.

Mr. Gerald Keddy: Mr. Mahar, do you want to comment on that as well with respect to the research and development fund?

Mr. Michael Mahar: I think it is a huge part of the industry. Certainly travelling around North America in particular, you'll see products manufactured in Canada that are very well respected.

It provides good jobs and certainly green jobs. That's where the industry is going, and I think it is a very well-supported industry as a result of that.

Mr. Gerald Keddy: My next question is for both Mr. Roschlau and Mr. Mahar.

It is troubling, and the buy American provisions in the United States are a huge obstacle. There is no question about it for Canadian businesses wanting to compete in the American market. We have signed free trade agreements with a number of countries around the world. We have almost duty-free access to about 50% of the world's business, but it definitely is an issue. It continues to be an issue. The Americans continue to be protectionist. There is no way around that.

You're suggesting that we move strategically to negotiate a way through this, when really it's against the spirit of NAFTA to begin with, so what other ways could the government pursue to get through or around buy American provisions?

Mr. Roschlau, do you want to go first?

Mr. Michael Roschlau: First of all, I should say that we'd prefer to have real free trade.

Mr. Gerald Keddy: We would too.

Mr. Michael Roschlau: We have this situation where in particular public transit rolling stock are subject, or those that are federally funded in the U.S. are subject, to the 60% U.S. content and final assembly rule, which was in place even before the NAFTA was negotiated. When you look at the success of the Canadian manufacturing industry, the two go hand in hand in trying to find a way to keep the lid on that 60%, because our supply chain is so integrated across North America and so much effort has gone into complying with that 60%, and at the same time supporting the R and D and the innovation that our industry needs to be doing here in Canada in order to stay at the cutting edge.

Whatever options there may be to come up with an agreement with the U.S. that allows Canadian and U.S. markets to be harmonized in a way that satisfies some of the concerns that I think exist in the U.S. about global competition and protecting the North American market, I'll say for now, against competition from other parts of the world, may have the potential for striking a chord.

Mr. Gerald Keddy: We have a unique situation with the U.S., where we build things together.

Mr. Mahar, with the Amalgamated Transit Union, you represent folks on both sides of the border. I think in some 44 American states you have a unionized presence. From your side of this dialogue, what can you folks do to actually prevent some of the worst of the buy American strategies that we continually see in every sector, but specifically in your sector?

Mr. Michael Mahar: With respect to manufacturing, we're more in the operations end of it, in the support behind the scenes end of it. We're not directly involved with the manufacturing in most areas.

Mr. Gerald Keddy: I realize that, but you still have a heavy political force.

Mr. Michael Mahar: We do, and there's also a reason why we have the Canadian Council of the Amalgamated Transit Union. There are so many things that we see the same, and then there are some things where we differ. Certainly the Canadian Council supports the Canadian manufacturing end of it, and the Canadian operation end of it too.

I really do think it's an industry that is, without question, going to grow. There's opportunity to provide good meaningful jobs across the board in Canada. There's a valid reason, I think, for trying to support and maintain that in Canada as much as we possibly can.

•(1610)

Mr. Gerald Keddy: I guess my point is that buy American rules distort not just the spirit but I think the letter of NAFTA. The reality is that it will take more than simply negotiations. It will take some political force. It will take whatever pressure we can apply to our American colleagues, quite frankly.

Mr. Gerald Keddy: Or if you're waving your hand around....

The Vice-Chair (Mr. Nathan Cullen): That's it; if you're waving your hand around like a good man from the east coast.

Let's go to another one: Mr. Brison, you have up to seven minutes, please.

Hon. Scott Brison (Kings—Hants, Lib.): Thanks to each of you for your presentations today.

I'd like to begin with you, Mr. Johal, on a question about the EI rates and the recent PBO report that suggests that higher-than-necessary EI premiums could cost 10,000 jobs in Canada. Given the fragile employment market today, particularly in terms of youth unemployment and underemployment, what are your thoughts on EI premiums and whether higher-than-necessary EI premiums make sense during a time of soft employment?

Mr. Sunil Johal: Thanks for the question.

My view and the Mowat Centre's view would be that the EI program has a lot of flaws. The premium rates are certainly one of those flaws in terms of funds that are being reallocated unnecessarily from EI and not going to workers who need the support from that system.

I think in the most recent figures from August, in many cities, in the greater Toronto area, the eligibility for EI for unemployed workers is hovering around 20%. That's a significant issue. I think that's one of the bundle of issues that the federal government needs to look at with the EI program in terms of eligibility and what those

funds are being used for. The appropriate level of premium rates is one of those as well.

Hon. Scott Brison: Your recent report on income splitting tells us that on top of the \$3-billion cost to the federal treasury, there is a \$1.7-billion price tag for provinces.

With Canadian provinces facing significant fiscal challenges right now, do you think that the new proposal on income splitting being put forward by the Conservatives—and I'm speaking of income splitting, not pension splitting, just in case there is any confusion here—is a good use of resources?

Mr. Sunil Johal: Our report specifically focused on the fact that the provinces are going to be compelled to go along with the federal income-splitting proposal if it is introduced as a result of their having signed on to tax collection agreements over the past number of years, which were intended to increase the efficiency of the tax collection system in Canada.

I think a number of commentators from a variety of research organizations across the country have looked at income splitting and have raised very legitimate questions about whether that's the best use of \$3 billion from the federal government and almost \$2 billion from the provinces, and there are a host of reasons.

One might question the proposal in terms of equity. Is this really targeting families most in need? Most of the benefits are really going to very wealthy families, and very few of the benefits would be going to families who would likely most need assistance from that type of program.

Hon. Scott Brison: Your recent report, "Rebuilding Canada: A New Framework for Renewing Canada's Infrastructure", discusses asset recycling as one means to leverage government funds to create or build more infrastructure.

Given the use of asset recycling in Australia and the U.K., with our system of federalism with the provinces, how do you think asset recycling policy could help build better infrastructure in Canada?

•(1615)

Mr. Sunil Johal: From our perspective, asset recycling is one of those tools that hasn't been explored very much in Canada.

For those who aren't aware of what it is, essentially it's a case where governments will dispose of old assets that aren't fulfilling their original public policy purpose.

Hon. Scott Brison: [*Inaudible—Editor*] type assets?

Mr. Sunil Johal: Yes, and essentially take the proceeds from the disposition of that asset and then put it toward the construction of a new asset that might be more in keeping with the needs of the country at the current time.

I don't really think there is an issue in terms of our federal system standing in the way of asset recycling, but I do think it's something we haven't seen a lot of in Canada. It's one of those tools, along with infrastructure banks, community benefit agreements, that the government should look at.

Hon. Scott Brison: As part of the issue there is a tax disincentive for provinces to divest of certain assets.

I believe that in Australia the federal government provides a 15% kicker as an incentive to states to divest of brownfield assets that are easy to sell to institutional investors, but then to build greenfield assets that are less easy to attract investment.

On Canadian pension funds, Canadian construction and engineering companies are building infrastructure globally. We probably have the greatest concentration of expertise in the design, construction, and financing of infrastructure in the world resident in Canada.

What can we do in terms of federal policy? I believe that Mr. Roschlau mentioned this earlier. What do we need to do to get our pension funds investing more in Canada? They're building infrastructure around the world and yet there isn't much activity here in Canada. What is the federal leadership role that can help achieve that?

I'd be interested in either of your perspectives.

Mr. Sunil Johal: I can answer that briefly, and then perhaps Mr. Roschlau may want to chime in.

There are huge pools of capital that we're not really tapping into, so the first real issue is that the federal government needs to bring the pension funds to the table and talk to them about some of these issues. I don't know if that's been happening or not, but private investment in infrastructure has been lagging in Canada for a number of years.

This all goes back to the fact that there really is not a national infrastructure strategy, and I think that the role of pension funds putting capital on the table is one of those issues that could be addressed in a strategy.

The Vice-Chair (Mr. Nathan Cullen): Mr. Roschlau, if you could make a brief response of 40 to 45 seconds, that would be great.

Mr. Michael Roschlau: Clearly, making the P3s in our sector more attractive is a step in the right direction. One of the recommendations we had of increasing the maximum federal share from 25% to the usual one-third would be a big step in that direction.

The Vice-Chair (Mr. Nathan Cullen): Thank you, Mr. Roschlau. Thank you, Mr. Brison.

We'll go over to Mr. Allen, for up to seven minutes, please.

Mr. Mike Allen (Tobique—Mactaquac, CPC): Thank you to our witnesses for being here. I'm going to start with Ms. Reynolds and then Mr. Mattina after that.

Ms. Reynolds, when you talk about your recreation and sport infrastructure, I tend to agree with you that there are a number of our small communities and others that are facing renewals or whatever in recreation, whether it be fields, whether it be arenas and those types of things, and maybe some refurbishment. What I would like to understand when you're talking about the \$3 billion ask here is exactly what kinds of things you're hoping to achieve with that money. Maybe more important, as you see things change... I've always struggled a little bit with the communities that set a priority of building a new arena, for example, and then can't maintain it after. Sometimes it's easy to get the capital money, but then the

communities suffer because they don't have the tax base to actually support it.

Is there some way that you would look at maybe regional facilities bringing together multiple communities so that these things could be better afforded on a long-term basis?

Ms. Jennifer Reynolds: Thank you for your question.

To your first point, the fund would allow communities to do major renovations or rehabilitation to any manner of sport and recreation infrastructure. First of all, municipalities are probably the owner of the largest sport and recreation asset base across this country. It ranges from trails to sporting fields, tennis facilities, seniors centres, cultural facilities, arenas and pools. The challenging part is when those facilities have major renewal requirements, quite often they can be taken out of service for a short or a longer period of time, for example, the roof or the pipes in an arena, which really can take that asset away from a small community when it's the only community hub available for all ages. The fund would allow directed funds to look after the rehabilitation and rebuild of any manner of infrastructure.

To your second point, and I think it's probably a key one, is the requirement for municipalities to have really strong asset management plans. You see that more in roads and bridges where they're inventorying and valuing the state of their infrastructure in order to calculate what the replacement costs would be in order to put into a reserve fund so that these are planned refurbishments and that municipalities are able to help fund those requirements going forward. I think you're seeing that. I think that there are municipalities that have strong asset management plans. Many facilities though were built at a similar time, for example in 1967, and are nearing the end of their useful life. These asset replacements take them out of commission for a period of time. That makes it challenging in terms of shutting down the facility in order to re-roof it, or put in a new HVAC system. I think it's a balance and I think we're working significantly within the sector to ensure that communities have strong asset management plans so they are protecting for their own future going forward.

• (1620)

Mr. Mike Allen: You don't actually believe that a 1967 Confederation facility necessarily should be replaced because maybe the tax base in that certain community has gone down when in 1967 it could afford it and had industry and other things there, but maybe now it's not the right move. Would there be a recognition of that in the process?

