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## **Standing Committee on Finance**

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**EVIDENCE**

**Monday, November 17, 2014**

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**Chair**

**Mr. James Rajotte**



## Standing Committee on Finance

Monday, November 17, 2014

• (1535)

[English]

**The Chair (Mr. James Rajotte (Edmonton—Leduc, CPC)):** I call this meeting to order. This is meeting number 57 of the Standing Committee on Finance. Orders of the day are pursuant to the order of reference of Monday, November 3, 2014, our study of Bill C-43, a second act to implement certain provisions of the budget tabled in Parliament on February 11, 2014, and other measures.

Colleagues, we have two panels at this session, and we're very pleased—

Mr. Saxton, you have a point of order.

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

Just before you introduce the panels, I want to raise a point of order and point out a concern the government side has regarding the selection of witnesses for this study of the bill.

Of course, we welcome all witnesses to our committee. However, when I look at the panel of the proposed list of witnesses for the rest of the study, it appears the opposition has invited witnesses that do not pertain to the divisions our committee is studying. One of those, it would appear, will be here later on this afternoon and the other one is scheduled for tomorrow.

I'd like to point out that this is not standard practice, and as I understand it, we have never invited witnesses on divisions that were being studied at other committees.

I wonder if I could get clarification from the opposition as to why these witnesses are being invited and what relevancy they have to the divisions we are studying here at this committee. Our understanding is that we are here to hear from witnesses on the divisions we are actually studying at this committee, to maximize our time and use it efficiently.

**The Chair:** Which witnesses are a concern?

**Mr. Andrew Saxton:** The two witnesses I noticed who are bringing up issues that are at other committees are from Romero House and Canada Without Poverty.

**The Chair:** Do you want to address this, Mr. Cullen?

**Mr. Nathan Cullen (Skeena—Bulkley Valley, NDP):** It's somewhat challenging to address, in the sense that this implementation act deals with a whole range of issues that affect poverty. It's unusual I think, Chair, just because we haven't heard the witnesses' testimony yet, to know whether it's relevant or pertaining to the issues that are addressed by this committee.

It's an issue of precluding witnesses based on the organization they are attached to, simply because they are attached to that organization. I'm grasping for what Mr. Saxton's actual concern is.

Romero House is a Christian organization that deals with anti-poverty issues for new Canadians. I'm not sure if the budget implementation act or any of the acts in the sections we're dealing with have some concern for him, but it's difficult for me to argue witnesses' relevance to the case we're studying before we've heard their testimony.

I would suggest, Mr. Saxton, maybe we should wait to hear from the witnesses before you raise some objections, and we can deal with it as a committee then.

**The Chair:** Is there anything further on this?

Mr. Saxton, it's very hard for me to say a witness ought not to come to committee based on what they may say before the committee, so unless you have something further you can provide that would say.... I don't know if you have their opening statements, and this is what is causing you concern in terms of what they are going to present to the committee, but members can raise points of order as people are presenting.

Also I remind you that relevance is always interpreted very broadly both within Parliament and at committee.

**Mr. Andrew Saxton:** Chair, I appreciate your position and that it's not always easy for you to know ahead of time what those witnesses will be saying.

I'm just reminding the opposition that, because this bill is being studied at other committees, and we are studying specific divisions of the bill here in the finance committee, the witnesses should be relevant to what we're studying here in the finance committee and not necessarily to what other committees are studying.

**The Chair:** I'll just point this out, though. I refer members to the motion that was adopted at committee, in terms of the chair writing to other committees. It said:

the Chair of the Committee write...to the Chairs of the following Standing Committees inviting those Standing Committees to consider the subject-matter of the following provisions of the Bill...

And then it identified the provisions of the bill.

So it would make eminent sense, if members of parties have witnesses who relate to those clauses of the bill referred to those committees, that they present there. But there's nothing in this motion as I read it—and I'm willing to be advised differently—that says if a witness is presenting on certain clauses.... I mean, they may present on items that are both within clauses before this committee and before other committees in terms of the witnesses, but I'll also remind Mr. Saxton that this committee will deal with all the clauses, which was the government's position.

I'd really like to move on to witnesses, if I could.

**Mr. Nathan Cullen:** Just very briefly, I didn't want to get into the technical question of the motion we are deemed with at committee. I understand what Mr. Saxton is saying, but I also read very carefully the motion we were granted. There was no provision excluding this committee from addressing any part of the bill. Ultimately, as deemed by the House of Commons, resting authority for this legislation was with this committee. There was no subsection direction, and we take that very seriously. So to try to limit the scope and scale of what we're doing over such a complicated 460-page bill....

I read the motion very carefully, as I'm sure Mr. Saxton did, and we think everything's in order. But I also want to get to the very limited time we have with the witnesses, rather than having a debate about who gets to testify in front of us and who doesn't.

**The Chair:** Okay. I would just add that for witnesses who are appearing only on certain specific clauses—for instance, clauses 102 to 142—it would make more sense for them to present to the industry committee than to the finance committee.

I'm going to leave it at that. I won't get into a protracted debate. At this point, without having heard any of the testimony, I'm not prepared to rule on a point of order.

Again, apologies to our witnesses, both here and in Victoria. I want to welcome you and thank you very much for appearing on very short notice before the committee.

We have with us, from the Canadian Media Production Association, the president and CEO, Mr. Michael Hennessy. From the Chartered Professional Accountants of Canada, we have the national tax partner, Mr. Bruce Ball. From the Investment Funds Institute of Canada, we have the senior policy adviser, Mr. James Carman. From IT International Telecom Incorporated, we have the co-president, Mr. James Michael Kennah; and from the University of Victoria, we have Dr. Lindsay Tedds.

Each of you will have five minutes maximum for your opening statement, and then we'll go to questions from members.

We'll begin with Mr. Hennessy, please.

**Mr. Michael Hennessy (President and Chief Executive Officer, Canadian Media Production Association):** Thank you, Mr. Chair.

I will skip over a few paragraphs, but I've timed myself out just to make sure I do that five minutes.

Good afternoon. As the chair said, my name is Michael Hennessy and I'm the president and CEO of the Canadian Media Production Association, known as the CMPA.

On behalf of the over 350 primarily English-language independent producers of Canadian film, television, and digital media, we appreciate the invitation to contribute to the committee's important work on implementing certain provisions of the budget bill, tabled in Parliament earlier this year.

Our sector has become a success story because of increased focus on audience in export markets, and equally important, due to the support of government over the past 20 years through its tax incentives and regulatory policies.

The success of that investment is measurable. We work with the Department of Canadian Heritage and the Quebec producers' association on "Profile", an annual economic report that tracks the production sector. According to "Profile", expenditure on Canadian film and television production in Canada is now just under \$6 billion. Included in that figure is approximately \$1.5 billion of spending by other countries in Canada, particularly Hollywood on U.S. shows shot here, like *Suits*, *Covert Affairs*, and *Once Upon a Time*. They shoot here not only because of the attraction of investing here, but because of the quality of our talent and crews, which have been developed under the regimes I talked about earlier. These productions not only attract investment, but help create over 30,000 jobs annually.

But the real success can best be measured by popularity with audience, and last year we hit home runs. According to the Canada Media Fund, over 26 TV shows had audiences of over one million. Original shows like *Saving Hope*, *Orphan Black*, *Rookie Blue*, and *Murdoch Mysteries* are just a few examples.

Canadian content is no longer just for domestic consumption. CanCon sells overseas and the export value of our works is now almost \$2.5 billion annually. Over 127,000 full-time jobs, according to "Profile", are sustained because of this system of private and public partnership.

Predictable tax incentives, such as the Canadian film or video production tax credit program, have helped create an industry that has gained international respect. The program-related amendments in Bill C-43 are important to further improve the efficiency of the current system. These progressive changes are the fruit of many years of dialogue between the sector and the government, and they will provide both clarity and guidance to Canadian producers when closing business deals and securing financing.

But in parallel, as the industry moves into more a globally competitive and consumer-driven model for broadcasting, anchored by pick-and-pay options and increased competition from the Internet, we will be working closely with government on further increasing the efficiency of the program to maximize its intended return to producers and to the economy at large.

From a broader perspective, we believe growth will come from exports and increased inward investment in the sector. Accordingly, we want to collaborate with government going forward to increase export opportunities and partnerships with other countries to better exploit the intellectual property that Canadians create.

We believe that in a global information economy film and TV are not merely cultural products but an economic opportunity to build new and global markets and trade in content. Just as government support was critical in building a world-class domestic system, we believe government, through its trade arm, could help facilitate access to international film, television, and digital media markets, and related financing opportunities. Through export and other dedicated international programs, government and its agencies could actively support and promote the efforts of Canadian producers in securing foreign financing and increasing their business potential around the globe.

All of this will lead to even more jobs in Canada, more business opportunities, and more business and investment revenues for the Canadian economy.

In closing, I'd like to thank the committee again for allowing me, on behalf of the CMPA, to appear before you today. But I would be remiss if I did not end with thanks to the government and the taxpayers it represents for its faith that the incentives it put in place two decades ago would deliver returns in terms of popular content, high-value jobs, and increased inward investment in Canada. A spinoff of this is a reputation that, when it comes to entertainment, Canada is a favourite destination to do business.

• (1540)

I'll be pleased to answer your questions at the appropriate time, Mr. Chair.

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

We'll hear from Mr. Ball, please.

• (1545)

**Mr. Bruce Ball (National Tax Partner, BDO Canada LLP, and Member, Tax Policy Committee, Chartered Professional Accountants of Canada):** Mr. Chairman, committee members, on behalf of the Chartered Professional Accountants of Canada, thank you very much for the opportunity to appear before the committee today.

As mentioned, my name is Bruce Ball. I'm a national tax partner of BDO Canada—my day job—and I'm also a member of CPA Canada's tax policy committee.

My comments today will focus mainly on the income tax legislation in part 1. We are going to just focus on a few specific things, just to highlight some concerns we have.

In addition to being a member of the CPA tax policy committee, I'm also the past chair of the joint committee on taxation of the Canadian Bar Association and CPA Canada; it was called CICA Canada when I was chair. As I mentioned, we have identified some concerns in the legislation that I want to address. I'm going to break my comments into two parts. We had some comments on immigration trusts but also on domestic trusts as well, and I'm going to start with them.

The bill eliminates the graduated rate taxation of trusts and estates. We're not here to question the policy because we recognize the government's right to change policy, but the bill also contained a number of changes that affect just the taxation of trusts from a practical perspective. These changes weren't really part of the budget but they were included in clause 26 of part 1. I'll just focus on a couple of issues with them.

The one thing I'll mention is that the joint committee I was chair of in the past did send a letter in September to the Department of Finance just to outline some of these concerns. I'm just going to touch on a couple of them.

The one that has the most interest I think, and the one we have the most concern about, is a change that affects some special purpose trusts, like a spousal trust, a trust that someone may set up for their spouse. Without getting into technicalities, with these trusts when the person passes on there's a gain that generally arises, a deemed gain. The new legislation effectively attributes this deemed income to the deceased's estate, even though the deceased's family may not be beneficially interested in the property.

The trust is jointly liable, the trust where there's the deemed income that's realized, but when it's passed out to the beneficiary's estate it is a joint liability and the beneficiary's estate will be the primary taxpayer from the point of view of whom the assessment will be issued to. We thought that was unfair.

It's a complicated area, but our concern really is that there's this deemed income that will arise for certain estate beneficiaries, their families, yet they won't actually be getting the assets that give rise to the income. In a lot of situations those assets pass to someone else.

Just in a similar vein, if the income arises in the trust and then it's allocated out to someone else, if there's a loss to the trust in a subsequent year, which there often will be because of planning that a lot of people do after someone passes away, there's quite often a capital loss. It's unclear if the legislation, the way it's written right now, would allow that loss to be carried back to apply against the income from the prior year because it's been allocated out to someone else.

The joint committee letter I mentioned, which was sent in September, lists some other concerns as well, but those were the two main ones we identified.

Our recommendation is that we'd like to really work with the Department of Finance more. Our suggestion is that those parts of the bill be withheld until they could be discussed a little bit more. They really don't relate to the graduated taxation on estates; they really relate to something else.

The other thing that was recognized in the joint committee's letter was just the change for immigration trusts, the changes to section 94 of the Income Tax Act. These changes had actually survived a number of tax changes over the years, and people believed that they had five years if they set up one of these trusts.

Our main issue here is the fact that these changes were made without grandfathering. We thought it was appropriate that people who set up these trusts in good faith should be able to get their five years of tax exemption, as they believed they had when they set up the trust in the first place. We believe that grandfathering should be allowed.

Thank you for your attention. I'd be more than happy to answer any questions you have.

• (1550)

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

We'll go to Mr. Carman, please.

**Mr. James Carman (Senior Policy Advisor, Taxation, Investment Funds Institute of Canada):** Mr. Chair, thank you for this opportunity to provide the views of members of the Investment Funds Institute of Canada at this hearing. We are the voice of Canada's investment fund industry. By connecting savers to Canada's economy, our industry contributes significantly to Canadian economic growth and job creation.

In my remarks today, I will be focusing on the amendments to the loss restriction event, LRE, rules in Bill C-43.

First, I would like to thank the government and the minister for the amendments. We believe that these amendments will address many of the concerns faced by our members. As originally enacted through the Economic Action Plan 2013 Act, No. 2, a trust would be subject to an LRE if an issuance or redemption of trust resulted in an investor or a group of investors holding more than 50% of the units of the trust. The trust would have a deemed year end, resulting in potential distributions to investors, be required to file a tax return and provide tax reporting to investors, and any previous loss carry-forwards and accrued losses on its investment portfolio that could not be applied in the deemed year end, including against accrued gains, would be lost.

The principle intent of the legislation was to ensure the majority investor could not buy into a fund that had suffered extensive losses and take advantage of these losses to offset future gains within the fund. While the department's intent to protect the Canadian treasury against lost revenue due to aggressive tax planning was completely appropriate, the scope of the legislation was too broad and had unintended consequences.

The original legislation did not take into account important distinctions in events that result in LRE that are simply situational in origin, and have no aggressive tax planning intent. Some examples include changes in majority ownership that frequently occur when an investment fund is in a start-up or wind down phase. During these periods, a single investor may easily end up holding 50% or more of a fund because of the small number of other investors and capital. Fund-on-fund situations where a bottom fund has a small number of investors, primarily widely held top funds, are also problematic.

The application of the LRE rules is also unfair to minority investors where the result is that the trust loses previous loss carry-forwards and accrued losses. Minority investors are entitled to benefit from their share of the losses and have no control over changes to majority ownership.

The amendments in Bill C-43 address many of the significant issues that I've just outlined. However, as IFIC noted in our submission dated October 31 to the department, there is still one more important issue that needs to be addressed.

