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# **Standing Committee on Human Resources, Skills and Social Development and the Status of Persons with Disabilities**

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**EVIDENCE**

**Thursday, March 12, 2015**

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**Chair**

**Mr. Phil McColeman**



## Standing Committee on Human Resources, Skills and Social Development and the Status of Persons with Disabilities

Thursday, March 12, 2015

• (1530)

[English]

**The Chair (Mr. Phil McColeman (Brant, CPC)):** Welcome, ladies and gentlemen.

Before we move on to a continuation of our study and the witnesses today—we're still waiting for two witnesses to arrive but I do want to start the meeting on time—I'd like to inform the committee on a couple of fronts.

First of all, our travel proposal was presented to the liaison committee earlier this week and turned down by liaison. That's the bad news. The good news is that they asked if I could re-present with a less expensive version, which we had prepared, if you recall. Our clerk had provided us with an all-committee-members travel proposal that the committee voted to present and that I presented on behalf of the committee, but there was also a lesser version that would mean fewer committee members attending and a smaller budget. The feedback given to me at liaison was that I should come back with a lesser proposal and it might be looked upon differently.

So it will be the committee's decision, as to the direction they wish me to take on this. We will need to deal with this, along with three other items.

You may have heard that committees are going to be required to go paperless. We will have approximately 30 days with which to comply with that, so we need to have a discussion and prepare for that as a committee.

Secondly, I believe there are four motions from committee members that I'm aware of that we should deal with in committee business, and we also have to deal with the eternal flame project again. It's coming up for our discussion, our direction for that.

So those things said, I'm presenting them more for information at the start of today's meeting to let you know that those are the things that we will fit into the schedule on March 24, which is our first meeting back. I've asked our support people here to structure the meeting in such a way that we have a panel of witnesses and then ample time, perhaps up to an hour, to do our committee business.

Committee members, is there anyone here who would want to handle this differently than I'm proposing? Seeing none, then we'll proceed on that basis.

Again, good afternoon, ladies and gentlemen. Welcome to meeting 47 of the Standing Committee on Human Resources, Skills

and Social Development and the Status of Persons with Disabilities. We're continuing today with our study entitled exploring the potential of social finance in Canada.

Today we have another split panel of expert witnesses to provide their testimony. In the first hour, from the Canadian Union of Public Employees, we have their national president. No, I've just been told he could not make it, so the national president will not be here, but we do have Ms. Margot Young, the senior research officer. I'm not sure I have the name of the second witness but I will get that shortly.

We also have appearing in person Mr. Andrew McNeill who is the national representative of the National Union of Public and General Employees, and moving back to the Canadian Union of Public Employees, the president's designate today is Ms. Rampure. Thanks very much.

Witnesses, each organization has up to 10 minutes to provide testimony.

So Mr. McNeill, please start us off, and then we'll move into questioning.

**Mr. Andrew McNeill (National Representative, National Union of Public and General Employees):** Thank you very much for the opportunity to speak to the committee today.

The National Union of Public and General Employees is a family of 11 component unions in every province except Quebec. NUPGE represents 340,000 people in nine provinces. Our members work in the public sector, the non-profit sector, and private sectors. The work our members do includes delivering public services of every kind to citizens in their home provinces.

We recognize that social finance has a very important role to play in investing in social enterprises and providing loans for community economic development. In fact, the labour movement has been engaged in social finance in the past. We also feel that social finance can be a much more effective tool for creating jobs than are many methods traditionally used.

What concerns NUPGE is the use of social finance to fund public services. While the intentions are good, the fear is that in practice it will become another way to privatize public services.

One of the misconceptions we see is that social finance is being viewed as free money, and all too often when we hear social finance discussed for public services, it's portrayed as a new source of revenue. What is ignored is the fact that while people investing in social finance are willing to accept a lower rate of return to accomplish social objectives, they still do expect some return on their investment, and the ways to use social finance to fund public services, such as social impact bonds, will add new costs to the delivery of public services.

Social impact bonds are the highest-profile method that's been suggested for using social finance to fund public services, so it's worth looking at how they are likely to affect costs, quality, and accountability.

The first thing is that social impact bonds are an expensive way to borrow money. For example, the first social impact bond project in Peterborough, England, to reduce recidivism is expected to provide a rate of return of between 7.5% and 13% per year. Based on a survey by the MaRS Centre for Impact Investing and Deloitte Canada, expectations of potential investors in social impact bonds here in Canada are very similar. By contrast, the federal government was paying an average of 2.37% to borrow money in 2013-14, which is roughly a third of the minimum amount Peterborough social impact investors are likely to receive.

Social impact bonds are also going to require new layers of administration. First, there are the intermediary organizations that are required to find investors and to find an organization or business to deliver the service and oversee the service. The agreements under which social impact bonds operate are a second layer of administration.

A British Ministry of Justice review of the first social impact bond project described the process for setting up as time-consuming and analytically complex. It took 18 months to develop the Peterborough social impact bond. The first social impact bond in Massachusetts took 17 months for negotiations, so there seems to be a pattern.

The final administrative layer is the evaluation required to determine how the project has performed against the agreed-upon criteria.

Because many of the details of social impact bond agreements are not released, exact figures for costs are hard to find. There aren't precise costs out there. However, the Maryland Department of Legislative Services did a study a couple of years ago that looked at the cost of social impact bonds. They assumed a project the same size as the one in Peterborough, England, being run in Maryland. They estimated that the additional administrative layers needed for social impact bonds would push up costs by 22%. In other words, for the same service, 22% would be added to the cost by using social impact bonds.

The Maryland study also found that while social impact bonds are supposed to save money by funding programs to prevent social problems from occurring, the savings are far less than the costs. The researcher compared the savings to the costs and found that even in the most optimistic scenario, with the lowest possible level of costs and the highest possible results, costs would exceed savings.

●(1535)

At the same time that social impact bonds are being sold as a means to reduce the demand for public funds, we're also seeing a growing push to subsidize them, which seems contradictory. Among the subsidies that have been proposed are tax credits for people investing in social finance and funding for intermediary organizations running social impact bond projects.

Subsidizing the use of social finance for public services means that, in addition to paying the direct cost of the service, the public are being asked to pay a second time to basically subsidize the investors and to subsidize the organizations running the social impact bond projects. We've even seen instances of charities being asked to subsidize social impact bond projects in the United States.

Goldman Sachs, as has been widely reported, invested in social impact bond projects in the city of New York and the state of Utah. In both cases its investments were guaranteed by charities. In other words, if Goldman Sachs did not make a profit, it would be reimbursed by charities using money raised from charitable donations, which obviously would get a tax break. Goldman Sachs in 2013 reported net earnings of \$8 billion. For charities to be guaranteeing the rate of return for a business earning \$8 billion a year seems a little odd.

Another concern is the loss of accountability. Contracts for services funded through social impact bonds are rarely made public. In fact, as far as I know there has not been a single contract made public. The public cannot find out the details of the services being provided or the details of the costs. This means that the public has no way of knowing whether they are receiving the services they're paying for.

There is also concern about the fact that the public could be paying out no matter what happens with the social impact bond project. In theory, under the social impact bonds governments are only supposed to be paying for services when the project meets the agreed-upon goals and achieves some reduction in problems or costs for the government. For several reasons, this is wildly optimistic.

The first one is that even if the service does achieve the agreed-upon outcomes, it is very likely that the savings will be less than the cost. Even if social impact bonds aren't as successful, governments are still likely to end up paying. Investors are only going to put money into projects when there is a good chance of making money. I don't think that's rocket science for anybody here. If the bar for success is set high, no one is going to invest, but if the bar for success isn't set high, then governments are going to be paying for projects in which very little has been achieved.

Minimizing risk also means that investors are going to be unwilling to fund innovations in service delivery. Under the model for social impact bonds, if the agreed-upon outcomes aren't achieved, investors lose their original investment. Again, it would be hard to find anybody who is willing to put money into a project if they feel it's likely that they're going to lose their original investment.

Contract negotiations also provide an opportunity to ensure that the project will be judged a success regardless of the outcome. For example, in the Peterborough social impact bond project, participants were self-selecting, which obviously is an advantage for project to cut recidivism.

A final concern is that profitability, not need, is going to determine who will get help. The first priority for social impact bond projects has to be making a profit. If the service does not appear profitable, investors won't be willing to fund it. The danger is that new or expanded public services, if they're dependent on investors willing to put in money, will exclude some of the most vulnerable people in our society.

• (1540)

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

Now we'll move on to our second presenters.

Please proceed, for up to 10 minutes.

**Ms. Margot Young (Senior Research Officer, Canadian Union of Public Employees):** Hi, my name is Margot Young. I'm representing CUPE today, the Canadian Union of Public Employees. We have more than 630,000 members in the broader public sector. We have been following this issue as it started to emerge. That's why we are happy to share with you what we've learned so far.

From the stats we've done—and we have worked carefully with NUPGE, so you will probably see some similarities— social finance is like applying a venture capitalist model in the area of social, health, and educational service delivery. Unlike the case with bonds, there is a significant performance risk attached to the model. When and if projects fail on pre-agreed outcomes, investors stand to lose their initial investment. As Andrew pointed out, often those investors are the charities that have guaranteed them.