Ms. Jennifer Reynolds: There would be. To your point of municipalities working together, I think there are examples where there have been facilities built that have crossed jurisdictions and they figured out a way to both build them on the capital side and then share an operating cost, whether that's on percentage of use, or working with academic institutions, etc. To keep an asset beyond its useful life or to replace it for the sake of replacing it isn't what we're recommending at all. Communities need to look at what their current needs are, what their current income base is, to allow them to set those priorities. I use it as an example because many communities in fact did build facilities at that time, and there are many small communities where it might be their only facility, and it's going to be detrimental if they're out of commission.

Mr. Mike Allen: Okay, thank you.

Mr. Mattina, you talked about the job targeting funds and I just want to get your perspective.

Do you have an estimate? This is one question, but it has four parts. The first part is, do you have an estimate of the size of these job targeting funds that are being held? Is Canada alone in this concern with these job targeting funds and the infrastructure investment? Has the situation gotten worse or better in the past decade or two? The last piece is, with the job grant and the apprentice loans—and I know Merit does a lot of work on their own area in terms of bringing young people into the trades—is this type of thing curbing the development of young people entering the trades?

Mr. Domenic Mattina (Chairman, Merit Canada): I'm going to ask you to repeat a couple of the questions as I get into them. That last one....

Mr. Mike Allen: I'll prepare a question.

Mr. Domenic Mattina: With respect to job targeting funds, all I can really say is it's in the tens of millions. One example I can give you is that there's a mandatory dollar per hour due that goes into these funds for all their workers. That can give you some form of calculation. Some go up to \$2 an hour. It varies among locals, but it is in the tens of millions. I don't have a definite number. However, for any of my responses, I can have Terrance Oakey, our president, follow up with more definitive information.

With respect to it getting better or worse, it's definitely getting worse. A union local has complete control of the funds and how they use them. If they wish to target a single employer, they can do so. In fact, if they want to put somebody out of business.... I can tell you that personally I was a victim of being targeted in my earlier days, and I had to fight off targeting funds. As I've grown, it's become easier to manage. It's not that easy, but it is a bit easier than it is when you are smaller and you are more of a target.

Your last question I didn't fully....

•(1625)

Mr. Mike Allen: Really quickly, because I have only about 10 seconds, does this curb Merit's ability to attract young people into the trades?

The Vice-Chair (Mr. Nathan Cullen): Could we have just a short response to this, Mr. Mattina.

Mr. Domenic Mattina: I couldn't really say definitively whether it does or not. I can't say I would know that.

Mr. Mike Allen: Thank you very much.

Thank you, Chair.

The Vice-Chair (Mr. Nathan Cullen): Thank you, Mr. Allen.

We'll go to the lightning round with Mr. Rankin, for up to five minutes, please.

Mr. Murray Rankin (Victoria, NDP): Thank you, witnesses. So many witnesses, so little time.

I'd like to start with Mr. Johal of the Mowat Centre at my alma mater, U of T. I'm delighted you're here.

Not surprisingly given your mandate, you focused on the province of Ontario. The deplorable state of transit and other infrastructure deficits in Toronto and elsewhere have not gone unnoticed across the country.

I have a number of questions for you. The second thing you talked about, and I think I'm quoting, was the need for an "adequate" and "aligned" system.

Could you describe what you meant by those words?

Mr. Sunil Johal: Sure. Adequate referred to the level of funding. As I mentioned, in Ontario about 12% of infrastructure investments come from the federal government. The other 88% come from the Ontario government and local governments. That's adequate.

In terms of being aligned, I think that with so many different programs from the federal government, we're seeing a lot of overlap and a lot of duplication, and it becomes very challenging for municipalities and for provinces when they are asked to come to the table with matching funds when they may have their own priorities at a local or regional level. There isn't really two-way alignment. It's kind of being forced by the federal government downward.

Mr. Murray Rankin: Thank you. Right. I understand.

You talked about how only 12% in Ontario were funded by the federal government.

Would that ratio of 12:88 be similar across the country, or are you aware of discrepancies?

Mr. Sunil Johal: I don't know for a fact. It would be roughly comparable. There may be some variations, but it would be in the same order of magnitude.

Mr. Murray Rankin: I don't think Canadians are aware of that discrepancy. I'm glad you brought it up.

You mentioned the green infrastructure fund and you used the term \$150 million unexplained publicly. What did you mean by that?

Mr. Sunil Johal: We have looked on Infrastructure Canada's website. This was a \$1-billion program from 2009 to 2014, and essentially about \$150 million was just unexplained. It's not clear what that money has been used for or whether it has been used, whereas other money from that fund has been described as being transferred to other departments, or reference levels have been reduced so.... We just don't know.

Mr. Murray Rankin: There's been inaction perhaps. We'll look further into that.

Another phrase you used, which I liked, was that projects are often shovel-ready and they are prioritized over what may be important.

What do you mean? How do we fix that?

Mr. Sunil Johal: I think one of the ways to fix that is to look at the federal requirements for matching funds and the deadlines for those matching funds, because I think in a number of cases we've seen municipalities and/or provinces being forced to quickly come up with funding to match a federal investment idea that may not actually be, from a strategic perspective, the project that might make the most sense for all parties involved in funding the project.

Mr. Murray Rankin: I see.

At the end you were talking about the fact that Ontario has 38.5% of the population but gets a significantly smaller percentage of the Building Canada fund. You said that \$250 million goes to jurisdictions regardless of their size or need. From a public policy point of view, this seems a rather shocking way of doing business.

Is there any public policy rationale for such a disparity?

Mr. Sunil Johal: From our perspective, not really. It doesn't really make sense that P.E.I. and Ontario get exactly the same amount of money for a significant portion of a fund, when they obviously have massively different populations and needs.

Mr. Murray Rankin: Right. Would you characterize it as pure politics?

Mr. Sunil Johal: I wouldn't characterize it as anything, but I think others can characterize it the way they want. Yes, we had a hard time finding a public policy rationale for that.

Mr. Murray Rankin: I'm sure Canadians will.

How much time do I have left?

The Vice-Chair (Mr. Nathan Cullen): You have one more minute, Mr. Rankin.

Mr. Murray Rankin: I'd like to ask a question of Mr. Mahar of the Amalgamated Transit Union of Canada.

I was really taken, sir, by your summary of how the cost of cars is not being fully internalized, as against transit, in terms of both the environment and of how children, the poor, and the handicapped are disadvantaged. You said we really need a level playing field in order to address the difference between cars and transit. You talked about a survey. I think you said 88% bought into the need for a national strategy on transit.

My question for you is, as you go around talking to Canadians.... What reason is there for such an enormous difference? While 88% want it, we have this lack of internalization that you talked about. Why is the government not acting?

• (1630)

Mr. Michael Mahar: That's why I'm here today. I want to bring some of that information forward, and I hope that government does act.

I think there's a huge disparity, and you'll see it.... I don't want to keep going back to just Toronto, but Metrolinx has done a great deal

of work on that, of course. They've identified the willingness of people to now start paying for public transportation, because of the negative impact of building all the more expensive infrastructure such as roads and bridges, compared with light-rail transit systems and buses and all of those other kinds of things; everybody is paying the price.

The Vice-Chair (Mr. Nathan Cullen): Thank you, Mr. Mahar and Mr. Rankin.

We'll go to Mr. Adler, for up to five minutes, please.

Mr. Mark Adler (York Centre, CPC): Thank you to all the witnesses for being here this afternoon.

I have a number of questions. Time is very limited, of course. I have only five minutes, I believe, for my round.

We've been getting a lot of advice over the last month or so on how we should or shouldn't be spending the anticipated fiscal dividend that will appear in the next federal budget.

I'm really struck by the fact that, Mr. Mattina, you're coming forward here today and not asking for anything, no money whatsoever.

Mr. Domenic Mattina: No.

Mr. Mark Adler: You just have a couple of suggestions for us.

I want to follow up on one of your suggestions on open tendering. Right now, when the municipal governments want to spend money on a particular infrastructure project, they ask unions to bid on that project. Is that correct?

Mr. Domenic Mattina: They don't specifically ask unions; they would ask the trades.

Mr. Mark Adler: Only unionized trades are permitted to bid. Is that correct?

Mr. Domenic Mattina: That's only in specific municipalities that have collective bargaining agreements.

Mr. Mark Adler: Take Toronto, for example.

Mr. Domenic Mattina: Toronto has nine collective bargaining agreements.

Mr. Mark Adler: Okay.

Now, what you're asking for is not that there shouldn't be unions. Is that correct?

Mr. Domenic Mattina: That's correct.

Mr. Mark Adler: You're saying that there should be a more open process whereby those trades that are not unionized should be able to compete with those trades that are.

Mr. Domenic Mattina: Exactly.

Mr. Mark Adler: That would result in what?

Mr. Domenic Mattina: More openness, fairness, and a more level playing field. The bottom line is that you're going to have more bidders, and when you have more bidders, you're going to have more competition.

Mr. Mark Adler: And you're going to have more money available.

Mr. Domenic Mattina: With increased competition, you will potentially have a reduction in pricing, translating to billions in savings. When you take the numbers, even on the conservative side of 20% to 30% cost savings in the Cardus study, when you're looking at a \$14-billion build fund, 20% to 30% of that is in the billions. That's what we're here...how to save money.

Mr. Mark Adler: Are you talking about Toronto alone, or across the country?

Mr. Domenic Mattina: I'm talking across the country.

Mr. Mark Adler: Okay. What was that figure, again?

Mr. Domenic Mattina: The Building Canada fund, I believe, is \$14 billion.

Mr. Mark Adler: Yes, but how much would the savings be, roughly?

Mr. Domenic Mattina: On the conservative side, and this is from studies that have been completed and documented—you can have a copy sent to you—minimum, 20% to 30%.

Mr. Mark Adler: That would be roughly how much in dollars?

Mr. Domenic Mattina: When you look at \$14 billion, you're talking \$3 billion-ish.

Mr. Mark Adler: Okay, which is exactly the amount that Ms. Reynolds is asking for here today. Is that correct?

Mr. Domenic Mattina: Let's do it.

Mr. Mark Adler: Ms. Reynolds.

Ms. Jennifer Reynolds: That's correct.

Mr. Mark Adler: Okay. To me, that makes sense.

Mr. Domenic Mattina: It's common sense.

Mr. Mark Adler: It's common sense, right?

That would result in Ms. Reynolds not having to come forward to ask for her portion of the fiscal dividend, if you will. If there was more competition on the side that you're talking about, then there would be more money to spend on parks and rec, which Ms. Reynolds is here to ask for today.

Mr. Domenic Mattina: Exactly.

Mr. Mark Adler: Thank you.

Mr. Johal, you spoke earlier about asset recycling. Would you say that it would be good public policy to use the funds from asset recycling to pay down public deficit and/or debt?