Bill C-43 defines the conditions to be met in investment trusts in order that what would otherwise be an LRE is disregarded. A key component is the definition of "portfolio investment fund", which contains elements drawn from the specified investment flow-through trust rules, or the SIFT rules. These rules were enacted for a totally different tax policy reason, to shut down income funds. The definition of "portfolio investment entity" includes a condition that will require trusts to ensure that they do not hold more than 10% of the equity value of an issuer. This is not a concentration test applied to prospectus-qualified funds that are subject to National Instrument 81-102. The test will require investment managers to make portfolio investment decisions that they wouldn't otherwise make. Also, the definition of "portfolio investment fund" effectively means that funds that invest in portfolio securities, Canadian and foreign real estate, or resource issuers, cannot qualify.

It is our hope that we can work with the government to find a solution based on the investment restrictions in National Instrument 81-102.

Mr. Chair, that concludes my opening statement. Once again, we appreciate this invitation and would be pleased to answer any of your committee's questions.

• (1555)

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

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

**Mr. James Michael Kennah (Co-President, IT International Telecom Inc.):** Thank you to the committee for the time.

Also thanks to Mr. Scarpaleggia, who has worked with us for about two years trying to get us here.

Who are we? We're a Canadian company. We're an offshoot of Teleglobe Canada, from the time when it was privatized and subsequently sold. We have facilities in Quebec, Nova Scotia, and British Columbia. We're also a large lessee for Ports Canada in Nova Scotia.

What do we do? We're involved in the submarine fibre optic business through our vessels in our international shipping company. We transport and deliver fibre optic cable throughout the world and Canada. For example, in the next 18 months one of our ships will have gone to the United States, Norway, the U.K., Germany, Chile, Ghana, Venezuela, American Samoa, Hawaii, Algeria, and then back to Newfoundland.

What's the importance of fibre optics, you may ask. Well, your cell phones only go to the nearest tower; 95% of the world's communications operate on fibre optics, which is basically a glass hair around the world. It's seamless and the most reliable communications system ever developed.

Why is it important to Canada? Canada has the longest coastline of the world. We are a marine country. We have so many lakes—I couldn't even find out how many we had. But as an example, we do communicate to our islands by fibre optics: Vancouver Island, Prince Edward Island, even across the Quebec north-south divide of the St. Lawrence River, and to Newfoundland, as well as in many lakes throughout the country.

Why are we here? Most of our business, as I said, is involved in the transportation and delivery of submarine cables by our ships. We can remain competitive by using the international shipping provisions of the Income Tax Act to operate our vessels through our Barbadian subsidiary. This allows us tax incentives and reduced operating costs. It's important to equalize these low-cost foreign shipping competitors. That is the problem. It also provides us the capability to reinvest in equipment and vessel upgrades. It allows us to keep the Canadian expertise in Canada. We are the only company in the country that does this, just us.

Why exclude cable laying? That's what happened with Bill C-43; you put a new provision in saying that cable laying is excluded from international shipping. Why does the government feel it necessary to exclude International Telecom from access to beneficial international shipping regulations that put us on an equal footing with our competitors throughout the world? These sections of the Income Tax Act, 250(6), were set-up for this exact purpose, to encourage Canadians in the international shipping industry. We are the only Canadian company that does cable laying.

How does this hurt the regulations? Companies like Canada Steamship Lines and Teekay Shipping use these regulations to remain competitive throughout the world.

How will this change hurt us? Well, we've suffered through a communications meltdown in the year 2000, and our company and our industry has struggled. We have allowed ourselves to remain in business by utilizing some of the beneficial income tax regulations. If we lose these, we will be disadvantaged against our international competitors who have these advantages.

The conclusion and summary of this is that cable laying needs to be removed from Bill C-43. We require the status quo. Canada cannot afford a brain drain again. We are the only guys, and our people will go to other international companies and not remain in Canada. It is so important in the upcoming few years with Plan Nord, which will be hooked by telecommunications primarily, and also the Arctic development. I think everyone would agree that we would rather have Canadians installing this than foreign companies.

That concludes my little talk, and I stand ready to answer any questions. I thank you for your attention and hope you have a chance to read my brief.

Thank you.

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

We'll now go to Professor Tedds in Victoria, please, for your five-minute opening statement.

**Dr. Lindsay Tedds (Assistant Professor, University of Victoria, As an Individual):** Good afternoon. I am Dr. Lindsay Tedds. I'm an

associate professor here in the School of Public Administration at the University of Victoria.

My primary area of expertise is in Canadian tax policy, particularly with respect to design and implementation. I've written a number of peer-reviewed journal articles in this area, along with book chapters, technical reports, and two books.

I'd like to thank the committee for this opportunity to share my views on two tax policy measures included in Bill C-43 that includes the income contributed to an amateur athletic trust, as well as the children's fitness tax credit.

With respect to the amateur athletic trust changes, under Canadian tax rules Canadian athletes must claim any athletic prize money, as well as any income from endorsements and other remuneration-related activities. They have to report that as taxable earned income. Amateur athletes, though, can defer paying tax on this earned income by placing it in an amateur athletic trust. Tax on this earned income then is deferred until it is paid out by the trust and back to the athletes.

While the athletic money is considered to be earned income and eligible for determining RRSP contribution room, this recognition does not occur if the income is instead placed in an amateur athletic trust—that is, the money is never treated as earned income either at the time of placement in the trust or upon disbursement when the taxes are paid. As a result, the athletic money never qualifies toward determining an athlete's annual RRSP contribution limit.

Through Bill C-43, the federal government is changing the rules to ensure that this earned income in an amateur athletic trust is recognized as such for the purposes of determining an athlete's annual RRSP contribution limit in the year it is earned. It's eliminating a penalty that these athletes unwittingly incurred when using a government-sanctioned tax deferred vehicle and recognizes the importance for everyone to be able to garner RRSP room from the income they earn from their endeavours.

With respect to the children's fitness tax credit, this tax credit was introduced in 2007 with the stated goal of increasing enrolment of children in sport. This tax credit has been shown through at least four studies now to be ineffective in achieving this goal. Only about 15% of parents agree that this tax credit enables them to enrol their children in the program when they would not otherwise have been able to, subsidizing the behaviour of 85% of households. As a result, this tax credit does little more than subsidize behaviour that normally would otherwise occur.

It's also been shown this subsidy disproportionately goes to high-income households. About half of the households that claim the credit earn more than \$100,000 annually. This regressivity is not going to be undone by making the tax credit refundable. This is due to the fact that the size of CFTC claims increase with income. That means high-income households obtain a greater and greater benefit from the credit.

Economists have long been calling for an end to these types of boutique tax credits because they are poorly targeted and ineffective in achieving their goals. The goal of a tax system is to raise the most revenue with the least distortions in a progressive manner, while minimizing administrative and compliance costs. These boutique tax credits mean that statutory rates are higher than they would otherwise be, distorting work and other effort; revenue is sacrificed that could be used more effectively; our progressivity is compromised; and time and money is wasted on administering the program and complying with the rules.

Do you really want hard-working Canadians to keep more of what they make, whether they be families or otherwise? Eliminate these wasteful boutique tax credits and instead cut tax rates. Doing that respects the principles of efficiency, equity, and economic growth, all while reducing administrative costs.

In closing, I'd like to thank you for providing me with this opportunity to provide my views on these two measures. I look forward to your questions.

Thank you.

•(1600)

**The Chair:** Thank you very much, Professor Tedds, for your opening statement.

Colleagues, we'll begin members' questions with seven-minute rounds.

Mr. Cullen, please.

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

First to you, Mr. Ball, and then to Dr. Tedds. You didn't testify on this, but I believe your group has done a certain amount of work on the cost of tax compliance in Canada.

If you have any specific testimony to offer us today, would you say in general the taxation system is moving toward greater efficiency and lower costs for Canadian families and businesses or to higher complexity?

I'm starting to feed off a bit of what Dr. Tedds talked about in her testimony around compliance costs. I know chartered accountants have certainly testified before about the direction and cost to businesses and to families.

**Mr. Bruce Ball:** I don't know if I can talk to, specifically, whether it's getting better or worse, or quote you a number. For something like the fitness tax credit, in CPA Canada we've been of the belief that we prefer, more generally—not talking about that credit—a broader-based tax reduction and simplification at the same time, so —

**Mr. Nathan Cullen:** Can I just ask why? Isn't it more work for your members to have a more complicated tax code and more pages in the tax form?

**Mr. Bruce Ball:** You'd think that, but actually our clients really don't want to pay us to spend more time working on complicated issues, so that's why we really believe in a less complicated system and more broadly based reductions, if there were going to be a tax reduction.

•(1605)

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

Ms. Tedds, you've made a critique of the children's fitness credit here. First, specifically on the compliance cost, from any of the research that you've done, is there a general impact on compliance costs for Canadian families and businesses with regard to what you call these “boutique tax credits”?

**Dr. Lindsay Tedds:** As far as I know, there has not been a specific magnitude developed, but what we do know, for example, with the children's fitness tax credit, is that most of the low and middle-income households don't even know that the credit exists, and where it is known that it does exist, a lot of the costs are actually falling onto the programs that administer sport for children, which are having to provide information and determine whether or not their program in fact complies with the tax credit so that they can administer receipts to families.

**Mr. Nathan Cullen:** Help me out here. You're suggesting that the burden, with regard to getting the education component out so that families, particularly you're talking about middle and low-income families, are aware of the program is on the various sports associations. To whom is this falling to actually gain access in a more equitable way to this particular tax measure?

**Dr. Lindsay Tedds:** In terms of being informed, what we have seen through the various surveys that have been administered to families about the fitness tax credit is that low-income families, single-parent families, and families at risk are not aware of the tax credit. A lot of this has to do with the fact that the ability to tax plan is not first and foremost on their minds, so not even being aware of the tax credit causes problems with the efficiency and equity of this credit. But in terms of being able to inform families as to whether or not the program they're involving their children in qualifies for the tax credit, a lot of that is falling onto the programs themselves to comply with the rules in order to be able to release the receipt to the family so that they can then claim through CRA, and hopefully not go through an audit, thereby increasing their compliance costs as well.

**Mr. Nathan Cullen:** I may have missed this. I didn't quite catch the number just in terms of what is sometimes commonly referred to the “free rider effect”, the real impact that government claims versus the actual difference that is made through expenditure of moneys like this. Did you say there is 50% or 15% of Canadian families picking this up? I thought I heard 50%, but I'm not sure. Later on you made a quote about 85% in your testimony.

**Dr. Lindsay Tedds:** Of the families that claim the tax credit, only 15% of those families say that it actually changed their decision to enrol their child in sport participation. Therefore, 85% of the families participating and receiving that money would have enrolled their child in the sport program anyway, with or without the tax credit.

**Mr. Nathan Cullen:** Right, so your suggestion, based on the surveys that have been done, is that if only 15% are saying they changed their behaviour based on this government measure, it's not efficient for the money being spent. This is a question of efficiency then. That would be your criticism.

**Dr. Lindsay Tedds:** It's poorly targeted. If we're trying to encourage more families to enrol their children in sport, the child fitness tax credit does not do that predominantly because for a lot of low-income families waiting 15 months to get up to \$75 back off a \$500 expenditure is challenging for them to do.

Alternative ways to be able to do this would be to eliminate tariffs and excise taxes on sports equipment, sports programs, but even better would be to provide more money through the CCTB, which is a monthly payment that goes to low-income families and is clawed back for high-income families to ensure that it goes to the people who need it most.

**Mr. Nathan Cullen:** Right, because this is a very specific program and it's small in comparison to the general outlay of the government every year.

I'm starting to pick up some themes here, just in terms of the low impact on low-income families and on single-parent families. The theme starts to make sense in terms of the income splitting that the government has now gone out on, which has a similarly low and very targeted impact toward the higher-earning families.

This is my last question. With respect to the progressivity of our tax code, is this not just too small a program to affect whether our tax code is progressive or regressive in helping or hurting low-income families?

• (1610)

**The Chair:** Make a very brief response, please.

**Dr. Lindsay Tedds:** Certainly the \$115 million could be spent more progressively than on a fitness tax credit.

**The Chair:** Thank you.

Thank you, Mr. Cullen.

We'll go to Mr. Saxton, please.

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

Thanks to our witnesses for being here today.

My first questions will be for Mr. Hennessy of the Canadian Media Production Association.

These amendments were first released for comment in April of this year. Did your organization comment or raise any concerns at that time?

**Mr. Michael Hennessy:** No, I don't believe we did.

**Mr. Andrew Saxton:** Okay.

These amendments will improve the film and video production tax credit regime. How do you feel this will affect your members?

**Mr. Michael Hennessy:** Positively.

**Mr. Andrew Saxton:** I appreciate the short answers, but would you like to elaborate on that?

**Mr. Michael Hennessy:** One of the key changes within the tax credit is around labour costs, including in the labour cost a lot of the development work that goes into launching a production in the first place.

You can have a period of time now of up to two years before the production begins when work is done trying to develop the project, write scripts, and sell it. If you look at the business, for every successful show—and that is measured by the ability to sell to a network or launch a film in the theatres—you can have anywhere from 15 tries before you get something. This is the same in Hollywood as well.

A lot of production money has been spent on the front end in development costs, and this allows more opportunity to hire the writers who are really critical in designing the idea in the first place.

**Mr. Andrew Saxton:** So it will offer the opportunity to increase the number of jobs that are created by your industry.

**Mr. Michael Hennessy:** Absolutely.

**Mr. Andrew Saxton:** Do you have any idea of how many jobs it may create?

**Mr. Michael Hennessy:** No, I don't really. We could try to figure that out and inform the committee, but off the top of my head I wouldn't have an answer.

**Mr. Andrew Saxton:** Thank you very much for those answers.

My next questions are for Mr. Carman from the Investment Funds Institute of Canada.

Mr. Carman, can you comment on the changes to the trust loss restriction rules, and do these measures help to address the majority of the concerns of your members?

**Mr. James Carman:** Thank you for the question.

Yes, I think they do.

We had real concerns about the red tape; the fact that minority investors could lose losses they were entitled to, through no fault of their own; and the fact that fund-on-funds, which is a significant part of our industry, would be quite impacted by the requirements. The amendments take care of all of that.

As I said earlier, we have only one remaining concern. It is around the SIFT rules, because in the SIFT rules there is a 10% of the issuer rule that has to be constantly monitored, as opposed to under 81-102, where it's just 10% at the purchase of the security.

**Mr. Andrew Saxton:** Can you elaborate on this measure, and how it helps to provide relief for investment trusts and meets certain specific conditions?

**Mr. James Carman:** It essentially helps the commercial investment trust by laying out a series of tests so that if they're commonly invested commercial vehicles, they will be able to meet those tests, and therefore, they won't have these loss restriction events, which means investors won't lose their losses. It means tax reporting and filing won't need to be done, and it also makes sure that for fund-on-fund situations, that money can continue to flow.