The government's role is effectively reduced to paying the cost when the contract terms are fulfilled. The model effectively outsources not only the service delivery but also key elements of policy development, implementation, and assessment. Even the measuring of what the objective is becomes outsourced. The financing of child care in the Utah case, for example, is tied to future performance of children in school and to reduced incarceration rates. That's how they say what the success is. But you can see that if you outsource the defining of what success is....

There has been a ton of literature to show you the importance of women's participation in the labour force and to show that it's good for labour, is good for the economy, and is a good anti-poverty measure for child care as well. But that is lost, if all you're measuring is a lower cost of education and lower incarceration rates.

Large private financiers such as Goldman Sachs are excited by social finance. In a way, Goldman Sachs and the consulting companies have, I think, finally found a formula for making a profit out of public services.

Efficiency and profit generated out of social finance initiatives seem to be smoke and mirrors. The enterprises are set up at the beginning to skim off the people who are easier to treat and leave those who take more than minimal input to get help from the government; i.e., they cherry-pick their clients, the ones who are

more likely to be successful. In the end, the government pays either way, because they are paying premiums for the company to do these outcomes for this group of people, but the government still has to serve the hard-to-serve people in the end. So, if you have a system of public services in which the government is providing the services, we would argue to keep it, because it works.

We are also very critical of the companies that are promoting it. The fact that financialization of public human services will make matters worse on the ground results in people making money on public programs that are supposed to be helping the most disadvantaged in society.

We find that the worst part of the social finance initiative is what is called the social impact bond. It was set up in 2008, during the recession, to get governments to delay paying for needed social services until some time in the future. It's a kind of cynical marriage of financial investor opportunism and governments that want to push the costs of the current year off the books.

Social impact bonds leverage private sector money to invest in social services with the promise that the government will pay them back in four or five years with a substantial return on their investment. These returns are up to 12%. There is one, the Newpin bond in Australia, that is paying 12% annually.

This tortured logic tries to tie up outdated and debunked notions that the private sector has something to offer in finding more efficient ways of delivering needed services. In fact, we would argue that there is a lot of innovation in the public sector and that the formula they are using to measure the success of the outcome actually curtails innovation, because they're using methods based on studies that have already been done that say if this happens,  $x$  will happen. They're tying that in as the measure.

• (1545)

These schemes aren't that innovative and they end up with the financialization of existing not-for-profit services. In Ontario in 2007 they did a study where they studied pay for performance. They used a municipal government and compared it with a private company service called JobsNow. In the study they made JobsNow use the same level-of-need clients as they did for the municipal services. All they found out in the end was that they had the exact same outcomes as municipal services, except it cost more. That's the pay-for-performance model and it does cost more.

We think this is like trying to apply this so-called innovative model to this, but there isn't a sexy way to deliver these much needed services. There might be more ways of innovating and of getting ideas, such as talking to the service participants, people who deliver the services, and policy-makers about those new ways, but applying this venture capital method to it is probably not the best way.

There are ways to include public service delivery, but this isn't it. Those marketing the social impact bonds routinely make the argument that only the private sector is innovative, but it's never documented. Those promoting SIBs base their arguments on a belief that market-driven decision-making is inherently superior to other approaches. By presenting the truth of these ideas as self-evident, and in the absence of supportive evidence, the case for SIBs becomes a faith-based exercise driven by ideology.

Our position is simple. Social finance will lead to fewer resources available for social and human services, a more fractured environment, and a reduced quality of services for the public.

Thank you.

• (1550)

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

Now we'll move on to our first round of questioning, and we'll begin with Madam Groguhé.

[*Translation*]

**Mrs. Sadia Groguhé (Saint-Lambert, NDP):** Thank you, Mr. Chair.

First of all, I would like to welcome our witnesses and thank them for joining us today. Their remarks are very interesting although they are going in the opposite direction to what we have heard so far.

The witnesses seem to agree that social finance is not a cure-all in itself and that it is not the solution to all the social needs and challenges.

My first question is for Mr. McNeill.

The other witnesses who appeared before us said that the goal of social finance was not to replace public funding. Can you explain why you think social finance is a privatization of social programs and public services?

[*English*]

**Mr. Andrew McNeill:** Where social impact bonds have been proposed is in areas where there have been significant cuts to public funding. Public services are closed down and then social impact bonds are put forward to take their place. You see private finance replacing publicly offered services.

The first social impact bond in Saskatoon was for support for single mothers. Very similar services were offered by the Saskatoon Family Support Centre, which had been forced to close due to funding cuts.

The federal government is talking about using social finance for skills training. That comes after cuts to transfers to provinces for skills training.

In the U.K. cuts for vulnerable families were followed by proposals for social impact bonds.

Where those who say that social impact bonds don't replace public funding are completely correct is that the amount of money put into services under social impact bonds is a fraction of what is provided through public funding.

[*Translation*]

**Mrs. Sadia Groguhé:** Okay, very well.

Furthermore, in your view, the presupposition that only the private sector can innovate is false. You also said that social finance reduces innovation capacity.

Could you tell me why?

[*English*]

**Mr. Andrew McNeill:** Essentially it's the fact that the people investing in social finance do need to make a profit. They need to meet targets to get payment on their investment. With that in mind, it's understandable that even if you're willing to accept a lower rate of return, you do have to make some profit. Social investors are going to choose projects that give them a good chance of making a profit. That's been the case. None of the social impact bond projects that have come forward so far have involved anything radically new that hasn't been tried elsewhere.

The other faulty assumption is that the government's been throwing money at problems, which is a phrase you also hear sometimes in various forms. In fact, the government's been clawing it back. If you look at the history of social transfers over the last 25 years, there have been drastic cuts to federal funding for social services.

To use one small example, in 1996, cuts introduced then removed \$4 billion from social services in Canada. Some of the problems we're seeing today aren't the result of throwing money at problems; they're the result of clawing it back.

• (1555)

[*Translation*]

**Mrs. Sadia Groguhé:** Clearly, in the topics and issues we have discussed in the committee, we have talked a great deal about accountability and transparency. You are saying that using social finance to fund social programs and public services could lead to transparency and accountability problems.

Could you elaborate on that?

[*English*]

**Mr. Andrew McNeill:** Certainly. The experience for our members, when other privatization schemes have been introduced, is that they don't know what level of service the private contractor is necessarily meant to be providing without the contract being made public. We also don't know how much we're paying for it. With that in mind, we don't know if we're getting value for money.

A few years ago the Ontario Health Coalition and a number of unions representing public health care workers, including not just the Ontario component OPSEU, were forced to take the Ontario government to court after it refused to release information about the William Osler Health Centre public-privatization partnership. What was found out in that court case, which had previously been kept secret, was that using a P3, or public-privatization scheme, cost over \$300 million more than using public procurement would have. In other words, that was \$300 million we didn't know about until we went to court to find out about it. Unfortunately, getting that information cost \$100,000 in legal costs, which is why we haven't done it more often and why it's prohibitive for the individual citizen to get that information.

[Translation]

**Mrs. Sadia Groguhé:** Thank you.

[English]

**The Chair:** Before I move to Mr. Armstrong, I just want to remind committee members we're talking about social finance, which is completely different from P3s or other subject areas. Let's try to stay on topic when we ask questions.

Mr. Armstrong.

[Translation]

**Mrs. Sadia Groguhé:** A comment, Mr. Chair—

[English]

**The Chair:** Is it a point of order?

**Mrs. Sadia Groguhé:** Yes.

**The Chair:** Go ahead.

[Translation]

**Mrs. Sadia Groguhé:** Mr. Chair, let me go back to what you said.

You mentioned private finance. The fact that we are bringing up the issue and that we are drawing a parallel to the public private partnerships seems to me to be completely in line with the topic we are discussing today. It allows us to better understand and shed some light on public finance and on where private capital is used. I think we need to draw the parallel. In this case, it is helping me better understand. If there is a difference, we will be better able to deal with it.

[English]

**The Chair:** I am going to allow a lot of latitude in the questioning, and I did not stop you during your questioning. I'm reminding members that there are two different subject areas that have come forward here in the questioning so far, and I would like to stay with social finance because that's what our study's about. It's not about other types of financing of public services. I will stop members if I feel they go too far.

Mr. Armstrong.

**Mr. Scott Armstrong (Cumberland—Colchester—Musquodoboit Valley, CPC):** Thank you, Mr. Chair. I want to thank our witnesses for being here today.

Mr. McNeill, you talked about the impact of private sector investment on social finance, and how somehow that damages the public sector side of things. You mentioned skills development

money the provinces use to implement skills training, and I know some social finance projects talked about investing in skills training, supported by the private sector. You said there have been cuts by the federal government to the provinces. Our government, since 2006, has invested more and more money, particularly in skills training, particularly over the last couple of years.

I just wonder what you were referring to in your comments there.

**Mr. Andrew McNeill:** I was very specific, and that is that your government chose to redirect the funds, as governments can choose to do. It meant that some of the money was taken out of funding that had been given to provincial governments.

**Mr. Scott Armstrong:** Can you be specific on that because that's not my understanding of the budgets of the last couple of years. Could you be specific on which federal transfer dollars have been redirected that were being transferred to the provinces?