•(1635)

Mr. Sunil Johal: No. I think the intention of asset recycling is you take the funds from the disposition of legacy assets and put them toward new assets. It's explicitly not intended to pay down deficit or debt.

Mr. Mark Adler: Would you agree that wouldn't be a good idea for a government to do that?

Mr. Sunil Johal: I would.

Mr. Mark Adler: Thank you.

Going back to—

The Vice-Chair (Mr. Nathan Cullen): You have 30 seconds left, Mr. Adler.

Mr. Mark Adler: Then I'm fine. Thank you very much.

The Vice-Chair (Mr. Nathan Cullen): Okay. I didn't mean to cut you off.

Thank you.

Mr. Leung, you have up to five minutes, please.

Mr. Chungsen Leung (Willowdale, CPC): Thank you, witnesses.

My question has to do with urban transit, because it's something I invested a lot of my time in during the eighties.

In the eighties, to build one kilometre of track in Vancouver cost about \$25 million. If we build the kilometre of track today, we're looking at about \$300 million. The issue is more than just spending money. There are environmental impacts, alignment issues, and technology issues.

For example, in Toronto we have talked about this ever since the Transport 2000 study, which I had a hand in in the 1980s. Should public policy not also focus on the broader issue of land use management, intensification, and perhaps simple governance? Once you have decided that you want to build transit, then leave it alone, let it be built, rather than changing horses in midstream. We all know that every change order costs a tremendous amount of time and money by not completing that project.

Mr. Roschlau, could I hear your comment first. Should public policy involve something broader than just funding alone?

Mr. Michael Roschlau: That's an excellent question, and a very good point.

Absolutely. I think the key integration between infrastructure and land use is the number one priority in maximizing the return on investment. Linking the selection of the network and the technology to the demand and to the development plans of a community is critical in generating that return, which is why I would say that if we have a policy framework in place, at some point that linkage to urban development is critical from the get-go.

Mr. Chungsen Leung: Okay.

Mr. Mahar.

Mr. Michael Mahar: Yes, I agree 100%. Certainly there's a lot of evidence out there that shows that when they're developing light-rail systems, as an example, and there's a station, they start building communities around those stations now and those property values increase. Calgary is a good example. It used to be if you were beside a public utility, it would have a negative impact on property. All those things need to be kept in mind when they develop. Certainly, when currently the vast majority of the funding is determined through municipalities, the political will will depend on whether a project gets changed or not midstream and the negative impacts that could have on the cost. A Canadian framework for sustainable funding would be a great asset.

Mr. Chungsen Leung: Let me come back, then, and ask you what action or position the federal government should take to bridge that gap, because these are clearly provincial and municipal jurisdictions.

Mr. Michael Mahar: They are currently. Obviously when a player is putting funds into it, then I think it increases their stake in determining where something will be built and how it will be built. A public policy with respect to transportation would add some stability to all of the areas, I think.

Mr. Chungsen Leung: Okay.

Mr. Mattina, prior to entering politics, I was also on the other side, where I tried to bid on many federal contracts. I found that there were tremendous barriers to entry because of size, because of how certain contracts were framed or prepared. As a new entrant into this—I appreciate your policy of open competition—should we also allow international competition to enter into these competitions so that we do in fact get the best price?

• (1640)

Mr. Domenic Mattina: Merit Canada's philosophy is based on merit, on best value at the lowest cost. If that involves international competition, then my answer would be yes.

Mr. Chungsen Leung: So you favour international competition. If someone comes in and bids and builds a transit system for a cheaper price than what we can do, should we entertain that idea?

Mr. Domenic Mattina: We believe in fairness, openness, and transparency. With the free trade agreement, that will happen regardless.

The Vice-Chair (Mr. Nathan Cullen): Thank you, Mr. Leung.

Mr. Van Kesteren, you have up to five minutes, please.

Mr. Dave Van Kesteren (Chatham-Kent—Essex, CPC): Thank you all for coming here.

Mr. Johal, thank you for your presentation. I loved the graphs.

In figure 1, I was intrigued to see the rapid decline in public investment. I was sitting here thinking, how in the world did that ever happen? Correct me if I'm wrong, but I think I have the answer. At that time, governments began to invest heavily in social projects—am I right to say that?—possibly not in terms of CPP, because CPP is self-paid, but in public pensions, in health. Thinking of Ontario, it will soon be 60% of their budget, but we do transfers, so the feds are now transferring enormous amounts of money in those areas.

Just going through where, in my mind, most of our spending has taken place, I'm wondering if you would agree on what happened. I'm looking at that figure; it started about 1967 and then it dropped off in about 1978. It popped up a little bit and then it just kind of stayed there. Then we had that spike, which I'll get to in just a second. Is it a fair assessment that we as a society decided that we were going to put our eggs in another basket?

Mr. Sunil Johal: I don't know exactly the answer to that, to be honest with you. I would have to do some more research on—

Mr. Dave Van Kesteren: Could you do that for us? Maybe you could even get us some explanation as to what the federal government...because I think I'm right in my assessment, but it's very important that we know those things. It certainly does paint a different picture.

In your graph it spikes in about 2006, and it spikes heavily in 2009. Again, that infrastructure might...because it looks like a good thing. I don't think anybody here recognizes that we ought not to spend more money in infrastructure, but would you agree, too, that the money was borrowed to spend that as well?

Mr. Sunil Johal: A large amount of that money was certainly borrowed and that's not necessarily a bad thing. The IMF released a report this month basically saying that advanced economies have a golden opportunity right now, with interest rates at historic lows and an economic slack fairly significant in advanced economies, to actually borrow—

Mr. Dave Van Kesteren: I would agree with that, but if those interest rates spike, a lot of people and a whole lot of countries, including Canada, will be in a whole lot of trouble.

Mr. Sunil Johal: With a lot of the infrastructure funding, governments can lock in rates for a longer term, so I don't think that would be a significant issue.

Mr. Dave Van Kesteren: Can you provide this committee with a little bit more information as to what happened in 1967 and why that dropped off? I'd really like to see that.

Mr. Roschlau, your third recommendation is a good one, I believe. You're talking about investment in research with manufacturers, universities, and private...and I'm a big advocate of those sorts of projects. If we indeed have something that we can point to and say, there's a result, can you share with this committee some examples of where that's happening, and where we've seen success, so that we're not going to just plow this money into a project and not get something in return? Can you maybe share that with us?

Mr. Michael Roschlau: Absolutely. That's a great question, too.

We've done our homework on this and we've looked around in terms of other models of research consortia that have worked well in the past. We're modelling this one on a very successful one in Quebec called Consortium for Research and Innovation in Aerospace in Québec, CRIAQ. We have a huge aviation cluster in Quebec that is competitive worldwide, and we know that the transit sector is also competitive internationally. Looking at that and the way in which they've approached it and grown it over the years, and working together on pre-competitive research and innovation, that's the model we're designing this on, because we've seen it succeed and we know that this is generating significant returns in terms of debt investment.

• (1645)

The Vice-Chair (Mr. Nathan Cullen): You're just about done. There are a few more seconds, if anyone had to follow in.

Mr. Dave Van Kesteren: Again, I need a little more time, so thank you both.

The Vice-Chair (Mr. Nathan Cullen): Thank you, Mr. Van Kesteren.

I'll wrap up with a few extra questions at the end.

Ms. Reynolds, in your presentation, you talked about the new Building Canada fund and the concern that infrastructure projects that were recreational would not be able to apply. Could you be more clear on that? The government claims that this is not the case and that this is open to infrastructure funding going towards recreation projects. Could you explain the contradiction?

Ms. Jennifer Reynolds: Mr. Chair, my understanding is that in the current program announced in April of this year, sport and recreation projects aren't one of the eligible categories. They had been previously in the previous Building Canada fund. That's my understanding. I can certainly provide additional information to substantiate that understanding.

The Vice-Chair (Mr. Nathan Cullen): Great, thank you.

Mr. Roschlau, over to you. We talked a bit about the buy American policy moving from 60% to 100%. Is it just rolling stock that was in the U.S.? Is that the restriction that would be placed on it through the buy American policy?

Mr. Michael Roschlau: Yes, it's primarily any federally funded transit procurement in the United States, and most of that is rolling stock.

The Vice-Chair (Mr. Nathan Cullen): Has CUTA done any type of assessment over what the impact would be on Canadian manufacturing if such a move were to be made by Washington?

Mr. Michael Roschlau: Not a systematic one, but we've certainly been told anecdotally that any significant change, any significant increase in U.S. content requirements, could be enough to tip the balance so that the existing Canadian manufacturers would leave and move their production entirely to the U.S. They already have a fair bit in the U.S. obviously to comply with the existing regulations, but we have some very significant clusters of manufacturing in Manitoba, Ontario, and Quebec that are really at risk in terms of, I would say, the thousands of jobs that are there, both among the OEMs and their supply chains.

The Vice-Chair (Mr. Nathan Cullen): It would be helpful to this committee, if CUTA does arrive at any analysis of what the impact might be, to forward that kind of information to this pre-budget consultation.

Mr. Johal, I have a question for you. We heard from Canadian Manufacturers & Exporters recently at this committee that upwards of 700,000 manufacturing jobs have been lost in Canada within the last decade. Ontario has gone from 16% of the labour force in manufacturing down to just a little north of 10%. Do you have any suggestions to this committee as to what a federal budget might do to reverse this trend, or help alleviate the loss of jobs in manufacturing?

Mr. Sunil Johal: That's a big question. We released a report back in February that looks into some of those issues. In the interest of time, I would say that report really contains most of our best advice there. One of the big pieces was certainly the federal government talking to the Ontario government, and other governments that experienced a similar loss, and developing a strategy to address the decline in manufacturing and see where there are opportunities to focus on advanced manufacturing or higher value-added manufacturing, which seems to be the future of manufacturing in Canada.

The Vice-Chair (Mr. Nathan Cullen): I think it was in response to a question from Mr. Van Kesteren that you mentioned the IMF

report on infrastructure spending. You mentioned it, but does the Mowat Centre or you as a researcher agree with the conclusions that were made by the IMF in terms of the favourable window open for governments to spend on infrastructure right now?

Mr. Sunil Johal: I'm not an economist, but I would agree. I've read the report. I do agree with the analysis. Given the low interest rates and given the fact that the economy in Canada is not performing up to capacity, this is the perfect time to leverage infrastructure as one of the best uses of public funding to get the economy moving again, so I'd certainly agree with their conclusion.

The Vice-Chair (Mr. Nathan Cullen): Great.

Committee members, we're just a little ahead of time. We can break now to take a few minutes to allow our panellists to switch out, unless there are any other burning questions that we have for this panel.

Thank you very much to the panellists for being here.

We'll take a 10-minute pause to reconvene the next panel.