Fund-on-funds are used because they're more efficient forms of investment to meet the fund's investment mandates.

All the things the government has done in this bill are very helpful.

• (1615)

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

Chair, how much time do I have?

**The Chair:** You have about two and a half minutes.

**Mr. Andrew Saxton:** My next question is for Lindsay Tedds in Victoria. Welcome, Lindsay.

Could I clarify that you agree that tax fairness for amateur athletes is something you're supporting?

**Dr. Lindsay Tedds:** Tax fairness? Yes.

**Mr. Andrew Saxton:** It's something you're supporting.

**Dr. Lindsay Tedds:** I'm sorry. Did you ask if tax fairness for amateur athletes is something I'm supporting? I'm supporting the recognition of earned income as earned income. That's what I'm supporting.

**Mr. Andrew Saxton:** Okay. Now in order to support amateur athletes across this country, we've introduced several measures. Do you agree with those measures?

**Dr. Lindsay Tedds:** We've introduced a number of different issues, but here I'm talking specifically about recognition of earned income as earned income.

**Mr. Andrew Saxton:** Right. Okay.

Thank you, Chair.

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

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

**Mr. Francis Scarpaleggia (Lac-Saint-Louis, Lib.):** Thank you very much, Chair. It's a pleasure to be here today substituting for my colleague, Mr. Brison.

My question is for Mr. Kennah. As I understand it, this tax change would put you at a competitive disadvantage with your competitors who are based in other countries. This is what you said in your presentation. Am I clear on that? It will place you at a significant competitive disadvantage.

**Mr. James Michael Kennah:** That's correct. We only have competitors from other countries.

**Mr. Francis Scarpaleggia:** Right. You are the only Canadian player in a very high-tech, future-oriented business. I just wanted to confirm that.

The government claims it's attempting to clarify certain definitions. Do you feel, in your case, in the case of your business, and the way it has been treated by the tax code, that somehow some clarification was required or was in order, or is it pretty clear from the start what your business is and therefore how it should benefit from the international shipping provisions of the tax code?

What's your response to this argument that you're bearing the brunt of an attempt to clarify terms and conditions to make the tax code somehow simpler or stronger?

**Mr. James Michael Kennah:** We find it very interesting, because you'll notice the exclusions there already are things such as fishing, dredging, and things like that, where there is no finished product being manipulated. But in our industry it's a finished product. It's a glass cable, which is manufactured throughout the world. It needs to be transported to various locations throughout the world, and that's what we're doing.

We find it very unusual that someone would put laying cable into this new legislation when there's only one company that does it. I don't know why. It's almost as if we're being singled out, which I doubt is happening.

It just seems the people who put in the words "laying cable" don't really understand the magnitude of the industry or what we really do.

**Mr. Francis Scarpaleggia:** That's interesting, which is, of course, why you're here to clarify what your industry does.

I would mention that your firm is part of an industry in which Canada has always been proud to be leaders in the world, which is the telecommunications industry. We hear all the time about how Canada is a world leader for various reasons—because of our vast expanses and the need to communicate over great areas—and here we are making a change that singles out one company in Canada that is competing fiercely against foreign competitors.

Is there anything you would like to add to your presentation? It was only five minutes, but I've more or less touched on the two issues I wanted to touch on.

Maybe you could tell us how much you think the government would really benefit in terms of additional tax revenues from this change that, again, is aimed at one Canadian company in the international market.

● (1620)

**Mr. James Michael Kennah:** This is unusual because we are basically a small business. We operate two vessels. There are only 39 cable ships throughout the world. We have two of them. They are purpose-built vessels to do this, so it's a very specific industry.

In a good year, we might do \$50 million worth of business with \$45 million in costs, so I don't think we're going to break the government on this one. I think the low price of the tax at the gas pumps is probably a bigger issue, and for one small industry....

We just can't understand it, and that's why we've been working with people to try to get an answer as to why it appears we're being targeted, which doesn't make a lot of sense.

**Mr. Francis Scarpaleggia:** It was inadvertent, of course, but you're still being targeted.

**Mr. James Michael Kennah:** Yes, it's probably by accident, out of ignorance, more or less, as to the magnitude of what is involved in cable laying.

**Mr. Francis Scarpaleggia:** Yes, it's a very specialized business and there's only one firm in Canada in it, so most people would naturally not be familiar with the ins and outs of that business.

Thank you very much, Mr. Kennah.

The trust issue is very complicated. I've had constituents come to see me, especially constituents who might have a dependant who is, say, intellectually challenged, and they're quite upset. In fact, I received a letter from an organization in my riding called Friends for Mental Health. It was against aspects of this change. As I say, it's very complicated.

I don't know if Mr. Ball could maybe elaborate on whether these changes would harm people in those situations, who are setting up trusts for their dependent adult children, trusts so that they can be properly taken care of when the parents pass away.

There was another issue you raised about spousal trusts. There was a change regarding spousal trusts. Right now I believe that, when assets are moved to a spousal trust, there's no capital gains tax paid, but this is changing. Is that what you're saying?

**Mr. Bruce Ball:** Well, I'll deal with the disability one first.

When the joint committee discussed the graduated rate estate and the testamentary trust changes, we did bring up issues around disabled beneficiaries. There was a suggested solution to that in the legislation. It's a little early to tell, because we've only known about it for a couple of months. It does seem to address some of the issues, but it is, at the same time, complicated. So I think the jury's still out on whether things are worse. Things are better than they were with the original proposals, but it's hard to say how this will compare to the old legislation.

On the spousal trust change, the issue is quite common. Say if you're on a second marriage and have children from a first marriage, it's quite common to leave your assets in trust to benefit the second spouse, so that person is often an income beneficiary only. Then there is no realization of gain when the trust is formed, but it's realized later. That's really the issue because the tax could potentially go to people who won't be getting the assets, so that is our main concern. It's quite common to want to benefit—

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

Thank you, Mr. Scarpaleggia.

We'll go now to Mr. Keddy for a seven-minute round, please.

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

Mr. Ball, I just want to examine a little closer how the taxes end up going to someone who is somehow not a beneficiary of the trust. You started to explain that, but I'd like you to finish.

**Mr. Bruce Ball:** Okay.

I'll just use the example, say, of what I set up in my will. If I'm on my second marriage but I have children from my first, I want to make sure my wife is taken care of as long as she lives, as an income beneficiary, but I want the assets to go to my children from the first marriage.

The way things would work in my will right now is that I'd say she can participate in any income but she wouldn't have capital, and then the children get the assets when I pass on. My assets go to this trust on a tax-free rollover when I die, and then when she dies there is a deemed realization of gain, and that gain will actually go to her final return, and the assets go to my children. If my second spouse had family of her own, they'd end up having to potentially pay tax on assets that are going to someone else.

Now, the trust is jointly liable, but we're worried that the estate of my second spouse in my example is the one whom CRA is going to recognize as owing the tax.

•(1625)

**Mr. Gerald Keddy:** However, your spouse would be the beneficiary of any income earned and deemed taxable by that trust.

**Mr. Bruce Ball:** Yes, income while she's alive, but it's quite common that she wouldn't have access to capital. It's the capital that usually gives rise to the capital gains.

**Mr. Gerald Keddy:** At the same time, it would make sense that it is taxable property and someone has to pay that tax. In this case, your spouse would still benefit from the trust that was set up for her benefit.

**Mr. Bruce Ball:** I think what we're looking for is that the trust itself should be the primary debtor for the tax, not the spouse's estate.

**Mr. Gerald Keddy:** Not the individual.

**Mr. Bruce Ball:** When I discussed this issue with the Finance people early on, I'd suggested that you should be allowed to transfer it to the estate if you want to, if it's beneficial, but it shouldn't be mandatory.

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

Another piece of this particular bill is to crack down on tax evasion while ensuring tax fairness.

You're in the tax business. It's a difficult job. It's a very complicated sector, without question. However, you agree with tracking offshore tax evasion, I'm sure, and cracking down on that with all the force of Canadian law.

**Mr. Bruce Ball:** Yes, and I know CPA Canada is probably in the same boat as I am. I believe the taxpayer should pay their fair share. It's unfair to people who pay their taxes, that other people don't.

**Mr. Gerald Keddy:** That's very good. Thank you for that.

From a tax preparing point of view, you talked a little in your opening statement of the complexity, the fact that the tax regime is a very complicated regime. However, we have brought in a number of measures to get rid of red tape and to simplify the tax system. I realize we have a way to go; I'm not suggesting we're finished.

But from your point of view, of someone who works in the system every day, are you seeing some of the results of that?

**Mr. Bruce Ball:** Yes, we're seeing the results of that for sure. Most of it seems to be more at the CRA end, I guess, in our direct dealings.

At CPA Canada, though, we believe there should be a comprehensive review of the tax system to ensure simplification.

**Mr. Gerald Keddy:** We agree.

Mr. Kennah, your case is a particularly interesting one. Do you own all the old Teleglobe properties?

**Mr. James Michael Kennah:** No. Our employees came from Teleglobe. We were the marine department of Teleglobe.

When they were privatizing, and so on, we went on our own and started a company that carried on in a similar business, but we branched out to much more international and to shipping as well.

**Mr. Gerald Keddy:** So you only lay fibre optic cable. You're not part of the old Teleglobe cable that's still copper-based, the millions of kilometres of it out there in the ocean.

**Mr. James Michael Kennah:** There are no more copper cables.

**Mr. Gerald Keddy:** Are they all gone?

**Mr. James Michael Kennah:** They're all fibre optic, and 95% of the world's—

**Mr. Gerald Keddy:** But of the ones that were already there, have they all been taken up?

**Mr. James Michael Kennah:** They haven't been taken up; they've been left in place.

**Mr. Gerald Keddy:** That's what I thought.

**Mr. James Michael Kennah:** It's better for the environment to leave them there, believe it or not.

**Mr. Gerald Keddy:** That's interesting.

You made a point about Arctic development that I think is an extremely legitimate point, the fact that it would be good, it would be nice, let's say, to have a Canadian company doing Canadian work. However, we often want to have value for the taxpayers' dollar. You compete all around the world, in other countries, against other companies. Some of them would be domestic companies in the places you work, I assume.

**Mr. James Michael Kennah:** Yes, that's correct.

**Mr. Gerald Keddy:** Really, we would expect to tender every bid, I would assume, of any glass or fibre optic cable being laid in Canada, whether it's in the Arctic or whether it's a new cable going to Newfoundland, on a competitive bid process. And you work within that.

**Mr. James Michael Kennah:** Yes. In fact, that would be fine. But it would be nice if there were a Canadian company left to bid on that rather than having a bunch of Canadians work for foreign companies.

**Mr. Gerald Keddy:** I appreciate that.

What I want to drill down to here is the fact that in a competitive process it's fair and all the bidders are bonded. They all have security profiles and they're all bonded to do that job.

• (1630)

**Mr. James Michael Kennah:** That's standard practice. Yes.

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

**The Chair:** Thank you.

Thank you, Mr. Keddy.

Colleagues, I think we'll be moving to five-minute rounds.

We'll move to Monsieur Caron.

[Translation]

You have five minutes.

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

I want to thank the witnesses for joining us.

I will spend most of my time with Ms. Tedds.

Thank you for your presentation. I recall that you talked about other types of tax credits. So you know the tax system well.

Regarding the children's fitness tax credit—and I want this to be clear for everyone watching us—is the \$500 currently allocated the maximum tax credit people can claim? Is that correct?

How much does a family have to spend on or invest in fitness programs to receive that \$500 maximum?

[English]

**Dr. Lindsay Tedds:** The \$500 is the maximum amount of expenses they can claim, and that translates into a \$75 tax credit.

[Translation]

**Mr. Guy Caron:** So a family currently cannot receive more than \$75 in tax credit. Is that right?

[English]

**Dr. Lindsay Tedds:** When they raise it to \$1,000, the maximum tax credit becomes \$150.

[Translation]

**Mr. Guy Caron:** Okay.

You said that, for the most part, families with a higher income claim that tax credit. Low-income or even middle-class families won't necessarily change their behaviour to spend up to \$1,000 on fitness. Is that right?

[English]

**Dr. Lindsay Tedds:** That is correct. More than half of the households claiming it have household incomes of \$100,000 or more.

[Translation]

**Mr. Guy Caron:** In 2011, the Frontier Centre for Public Policy published a study based on data from 2007, 2008 and 2009. According to that study, families with an income of \$50,000 and over claimed up to 71% of the money available—the amount people could claim in tax credits.

[English]

**Dr. Lindsay Tedds:** That study has been superceded by a 2013 study that was published in the *Canadian Tax Journal*. It is based on tax filer data and is far more accurate than the data that was put together by the Frontier Centre for Public Policy. The 2013 data is far more accurate because it's based on tax filers.

[Translation]

**Mr. Guy Caron:** That applies to this tax credit, but there are other tax credits that target only a small segment of the population.

How have those tax credits developed over the previous years to reach this stage?

[English]

**Dr. Lindsay Tedds:** That's a really good question. It certainly isn't based on principles of economic tax policy design and implementation.

[Translation]

**Mr. Guy Caron:** Thank you.

You recommend that the government help families by providing them with much more significant tax cuts. The idea is

[English]

to broaden the tax base rather than pinpoint some measures that haven't proven their efficiency.

**Dr. Lindsay Tedds:** There are certainly two approaches you can have to this. If you want broad-based tax relief, it would be through the statutory tax rate system: let's reduce taxes. If you want to target low-income households specifically, the better way to do it is through regular, targeted payments, and the best design we have of those kinds of payments is the CCTB. That is at least clawed back for high-income households, is well targeted to low-income households, and gives them money every month to be able to support their expenditures.

[Translation]

**Mr. Guy Caron:** Thank you very much.

I am concerned by the fact that we are moving towards regressive measures such as this one. My colleague Nathan Cullen also talked about income splitting.

The income tax system is fairly progressive in the sense that there are different tax brackets for different income levels. However, if we look at the tax system as a whole—including sales taxes, various tax credits, various measures and corporate taxes—would you say that the current tax system is a progressive one? Is it not more of a flat tax system? What I mean is that, generally, all forms of taxation are similar for all segments of the population.

• (1635)

[English]

**Dr. Lindsay Tedds:** The studies I am aware of that have looked at all taxes combined have all shown that the system is marginally progressive, though leaning toward flat.

[Translation]

**Mr. Guy Caron:** In other words, all the regressive measures integrated in the Income Tax Act contribute to the flattening of the overall system.

[English]

**Dr. Lindsay Tedds:** Some of the measures in this particular bill are leaning toward rectifying tax treatment of loopholes that are exploited by wealthy individuals, so I wouldn't say that everything in this act then pushes up toward a flat-tax system, but we have, in fact, designed a tax system overall that is marginally progressive and leaning toward flat, and that's probably something that we need to take a look at.

