



HOUSE OF COMMONS
CHAMBRE DES COMMUNES
CANADA

Standing Committee on Finance

FINA • NUMBER 020 • 1st SESSION • 42nd PARLIAMENT

EVIDENCE

Thursday, May 12, 2016

Chair

The Honourable Wayne Easter

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• (1100)

[English]

The Chair (Hon. Wayne Easter (Malpeque, Lib.)): I would like to call the meeting to order please. Pursuant to the order of reference for Bill C-15, an act to implement certain provisions of the budget tabled in Parliament on March 22, 2016 and other measures, we're here to hear from a number of witnesses in two sessions today. Then we'll go to committee business.

To the witnesses, welcome.

We have from the Canadian Convenience Stores Association, Alex Scholten; from the Canadian Federation of Independent Business, Dan Kelly; from the Canadian Wheat Board Alliance, Anders Bruun; and from the Canadian Chamber of Commerce, Hendrik Brakel.

We'll start with you, Mr. Scholten. Welcome, you have up to five minutes.

Mr. Alex Scholten (President, Canadian Convenience Stores Association): Good morning and thank you, committee members, for giving me the opportunity present on behalf of the Canadian Convenience Stores Association. My name is Alex Scholten, and I'm president of the association.

The Canadian Convenience Stores Association is a trade organization that represents over 26,000 convenience stores operating in Canada that employ over 230,000 people from coast to coast. Many of these stores may be small businesses, but together we contribute significantly to Canada's economy and serve at the centre of many communities. To give you an idea of our economic footprint, Canadians purchased over \$51 billion in goods and services from members of our industry last year alone. These sales resulted in over \$18 billion in taxes collected for both the federal and provincial governments. We're also significant employers to new Canadians, providing newcomer entrepreneurs an opportunity to own and operate their own small business.

When I presented to this committee during the pre-budget period, I highlighted two priority areas for our association that fall under the purview of the Minister of Finance. The first was the impact of excessive merchant credit card fees and the second was the persistence of illegal untaxed tobacco that is sold throughout Canada. These are two very important issues for our retail members.

Lower credit card merchant fees will have a positive impact on small businesses, allowing them to employ more people and make capital improvements in their businesses. It also offers a potential benefit for consumers, as it will allow these businesses to offer more

competitive pricing. Conversely, the persistence of illegal tobacco in Canada undermines the work of our law-abiding retailers who sell legal tobacco in a controlled, regulated manner to consumers who are of age. We are government's partner in the controlled and regulated sale of these products.

We're very pleased to see mention of both of these issues in the report tabled by this committee ahead of the budget, and we would like to thank committee members for their attention to our issues during these consultations. Admittedly, we were disappointed that there was no mention of these measures to fight illegal tobacco or cap merchant credit card fees included in the 2016 budget.

As Canada's tobacco landscape continues to change, addressing contraband and counterfeit tobacco products is critically important for our law-abiding retailers, for governments that benefit from the taxes on these products, and for Canadians in general because the contraband and counterfeit markets support organized crime and undermine Canada's tobacco control strategies. In the face of additional proposed changes to tobacco regulation, including flavour restrictions as well as plain packaging, more must be done to address the already robust illegal tobacco industry operating in Canada.

It is very important that members of this committee understand the impact that changes to these regulations will have for our retailers, for government tax revenue, and for the safety and security of Canadians in general. For example, our association is aware of several illegal tobacco outlets operating in Canada that are retailing at least 30 different types of menthol tobacco products that are now restricted in many provinces. These products are sold without required taxes and are non-compliant with Health Canada regulations. The variety available is actually far greater than the amount of legal, taxed menthol tobacco products available for customers in our stores across the country.

As the government considers banning menthol tobacco products in Canada, it is important to draw attention to the lack of resources present to fight Canada's robust illegal tobacco trade. Banning these products for our retailers will not remove them from the store shelves of illegal retailers. This, ultimately, undermines the intention of the ban to begin with. We are hopeful that situations like this will be taken into account in future budgets.

Since the tabling of the budget, there has been productive movement on the issue of credit card merchant fees. It is no secret that merchant credit card fees in Canada are amongst the highest in the world and have risen sharply over the past number of years. As committee members may be aware, there is presently a private member's bill before the House of Commons that proposes to lower or cap merchant credit card fees.

• (1105)

The Small Business Matters Coalition—a group of 24 business trade associations, including the Canadian Convenience Stores Association, which represents in excess of 98,000 small businesses operating in Canada—is supportive of this bill.

We're hopeful that members of this committee will consider lending their support to this bill once it comes up for a vote in the House.

As a final note, I'd like to draw attention to the commitment made to lower the small business tax rate to 9%, which is slated for budget 2017. This is a measure that Canada's convenience stores would greatly benefit from. Having lower business taxes would free up revenue for our stores to invest in improving their business, training employees, and offering the best possible service to customers. We look forward to seeing this change made as part of the next federal budget.

We appreciate the opportunity to present to this committee and look forward to continuing to work with you on behalf of small businesses in Canada.

I'll gladly take any questions from the committee members.

Thank you.

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

Turning to the Canadian Federation of Independent Business, we'll now hear from Mr. Kelly.

Mr. Daniel Kelly (President and Chief Executive Officer, Canadian Federation of Independent Business): Thank you so much for the opportunity to be here. We are thrilled to be in front of the finance committee to share with you a few views from small and medium-sized firms about the budget and the budget implementation. Just as a reminder, CFIB has 109,000 members across Canada. All of them are small and medium-sized independently owned and operated businesses, none of them publicly traded corporations. Of course, we represent our members on a variety of public policy issues; finance is obviously quite high on that list.

The total tax burden is right at the top of our members' priorities. That is followed by government debt and deficit, and then government red tape and regulations. Progress has been made on some of these issues, but more progress is needed definitely on others.

I did want to start with the small-business corporate tax rate, because I represent a lot of very puzzled small-business owners right now. We were thrilled, in the election campaign, when all four national political parties, starting with the NDP, committed to reducing the small-business corporate tax rate from 11% to 9%. After the NDP first made the promise, the Tories then put it in the

budget and legislated the commitment to the 9% rate. We were thrilled when now Prime Minister Trudeau endorsed that policy and committed to that policy dozens and dozens of times on the campaign trail. Elizabeth May, the leader of the Green Party, also committed to do the same. So you can imagine our surprise on budget day when we heard that, "Budget 2016 proposes that the small business tax rate remain at 10.5 per cent after 2016". We're very pleased that the new government did move forward on the first quarter of that commitment to reduce it to 10.5%, but many small-business owners are deeply upset that the government has now chosen to abandon that promise with no prospect for reinstating it whatsoever. In fact, as you see on slide 5, the very best advice that small-business owners give the government in terms of what would help them strengthen their own business performance at this rocky point in our economy is to reduce the current federal small-business corporate income tax rate. That was the number one suggestion from small-business owners in advance of the budget.

We've been trying to figure out why the government did this. Some reasons have been floated. I have to say, after meeting with several cabinet ministers, and many MPs of all parties, there has been no suggestion as to why the government chose to take this action. Some have suggested that small businesses are now categorized in the mind of the government as being in the category of the rich. I just wanted to draw your attention to slide 6 that shows that the average income of small-business owners resembles very much that of the general public. There are four times more small-business owners earning less than the low-income cut-off than there are those earning \$250,000 or more, a definition of the rich.

Another theory that we explore on slide 7 is that the small-business deduction sometimes traps small businesses and they don't want to grow beyond that \$500,000. When you look at the number of medium-sized firms in Canada, that might stand as a theory. But what slide 7 shows is that while there is a little bit of a crystallization—a small bump of businesses around the \$500,000 threshold—the vast majority of businesses are way under that threshold, many of them earning under \$50,000 a year in their business. We remain puzzled by this, and we would love if through the committee presentation we could explore why the government chose this action.

I will say a second issue that we're very serious about right now is the passive income rule. Right now we have members—campgrounds and self-storage facilities in your ridings across Canada—that are losing access to the small-business corporate tax rate because they have fewer than five employees. Through a weird interpretation, the government is now considering small firms with fewer than five employees in these sectors as being too small to access the small-business corporate tax rate. We did get the previous government to commit to reviewing this policy in the 2015 budget. The 2016 budget says that the review is over and the current rules stand, and now we have campgrounds and self-storage facilities that are being audited. Many of them suggested they will go out of business because they are being reassessed by the CRA. We need some help in terms of clarification on those issues.

The third issue I wanted to raise is the cancellation of the youth hiring credit. One of the things we loved about the government's platform was the idea that small businesses would have employer premiums on EI waived for 2016, 2017, and 2018, and that would help them hire youth between ages of 18 and 24. That was the promise.

• (1110)

That too appears to be scrapped and replaced with a committee to study youth employment. I'm not sure that we're going to get any new youth hired in Canada by creating yet another committee. I do want to remind the committee that small businesses will in fact see their employment insurance rates go up slightly in 2017 at about the worst possible time that one could imagine.

Finally, we are very worried that the finance minister has made a personal commitment to increase the Canada Pension Plan in the year ahead and said that 2016 will be the year that a deal is delivered.

I do want to say, though, that we really do encourage you to resurrect the Emmanuel Dubourg's private member's bill on business succession. That was a bill that he introduced in the last Parliament as a PMB. We love that idea. Bill C-691 would allow small-business owners to transfer their businesses to their children without incurring huge capital gains. In fact, many businesses say that it is more cost effective for them to sell their business to a stranger than it is for them to pass it on to their kids, and we provided some background in our document to explain why that's so powerful.

So I do urge you to reintroduce Emmanuel Dubourg's bill at the earliest possibility.

Thanks so much.

• (1115)

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

We turn to the Canadian Wheat Board Alliance.

Mr. Bruun, welcome.

Mr. Anders Bruun (Barrister and Solicitor, Canadian Wheat Board Alliance): Good morning, Mr. Chair and committee members. I thank you, on behalf of the Canadian Wheat Board Alliance, for the opportunity to be here this morning. I can say that it is a special honour for me to appear before a committee that my own member of Parliament, Mr. Ouellette, is on. I appreciate that. Thank you very much.

I make this presentation on behalf of the Canadian Wheat Board Alliance, a voluntary prairie-wide group of farmers, in place of Mr. Ken Sigurdson, who was invited but is unable to attend.

Farmers continue to deal with the fallout from the dismantling of the Wheat Board.

Section 38 of Bill C-15, budget implementation act, 2016, gives us a window into that process. Now, if you have had a look at section 38 and the provisions relating to the tax treatment to be accorded to certain instruments that are being issued in relation to the Wheat Board, you will understand my next comment.

Section 38 is a tangled mess of verbiage, maybe the most tangled I have seen in the 40-plus years since I started law school, and I say that with the greatest respect for the drafters in Justice, the Canada Revenue Agency, and so forth who crafted this. I am sure the provision does what it is intended to do in a competent and efficient way, but I want to get on to talking about the underlying units that whole section deals with.

On November 2, 2011, the then Minister of Agriculture, Gerry Ritz, appeared before the legislative committee on Bill C-18, which had just been introduced in October, and proposed to dismantle the Wheat Board, effective the following August 1.

At that time, Mr. Ritz stated, in answer to a question from Mr. Valeriotte, "Mr. Valeriotte, I fully believe in the strength of farmers. Yes, they will elect their own board after the interim period. After the interim period, where we control it as a government, yes, they will elect their own board, should they decide to do that."

I have a copy of the transcript from that portion of that hearing, if anyone wants it.

Much has transpired since that date.

The government removed the farmer-elected directors a few weeks after Mr. Ritz made this statement, in mid-December, 2011, and the former government operated the Wheat Board behind that veil since. No financial information relating to the operations of the Wheat Board after July 31, 2012 has ever been released. Nothing has ever been released.

The government-controlled board even had a hand in finalizing the Wheat Board's annual report for the 2010-11 crop year.

Then, on April 15, 2015, Minister Ritz announced that the Wheat Board was to be transferred to a joint venture of Bunge Canada and Saudi Agricultural and Livestock Investment Company (SALIC), called G3. You can see their website, g3.ca.

This brings us back to section 38 of Bill C-15.

G3 has promised to issue to farmers delivering to it wheat, in addition to the purchase price that is negotiated, \$5.00 in trust units for each tonne of grain delivered to it. G3 will pay nothing for the Wheat Board and its many assets to government or to farmers, except for these trust units. That's it. That is all. There is a lot of value there. That is all anyone in Canada is receiving.

Section 38 deals with the applicable tax laws governing these trust units.

Now, what are these trust units?

A portion of order No. 7163, issued by the Manitoba Securities Commission on July 24, 2015, is attached to this submission. I have just taken pages 20 to 23 and attached them to the submission I have made to members. I have a copy of the entire order here, if anyone wants that.

This is all that farmers are getting. Not only are these trust units exempt from security laws, but farmers receiving the units must agree that they “will not have any statutory rights of action in the event of a misrepresentation”.

• (1120)

The only thing we're getting are these pieces of paper and, if there's a misrepresentation made somewhere along the line that induces someone to do business and they get this piece of paper and it doesn't pan out well, they have no statutory rights and no securities law protections with respect to these pieces of paper. The whole thing with these trust units is that they're exempt from registration. See section (j), which is on the second page of that attachment.

It is because of this total veil of secrecy relating to the operations of the Wheat Board—not a single number since August 1, 2012—and the uncertain value of the trust units—remember, you have no right to sue even if you're fooled into a transaction that gives you one of these things—that we recommend and urge in the strongest possible terms recommendation 48 of the final report of the House of Commons Standing Committee on Finance regarding its consultations in advance of the 2016 budget, and that recommendation reads:

The federal government provide Western Canadian grains and oilseed farmers with a full and transparent accounting of the disposition of the Canadian Wheat Board's assets since the Marketing Freedom for Grain Farmers Act received Royal Assent, and of the effects on the grain handling and marketing system since that time.