• (1645)

_____ (Pause) _____

• (1700)

The Vice-Chair (Mr. Nathan Cullen): Welcome back to meeting number 49 of the Standing Committee on Finance to continue with our pre-budget consultations for budget 2014.

I want to welcome our second panel of witnesses this afternoon.

Panellists, you will each have five minutes, after which committee members for the first round will have up to seven minutes to ask questions.

We'll begin with Mr. Joanis, associate professor, department of mathematical and industrial engineering, Polytechnique Montréal.

[*Translation*]

Dr. Marcelin Joanis (Associate Professor, Department of Mathematical and Industrial Engineering, Polytechnique Montréal, As an Individual): Thank you, Mr. Chair.

Good afternoon everyone. Thank you for the opportunity to contribute to your pre-budget consultations today.

I am going to spend my time focusing on the conditions that are necessary to ensure that federal investments in infrastructure effectively encourage prosperity in Canada's communities.

I appear before you today as an individual. My expertise stems from my work as an economics professor and researcher at Polytechnique Montréal, specifically in the research centre on concrete infrastructure, known as CRIB, and the Center for Interuniversity Research and Analysis of Organizations, or CIRANO.

The climate over the past five years has sent two diametrically opposed messages about public investment in Canadian infrastructure. First, these investments played a key role in Canada's fairly good performance during what has been termed the Great Recession. In the years prior to the recession, the federal government had renewed its investment in the area to address aging infrastructure. The timing was good, given that a number of projects were getting under way precisely during the period between 2007 and 2009. And with the recession, the support in the stimulus plan was added to funding that had already been budgeted.

At the provincial level, we saw that Quebec, for instance, which had invested heavily in the wake of the collapse of the Concorde overpass in 2006, fared relatively well. Quebec's infrastructure plan was timely in its support for the economy, given that the recession starting in the U.S. had deflated demand in the private sector.

However, the Commission of Inquiry on the Awarding and Management of Public Contracts in the Construction Industry in Quebec paints a picture of a very troubled public infrastructure sector. The Charbonneau commission and the debate it has spawned in Quebec have forced us to examine a whole slew of solutions to significantly and sustainably improve the effectiveness of the awarding of contracts and public funding, to address the role of politics in the selection process and so forth.

The challenge going forward is implementing all the necessary measures to maximize the economic impact of public infrastructure investment. The importance of achieving that objective cannot be overstated, especially since a number of economic observers have raised the spectre of a new era of weak economic growth. In fact, the IMF underscored that point in recent weeks.

Since the 1980s, economists have been actively studying the impact that investments have on economic growth. The key is to distinguish the direct effects of infrastructure investment from the indirect ones. The initial investment in the construction project, itself, generates jobs, as well as spending on goods and services, but these effects are short-lived. Conversely, the investment's indirect effects on productivity and regional development are long-lasting. Those are known as externalities. It is those effects that are crucial to ensuring Canada's economic prosperity going forward.

As an extensive body of economic literature shows, the public infrastructure sector can be a powerful driver of economic growth. It is important to understand, however, that the types of choices made by public organizations when it comes to infrastructure projects will have fairly significant economic consequences. In some cases, the impact can even be a negative one, as some economists have suggested.

To put it simply, not all projects are good ones. It is necessary to foster a culture of evaluation across the public sector. Every project must be subjected to a systematic economic assessment in order to ensure that investments are always made in the best possible place.

We must not bury our heads in the sand about the fact that public investment decisions are often very politically motivated. We must make every effort to see to it that projects are always chosen and prioritized according to a thorough economic assessment, not political or electoral needs. Political objectives can conflict with

the long-term vision that infrastructure development and maintenance require. You are probably thinking that I have some nerve to be saying this in front of all of you, but in an election year, in particular, I feel it is important to step up efforts to prevent the Building Canada plan from being used for partisan purposes.

The federal government can lead by example in its approach to the infrastructure projects under its authority. Government contracts can play a major role in stimulating innovation. The rules for awarding government contracts should reward continued innovation in practices and processes to make sure that every dollar spent generates the best possible economic return for society.

Mr. Chair, how much time do I have left? A minute or just a few seconds?

• (1705)

The Vice-Chair (Mr. Nathan Cullen): You have just a few seconds remaining.

Dr. Marcelin Joanis: I will conclude by stressing the importance of subjecting the public infrastructure sector to research and study, especially academic research. That type of analysis requires data, and it is incumbent upon public organizations to make that data available, in other words open data, so that the process can be assessed on an ongoing basis.

Thank you.

The Vice-Chair (Mr. Nathan Cullen): Thank you, Mr. Joanis.

[English]

Ms. Cobden, could you present for up to five minutes, please.

Ms. Catherine Cobden (Member, Board of Directors, Executive Vice-President, Forest Products Association of Canada, Canadian Climate Forum): I'm very pleased to be with you today. My name is Catherine Cobden, and I am a new board member of the Canadian Climate Forum.

I want to point out that I have Dawn Conway with me today. She's the executive director of the CCF, and she can help with answering questions if we need to.

Thank you for the opportunity to address your theme of prosperous and secure communities.

At the CCF, we believe that for communities to prosper and to be secure they must be forward looking and resilient, able to act on opportunities, and to anticipate and adapt to a changing world. Many such risks that they face are climatic or weather-related. Some are immediate, like heat waves, ice storms or coastal flooding, while others are yet longer term, like permafrost softening, melting of glaciers, or the introduction of invasive species.

The scope of climate change is of course global, but here in Canada it will impact our economy, our security, our food and water supply, our employment, and our health, and its costs will increase as productivity, jobs, and people are affected. A recent study by the Insurance Bureau of Canada demonstrated that insurance losses due to severe weather events cost the Canadian industry \$3.2 billion in 2013, three times that of 2010. This is a dramatic increase. Further to that estimate, the damages from last year's Alberta flood totalled \$5 billion. The last major Prairies drought saw losses topping \$3.6 billion for farm communities and 41,000 Canadians were put out of work.

We now know that extreme weather events are on the upswing. As climate change strengthens its grip on the planet, there is no doubt that communities, Canadians, and our governments have a big challenge ahead. We will need to collectively rely on deep, dependable information to help us anticipate, cope with, and adapt to this change. Fundamental is up-to-date information on weather conditions, climatic trends, and their potential impacts. Businesses, municipalities, and provincial and federal decision-makers must have the critical understanding gained from real-time data and predictive capacity on changing weather patterns, return rate and severity of events, etc.

The Canadian Climate Forum has submitted a brief that proposes three key measures, which I'll quickly describe. One, increase investment in obtaining this key information through monitoring, observation, and analysis of information on weather, oceans, forests, agriculture, etc. Two, proactively adapt to different climatic futures that await us by anticipating those future infrastructure needs, for example, under extreme flooding, and establishing codes and standards geared to such a future. Three, strengthen our strategic planning frameworks to incorporate approaches that actually embed climatic resilience.

Let's get a bit more granular and consider a few steps. First of all, I'd like to congratulate the government for the five-year climate change and atmospheric research program it established in budget 2011. This program has been extremely valuable, but is unfortunately now fully subscribed two years ahead of schedule. You could consider that for extension or you could add additional funding to enable the momentum of this important work.

Second, we propose the concept of incentives to encourage communities, corporations, and departments to build climatic resilience into their strategic planning, for example, by planning now infrastructures to meet anticipated conditions, whether it be through flood management or flood response, or even possibly to actively discourage construction in vulnerable flood plains

Finally, we would welcome the opportunity to work with government to support the goal of better translation of all this complex science to high-quality, accessible results that can help citizens, communities, and businesses take action in the face of these changing conditions.

In closing, we encourage the finance committee to consider the highly compelling major issues—water scarcity, extreme weather events, coastal flooding, etc.—in its budget deliberations and to promote decisions that will prepare communities and Canadians for conditions in the longer term.

The Canadian Climate Forum promotes the use of weather and climate information and we stand ready to assist.

Thank you.

• (1710)

The Vice-Chair (Mr. Nathan Cullen): Thank you, Ms. Cobden.

We'll go to Mr. Orb, for up to five minutes, please.

Mr. Ray Orb (Vice-President, Saskatchewan Association of Rural Municipalities): On behalf of the Saskatchewan Association of Rural Municipalities, or SARM, I would like to thank you for allowing us the opportunity to participate in this year's pre-budget consultations.

I am Roy Orb, vice-president of SARM and reeve of the RM of Cupar No. 218.

We appreciate the occasion to discuss the three overarching recommendations that we put forth in our written submission to the committee for consideration in the development of the 2015 federal budget, all of which fit well with the pre-budget hearing on ensuring prosperous and secure communities, including through support for infrastructure.

As an association that represents all 296 rural municipalities in Saskatchewan, it is not surprising that the issues of the utmost importance to SARM are those that impact the quality of life and resource development in rural communities. Consequently, the three areas in which we have formally asked both Finance Canada and this committee to consider providing funding in this next budget centre on the access to reliable and well-designed road infrastructure that rural residents and industry depend on daily.

Before I raise those three recommendations, I'd like to thank the federal government for the new Building Canada plan. We appreciate the indexed payments through the gas tax fund, which is well utilized by our member municipalities, the goods and service tax rebate, as well as the continued commitment of the government to the new Building Canada fund.

This leads me to our first general recommendation. RMs in Saskatchewan are relatively unique in that they have small populations, large land bases, and a growing responsibility for the country's exports. Resource-based industries, which are vital to the Canadian economy as a whole, depend on rural roads and bridges for the safe and efficient transportation of personnel and inputs, and to transport goods to market. Without adequate funding, rural municipalities are less likely to be able to afford to keep up and build, as needed, the safe and efficient infrastructure to support the country's economic drivers.

In order to ensure that funding under the national Building Canada fund supports Canada's economic drivers, SARM would like to recommend that: one, applications to the fund allow for road and bridge infrastructure that supports our natural resource sector; two, a portion of the funding under the provincial component be earmarked for solely rural communities so that rural projects are not always competing with cities and towns for the same funding package; and three, future federal infrastructure programs continue to include a small communities component, but population thresholds for these be reduced to better represent the realities of rural communities.

SARM was also pleased that beginning in 2014-15, the plan included \$1.25 billion over five years for a renewed P3 Canada fund to continue supporting innovative ways to build infrastructure projects through public-private partnerships, or P3s. Unfortunately, the current criteria for eligibility under existing federal funding programs for P3 projects, such as the P3 Canada fund, severely limit the ability of Saskatchewan rural municipalities and industry to access the fund.

To better facilitate the utilization of P3s across Canada, SARM recommends that the P3 Canada program give more consideration in the eligibility criteria for less densely populated areas in rural Canada, thereby making it easier to access government funding for such essential rural infrastructure projects.

The final recommendation made in our submission is meant to ensure that the much-needed and appreciated funding allocated by the government for disaster mitigation is utilized most efficiently. SARM commends the federal government for allocating \$200 million over five years to establish a national disaster mitigation program, or NDMP, to build safer and more resilient communities. Funding for both certain structural and non-certain structural mitigation projects will reduce the likelihood of initial and repeat losses from disaster events.