I will echo the calls from the chartered accountants that we do need a study of our tax system, and we do need tax reform.

**The Chair:** Okay, thank you.

We'll go to Mr. Allen, please.

**Mr. Mike Allen (Tobique—Mactaquac, CPC):** Thank you very much, Mr. Chair, and thank you to our witnesses for being here.

I'd just like to start, Mr. Kennah, and ask you a quick question. I did read your brief and I did find it interesting. I think even in one place in your brief you talked about the company that covers the wire with rock is still exempted under that.

When I read that, I said, gee, I must check this out. I think in some cases the changes that were being proposed were released in a technical tax amendment package back in 2013 for public comment. I'm just wondering, were you aware of that, and did you comment on it?

**Mr. James Michael Kennah:** We weren't aware of it, so we didn't have a chance to comment on it.

**Mr. Mike Allen:** Okay, so you weren't aware of that. I just wanted to check that. Thank you.

Mr. Ball, I want to follow up on the questions that Mr. Keddy asked with respect to the trust. With the changes that are in this bill, how does that differ with what was previously in this legislation? What was the outcome in the transfer of these trusts before the legislative change was made as opposed to now?

**Mr. Bruce Ball:** I go back to my example again, which was me setting up a trust for my spouse and there's a capital gain at the end of the day.

Under the current rules before the law changes, the trusts would be liable to pay tax on the capital gain. Then that would reduce the amount that's available for the residual capital beneficiaries. That's probably a more appropriate answer, because they're the ones getting those assets and the gain accrued on those assets they're getting.

I know that some people had asked for the ability, though, to take advantage of tax attributes of the deceased spouse, say, their deceased wife's tax return. As I said, I think it would be very appropriate to be able to allocate some of that gain to that final tax return for her, but only where it made sense, not as a mandatory thing.

**Mr. Mike Allen:** You said you made some comments. You suggested to allow the transfer to the estate, or something of that nature. Was there any take-up on that suggestion or was there any specific suggestion made?

**Mr. Bruce Ball:** I don't like to discuss discussions specifically, but it was mentioned, it just wasn't agree to. That's probably the best I can say.

**Mr. Mike Allen:** Okay.

I'm not going to put words in your mouth, but one of the comments you did say was that it's hard to say how some of these changes are going to play out. As we're looking at this and trying to balance the thoughts on each of these changes, if it's hard to say how it's going to play out, it makes it difficult for us to say whether we should entertain the change or not. Do you want to give any more background on that comment?

**Mr. Bruce Ball:** Sure. That comment was on the question about beneficiaries with disabilities. In the original elimination of graduated rates for testamentary trusts that was raised as a concern. We'd actually suggested a different approach in terms of maybe making the preferred beneficiary election a little broader. That's where I was saying it's hard to say how that one will play out.

In terms of the specific one that we just discussed, though, this spousal trust example, a lot of practitioners are fairly sure this isn't going to turn out very well. I think we have a lot higher sense of certainty around that one.

•(1640)

**Mr. Mike Allen:** I hope you'll be using the same example the whole way through because it makes it a little easier for us to follow that, too.

Okay, thank you.

Mr. Carman, you also commented when you talked about the concerns of members. You talked about the portfolio investments, and maybe some of your portfolio advisers would make decisions they would not otherwise make. You're saying this legislation is maybe driving them to make decisions that may not be necessarily good for their portfolio. Is that what I heard you say?

**Mr. James Carman:** That was basically the gist. The issue was that the 10% would have to be monitored constantly, and if you're about to go over that you might have to sell out of securities. It might be a very good investment but you wouldn't have any choice because otherwise you'd be subject to these loss restriction events.

**Mr. Mike Allen:** Are there ways to handle that through regulatory measures or changes that would accompany this that could be just as effective?

**Mr. James Carman:** Yes. We believe that using the National Instrument 81-102 rules, where it's just 10% upon purchase of the security, would take care of that.

**Mr. Mike Allen:** Okay.

Thank you, Chair.

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

Mr. Rankin, please.

**Mr. Murray Rankin (Victoria, NDP):** Thank you to all of the witnesses.

I only have a short amount of time. I'm going to start with Mr. Ball of the chartered accountants.

You used I think the word "unfair" twice, once in reference to the special purpose trust changes that have come in and another time on the changes to section 94 of the Income Tax Act as well.

Was there a public policy reason that you can discern for the fact that special purpose trusts are being taxed in the way you've described, where sometimes the wrong people are being saddled with the tax bill?

In the other context, not grandfathering, if I can call it that, the five years people had the expectation they'd have, were those policy choices, was it negligence, or just simply unfair?

**Mr. Bruce Ball:** I'll deal with the first part first.

My understanding is that they—"they" being the Finance people who developed the rules—wanted to prevent certain types of planning that was happening, and one of them was planning with Alberta resident trusts. They didn't want people to be able to have the income taxed in the trust. That was a valid concern.

I guess the flip side of that is that there are a lot of these trusts that are set up that aren't in Alberta, and they really aren't set up for tax purposes at all. That was the debate around that.

On the section 94 changes, we fully recognize that the government has the right to change the rules. It's its right, its ability. But at the same time, the non-resident trust rules had gone through a lot of change, and that five-year rule had remained at the end of the day and then was eliminated more recently. We just believe it's unfair. Where you rely on something that's an inherent part of the tax system and actually plan to be inside of it, you should get grandfathering in the situation.

**Mr. Murray Rankin:** Frequently there is grandfathering, but this time there was not.

**Mr. Bruce Ball:** There often is, yes.

**Mr. Murray Rankin:** I want to go, please, to Mr. Kennah of IT International Telecom. I guess my question is really simple. What you're here to tell us is a bit of a no-brainer, if I can use a technical term. I can't understand why you're here with this problem. Why did they change it? Was there a public policy reason? You must have spoken to somebody inside the ministry and made them very angry.

**Mr. James Michael Kennah:** What can I say? As I said, I think it's been included without people fully understanding what they were including. There may be an alternate reason that they put it in, but it affects us dramatically.

**Mr. Murray Rankin:** You don't know what that reason is and it was never communicated to you.

Did you have a dialogue with officials or political people?

**Mr. James Michael Kennah:** No.

**Mr. Murray Rankin:** It just appeared.

**Mr. James Michael Kennah:** When we first saw it, as the gentleman mentioned, we had missed the cut-off period to comment.

**Mr. Murray Rankin:** There was no consultation at all, even though you're the only one affected. That's amazing.

Okay, that's enough. I only have a couple of minutes.

Professor Tedds of the University of Victoria, welcome to the finance committee. You talked about four studies involving the children's fitness tax credit that show how ineffective and poorly targeted that particular boutique tax credit is. You've also written about other boutique tax credits.

Are there studies that would talk about the efficacy of others, like the transit one for example, that you could refer to?

**Dr. Lindsay Tedds:** Yes, all of these studies, while they're looking specifically at one or the other, indicate that because these boutique tax credits are all designed in the same manner, any of the results from one tax credit or another seems to apply more broadly.

There have been studies that have looked at all of them, and that assumption has borne out in the data so far.

• (1645)

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

As you were describing that particular fitness tax credit for children, I think you also said that only 15% of parents are going to benefit, and I think you said it goes mostly to those households with over \$100,000 in income. Then you said, I thought, that it won't help to make it refundable. Did I understand that correctly, that with that change, it would not address the inequity and the inefficiency of the tax credit? Did I understand you properly?

**Dr. Lindsay Tedds:** Yes, that's correct. The refundability just brings us down a little bit through the income spectrum, but it doesn't overcome the fact that the majority of the benefits still accrue to high-income households, and the households claiming the maximum amount of that tax credit are all high-income households. It lessens the regressivity slightly, but it doesn't eliminate the regressivity. It doesn't make it progressive by making it refundable.

**Mr. Murray Rankin:** Okay. I think that's my time. Thank you very much, Professor Tedds.

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

We should go to Mr. Adler, please.

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

Thank you all for being here this afternoon. I appreciate all your input.

I first want to address my questions to Professor Tedds. You're a professor of public administration, public policy, and as you know, governments have a number of tools at their disposal to influence behaviour, all the way from exhortation to compelling behaviour. The tax system is one of those methods on the spectrum of how to influence behaviour.

You had indicated earlier that you weren't in favour of what you called a boutique tax credit, speaking of the fitness tax credit. What would you have done differently from what we did, in terms of introducing this tax credit? The reason we did it, of course, as you well know, was to promote physical fitness among our youth. What would you have done differently had you been able to introduce such a policy yourself?

**Dr. Lindsay Tedds:** A number of different mechanisms could have been used instead. One of the calls has been to eliminate all tariffs and excise taxes on sports equipment, and while you've certainly made some movement in that area, a lot of tariffs remain. By eliminating these tariffs you're reducing the price, you're influencing the price elasticity of the demand right at the point of decision. But a better way rather than delaying the benefit to the household by 15 months is to get them that benefit right away, which again is why I refer to the CCTB as being a better mechanism. It is

targeted to households that are struggling to overcome these economic barriers that inhibit their children's participation in sport.

**Mr. Mark Adler:** I hear you, but I would counter that in last year's budget we did lower the most favoured nation tariffs. We have lowered the GST from 7% to 6% to 5%. We've lowered taxes 160 different times. Now the average family of four saves about \$3,400 in taxes each year, and we have a very aggressive free trade strategy. We've negotiated 43 different free trade agreements. This all works to bring down prices. We've done pretty much what you've said we should do, and we've also done the fitness tax credit, which puts more money into people's pockets. Could you just comment on what we have done.

**Dr. Lindsay Tedds:** Again the stated goal of the fitness tax credit is to increase enrolment of children in sport. It has not done that.

**Mr. Mark Adler:** How do you know that?

**Dr. Lindsay Tedds:** We have studies—and they're all referred to in my briefing note that you can review—four of which have shown that it has influenced a minority of households. The majority, more than 85% of them, are getting the tax credit for behaviour that would have occurred otherwise. So it's not being effective at meeting its goal.

• (1650)

**Mr. Mark Adler:** I hear you, but I have met a number of people in my riding who have taken advantage of enrolling their kids in sporting activities. I represent a riding that is middle class and lower middle class and the majority are from lower class families who are not wealthy people, yet because of the fitness tax credit have enrolled their kids in sporting activities.

I understand that you have four different studies. I'm just wondering if you could submit those in a follow-up to the committee so we can take a look at them more closely.

The fitness tax credit has provided relief to 850,000 different families across the country. I hear what you're saying on a lot of different fronts. I'm not disagreeing with you entirely, but to say it affected and gave a positive outcome to 850,000 different families across the country, I would say that's pretty positive. Wouldn't you agree?

**Dr. Lindsay Tedds:** It's not meeting the goals that you stated when you set out this children's fitness tax credit. I have indicated there are better ways to do it; instead you are simply rewarding behaviour that already occurs. You're not increasing enrolment in sport. Instead you're taxing families on their household income, and then redistributing it to certain families after the fact, most of which are high-income households.

**Mr. Mark Adler:** Thank you very much, Professor.

**The Chair:** Thank you.

Thank you, Mr. Adler.

We'll go to Mr. Van Kesteren for the last round, please.

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

Mr. Adler was going on the same vein I wanted to go on. I wanted to possibly, maybe not justify what our government is doing, but to see the benefit. I hear what you're saying, but I also think of policies that we put in place, not necessarily this government or this particular country, but I'm thinking of the United States with the electric cars, for instance. That isn't really showing a whole lot of promise either. Yet most people would agree that this is not a bad policy. We need to encourage people.

I don't want to dwell on this too long, but I think Mr. Adler was saying we've got a lot of kids who aren't getting any exercise, and this is a program where we're going to encourage parents. Maybe we're not getting the results we want, but it's still a move in the right direction. I don't know if you want to comment on that, but maybe we can just wrap up on that point.

I certainly appreciate the work you're doing and some of the other things you brought forward.

I want to ask the rest of the panel. I'm listening to the conversation here, and we all agree that we have to tax. There are services we provide as a government that are expected, and we add some to make government that much better. I can see two roadblocks to some of the suggestions you're making. One of them is that we have people in place whom we hire, people in the bureaucracies, whose jobs are to maintain that flow. We can give away everything, and we can change everything around, but it's imperative that we have a certain amount—what is it now, \$240 billion a year?—that we have to collect.

Possibly to you, Mr. Ball, and Mr. Carman as well, is that maybe an area of frustration, that you're running up against bureaucracies? They're really doing their jobs, but are they making it that much more difficult to change some of the status quos, some of the things we've come to expect in some of the areas of revenue we've tapped into?

**Mr. Bruce Ball:** I'm not quite sure how to answer that. I guess—

**Mr. Dave Van Kesteren:** I'm not picking on them. I'm talking about the reality of the situation.

**Mr. Bruce Ball:** I think a lot of our members or clients of our members see red tape. That's something that goes along with this. I see the government making positive moves in reducing red tape and that sort of thing. We've had a lot of good discussions with the Canada Revenue Agency in making things work better with them too. So I think it's a positive environment, but it is difficult. The government is big. Dealing with a large organization, no matter what it is, can be difficult in trying to figure out the answers.

• (1655)

**Mr. Dave Van Kesteren:** We try to stimulate, and that's a correct thing for government to do, if we see an area.... I think, Mr. Hennessy, you correctly pointed out that there's value in a policy that enhances an industry. I think of Mr. Kennah, and this is very interesting. But on the same token, we're constantly criticized for possibly favouring one industry over another and saying they have this tax break, so somehow this is a good example you brought forward of where this makes sense. It's that balance that we try to adhere to, on the one hand to make sure the revenues come in and then on the other hand to stimulate the economy, but not necessarily

choose winners and losers. It is a balancing act. Am I correct in saying that? Is that a reasonable observation?

Mr. Carman, you can jump in if you want to.

**Mr. James Carman:** If I may go to your first question just for a minute. I do think it's been improving over the last several years. Certainly, the work the government has done through the Red Tape Reduction Commission has been very helpful.

Also, in our industry, we've built very good relationships with Finance and the CRA. We now have a CRA financial services liaison group that comes together twice a year to talk about these kinds of problems and deal with them.

As you pointed out, there is a tension, and there are different rules by different players in the industry, but communicating and getting ahead of issues really makes a big difference.

**Mr. Dave Van Kesteren:** I don't have any further questions, Chair.

I thank you for your contributions.

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

On behalf of the entire committee, I want to thank all of you for being here this afternoon to discuss the budget implementation bill.

Professor Tedds from Victoria, thank you so much for being with us by video conference as well. If you have anything further for the committee to consider, please submit that to the clerk. She will ensure that all members receive it.

Colleagues, we'll suspend for about five minutes and we'll start with the second panel at 5 p.m.