I submit to you that this review needs to be done externally, and it needs to be done by people who know what they're looking at. It almost needs to be a forensic sort of review; it cannot be the typical whitewash review.

The Chair: I'll have to cut you there, Mr. Bruun. We're over your time.

Mr. Anders Bruun: I thank you, and that was the last thing I was going to say. Of course, we offer any assistance the committee may want going forward.

The Chair: Thank you, Mr. Bruun.

We are turning to the Canadian Chamber of Commerce, Mr. Brakel.

Mr. Hendrik Brakel (Senior Director, Economic, Financial and Tax Policy, Canadian Chamber of Commerce): Thank you very much, Mr. Chair and committee members.

It's such a pleasure to be here with you today on behalf of the Chamber of Commerce, a network of 200,000 businesses across the country that have a lot of interest in the budget and a lot of questions about it. I think business is really excited about the budget, and it's because a lot of the things that they're most interested in are soon to

come. The infrastructure phase two and the export corridors are absolutely critical to getting our products to market. We've seen a big surge in exports in the last year in manufacturing, and a lot of Canada's road supports, airports, and infrastructure are under pressure. We really appreciate that.

The innovation agenda that's soon to come is an amazing opportunity that we're excited about. Canada already has high public expenditure on R and D. We're one of the highest in the OECD, but where we lag is in commercialization, and that's why there's a role for private sector innovation through venture capital incentives and maybe through a patent box where, if you develop a patent here in Canada, you would be taxed at a much lower rate.

Other things that were soon to come in the budget that we talked about were the review, reform, and re-examination of tax credits. That line in the budget caught our attention. We think it's a great idea. We've been talking about tax simplification for years. I remember tax accountants telling us that the tax code is very complicated, and when tax accountants are telling me that things are complicated, probably it's a challenge.

I want to definitely emphasize Mr. Kelly's comments on the tax rate for small business, the deferral of that. A great way to stimulate the economy is putting more money into the pockets of Canadian businesses. When they have extra cash left over at the end of the year, that's when they invest. It's absolutely critical to a strong economy to have more money in the pockets of Canadian business. We've heard about from members across the country how important that is.

The other one that's really of interest to members is Canada Pension Plan reforms. The challenge is whether Canadians don't save enough. It's not a universal problem that requires a universal solution. There certainly are Canadians perhaps who probably... Various studies point to about 15% to 20% of Canadians who will see a sharp drop-off in income on retirement. So what we would say is that really we need to target those particular Canadians rather than having across-the-board increases because we know absolutely that it would be a dead weight on the economy to have taxes across the board. Effectively CPP contributions act like a payroll tax, so that's why pulling more money out of employers' resources or out of employees' cheques will be detrimental to the economy. We think there are really an interesting targeted measures that would work.

Finally, on EI reform, we would like that to go down to the break-even rate, and lowered EI premiums are critical for our members.

Those are some of the key issues that came to us from our members.

I'm happy to answer any questions. Thank you.

• (1125)

The Chair: Thank you, Mr. Brakel.

Thanks to all of you for your testimony this morning.

Turning to questions, we have Mr. MacKinnon, for seven minutes.

[*Translation*]

Mr. Steven MacKinnon (Gatineau, Lib.): Thank you, Mr. Chair.

I would like to thank all the witnesses for being here today for the consideration of the Liberal government's important first budget.

Although we are considering this first budget, we are always thinking about preparing the second budget and the subsequent budgets, which will define this Parliament and this government. I would like to think that some of the issues that you have all listed and mentioned will be effectively addressed in this government's future budgets.

I will speak to the points made by Mr. Brakel, of the Canadian Chamber of Commerce, and by Mr. Kelly. I am referring to simplifying taxation in Canada, whether income tax or tax in general. This has often been a topic of discussion in this committee during the preparation of the budget and in response to it.

I would like to hear more about the kind of reforms or simplifications that you would like us to make. Where would you start? Mr. Scholten might have some thoughts on this. I would like each of you to comment on simplifying taxation and the benefits of doing so.

Mr. Hendrik Brakel: I can start.

We are thinking about a complete overhaul of the entire tax system in Canada since there are so many tax credits. An expert panel or a royal commission of inquiry could look into the effectiveness of all the tax credits and determine which ones are effective and which ones are not. For our part, we maintain that eliminating many or the majority of tax credits would reduce tax rates. That is what we would like to focus on. Eliminating certain tax credits would make it possible to reduce tax rates.

• (1130)

[*English*]

Mr. Daniel Kelly: This is a tricky one for us. We certainly are supportive of the idea of tax simplification. There's no question that a plethora of new credits have been created, some of which do need to be analyzed as to whether or not they're accomplishing the public policy goals they were set out with. There is no opposition whatsoever from us with respect to tax simplification.

However, in our experience at CFIB over 45 years, most governments that embark upon large tax simplification studies and measures end up using that to delay any tax reductions, so that we spend a lot of time studying the tax code and what can be simplified and very little time studying what can be done to actually inject more of businesses' or consumers' own dollars back into their own pockets.

For tax simplification, we would prefer that it be focused on working with the Canada Revenue Agency and some good momentum in previous budgets. I will say that one of the elements of the 2016 budget that we did like is that there were some measures taken with the CRA to simplify and help better interpret tax policy for small business owners. Those are good measures, very practical measures, to help small businesses—and to help any Canadian, really—in dealing with the very complicated tax code.

I have to say that would be probably our first choice: focusing on CRA as opposed to a global review of every credit that exists.

Mr. Steven MacKinnon: Mr. Scholten.

Mr. Alex Scholten: I would echo Mr. Kelly's comments as well. Our members are finding the tax codes very complicated.

As our friend from the chamber noted, when tax accountants have difficulty interpreting it, small business members are going to find it extremely difficult, which means that they're going to end up paying a lot more money to get their tax returns done on a yearly basis, and that costs them even more. Simplification and clarification for small business is absolutely something that we would support in the future.

Mr. Steven MacKinnon: Thank you to all three of you for that.

I am going to leave a little bit of time for the parliamentary secretary Mr. Champagne, but I do have a quick question for you, Mr. Bruun, and thank you for coming here.

I think we all watched the process of the dismantling of the Wheat Board with some consternation and specifically with regard to the ability of farmers to be heard in that process. As we consider the measures in this budget, knowing that a lot of the damage has been done and probably indelibly so, can you tell us a bit about the process or consultation, or lack thereof, that characterized the dismantling of the Wheat Board and how you've been frustrated in your attempts to get the kind of information you talked to us about today?

Mr. Anders Bruun: The former Canadian Wheat Board Act, under section 47.1, provided that farmers were to have a vote on whether any grain was to be added to or removed from the marketing mandate of the Canadian Wheat Board. I had another client who challenged the government on this. We were unsuccessful for technical legal reasons, but we pushed that process up to the Supreme Court of Canada. Farmers were indeed denied any vote, which, under the previous legislation, they had been promised. Further, my client groups were never invited to any meetings on the legislation. I think the government of the day did listen very selectively to certain small farm groups that were strongly linked with big ag and big chem and big fertilizer and so forth, and it took its advice from that faction rather than listening to our group.

The Wheat Board at that time ran its own vote parallel to the sort of vote that would have been held under the Canadian Wheat Board Act, and about 62% of farmers said they would prefer to retain a Wheat Board, a single-desk marketing power, over having to sell to many buyers, all of whom compete against each other to offer the lowest price to the Japanese or the English or the Chinese or whoever.

One of my clients reported that he lost—

The Chair: We're over time. Mr. Champagne will have to wait until the next round.

• (1135)

Mr. François-Philippe Champagne (Saint-Maurice—Champlain, Lib.): I'm allowed to let you finish. Will you finish?

That's not even me. Okay, I apologize.

The Chair: We are well over Mr. MacKinnon's allotted time, so we will turn to Ms. Raitt, and we'll hopefully get you a chance later.

Hon. Lisa Raitt (Milton, CPC): Thanks.

I'm just going to ask for a quick clarification.

Mr. Scholten, you said in your presentation that your understanding is that the deferral on the corporate tax freeze is going to be lifted in 2017. Is that your testimony today?

Mr. Alex Scholten: It's our understanding that the full reduction that was in the Liberal Party platform, going to 9%, wasn't done in this budget but that it would be done in future years.

Hon. Lisa Raitt: Can you show me in the budget where it shows that? You're giving the committee some information that we don't have, Mr. Chair.

Mr. Alex Scholten: It's not stated in the budget.

Hon. Lisa Raitt: Okay. Well, I appreciate that. Maybe you can let us know later who told you government plans for the future, instead of the parliamentarians sitting around the table.

Mr. Kelly, if I could ask you a few questions on the deck you provided, I'd be grateful.

First, out of curiosity, with regard to page 3, have you seen a change in these priorities from your members over the past number of years? Is this something that is fluid, or is it the "same old, same old" in what you hear from your folks?

Mr. Daniel Kelly: Two of the top three issues are almost always in the top three priorities of our members. I should clarify that these are concerns about federal and provincial governments and not just the federal government. But the total tax burden and the cost of government regulation and red tape are always near the top of the list. They were for your government, and they are for the current government.

I will say, though, that concern over government debt and deficit has skyrocketed in recent months among our members. That is fairly new, given the fact that the government has not only committed to a.... I didn't get a lot of consternation during the election campaign about the Liberal commitment to run a deficit of around \$10 billion. But we certainly got a lot when that budget target was missed, and now the target is a much higher number.

Hon. Lisa Raitt: Yes. I'm just trying to get some information about it from you, by the way.

Page 6 of your presentation has an interesting chart. I don't know if I quite understand it as well as I should. Should I be reading it with page 7 as well?

On that point, if I take a look at the chart on page 6, for those earning under \$20,000, can I assume if I look at the bar chart next to it that about 170,000 companies would have under 20 employees? Is that a fair way of reading the charts together?

Mr. Daniel Kelly: Well, to be fair, they are different bases. The chart on page 6 is the actual income of the individual who owns the business, and the chart on page 7 is in fact the business income, so that's how much the business itself earns. Both of them show, though, that the vast majority of individuals who own businesses are at the low end of the income spectrum from a personal perspective, with all forms of income combined including dividends. I've been asked about that before. The chart on page 7 confirms that the vast majority of business income is well at the bottom end of the spectrum, with very few near the top.

Hon. Lisa Raitt: Okay, thanks.

I did want to ask a question, if I could, going back to convenience stores. What's the makeup of employees? I know that you have the big C-stores, as they're called, and then you have the smaller independents.

What does it look like in terms of employment? You mentioned new Canadians coming in. I'm just trying to get a sense of what the average salary is for those who work in those stores.

Mr. Alex Scholten: The average number of employees per store is about eight. As to the average salary, we don't conduct that type of research.

Hon. Lisa Raitt: It's probably minimum wage, to be fair.

Mr. Alex Scholten: No, actually, I wouldn't say that.

Hon. Lisa Raitt: Really?

Mr. Alex Scholten: Our industry has to pay above minimum wage to be able to attract and retain employees.

Hon. Lisa Raitt: Okay, very good.

You said that you're attracting a lot of new Canadians.

Mr. Alex Scholten: We are.

Hon. Lisa Raitt: Why is that?

Mr. Alex Scholten: The industry seems to be viewed as something simple to get into. I think many of the newcomers to the country go into this because it's easy to understand, they believe. We think many of them struggle when they get into the industry, though, because it is far more complex. There are a lot of rules, a lot of regulations, a lot of red tape, which makes it a challenge for them.

Hon. Lisa Raitt: Right.

My final question, Mr. Chair, goes back to Mr. Kelly, and anybody else can chime in on this one. I understand that the Minister of Finance made a speech and answered some questions at an event here in Ottawa a couple of weeks ago. In one of his comments he indicated to the crowd that, in his view, the Canada Pension Plan would not be available to Canadians because it was going to be bankrupt in a number of years.

Could I get your opinion on what the minister's statement means to your organizations?

• (1140)

Mr. Daniel Kelly: CPP is quite the hot-button issue with our members right now. We're very worried about the potential increase in premiums. It's often the view that a group like CFIB has never in our entire history supported any form of tax increase. I have to say that is wrong, and this often surprises parliamentarians.

When former Prime Minister Paul Martin worked to fix the Canada Pension Plan years ago, after terrible decisions of the past, our members supported an increase in Canada Pension Plan premiums in order to save the CPP. My understanding is that the CPP is safe for 75 years, has enough money for 75 years, and is in decent shape, better than a lot of the state pension plans that exist in the rest of the world. But the plan that's being proposed is not about saving the CPP; it's about expanding the CPP, and that's what worries our members.

Hon. Lisa Raitt: Just in the spirit of information being provided to stakeholders prior to MPs, I'm wondering if anybody else has heard the same comments from the minister on the CPP being bankrupt, because I think we'd like to hear about it as well.

Does anyone have that experience? No?

Okay, thank you, Mr. Chair.

The Chair: Thank you, Ms. Raitt.

We turn now to Mr. Johns.

Welcome to the finance committee, sir. The floor is yours for seven minutes.

Mr. Gord Johns (Courtenay—Alberni, NDP): Thank you, Mr. Chair.

Following from the question by member Lisa Raitt, I just want to ask if anyone else has heard about a promise down the road to reduce the small business tax rate, something that maybe parliamentarians haven't been told about.

Mr. Daniel Kelly: We've met with I'd say five Liberal cabinet ministers and probably 10 Liberal MPs. No one has suggested that the small business rate is coming back. One Liberal cabinet minister did tell us that small businesses should assume that the rate will remain at 10.5%, as stated in the budget.

Mr. Gord Johns: Mr. Scholten, would you like to elaborate a little bit on your earlier comment? It certainly alarmed me.