To ensure that mitigation projects are strategically and effectively undertaken, SARM recommends that: one, both structural and non-structural mitigation projects be funded under the NDMP; two, non-structural projects eligible for funding under the NDMP include the development of flood mitigation strategies, which would likely include baseline data-gathering—such as hydro-mapping—engineering and planning support, and feasibility studies; and three, structural projects, including dikes, costs associated with raising properties, and channels dug for flood protection be eligible for NDMP funding.

• (1715)

To close, I would like to thank you once again for the opportunity to appear before the committee.

The Vice-Chair (Mr. Nathan Cullen): Thank you, Mr. Orb. You read my mind.

Mr. McKenna, we'll move over to you for five minutes, please.

Mr. David McKenna (Member, President, Brewster Travel Canada, Tourism Industry Association of Canada): Mr. Chair, and members of the committee, good evening and thank you for the opportunity to be part of this important dialogue on strengthening Canada's economy.

My name is David McKenna. I am the president of Brewster Travel Canada.

Brewster was founded in 1892 and is now a leading travel and tourism provider that owns and operates four of the biggest attractions in the Rocky Mountains, including the new Glacier Skywalk. Known out west mostly as a touring motorcoach operator, Brewster is a vertically integrated tour and travel company with a transportation division, hotels, attractions, and an inbound tour company. Annually our company books tens of thousands of overseas travellers into Canadian experiences that extend from the Maritimes, to Quebec, Ontario, the Prairies, the Canadian Rockies, and the west coast.

Based in Banff, Alberta, we have 900 seasonal and 450 year-round employees, with offices or agents in the United Kingdom, Australia, China, Japan, and several located within the United States.

I am a member of the Tourism Industry Association of Canada, and am here on their behalf to provide insight into challenges the industry faces, as well as the Connecting America proposal.

Our sector generates annual revenues of \$84 billion, \$18 billion of which are service exports. We employ over 600,000 people. We are in every riding of the country, and are the largest employer of young Canadians.

As travel and tourism is outpacing nearly every other sector of the global economy, the opportunity is enormous. There was a 5% increase in international travel across the globe in 2013. Unfortunately, Canada is lagging behind at 1.5% growth on the same measure. Simply keeping pace with global growth would have added well over half a billion dollars to our economy and over \$80 million in federal government revenue last year alone.

International visitors are key to economic stimulation and job growth. Currently 80% of travel revenue is derived from Canadians travelling within Canada, up from 65% just a decade ago. While domestic tourism is healthy and that is a good thing, we are losing ground with the high-yield international visitors, a key export commodity.

Since 2002, Canada has lost almost 3.5 million American overnight visitors each year. In simple terms, Brewster saw international business peak in the early 2000s. Analytically, the key source market declination was within the United States and that is currently showing a delta deficit of over 100,000 annual travellers to Banff and Jasper from the peak of 2000.

The reality is that the systemic reduction in most key markets is directly linked to a wider availability of global product opportunities, but it is primarily linked to the health of the source market economy, GDP, relative dollar strength, and the periodic status changes in consumer confidence. For those reasons, key stakeholders within the tourism and travel industry across our nation are ready to invest in the tremendous export potential that conveniently rests just south of our border.

As Americans continue to travel and their economy recovers, the time is ripe for Canada to re-enter this lucrative market. The barriers to U.S. travel have shrunk significantly in recent years. Our currency is stabilizing below par; U.S. passport ownership has doubled, and we have open air access links.

With the introduction of the electronic travel authorization for Europe and other visa-exempt countries, the U.S. is the only country exempt from supplementary travel documentation requirements, and that is either an eTA or a visa.

While TIAC and our industry partners continue to work within the federal tourism strategy to resolve policy barriers for foreign growth markets such as visa requirements, aviation cost structure and air access, the fastest way to 5% growth is through our anchor tenant, the U.S. market. This is why TIAC is seeking a government co-investment in Connecting America, an industry-led, strategically designed, and nationally aligned marketing campaign to re-energize U.S. visitation to Canada.

This proposed three-year pilot would create a \$35 million a year federal investment matched entirely by funds from the tourism sector and other levels of government. The program would pair U.S. and Canadian markets that have direct air or ground access, and introduce Americans to a wide range of interesting and exotic experiences within a flight or drive of a few hours from home.

The buy-in for this project is widespread. The industry has responded with enthusiasm, commissioning a study on the U.S. market and market trends, and Tourism Toronto has already committed \$1 million in principle.

• (1720)

At the federal-provincial ministers' meeting in September there was a consensus to commit to the first steps in developing a collaborative approach to the U.S. market. Now we need a federal commitment to act as a catalyst in aligning further partner support.

Moving to the conclusion, I speak to you today as a business person. The return on investment is immediate with any investment by the government being returned to the federal treasury within the same fiscal year via projected associative accretive GST and HST revenues. That is a three-year dollar-for-dollar ROI into a national export product readiness from a federal, provincial and riding-by-riding perspective.

The increased visitation will also generate thousands of additional seasonal and year-round jobs that are critical to ensuring our youth have access to work while they study and in an industry in which, as I can attest, you can build a wonderful career. That is why today we are asking the committee to recommend a federal marketing co-investment in the Connecting America proposal.

We appreciate the ability to be part of the pre-budget consultation process and look forward to your questions.

The Vice-Chair (Mr. Nathan Cullen): Thank you very much, Mr. McKenna.

[Translation]

Mr. Caron, you have seven minutes.

Mr. Guy Caron: Thank you very much, Mr. Chair. Thank you to our witnesses.

I will start with Mr. Joanis.

When you look at the countries that belong to BRICS, in particular, China, India and, to a certain degree, Brazil, you really get the sense that they are spending enormous amounts on infrastructure, especially road, rail, aviation and port infrastructure.

Despite the investments we've already made and those that have been announced, are we not lagging behind these BRICS countries making huge infrastructure investments?

Dr. Marcelin Joanis: As I mentioned earlier, this past month, the IMF indicated that, according to international organizations, the time had come to take steps to encourage infrastructure investment. I am not fundamentally worried that we are falling behind developing countries. But we do need to ensure we maintain our situation here, in Canada.

Data provided by international institutions, such as the IMF, has shown that the quality of Canada's infrastructure could be better, particularly its road network. Of course, a large part of that falls under provincial jurisdiction. Through the Building Canada plan, however, the federal government can play a key role in helping the provinces improve the quality of their networks.

That's an important theme that I tried to highlight earlier. The IMF also stated the importance of investing in the right projects. Not every investment is necessarily a good one. We must equip ourselves with a proper process for selecting projects, one that allows us to boost economic productivity. That is the real challenge. That is the case not just for developing countries, but also, most certainly, for us, in the North American context.

• (1725)

Mr. Guy Caron: That's the second point I wanted to raise.

You said that not every investment was worthwhile, and I find that intriguing. Under the Building Canada plan, funding is allocated to municipalities. Although they have needs, they don't necessarily have the financial resources to meet those needs other than through provincial contributions and property taxes. Conversely, some larger funding components may seem inadequate in light of the considerable needs that exist, in road and port infrastructure, in particular.

Would you agree with that as well?

Dr. Marcelin Joanis: If I understand the question correctly, some needs fall within the provincial domain.

Mr. Guy Caron: What I am trying to say is that, right now, we seem to be getting it mixed up. We are helping municipalities develop infrastructure, rec centres, curling clubs and such, and we are calling them infrastructure investments. A significant portion of the Building Canada funding is dedicated to projects of that nature.

Conversely, we seem to be placing less importance on major projects, be they highways, export ports or railways. Large investments are not necessarily flowing in that direction. It seems to me that we're putting a lot of emphasis on helping municipalities, which is commendable, and less on the major infrastructure renewal initiatives that need to be undertaken.

Dr. Marcelin Joanis: I have to admit that I haven't looked closely at how that funding is broken down. Again, what I would like to see is a broader conversation that takes into account that question and others, one that would examine how projects are selected. An analysis of how projects are prioritized is needed. What tends to happen—and not just in Canada, mind you—is that projects are prioritized according to parameters that would not necessarily enter into a proper cost-benefit analysis by an economist. Political considerations, for instance, often tend to factor into the mix.

Mr. Guy Caron: One of the previous witnesses said that it seemed priority was being given to shovel-ready projects, rather than to those that still had to be developed, owing to their complexity.

I know this was not part of your presentation, but you have done a lot of research on equalization. I have a few questions about that.

We often hear that provinces such as Alberta and Saskatchewan are currently funding Quebec's social programs through equalization. What do you think about these regularly made statements? When talking about Quebec and Ontario—which also receives equalization payments—people say that those provinces' social programs are funded in this manner.

Dr. Marcelin Joanis: That's an excellent question.

I think it's false to say that social programs in central Canada are funded by other provinces. I think it would be important to recognize that Quebec's social programs—which are somewhat more generous—are certainly funded, as is the case in other provinces, through federal transfers, but also through higher taxes. So those are collective choices. I support this demonstration, which was done by some of my colleagues. Most of the different collective choices made in Quebec in terms of expenditures are funded through different choices made in terms of taxation.

In a federation that respects itself and operates properly—and that is the case not only here but also in other countries—equalization programs are in place to help any entities that are struggling, as is

currently the case in central Canada. I want to emphasize that. This is a problem in Quebec, but it also increasingly applies to Ontario. This raises questions about equalization, which has become something of a zero sum game between Quebec and Ontario and, of course, some of the eastern provinces, as well.

Mr. Guy Caron: Equalization is often considered in terms of provincial spending, but, ultimately, it is much more related to revenue and especially the revenue provinces can generate through investment and economic growth.

Dr. Marcelin Joanis: Equalization payments are determined based strictly on the difference between provinces' fiscal capacity and not based on the choices made. That's why I am once again stressing the importance of equalization programs that get the job done. I think there is reason to believe that Canada's current equalization program can be greatly improved. There are some problems that restrict the program's redistributive capacity. For instance, I am thinking of the caps that are currently imposed on the program.

In the context of a properly operating federation, I think consideration should be given to whether or not it is appropriate for the federal government to try to isolate itself as much as possible from the pressures associated with equalization fluctuations.

• (1730)

The Vice-Chair (Mr. Nathan Cullen): Mr. Joanis and Mr. Caron, thank you.

[English]

Mr. Keddy, you have up to seven minutes, please.

Mr. Gerald Keddy: Welcome to our witnesses.

Mr. Joanis, you made a statement earlier that infrastructure helps to make towns and cities more prosperous. I think most of us would agree with that. You went on to say that it's not, however, just transportation infrastructure, that there are other types of infrastructure as well, such as recreational infrastructure, and governments federally, provincially, and municipally have to prioritize, and I appreciate that.