• (1600)

**Mr. Andrew McNeill:** I did not bring the exact details because I took it to be universally understood. However, I think we're arguing about interpretation. I'd be happy to provide the information through the clerk, but I seem to recall some dispute between the provinces and the federal government over skills training money that was being redirected.

**Mr. Scott Armstrong:** I think you may be referring to the negotiations that took place last year over the labour market agreement money, which was about a \$500-million fund that flowed to the provinces for skills training. That money has been agreed on by both the provinces and the federal government and is still targeted to skills training. In fact, it's now referred to as the Canada job grant, which not only has that much money coming from the federal government to the provinces, it actually leverages private sector investment as well and it's all focused on skills training. In fact that fund you're referring to is still there. The provinces are still administering all those dollars, and in fact now those dollars are also being used to leverage more private sector investment. It's actually growing the pool of dollars.

**Mr. Rodger Cuzner (Cape Breton—Canso, Lib.):** Mr. Chair, if you're going to rein in the NDP on following suit here, this isn't about—

**The Chair:** I agree. I was on the verge of an intervention and I will now make that intervention.

Let me remind all committee members that this study is not debating budget cuts, skills development, skills training, or any of that. This is about social finance and what it can do in this country. Please stay on topic.

**Mr. Scott Armstrong:** I apologize, Mr. Chair. I'll move on.

Ms. Young, in CUPE's submission to ESDC on its national call for concepts on social finance, your organization indicated concerns related to economic sustainability, fairness, and risks associated with the social finance model.

Can you explain how CUPE feels leveraging more private capital in pursuit of fundamentally broader social good would be unsustainable or unfair?

**Ms. Margot Young:** Basically, our concern about doing that is that the government is still paying that return at the end because there is an attachment of how much money you get back on the so-called bond at the end. The government is still paying, but in many cases—in fact, Andrew referred to one of them—you're actually ending up paying more. You're paying more to get the service, and the public sector delivery or the not-for-profit community-based delivery would be less expensive and more effective.

It also creates a risk in terms of... Let's take the Utah bond, for example. They decided they would target this area and these people. But if you actually need a service you might not mesh with the geographic area or the exact population that was targeted, so it's sort of basing social policy on the market.

Governments are withdrawing from the policy aspect of it for the design of what the success may or may not be, and there is no cap on their profit. Those three areas make us concerned.

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

That's the end of that five-minute round.

Mr. Cuzner.

**Mr. Rodger Cuzner:** Do I get a minute off topic, first? No?

**Voices:** Oh, oh!

**The Chair:** Mr. Cuzner, proceed as you wish, sir.

**Mr. Rodger Cuzner:** Thanks very much for the testimony.

I think it would be really helpful, for the work you've done with the social impact bonds, if you could share with the committee the ones that haven't worked out or the ones that have had a downside so that we could share that with the researchers.

There was another reference you made about the Maryland study. Do our researchers have the other reference you made about the Maryland study?

**The Chair:** Not at this point, I believe.

**Mr. Rodger Cuzner:** Could we get a copy of that, too? That may be worthwhile as well.

The one thing that always concerns me is that a couple of the witnesses have identified that this can't be a substitute for public support, public dollars, or public investment. I think it has a role to play, but it concerns me. If it's an attempt to provide a service at the cost of driving down wages and quality, then that should be of concern to every constituent.

Just for example with the study that was done on the JobsNow versus the municipal delivery of those services, there was a greater cost in the JobsNow provision. It cost more for that, did it not?

• (1605)

**Ms. Margot Young:** It costs more because the company is making a profit, but in fact—

**Mr. Rodger Cuzner:** What about wages?

**Ms. Margot Young:** The wages people are making—

**Mr. Rodger Cuzner:** Were similar?

**Ms. Margot Young:** No, much lower.

**Mr. Rodger Cuzner:** Could you give us an indication?

**Ms. Margot Young:** JobsNow also delivers in British Columbia. It's a kind of privatized employment delivery system, so I feel slightly reticent. I could confirm these numbers with you in evidence and I could get back to you. It could be as much as half less in terms of—

**Mr. Rodger Cuzner:** That would be beneficial if you could.

**Ms. Margot Young:** These are modest wages. They're not high wages that the not-for-profit or municipal government employee is making. When it becomes pay for performance, which is what happens with the social impact bond, the actual individuals working are getting paid for performance, and their wages are—

**Mr. Rodger Cuzner:** Would you be able to provide that to the committee as well?

**Ms. Margot Young:** Yes, absolutely.

**Mr. Rodger Cuzner:** What I've found over the years is that usually when there's an issue, the opponents of the issue can identify all that's bad, and the proponents can find all that's good. I've asked this same question to the proponents and those who believe in it. It's about whether or not they've seen investments where the wheels have fallen off and they really ended up being regressive. Are there cases you've seen in your studies where it makes sense and has been of benefit and there's been a net benefit derived from the investment, from the social bond investment?

**Mr. Andrew McNeill:** Yes, definitely. In community economic development, social finance has a substantial role to play. I'll give one small example from my own neighbourhood.

A local coffee shop decided that it wanted to create a coffee-roasting facility. They engaged in what could be described as and what would fall under social finance to pay for it. It's Bridgehead coffee, incidentally, if anyone wants to sample the outcome.

**Ms. Margot Young:** Social impact bonds are sort of social finance on steroids, and that's what we've been cautioning you about.

At the smaller level, we actually have an infographic that we could share with you. It's all on a continuum. There are a lot of incredibly great local endeavours that happen through social finance. It's the social impact bond aspect of it that draws the most concern from us.

We also understand that you're going to England to study social finance.

**Mr. Rodger Cuzner:** We're going to discuss that, as a matter of fact. Are you free that week? Call for social impact bonds and I'll set it up—

**Voices:** Oh, oh!

**Ms. Margot Young:** No, but I do have the names of three experts in England that I'd like to share with you, if you indeed decide to go. We've been corresponding with experts on this in England and we would be happy to provide you with these names.

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

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

I believe it's Mr. Mayes now.

**Mr. Colin Mayes (Okanagan—Shuswap, CPC):** Thank you, Mr. Chair.

Thank you to the witnesses for being here.

I just want to follow up a bit on what Rodger has said about how everything we heard from you was negative, while at the last meeting we heard a lot of positive things. In one instance, one of the witnesses earlier this week said that they had partnered with a group. Part of the mandate was that they had to hire people with disabilities, up to I think 20%, and if they did that, they had a lower interest rate on the capital that was provided for the enterprise. Also, of course, there's I think a social return on that.

The social bonds are one issue, but social finance in the larger picture is to try to see if, between the private sector and possibly the public sector, we can have the return be the social value of the investment. Affordable housing is a good example, where maybe the government would provide money, interest free, to a developer and a municipality would waive the development cost charges or whatever to provide lower-cost housing to people who can't afford the housing market currently.

I guess my question, then, is a kind of challenge to you. What has a union done in helping to deal with social issues within the context of what you do in the labour market? Have you helped fund the hiring of people with disabilities? Have you assisted in projects that have value to the general workplace and that type of thing? That's—

• (1610)

**The Chair:** I'm going to intervene. I think you're off topic here. I'm not certain that they came to answer questions about their union and what their practices are.

If it deals with social finance, I'm fine with the question. But you're not asking if they're into social finance or not, Mr. Mayes, so I'm just cautioning you. I want to keep this on track. I don't want it to turn into something that's outside the realm of our study.

**Mr. Colin Mayes:** Thank you, Mr. Chair. I agree. I take your caution.

The point I'm trying to make is about return on investment. Mr. McNeill, you said that every time somebody invests, they expect a return on their investment. Well, that return doesn't necessarily need to be financial. A return can be the fact that it has a benefit to the general...because not every person who invests is looking at the financial return. There are many people...and we just had a visitor to Ottawa here, Mr. Gates, who has extended over \$65 billion to causes throughout the world.

I think it's important to put it in context. We're looking at this as a way that people can have the ability to feel that they're contributing,

that they have a sense of helping their fellow man in whatever way. Those are the successes that we've heard. I don't think the intent would ever be to try to undermine the return or make it more costly for service delivery for the Government of Canada or any other level of government.

I'll get to a question here. Looking at social finance, other than the bonds, could you give me examples of where there's a possibility that we could embrace this in a way that would benefit the possibility of getting a social return?

**Mr. Andrew McNeill:** As mentioned, for community economic development there's a lot of potential. On the idea of something to encourage people to invest in a business that hires people with disabilities, an example comes to mind from Manitoba, where there is a business that specializes in installing geothermal heating systems on reserves to help people living on reserves reduce costs, but it's also providing skills training to people living on the reserves.

All of those make complete sense.

**The Chair:** Thank you very much. That's the end of that five minutes.

Madam Groguhé, you have five minutes.

[Translation]

**Mrs. Sadia Groguhé:** Thank you, Mr. Chair.

My question is for Ms. Young.

You talked about the risk of linking the pay-for-performance model to impact bonds. You also said that the government will have to pay for service provision, implementation and evaluation.

Could you tell us what we could expect from that system? What will be the impact of that?