Mr. Alex Scholten: It wasn't by any stretch of the imagination a promise. It was a recognition that it was in the platform they will endeavour to achieve that 9% rate in the future.

Mr. Gord Johns: Mr. Brakel, have you heard anything else out of the broken promise?

Mr. Hendrik Brakel: No, we asked about it, but we had heard the budget says it's a deferral so it's not a cancellation of these tax credits. We never got an indication of when or if those tax rates would happen.

Mr. Gord Johns: Mr. Kelly, do you think the numbers from the PBO's office are accurate? Have you done any research around that?

Mr. Daniel Kelly: Yes, the report came out Tuesday from the PBO. We have had a chance to look at it, Ted Mallett, our chief economist, has reviewed it. The study does a pretty good job of looking at the GDP impact of the cancellation of the small business corporate income tax rate; it's estimated at \$300 million per year when fully implemented.

The job numbers puzzle us. I respect the work of the PBO greatly, but it looked quite light, given that we're talking about \$2.2 billion

coming out of small business pockets over the next five years. The estimate was around 1,500 jobs, if I recall correctly.

When we delve into the report it analyzes corporate income tax cuts in the same way that it would a tax cut for large companies. We all know small firms tend to be far more labour intensive than large firms. Large firms tend to be more capital intensive, but the PBO does a great job of some of the analysis. The jobs number was the part that puzzled us a bit.

Mr. Gord Johns: Can you cite any examples of any of your members who maybe made plans around the promised cut, rather the broken promise? Maybe they're going to grow or make changes to their businesses?

Mr. Daniel Kelly: Yes, thank you for that question. I was thinking if time hadn't been so tight I was going to read this anyway; this is an email from a member. This is to his Liberal MP in northern Ontario. He's a hotel owner in northern Ontario, and he says:

I voted for you to see how you would do. Do not increase the tax rates of small business. We need investments in jobs in the north. We work extremely hard in small business, employ 22 people, and are about thinking of starting a new business as well. Because of the tax rate we reinvest nearly all of our profits in the business which means more jobs, more capital expenditures for the region and an overall bigger tax piece for the Government. Do not kill the goose. I know the PM talked about small business being a tax loop hole. While for tens of thousands of us, it is not. We are a powerful voice in our community.

This is a Liberal voter who felt quite burned by the fact that the small business corporate tax rate was cancelled in the last budget.

• (1145)

Mr. Gord Johns: Thank you.

We know the Liberals ran on a budget, a promise to run deficits of \$10 billion; it's at \$30 billion. Can you elaborate, Mr. Brakel, about your feeling from your members about the fact that the Liberals have run such a large deficit? And that they decided not to follow through with their promise to reduce taxes from 11% to 9%.

Mr. Hendrik Brakel: There was a lot of debate and discussion at our last annual general meeting about how important deficits versus balanced budgets are. I think business buys the argument that we have to borrow to stimulate the economy, to create growth. Now with the deficits, they're hoping we see this growth, that this stimulus will help the Canadian economy.

I think that business and certainly the chamber has always been committed to balanced budgets over the medium term. We recognize that we can deviate from them in the short term to help with deficits. I think business wants to see if this is going to materialize and create the growth to return to balanced budgets.

Mr. Gord Johns: We all recognize we need healthy business to have a healthy economy. To do that we need to inject money into the economy and we're hearing from people that small business is the best way.

Mr. Kelly, can you talk a little about the multiplier effect, the impact on small business when we have tax cuts to small business?

Mr. Daniel Kelly: Yes. We find that tax deductions for small business are incredibly effective. When you think about the small businesses in your own ridings, these businesses are there in good times and in bad. Some of them unfortunately do have to close their doors. The income they earn is far more likely to stay in that local community supporting the local groups and organizations that make Canada such a terrific country.

Small firms tend to be a little slower to hire. They don't create a job unless they know it's going to be there for the longer term. The flip side of that is that small firms are slower to fire. And in bad times, they tend to hang onto their employees because they have developed those personal relationships.

I've talked to thousands of business owners over my 22-year career. They have said that in bad years they are taking home less themselves than they are paying their employees in order to hang on to those employees. That's the kind of thing that I worry is not going to be happening as often, given the snatching away of the reductions that had been promised by all four major political parties.

The Chair: Thank you.

Ms. O'Connell.

Ms. Jennifer O'Connell (Pickering—Uxbridge, Lib.): Thank you very much, Mr. Chair.

Thanks to all of you for coming.

I'll start with you, Mr. Kelly. You talked about the hiring of students and young people, but you didn't actually talk about the fact that with regard to the Canada summer jobs program, we more than doubled that investment. In my riding, for example, there were over 230 positions in 30 businesses.

When you talked about the hiring of young people, why did you not mention how successful it was and how helpful it was that small businesses could hire young people? For example, in my riding, it equalled \$1.1 million. Why did you leave that out of your testimony when you were criticizing the lack of hiring of young people?

Mr. Daniel Kelly: We are fans of the Canada summer jobs program. Thank you very much for raising that. Obviously, a five-minute testimony doesn't leave you with an awful lot of time to go through every issue exhaustively.

We are fans of the Canada summer jobs program. I will say, though, that small firms find that it is often very difficult to access. It does tend to be focused more heavily on larger businesses and community groups and organizations.

Small firms say the most stimulative effect they could have to help them create more jobs is to reduce the payroll tax burden. That's why we were big fans when Liberal governments in the past introduced a youth hires program. It was a terrific program that was well received by small business owners and had light paperwork requirements.

We were so excited when your party committed, as the centrepiece of your youth employment strategy, to introduce an EI holiday for 2016, 2017, and 2018. In fact, the budget didn't even talk about the fact that this had been cancelled. They didn't even tell us that it was cancelled, but as we found out later, it was replaced with an expert panel to study youth employment.

The Canada summer jobs program is a good one. It would have been far more powerful, and far more employees—youths—would be back in jobs right now, had you gone ahead with your own election promise to introduce the EI credit.

• (1150)

Ms. Jennifer O'Connell: Thanks, but from your own testimony, it hasn't been cancelled. There's a committee looking at the implementation. So which is it? Is it cancelled, or is it looking at the implementation? You have to be careful with your testimony—

Mr. Daniel Kelly: You'd be in a much better position than I would be to answer that question. I will say that when we raised this with the officials, they've said that it's been cancelled.

Ms. Jennifer O'Connell: Thank you.

I will, through the chair, recommend that any small businesses looking to access the Canada summer jobs program contact their MP. I called the 18 pages of successful applicants in my riding, and I can assure you that the majority of them are small businesses that are benefiting from this, not big organizations.

Perhaps they just need to work with their members of Parliament to find out how to access it.

Mr. Daniel Kelly: That's good advice.

Ms. Jennifer O'Connell: Mr. Brakel, you touched on the innovation in research and development and the need in Canada to commercialize this. I've heard about this a bit, but could you elaborate more on what this means and how the government, through this budget...? I know that innovation is critically important, but how do we take this to the next step, not just in terms of coming up with the ideas but also in terms of putting them into place and having them work in this economy?

Mr. Hendrik Brakel: That's been the challenge for Canada. We have amazing universities and incredible research. The challenge is getting those new products to market. That's why we've said that we want to build more venture capital in Canada. We have a booming venture capital market, but we want more of those start-ups, those companies that are creating these new technologies.

One of the ideas we're looking at is the fact that British Columbia has an investment tax credit of 30%—it's best in this type of venture capital—and it really appeals to a lot of investors. We're hoping to pull more venture capital into Canada.

There's another idea we were thinking about in terms of some of the tax credits that would work to incent companies to do their innovation here in Canada. A number of countries have what they call a "patent box" or an "innovation box". The U.K. and the Netherlands have them. It means that if you create an innovation or a technology here in Canada, we'll tax you at a much lower rate; revenues coming out of that innovation will be taxed at a much lower rate. It incents companies to actually do their innovation here.

We want the private sector to step up and do a lot more innovation. That's crucial to the future of our economy. It's about venture capital bringing in new companies and creating them and also having the tax incentive so that big companies do it as well.

Ms. Jennifer O'Connell: Great. Thank you very much.

I'll leave the rest to the parliamentary secretary. Thank you, Mr. Chair.

Mr. François-Philippe Champagne: Thank you.

Just for the record, I'd like to correct: the minister did not say, nor ever suggest, that the CPP would be bankrupt. I was very surprised to hear that from the member, but I can assure you that the minister would never have said that.

Hon. Lisa Raitt: On a point of order, you can't say that.

Mr. François-Philippe Champagne: I can say what I want.

Hon. Lisa Raitt: Well, you're making—

Mr. François-Philippe Champagne: My question is for Mr. Scholten.

The Chair: Go ahead, Mr. Champagne.

Mr. François-Philippe Champagne: Mr. Scholten, you're aware that there is a voluntary process going on with respect to credit card fees. Can you enlighten the committee on its effectiveness and on what you know about it?

Mr. Alex Scholten: The voluntary agreement with the credit card companies was to result in an average credit card rate of 1.5%, the average credit card rate for all businesses. Our concern with that agreement is that prior to the agreement, Canada had amongst the highest credit card rates in the world. After that agreement, Canada still has amongst the highest credit card rates in the world.

In addition to that, the average rate entails that some will be below the average and some will be above the average. I'll give you the example of Costco, which has a zero rating on their credit card fees. As a result, because of the significant sales that Costco has, that average rate then will be impacted, and the retailers that are least likely or least able to negotiate a lower rate will be paying above 1.5%.

So from a small business perspective, we do not agree that the voluntary agreement will have a significant impact on credit card fees.

• (1155)

Mr. François-Philippe Champagne: You raise an important point. This is a very important question, and that's why I want to focus on it. We heard a lot about the Australian experience, which doesn't seem to be one that has favoured consumers. What do you know about the Australian experience, or what can you tell the committee about it?

Mr. Alex Scholten: I think there are a couple of things going on in Australia that have to be differentiated here. First of all, their capping of fees I believe has been very effective, and has resulted in supporting small businesses in that country. The issue that has really been controversial is the surcharging. Consumers have been detrimentally impacted in that case. Some retailers have been

charging more than what their actual credit card fees are, taking advantage of that, and making it a profit centre.

In that regard, as I said, it hasn't been a benefit to consumers, and that's not something here in Canada that our associations, with Small Business Matters, have ever been a proponent of. We are proposing, or asking, that a cap on credit card fees be put in place, but we are not asking for surcharging.

The Chair: Thank you very much to you both.

Mr. McColeman, you have a five-minute round.

Mr. Phil McColeman (Brantford—Brant, CPC): Thank you, Mr. Chair.

I wanted to drill into the effects of the tax changes, the small business tax changes, of not fulfilling the promise the government made during the election campaign to take it to 9%. There were many broken promises, as we know—\$10 billion, a balanced budget in this term, and those such things.

I think there's an elephant in the room, and I'd like to ask you, Mr. Scholten, to tell us the name or names of the individuals who gave you the information to bring testimony here today that you... Through your initial remarks, you said that in the second budget, I believe, they would be reducing this to 9%.

Mr. Alex Scholten: No, not that they would be reducing—

Mr. Steven MacKinnon: On a point of order, Mr. Chair, I didn't hear him say that anyone said that anything would be in the second budget.

Mr. Phil McColeman: He said 2017.

The Chair: Could Mr. Scholten answer? Then we'll come back to whether or not there's a point of order.

Mr. Alex Scholten: Certainly.

This was not something that was promised to us. This was not something that we know will be in there. But what we were told, in talking with Finance and in talking with small business—

Mr. Phil McColeman: Fine. I can stop you there. Who told you? What are the names of the individuals who told you?

Mr. Alex Scholten: The clerk in the Finance office.

Mr. Phil McColeman: And what's that person's name?

Mr. Alex Scholten: I can't even recall; I'm sorry. I will provide it to you—

Mr. Phil McColeman: I'd like to move to a motion, Mr. Chair. I have the floor. I'd like to put my motion on the floor.

You said, sir, it was the clerk?

Mr. Alex Scholten: Yes.

Mr. Phil McColeman: I'll just read the motion: "That the Standing Committee on Finance compels officials of the Department of Finance, as well as the finance minister and his exempt staff, to provide documents indicating any plans to reduce the small business tax rate during the course of the government's present mandate, including any correspondence or discussions with the Canadian Convenience Stores Association or other industry associations indicating a plan to proceed with a small business tax reduction in 2017."

The Chair: Do you have that written out?

Mr. Phil McColeman: Yes, I do, right here.

The Chair: May we have a copy for members?

Mr. Phil McColeman: Yes, we'll get it printed.

The Chair: Can we come back to it then a little....

Mr. Gord Johns: I'll second the motion.

Mr. Phil McColeman: Yes, we can come back to it. I want to be clear on a point of order, the motion is on the floor right now and it will be dealt with during this time.

• (1200)

The Chair: If the motion is in order it will be on the floor. I want to see it, so we can look at it to see if it is in order.

Mr. Phil McColeman: Okay.

The Chair: Then, coming back to questions, you have four minutes.

Mr. Phil McColeman: Okay. My observation from Ms. O'Connell's questioning and assertion that the Canada summer jobs grant has a wide swath of small businesses that benefit, is that my experience over nine years now of reviewing the documents is that in the initial phase I have had fewer than 10 small businesses approved, and probably 90% or more of the organizations that are recommended for approval are public institutions, cooperatives, not-for-profits.

I would ask this, without putting forward a motion, which I think would be fair, because I can go back in the records and show you my documents. In fact, this year there were 26 small businesses not recommended, a handful that were, less than 10, and I, as you know, as a parliamentarian can say I would like those to be reconsidered and put into the mix and they were and every one of them got a student. I believe that for every one of those 26 individuals, although they didn't fill out the application as well as some other professional organizations are able to do and they were not recommended, I made sure they got that.