Thank you.

• (1655)

(Pause)

• (1700)

**The Chair:** I call this meeting back to order. This is meeting number 57 of the Standing Committee on Finance and we're dealing with Bill C-43, a second act to implement certain provisions of the budget.

We have with us another five individuals who are attesting from five organizations. From the Canadian Airports Council, we have the president, Mr. Daniel-Robert Gooch. From the Canadian Network of Northern Research Operators, we have Professor James Drummond, who is from Dalhousie University. From the Canadian Polar Commission, we have the executive director, Mr. David Scott. From the International Arctic Science Committee, we have a professor from the University of Alberta, Mr. David Hik. From Romero House, we have Ms. Jenn McIntyre, director.

Welcome to the committee.

You will each have five minutes, maximum, for your opening statement. Then we'll have questions from members.

We will start with the Canadian Airports Council, please.

•(1705)

[Translation]

**Mr. Daniel-Robert Gooch (President, Canadian Airports Council):** Mr. Chair, ladies and gentlemen members of the committee, thank you for the opportunity to speak to you about the proposed amendments to the Aeronautics Act contained in Bill C-43, which is before you today.

My name is Daniel-Robert Gooch, and I am the President of the Canadian Airports Council. The 45 members of the council include all non-government airports that are part of the National Airports System.

[English]

There is good reason for rigorous consultation on initiatives and legislation. It helps the Government of Canada avoid unintended consequences. Airports have a concern that this relatively small bit of legislative text is broadly enough written that it could have an unintended negative impact on our nation's airports.

We understood that there would be a legislative move to provide the Minister of Transport with new regulatory authority to intervene in matters around the development and operation of new, small, private aerodromes. There are valid reasons for the minister to have new regulatory powers in this area, most notably to ensure the continued safety and security of Canada's skies. However, this language goes beyond the domain of private aerodromes and should be tightened, we contend. In light of all the possible implications of it, this kind of legislative exercise should be handled cautiously.

The House of Commons Standing Committee on Transport, Infrastructure and Communities, we would suggest, is the more appropriate venue for this. It is designed to consider legislation of this nature so that its implications can be properly considered and the language amended as needed to better align with the stated objectives.

We do not believe that the Government of Canada wants to turn back the clock on the national airports policy or revert back to taking control of our nation's airports and the significant financial responsibility associated with their development and operation; however, the expanded powers being considered in Bill C-43, if implemented, could be interpreted as a move in this direction.

Air transport in Canada is a \$35 billion industry that supports 140,000 direct jobs. Airports have an important role in the Canadian economy, and we must tread carefully. Airport authorities plan and implement key development programs costing from millions to hundreds of millions of dollars.

It is the breadth of the language of this legislative initiative that is of primary concern to Canada's airports. As drafted, the bill encompasses all airports in the country and, if approved, would confer broad new regulatory authorities for the minister, including, we would suggest, in areas that are explicitly devolved to local airport authorities under the national airports policy.

As drafted, the bill also would give the Minister of Transport the ability to halt development or expansion of an airport if the minister makes a determination that such a project would not be in the public interest. While there may be some who would suggest the minister

should have such a role in airports, this would represent a major policy shift back to the pre-national airports policy era in terms of the role of the federal government in airports. That policy entailed a very deliberate depoliticization of decisions like this.

We are also very concerned that the public interest as outlined in the proposed amendments is vague and subjective. Is it, we would ask, truly the government's intent for the Minister of Transport and her successors to once again be at the heart of decisions about airport development and be an arbiter in matters that were designed to be handled locally? We do not believe so, but we are concerned that the changes proposed by this language could be used that way by future governments and/or interest groups. We want first and foremost to ensure all of the possible implications are properly explored and considered.

Another notable consideration is that a broad review of transportation policy is already under way through the review of the Canada Transportation Act being conducted by David Emerson and his esteemed panel of advisers. This is the more appropriate forum to consider major transportation policy changes.

[Translation]

That is why the Canadian Airports Council is asking the committee today to amend the legislation to take into account small private aerodromes that are important to the department or not to integrate the wording in question until it has been examined in more detail.

Thank you for your time. I would now be pleased to answer any questions you may have.

Thank you.

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

We will now go to Mr. Drummond.

[English]

Mr. Drummond, you have five minutes for your presentation.

•(1710)

**Dr. James Drummond (Professor, Physics, Dalhousie University, Canadian Network of Northern Research Operators):** Thank you for the opportunity to appear before you today.

I am a Canada research chair in the Department of Physics and Atmospheric Science at Dalhousie University, but more relevant to the discussions today, I am the president of the Canadian Network of Northern Research Operators, the CNNRO, which represents the many Arctic research facilities in the Canadian Arctic. I'm also the principal investigator for the Polar Environment Atmospheric Research Laboratory, PEARL, at Eureka, Nunavut, and the president of the international Forum of Arctic Research Operators, FARO, which has 20 countries as members.

The CNNRO is composed of facilities across the Canadian Arctic that support many varied research programs, and some have been operational for many years, even decades. Currently we have 26 regular members and nine associate members. The genesis of the CNNRO was the realization that although each individual facility enabled excellent research, the great needs of the Arctic and the interfaces with large European and American projects required a more collaborative approach.

Although much of the discussion today will centre around CHARS, the very significant amount of research infrastructure already present in the Canadian Arctic should not be forgotten. As a specific example, in a recent proposal to the Canada Foundation for Innovation for operations and maintenance support, a subset of seven of the land-based members of the CNNRO documented a continuing investment in research support of more than \$4 million per year from many sources.

The CNNRO is supportive of the CHARS initiative and is very pleased with the increased attention it has brought to Arctic research. When the station becomes operational in 2017, it will provide a welcome and significant increment to the overall research capability in the Canadian Arctic. Even before 2017, member facilities look forward to supporting research funded by CHARS across the Arctic.

In order to maximize the effectiveness of the investment that the Government of Canada is making in CHARS, we would suggest some minor improvements to the proposed legislation.

We are concerned that CHARS not be seen as Canada's only facility for Arctic research. CHARS is an excellent concept, but one site cannot hope to provide the necessary research infrastructure over the immense range of conditions in the Canadian Arctic. To give one specific example, the distance between my PEARL facility and CHARS is comparable with the distance between Ottawa and Charlotte, North Carolina. No one would—I hope—base decisions for Ottawa on data gathered in North Carolina. CHARS must be seen as an important part of a properly resourced network stretching across our country, not as a single stop for research and research dollars.

The new organization formed by the amalgamation of CHARS and the CPC will have research responsibilities that go well beyond the Cambridge Bay facilities and indeed will stretch across the planet to the Antarctic. As such, it is important that its management structure be well designed for its whole role.

We would call attention to the need for comprehensive reporting to you and to the public, not only about activities in Cambridge Bay but also across both poles and the full range of actors, both governmental and non-governmental, across the Arctic. We believe that the more comprehensive the reporting, the more efficient and effective will be the response to the many complex challenges confronting the Arctic. Full reporting will also aid in our interactions with the other Arctic countries and their research programs.

In terms of governance, we would like to emphasize the need to choose board members for the new organization from as wide a constituency as possible and to ensure that board members are and remain effective in their governance role. We note that there is no specific mechanism for choosing and monitoring the performance of

board members and ensuring that the representation remains as wide and active as possible. A specific mechanism to deal with this issue would be welcome.

In conclusion, the CNNRO would like to thank you for the opportunity to present our comments today, and we look forward to supporting an exciting program of Arctic research in the future.

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

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

[*Translation*]

**Dr. David J. Scott (Executive Director, Canadian Polar Commission):** Thank you very much, Mr. Chair.

I am very happy and honoured to be here today.

[*English*]

I'd like to focus today on two key points. First, I'll introduce the Canadian Polar Commission and some of our significant current functions. As we move forward, these will be core functionalities for the new proposed organization. Secondly, I would like to emphasize that with this piece of legislation and the new organization it would create, we have a unique opportunity to create an organization that's greater than the sum of its parts. This proposed merger between the commission, the High Arctic research station program, and the station itself that's being constructed at Cambridge Bay gives Canada an opportunity to strengthen its leadership position and move knowledge creation ahead in the north to the benefit of all Canadians. We're trying to leverage and maximize everything we do. The Canadian Network of Northern Research Operators is an element of the northern research infrastructure that's out there, and that's part of the solution that's already in place.

Specific to the Polar Commission, we are Canada's national institution for furthering polar knowledge and awareness. We work in both polar regions. We function as a knowledge broker, linking producers or creators of knowledge with those who need to consume it—specifically, those who need it for making decisions locally, regionally, or nationally. This includes federal government departments, those who are delivering science programming; territorial governments, who increasingly are becoming northern knowledge creators; aboriginal people and organizations in the north who have knowledge and are creating new knowledge; and academics from across Canada and around the world. All are creating and consuming knowledge. One of our functions as the commission is to strengthen and build partnerships among these independent entities and to work with the networks and the infrastructure that exists in order to enhance efficiencies and effectiveness to do more with the existing resources.

In terms of awareness, we have a mandate to communicate polar knowledge publicly to Canadians. We do this through a number of channels, including through social media like Facebook, Twitter, and a regular blog through *Canadian Geographic*. Every two weeks we post a new important story of interest on their website and in the pages of *Canadian Geographic* magazine, which reaches 3.5 million Canadians with each issue.

We're a primary point of contact, through our polar knowledge app, for information about knowledge creators and knowledge that's being created in the Arctic. We're constantly reaching out to translate this knowledge to Canadians. We provide analyses; we promote northern perspectives to inform and influence new investments, such as CHARS; and we focus knowledge creation into the highest-priority areas from the perspective of northerners who are most impacted by that knowledge. Our most recent major deliverable is the "State of Northern Knowledge in Canada" report, available

[*Translation*]

in both official languages on our website. Hard copies are also available.

[*English*]

This report outlines recent progress made in the creation of knowledge since the international polar year period, and outlines remaining gaps that are important specifically to northerners themselves.

The commission recognizes that Canada's polar knowledge creation ecosystem, if you will, is currently thriving. The CNNRO is an excellent example of that. However, there is a need for increased efficiencies through coordination and communication.

Secondly, then, the opportunity of the proposed legislation really is a new opportunity to create a brand new federal organization. This new organization, by combining the CHARS science and technology program and the station being built with the existing capacity of the Canadian Polar Commission, is really a shot in the arm for the creation of new knowledge, but it needs to find its place in the existing knowledge ecosystem and assist in creating the whole that's greater than the sum of its parts.

By increasing awareness of the key knowledge gaps, as we've done in the outline here, we have an opportunity to create collaborative solutions and stimulating partnerships among all of the players within Canada and abroad, and in particular, leverage the huge appetite in the international community for partnership within Canada to perform research in the Canadian north that applies to global issues, such as how the climate is changing. This community is prepared to come to Canada and invest in Canada, and we can work together with them in partnership.

In closing, I believe that the establishment of this new federal organization will go a long way to achieving collaborations in the creation of relevant and important polar knowledge for the benefit of northerners and all Canadians, while serving as a model for the federal public service of the next generation. By this, I am referring to the clerk's Destination 2020 initiative, whereby we have an opportunity with the proposed organization to create a new public service organization that is engaged with and connected to citizens,

functions horizontally across government, makes use of smart new technologies, and mobilizes a diversity of talents.

Thank you once again for the opportunity to provide you with some additional information.

• (1720)

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

Mr. Hik, we'll now go to you, please, for your presentation.

**Dr. David Hik (Professor, University of Alberta, and Member, Executive Committee, International Arctic Science Committee):** Thank you very much. It's a pleasure to meet with the committee this afternoon.

I'm here representing the International Arctic Science Committee. I have spent the last four years as president of IASC and sit on the executive committee. I am a professor at the University of Alberta, and I've also been a member of the Canadian Polar Commission board for the last four years, just so that relationship is clear.

I'd like to first say a few words about the significance of international cooperation in Arctic science, and then, second, emphasize the tremendous opportunity that the merger of CHARS and the Canadian Polar Commission presents for improving all aspects of Arctic research in Canada and our contribution globally.

The national strategies of all eight Arctic countries place a very significant importance on research and science as the basis for sound decision-making in Arctic affairs, and consequently improving the quality and relevance of Arctic research and ensuring that the timely access to this knowledge remains a priority for all Arctic countries.

It's also increasingly obvious that the Arctic is intimately connected to the rest of the planet, and I'll give a few examples in a minute. In a nutshell, Arctic science is global science. Canada is already a leader in this area, and the opportunity to improve our capacity will be increasingly relevant and valuable for the whole planet.

The International Arctic Science Committee is a non-governmental international scientific organization that was created by the eight Arctic states in 1990, to encourage and facilitate cooperation in all aspects of Arctic research, both natural and human sciences. IASC currently has 22 member countries that work to promote this type of scientific cooperation.

IASC provides a forum where scientists and the administrators of national polar programs meet to discuss their common interests and to plan research programs, assessments and other coordination activities that address urgent needs. In Canada, the Canadian Polar Commission is responsible for appointing scientific experts to IASC technical committees. These individuals are drawn from universities, government, and the private sector.

Overall, IASC provides mechanisms and instruments to support science development in the Arctic, and especially projects that are beyond the capability of any single nation. It can provide independent scientific advice about the Arctic region, and oversight to ensure that scientific data and information about the Arctic are safeguarded, freely exchangeable, and accessible to anyone who needs it.

We also have done a lot of work to support the training of the next generation of Arctic scientists, particularly working with northern residents and indigenous peoples in the Arctic. We engage with relevant science organizations around the world. As an observer of the Arctic Council, we can bring additional partners from non-Arctic countries into various Arctic Council activities.

I want to note that many Canadian scientists are playing key leadership roles in a number of Arctic research organizations, including Arctic Council, IASC, and the International Arctic Social Sciences Association. At the present time, Canadians lead the World Meteorological Organization and the International Council for Science. We talk with each other and think about ways that we can, as a country and within Canada, organize ourselves to be as successful as possible within these international contexts.

Now, the International Polar Year really did confirm that the Arctic is experiencing rapid and severe changes and that over the next decades these changes are going to accelerate. They affect not only the regional ecosystems, but also have far-reaching implications for the rest of the planet. We think of these as teleconnections, things that connect different parts of the globe. They're expressed in various ways in terms of contributions to sea level rise from melting ice sheets and glaciers; the loss of sea ice and snow that changes the colour of the planet, the albedo; greenhouse gas emissions from thawing permafrost; black carbon from forest fires ending up on the snow, and other contaminants; and the weakening of the polar vortex and other changes.

The \$150 million Canadian IPY program was the largest national investment, and it had a huge positive impact on Canadian science.