[English]

**Ms. Margot Young:** I'll use a concrete example of employment services for people who are on welfare. That's a common example. What happens is that companies such as Jobs Now and others tend to accept only people who have been unemployed for less than a certain period of time. They don't take the long-term unemployed as their clients. For example, in British Columbia I think it was that they wouldn't take anyone who had been on welfare for more than six months. However, people who are on welfare long term still need service if you want to get them active in their communities and get them employed. Somebody has to provide that service. But it's not seen as profitable for the private companies, so they don't provide that service.

If you still have the goal, if you want to provide employment services to help people be in their communities and make a living wage, you still have to provide that service. You're almost double-doing it, and the private company is taking the easy cases—they call it cream-skimming. The hard-to-serve cases are left to the public sector. Those are the most expensive cases, so it makes it difficult for the public sector, which has the responsibility to provide service to the most difficult cases.

• (1615)

[*Translation*]

**Mrs. Sadia Groguhé:** Okay, thank you.

However, you are hinting at the limits of the model. But, in your view, what types of social problems should we focus the social finance on?

[*English*]

**Ms. Margot Young:** It's an interesting question.

Maybe small community economic development, as Andrew said. What I tend to look at when I'm looking at social finance is what safeguards there would be to make sure our worst fears would be less likely to happen. I'd be more interested in making sure there's a limit on the profit to be made; that there's a level of transparency; that the government actually has to get involved in the policy and the measures, and not the accounting companies, such as Deloitte; and that tests be set up to see whether, in fact, this is true or not.

When the Ontario government set up this test to compare employment services, I thought they were skeptical about what we said. When the results came back, that many years later, after doing a controlled study, it was interesting to see that, in fact, it was done just as well by the public sector, and it actually didn't cost as much.

[*Translation*]

**Mrs. Sadia Groguhé:** Mr. McNeill, do you have anything to add?

[*English*]

**Mr. Andrew McNeill:** I tend to agree that in terms of employment through programs to create jobs through economic development, social finance is probably a lot more effective than other measures that have been used. Where I would be very leery is where you're using social finance to fund public services. That's just because the experience so far has shown that as soon as you get into that, there are going to be increased costs.

**The Chair:** Thank you.

Mr. Butt, you have five minutes.

**Mr. Brad Butt (Mississauga—Streetsville, CPC):** Thank you very much for being here.

I just want to get on the record that your testimony today is not that all social finance is bad. That is not your testimony today, correct?

**Mr. Andrew McNeill:** I, at least, and I think Margot as well, am very specifically focusing on the problems with using social finance for public services. As mentioned, social finance for community economic development has a lot of potential.

**Mr. Brad Butt:** Okay.

One of the things I do know about the unions is that they've been excellent supporters of the United Way across the country. United Way is really a social finance model. It leverages the private sector. They get donations in from the private sector. They get unions that contribute. Employees contribute. Communities benefit. The United Way is really, in my opinion, one of the best examples of social finance that we see in this country.

I'm assuming your testimony today is that you don't support the United Way?

• (1620)

**Ms. Margot Young:** That's just charity; that's not social finance.

**Mr. Brad Butt:** Sure it's social finance. Social finance doesn't necessarily mean there's an economic profit at the end of the day. Social finance comes—

**The Chair:** Hold it. There's a point of order.

[*Translation*]

**Mrs. Sadia Groguhé:** Mr. Chair, our role is not to accuse our witnesses, but to ask them questions so that they share their viewpoints with us. As a result, I don't think that Mr. Butt's method is the most appropriate in the circumstances.

[*English*]

**The Chair:** I don't believe it's a point of order, but I am going to be—

[*Translation*]

**Ms. Marie-Claude Morin (Saint-Hyacinthe—Bagot, NDP):** The United Way is not—

[*English*]

**The Chair:** Would you like to challenge the chair?

**Ms. Marie-Claude Morin:** No, absolutely not. It's okay.

**The Chair:** Then please remain silent. You don't need to have a conversation while I'm speaking about this situation.

I am going to say that there's a certain sensitivity I have to this subject matter, as you know, and I don't want it to go off the rails in terms of accusatory comments one way or the other. I believe you are heading in a good direction, Mr. Butt, in terms of your comparison, but let's just make sure that we use our choice of descriptions in a diplomatic manner that is not meant to inflame.

**Mr. Brad Butt:** I apologize, Mr. Chair. That certainly wasn't my intention. My intention was to make sure that we understand that social finance is not just about a profit driven back to one entity that may invest in social finance. Many social finance models break even. Sometimes they lose money. They are based on communities coming together, organizations coming together for a better social purpose.

A lot of the testimony from the witnesses, with all the respect, Mr. Chair, has been that social finance doesn't work unless there is a massive profit that accrues to some organization that has invested in it. My point is that this is not the case in all social finance models. That was my point. That's why I was asking about United Way. Some of these other... I know my local food bank is very involved in social finance. It's leveraging private sector dollars and so on. Are those not successful examples of social finance, where the issue isn't about how much money an investor is making, but about a better social purpose outcome at the end of the day?

Are those not projects you support?

**Mr. Andrew McNeill:** I think we are probably operating under very different definitions of social finance. The definition of social finance that both Ms. Young and I have come here with, and that I think is widely understood, is that people accept a reduced return on their investment—and I've used the phrase “reduced return” with the deepest respect a number of times in my presentation—in exchange for accomplishing a social good. There is still a reduced return. What you are describing is something that obviously we fully support. Components in NUPGE are involved in United Way, as you pointed out, and support food banks in communities across the country. That would be charity, which involves no return at all on investment. It is a straight donation.

If you consider charity to be a social investment and you are asking us whether we support charity or the aspect of social investment that includes charity, yes, we support charity, as far as NUPGE is concerned, and I suspect CUPE does as well.

**The Chair:** Are you yielding your time?

**Mr. Brad Butt:** Yes, I will yield my time.

**The Chair:** We have room then for one more round of questioning.

Madam Groguhé, go ahead.

[*Translation*]

**Mrs. Sadia Groguhé:** Thank you, Mr. Chair.

I would like to clarify some aspects because I think it is important to do so.

I think the purpose of this study is also to allow us to better understand what social finance is and to have different positions. I think it is important that we get something extra on the issue.

At any rate, I would like to better understand the issue. Can you explain some of the things related to the venture-capital method? When you talk about that issue, you draw attention to performance as well. I would like to get an idea of the relationship between the possibility of performance provided by social finance and the venture-capital method. If there are risks, who needs to take them?

Ms. Young, what do you think about that?

• (1625)

[*English*]

**Ms. Margot Young:** It is confusing to try to understand it, because the theory of how the social impact bond is going to work is that the risk lies with the person raising the money, like Goldman Sachs, for example. Because they are raising this money, they expect

a return on their investment. They are behind it. It is seen as a new way to invest in the public sector, but as Andrew correctly points out, because these are getting off to a bit of a rocky start, it's actually the charitable organizations themselves that are guaranteeing them. They are the ones that are taking the risk for this.

The people who are creating the bond are making money, but the risk is lying either with the charitable organization or with the government, if indeed it fails. So far, the model looks like there is almost no risk to the financier, and all the risk lies with the people who are supposed to be getting the assistance, i.e., the charity or the government that wants the desired outcome. The other thing is the amount of money they are able to make, which is raising the cost of the public service. Instead of looking for ways they can make money... A 12% return in this day and age is a very high return on investment for something that could have been done more cheaply by the not-for-profit or public sector.

[*Translation*]

**Mrs. Sadia Groguhé:** With other witnesses, we talked about the assessment of the model and the objectives that we hope to achieve through social finance. However, this assessment seems to pose a problem.

Do you think it is possible to have an assessment and, if so, what should we do to make sure that it generates conclusive data about the objectives being achieved?

Mr. McNeill, go ahead.

[*English*]

**Mr. Andrew McNeill:** I think it would be incredibly difficult just for a simple social impact bond by the Peterborough project, which involved trying to reduce recidivism among people who had been released from short sentences. You have so many different factors that can impact it. If you happen to have a social impact bond project to reduce recidivism that starts up just after there's been a major downturn in the economy, then obviously it's going to be harder for people coming out of prison to find work. That's going to have an impact on the number of people who are reconvicted, and that's for a very simple project.

If you look at most social problems, there are so many different factors that come into play, you end up with an incredibly difficult model if you actually want to measure whether that specific project had an impact. For most social scientists, to try to measure the influence of particular factors, they use control groups and it can be a massive undertaking. You would essentially be having to do a major social science research project to measure the effectiveness of every single social finance project.

**The Chair:** Thank you.

Now, that ends our first hour of witnesses.

I want to thank the witnesses for coming to Ottawa and sharing your views with us here today at committee.

We will take a short recess while we get our video conference in place for the second round.

•(1625) \_\_\_\_\_ (Pause) \_\_\_\_\_

•(1635)

**The Chair:** Welcome back, ladies and gentlemen. We're continuing now with our study to explore the potential of social finance in Canada.

Joining us for our final hour today we have Mr. Steve Cordes, the executive director with Youth Opportunities Unlimited. Appearing with Mr. Cordes we have Ms. Courtney Bain. By way of video conference from Toronto, we have Ms. Gillian Mason, the president of ABC Life Literacy. Also joining us by way of video conference from Waterloo, we have Ms. Debbie Brown, the executive director of Crossing All Bridges Learning Centre in Brantford. Along with Ms. Brown, we have Ms. Sherrie Marshall, the manager of operations at Crossing All Bridges.