I think it would be appropriate, and I would very much like to see, the members of this committee submit their summer jobs grant lists of individuals to verify what your comments were today. I have not seen it under my term here under our government and this year as well.

Ms. Jennifer O'Connell: Did you say small businesses?

Mr. Phil McColeman: Small businesses are generally not....

An hon. member: Where is your problem?

The Chair: Mr. McColeman, you can make a statement, but you cannot question Ms. O'Connell.

Mr. Phil McColeman: Okay, I will question her after.

I'll go to the witnesses.

The Chair: We have a point of order from Ms. O'Connell.

Ms. Jennifer O'Connell: Mr. Chair, with all due respect, I said that small businesses benefit from Canada summer jobs. To put any other words into my mouth is inappropriate and to suggest that is inappropriate.

The Chair: We're not going to have a debate here among members.

Do you have one quick question to the witnesses? You're going to be out of time.

Mr. Phil McColeman: I do.

Mr. Kelly, please comment on the propensity of businesses that are able to.... I know you represent the professional side of small business and this may not be a comfortable question, but can you comment on—I come from the building industry, small contractor, small subtrades—the propensity to go to the cash underground economy when the tax system is penalizing you.

Mr. Daniel Kelly: I think most of the research that has been done on the underground economy shows that as tax rates rise, the more punitive the tax rate is regarded by businesses or by average citizens, the more propensity there is for some tax revenue to basically be foregone because things go underground.

Canada doesn't have a huge problem with the underground economy at the moment and that's a good thing. I also operate from the assumption that the vast majority of small business owners and average Canadians dutifully pay their taxes because they feel it's their responsibility and nothing upsets a small business owner more than having their competitor working under the table.

I can say for sure that one of the most effective ways to reduce the size and scope of the underground economy is reducing taxation in general. The issue that our colleague from the Convenience Stores Association brought up I think shows that as taxes on tobacco were reduced—and that's not a position I'm advocating—so was the amount of underground economy in that industry reduced.

The Chair: Thank you.

Mr. Sorbara, five minutes.

Mr. Francesco Sorbara (Vaughan—Woodbridge, Lib.): Good morning, everybody.

It's quite spirited today. I wonder what everybody's drinking in their water. I'm going to start off with Alex.

I was actually very disappointed that in your presentation you didn't bring up the voluntary code of conduct that the—

Mr. Ron Liepert (Calgary Signal Hill, CPC): I would ask the member to withdraw that comment. I think that's inappropriate. There's an allegation in there that I find kind of—

Mr. Francesco Sorbara: In the spirit of camaraderie, I'll withdraw the allegation. How's that? Thank you.

Thank you, Ron.

The Chair: All right. Let's get back to business.

Mr. Sorbara.

Mr. Francesco Sorbara: Alex, you didn't comment on the voluntary agreement that came into effect last year between the card issuers and the Government of Canada. It's been in effect maybe just over a year. You commented on the regulation that came into effect in Australia. It was regulated and then it was re-regulated, and now it's re-regulated again because the measures put in didn't work. Also with regard to the service charges that are interchange fees, those are actually different components. So not just card issuers but also other processors are involved, and that involves costs. You failed to acknowledge that.

I don't want you to comment, but I do want to point that out.

I want to talk to Mr. Kelly.

One thing you mentioned has, in my view, a lot of credence. It is with regard to succession planning.

Some prior witnesses commented that in Germany, if a family-run business is transferred to the next generation, the tax implications aren't the same as the tax implications here in Canada. Anybody here can jump in on this. I think we as a committee should look at tax simplification, because I think that also ties into productivity. People are spending time with their accountants and their advisers when they should be focusing on the successful running of their businesses. Being able to transfer is analogous to owning a home. If a parent owns a home and passes away, if it's their first property, they can actually transfer that to their children with no tax implications. I want to get your view on that.

● (1205)

Mr. Daniel Kelly: I am thrilled with this question. This is exactly the kind of focus that I would love the finance committee to take on to analyze some of these very important areas of public policy.

We did have better provisions in the past for transferring businesses from one generation to the next, but those were wound down. We know that there are concerns in the Department of Finance about potential abuse of some provisions, but I think the spirit of the question you were asking is very much our view too, which is that there are ways to accomplish this, to do this in a light fashion to allow business transfers from one generation to the next without having massive rules, paperwork requirements, and taxation attached to it. We have made some recommendations on that front. Your Liberal colleague Emmanuel Dubourg, somebody who knows this very well given his background as a CRA auditor, put forward, we think, an outstanding piece of legislation in the last Parliament, and we suggest that you and your government bring it forward again.

Mr. Francesco Sorbara: On the EI premiums, my understanding is that there will be \$1.88 this year, \$1.88 the next fiscal year and then, due to the break-even components, it will decline down to \$1.61. So there will be some relief for all businesses across Canada.

Mr. Daniel Kelly: Yes, and just quickly on that front, if you look at slide 10 in my presentation, you're absolutely right that those numbers for the EI rates for employers and employees will be falling starting in 2017. However, the previous government implemented something called the small business job credit, which essentially meant that small firms received a 15% reduction in their EI rates back in 2015. Your government repeated it for 2016, and we're very grateful to you for doing that. What that means though is that, in fact, in 2017, the effective rate for EI for small businesses goes up. It goes

up by one cent, so it's not a huge increase. I don't want to light my hair on fire on this one, but small firms are not going to get any reduction come 2017. In fact, they're going to see their EI premiums go up slightly.

Mr. Francesco Sorbara: An individual by the name of Jack Mintz presented to us and he stated that he was very, very happy to see that we did not lower the small business tax rate.

Mr. Daniel Kelly: We have debated Jack Mintz on many occasions. He operates from the assumption that the small business rate traps firms and keeps them small and doesn't allow them to grow to become medium-sized entities.

Obviously you can imagine that, as a group representing small and medium-sized firms, we respectfully disagree with Mr. Mintz, although we do agree with his assertions on CPP.

I do want to say that in the past, your party railed against the Conservatives for reducing taxes for big business aggressively and not reducing taxes for small business. We wish you kept that spirit alive now that you're in government, because, in fact, you have kept the reduction for big businesses at 15% and have cancelled the reduction for small firms. I would love it if this was a one-year pause and you were going to reinstitute the tax reduction schedule next year. However, every single person I've spoken to in your party in government has suggested that's unlikely to happen.

The Chair: I'm sorry, we're both done. I guess we'll have to wait until next year and see.

Mr. Liepert.

Mr. Ron Liepert: Mr. Brakel, I'm assuming that in the Canadian Chamber of Commerce you have a large number of small businesses that are also members of your association.

Mr. Hendrik Brakel: Yes, the majority of our members are small businesses.

Mr. Ron Liepert: The presentation you made this morning, was that your presentation or was it by the elected board of the Canadian Chamber of Commerce, who are actually business people?

● (1210)

Mr. Hendrik Brakel: We have resolutions passed by two-thirds of our members from across the country. Usually the key things, our positions, say, on the Canada Pension Plan or on deficits and debts, are debated at our annual general meeting and then a resolution is passed.

Mr. Ron Liepert: Okay, but I asked you who was part of preparing your presentation this morning. Was it you, or was it the elected business people of your organization?

The Chair: Mr. Brakel is representing the organization, and I don't think it's fair to ask him who wrote the brief.

Mr. Ron Liepert: No, I'm asking who is responsible for the presentation. Was it a personal presentation, or was it something that was drafted by many members of the organization?

I'll tell you why I ask. I've spoken to a lot of business people since the budget came out. I've spoken to the Alberta Chambers of Commerce, and the views of the business community I've talked to did not reflect what I heard from you this morning. In fact, you sounded more like a Liberal apologist than a Canadian Chamber of Commerce representative. That's why I'm trying to get to the bottom of this.

Anyway, I'll leave it at that.

The Chair: Mr. Liepert, a few minutes ago, we had a discussion between you and Mr. Sorbara on something you didn't like that was said. I don't think it's fair you call a witness who comes to this table in good faith a "Liberal apologist". I really don't.

Mr. Ron Liepert: I said it sounded like he was. I didn't say he was.

Some hon. members: Oh, Oh!

Mr. Ron Liepert: The presentation sounded like a Liberal apologist to me.

Mr. Daniel Kelly: Okay.

Mr. Ron Liepert: I'd like to follow up on my colleague's question on the Canada summer jobs program. What percentage of your businesses might apply for those jobs?

Mr. Daniel Kelly: The Canada summer jobs program is a good program. Our members do use it. They support the concept, and we've not had any major criticism of it.

When I was answering Ms. O'Connell's question, I was speaking about the fact that there appears to be a large rejection rate for applications from small firms. We've reviewed these applications from the Canada summer jobs grant in the past, and it seems that a disproportionately large number of approved programs are from the large-business and not-for-profit sector.

Now, I'm a not-for-profit association, too. We don't use the summer jobs program. We have paid internships at CFIB, but I will say that we support the program. We would like to see an increased focus on small and medium-sized firms so they don't get caught in the paper chase that these things can sometimes become.

Mr. Ron Liepert: This was my first experience in looking at who had applied in my riding, and there were very few small businesses on the approved list. I don't know if others had applied or not, but it didn't appear they had. There were a lot of applications from non-profit societies and that sort of thing. I would suspect that if the government, rather than handing out money to hire people, would have cut the small-business tax and given the small-business community the same kind of a break, it would probably have accomplished the same thing. It would have kept the government out of picking winners and losers. Is that fair?

Mr. Daniel Kelly: There are many roads to Rome. We are supportive of the Canada summer jobs program. We're supportive of the reduction in the rate for small business. We're supportive of the EI holiday that had been proposed for small firms. I will say, though, just to be clear, that our comments about the Canada summer jobs

program have not changed from your government to the new government. My observations have been the same, regardless of who has been in power.

The Chair: Before I turn to you, Mr. Ouellette, I do have a question for Mr. Bruun because there's a real divergence and difference between testimony that Greg Meredith, the ADM for Agriculture and Agri-Food Canada, gave here Tuesday versus what you gave.

You said G3 will pay nothing for the Wheat Board or its many assets to the government or farmers except for the trust units. Mr. Meredith, when he was here, said—and this is not his exact words because I questioned him on this—that there was really, virtually, no assets. I mentioned the rail hopper cars and the building, but his basic response was that there were no assets, mostly debt.

What's your response to his point? Are there assets or are there not?

● (1215)

Mr. Anders Bruun: I'm actually very pleased to hear that is his response. I notice that the Conservative members haven't questioned me on this issue either, so I assume that they will be fully in support of a comprehensive audit to prove themselves correct. The fact is, I think that there was \$145 million in a contingency fund that transferred from the former Wheat Board to the Ritz Wheat Board, as I call it. One hundred and forty-five million is not nothing.

There were railcars bought and paid for many years ago. There is a building bought and paid for many years ago. There were various other accounts, uncashed cheques and so forth, that rolled into the next organization. The government, I believe, the government of the day, put \$349 million into transitioning this entity so that it could be privatized. In the privatization process they've been acquiring new elevators at a very good rate and they just recently announced the construction of a new terminal elevator at Hamilton. How can they say they have no assets?

The Chair: We do have recommendation 48 in our pre-budget report, but my only point is that somehow Canadians, and I think this committee, deserve an accounting on whether or not there are assets. That would be fair, in my view.

Thank you for your response.

Mr. Ouellette, you have five minutes.

Mr. Robert-Falcon Ouellette (Winnipeg Centre, Lib.): Thank you, Mr. Chair.

That's very interesting. I've also heard, Mr. Bruun, that in fact some of the railcars were actually mortgaged by the Canadian Wheat Board, as well as the building, and there was very little value left. But, as you have said, I believe the federal government should provide western Canadian grain and oilseed farmers with a full and transparent accounting of the dispositions of the Canadian Wheat Board assets since the act was enacted and make sure that you are satisfied, and that it's done openly and publicly. I agree with recommendation 48 and I hope the government carries it out.

I have a few questions for Mr. Scholten from the convenience stores.

We talk about the high price of credit card rates that are often charged to convenience stores. It adds to the cost of doing business. It adds to the cost of consumers. You represent 26,000 members. We had a discussion about this previously. You have a large base to use to create perhaps your own form of a credit card.

One of the problems with regulation is that it actually stifles innovation. It's very inefficient in an economy. It's sometimes not always best to run an economy through regulation, because how do you determine how much profit someone should make? Sometimes market forces are the best ones. If you were in the market providing your own form of credit—and Canadian Tire, I believe, does this, and Hudson's Bay has their own form of credit, they set up their own bank—perhaps, with your 26,000 members, you could cut yourself a better rate and challenge the credit card companies, MasterCard and Visa, as well as Amex to a smaller extent, and provide a better service.

Mr. Alex Scholten: I would disagree. Our members have told us across the board, from the large chains to the small independents, that they have very, very little negotiating leverage with credit card companies. When you have an organization like Couche-Tard, that has over 1,000 sites in Canada that aren't able to negotiate favourable rates that come anywhere close to what has been introduced in Australia or the EU, they believe that, regardless of the leverage they have, they won't be able to get those rates.

In terms of our association, we've taken the position that we are not a buying group. We don't come out and offer our members deals like that. Other trade associations are, but we believe that, by doing that, we take away from our ability to then come to discussions like this on credit card fees, for example. As a result of that, we've decided consciously this isn't something we want to get into.

• (1220)

Mr. Robert-Falcon Ouellette: I just find it interesting.... You look at Uber and the taxi industry, and other sharing industries. Today, with the new technologies, I think there are ways of offering a level of service; 26,000 small businesses are not a small grouping of people. That is a major part of the economy. I personally believe that if you work together—and perhaps you could work with the government in order to see how this could be done—I see a possibility there where people can create their own co-operative in order to do the work they want to do, make better profits for themselves, reduce costs, and be more competitive. Perhaps, at the end of the day, you will challenge Visa and MasterCard to doing things a little differently. Maybe you will see rates starting to come down, because they will be afraid of losing market share to your company, and you might be able to make profit on lending out money.