I wonder if you've done any modelling on infrastructure projects in recreation. One thing I've found in rural Canada is that you have to have enough base recreation ability to attract younger professionals—doctors, lawyers, engineers—who quite frankly will go somewhere else in the country if you don't have that base. Have you done any modelling on that, and do you have anything to add to that?

[Translation]

Dr. Marcelin Joanis: I have not done any modelling on that specific aspect, but you are right to bring this up. Infrastructure has to be considered in a broader sense. That involves anything you may refer to as amenities, which are essential to municipalities in particular.

Once again, it would be important to establish priorities for projects by considering the concept of infrastructure in a broader sense.

[*English*]

Mr. Gerald Keddy: Ms. Cobden from the Canadian Climate Forum, you talked about building in climatic resilience and discouraging construction in flood plains. I would have thought it would be illegal in Canada, as it is in most municipalities, to build on a flood plain, quite frankly. I realize that maybe in southern Manitoba it's all flood plain and they're going to continue to build there, but a lot of mitigation has already occurred.

There's always a short-term view that's immediate, but there's also a long-term view. Maybe Mr. Orb from the Saskatchewan Association of Rural Municipalities would speak on this as well.

The long-term view in Nova Scotia, quite frankly, is that the ocean is getting higher—there's no question about it—but we suffer from a dual problem, because the land is actually slipping. The land is sinking as the ocean rises. How much of this, in a situation such as this, can be the responsibility of any level of government?

I'll go back to the long-term planning. Is it the job of the federal government to come in with disaster relief money in every single case when we know, by every measure, that we will have a problem in oceanfront property in Atlantic Canada, for instance?

Mr. Brison would be interested in this question, I'm sure.

Ms. Catherine Cobden: There are a lot of themes and comments in that question. I'll take the first stab, and perhaps Mr. Orb will add to it.

I think, in the vision of the Canadian Climate Forum, we're actually thinking about partnerships and broadly encouraging multiple skills to come together. This isn't about government taking all the burden. We certainly would prefer to not have the disaster relief programs but instead to work ahead of those imminent disasters, because they're highly disruptive to the economy and to the people who live in those communities, obviously.

For example, on the resiliency side, I know that it might seem perverse that you can build in flood plains, but you might be able to do things through design to make things work better, in any event. If you're in southern Manitoba and you don't have a choice, perhaps you could have better requirements municipally for backcheck valves, or perhaps you don't want to put your energy system in the basement of a tall building but do something slightly different.

I don't know that it has to be entirely punitive. I think that's the idea, though. We have to adapt to these changing ideas, and we have to bring multiple disciplines together.

• (1735)

Mr. Gerald Keddy: Along that line, Mr. Orb, maybe I'll lead my question to you a little bit.

One of the recommendations you make is that the eligible rate for private contractors for disaster relief should be the going rate. I think we understand that, and that's reasonable. At the same time, you'd like to have gravel that's used—I'm assuming this is municipal gravel owned by the municipality—be a recoverable expense. Again, along

that same train of thought, how much of the responsibility needs to come back to almost a P3 look at how we do disaster relief, so that, yes, there's a huge responsibility on behalf of the federal government and we lead in that, but we also have provincial and municipal support, that everyone makes a contribution and therefore, because they have skin in the game, we have stronger and more realistic laws governing how we actually construct?

The Vice-Chair (Mr. Nathan Cullen): You have one minute, Mr. Orb, to answer that question.

Mr. Ray Orb: Thank you, Mr. Chair. The question might take a little bit longer than a minute to answer.

Basically I can tell you that most of the rural municipalities in their zoning bylaws try to make sure that people don't develop in areas that are flooding. The problem is those are a moving target. As you know, one year it seems to be worse than another year.

We are looking at the guidelines to the DFAA, the agreements we have with the province and the federal government. To do our own work in the municipalities.... You alluded to the gravel. That would be actually a saving to the program if municipalities were compensated. I believe it's quite a bit cheaper, maybe in the neighbourhood of 35% to 40% cheaper, for municipalities themselves to provide that than it is to hire a contractor. Most of the municipalities—the rural areas, I should say—have their own gravel, and that is a saving.

The disaster mitigation program is something we're looking forward to working on with the federal government. We also work with FCM, the Federation of Canadian Municipalities, to try to design that program so that we can prevent flooding. In some cases it makes more sense to be cost-effective and to design channels and things like these rather than to repair the work after the flooding occurs.

The Vice-Chair (Mr. Nathan Cullen): Thank you, Mr. Orb, and thank you, Mr. Keddy.

We'll go to Mr. Brison, for up to seven minutes, please.

Hon. Scott Brison: Ms. Cobden, do the provinces and municipalities have the climate change data they need to assess public infrastructure needs and to design public infrastructure to withstand extreme weather events? Do we have enough data now?

Ms. Catherine Cobden: It is a changing scale of need. I'd say the magnitude of need now is far greater than we thought. I think we need to keep adapting by looking at how we ensure that we all—frankly, I think we all need this—have the right tools to make smart decisions. Businesses do as well. We do need the right tools for decision-making, and frankly, we also need the right questions to be answered by the scientific community, so there's a duality there.

Hon. Scott Brison: Data and scientific information, a collection of good science and good data on climate change, is that an area where the federal government has a compelling role in terms of national leadership?

Ms. Catherine Cobden: Yes, I think in the existing program they've acknowledged that. The thing is there is such a demand that, as you heard in my remarks, we've already subscribed to that program. It was five years and we're three years in and it's fully subscribed.

Hon. Scott Brison: Federal funding for the tri-councils isn't keeping up with inflation. In fact, accounting for inflation, NSERC funding is down 6.4%. What's the impact of these cuts on climate research at a time when you acknowledge we need more data?

Ms. Catherine Cobden: I really can't speak to how the cuts have been operationalized within NSERC. I can't even speak to the high level of the cuts. What I can say is not only do we need to have the right science, and there is certainly a good core starting, but we could do better and more for sure. The magnitude of the problem is great, and I think we see the cost is great.

We also need to be able to use the data in a smart, intelligent way. That's part of what we are talking about around synthesizing the information and connecting decision-making with that science. I don't know about you, but the last time I looked at a scientific report out of some of our researchers it was hard to understand what are the right policy tools. You need somebody in there to do interpretations. That's where we come in and why we offer our support to help do that.

• (1740)

Hon. Scott Brison: You give the data to politicians.

Ms. Catherine Cobden: No, to all Canadians, not just politicians.

Hon. Scott Brison: I know.

Mr. McKenna, the Obama administration has significantly increased international tourism promotion in the last several years post the financial crisis. During the same period of time, we reduced our national tourism promotion. I know you have a specific proposal, but has the increase in the U.S. government's efforts to promote the U.S. as a tourism destination played a role in terms of the resultant Canadian industry?

Mr. David McKenna: I would say it has somewhat. The U.S. has invested a great deal of money, and they have an automatic mechanism through their visas to be able to fund that program. Brand U.S.A. is very strong, and it has attracted a lot of international attention, but I think, similar to my presentation, as the strength of the U.S. dollar dropped, that allowed many more people to come in and experience.... What we're finding for a lot of people visiting North America from overseas is that the borders are little blurry for them, and a two nation vacation is something we are currently seeing from the Chinese market. They're exploring North America as a whole.

Hon. Scott Brison: In my riding there has been a negative impact on tourism as a result of Parks Canada cuts and the reduction in hours of, for instance, Grand-Pré National Historic Site, a UNESCO world heritage site in Grand-Pré, Nova Scotia. Are the cutbacks at Parks Canada having an impact on tourism in areas contiguous with the national parks?

Mr. David McKenna: Yes, they have. Across the country the cuts have been felt, as you have experienced, and certainly here in central Ontario, along the waterways where Parks Canada also had to make some cuts, and out west. We're finding now with visitation on the

rise that Parks Canada has increased operating revenues through the increased gate counts and has been able to start putting some of those services back in. I would say that in Banff and Jasper we were very fortunate this past year, after the tremendously poor year previously due to the floods, that we would be back to a more normalized operating season in our parks.

Hon. Scott Brison: Have you had any effect in terms of your operators from the Mexican visa requirements brought in by the government? How did that affect tourism in that segment?

Mr. David McKenna: The Mexican visa requirements, although we understand why they were required, had a devastating effect. The Mexican source market was something we had all invested in quite heavily for a number of years, and it was growing in double digits annually. That is in the process of starting to rebuild, but more work is definitely required to allow us to go back there in any significant way.

Hon. Scott Brison: What about taxes and associated fees with flights originating in Canada? We understand that the way we pay for our security in Canada, and the billing to users, is having a deleterious effect on tourism. Could you expand on that?

The Vice-Chair (Mr. Nathan Cullen): It will have to be a short answer, Mr. McKenna. We're almost out of time.

Mr. David McKenna: Sure.

I don't have the exact details. We can get them for you. We are one of the most expensive destinations to travel to because of fuel taxes, the taxation on our airfare, and largely the operating costs at the airports. That is something that we need to work on.

The Vice-Chair (Mr. Nathan Cullen): Thank you, Mr. McKenna and Mr. Brison.

Mr. Allen, you have up to seven minutes, please.

Mr. Mike Allen: Thank you to our witnesses for being here.

I'd like to start with Mr. Joanis. I have a quick question following up on the question asked by Mr. Keddy a minute ago.

I think one of the statements you made, although I won't put words in your mouth, was that the infrastructure projects should be prioritized based on economics. As Mr. Keddy correctly pointed out, there is that intangible piece where, if you don't have facilities in your community, you can't attract young families and the businesses to attract people.

Are you thinking of other things in your model to make sure that you equalize some of this? This is just pure economics.

• (1745)

[Translation]

Dr. Marcelin Joanis: There is a short answer to your question.

A good economic cost-benefit analysis goes beyond the financial or economic aspect in the general sense. It takes into account both tangible and intangible factors. It is difficult, but not impossible, to quantify those things. Methods are available.

I think a project whose benefits trump the costs can have a significant intangible aspect, as long as that aspect can be analyzed or quantified.

[English]

Mr. Mike Allen: Thank you very much.

Ms. Cobden, you talked about \$3.2 billion in insurance losses. The Saint John River runs through a lot of the riding that I represent. We've had a number of floods and very traumatic events for some of the communities along the river, whether it be ice damage or whether it be other types of things.

With that in mind, to your point, Mr. Orb, and I tend to agree with you, there's the \$200 million we have for disaster mitigation, but when you spread that across all the provinces, it really doesn't go a long way to doing projects. One of the points you made in your argument was that it should be used for research and things like that. Can you talk about the status, and then perhaps the people from Canadian Climate Forum can as well, of flood plain mapping in Canada?

Ms. Catherine Cobden: Maybe Dawn, do you have something to...?