How's the weather in Brantford, Debbie?

**Ms. Debbie Brown (Executive Director, Crossing All Bridges Learning Centre):** It's lovely and sunny. We didn't even have to wear our coats today.

**The Chair:** Some of you may know that I have a connection to Brantford.

We will proceed with the witnesses now. Each of your organizations has up to 10 minutes to present your testimony. Let's begin with Mr. Cordes.

You have 10 minutes, sir.

**Mr. Steve Cordes (Executive Director, Youth Opportunities Unlimited):** Thank you very much, Mr. Chairman.

I did send in a brief overview on the organization, so you'll have that in front of you, in both languages. I won't speak to what's on there, but I'll give you a very brief overview.

I've been with the organization for just over 30 years now, and Youth Opportunities has been around for 33 years in London, Ontario. For the past 20 years or so, we've carved out some unique space within the social enterprise milieu. That is because a traditional model of Youth Opportunities was to prepare people for work through job placement, workshops, and so on. We found quite some time ago that model did not work very well for folks who had a very high level of need. For example, if you're homeless, especially 20 years ago, with no access to phones or to how an employer would actually contact you if you'd never worked before, you're always behind the eight ball. You're also convincing other folks of what your aptitudes and your abilities might be, but given that the labour market looks for evidence of that, you're not able to demonstrate it.

We set up social enterprises because we really wanted a prop. We wanted a prop that was a functional business, where young people could be prepared to operate that functional business and work within all leadership roles there. That way we're not necessarily preparing them to work based on what they have done before. We can place them in a job setting based on what they want to do, the skill sets they might be interested in acquiring, the aptitudes they think they have, and how we can prepare them for that with some informal training and some formal certifications.

You'll see in front of you the various social enterprises we operate. An office recycling program was our first one. We've had a woodworking shop for almost 20 years as well. We make a line of jams and preserves called Market Quality Preserves, and they sell in our own retail space, as well as in established retailers. Some of you from Ottawa would know Farm Boy. I know its head office is here. Today actually was a big day, because it opened up its second store in London. Farm Boy carries our products within all of its stores, as well as some specialty stuff just in its London stores, all manufactured by young people as part of a training program that is a social enterprise. We also have a café, and I'll let Courtney speak to that shortly. We have a kiosk that operates in Covent Garden Market, in London, Ontario.

All of these are props, because all of these are preparing young people for work by having them do work. For young people with limited education and no work experience, we can actually sit down with them and help them understand what a job market demands of them. When people talk about initiative, showing up on time, having drive, showing some passion and interest in your job, if you've never worked before you don't understand those things. What you do understand is that, if you make a mistake, you get fired. What you understand if you've never worked before, typically, is that it's better to wait and stand and be told what to do, because if you do the wrong thing you'll get fired. Quite honestly, there's a significant disconnect. For us, the social enterprise has been a significant investment in our opportunities to be able to help them understand.

On page 2 of the overview, you'll see the successes we've had. On an annual basis now, we place 71 people through our social enterprises. You'll know from the overview that Youth Opportunities sees about 3,000 people a year. Although social enterprise is a significant part of what we do, of course it's not the key driver in terms of young people accessing Youth Opportunities Unlimited. But I would have to say that, for the high-risk youth and the less-skilled youth, it's certainly the most successful venue by far that we have to engage young people in the job market. You'll see the success rates that are there.

I was here when you were interviewing your earlier witnesses and looking at social returns. We can, I'm sure, talk about those shortly, but you'll see that we measure returns in three different ways. One is around success. You'll see those there; 91% of the young people who go through our program enjoy success through our program.

With earned revenues, for every dollar that's invested from public funds, the organization is actually earning \$2 in addition to that. The federal funding right now represents about a third of the investments coming into our social enterprises.

Community impact is a key measurement for us. I've pulled out what I see and what I can share with you briefly as the key significant community impacts. There are certainly much more than that. They translate down into the individual experiences that people have and the community and public investment in Youth Opportunities Unlimited as a result of our social enterprises. Farm Boy is an example of that.

•(1640)

I think I'm going to turn it over to Courtney now, and she can talk a bit about her experiences.

**Ms. Courtney Bain (Representative, Youth Opportunities Unlimited):** Thanks.

I'm Courtney. I'm 24, and I've been involved with YOU since I was 18. The journey has been a long road and it wasn't always successful, but YOU didn't give up on me. I started doing the skills training program this September, and I finished in February. Through this time, they gave me the skills that I needed. I had never worked in a kitchen before, and I am leaving this kitchen to manage my own. I am now managing my own local restaurant.

Without YOU, I would probably still be homeless and on social assistance. They gave me the skills that I needed. As Steve was saying earlier, you're allowed to make mistakes in the cafe, and that is a great thing. You know that if you accidentally mess up, it's okay; it's going to be fine. The people are okay with that. That's phenomenal.

Witnessing people coming through the cafe, I would say that eight out of every ten people—other than me—who graduate the cafe have found work elsewhere. Also, it gave me strength to be able to do stuff like this. I didn't like myself a year ago, and now I love my success. I'm not going to be on social assistance, and I see a bright future for myself. A year ago, maybe I didn't even think that I could be successful, and now I'm thinking about public speaking. It's giving me great opportunities. If it could do this much for me, think about how many other people it could help out as well.

I can't preach enough about how much this place has helped me. It really helped out. I learned things like how to do inventory. I learned how to manage. I've trained people. All of this has been through YOU.

When I went to my first day at my new job just this week, I went in there and, just like Steve was saying, I didn't want to mess up. I was just standing around and I wasn't getting the training that I needed on the first day. At YOU, they give you that training. Then on the second day at the new job I felt like, okay, I should just get back in.... I know what I'm doing. I've been in a kitchen. YOU has helped me; I'm fine.

Now I'm stuck. You can talk. I don't know—

**Mr. Steve Cordes:** Courtney is whispering to me, so I'll talk. She's never short on words. I don't know what you folks have done to her.

**The Chair:** I usually give a one-minute warning, but you have two minutes left.

**Mr. Steve Cordes:** Thank you, sir.

I'll fill a minute and then turn a minute back to Courtney.

I've had the opportunity in my career to speak at conferences about social enterprise in Canada and the U.S. Actually, think of me as the advance team because I have been over to the U.K. a couple of times and visited social enterprises over there as well, and in various parts of the U.S. There are many different models going on out there.

We've also had the opportunity to host many visits, from Canada, Australia, the U.K., to our cafe. So as you're exploring social finance and social enterprise, I hope you'll think about the other London and come down to the one that's a bit closer to home as well.

There's an awful lot that you can do with social enterprise and social financing. We're big advocates for not all of it being in the not-for-profit sector, but certainly ensuring that you do a significant investment in the not-for-profit sector. Based on all the models I've seen and what I've seen at YOU, I'm quite certain that your returns on the social capital will far exceed what you might get out of the for-profit sector.

Do you have anything to say before...?

• (1645)

**Ms. Courtney Bain:** The last thing I want to add in my 30 seconds is that it's hard for homeless people to get better. You find a family within your community, and it's hard to leave that community.

YOU gave me a new community, new people to lean on. I didn't have to rely on my homeless friends anymore, so I could break away, and that was great.

I think that's all.

**The Chair:** Thank you so much for your testimony.

Now, from Toronto, we'll move on to Ms. Mason, for up to 10 minutes.

[*Translation*]

**Ms. Gillian Mason (President, ABC Life Literacy Canada):** Thank you, Mr. Chair.

[*English*]

Good afternoon, ladies and gentlemen. Thank you very much, Mr. Chairman, for inviting me to speak today. This afternoon I'd like to provide a brief introduction to ABC Life Literacy and the journey that we're on in exploring a social enterprise model for a portion of our business.

Throughout its 25-year history, ABC Life Literacy Canada has operated with a healthy mix of revenue sources, including private, public, and donated dollars. They're all invested in the mission of ensuring that all Canadians have the literacy and essential skills they need to live a fully engaged life.

Following the federal government's decision to adjust and realign the funding for literacy and essential skills last June, ABC has been pursuing an alternative funding model for that portion of its work related to workplace literacy and essential skills training to upskill the Canadian workforce. ABC landed on a model to deliver quality training to workplaces across Canada while testing the appropriateness of a social enterprise model in the workplace and in the literacy and essential skills field. This project, which we call "UP", which is short for upskill, was launched shortly after the federal government's decision and entirely with the resources of ABC Life Literacy Canada. There is a website that can be found at upskill.ca.

Since that time, and with the support of the McConnell Foundation, a social enterprise coach was hired named Norm Tasevski. He's been coaching ABC on the initiative since. I'm aware that Norm appeared before this committee earlier this week.

ABC decided to pursue a social enterprise business model for UP, as there is a direct correlation between the investment being made and the social impact that will result. Through UP, adults with low literacy develop and strengthen their literacy and essential skills. In addition there is a bottom line return on investment for businesses that engage in workplace literacy and essential skills training. By embedding essential skills training into the workplace we know there is a direct positive impact on the employer's business success, and in turn on the economy. When the workforce is better skilled, more adaptable, and resilient, Canadian competitiveness improves overall.