Mr. Alex Scholten: You are seeing that in the United States right now, with many major retailers getting together to form a new payment system. In those cases, it is primarily the large retailers that are doing that, which do not represent the small, independent retailers. That is the challenge we find in terms of leverage. Bringing together very different levels of business to try to come up with a group solution is very difficult.

Mr. Robert-Falcon Ouellette: I am sure it is very hard.

I was just wondering if you could talk a bit more about illegal tobacco. You have talked about that a number of times. You came for the pre-budget consultations. Everyone talks about organized crime. How does that relate to indigenous groups or first nations groups that sell tobacco? What is your position versus what first nations groups say is their treaty right and a constitutional right to sell tobacco?

Mr. Alex Scholten: That is a very good question.

From our understanding, in discussions with the RCMP, the contraband or illegal trade of tobacco has been infiltrated by organized crime. They have also infiltrated the reserves and in many ways control the trade on reserves as well. It is an issue that security and police forces across the country have identified to us.

On reserves, certainly within the treaty rights of first nations people to control tobacco on reserve, we are not here to dispute that. Our concern is that, as the tobacco products come off reserve, they no longer have that protection, and they should comply with all of Canada's taxes and tobacco control regulation.

Mr. Robert-Falcon Ouellette: Now, from what I understand, having had discussions with some—

The Chair: You are over time by a little bit.

We will go to Mr. Johns for three minutes, and then we will deal with this motion before the witnesses leave. Before I go there, it is a standing order of the committee that we can't distribute documentation or motions unless they are in both official languages. We can suspend that rule if there is unanimous consent to do so. Is there agreement to suspend?

Some hon. members: No.

The Chair: I will read out the motion, then, when we get to it.

Mr. Johns, you have three minutes.

Mr. Gord Johns: Thank you, Mr. Chair.

When I was a small-business person, and when I was talking to business people throughout the country as the spokesperson for the NDP and as a former Chamber of Commerce executive director, people felt held hostage by credit card fees. We look around the world. I know that in Europe and Australia they provided relief to their members by reducing those fees, and government intervention has been key.

I want to thank Mr. Scholten for bringing this forward. Do you think the current private member's bill on merchant fees goes far enough? I know that, while it further enables regulation, it doesn't actually require any legislation. Wouldn't you like to see something with a few more teeth?

Mr. Alex Scholten: We would like to see something with more teeth. However, one of the reasons we are supportive of this bill is that we would like to see a lot more study on what is necessary or appropriate for credit card rates, to ensure that retailers aren't paying too much, but also to ensure that there is a vibrant credit card system in Canada. From our position, we want consumers to have credit cards. We believe it gives them easy access to funds they might not otherwise have, so it allows them to purchase goods and services when they are in our stores.

When we looked at what was in that private member's bill, and it didn't identify specific rates, we thought that as long as it goes further in terms of studying what those appropriate rates should be, we are in support of it.

● (1225)

Mr. Gord Johns: Thank you.

All the parties agreed on the reduction of tax for small business. We knocked on doors; we talked to chambers of commerce and the business community. I know the chair talked about perhaps being able, in future budgets, to see this reduction. The best part is that this table can actually make it happen in this budget and make recommendation to members. I hope they'll consider that.

We talk about trust. We've seen corporate taxes drop from 28% to 15% over the last 25 years. Small business hasn't seen that kind of fair tax distribution. How is this, in terms of building trust with small business? They're the front end, and they're the most intimate relationship government should have.

Mr. Kelly, do you want to talk a little bit about trust?

Mr. Daniel Kelly: This is a tricky issue for us.

We are very keen as an organization to work cooperatively with the new government on a variety of fronts, and that stands today. There were two measures in the Liberal party platform that we celebrated and were cheerleaders for during the election campaign, and they were the Liberal party promise to reduce the small business rate to 9%, and the Liberal party promise to give small firms an entire EI holiday for hiring young people for 2016, 2017, and 2018.

The sad part is that both of those promises that we loved in the Liberal platform were cancelled in the 2016 budget. I would love it if the committee.... If there's any way possible to bring back the tax reductions, you will have no bigger cheerleader than Dan Kelly and CFIB should you be reinstating the tax reductions that were promised by the new government in this budget.

Thank you very much for that.

The Chair: Turning to the motion, I will read it out.

I might say, Mr. Scholten, there is a dispute on the issue, and there is also a dispute on what you said at committee. Were you operating from a written text?

Mr. Alex Scholten: I was.

The Chair: We might need that in this discussion.

The motion is in order. I can go to the rules to explain why it is in order. The committee has this authority.

The motion is:

That the Standing Committee on Finance compel officials at the Department of Finance, as well as the Finance Minister and his exempt staff, to provide documents indicating any plans to reduce the small business tax rate during the course of the government's present mandate, including any correspondence with the Canadian Convenience Store Association or other industry associations indicating a plan to proceed with a small business tax rate reduction. And that the Finance Department also provide the names of any officials who have met with the Canadian Convenience Store Association since the 2015 election.

It is in order. You're moving it, I assume. You already did move it. It's on the table.

Is there any discussion?

Mr. MacKinnon.

Mr. Steven MacKinnon: Mr. Chair, I first of all want to thank the witnesses for coming here today.

You've come in a spirit of constructiveness and have done a very good job of advancing your point of view. I regret that we've been tied up in procedural knots.

I suspect the Liberals on the committee will be voting against the motion. I certainly will be. The budget I have in front of me on the small business income tax rate says, "Budget 2016 proposes that further reductions in the small business income tax rate be deferred."

If I look up the definition of "deferral", it says it is the act of postponing to another time or place. I can only conclude, then, that having been postponed, it will be revisited at a certain point, and that the government will be considering that on a more or less ongoing basis. As such, I don't know if Mr. McColeman thinks he's found who shot J.R. or has solved one of the other great mysteries of life, but I regret this kind of procedural wrangling and hope we can move to the question.

● (1230)

The Chair: Ms. Raith.

Hon. Lisa Raith: Thank you very much, Mr. Chair.

Mr. Scholten, hope you realize this isn't about you. It's about a statement you made today that indicated our concern of whether or not you had been told something that MPs haven't been told. The budget document is silent on when the deferral is over, and indeed the parliamentary budget officer had to ask for more data from Finance Canada to get a better picture of what was in the budget.

It's very concerning to hear that something may be coming in 2017 that didn't appear in here, or in the PBO. I think it's a valid use of the committee's time to determine whether or not there's any correspondence out there that may put us in the direction of understanding whether or not there is a plan to put it in because it is material to the analysis of the projections for income, and to the costing of the deficits and the debt to this country. It's a material fact that we should have, and if indeed it is the plan of the government then they should inform MPs as they seem to be informing stakeholders.

If you have written documentation...my understanding was that you had said a year. If you had said it was deferred then we wouldn't have perked up our ears. You said 2017 and that's what got our attention, so I think it's a valid use of our time. The Liberal members are going to try to say we're being mean. We're not being mean, sir. We just want to get some information for Canadians and we're doing it in great spirits.

You don't get to respond, but I want to let you know to come in and see us on a non-partisan, non-political basis any time you want to talk about Canadian convenience stores because we're here to listen and to help. On this matter we want to understand whether or not the Minister of Finance's office is providing insight into other stakeholders as to what's happening in the future.

Thank you for your time. Thank you for your presentation, everybody else's as well.

The Chair: Mr. Johns.

Mr. Gord Johns: Mr. Easter, the government ran on a platform of openness, transparency, trust. When we hear testimony from witnesses...and again I want to thank Mr. Scholten for coming. I think we all support the Canadian convenience stores; they're important to each one of our communities in our ridings. I think this is fair to the public, and certainly to members of Parliament, when there might be information we're not aware of, and I think in the spirit of transparency it's essential that we follow through with this motion. I hope that members across the floor honour their platform and their promises for transparency and building trust with Canadians.

The Chair: Thank you, Mr. Johns.

(Motion negatived)

The Chair: With that I would like thank all the witnesses for making their presentations this morning. It was indeed a lively discussion at times. No doubt we'll be calling on you again. We'll suspend for five minutes until the next witnesses come to the table.

• (1230) _____ (Pause) _____

• (1235)

The Chair: We'll reconvene. I'd like to welcome the witnesses for the next session. We're scheduled until two o'clock, but I think about 20 to two we're going to have to go to committee business to decide on witnesses.

With us at this session on an act to implement certain provisions of the budget tabled in Parliament on March 22, 2016 and other measures we have as an individual Ian Lee, an associate professor; from Analytica Advisors Incorporated, Céline Bak; from the Caledon Institute of Social Policy, Ken Battle; and from Fondation, le Fonds de développement de la CSN pour la coopération et l'emploi, Julien Lampron.

We'll start with you, Mr. Lee; you have five minutes.

• (1240)

Mr. Ian Lee (Associate Professor, As an Individual): Thank you for inviting me, Chairman Easter.

I'm a tenured associate professor at Carleton University's Sprout School of Business. In the past 24 months, I've authored two peer-

reviewed publications on Canada's retirement system, one in Carleton University's *How Ottawa Spends*, and one in an American pension journal with my colleague, Chancellor Professor Vijay Jog. I've also co-authored two monographs this year on the pension system in Canada, at the Macdonald-Laurier Institute think tank.

Before I go into my comments, I have a shout-out to your support staff, who have been extremely helpful. I didn't get the documents to them until yesterday, and yet they managed to pull it off and get them translated and printed. I give them my very gracious thanks.

First my disclosures, and then I'll get right into it. I don't consult to anyone or anything anywhere in the world. I'm not a paid or unpaid or registered or unregistered lobbyist. I don't belong to or donate monies to any political party or NGO anywhere. Finally, I only source empirical data in my research from OECD countries' government departments and IGOs such as the OECD, the IMF, and other international bodies. I do not source data from political parties or elected officials, or from NGOs or unions, because they're political or social activists with an agenda.

I'm going to focus on pension reform for both OAS and CPP in my short five minutes.

One of the great urban legends in Canada today is the story of large numbers of impoverished senior citizens possibly reduced to eating cat food due to mean-spirited social policies.

Never let it be said that we baby boomers are terrible marketers. We have managed to convince large numbers of Canadians, in concert with some NGOs, such as CARP, of this false urban legend, yet Stats Canada shows that the wealthiest of cohorts in all of Canadian society are our seniors—and I will disclose that in 18 months from now, I become one of them—while the cohort with the least amount of assets and income is our young people, who we refer to as the “millennials”.

In a book published in 2012, which every member of Parliament and senator should read, the following was said. This is a direct quote: “Crisis? What crisis? There exist persistent myths about the Canadian retirement situation. We think of our seniors as living in near poverty when the elder poverty rate is half that of working Canadians.”

The book was called *The Real Retirement*. The author was Bill Morneau, the current finance minister, and the 2012 data in that book was and is correct. Demography changes very slowly. A country's demography does not change in 48 months. I say that for anyone who argues that circumstances are different today than in 2012.

In fact, since OAS, GIS, and CPP were introduced in the fifties, elder poverty in Canada has crashed and collapsed in Canada, not skyrocketed, as some have alleged. Per *OECD Pensions at a Glance*, Canada has one of the lowest rates of elder poverty, with 7.2% of elders below the poverty line. Remember, the OECD countries are the richest countries in the world. This means that we have one of the lowest rates of elder poverty on the planet earth—11th lowest.

Can we do more to address the 7.2% of elders below the poverty line? Absolutely, by targeting them through an increase in the GIS, which your government did in this budget and which should be strongly supported—and indeed I do—and by providing 100% survivor benefits on CPP to those seniors, who are, typically, the “elder” elder females, and who lack their own CPP. When their husband dies, the benefits drop.

Let's turn to those not yet retired. The McKinsey study on retirement readiness of Canadians showed that approximately 85% of Canadians not yet retired are pension ready, meaning 15% are not. Also, do note, because some may dismiss this as as a consulting firm, that this research largely duplicated and confirmed the peer-reviewed research of Professor Kevin Milligan at UBC, Professor Jack Mintz at Calgary, and Mr. Baldwin, formerly with the Canadian Labour Congress.

To summarize these researchers, first, the bottom quintile of Canadians experiences a significant increase in retirement of some 25%, because they were previously low-income workers and the OAS, GIS, and CPP lift them up.

Second, most Canadians are pension ready, while a minority of 15% are not. This suggests three startling conclusions: one, the lack of pension readiness lies amongst some in the middle and upper middle class, not the bottom quintile; second, pension reform should focus on targeted policies, not universal policies such as universal CPP reform, to address the 15% who are not pension ready in the middle and upper middle classes; and finally, this suggests very strongly that universal CPP reform is completely unnecessary, because 85% of Canadians are pension ready.

• (1245)

I have a final issue, and then I'll wrap up, and that's the reduction of OAS eligibility back to 65.

Several analysts argued in op-eds in *The Globe and Mail* that this was a terrible decision because it was not evidence-based. For those who read OECD regularly—and I certainly do—it has for several years urged OECD countries to increase the age of pensionability as we're living much longer. To deal with the canard that's been alleged that critics such as myself are suggesting that the pension system will bankrupt Canada, this is absolute nonsense. Canada is one of the wealthiest countries in the world, with one of the highest GDPs per capita in the world. I think this was a straw man concocted to obscure the real issue: all resources are scarce and finite, not unlimited, and this means that decision-makers such as you, as parliamentarians, must economize scarce resources by not squandering those scarce resources on less critical wants instead of more urgent needs. Indeed, I'll go further.