This is where being a new board member of the Canadian Climate Forum is—

Mr. Mike Allen: Maybe in the interim, Mr. Orb, can you tell us what the status is of flood plain mapping in your province?

Mr. Ray Orb: Honestly, I wouldn't be able to answer that. I think we would have to go back and research that. I think we're asking to do it project by project.

Mr. Mike Allen: Okay.

Ms. Catherine Cobden: My expert is telling me that it is actually quite out of date and needs to be updated, Mr. Allen.

Mr. Mike Allen: That's something where we should be looking at these funds and providing the funds to be able to do that, because it could end up alleviating a lot of our problems in terms of disaster mitigation.

Ms. Catherine Cobden: Those are the types of things to figure out, right? Where can we put in some investment that helps us adapt? That's the thing; adaptation is a critical part of the future piece.

Mr. Mike Allen: Now, the infrastructure program, the gas tax, and other programs have been expanded some to allow for disaster projects.

Mr. Orb, for your organization, do you have an estimate in terms of the amount for disaster mitigation that you will have to spend over the next 5 or 10 years?

Mr. Ray Orb: We haven't done an estimate on that, I think because it's a moving target. To be honest with you, I'm sure we could use the \$200 million in Saskatchewan, but we realize that wouldn't happen. I would think that the prairie provinces would obviously need quite a chunk of that money.

Mr. Mike Allen: I think I could spend about \$15 million or \$20 million in my riding tomorrow, too, if I had to.

Mr. McKenna, I'd like to go to you and talk a bit about the matching dollars that you're talking about on tourism. Is that all actual hard dollars or does that include in-kind contributions from the industry as well?

Mr. David McKenna: What we're talking about in this proposal is hard dollars. We're proposing that they be channelled through the CTC, which is an ongoing mechanism for us, and it would be pure industry as well as some of the supporting associations, the DMOs and the PMOs.

Mr. Mike Allen: Okay.

In your numbers, you talk about 5,000 additional jobs that would be created as part of this effort. What percentage of those are full-time jobs and what percentage are seasonal?

Mr. David McKenna: I do not have that data.

Mr. Mike Allen: Could you provide that for the committee?

Mr. David McKenna: We can provide that for the committee, absolutely.

Mr. Mike Allen: It would be wonderful if you could do that. That would be great.

On the incremental revenue of \$1.4 billion, how did that number come up? Is that just the additional incremental visitors multiplied by the \$1,500 or \$1,600 in additional spending by each of those?

• (1750)

Mr. David McKenna: Yes, it is.

Mr. Mike Allen: Okay. Thank you.

Mr. David McKenna: I'm checking my sources.

Mr. Mike Allen: That's always good. I don't have a problem with that at all.

Mr. David McKenna: I've been burned at a board meeting before, so....

Voices: Oh, oh!

Mr. Mike Allen: Looking back, in representing a riding that is on the border with Maine in the U.S., we have a lot of people going back and forth, and a lot of things happen even on daily trips, just based on the exchange rate. Here's what I'd like to understand a little bit. If you look back over the past decade and a half, when the exchange rate was down, then up, and now is back down again, what is your impression or what do you estimate is the impact of a protracted dollar in the range of 85¢ to 90¢?

Mr. David McKenna: It would have a material impact on the decision-making in the States. In particular, most people do their own travel planning now, especially in North America, and are booking online. They would see the Canadian dollar converted into U.S. dollars on whatever source they're using, so they would automatically see that found discount of roughly 20% on what normalized hotel stays would be, say, or air transportation.

The Vice-Chair (Mr. Nathan Cullen): Thank you very much, Mr. Allen.

We'll go over to Mr. Rankin.

Mr. Murray Rankin: Thank you to all the witnesses.

Mr. McKenna of the Tourism Industry Association of Canada, it won't be a surprise to you that as the member of Parliament for Victoria I'm going to start my questions with you. You properly point out that there are 933 tourism businesses in my riding, with 9,215 direct employees, and I'm going to say a lot more in the multiplier.

I first of all want to say congratulations to your organization on Mr. Goldstein's elevation, or at least transfer, to the job of CEO at the Canadian Tourism Commission. I think that's a real tribute to your organization and, of course, to his skills. He's been a witness here on many occasions.

I want to start with the Connecting America program, which is very big in our part of the world because obviously so many of the tourists have traditionally come from the State of Washington and from Oregon and California. Yet the Canadian government has seen fit not to fund that and has let the provinces and other organizations, rather than the CTC, put money into it. Do you see any change on the horizon based on your advocacy here today?

Mr. David McKenna: Yes. I believe that market economics are such that we'll see a change and there will be much broader support for reconnecting with the United States' marketing efforts. I think that current thinking within the CTC, under David's new leadership, will also fundamentally change.

Mr. Murray Rankin: If I could just explore that a little further with you, your brochure talks about the Connecting America program, the need for this new, three-year, targeted, coordinated program: marketing co-investment. I think you're proposing a matched industry and government sponsored program, a 50-50 sharing, \$35 million over three years. That's what you're here to ask this finance committee to recommend in the budget. Do I have that correct?

Mr. David McKenna: That's pretty much correct, except that industry and our marketing associations may be able to do a two-dollar match for every dollar given by the federal government.

Mr. Murray Rankin: I see. Well, that's encouraging.

I was really saddened to see what you pointed out here, which is that growth in world arrivals in 2013 was 5% globally but only 1.5% in Canada. You're suggesting a number of things be done about it. Just to build on something Mr. Brison was alluding to, one of the problems surely is the state of our airports and the expense of our airports.

I know in my part of the world it's significantly cheaper to go to airports south of the border, to fly in and out, than it is to use our Canadian airports. We're simply pricing ourselves out of the market.

Do you hear people talking to you about that particular issue?

Mr. David McKenna: That would be the number one issue we do talk about in terms of international access. After market economics dictate that the consumer trend and confidence are returning, then we have to have the accessible gateways, and frankly our gateways are more expensive than those going into Europe or into the United States or into some of the BRIC countries as we were talking about earlier.

Mr. Murray Rankin: Right, and you point out just how vibrant the American market has historically been and how their economy is recovering. There's been a 100% increase since 2001 in passports and no visa requirements. It's an obvious place to invest money.

One factor you didn't raise, which I think I've heard Mr. Goldstein refer to in the past when comparing overseas visitors to Canada to American visitors to Canada, is the simple fact that they come back much more often. The person from China, to use your example earlier, might come once in a trip of a lifetime, but that would be it, whereas we have over and over again members of that American family coming to Canada. Surely that's a huge multiplier, and therefore an obvious reason to make that investment in promoting American tourism.

• (1755)

Mr. David McKenna: You are absolutely correct in that assumption. The overseas travellers do tend to stay longer with us than the U.S. travellers do, but the U.S. travellers do return. Not only do they return numerous times, and I can attest to that from direct experience, but they also then encourage visiting friends and family that they must go up to Canada and visit Cape Breton, or P.E.I., or whatever it is.

Mr. Murray Rankin: That's precisely it.

I'd like to now turn to Ms. Cobden of the Canadian Climate Forum. Thank you for your excellent presentation.

You made a number of recommendations about the future and the need for adaptation to climate change, but how would you assess the current state of Canadian readiness vis-à-vis climate change?

Ms. Catherine Cobden: I would say we have certainly, as you can imagine, a strong academic engagement on this issue across the country, some of it facilitated by the climate change and atmospheric research program, but I guess what I'm saying as we start looking at the trends and the changes—that program was announced in 2011—is that since then we've had ongoing and rather extreme climatic events. I think we probably need to pause and ask if we need to do more to ensure we can answer the right questions.

Mr. Murray Rankin: I was in Edmonton and heard Mayor Iveson of Edmonton give an example, which I think was similar to what you said and something many Canadians wouldn't know about. He said the thunderstorms from the Rockies over to Edmonton have become so much greater in the last few years that the city is now looking at having to build much larger storm sewers because of climate change. That's one example. He's looking for millions of dollars in federal funding, for example, for that kind of treatment. These are the sorts of things people don't think about when they think of climate change. You mentioned, of course, shorelines and all the other things about storm events, but it's just such an insidious problem.

I was struck by your figures. I want to make sure I got this number about the insurance losses correct. I think you said it was \$3.2 billion. Was that in 2012?

Ms. Catherine Cobden: It was in 2013.

Mr. Murray Rankin: It was in 2013.

Ms. Catherine Cobden: In our brief we actually have the details of that Insurance Bureau of Canada reference.

Mr. Murray Rankin: Right, but it was three times what it was even only three years previous to that.

Ms. Catherine Cobden: That's correct.

Mr. Murray Rankin: That's just staggering.

Ms. Catherine Cobden: I don't think we know how to predict what Mother Nature has in store for us.

Mr. Murray Rankin: You talk about the costs of the flooding in Calgary being \$5 billion, and the Prairies...so it seems to me the figure is in fact infinitely larger than what you suggested if in one year you're saying insurance losses were \$3.2 billion and in the same year we had \$5 billion lost in Calgary.

Ms. Catherine Cobden: Actually that was the next year.

Mr. Murray Rankin: That was for the following year.

Ms. Catherine Cobden: We were trying to say that was the estimate for 2013.

Mr. Murray Rankin: It's a growing thing. I understand. Thank you.

The Vice-Chair (Mr. Nathan Cullen): Thank you, Ms. Cobden.

We're going over to Mr. Van Kesteren, for up to seven minutes.

Mr. Dave Van Kesteren: It's seven minutes?

The Vice-Chair (Mr. Nathan Cullen): We decided that earlier. I wanted to revisit it with committee. Given how many folks we have left, we'll be right up to 6:30. If committee members are fine with that—the last member may have just a bit shorter time—if we're okay with seven minutes, then we'll proceed that way.

Mr. Dave Van Kesteren: Thank you, Chair.

Thank you all for coming.

Mr. McKenna, I had your people in and we had a great discussion. I told them about Chatham-Kent—Essex. By the way, thank you for this. With 351 tourism businesses, and 5,125.... That's pretty significant.

I have to tell you a little bit about Chatham-Kent—Essex. If you've never been in that part of the world—and Mr. Shipley will testify to this—it's the greatest agricultural area, with possibly the exception of his riding, but I doubt it. Anyway, we don't have a whole lot to offer in the way of tourism initially, but once you get into the place you start to realize that it is really a great place.

I have to tell you that when I was a kid, we had Rondeau Park. It's still there. If you were a kid you didn't want to go anywhere else but Rondeau Park. It had swimming—I think four beaches—horseback riding, archery, bicycles. It just went on and on. The place was packed. I remember going there when I went to camp one time. I think I was in grade 8 or something like that. The Americans would come in droves with their campers.

Then one day it was decided that we really shouldn't open that park up to people; somebody decided that we should keep it for the animals. They pushed aside the bicycle business, the archery, the horseback riding, and they closed off a significant part of it where we

used to camp and swim, and they stopped maintaining certain areas, and guess what? The Americans quit coming.