As a not-for-profit, charitable organization, ABC runs programs and initiatives that have a lasting social impact on literacy levels in Canada. The social enterprise model is a natural fit that supports positive social change while delivering much needed services. It generates the funds necessary to run, at least in part, ABC Life Literacy Canada programs.

Mr. Chair, I'd like to share the real challenges that ABC Life Literacy Canada is facing here and now in pursuing a social enterprise model. There are four that I'd like to highlight this afternoon, although there are many challenges in launching a social enterprise.

The first one I'd like to refer to is the time lag—or what I believe others have called “patient capital”—between the launch of the initiative and revenue generation. As with the launch of any new business, considerable staff and board time, as well as financial investment, are necessary when launching a social enterprise. That's a time when no revenues are being generated, yet the bills must be paid.

The second challenge I'd like to refer to is learning what the market will and won't pay for. There are some aspects of the business model that the market will not pay for out of the starting gate, but they are critical to the success of the enterprise; for example, awareness building, marketing, and communications costs.

The third challenge is the necessity to create a market where there was none. When governments step away from a cause, those of us left to steward the cause must develop a market for the cause. This is a slow and expensive process. It requires enormous expertise and smart marketing and advertising campaigns in a crowded marketplace.

The fourth challenge I would mention is blending the needs of a mature non-profit entity such as ABC, which has been doing thriving business since 1990, alongside a social enterprise start-up. As you can appreciate, this could be challenging. It requires strong visionary leadership, flexibility among staff and existing partners such as our partnerships with the TD Bank and Great-West Life. It requires a high tolerance for ambiguity. We have strong direction, but when creating a market and servicing it simultaneously, there is much emergent, and therefore, much is unknown and unknowable.

•(1650)

Lastly, it requires responsiveness. As opportunities emerge, ABC has learned, in the words of our coach, to pivot. We must meet all of these challenges while learning what a social enterprise really is, and all for the benefit of Canada and Canadians.

Now, if I may, Mr. Chair, I'd like to speak briefly to the role of government in all of this. In the traditional model, the government plays an important part when partnering with non-profits such as us. Normally, when we're working together with government, we outline and agree to the project outcomes, we establish measurements for success, we execute, and then we report on the project outcomes.

By contrast, when we are investing in a social enterprise, similar to the case with any start-up initiative, while the outcome sought is clear, the measurements for success may evolve over the course of the development. These cannot be established at the outset as the value of the product and service, the pricing, and the customers will all evolve over the life of the venture. As with the start-up of any initiative, the value of the product or service is determined by the market and will be reflective of the product development process in response to what the market will pay for it. These may or may not coincide with our starting assumptions or hypotheses.

For the government to pursue social enterprise models, funding models need to be adapted to allow this innovation to occur. We're also learning that social enterprises are not always a viable alternative to traditional public sector funding, as there are many products and services that corporations are not willing or not yet willing to pay for. We also come up against some deep-seated beliefs that it's not the private sector's responsibility but rather the public sector's to fund skills development.

A challenge to advancing the literacy cause and training is that fingers are immediately pointed at the education system. In my view, that analysis fails to deal with the fact that like it or not, the Canadian workforce is the Canadian workforce, with all its strengths and weaknesses. Too many Canadians are ill-equipped to deal with the ever-changing demands of a 21st century competitive economy.

It's important to remember that ABC was in a position to pursue a social enterprise because we do have a diversified funding base through our donor base and through partnerships and sponsorships. As I mentioned, the TD Bank sponsors our financial literacy program “Money Matters”. HSBC funds our family literacy program, and Great-West Life funds our literacy innovations program.

ABC believes that increasing the literacy skills of all Canadians has far-reaching social impact, and it is work that we cannot afford not to invest in. We're building a society based on an assumption that individuals have the literacy skills of someone who has finished either high school, university, or college. The reality check from the program for the international assessment of adult competencies, the OECD study released last year, is that 40% do not have literacy skills of that level, even if they've finished one of those three educational systems. Our skills quickly become outdated, and we do not have systems in place to ensure lifelong learning.

We are hopeful that governments will continue to be part of this solution since, although there is a strong potential return for workplaces that invest in workplace literacy and essential skills training, there are also many low-literacy populations among more marginalized communities.

In conclusion, Mr. Chair, ABC applauds the work of this committee and the Government of Canada in exploring and developing models of social finance to address our country's pressing issues and challenges. We believe there is an opportunity to leverage and bring more resources to the table through adaptive and alternative resourcing models. Social finance is one tool that can help us respond to Canadian workplace literacy and essential skills challenges. Our experience and research indicate that, without question, workplace literacy holds potential. It is not, however, the right tool or answer to all that must be addressed.

As we go forward, ABC will continue to adapt its business model to include social finance so that we may address workplace literacy and essential skills challenges, and provide solutions for a more productive and competitive workforce in Canada. We urge the government to continue to recognize the inherent value of investing in human development programs—our one true natural resource—and in the positive social return on investment that these programs can have. We look forward to working with the government and the private sector to ensure we address the breadth and complexity of the challenge of improving literacy and essential skills in Canada, now and in the future.

Thank you, Mr. Chairman, for the opportunity to appear today. I look forward to responding to any questions you may have. Thank you.

• (1655)

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

Now we move to our two representatives from Crossing All Bridges, Ms. Brown and Ms. Marshall.

Please proceed for up to 10 minutes.

**Ms. Debbie Brown:** Thank you.

We would like to begin our presentation by thanking the Standing Committee on Human Resources, Skills and Social Development and the Status of Persons with Disabilities for the opportunity to come before you and present our experiences on behalf of small not-for-profits.

Crossing All Bridges Learning Centre is a not-for-profit registered charity that has been operating successfully as a social enterprise for over a decade in Brantford, Ontario, with a mission to provide dynamic programs and opportunities to maximize the individual potential for adults living with developmental challenges.

The organization was conceived to fill a void in service for this marginalized population upon exiting high school. For many people living with a developmental challenge, leaving the high school system is a daunting end to their connection with their friends, their social life, and their future.

Since the inception of Crossing All Bridges in 2003 the organization has faced many barriers. One in particular is the organization's ability to access financial assistance. In the launching stages of the organization, personal security loans would have had to be guaranteed by board members' assets. The founding families were not in a position to put up their homes and retirement funds to secure start-up financing. Everywhere this working group of families searched they found people very supportive of the purpose of the

organization, but no one to commit to investing dollars into start-up costs.

It was at that time the Ontario Trillium Foundation was becoming invested in the Brantford area and through a partnership with a government-funded social service agency in Brantford, Crossing All Bridges was able to make an application and receive funding to commence with forming the organization that today has supported over 100 adults living with developmental challenges and 60 on a regular roster.

In August of 2014, CAB received an unexpected letter. The partnership that we had developed with the social service agency was being terminated as the organization was reclaiming the 5,000 square foot space we were leasing. CAB was forced to seek out new accommodations and relocate within a four-month period. A relocation committee was formed and during the process of searching for space, CAB began seeking out funding options. After making appointments with two banks and one credit union, it turned out that financial institutions had not advanced much since CAB's inception in 2003. Operating as a not-for-profit registered charity, CAB has not accumulated large amounts of reserve funds, nor have we developed any real credit ratings. We have gone along our way being good stewards of our money and managing to live within our budgets, all with the purpose of providing a social benefit to people living with developmental challenges and their caregivers. The relocation process found the organization up against zoning bylaws, availability of functional space, and the biggest hurdle, finance options.

The operating costs for us to move from a partnered location to stand-alone business have increased approximately \$100,000. Transferring these costs to people living with disabilities on fixed pension incomes is going to have a significant impact. Social finance options would be a welcomed option for us right now. An array of financial resource opportunities need to be available for small not-for-profits, especially in rural areas and small centres such as Brantford. Urban areas have well-established social enterprise hubs, such as Pillar in London, which Steve's a part of, and Social Enterprise Toronto and the Ontario Nonprofit Network in the greater Toronto area.

These hubs are a big resource for social enterprises seeking funding and business development. At the current time CAB is seeking financial opportunities to assist with increased relocation costs. We are investigating all grant options. Grants take time to find and to apply to. The application timelines are not always conducive to project need, and organizations are not always successful as demand for these dollars exceeds the allocation limits.

Stakeholders are very cautious about high-risk applicants. We could be considered as always placing a high value on social benefits that participants receive for the service provided. Often this impact is overlooked and the income statement and balance sheet become the true deciding factor before financial allocations are determined. Small not-for-profits need financial options that see past the high-risk elements.

Investing in loan options. In our area we are sourcing out loans from major banking institutions, credit unions, and Enterprise Brant. Loans are being determined on the business' past three years of financial history. The interest rates are based on current markets and the repayment options are rigid with little flexibility to be based on the social impact of the organization. Small not-for-profits need payment options and interest rates that suit the social purpose and outcomes expected for the loan.

• (1700)

Fundraising options take manpower hours, and the market is very competitive. Small organizations make tough decisions in time management. They must decide how to spend their limited time. Do they spend hours fundraising for the cause or in strategic planning to build the organization into the future? The balancing act sometimes is difficult to define. Capital campaigns require much planning, and in some circumstances, such as CAB's case, to find new accommodations takes time. Small not-for-profits need access to funding that can be secured in a time-sensitive manner.