The Chair: Mr. Lee, you'll have to sum up. You're well over.

Mr. Ian Lee: I've got one sentence left.

Instead of 65 or 67, we should debate rolling OAS into GIS and making it completely targeted to those who need it. There's no empirical or moral justification in providing OAS to the upper quintiles in Canada, such as financially comfortable university professors, NGO and union leaders, or senior corporate types.

Thank you.

The Chair: Thank you.

Ms. Bak, the floor is yours.

[Translation]

Ms. Céline Bak (President, Analytica Advisors Inc.): Thank you, Mr. Chair.

Hello ladies and gentlemen, members of the committee.

Madam Clerk, thank you for this invitation and for your team's support.

[English]

I'm a fellow at the Centre for International Governance Innovation, and I've published this year two peer-reviewed policy briefs on the global clean technology industry, as well as on matters to do with innovation. I'd like to ask that the two synopses, which we submitted in advance of today's hearings, be read into the record. They have been submitted in both English and French in advance of this meeting.

On April 19, I reported the findings and recommendations of Analytica Advisors' 2016 report on the global and Canadian clean technology industry, our fifth annual report. The global market for clean technology goods reached \$1.1 trillion in 2005, up from \$555 billion in 2004, representing a 7.5% annual growth rate. The industry is now globally worth two-thirds that of the automotive industry.

[Translation]

From 2005 to 2014, the market for clean technology goods nearly doubled.

[English]

Canada is losing global market share. In that same period Canada's ranking as a clean technology goods exporter fell from 14th to 19th place in the table of the top 25 global exporters.

[Translation]

During that period, our market share shrank by 35%, placing us third from last among exporters. For the first time in six years, we have noted a decline in revenues for the industry as a whole.

[English]

Up until two years ago we reported growth of four times that of the overall Canadian economy, but that growth has now stopped.

Let me just briefly say that the clean technology industry added another 5,000 jobs last year, and it now directly employs 55,000 people, in almost 800 firms. Many of these people are young people working at the start of their careers in positions that range from finance to engineering to manufacturing and global sales. People in this industry are working in companies that are creating and scaling up technologies that protect our environment.

[Translation]

By 2030, clean technology enterprises will enable Canada to reduce emissions by 30% in relation to 2005 levels, which Canada committed to doing in the Paris Accord.

[English]

We'd like to make some specific recommendations in regard to Bill C-15.

We support the addition of \$50 million, over four years, allocated to Sustainable Development Technology Canada for the SD tech fund and \$82.5 million, over two years, to Natural Resources Canada to support research, development, and demonstration of clean energy technologies. However, we strongly urge this government to implement programs for financing clean technologies where support is lacking for the rollout of the first commercial facilities. Addressing this financing gap is essential to stimulate the investments and create significant job opportunities, directly contributing to meeting the government's goal of generating economic growth through expanded green infrastructure while reducing greenhouse gas emissions.

We also support the expansion of eligibility criteria for accelerated capital cost allowances to include electric vehicles' charging stations and electric energy storage, but recommend that other sectors, including the advanced biofuels equipment and other carbon-reducing equipment, be included so that there is a level playing field.

We also support the fact that regional development agencies will double their annual aggregate support for clean technology to \$100 million per year from existing resources starting in 2016-17 and urge that this government increase the overall funding allocated to these agencies to support clean technology. We'd like to note that the OECD has assessed Canada's subsidies to fossil fuel industries at about \$3 billion per year, making quite a significant support to an industry that contributes 27% of Canada's greenhouse gas emissions. We note also that this budget does not establish a date for the phase-out of those subsidies to the fossil fuel industries.

With that, I'd like to conclude my remarks.

• (1250)

The Chair: Thank you very much.

Mr. Battle, welcome.

Mr. Ken Battle (President, Caledon Institute of Social Policy): Thank you.

One of the most important and thorny policy issues I have had to face in my long career is indexation, whether full or partial.

In 1998 I wrote a report called "No Taxation Without Indexation". It explored the impact of partial de-indexation of the personal income tax system, the refundable GST credit, and the federal child benefits.

Introduced into the tax transfer system in 1986 by the Mulroney Conservatives, partial de-indexation is instrumental to what I call social policy by stealth. It's the use of arcane and poorly understood technical changes to public policy, which were imposed on Canadians without their knowledge, consent, or understanding.

Partial de-indexation steadily and surreptitiously lowered the federal tax bank threshold, imposed an annual inflation-induced hidden income tax hike on taxpayers at all income levels, weakened the GST credit, and eroded the value of child benefits, especially for low- and modest-income families.

The following year, I did another piece that looked in more detail at what I called credit creep and explained how partial de-indexation has affected all aspects of the tax transfer system.

At that point, I had declared that we'd never get rid of partial de-indexation, but thank God I turned out to be wrong. In the 2000 budget, Ottawa re-indexed the tax transfer system. So far so good. De-indexation faded from view. Even the Harper government didn't try it, with the notable exception of its pet social program, the universal child care benefit, which was not indexed, although nobody seems to understand that.

Next, indexation popped up again from an unusual source: the new Canada child benefit. This is the last place I would expect to see stealth in operation. What happened was that, in launching the program, there was no indication that it will be indexed until it will be finally indexed in the year 2020.

Why did the federal government decide to do defer indexation until 2020, especially since it's a policy that goes against its whole view of transparency in public policy?

Cost is the only plausible explanation we can come up with. The Canada child benefit likely ended up being more expensive than originally estimated, and therefore the de-indexation of it over the five years it will be implemented will save a lot of money.

There are some remedies to this problem. The best is to index the program the way it should be, and another would be look at the leakage of revenues through boutique tax credits that favour the wealthy, and get money out of that.

To make up for lost ground, we've recommended the federal government super-index the Canada child benefit starting in 2020. The maximum benefit would be fully indexed, and another amount layered on, so the total value of the program would be more than inflation. Ottawa did this, by the way, back in the 1990s when it grew the Canada child tax benefit.

Caledon strongly supports the Canada child benefit, a program we have advocated and worked on for many years. Its overt architecture is strong, but deferring indexation, although not the end of the world, makes it sad the program has to start its life with this Achilles heel.

Thank you.

•(1255)

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

Turning to Mr. Lampron. The floor is yours.

[*Translation*]

Mr. Julien Lampron (Directeur Affaires publiques, Fondation, le Fonds de développement de la CSN pour la coopération et l'emploi): Thank you, Mr. Chair.

Ladies and gentlemen of the committee, thank you for inviting us here this lovely sunny afternoon. It is a pleasure to spend the afternoon with you.

I am here to present Fondation CSN, which was created in 1995 by enabling legislation of Quebec's National Assembly. The fund began operations in 1996 and it is now the second largest labour-sponsored fund in Canada.

Our mission is to promote economic and sustainable development, to create and retain quality jobs, and to encourage retirement savings, of course. I want to emphasize how important it is that the tax credits afforded to Fondation shareholders have been completely restored.

We are an innovative financial institution. Since our inception, we have established the strictest governance and transparency requirements, and we have met these requirements for 10 years. We produce sustainable development reports consistent with the exhaustive criteria of the Global Reporting Initiative. We were the first financial institution to do so.

Our institution subscribes to the principles of responsible investment. Since 2007, we have been members of the United Nations Global Compact relating to the various principles for the attainment of millennium development goals.

Our goal is to focus increasingly on social impacts. When we invest in companies, we look not only at economic development. We also analyze the socio-economic impacts, and socio-economic training is given to the various companies we invest in.

Sustainable development has always been at the heart of our mission. We have decided not to choose among social, environmental and economic development, but rather to support all three at the same time.

Our business is very profitable to the government. A study released on May 31, 2015, of which you will soon receive a copy, shows that the tax and tax-related revenues directly attributable to Fondation, relative to the cost of the tax credits, benefit all

Canadians. The study shows a cost-benefit ratio of \$1.08 for each dollar spent. So the impact is positive. We came up with a ranking in this regard: the ones we invest in and in which we are the only ones who can invest, those in which other partners could invest, and those in which all businesses could invest.

We maintain and create jobs, over 30,000 for our entire portfolio. The various statistics I just mentioned pertain to 150 companies, while our portfolio has 800.

Tax credits enable Fondation to carry out its primary mission, which is to promote retirement savings and create quality retirement capital.

The average annual income of our shareholders is \$48,000. Without Fondation and without labour-sponsored funds, they would not have access to the retirement savings they currently do. We have 128,000 shareholders, 51.4% of whom are women, and annual dues are \$2,840, while the maximum is \$5,000. We have shown that most shareholders of Fondation CSN or of another labour-sponsored fund only have access to retirement savings through the type of vehicle we offer.

Fondation can offer savings to middle-class retirees thanks to the support provided by federal tax credits. According to data from the Régie des rentes du Québec, in 2012, 47% of workers in Quebec, or nearly two million people, had no pension plan.

Tax credits enable us to achieve our primary mission. We can invest the savings for the long term with venture capital, which benefits SMEs. This enables us to expand, modernize, make acquisitions, merge companies, and, above all, to support business continuity by managing succession and transfer programs.

The elimination of the tax credit would have led to a withdrawal from Fondation and from venture capital, as well a drop in development capital. Considering the leverage effect, the withdrawal of labour-sponsored funds would have reduced businesses' access to substantial amounts from private investors.

I would like to thank the government for fully restoring these tax credits in the budget.

Thank you, Mr. Chair.

•(1300)

[*English*]

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

We'll go to the first round of questions, and I think we're going to cut back to five minutes in order to get to business.

Mr. Grewal, you have five minutes.

Mr. Raj Grewal (Brampton East, Lib.): Thank you, Mr. Chair, and my thanks to our witnesses for appearing today.

Madame Bak, our government has made a commitment that the economy will grow not at the expense of the environment but hand in hand with it. A strong environment will lead to a strong economy and vice versa. Recently, the Minister of Innovation, Science and Economic Development had an op-ed in the *Toronto Star* saying that innovation should be a Canadian value, that innovation should be at the core of every aspect of economic decision-making .

In a *Toronto Star* article that you wrote, you made an interesting point. You said there was a “need...to connect the dots, because if we just do more innovation, we will get the same results as we did in the past, which is lots of promising companies, but none that grow up here.” I thought that was a really interesting comment, saying that the whole purpose of innovation is to grow companies, to change the way that we're doing things. You're saying that we also have to recognize that we may be innovating a ton but we are not getting empirical results in the long term. If you could comment on that, it would be great.

Ms. Céline Bak: Canada has been thinking for some time about productivity and why Canada's productivity figures are not at the level we would like them to be in OECD rankings. This has led to some fairly serious consideration about matters to do with innovation.

Productivity is a result of investment in new ways of doing things. This may be technology or it may be management processes or it may be capital. In Canada we have a fairly concentrated economy, and we also lag in a number of ways in terms of regulations. The competitive forces at play are relatively low and our regulatory framework is not as robust as it is in some other countries. A rising price on carbon is an example of that. Absent robust, competitive forces to stimulate innovation, and absent, where there are market failures, regulation to stimulate the take-up of innovation, we will not have all the benefits of the investments we're making in innovation.

I would also say that other countries, Israel included, have very good economic information on the role that relatively small firms play in their global competitiveness through exports and other things. I would suggest that we may want to consider reporting on R and D, and exports as well, by size of firm so that we have the macroeconomic information to improve the formation of capital markets and our decision-making in the private and public sector.

Mr. Raj Grewal: Thank you.

My next question is for Mr. Battle. I wanted to thank you for submitting your presentation. It was one of the more objective ones I've read since I've been on the committee. You pointed to what was good in the budget, you pointed to what was not so good in the budget, and you pointed out areas for improvement and constructive criticism.

In your conclusion you wrote that “it appears that the government truly appreciates the value of social investment. For the next few years at least, social policy is that”. You spoke about the Canada child benefit. You also said that the universal child credit previously implemented was not really tied to child care and that the Canada child benefit addresses two concerns. At its core, it gives more money to those who need it most. At the same time, it helps to

alleviate poverty for 300,000 children. But then you went on to say that this is only good if we index it to inflation.

Can you elaborate on these comments?

● (1305)

Mr. Ken Battle: Yes. Thank you for your comments. It's nice to hear that people read our work, and that we are non-partisan.

Let me just give a specific example to answer your question. But first, the failure to index the new child benefit blew me away. I never could have thought that a new government would do that, which is I think is quite critical, since we've seen over the years when governments of all political stripes have tried indexation or de-indexation, that it ends up with pretty bad results.

But the one about the new child benefit, though, is very powerful. Let me give you an example; it's just simple arithmetic. In July 2016, when it starts, the Canada child benefit will pay a maximum of \$6,400 a year to a low income household. That's a very hefty amount of money.

If inflation were to run at an annual rate of 2%, which is does these days, the purchasing power of that benefit will fall in the second year to \$6,272. By 2020, the real value of the benefit will be only \$5,903 in constant 2020 dollars. It doesn't sound like much to people, but it really adds up. That's the problem with indexation. It's quite sneaky.

The only reason that governments do that is to save money. So we were not happy about that aspect of it, and what we've asked for is an explanation of how the child benefit will be rolled out—

Mr. Raj Grewal: Sorry, not to cut you off, I think I only have—

Can I make one comment, Mr. Chair?

The Chair: Go ahead.

Mr. Raj Grewal: I just wanted to say that in your press release on the budget, you made it a point of saying that there's a weakness in Canada's retirement programs, specifically that the Canada Pension Plan is not doing enough to support retirement because the whole concept is that it would supplement five attention programs.

The Chair: I don't think that was a short comment.

Maybe, Mr. Battle, you can come back to that in another question.

Ms. Raitt.

Hon. Lisa Raitt: I would just pick up on my colleague's questions.