What we see now is that CHARS has the opportunity to be the point of contact for Canadians to continue to engage in international activities. Strengthening the CHARS mandate in the new legislation will be particularly important. In particular, we'd like to see CHARS take a whole-of-government and a whole-of-Canada approach. The new organization will bring together a part of our programs, but we see an opportunity for CHARS to have a strengthened mandate to make sure that Canada is well represented in these international fora.

● (1725)

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

We'll now go to Ms. McIntyre, please.

**Ms. Jenn McIntyre (Director, Romero House):** Thank you.

My name is Jenn McIntyre. I am the director of a Toronto-based organization called Romero House and I am here today to express serious concerns regarding clauses 172 and 173 proposed in Bill C-43.

Romero House is a non-profit organization in the west end of Toronto that provides housing and other forms of support to refugee

claimant families. I live in the community and I'm inspired every day by the strength and courage of people who have endured war, persecution, torture, and the more recent trauma of dislocation. The people I know and connect with every day come to this country for one reason—to seek safety for themselves and their families.

Refugee claimants are not immigrants. They are people looking for refuge, and they often leave everything behind to get here. The majority of families who come through our doors are not even aware that they are eligible to apply for social assistance. They come here not to take advantage of Canada's generosity, but because this country has a reputation of speaking out against human rights abuses and also a commitment to protect life. Part of protecting life is not paving the way for vulnerable and traumatized people to fall into extreme poverty as soon as they arrive here seeking safety. Removing restrictions on residency requirements would do that very thing.

At Romero House, I see the immediate impact that legislation has on families, and I cannot imagine the path that this may pave for people who have suffered so much already. I would ask you to think about a member of our community, a woman from a West African country who fled her abusive husband knowing that she would be killed if she did not leave.

With no other choice, she left behind five children and arrived here very pregnant, penniless, and with the effects of post-traumatic stress disorder. If she had not had access to social assistance, she would have ended up completely dependent on the shelter system, food banks, and the financial support of non-profits. Even though her work permit would eventually arrive, how would a mother with a newborn be expected to work? Would she have been able to care for her baby or would social services remove him from this woman who had already lost everything?

The very basic income provided by social assistance keeps refugee claimants off the street, out of homeless shelters, and out of hospital emergency rooms. It keeps families together. It keeps single women from the potentially dangerous situation of sleeping on the couch of someone they barely know because it is their only option. It keeps people from being exposed to labour exploitation because they are desperate to provide for their children.

Social assistance is a necessity for newly arrived refugees. Many of the people who come to Romero House are educated professionals in their country of origin and they cannot get a job and a stable income fast enough. They want to work hard to support their families and to contribute to Canadian taxes.

To illustrate just how true this is, I would like to introduce you to Alexandra Jimenez, who is here with me today. She is a former resident of Romero House and a committed member of our community. After making a claim for refugee status almost 13 years ago, Alexandra was accepted as a convention refugee and is now a Canadian citizen.

She arrived here from Colombia and was immediately dependent on social assistance to pay for her rent and basic needs. Her accounting certification was not recognized in Canada and she was not able to speak either of our official languages. After taking ESL classes and waiting seven months for her work permit to arrive, Alexandra has been working and paying taxes for 12 years. For the past nine years, she has been facilitating Romero House's tax clinic, assisting our refugee claimant residents in paying their taxes, starting in the very first year of their time in Canada.

A minimum residency requirement would have been devastating to Alexandra and her family. I encourage you to ask Alexandra questions about her experience, as she is available to switch spots with me in the question time.

Romero House has space for an average of 40 people. Agencies like ours can assist only a small percentage of refugee claimants. Think of the vast majority of refugee claimants who are not at Romero House and how they will be affected by restricted access to social assistance. Think about what will happen when our funds are quickly dried up from supporting the basic needs of our residents. Think about what will happen when the shelters, which are already full, are flooded with refugee families. It will just download the cost to somewhere else.

I realize that a decision to impose a minimum residency requirement will sit with the provinces, but for a country that is a signatory to the Geneva Conventions and claims to uphold human rights, it should not even be an option. To make it possible to deny social assistance to refugees is worse than an injustice; it is a new form of social cruelty.

• (1730)

Thank you.

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

Colleagues, we'll again start with seven-minute rounds and we'll proceed as long as we can.

We'll start with Mr. Cullen, please.

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

Thank you to all our witnesses.

I'll start with you, Mr. Gooch. You made a comment midway through your presentation as to how this change to the law is going to potentially affect Canadian airports. I think your concern was about what this change was doing at this committee. Why were you concerned about that?

**Mr. Daniel-Robert Gooch:** I think the sense was that it had been slipped into the omnibus bill, so it perhaps hadn't had a lot of consideration by and consultation with industry. We were aware that the minister had concerns about private aerodromes and wanted the legislative authority to regulate in that area, and we certainly support that. There's a bit of concern about the way the language is written, in that it's much broader than that. I guess we would have preferred to see it come through the normal channels.

**Mr. Nathan Cullen:** Because under normal channels and a proper scrutiny of the impacts of that broad language for the airports purportedly being targeted, that would have been the place where we

could explore and understand what the impacts would be across.... Is it 45 member airports that you represent?

**Mr. Daniel-Robert Gooch:** That's correct.

**Mr. Nathan Cullen:** Further to that, you talked about the historical switch of taking the minister out of having impacts on the airports you represent, which was, in your words, a "depoliticization" of those decisions. Therefore, the decisions would come not from a political nature. Where would they come from?

**Mr. Daniel-Robert Gooch:** Well, our airports are governed by airport authority boards. They're all established under long-term leases with the federal government. I'm speaking, of course, of the national airport system airports. There are additional airports in our membership that are not NAS airports.

Before the airports were transferred, they were operated by the federal government, and decisions on development, expansion—

**Mr. Nathan Cullen:** Or not expansion?

**Mr. Daniel-Robert Gooch:** —or not expansion, of course, would have been part of the political process. Now they're under local airport authority not-for-profit corporations, and those decisions are made locally at the airport authorities themselves in consultation with the community and with their users.

**Mr. Nathan Cullen:** Not here in Ottawa.

**Mr. Daniel-Robert Gooch:** That's correct.

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

Ms. McIntyre, I have a question for you. I think you answered it in part.

Part of the question is this. If claimants fall off social assistance, where do they end up in the system? One of our concerns is how this change in the law impacts the federal treasury. When we had government officials in front of us, what we heard was that it doesn't right now. As you said, it's a provincial decision in terms of social assistance.

If folks aren't going through Romero House or any of the charitable groups.... I was just reading your website, and on the front page you say that Romero House follows the gospel commandment of "love thy neighbour". If they don't go there and if they can't stay there, if they fall off social assistance or are denied, where do they go?

**Ms. Jenn McIntyre:** They would need to seek shelter in homeless shelters, which are already overburdened—we get emergency phone calls every day for people for whom there are no rooms in emergency shelters—or they'll end up on the streets.

**Mr. Nathan Cullen:** *Bienvenida*, Señora Alexandra.

You raised the case of Ms. Alexandra. I'm not sure if she can come to the table here. One of the things the committee has been looking at—and maybe she could take the microphone—is around the skills shortage in Canada. This has been a preoccupation for the finance committee. It's been a preoccupation for businesses in Canada, that we lack a whole set of certain skills.

You have a certain set of skills. We've just had a panel with some chartered accountants and other other folks. How important was that transition for you to actually bring the skills you had from the refugee claimant position to being active now and working and paying taxes, as Ms. McIntyre said? That has been for how many years?

**Ms. Alexandra Jimenez (Finance Manager, Romero House):** For 13 years already, I've been working at Romero House. Now I'm the finance manager at Romero House as well, after being part of the community as a refugee.

What I will say is that if you have left your country, if you have left everything you had in your life—your career, your family—for a new country, and you're trying to build trust in this new community, it's a hard time. You don't understand what is happening, but you start believing in God, if you have a God, and saying, "I want to try it again because I love my profession and I want to be alive again."

Being here, being able to get the assistance and go through the ESL classes for my English, then to a Job Track centre for my accounting skills, and then taking income tax courses and now running the tax clinic in Romero House with our new immigrants and new refugees and teaching them how the system works, teaching them the basics...all of it is a great opportunity to build your life again. You feel like you are reborn and you are part of a community. Then you can use your passion. My passion is my accounting background and my bookkeeping and I can use it in this way.

• (1735)

**Mr. Nathan Cullen:** The question we have around this policy... because we reached out to the provinces to ask if they asked for this change, and no one did. One province that was consulted said that they didn't want to make this change. So we're trying to find out who this tax change is coming from.

I'll end with a question about the transition. I think Ms. McIntyre talked about a seven-month waiting period before you were even issued a permit to work. In terms of that transition time, without the social assistance opportunity, what would life have been for you here, new to Canada?

**Ms. Alexandra Jimenez:** I was thinking about this over the weekend, wondering what would have happened in my life without this access to assistance. I would have been looking at the shelters, trying to see how I could get money for my food, for my basic needs. I arrived here without money. After seven months I was able to start working, because I was able to go to school, as much as I could, from nine to five to improve my English, to be ready for that.

Without the support, I would have been on the street, maybe working on a cash basis, under the table, because without even a work permit I don't see how a company could allow me to work.

**Mr. Nathan Cullen:** Is that my time?

**The Chair:** You have 10 seconds.

**Mr. Nathan Cullen:** Oh.

Mr. Drummond, climate change: is it important?

**Voices:** Oh, oh!

**Mr. Nathan Cullen:** Sorry, that doesn't.... Those 10 seconds threw me. We'll get to some climate change questions and the research being done.

Thank you, Chair.

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

Mr. Saxton, you have seven minutes, please.

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

Thanks to our witnesses for being here today.

My first questions are for the experts who are here to talk about the north and the Arctic.

As you know, the Canadian north and the Arctic have both been priorities of our government since we came into office in 2006. Indeed, the Prime Minister has appointed a minister responsible for the north. The Prime Minister has also made it a point to visit the north every year that he has been prime minister, and significant investments have also been announced in the north. One of those is the Canadian High Arctic research station, also known as CHARs.

Dr. Scott, how will the merger of the Canadian Polar Commission into the Canadian High Arctic research station enhance the work of the commission and build on its existing mandate?

**Dr. David J. Scott:** To summarize, I think it's really a matter of coordinating the roles of those two organizations and frankly combining the resources, human and financial. This proposed merger very much gives us a new opportunity and additional resources to strengthen the work we do in terms of creating those collaborations and synergies and to leverage in additional resources that exist but aren't necessarily focused or coordinated on the Arctic. It gives us a stronger opportunity to communicate those results to northerners, to Canadians, and in fact internationally.

As I referenced earlier, it very much allows us the opportunity to create that whole that is greater than just the sum of the parts, including the parts that don't belong to the federal government, that are university-based or networks such as the Network of Northern Research Operators. Simply by bringing coordination through enhanced opportunities to communicate, we will be able to create more with the existing resources that are on the table. It's simply by coordinating, better utilizing existing facilities, creating opportunities for students, and being better able and more efficient in returning that information to the northerners, who first and foremost need that information for decision-making.

**Mr. Andrew Saxton:** So it's greater synergy as a result.

**Dr. David J. Scott:** Absolutely.

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

Now, northerners have long stated that research in the north should be driven by northerners and for the benefit of northerners. The headquarters of this new organization will be in Cambridge Bay, Nunavut. The mandate of this organization is to enhance Canada's knowledge of the Arctic in order to improve economic opportunities, environmental stewardship, and the quality of life of northerners and indeed all Canadians.

How do you feel that CHARS, a world-class research station, will be able to increase the direct participation of northerners in Arctic research?

• (1740)

**Dr. David J. Scott:** Based on my previous experience, starting in 1999, for four years, in Iqaluit, Nunavut, where I was the chief geologist of a small start-up organization similar to this, we found that simply being on the ground in a northern community made it much more straightforward to reach out, to students in particular. These are kids who have an interest in rocks and minerals and fossils.

It's an additional resource to stimulate and engage youth to, first of all, take a more profound interest in their natural world, to find value in going to school on a daily basis, to perhaps have a goal to stay in school and maybe end up working at a place such as a small geoscience office. Or, in the case of the High Arctic research station itself, at Cambridge Bay, they could become a person who works in one of the laboratories or goes to the field in the summertime to help to create new knowledge. In fact, they could model their behaviour on those who will initially need to be brought from the south, to then go to graduate school and become a researcher and drive the research agenda. It's very much an opportunity to create role models, as well as an opportunity to participate in the creation of new knowledge, which will leave that lasting legacy of ownership of knowledge creation by northerners.

In the meantime, the existing sharing will take place. Researchers from around the world and across the country will come to the north, create, and hopefully leave that knowledge in the north. But it's really about the hands-on opportunity of operating a facility that is designed to be inclusive of the community and its needs, to create those role-model opportunities, to create the interactive opportunities, to become a part of a community. That will show the way and create role models for the future.

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

My next question is for Dr. Hik.

Do you feel that CHARS will contribute to Canada's northern strategy as set out by Prime Minister Harper, specifically as it relates to Arctic sovereignty?

**Dr. David Hik:** Yes, I do.

I think that one of the strongest expressions of sovereignty is being present and understanding the land, the people, the places, in the north, wherever we are. Canada is a big territory, and because CHARS is not just one facility but a network of all of the existing resources we have in the Arctic, understanding very broadly the changes that are taking place, the opportunities for economic development, and the presence in the Canadian north, will be enhanced. That alone ensures our sovereignty.

In addition, there are specific research projects supported by CHARS—enhancing underwater awareness, and things like that—that will lead in the future to possible benefits that will result in an increase in Canadian presence and awareness of the north.

**Mr. Andrew Saxton:** To follow up on that, how do you feel that CHARS will help to strengthen Canada's leadership in Arctic science and technology research?

**Dr. David Hik:** The best outcome would be for CHARS to coordinate all of the various activities that are taking place in Canada. Within the federal government alone, I think there are over 20 departments and agencies that have some research activity taking place in the north, from the Museum of Nature to Transport Canada, and so on.

I hope that CHARS will be able to, through both its mandate and its operations, identify the synergies across those various activities within the federal government, and more broadly in the country. That would be a more efficient use of resources and would allow us also to capture more of the international opportunities for partnership and collaboration. Most countries in the world that are conducting Arctic research are looking at Canada as an important partner in the future, and I think CHARS will help to facilitate that.

**Mr. Andrew Saxton:** That was my next question.

How will CHARS help to facilitate discussions and communication with international organizations?

**Dr. David Hik:** The Canadian Polar Commission is the adhering body to the International Arctic Science Committee, the Scientific Committee on Antarctic Research. It supports Canadian participation in a number of other Arctic research fora by strengthening the relationship between the scientists who are representatives of Canada within those organizations and having a strong network across the country. I think we can be even more effective than we already are in providing leadership and developing collaborative opportunities with other countries.

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

Mr. Scarpaleggia, you have seven minutes, please.