A 12-year history of providing continued learning programs shows the necessity to expand CAB's program depth to include work readiness training so that further opportunities for personal growth can be developed for people living with developmental challenges. A recent survey completed by the caregivers supported work readiness training and applauded the idea that their dependent son or daughter might one day volunteer or be employed in the community they live in. For this reason, Crossing All Bridges is very interested in launching social enterprise businesses that have the dual purpose of creating employment training experiences and full- or part-time employment that delivers the social benefit to people living with developmental disabilities while generating revenues that could be reinvested in the organization to further expand the mission.

Employment is a natural step in a person's life plan. For people living with developmental challenges, the traditional employment training processes have not always been entirely successful. CAB believes that a more transitional implementation towards employment should be an alternative step in the journey to finding that employment.

CAB is looking into developing social enterprise businesses not to replace the already-existing employment programs but to fill the gap for people with disabilities who do not fit competitive employment by offering continuous training with the opportunity to earn an income within their community. By creating these social enterprise businesses, we hope to offer people with developmental challenges the opportunity to train for enterprise business within the learning module of CAB, while progressing to paid training within social enterprise businesses, and for some, to move into traditional employment support programs, such as the Ontario disability employment support program or competitive employment. The second purpose of the businesses is to create sustainability, whereby profits can be reinvested into the business and the organization.

But to do all of this, Crossing All Bridges will need start-up funding. The search for funding continues. We have begun the process through connecting with Innoweave's workshop modules and grants and through the Canadian Alternative Investment Foundation. We are currently at the business plan writing stage.

The founding families are very invested in being part of the solution for the challenges that face people living with developmental disabilities. One key area that has not been addressed by the Crossing All Bridges working group but that is becoming a pressing reality is the area of living accommodations for this marginalized population, which caregivers can no longer provide for them. The main deterrent for moving forward with innovative housing is the lack of available social financing alternatives that could augment the ongoing operational costs. As the waiting lists get longer and longer and the caregivers are getting older, we know that solutions to this challenge will become more pressing. Social finance start-up funding options could be the beginning of getting the innovative movement into full gear.

We would like conclude with our recommendations that small social enterprises such as ours and not-for-profits need financial options to see past high-risk elements. We need payment options and interest rates that suit the purpose of our loans, and we need access to funding that can be secured in a time-sensitive manner, with funding options that are inclusive of small centres and rural areas.

I think Sherrie might like a few moments to speak to some of the social businesses.

• (1705)

**The Chair:** Actually, that is 10 minutes almost right on the button, by my clock. There was one second left to spare.

Thank you to all of the witnesses for your testimony.

Now we move on to our first round of questioning, with Madame Morin.

[*Translation*]

**Ms. Marie-Claude Morin:** Thank you, Mr. Chair.

My thanks to the witnesses for joining us today. All their presentations were very interesting.

I read your brief with great interest. In the section "Utilize Existing Funding Tools", you said that "Youth Skills Link investments are achieving the social and environmental benefits that come from social finance."

Could you elaborate on that? I find that interesting.

[*English*]

**Mr. Steve Cordes:** Thank you. I can, absolutely.

When we started these programs, there was nothing called social finance or social enterprise. We talked about it as being hands-on work experience. The only vehicle available to us was federal funding through youth skills link projects, which were new at that time, in 1993 or 1996. We looked at taking it as a training opportunity, the bend being how we could offer young people a training opportunity that otherwise they would just not get.

But also, for us it was all about community engagement. Youth Opportunities Unlimited engaged in this stuff because we know that we can't create work on our own, of course. We rely on the private sector to hire people, on school boards to accept former students back into their systems, and so on, so we need to engage those folks in our family.

The federal youth skills link allowed us to hire young people. They paid for the wage costs for the young people, because they needed to be paid a wage, and a tiny bit of overhead back to the organization for us to employ subject-matter experts who could help us with the recycling, for example.

Then we relied very heavily on the private sector to come forward and offer up their offices for on-site experience, basically. For us, although it was harder to launch, it created ultimately a much stronger model, because now those folks are so engaged in the organization that they freely donate to it. It's not all Pollyanna kind of stuff but a resource base for us. We look at the private sector for employing with our job placement programs, and so on. It becomes an iterative process whereby they are not just recycling with us but are actively engaged in Youth Opportunities Unlimited.

But the training dollars are not really meant to be a social enterprise fund, so using the training dollars is always a bit of a square peg in a round hole. We can always demonstrate the outcomes very easily, but the training format, for example, requires extensive discussion and extensive elaboration with the project officers. We often find that we're in a gap. You can have a 12-month agreement, but six months into the agreement you're negotiating a brand new one, and that might take eight months to negotiate.

Right now we're in that experience, in which we're operating all of our social enterprises with absolutely no government funding. In the case of a traditional training opportunity, you just shut everything down. But we can't shut down the recycling service and we can't shut down the café and put a sign up that the government funding has run out right now, because every day we have to service those customers. We get by without the funding right now, but it is a challenge.

Did that answer your question adequately?

• (1710)

[Translation]

**Ms. Marie-Claude Morin:** Yes.

[English]

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

**Ms. Marie-Claude Morin:** One minute?

[Translation]

My understanding is that social finance would sort of complement the already existing subsidies. It would be on top of that.

[English]

**Mr. Steve Cordes:** Absolutely.

[Translation]

**Ms. Marie-Claude Morin:** Okay, great.

Thank you, Mr. Chair. That's it.

[English]

**The Chair:** We'll move on to Mr. Boughen.

**Mr. Ray Boughen (Palliser, CPC):** Thanks, Mr. Chair.

Let me add my voice of welcome to our resource people today. It's nice of you to share your world with us. We don't get out much, so it's nice to see you folks come in to visit with us.

Courtney, I am really interested in your career and how you moved from not knowing where you were going to knowing exactly where you're going, and more importantly knowing how to get there. Can you share with us what the change was, what happened that you moved out of one sphere and into another? You have been very successful, and congratulations to you for that.

**Ms. Courtney Bain:** What happened with my life was that I kind of just woke up one day when I was 23 years old, almost 24, and I was like, "If I don't get my life together by the time I'm 25, I will be on social assistance forever." I gave myself a mandate and said that if I didn't get myself put together.... What I said was, "I don't want to be on Ontario Works for the rest of my life and I don't want to live off \$600 month." I started taking YOU and its programs more seriously. I started putting myself in and putting in the effort.

I started off by not even doing social enterprise, because I was worried that I wasn't going to like it, that I was going to hate working. I decided to volunteer first. Once I volunteered and realized that I loved the café, I took the skills training. Right now, I still don't know exactly where I'm going. Yes, I'm managing a kitchen, but five years from now I don't want to still be in a kitchen. I would like to be in social work or maybe public speaking. I would love to give back to my community. My community helped me so much that it's my turn to give back and help them.

**Mr. Ray Boughen:** Good on you.

Steve, you've been 30 years in the program. Can you share with us what's kept you in the program for 30 years? That's quite a commitment.

**Mr. Steve Cordes:** Thank you, sir.

You know what? It's what is so fresh about the organization. Sometimes folks think that when a not-for-profit runs so many different businesses, really you're a restaurateur, you're a recycling company, you're a jam producer, and so on. Not at all; we're a producer of successful young people. All of those other things are just props. They're very shiny and wonderful props, but that's all they are.

For us, we're committed to coming back and filtering every decision through our mission vision and values, because if we're not careful, we might think we're a restaurateur, and if we think we're a restaurateur, we wouldn't hire people who are homeless. Or we wouldn't let people make a mistake and have them come back the next day. Or if somebody is experiencing anxiety and a customer is a little bit harsh and they start crying and they have to go to the back of the kitchen, which will happen sometimes, in a restaurant, they wouldn't come back. Or if somebody wants to work as a manager, we'd say that our vacancy is in the dish pit and that's where we're going to train them to operate the dishwasher. Typically that's what happens, right?

For me, I just love the fact that we can look at the growth, and it's so tangible for me. We've taken the social enterprise model that we've been doing—and I didn't talk about it in our brief—and we also offer housing for 30 young people in the same building that the café operates out of. There's a school board in there. There's a health care facility in there. It's all very non-traditional compared with what was. Thirty years ago, it was very traditional; come in, get an assessment, go through some workshops, go on a job placement, and good luck to you. That did not work very well for folks who had no experience. That did not work at all for people who were experiencing mental health issues and challenges.

For me, it's just so fresh, because I see that we're doing the same thing and we're responding to the same gap in our community, but we're doing it so much more deeply than we've ever done it before. It stays very fresh.

• (1715)

**Mr. Ray Boughen:** Thank you.

Is that it, Chair?

**The Chair:** You have another 40 seconds, if you'd like to take it.

**Mr. Ray Boughen:** For the folks from ABC, where is your revenue coming from? Is it a stable source of revenue or does the social finance model fit your operation?

**Ms. Gillian Mason:** Thank you very much for the question.

ABC Life Literacy Canada is really quite new to this adventure of social enterprise. We launched the social enterprise only six weeks after we got the news that we wouldn't continue to receive federal government funding.