Mr. Battle, did I hear you say in your remarks that you think indexation will happen in 2020?

Mr. Ken Battle: No. The government has said that in 2020 they will begin indexing it, yes.

Hon. Lisa Raitt: So when did the government say that? Because I have the parliamentary budget officer's report here. It goes out to 2020, and it says that "spending on the new benefit is stable as the CCB will not be indexed." I'd like to get an understanding of when the government said this. Perhaps you can give me a press release or...?

Mr. Ken Battle: That was part of the mystery of the whole thing. On budget night, a reporter, from I can't remember which newspaper reported that it was not going to be indexed until 2020. I talked about that with my colleague Sherri Torjman, and we couldn't believe that this could be true. We called some people at PMO that we know and they said, yes, wait until the budget act comes down, and you'll find out clearly what's going to happen. We're in limberland. We don't know what's happened to it. We think it's important that the government make that clear so that the people can understand and criticize it, or whatever. But so far, it's a mystery.

• (1310)

Hon. Lisa Raitt: It's interesting, and I appreciate you telling us that you did have these phone calls with the PMO and that assurances were given, because I did take a look at the supplementary information that's on the budget.gc.ca website and it is silent on the issue of whether or not it's indexed, but it only has two years. Then I turned to the PBO report and found that's very clear. Even in 2020-21—sadly for you—there's no indexation, and the PBO is actually relying upon that in order to show that the government's books are in good stead over that period of time.

I appreciate you sharing with us the information. We may be following up on that somehow, in some fashion at some point.

Mr. Chair, I'll give you some notice that we may be asking for some PMO folks to come in and talk to us about what kinds of assertions they're giving with respect to indexation on the child care benefit. I do appreciate the work.

I do have a question for Dr. Lee. I have to say you did put out something very controversial; it is on your deck. You said that perhaps what we should do is amend the concept of universality and move towards more targeted measures. In other words, get rid of everybody getting it, you only get clawed back at about \$70,000, and move it into more along the lines of.... You also said not to believe that the CPP is going bankrupt, that the Canada Pension Plan fund is in good stead.

I guess I'm wondering. The Liberal government has decided to move away from universality on the child care side. Can you tell me why they should do the same thing on the senior side?

Mr. Ian Lee: Right.

By the way, I may not have spoken well or clearly. I wasn't referring to CPP, I was referring to old age pension.

Hon. Lisa Raitt: I understand that. I was talking about CPP.

Mr. Ian Lee: I was making reference to the criticism of the criticism, because the PBO said he didn't know what people were talking about, that the OAS is sustainable. Well, people like me and Jack Mintz never said it was unsustainable.

The issue is not whether it's going to bankrupt Canada. Of course it's not going to bankrupt Canada. We're an enormously wealthy

country. I'm saying that as someone who travels around the world teaching over 100 times in developing countries. I'm going to be in Poland in August and China in October. We are fabulously wealthy.

My point was that it obscures the fact that resources are scarce and when you, the decision-makers and the parliamentarians, have a choice between using—and I called it "squandering"—public resources on something that's less essential versus more essential, you should always focus on the more essential and not the less essential. That was my fundamental point.

Again, I do want to thank the clerk of the committee for being able to get these slides to you. Take a look at page 9. It's from Jack Mintz, but in turn it is based on Finance Canada's income replacement percentages. In my paper on how Ottawa spends—which hasn't yet been physically published—I argued that there are really two pension systems in this country and people don't really realize it. We think this is one big pension system. I've said that we have a public pension system for people in the bottom two quintiles. I said that empirically and statistically they receive most of their income in retirement from OAS, GIS, and CPP. That's an empirical statement, whether we like it or not, whereas the top three quintiles, which is the top, the upper-middle, and the middle, receive declining.... Look at that graph on page 9. You get down to people in the top quintile and it's 10% of their income.

My point is that we have de facto—not legally but de facto—two different pension systems. One is for low-income people, which I define as the bottom two quintiles, who absolutely need the public system. I'm not suggesting taking away it from them. In fact, I'm suggesting giving them more, and taking it away from university professors, NGO, union and corporate leaders, and Conrad Black, and high-income people, who shouldn't be getting OAS.

Hon. Lisa Raitt: Mr. Lee, I have one last question.

Is there any truth to the assertion that the reason why it's okay to move from 67 years of age to 65 is that those who live in the lower-income class actually don't live as long, and that's why it's not as expensive? Is that a valid reason, do you think?

Mr. Ian Lee: I'm not sure if it's a valid reason. If you're asking me if there are empirics on that, I've seen them. I can't quote them from my fingertips, but life expectancy is correlated to income. The American data is very clear, as is Canadian data, that the more educated and higher the income, the longer the longevity.

Hon. Lisa Raitt: Thank you very much.

The Chair: Thank you, Ms. Raitt.

Ms. Ashton, welcome to the finance committee. The floor is yours for five minutes.

• (1315)

Ms. Niki Ashton (Churchill—Keewatinook Aski, NDP): Wonderful. Thank you very much.

Thank you to our witnesses for coming today.

I want to spend a few moments talking about something that didn't come up in any focused way in the presentations, and that's the changes to EI in Bill C-15. This is obviously something we've heard quite a bit about. While there are some very welcome changes, they don't go far enough in terms of making a difference for many working Canadians.

I'd like to direct my first question to Mr. Battle. I'm familiar with some of Caledon's work around the ineligibility surrounding EI, and the fact that fewer and fewer Canadians are eligible. I'm thinking about the report you put out in December 2011, entitled "Fixing the Hole in EI". Specific to Bill C-15, the concern has been raised that there are regions that have suffered significant unemployment in the last two years and that are excluded. We hear today that finally the Liberal government is seeing the need to include Edmonton as one of those regions. We're hearing some different reports in terms of southern Saskatchewan, which has also been hit hard by the drop in the extractive sector. But we still know that many regions that depend on seasonal work, including in Quebec and the Atlantic, are still ineligible, and it creates the black hole, or *le trou noir*, that we know of.

Many Canadians who are hurting have paid into EI and aren't able to access it. In your report you talk about 55% eligibility; I guess that was in 2011. Now we're down to about 40% eligibility. I'm wondering if you could speak to this. Is this a serious issue? Should we be taking it more seriously? Should we be fixing the EI program to make it more responsive to current crises that Canadians are facing but also a shifting job market, particularly the rise of precarious work? Any thoughts on that would be welcome.

Mr. Ken Battle: There are two key criticisms that we make about EI. I think EI is an incredibly important part of our social security system and certainly is one of the social programs that is most in need of reform. We think the regionalization aspect of EI is a bad idea. It leads to the kinds of inequities that we're seeing now in various parts of the country. What's needed is to increase the earnings-related ratio for EI so that it is a more generous program. It could be developed over the years so that it doesn't have these regional aspects to it, which we think are quite pernicious, like it or not.

The other problem you just touched on is the development of a new labour market, with marginal work and the whole syndrome of problems that people have adjoining to the labour force. We decided that, on this one, you can't fix it with EI as a social insurance. We're always going to have these kinds of inequities that we see, that we talk about. We suggested a kind of experiment to look at a new program, an income-tested program, that would be geared to people who just can't make it in the usual labour market. There has to be another way of helping those people. They're certainly never going to meet the requirements of the social insurance-based program.

So it's those kinds of things. We're trying to look at it from a broader point of view. The unfairness in the regionalization thing I think is palpable, and some of it has to be fixed.

Ms. Niki Ashton: I appreciate that point. Of course a number of organizations, whether it's the labour movement or others, speak to the need for a universal threshold recognizing that the regionalization, as you pointed out, is problematic and that there are major inequities.

Do you believe looking at something like that would be helpful? I take your point about how the shifting labour market speaks to a whole other discussion that we ought to be having, but in the meantime, should we be looking at a more universal threshold for EI?

• (1320)

Mr. Ken Battle: The new program we mentioned in our report wouldn't be universal; it would be income-tested. The mechanism we're using now for more and more social programs is income testing.

I'd have to think more about a universal program.

The Chair: Sorry, Niki, you're out of time.

Mr. Sorbara.

Mr. Francesco Sorbara: Thank you, Mr. Chair.

Thank you to the panel for your insightful comments. I want to touch on everyone a little bit and so I'll try to make my comments quick.

Mr. Lee, have you run the numbers on estimating the policy of 100% survivorship benefits for poor or low-income seniors when their spouse passes away?

Mr. Ian Lee: I haven't. A lot of my data is synthetic. In other words, I'm drawing on someone else. Of course, I fully footnote it and so I'll specifically cite the source. It was Professor Jack Mintz in, I think, January 2015, who published it in a working paper at the University of Calgary. He did a deep dive into the numbers and asked a very good question: Who are the 7.2% of Canadians under the poverty line?

He found that overwhelmingly they are what I call "elder" elder women. That is, women in their eighties and nineties, my late mother's generation. They stayed home in the 1950s and had children and raised their children at home, and worked in the home. It was very hard work.

My point is they don't have a pension. When their husband dies, because men don't live as long as women, their pension drops down to 60%. To answer your question very succinctly, Jack Mintz crunched the numbers and he said that for \$5 billion we can eliminate elder poverty in this country, the 7.2%, by doing that.

Mr. Francesco Sorbara: To your comment, in my riding we ran some tax clinics. We did have some elderly folks come in, and there was that noticeable trend for specifically women.

Our government has introduced in Bill C-15 an increase to the guaranteed income supplement of up to \$947. That will benefit folks who make up to \$8,500 in the prescribed income level. I think that's going to benefit 900,000 people, the majority of which are single seniors and women. They tend to outlive us men, for whatever reason.

Mr. Ian Lee: Yes.

Mr. Francesco Sorbara: You talked about the OAS and GIS. When those two programs were put in place, and they're the bedrock of our social fabric for many millions of Canadians, they were to help the poorest of the poor, and they are funded directly through government tax revenues.

There have been some discussions looking at potentially changing clawback levels, because a two-person senior family making \$300,000 a year combined can theoretically still qualify for old age security.

Mr. Ian Lee: If you're asking whether it should be reduced, I'd certainly advocate for it. The clawback I think now is \$110,000 or \$113,000 or something. A lot of professors will have pensions of over \$100,000. I think paying them old age benefits is immoral. The clawback should come down.

Mr. Francesco Sorbara: Mr. Lampron, how many of your members would benefit from the labour-sponsored funds tax credit in Quebec?

[*Translation*]

Mr. Julien Lampron: Thank you for your question.

Since the budget was announced, we have indeed seen more and more shareholders returning. There are various ways to join and to buy Fondation shares. One way is through payroll deductions, which means a certain amount is deducted from every paycheque as a way to save. People can also make a one-time lump sum investment.

We are seeing people coming back and choosing payroll deductions. This is the greatest and most interesting effect noted with respect to the middle class.

[*English*]

Mr. Francesco Sorbara: Thank you, sir.

Mr. Battle, in the mid-1990s, under former finance minister Paul Martin, we got rid of what was called inflation creep.

I do recognize your concern with the CCB. I also think the CCB is a very powerful instrument in eliminating child poverty. Three hundred thousand children will be taken out of poverty by 2016-17 versus the number in the last fiscal year, so I do recognize your comments on inflation creep.

When Mr. Martin brought it in through his budget in, I think, 1996 or 1995, it was one of the largest tax cuts for Canadians ever with the introduction of "inflation bracketing", if you want to call it that, and so I do recognize that.

To your mind, is there anything else we could do quickly to pull even more children out of poverty?

• (1325)

Mr. Ken Battle: First and foremost, index the system. Otherwise you're going to be losing ground all the time. What we would like to see is that the child benefit—the new child benefit is an extremely powerful instrument—be increased over time, invested in over time. Not everything can be solved by income programs, don't get me wrong. There's a whole range of other things that low-income people need. But the child benefit is incredibly important.

Mr. Francesco Sorbara: My last comment for Céline, a question actually, is on commercialization. There's innovation, which Canadians aren't that bad at, but there's commercialization, which we could be a lot better at. Would you care to comment on that?

Ms. Céline Bak: Commercialization is where you actually get money for what you invented, and you get to employ people to do that. I think Canada's in the process of going through a major economic restructuring. If we think of Canada as a corporation, the lines of business are going to have to change over the next little while. We won't be able to rely on oil and gas to the degree we have up until now. That's going to mean that we're going to need to be able to grow new companies and they are, therefore, going to need to commercialize. What that means is they need to be able to finance scaled-up instances of their solutions. Examples might include new ways of deploying technology in cities through infrastructure spending; new ways of deploying technologies in public procurement; new ways of solving environmental problems within our large industries: forestry, oil and gas, and mining.

In each case, those deployments will have relatively little technical risk, but they'll still have financial risk. This means that the banks will not easily be able to underwrite those deployments, whether through project finance or through just basic working capital loans. In order for us to be able to commercialize new innovation in all parts of our economy, I've proposed, and I'm on the record as saying, that we need something like the CMHC for the low-carbon economy. We need to be able to backstop risk so that we can deploy innovation where, in a commercial way, banks... The fact that it's been deployed three or four times is not good enough for a bank. They need 10 times. To commercialize, we need to stand behind these deployments and offer insurance across all different sectors, whether those are municipalities or the private sector. Just as we did when mortgages were new, we need to do the same thing again today so that we can actually deploy and commercialize our solutions.

The Chair: Thank you, both.

Mr. McColeman.

Mr. Phil McColeman: Thank you, Chair, and thank you to the witnesses.

First for Mr. Battle, I'm just on the Caledon Institute of Social Policy website, and I'm just going to read from one posting here, and it's talking about the Canada child benefit. I'm just following up on what my colleague was asking you about. It says, about the Canada child tax benefit, "It won't be indexed to the rate of inflation until 2020." That's posted on your website.