**Mr. Francis Scarpaleggia:** Thank you very much, Chair.

I'd like to start with the Airports Council.

Just to make sure that I understand, an amendment has been made through this omnibus bill that gives the transportation minister the authority to prohibit changes to an aerodrome if these changes are “not in the public interest”. It's a one-line amendment, more or less.

• (1745)

**Mr. Daniel-Robert Gooch:** It's a bit more than one line; it's a couple of paragraphs.

**Mr. Francis Scarpaleggia:** It doesn't deal with much more than that.

Do we know what's meant by changes? Is it just expansions or would it include refurbishing runways? I don't think it would cover changing flight paths, because that's taken care of by Nav Canada. I doubt it has anything to do with the so-called curfews. Basically, is it changes to the physical airport, including or not including the building of a runway, for example, on land that already belongs to the airport?

**Mr. Daniel-Robert Gooch:** The language is written pretty broadly. I don't have the text right here, but my recollection is that it doesn't actually get into differentiation or any sort of threshold, which I think is part of the concern. As I said, the intent, as we understand it, is to deal with private aerodromes, if, say, somebody wants to start an aerodrome and just starts building one. We understand that to be the intent of the changes to the regulation as they are proposed, but as the text is written currently, it's fairly broad, and that's our concern. It certainly would need to be further defined.

**Mr. Francis Scarpaleggia:** So without any kind of permit beyond a municipal permit, someone can just start building an aerodrome? Is that it?

**Mr. Daniel-Robert Gooch:** That's not something I've tried to do, but my understanding is that the department, the minister, feels there is an insufficient level of—

**A voice:** Oversight.

**Mr. Daniel-Robert Gooch:** —exactly, in terms of the ability to have a role or a say in the building of private aerodromes.

**Mr. Francis Scarpaleggia:** I have an airport essentially in my community. I can't remember if I was ever given an answer to this question. If an airport wants to expand or build some new physical structure, it must go through a federal environmental assessment?

**Mr. Daniel-Robert Gooch:** I'm not an expert on the environmental requirements for an airport, so I don't really want to comment on that, but certainly airports comply with all the requirements in various elements of federal law today, in terms of what they need to do.

**Mr. Francis Scarpaleggia:** I'm just wondering, because maybe this is a way of giving the minister power to block a project that could be harmful to the surrounding environment. I'll tell you, the airport authorities are pretty independent-minded. They do create advisory bodies, and they're staffed by good people and so on, but you really get a sense, if you're in an airport community, that you don't have leverage through the federal government. I think that frustrates a lot of people.

I understand you can't allow political considerations to dictate flight paths. It's very complicated. Then again, that's what had been said for many years about train speeds. I remember writing to the minister, asking him or her—I can't remember—to lower train speeds for trains moving through my riding, and the answer was that there was a coordinated system across Canada and it was very technical. Yet after the Lac-Mégantic tragedy, all of a sudden some communities were able to get reductions in train speeds. Anyway, it's a very interesting issue and I thank you for being here.

Ms. McIntyre, just to follow up on what I think was Mr. Cullen's question. I wasn't here when the department came and we were able to question them on this, but where does this come from? I guess it's because the government wants to have some kind of intellectual consistency with regard to its position on medical services to failed refugee claimants. Do you think that might be the reason? It's almost as though it wants to make sure that all the pieces of the puzzle logically fit together, so that if you're going to deny failed refugee claimants medical services, you don't want to be in contradiction with yourself by not allowing social assistance to be reduced. Would you see it that way? It is odd that it doesn't benefit the federal

government financially in any way. No one, no province, has asked for this.

• (1750)

**Ms. Jenn McIntyre:** I would definitely agree that's probably where it comes from, and a few months ago the Federal Court ruled that it was cruel and unusual treatment.

**Mr. Francis Scarpaleggia:** That's on the mental side, right?

**Ms. Jenn McIntyre:** I mean the cuts to refugee health care.

If it's in line with that decision-making on legislation, then I really don't see this as being any different.

**Mr. Francis Scarpaleggia:** Okay.

I'm good, Chair.

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

Thank you, Mr. Scarpaleggia.

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

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

Welcome to our witnesses.

Mr. Gooch, to be fair, you're not saying that the minister shouldn't be responsible for new aerodromes that are being built across the country. Is that correct?

**Mr. Daniel-Robert Gooch:** We have no quibbles that additional regulatory powers over private aerodromes may be needed. Certainly we consulted with the department on that. There were concerns about some private aerodromes that were under development. We had discussions with the government on that. Certainly there are safety and security considerations. We don't question the intent of the language; we just think the language is perhaps a little too broad as it's currently crafted.

**Mr. Gerald Keddy:** But there are a number of areas that, quite frankly, the minister should have responsibility for—certainly safety and certainly immigration processes—because there are private aerodromes with small planes that leave and come back that may be owned by an individual, and there are other ones that are owned jointly, that are cooperatives, and there's the whole municipal level of aerodromes as well. Somebody has to have some regulation over these. The idea that you can simply go out and build an aerodrome regardless of safety factors with respect to the neighbouring subdivision.... To me it would make sense that we need more regulation here. Believe me, I'm not a big fan of more regulation.

**Mr. Daniel-Robert Gooch:** If I may, sir, certainly we're not so familiar with the problems, or the perceived problems, that led to the language. I'm more familiar with the concerns about the unintended consequences. Certainly there are a great number of rules around safety and security in aviation today. Since this language affects the airports that are my members, we have concerns about how it is crafted and the fact that it encompasses so many airports in addition to those for which it's intended.

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

With regard to the International Arctic Science Committee, Mr. Hik, one of the comments you made was that this should allow us to diversify and to actually work on projects that are beyond the scope of any single nation, so there should be cooperation among Arctic nations, and even non-Arctic nations. Any time you bring in change and set up a new agency, there's always some discussion around that.

For example, with the discovery of Franklin's vessel, for the first time in the High Arctic, we had that public-private partnership on an international scale. We have such a narrow window of time in which to work in the High Arctic. Certainly we work there 365 days of the year, but most people go to the Arctic for six weeks. Sometimes they go for eight weeks, but it's a very narrow window. The more cooperation and the more information we can get, whether from the Russians or from Siberia or from the Norwegians, is a positive step and it's a step in the right direction to have that one single agency at least as the umbrella.

• (1755)

**Dr. David Hik:** I agree with you. One of the observations I would make about the legislation as it is crafted right now is that there's not a compelling mandate there for CHARS to require the exchange of information among departments and agencies. That certainly is available at the reporting stage, but we found that it's very important at the planning stage, and sometimes that can be a year or two years or three years in advance of some of these programs. The operational, logistic, and infrastructure requirements of getting aircraft, icebreakers, equipment, and people into the Arctic region requires that planning, so one suggestion I'd make is that the legislation could strengthen the whole-of-government planning and investment in Arctic research coordination. That is implicit, but it would benefit from being explicit in CHARS.

It's not that it won't happen, but our observation, from working with international partners, is that it must happen if we're going to be effective in those types of partnerships. There are a number of examples of where that type of coordination between countries has fallen apart, and the research that was intended was not feasible.

**Mr. Gerald Keddy:** I love the whole-of-government approach. It's always difficult to actually put into implementation, but the idea behind it is certainly correct.

We have a number of issues. There are three people who spoke about sea level rise. We have greenhouse gas emissions. We have archeological sites that are in danger of being lost. We have a west Greenland salmon fishery that's decimated the fishery on the eastern coast of North America. We have a turbot fishery in a new area that is in the middle of climate change. We need to cooperate with one another, and the more we do it, and every step in that direction, to me, is the right step.

I don't know if there's time—

**The Chair:** Who would want to make a brief comment?

**Dr. David Hik:** It's fine. I think there's an opportunity to do that in the act, yes.

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

Colleagues, we'll move to five-minute rounds.

[*Translation*]

Mr. Caron, go ahead.

**Mr. Guy Caron:** Thank you very much, Mr. Chair.

I want to thank all the witnesses for their presentations. I will begin with Mr. Gooch.

The legislation's wording has been discussed. You said that you did not know how the wording could be changed to avoid the negative effects of such a measure, which gives a lot more power to the minister. Could you think about this and submit to the committee a suggestion on what terms should be used to avoid those potentially negative effects going forward? That wouldn't be too difficult for you, would it?

**Mr. Daniel-Robert Gooch:** Yes. Thank you, Mr. Caron.

We could look at the wording and suggest some sort of an amendment over the next few days.

**Mr. Guy Caron:** Were you consulted on that provision of the bill before it was drafted? You knew that the department was looking into the possibility of doing that, but did it conduct consultations on the exact wording of the proposed measure?

**Mr. Daniel-Robert Gooch:** I will answer in English.

[*English*]

In terms of the exact language, we hadn't seen it, but as I said, certainly we knew of the issue that drove this proposal to amend the Aeronautics Act. We were aware of the issue in question, and we were given a heads-up that language was coming, but the language itself we saw after it was introduced.

• (1800)

[*Translation*]

**Mr. Guy Caron:** What event or specific issue led the department or the government to tackle this matter? Did a particular factor or situation lead to the need to implement this measure or amend the legislation?

[*English*]

**Mr. Daniel-Robert Gooch:** I would prefer not to go into what motivated the minister. We were told that there was a concern with private aerodromes generally. There may have been a project or two that were of particular concern, but I really think it's probably best left to the minister's office to testify on her motivations.

[*Translation*]

**Mr. Guy Caron:** Were there any noise complaints from a particular community or individuals living close to a private aerodrome? Were there complaints over noise pollution.

Would this measure empower the minister to force the aerodrome in question to make changes in response to complaints?

[English]

**Mr. Daniel-Robert Gooch:** The question you've asked is really about a non-physical change to the airport. Again, I don't have the language here, but I don't believe it's covered by that. You've asked about aircraft noise. Those complaints are often related to changes in flight paths. Certainly our airports work very actively in the community to consult on changes with Nav Canada, which is the authority that is usually involved.

We've been in discussions with the government, Nav Canada, and the air carriers towards a new protocol that will strengthen the expectations around changes to airspace, for example. But that's a non-physical change affecting a community, so I don't believe it's covered by the language in question. It is certainly something that our members take very seriously. As I said, we're working directly with Transport Canada and our partners in the air carrier community and Nav Canada in other ways to address the concerns related to aircraft noise in particular.

[Translation]

**Mr. Guy Caron:** Thank you very much.

I will now turn to Ms. McIntyre.

The provision that enables provinces to impose minimum periods of residence before providing social assistance is reminiscent of the measure related to health care for refugees.

When it comes to social assistance, the provision in the current legislation and the health care provision I mentioned—cessation of health care delivery for refugees referred to by the court—concerns refugee claimants and not refugee claimants whose claim has been denied. Is that right?

[English]

**Ms. Jenn McIntyre:** It would affect people who were rejected, but this provision would also affect people who are awaiting their refugee hearing. Fifty-five per cent of refugee claims are accepted, so it would affect people who are determined to be convention refugees.

**The Chair:** Merci, Monsieur Caron.

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

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

I'd like to focus my questions on Mr. Gooch, please.

I actually have quite a number of aerodromes in my riding. I've been talking with members of COPA for quite a number of months on this issue and on the potential changes coming with this.

I just want to read from proposed subsections 4.31 (1) and (2) in division 2. I want to know which section is the piece that you think has the unintended consequences. The first reads as follows:

(1) The Minister may make an order prohibiting the development or expansion of a given aerodrome or any change to the operation of a given aerodrome, if, in the Minister's opinion, the proposed development, expansion or change is likely to adversely affect aviation safety or is not in the public interest.

The exemption clause then states:

(2) An order under subsection (1) is exempt from examination, registration or publication under the Statutory Instruments Act.

Which piece and which wording do you find is the unintended consequence that is particularly tough for your group?

**Mr. Daniel-Robert Gooch:** I think what's tough is that there is no threshold date. With the aerodromes it's writ large. If this language was intended to deal with just the private aerodromes, we would like to see some language that constrained the airports that were captured by it.

We've had lawyers review the language in question. The response I got back from them is multiple pages. I don't want to testify to the legality of it. Really, we've taken it as a package. The language as it's crafted captures far more aerodromes than we understand to have been intended. It's raised enough concern with our members that they want us to go on the record and suggest that the language be changed.

● (1805)

**Mr. Mike Allen:** Have you talked with any of the COPA organizations about this as well?

**Mr. Daniel-Robert Gooch:** We have. I'm familiar with their concerns. I haven't spoken with them this week, but we are aware that they have issues with this as well.

**Mr. Mike Allen:** Were you part of the focus group process that Transport Canada did?

**Mr. Daniel-Robert Gooch:** Our organization was part of that. It was someone on my staff who participated back in February. I understand it included a discussion about some of the examples that were of concern to the department.

My understanding of the focus group was that it was about the perceived problems, as opposed to perhaps the language that was going to be proposed to address those problems.

**Mr. Mike Allen:** I'm looking at the COPA brief to the committee. The requirement to consult would be limited to new aerodromes and construction on those aerodromes.

Was that the take-away that your organization had from these consultations as well?

**Mr. Daniel-Robert Gooch:** Our understanding is that is the focus of the department's exercise in this area.

**Mr. Mike Allen:** If this COPA thing is right, the draft report reflects a strong consensus by industry participants that the applicability of the requirement to consult should be to new aerodromes only.

From the standpoint of a person who has one of these aerodromes—maybe they have planes that are spraying, or whatever it happens to be—there's nothing really there to protect them. The minister can make a decision based on a complaint, and then it would be overridden by the subsection that there be no statutory instruments. They could close that down. It's like the guy who moves out from the city and then complains about the farm because he moved next to it.

I'm wondering whether we are setting ourselves up for the same thing.

**Mr. Daniel-Robert Gooch:** I think it's fair to say that there's a great deal of uneasiness about the powers that have been written into that part of the language.

Again, it goes to unintended consequences. As I testified, we don't believe that this minister wants to turn back the clock on the national airports policy. We don't believe that's the case. We have a good relationship with the minister and her staff in the department, and we take them at their word.

However, sometimes things like this can move forward and have unintended consequences in the future—future governments and future ministers of transport. That's our concern.

**Mr. Mike Allen:** I think we all want this to be safe.

We want to make sure that these aerodromes are safe, so there has to be some provision in there. If there's some wording that makes sense to capture that, then that might be helpful.

**Mr. Daniel-Robert Gooch:** We certainly will follow up with some actual language to suggest to the committee.

Thank you.

**The Chair:** Thank you.

Thank you, Mr. Allen.

We'll go to Mr. Rankin, please.

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

Thank you to everyone for appearing today.

I only have five minutes, and if I may, I'm going to start with Mr. Gooch and pick it up where Mr. Allen left off.

I won't read the section that we're talking about again, but when it talks about the public interest, is there any policy you are familiar with that tries to put some meat on the bones of that broad phrase?