It's really quite new. We're developing the product and service that we hope the market will be interested in purchasing. We've done a business plan, we are now developing those products and services, and we're out marketing those as we go.

What's sustaining us in the meantime are the sponsorships we have with TD Bank and with HSBC in our other lines of business: our family literacy and our financial literacy.

**The Chair:** Thank you very much. That ends this round.

Now we'll move on to Mr. Cuzner.

**Mr. Rodger Cuzner:** As parliamentarians, everybody around the table is very privileged in that we get to meet some successful people. They don't necessarily hold high office and aren't successful in business, or entertainment, or whatever, but your story, as Ray identified, is very compelling, and we appreciate the fact that you came here and shared that with us today.

I have a couple of things. For ABC, I'll go off the end of Ray's question as well. Initially, you decided and felt obliged to go to social financing because there was a cutback in the public funding for what you do. Could you expand on that and how much it would have fallen off? Second, do you have a fee for service? Would you have had a fee for service prior to the loss of the public funding?

**Ms. Gillian Mason:** We anticipated, because of the signals we had been getting and the whole sector had been getting for several years, that the model for financing of literacy and essential skills training might move to employers, to the demand side and away

from the supply side, so about three months before the decision was made, we developed a business plan actually with many of the resources of the people who you have heard from in this committee from across the country. We went to them for advice about creating a social enterprise model so that in the event that the funding model did change from supply side to demand side, ABC would be ready.

What we had in mind was that the Canada job grant would emerge on the first of July of 2014, and that would put significant dollars in the hands of employers to purchase training. We thought that if we were ready for the Canada job grant when it emerged with clear access for workplaces to find quality training and trainers to find employers that were in need, then we would be ready. We did launch on July 1, but that was really very much at the beginning, so we have been developing the product and the service since that time.

It is difficult to develop the market, so we're learning about pricing, we're learning about packaging, and we're learning about marketing. We're learning about developing and delivering our product more through B2B rather than directly to employers. We're developing relationships with organizations like the Canadian Manufacturing Network and the Canadian Chamber of Commerce. We are very actively seeking to be able to actually get the fee that we are charging for the fee-for-service model, yes.

**Mr. Rodger Cuzner:** Okay, but the gap would have been the loss of.... How much money did you lose?

**Ms. Gillian Mason:** It was about \$500,000 a year in revenue that ABC was receiving in terms of core funding to its operations.

**Mr. Rodger Cuzner:** Sherrie, if I could, your group.... We're trying to ferret out here the role of the federal government and what we should be doing. Is there a role for the federal government or is there a role for another agency, Matchmaker.com, or whatever, to marry up groups like yours that are trying to pursue some investment and these groups that are wanting to make those types of investments? Is there a role there? Do you think the federal government should have a role there or would it be best delivered through an external agency? Do you see a need for it at all?

• (1720)

**Ms. Debbie Brown:** A rural hub probably needs to be started, maybe at your level. There would be great benefits of pulling smaller communities together to begin to create this. We're already so manpower strapped in building our little organizations that we don't always have the time to seek out partnerships and funders in the way that we should.

**The Chair:** That's the five minutes.

**Ms. Sherrie Marshall (Manager of Operations, Crossing All Bridges Learning Centre):** Being a non-government funded program—

**The Chair:** That's the five minutes.

Mr. Goguen, for five minutes, sir.

**Mr. Robert Goguen (Moncton—Riverview—Dieppe, CPC):** Thank you to all the witnesses for your testimony. It's pretty inspiring to see the resiliency you have. What probably intersects all three of your causes is that you make Canadian citizens with disabilities or obstacles certainly more productive, so we all win from that.

I was wondering about the YOU organization. You deal with the homeless. I know that every individual is different, but what is the face of homelessness in your world? Who are the typical people on the street who you help? Do they have learning disabilities or developmental challenges? Tell us about it.

**Mr. Steve Cordes:** That's a very good question.

I'll start off by saying that there is such a range of situations, but there are now a significant number of people with various mental health issues. We seem to hear about that more and more across the country, and we're certainly seeing it. Homelessness may have resulted from intergenerational poverty, not always but that's often a theme. Certainly mental health breakdown somewhere between a parent and a child is also a cause, with somebody ending up living in a shelter or couch surfing, which means they're staying with friends for a few days at a time but have no address. Eventually they end up at Youth Opportunities Unlimited.

We have a drop-in centre. That's the starting point for many people with us. That's where Courtney started with us, and that's where you can come in for breakfast. We feed 60 people a day. We see about 100 people a day, about 60 of them for food, and 30 who we house in apartments. But it's not just about food. I think one of the folks who uses our services described it by saying, "In London, Ontario, if you're homeless, you don't have to starve." There are church kitchens. There's the food bank. There are all kinds of opportunities. You struggle and you're not going to get well, but you will not die from no food. However, you may die from isolation, because coming in for food is just the starting point. Really, what you're doing at that point is coming in for some social interaction.

Think about the world of work and how much interaction we get because we get to debate things at a committee meeting, or we talk. Then we go home and talk with our spouse about what our day was like and so on.

**Mr. Robert Goguen:** It's a sense of belonging.

**Mr. Steve Cordes:** Exactly. If you're homeless, your sense of belonging is upside down because your friends are people who want something from you. Your friends are there to take advantage of you, so you can't trust them. If you have had bad experiences with institutions, you don't trust them either, so who do you trust?

For us, that's the starting point. You come in and there's very little expectation other than asking, "What do you need from us?" That's the starting point, followed by, "Where are you sleeping tonight? What do you need tonight? Hopefully, we'll see you tomorrow." Then you start a relationship: "Have you thought about working, going back to school?" We have very structured programs that kick in at times, but we wrap those programs around these young folks, so they don't feel like they're going from this program to that program, and so on. They're talking to Steve, then they're talking to Mirella, and then they're talking to somebody else, that kind of stuff.

**Mr. Robert Goguen:** All right. Working with people with a developmental challenge is obviously very challenging. Not all people have the capacity to work eight hours a day or to sustain working. I'm wondering in what kind of a combination you do that.

Also, I'd like to ask this question to Crossing All Bridges because I suspect you work very heavily in the same sort of sphere.

To Crossing All Bridges—perhaps after you answer, Mr. Cordes—I am wondering if you have someone from the operation who acts as a buffer with the employer to accommodate the needs of the people you try to place in a work setting.

I'll go with you first, Mr. Cordes, if that's okay.

• (1725)

**Mr. Steve Cordes:** Absolutely, and I'll be brief on that.

We're big advocates of very flexible programming. Not everybody can work full time; they might get there.

I think starting a job for some of the folks we represent is almost like quitting smoking. If you smoke, everybody says, "Oh my gosh, why wouldn't you quit? It's so unhealthy. It's so expensive", and so on. But it's hard to do, isn't it? If somebody quits for a while and then goes back to cigarettes, no one jumps all over them and says, "I knew you weren't really motivated. You had no motivation to quit smoking", and so on. Yet if somebody loses their job, that tends to be what we think of them, "Oh, you weren't motivated. You didn't take it seriously", and so on.

It's a very hard thing. They're going into a world of work that they sometimes don't understand, brand new social situations where people are talking about their kids, their vacations, and so on. For someone who's been homeless, what do they talk about with their colleagues? It requires flexibility.

**Mr. Robert Goguen:** To the folks from Crossing All Bridges, what kinds of special steps do you have to take to integrate people into the workforce?

**The Chair:** I need very quick wrap-up comments. Please go ahead, each of the witnesses by teleconference. First we have Crossing All Bridges.

**Ms. Sherrie Marshall:** We have individuals who take a very long time to learn any skill and to be able to execute it on a regular basis. Therefore, we are in continual training. Every day is like a new day for us. Therefore, when approaching employers at the present time—which is why we want to have social enterprise—we can only include these individuals in a volunteer way because employers aren't ready to have to do that much training and retraining all the time, and not have them be able to work for long periods of time. They can work for very small stretches, and then not always consistently in those areas.

**The Chair:** Ms. Mason.

**Ms. Gillian Mason:** Thank you, Mr. Chair.

I'd like to thank you again for inviting us here today. I would very much like to maintain the dialogue we're having, because the kinds of questions that have been posed today are the kinds of questions we will get better and better at answering as we experience what it is to really have a social enterprise. I look forward to continuing to work in partnership with you to meet the social challenges of Canada.

Thank you very much.

**The Chair:** Thank you, witnesses, for your testimony here today.

I think it's been a interesting week in many ways for our committee. On Tuesday we had the supply side of the equation for social finance. Those are the intermediaries and financiers who are trying to look for opportunities to invest within the social sphere. We heard their story about the fact that, frankly, at this point, they're not able to find enough demand for the money they have available. Today we've heard from three organizations who I believe have a need for investment on the demand side.

One of the things that hopefully will come out of our study, which I think has a very good possibility of expanding because we've had a lot of interest in this study, is a report that gives a unique Canadian perspective on this and will begin to bridge those disconnects that perhaps exist today so that organizations like yours can benefit and prosper, move forward in the future, and achieve your goals.

Thank you again for being here with us.

Committee members, that concludes today's meeting.

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