Just following on the questions of my colleague, you explain that this is a result of a news report and then further conversations with persons at the PBO on this matter, so would it be possible for you to give us the names of the individuals at the PBO you spoke with?

A voice: PMO.

Mr. Phil McColeman: PMO, sorry. PMO, not PBO.

Mr. Ken Battle: Yes, sure.

Mr. Phil McColeman: Thank you so much.

Dr. Lee, I want to go to your presentation and the deck you provided, but there are two underlying questions. One is, and I think I know the answer but I want you to confirm it, that your research as a scientist, as a person who does proper statistical analysis, is it considered scientific in the sense of what people would say is proper science in academia?

• (1330)

Mr. Ian Lee: That's an interesting question. I'll be very straightforward. I pride myself in not manipulating. Some professors modify, massage the data. My little bit flippant phrase is, I photocopy the StatsCan data. It's a bit flippant, but I mean by that I don't massage it, I don't transform it, I don't manipulate it. The value added on my research is finding the data because drilling down into OECD and IMF, you could spend all day long for the rest of your life, and 10 lifetimes, doing it, I assure you, having done that.

If you're asking me, is the data absolutely sourced reliably from StatsCan or OECD, yes. Is the data reliable? Is StatsCan reliable, and OECD reliable? I believe they're the gold standard, as well as these other international bodies like the IEA or the WTO. My value added is in finding the data. There's a goldmine of data in these, and that's why I provide the full URL for every data source I find, so if anybody wants to challenge it they can go then and argue with OECD or IMF or StatsCan, and so forth.

Mr. Phil McColeman: In layman's terms, it's scientific evidence you've provided through your testimony today.

Further to that, I'm a resident, and I represent a riding in Ontario. This urban myth you talk about.... I was on a Chamber of Commerce panel locally, and this issue came up in questions about the Ontario pension plan being devised right now by the Liberal government of Ontario. When I presented the numbers—because I used some of your numbers that I had researched before going in—I used the 85% number, the 85% of people who are pension ready. They've prepared themselves for their retirement, and they're ready to go. You further subdivided that group down to about 7.5%.

It was not received by the person who had to defend the Ontario government's position on this matter as being at all reliable, and I wasn't asked where that information came from. I'm going to be pleased to provide him with this information you've provided today.

The question I want to ask is, can you give us your candid views on why this urban myth is being received and believed at the level it is in this country?

Mr. Ian Lee: I can provide you and the committee with those sources, by the way. I will tell you right off the top, it came from Hugh Mackenzie, it came from Professor Jack Mintz, in his published research, and it came from Professor Kevin Milligan at the University of British Columbia's Vancouver School of Economics, and that's just to name three. There are others who have done parallel research to verify that and to document it.

By the way, there is some debate. Some say it's 17%, and some say it's 13%, but it's somewhere between 13% and 20% of Canadians who are not yet retired and not yet pension ready. You can get into the definition of what pension ready means.

To answer your question, I think it's partly because some NGOs—and specifically CARP, and I've been on panels debating them—have raised this profile. It's a nice story, and historically it was true from the beginning of our country until the late 1960s. My late mother used to tell me all the time that the face of poverty in Canada was elderly. Today the face of poverty is not elders, it's young single mothers. It's not all single mothers, but about 20% of single mothers are poor. That's the face of poverty today. As I said, I've got the stats from StatsCan showing the wealth. The wealthiest cohort in this country are elders.

The Chair: Mr. McColeman, I'll have to stop you there.

Ms. O'Connell.

Ms. Jennifer O'Connell: Thank you very much, Mr. Chair.

I want to go back to Madam Bak about clean technology. One of my questions is going to be about some of the biggest hurdles in turning the technology, or having Canada as a leader in clean technology and in the economy in that way. You also mentioned financing throughout your testimony and even some of the questions.

Can you point to other countries where you think they're doing this quite well? I think a lot of countries are probably right now competing to be the leader in green technology. With the Paris Accord, countries needing to reduce their emissions, and things of that nature, I think everybody wants to be the leader that other countries are going to draw on.

Do you see financing as the major hurdle? I understand your points that were made. Can you point to other countries or ideas you think are leading in your opinion?

• (1335)

Ms. Céline Bak: Absolutely, thank you for the question.

I mentioned the idea of public backstopping through institutional mechanisms like CMHC for the recovering economy. That's a domain called blended finance. Blended finance is like what the World Bank does when it stands to take up the part of the risk the private sector will not take. In developing countries, the World Bank provides that mechanism, and there are countries that have for years done an excellent job at mitigating the part of the financing the private sector will not take up.

Examples of countries that do that really well are Germany, Japan, and to some extent the Netherlands. These are all countries that have institutional mechanisms. In Germany, there is the KfW, which is like a combination of CIDA, EDC, BDC, and what some people call a development finance institute. It brings all those things together, and it's one of the reasons why Germany is so successful as a major exporter of solar panels and other forms of clean technology.

Denmark is a country that has also realized that one of the specific characteristics of clean technologies is very high capital. Denmark has developed a program within its export credit agency, our equivalent of EDC, whereby it will backstop what the private sector will not be able to backstop.

Ms. Jennifer O'Connell: I'll follow up with Mr. Battle, as my colleague, Mr. Grewal, was trying to get to this question, and I'm very interested in your response. It's in regard to the submission you wrote regarding private pension plans that have not actually grown as significantly as in the past, and I think it's contrary testimony in terms of what we've heard and in terms of the security of people retiring with enough income.

Do you feel there is a need for an expansion of CPP, or is there some other coverage that you think should be looked at if you feel the coverage of employer-sponsored pensions is falling?

Mr. Ken Battle: That's a lot. I have just a couple of points.

One comes from my colleague, Professor Lee. Pension reform goes in waves. About every 10 years there is a push for pension reform, and then something moderate is usually done.

One of the proposals we made some years ago was for a seniors benefit. The idea here was that we would integrate existing seniors benefits into a single income-tested program, so it would be old age security, guaranteed income supplement, the age credit, and pension income credit. They would all be put together based on a measure of net income. Then you would have a very strong program that could adjust to changes in the economy. It's also a very fair program. Compared with the current one, it's simpler to operate.

Anyway, it didn't go anywhere, and that was the last big push for reform.

The other one we've called for at Caledon is a 50% increase in the CPP so that it would better meet the needs of seniors, especially middle-income seniors.

• (1340)

Ms. Jennifer O'Connell: Thank you.

The Chair: I think Mr. Liepert has one question, and then we'll go to business.

Mr. Ron Liepert: Thank you, Mr. Chair.

I have a fairly brief question predicated by a very brief comment to Professor Lee. I'd like to ask you some questions, but I'd be doing that for sheer political purposes only, because everything you said today is exactly what I said in my budget speech, including the real retirement and the fact that the old age security was not science based as this government....

My question is actually for Ms. Bak.

We've had several green outfits come before this committee that have made a statement that I want to pursue just very briefly. It's a blanket statement—sort of like “the sun comes up in the east”—that there's a \$3-billion annual subsidy provided to the fossil fuel industry. I see here in my favourite Google website that it says a subsidy is a sum of money granted by the government or a public body to assist an industry or business so that the price of a commodity or service may remain low or competitive.

Can you give me three or four examples of something that would fit that description that is in that statement you made today? Because if you can't give me examples, I'd like to know if that's something that is fair to continue to say. I'm not talking about tax incentives. I'm talking about exactly what Google says a subsidy is, a handout of government money to the oil industry.

So give me two or three examples.

Ms. Céline Bak: Well, sir, I have to say that the definition that is being used in this reference is a definition from the OECD. It's not from Google.

I have to take the OECD's as being perhaps the one that I would refer to. I can come back to you with other examples—

Mr. Ron Liepert: No, you made the statement that the fossil fuel

Ms. Céline Bak: It's the OECD's reference figure.

Mr. Ron Liepert: No, but if I'm going to make a statement, I think it's incumbent on me to be specific, if I'm asked the question on how I came up with it, and to give some examples. I can never get examples from organizations like yours that come here.

Ms. Céline Bak: The OECD agreed to a definition that I think did include fiscal measures, so those measures are the ones that are included, and I regret to say that they are not consistent with Google's definition.

The Chair: We will call it there and thank the witnesses for their presentations and information. Thank you very much.

We will immediately go to committee business, if we could.

I will first explain where we are at on committee business, if we could get everyone's attention. The clerk indicates whether we are going to fill all the time frames we agreed to on the witness list that we have provided. Given the rate of decline—people who can't come due to not enough time or other things—we would need about 20 additional witnesses, on the law of averages.

Do parties want to come up with more witnesses, or do we want to cancel one of those meetings, or do we want to bring in officials at one of those meetings?

Mr. MacKinnon, go ahead.

Mr. Steven MacKinnon: This is a point of clarification. When we broke the other day, there were officials here for a technical briefing, and we were left with four or five divisions of the act.

When was it envisaged that those officials would come?

The Chair: What we were planning on doing with officials... Now we know the minister is doing committee of the whole on the 30th, so we can't start the bill until after he is done. We were planning on meeting with the minister on the 30th from 3:30 to 4:30, and then we were going to come back to those officials.

If we so decided, due to the availability and the witness list, we could have those officials in another time slot and start clause-by-clause for an hour. I think we have to adjourn at 5:30 because people need some time to prepare for the session with the minister that night.

That would take an hour or an hour and a half in terms of a time slot.

• (1345)

Mr. Steven MacKinnon: I have one more question. I think we had envisaged meeting next week on Tuesday, Wednesday, and Thursday.

The Chair: Yes. I think the 17th and the 18th.... On Thursday is the Minister of National Revenue.

Mr. Steven MacKinnon: If everyone is agreeable, could we not bring those officials back, if it is convenient for them and all of us, to conclude the technical aspects of the bill, and as such dispense with that part of our examination, instead of doing it during or adjacent to the clause-by-clause examination?

The Chair: Go ahead, Mr. Liepert.

Mr. Ron Liepert: Have we actually confirmed more witnesses for any specific session yet?

The Chair: Yes, we have.

Mr. Ron Liepert: Can you tell us when those are?

The Chair: At the session on May 17 that is from 11:00 to 12:30, we have confirmed two and invited three others.

Mr. Ron Liepert: If we decided that this would be the extent of the witnesses, then we would have an hour and a half after that.

The Chair: Yes. Then, from 12:30 to 2:00 on the 17th, we have two invited in that time slot and have space for four more.

Mr. Ron Liepert: The 17th is effectively taken up with witnesses.

The Chair: Yes.

There are some who couldn't come this week, and they will be re-invited, so some of them may fill in on the 17th or the 18th.

Mr. Ron Liepert: It sounds to me that one way or the other you have that three-hour slot partially filled in each case and it will probably be filled so now we're talking Wednesday, May 18, from 3:30 to 6:30.

Mr. Steven MacKinnon: Assuming, if I'm reading this right, we're not going to invite another round of individuals, could we not do the officials during the Wednesday time slot, finish with the technical examination of the bill so that's out of the way prior to clause-by-clause, and then conclude with witnesses?

The Chair: Ms. Raitt.

Hon. Lisa Raitt: I wanted to follow up.

My question to officials on the child care benefit that we all wanted to get to the bottom of is a question about whether or not the adjusted family net income definition will include the child care benefit. I've done a little more research, Mr. Chair. We need to have Justice officials because they're in charge of the federal guidelines on child support payments, and that would be of the most benefit because they're the people who can answer the question for us.

I would submit that if officials are coming I would like somebody from Justice who understands the child care support benefit table.

Mr. Steven MacKinnon: I would endorse that too.

Hon. Lisa Raitt: Is that okay with you because otherwise we're going in circles?

The Chair: Yes. Among the officials we will ask for Justice officials who know that issue.

Hon. Lisa Raitt: That would be great.

The Chair: As soon as he knows that discussion.

Mr. Ron Liepert: Have we confirmed no witnesses are scheduled on the 18th?

The Chair: No witnesses are scheduled yet.

Mr. Ron Liepert: That would be the officials' three-hour day and then we could go clause-by-clause after that.

Mr. Steven MacKinnon: On Monday.

The Chair: If we use the 18th for officials, on the 19th we have the Minister of National Revenue and officials. Then on the 30th we have the Minister of Finance. So we could start clause-by-clause at 4:30. The other problem we're running into is on the 31st there's no room available at 10. We want to start at 10 and go until...the motion said 11 p.m. Since no room is available at 10, we have to start the meeting at 11. We can use that first hour on the 30th from 4:30 to 5:30 to start clause-by-clause.

Ms. Benson.

• (1350)

Ms. Sheri Benson (Saskatoon West, NDP): I want to ask a question about process and the order in which we're having people come. You said we're going to have the officials from government departments as witnesses and then they'll stay to be part of the clause-by-clause. Do you think that makes sense?

The Chair: When we go to clause-by-clause there will be legislative people here and officials as well. We already did hold one session with officials, but we didn't have enough time to go through the complete list. So we still have four or five groupings of officials to talk on the bill plus, as Ms. Raitt said, she'd like to see some Justice officials here who understand the implications of the Canada child benefit, especially as it relates to separation and divorce.

Mr. Ron Liepert: Can we approve what we've just discussed?

The Chair: I think we're—

Mr. Steven MacKinnon: So we can get a running start on clause-by-clause after the minister's appearance on the 30th. If it's okay with you folks and we get ahead of steam on the 30th why don't we go a little later?

The Chair: We can't on the 30th because that's the night of the committee of the whole that the ministers, the House, and people will need some time to prepare for. It starts at 7, right?

I think it's 7 till 11. Mr. Caron wanted time to prepare. We'll stay with the witness list we have and we'll continue to invite the ones on the list. We will bring in the officials on the 18th in the two time slots, and we'll start clause-by-clause following the minister's presentation on the 30th. We're agreed on that.

The meeting is adjourned.

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