**Mr. Daniel-Robert Gooch:** As it relates to this particular language, no.

**Mr. Murray Rankin:** So it's whatever the minister says is in the public interest.

**Mr. Daniel-Robert Gooch:** It's subject to being defined, I guess.

**Mr. Murray Rankin:** You used an expression a while ago. You talked about the depoliticization with the national airports policy. It's being repoliticized, it would seem to me, by what they are doing here in giving the minister absolute discretion to define what's in the public interest.

**Mr. Daniel-Robert Gooch:** It certainly opens the door to repoliticizing it, yes.

**Mr. Murray Rankin:** Again, Mr. Allen read this out. Any order that the minister happens to make is exempt from any kind of publication under the Statutory Instruments Act, so there's none of that accountability that applies to regulations or the like either. It's all just whatever the minister happens to announce.

That's what this section says, does it not?

**Mr. Daniel-Robert Gooch:** The language is pretty broad.

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

This is for Mr. Drummond.

You heard my colleague Mr. Cullen, just at the edge of his chair when he was....

I guess I'll take up the challenge and ask you a bit about the climate change agenda. I suppose the concerns we would have as a committee, and certainly as the opposition, is that the climate change research agenda of CHARS will not be attenuated as a result of these amendments.

Could you give us some comfort in that regard? Will you still be able to undertake an independent research agenda? Has anything changed?

• (1810)

**Dr. James Drummond:** I'm not able to answer on the specifics of the CHARS mandate for climate change research. It's my understanding that the mandate will be maintained in the new organization.

I know my members are heavily involved in many aspects of climate change research in the Arctic. They would hope that if this new organization came to be, there would be a greater degree of coordination, which could sort of raise it to the next level.

As I mentioned in my notes, one of the things we are realizing is the degree of interconnectedness that is necessary to tackle these problems. It's one of the reasons that CNNRO was formed.

**Mr. Murray Rankin:** I think many of you have talked about the synergies and the coordination that this now would allow as a positive, but I'm wondering if there's a danger of putting all of our eggs in one basket, so this question is for Dr. Hik.

I think you used the expressions “whole-of-government” and “whole-of-Canada” mandate. I know that you've been working in various northern research stations including, I think, Kluane Lake in the Yukon, and I know that we're talking more about Ellesmere Island and Cambridge Bay. What about the other research stations in the north? Is there a concern you would have that this coordination could lead to us diluting the research being conducted at other northern research centres?

**Dr. David Hik:** I think that's probably unlikely. From the very beginning, CHARS was conceived as a hub-and-spoke model.

I know that the emphasis now is on the facility at Cambridge Bay, but one of the things Dr. Drummond emphasized was that there is a network of other facilities, many of them operated by universities, territorial governments, or other bodies. I think this is where CHARS, as an organization, will be able to advance very quickly. It's not just about coordination. It's about capacity. We have scientists across the country, across the north, and internationally, who are collaborating already. What we're going to do is give them better resources to do that work.

**Mr. Murray Rankin:** You said “better resources”. Do you mean to suggest financial resources?

**Dr. David Hik:** Well, CHARS does have a budget for research, yes.

**Mr. Murray Rankin:** Consequently, you've been advised that the budget envelope will not decrease as a consequence of these amendments?

**Dr. David Hik:** My understanding is that the commitment, for the next four years at least, is to maintain those priorities and the resources, yes.

**Mr. Murray Rankin:** Right.

You talked about the whole-of-government and whole-of-Canada mandate. You didn't mean to include these university research centres or other northern research centres. They'll continue to be autonomous, do their work, and feed into anything that CHARS undertakes. Is that the model?

**Dr. David Hik:** I think the whole-of-government coordination is required from a federal perspective. The whole-of-Canada perspective is needed so that all of these pieces are working effectively together.

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

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

We'll go to Mr. Adler, please.

**Mr. Mark Adler:** Thank you very much, Chair.

Thank you to all the witnesses for being here this afternoon.

First of all, I have a question for Mr. Scott.

I was just curious. You mentioned "knowledge creators". Could you explain that for me?

**Dr. David J. Scott:** Thank you. I will.

There's a range of knowledge and there's a bit of debate between traditional knowledge held by aboriginal folks and western scientific knowledge. I think the answer is really that there are many ways of knowing. In fact, there's an area of scholarship about ways of knowing.

So for "knowledge creators", there are many ways to define it. It really is anyone, whether it's a university professor, a research scientist in a government organization, or an aboriginal individual who has gained experience travelling on sea ice in the springtime and is still alive. There are many ways to create knowledge. In fact, there's a real challenge to share various types of knowledge for a common purpose or common benefit.

**Mr. Mark Adler:** Could you speak about some of those challenges?

**Dr. David J. Scott:** Some of them are semantic. Lining up data from similar machines across the country is fairly straightforward, but lining up observations made by individual observers with perhaps different reference frames is a bit more complicated. A western-trained ice scientist may want to know how thick the ice is and what its physical strength is and has some tests to do that. An aboriginal individual is perhaps more concerned with simply whether the ice is safe enough to go across on foot or on a snow machine and would have different ways of determining that.

There are different ways of understanding the same physical phenomenon, and quite often there are linguistic or conceptual barriers that prevent that knowledge being shared for a common purpose.

•(1815)

**Mr. Mark Adler:** You talked about northern governments being knowledge creators.

**Dr. David J. Scott:** Yes. Many of the territorial governments, in terms of their responsibilities to their citizens, undertake research to

monitor physical environment, wildlife, and those sorts of things. They too are conducting research on the health and wellness of polar bears and the state of contaminants in their physical environment. There are many levels of government, as well as industry and the private sector, that create knowledge about the northern environment.

**Mr. Mark Adler:** What are the applications in terms of academia, academic, commercial...in terms of a variety of different applications?

**Dr. David J. Scott:** Often, and in fact ideally, there are many applications to a single body of knowledge. It should in fact have multiple purposes.

**Mr. Mark Adler:** Are we making enough effort in knowledge creation? Do we have enough resources committed to it in the north?

**Dr. David J. Scott:** Yes, thank you.

I think any individual involved in creating knowledge would say there's always more we could do if we had more resources. I think realistically the first step is to ensure that the existing resources are being efficiently used, and often that is simply a matter of coordinating among groups working in the same area technically or the same geographic area.

**Mr. Mark Adler:** Do you think they are, right now?

**Dr. David J. Scott:** Specifically in the Arctic, yes, I do.

**Mr. Mark Adler:** They are? So take it to the next level.

**Dr. David J. Scott:** I'm sorry, I missed the beginning of that question.

**Mr. Mark Adler:** Oh, are they being used efficiently right now?

**Dr. David J. Scott:** Reasonably well, yes. I wouldn't suggest there's any real wastage, but there's always room to improve by sharing of logistics, better sharing of data. Particularly when the area of inquiry is broad and complex in a subject like climate change or the security of a food supply, if individual research organizations or individuals are not sharing their learning as collectively as possible, some of the bigger, more complex issues may not be adequately addressed.

**Mr. Mark Adler:** You know our Prime Minister has committed himself and our government to the north. What more could we be doing that we're not doing right now, in your estimation?

**Dr. David J. Scott:** Leaving aside the question of additional resources, even with existing resources, I think we could have richer and deeper scientific understanding and enhanced knowledge by better sharing the information that's already out there.

My colleague Dr. Hik certainly referenced that even if we were better at planning our approaches to future knowledge creation campaigns, research in the field for example, we could probably create more knowledge with the existing resources if we used our resources collectively a little more efficiently.

**Mr. Mark Adler:** How good are we at communicating that message of the north to the rest of Canada?

**The Chair:** Make just a brief response, please.

**Dr. David J. Scott:** We're pretty good. We're trying to be better. I think with the revolution in social media, we're starting to take some baby steps in sharing it much better and much more broadly, in a much more open way.

**Mr. Mark Adler:** Thank you, Doctor.

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

I'm going to pose a few questions here.

I wanted to follow up with Mr. Gooch on your presentation, and I appreciate your presentation very much.

Similar to Mr. Scarpaleggia I have an airport in my riding, Edmonton International Airport. I'm very proud of it. It's an outstanding airport, an outstanding organization.

In terms of why the minister is introducing these new authorities, the briefing book that members have been given makes a couple of statements:

Canadians are becoming increasingly frustrated by the absence of formal consultation requirements prior to aerodrome development and are concerned that they do not have an opportunity to raise their concerns....

Furthermore, the Aeronautics Act does not provide for the express authority to develop regulations to require aerodrome proponents to consult land use authorities and affected stakeholders. The proposed amendments would address these issues.

Further to Mr. Allen's point, if there's a way in which you can see the amendments going forward, but in language that comforts you more....

I'll describe a situation in my area. The airport is expanding. It has two runways. It wants to add a third runway. Adding a third runway puts it across Highway 19 in my area, which is a highway that the provincial government is going to twin because the highway has had an awful lot of accidents resulting in death. It's a very serious issue. It also goes through an awful lot of landowner property. So you have the landowner property, you have the provincial government, you have the third runway, you have the noise regulations, which then inhibit any future development, and a lot of farmers have been counting on that, so a lot of people come to me, as a federal MP.

The airport has been very good with me, in including me in any discussion, but further to Mr. Scarpaleggia's point, the airport could say there's no federal requirement here for the minister to respond, so it's up to the province and Leduc County and the municipalities to sort this out. Whereas I think residents in that area look to their federal member of Parliament, look to the federal government, and say that airports are federal, that I, as the MP, and the Minister of Transport should have some role in resolving this, especially in ensuring that some formal consultation is done on an issue like this.

It seems to me this is exactly why these legislative amendments are being proposed: to deal with the situation I have in my riding. Again, full respect to the airport and the way they've handled themselves, but I think residents in that community would very much agree with what's being proposed here.

• (1820)

**Mr. Daniel-Robert Gooch:** I assume, when you are referring to change, you're referring to the Edmonton International Airport. When our members make major infrastructure development

decisions, there is a consultation process in the community, as well as with the users of the airports. Those are designed locally by the airport authority, and a lot of the parameters for it are set out in the ground leases between the airport authorities and the federal government.

Certainly, for the minister to be brought back into the decision-making, there may be an interest in making such a change, but that would represent a significant departure from the national airports policy. So what we're saying is, first of all, that is not what we understood to be the basis for these amendments.

If there is an interest in amendments by applying these to the types of decisions and projects that national airports embark upon, that would entail a renewal of the national airports policy. We understand that is not the current intent of the department, but certainly, if that is the intent of either this government or another government, amendments to the Aeronautics Act, put into an omnibus bill, would not be the best way to go about making such a fundamental change to airport policy in this country.

**The Chair:** But do you disagree with the rationale that I read to you from the briefing notes?

**Mr. Daniel-Robert Gooch:** For the private aerodromes for which we understood this to be intended, it sounds like a reasonable rationale.

**The Chair:** Do you want it restricted to private aerodromes? If we restrict it to language like that, would you be okay with the amendments?

**Mr. Daniel-Robert Gooch:** Yes.

**The Chair:** Unfortunately, my time is up.

Mr. Van Kesteren, there is time for a brief round and I think we have bells at 6:30.

**Mr. Dave Van Kesteren:** Thank you, Chair, and thank you all for coming.

Ms. McIntyre, the measure that you're referring to, that you find objectionable, is actually—and I just want you to maybe clarify if you're in agreement with this—the Canada Health Act of 1985. It provides provinces and territories with the ability to impose minimum periods of residence up to three months before a person becomes eligible.

Would you agree with that? Currently, the health care act gives the provinces three months to supply health care before a person is eligible.

**Ms. Jenn McIntyre:** We're not talking about the health care act here—

**Mr. Dave Van Kesteren:** I'm just asking, would you agree with that?

• (1825)

**Ms. Jenn McIntyre:** The difference is that refugee claimants are covered for health care by an alternative, or they were until those were cut. I don't really think that this is a necessary comparison.

**Mr. Dave Van Kesteren:** Let me clarify. As it stands now, the federal government can, I guess, enforce what the provinces need to enact as far as health care. Would you agree with that?

As it stands now, the federal government is in a position to say to the provinces—the way the current legislation reads—that this type of health care has to be provided for.

What we're basically doing, and I'll go to the second stage, is giving the provinces the right to administer health care as they see fit. Would you agree with that? Are there any provinces that have said that they will withhold health care for refugees?

**Ms. Jenn McIntyre:** Well, we're not talking about health care—

**Mr. Dave Van Kesteren:** But it is health care.

**Ms. Jenn McIntyre:** No, social assistance is paying for rent—

**Mr. Dave Van Kesteren:** Of course, social assistance comes out of the transfer payments, so it's health care and social assistance, yes.

**Ms. Jenn McIntyre:** Yes, those two things are very different, though.

When health care was enacted to have the three-month residency requirements in Ontario for OHIP, for example, there was an alternative provision for the interim federal health care program, which provided health care from a federal level to refugee claimants.

If you're asking if this residency requirement is going to be allowed if the federal government steps up with a federal program to provide social assistance to refugee claimants, then I would—

**Mr. Dave Van Kesteren:** I guess what I'm asking is whether you're seeing any indication from the provinces that they're saying, "Oh, great; once you've withdrawn that, we're not going to provide that service to refugees".

**Ms. Jenn McIntyre:** The provinces have confirmed that they haven't asked for this.

**Mr. Dave Van Kesteren:** So in essence we've just pretty much established that, as it's part of the health care act, they have that power. Nothing is really going to change; they just have that power.

**Ms. Jenn McIntyre:** Well, the thing that is different is that the refugee system is a federally regulated system. That is why in health care there has been, and now will continue to be, a federal program for providing health care. This is a national standard that should be in place to ensure that refugee claimants are not denied social assistance.

So I would say that I would be in agreement with you if the federal government were to step up and offer an alternative.

**Mr. Dave Van Kesteren:** I guess I would argue that it gives provinces, who are on the front lines—you're on the front lines too, but the provinces are the ones who are actually going to pay the bills—the ability to say...

For instance, let's take a border town like Niagara. If they had a flood of refugees who crossed the border, wouldn't that give the provinces a little bit of a lead way to say, "Yes, we can't stop you from crossing the border, but that won't guarantee that you're given refugee status or at least be looked after as we have in the past"? Doesn't that seem like a reasonable approach to that situation?

**Ms. Jenn McIntyre:** I don't agree that it seems like a reasonable approach to that situation.

**Mr. Dave Van Kesteren:** Okay. I needed to hear that.

Thank you.

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

Thank you, colleagues.

On behalf of all colleagues, I want to say thank you to our witnesses for being here and for your contribution to this budgetary process. If any of you have anything further, amendments or otherwise, please submit them to the clerk and we'll ensure that all members get them. Thank you.

The meeting is adjourned.

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