I would submit to you, sir, that you could advertise until the cows come home, but they won't come back, because it just plain isn't any fun anymore.

I don't know if we're unique in our neck of the woods, and I'm not even criticizing that decision. Somebody made that decision, and if people decide that's what they want to do, then that's what they want to do, but it killed our tourism business. It didn't just kill that. If you're familiar—and Mr. Joanis would know this, as an economist—with the unguided hand, you'll see how the one leads to the next, and how our communities were impacted by that busy....

We do have the best water. It's not in that western basin; it's past that. It's much warmer than in other areas. It's clean water. It has everything going, and that's just one area.

I didn't talk about boating yet, and I don't want to take up all my time, but that was another area. The place used to be crowded with boats, and then they decided to get rid of the boats. They took the docks off the lake, and weeds grew in the bay, and you can't boat there anymore either.

What we still have is an interesting river called the Thames—the English always name things after where they've come from. The French called it La Tranche, and probably for a good reason, because it is kind of a trench. The Americans—we're near Detroit—used to come down Lake St. Clair, and they'd go down this little river, and it was picturesque. It still is; it's a beautiful thing too. We had docks in the city of Chatham—I think we accommodated about 200 of them—and at one point that place was just like Rondeau Park. It was packed. Then we decided that you really shouldn't go any faster than five kilometres an hour. It's about 40 kilometres to the mouth, so do the math and you can figure out how long it takes to get there. It's nice for a while, but after about half an hour you've seen enough of trees and bush and everything else. That industry was killed too.

I applaud you, and I'm asking you what we should do in beautiful Chatham-Kent—Essex to revive our tourism business again if we killed the goose. How can we get that back? What would you suggest?

● (1800)

Mr. David McKenna: I would suggest that you have to become a consumer-based economy, so you have to be a guest service based economy. To me it sounds as if some of the decisions—

Mr. Dave Van Kesteren: The Americans don't want to do that. They want to come and camp.

Mr. David McKenna: Well, if you've removed all the opportunity for them, then you've removed your ability to provide that service.

I think municipality by municipality they'd have to look at that, and either embrace it or say it's not for them.

I do a lot of consulting with small towns, and they say they want to be in the tourism business. I say, "Great. You need to open your coffee shop before noon, and you need to have your hotels open on Christmas", and those sorts of things.

I think it's an adaptive thing. It's not that if you build it, they will come, but if you really strategically plan your operations, then that will be attractive to people to come to visit—especially in your neck of the woods.

Mr. Dave Van Kesteren: Thank you.

Mr. Joanis, we had a conversation earlier about how things have changed and society has changed. I was looking for an economist and I couldn't find one. Remember what Harry Truman said about economists, but we won't quote him at this point.

I really want to get your input on this because we have spent significantly less on infrastructure. Isn't it true that, as I said to Mr. McKenna, societal changes have occurred and the moneys that were allocated to that—and I think it was 5% or 6% back in the sixties—started shifting in another direction? Isn't that a fact, and aren't we paying the price for that decision today? I'm thinking of health care and services that we provide that we didn't provide in the sixties. We robbed Peter to pay Paul. Is that not one of the reasons, maybe the biggest reason, that we've lost so much of that infrastructure money?

• (1805)

[Translation]

The Vice-Chair (Mr. Nathan Cullen): Mr. Joanis, you have only one minute to answer the question

Dr. Marcelin Joanis: A number of factors underlie this issue.

Indeed, we have noted a downward trend in infrastructure investments, not only in Canada, but also around the world. Today, we see that there are shortcomings in that area. Infrastructure has gotten too old. That is why the IMF is sort of taking everyone to task by asking that countries once again start investing in infrastructure.

We have to wonder where that downward trend comes from. It should be pointed out that health, education and infrastructure are not funded in the same way. Basically, infrastructure is financed through debt, while health and education expenditures are planned within the existing budgets.

I think there is a way to increase our investments in infrastructure without necessarily dipping into the funding set aside for health and education. I think it is possible to do both.

The Vice-Chair (Mr. Nathan Cullen): Thank you, Mr. Joanis.

[English]

Thanks, Mr. Van Kesteren.

We'll move to Mr. Adler, for seven minutes, please.

Mr. Mark Adler: Thank you to everybody for being here today.

As my time is limited, I want to focus on Mr. McKenna. Mr. McKenna, what is the dollar value of tourism to the Canadian economy?

Mr. David McKenna: It's \$84 billion.

Mr. Mark Adler: Where does that rank in terms of industrial sectors?

Mr. David McKenna: In Canada?

Mr. Mark Adler: Yes.

Mr. David McKenna: It's fourth in Canada, and I can tell you it's third in Alberta.

Mr. Mark Adler: Okay. How many people are employed in this sector roughly?

Mr. David McKenna: It would be in the neighbourhood of 600,000, give or take.

Mr. Mark Adler: That would certainly rank within the top 10.

Mr. David McKenna: Yes. We're by far the largest employer of youth in the country.

Mr. Mark Adler: What does the empirical evidence show are the top three tourist draws in the country?

Mr. David McKenna: The empirical evidence of—

Mr. Mark Adler: Where do most tourists, go?

Mr. David McKenna: I'll try not to be vain, because I think it's the Canadian Rockies. Most of the clients we're working with overseas speak of their interest in coming to the Canadian Rockies. They want to see Niagara Falls. Interestingly, Prince Edward Island scores very highly as well.

Mr. Mark Adler: And Toronto, I'm sure, would also—

Mr. David McKenna: Toronto...for most people, Toronto and—

The Vice-Chair (Mr. Nathan Cullen): Nice try.

Voices: Oh, oh!

The Vice-Chair (Mr. Nathan Cullen): Rob Ford really brought it up.

Mr. David McKenna: When Rob Ford was doing his thing, it scored quite highly.

Mr. Mark Adler: That's just it. That was one of the points I was going to get to. He was a bit of a draw for people, wasn't he?

Mr. David McKenna: He was. He created interest, and some interest in Canada as a whole, to learn what we're all about here.

Mr. Mark Adler: Yes, and the next step of this point is that the traditional way of looking at this business may not be a good model going forward. When we go back to Mr. Van Kesteren's example of Chatham and how they pretty much shut down their own industry, how do we get that back? We've got to think outside the box. Is that not the case?

Mr. David McKenna: We definitely do have to think outside the box. The box currently is much different from what it was even 10 years ago. The path to purchase is no longer a straight line when people would find a brochure and buy. It is now a circular path to purchase, where at every point someone can hijack or get in between you and your client. Really, it's about a digital world, a mobile world. It's about making sure that our content as Canadians is out in the world and that we tell our stories.

Mr. Mark Adler: By virtue of getting onto one of the websites and being able to book a trip quickly as opposed to the traditional way of going through a travel agent or planning it yourself and going through the maps and all that sort of thing, has that benefited Canada at all, would you say?

Mr. David McKenna: It's a very good question. I think it has, because more people have more access to find out about Canada than in the old traditional ways.

I have a short story. When we opened Taiwan as a source destination market, Brewster went in there with CP Air, CP Hotels, and VIA Rail. That's how you had to open a new market. These days we really don't. We just need to have our compelling images, and then by using travel agents in those areas, tour operators, and what we call RTOs, regional tourism operators, or in-market tour operators here in Canada, help bring those people through. It's a very different path to purchase now.

•(1810)

Mr. Mark Adler: Again, I'm focusing on Toronto because I'm from there, but you go through Pearson airport, for example. How well does Pearson airport, as an institution, market itself? It does play a role in the tourism industry. Rather than having people just pass through, does it showcase Toronto or the GTA or southern Ontario in an adequate way in your estimation?

Mr. David McKenna: I'm probably going to get into trouble for this, but my opinion is it doesn't do enough. It's my main bent right now. Some of the presentations I've been making across the country on product development is that when people are coming in from overseas, before they get to customs, why don't we have something that talks about our country and starts getting people involved in the experience, rather than having them focus on getting through customs and picking up their bags, that sort of thing?

We have a great opportunity there to do much better.

Mr. Mark Adler: Yes.

Calgary airport, for example, on the arrival deck has totem poles and bears and a cowboy theme and everything. Toronto doesn't really have any of that to showcase what Toronto really is, does it? It's a shame.

Mr. David McKenna: It is a bit of a shame. There are some pictures of some of the things you can do in the surrounding area. I did a walk-through today. Calgary is known.... Yes, we do have a lot of those displays on the baggage carousels, but the white hat volunteers say howdy to every visitor. That's what resonates with people. At international arrivals in Vancouver you walk along an incredibly long hallway which looks like a rainforest. It's absolutely gorgeous. Those things work.

Mr. Mark Adler: About a year ago *The Economist* did a feature on the power of diasporas. Canada is a land of immigrants. We have people from everywhere in the world. How much of an advantage... or are we missing the boat on tapping into our diaspora communities

to encourage people who come from various countries around the world to come and visit, to come and visit family, to stay, to talk about the tales they're taking back to people in their own countries to encourage others to come to Canada?

Mr. David McKenna: We love working with the immigrant communities. They're so proud to be Canadians. It's fantastic because they do bring their friends and family to show them particularly where they were sworn in as Canadians. It's an incredibly emotional and powerful piece. I think there is a great opportunity to work with some of those community associations to encourage that type of behaviour.

Mr. Mark Adler: Do we put a lot of resources into the immigrant ethnocultural groups to get them talking about Canada to those people in the countries they come from? Yes, they are very proud to be Canadian.

The Acting Chair (Mr. Dave Van Kesteren): Mr. McKenna, I'm sorry to interrupt, but Mr. Adler's time is up. We need to go to Mr. Shipley, and maybe Mr. Shipley will want to continue that question.

Mr. Bev Shipley (Lambton—Kent—Middlesex, CPC): I'll let Mark finish his questions.

Mr. Mark Adler: Okay.

Could you talk a bit more about the work you're doing with the immigrant communities?

Mr. David McKenna: Very quickly, currently in the west we're investing quite heavily into some of those source markets where some of the immigrant communities are coming from.

Parks Canada also has some amazing programs right now. They're trying to engage new Canadians in camping in or experiencing the national parks. We are currently renovating the upper terminal of the Banff Gondola. It's a \$20-million project. We're creating a Canadian pavilion at the top where every new Canadian sworn in as a Canadian in the national park will have their name and their story up there with a compass of the world, and this will become their place forever.

Mr. Mark Adler: That's fabulous. Thank you.

The Acting Chair (Mr. Dave Van Kesteren): Mr. Shipley, do you not have any questions? The government side has about six minutes today. Is there anyone else who wants to fill in that time?

Colleagues, I think we've exhausted all of our questions.

We thank everyone for coming. It has been a very interesting panel. I guess that's a wrap. Thank you.

The meeting is adjourned.

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