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Chair

The Honourable Wayne Easter

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•(1530)

[English]

The Chair (Hon. Wayne Easter (Malpeque, Lib.)): The hearing this afternoon is what's commonly known as pre-budget consultations, pursuant to Standing Order 83.1, in advance of the 2017 budget.

I welcome the six witnesses with us in the first session this afternoon. As you've been informed, you have about five minutes. If you can hold it to five minutes, then we have plenty of time for questions. We have an hour and a half.

Starting, then, with the Business Council of Canada.

Mr. Kingston, welcome. The floor is yours.

Mr. Brian Kingston (Vice-President, International and Fiscal Issues, Business Council of Canada): The Business Council of Canada represents chief executives and entrepreneurs of 150 leading Canadian companies in all sectors and regions of the country. Our member companies employ 1.4 million citizens, account for more than half the value of the TSX, and contribute a larger share of federal corporate taxes, exports, corporate philanthropy, and private sector investments in R and D.

The Canadian economy is stuck in low gear. From 1960 to 2000, GDP growth averaged 3.7%. Since the start of the century, this pace has slowed markedly to 1.7%. Governor Poloz recently noted that Canada's growth of potential output is expected to be around 1.5% for the next number of years. In this environment, the federal government must do everything possible to increase Canadian competitiveness and grow the economy. With budget 2017, the government has an important opportunity to build on our country's economic strengths. We recommend taking the following four actions.

First, grow the economy through trade. Trade has long been a powerful engine for Canadian growth. The best way to spur the economy is to position Canada as one of the world's most open and global markets. The timely implementation of trade agreements with the European Union and the members of the TPP would give Canada preferential access to more than 60% of the global economy, nearly 90% of our country's existing export markets, and three of the world's four largest economies.

At the same time, Canada must continue to strengthen the North American marketplace. North American prosperity can be enhanced by modernizing borders through the adoption of data-driven traceability of goods, enhanced information-sharing in exchange

for more substantial benefits for trusted traders, and investments in much needed border infrastructure.

Canada should develop a comprehensive China strategy. Efforts to eliminate trade and investment barriers will give Canadian companies a competitive advantage in China, which is our second largest two-way trading partner.

According to a study that we recently produced by economists Laura Dawson and Dan Ciuriak, a Canada-China free trade deal would generate \$7.8 billion in additional economic activity within 15 years and support approximately 25,000 jobs.

Second, leverage infrastructure investments. A competitive economy requires world-class infrastructure to connect businesses to customers around the globe. We recommend the government prioritize projects that have a direct and measurable impact on the Canadian economy. This includes productivity and trade-enhancing projects, such as investments in ports, rail, roads, and airports. Given the important role the energy industry plays in the Canadian economy as a source of jobs and tax revenue, infrastructure that delivers resources to tidewater must be a top priority.

Given the government's vision for robust regulatory and consultative processes to precede approvals of major infrastructure projects, it is important that funding is adequate to the task and conditional upon these processes being completed in a timely fashion

Third, we need to foster innovation. A more innovative economy is critical to Canada's prosperity. There are a number of programs that should be aligned and coordinated under the government's innovation agenda. This includes programs to support the development of talent, policies that help businesses grow in Canada, and simplification of federal supports for business R and D.

Importantly, in some cases, the best thing the government can do is stay out of the way, allowing business owners to decide for themselves where and how to invest in new products and processes.

Fourth, we need comprehensive tax reform. A competitive tax system will strengthen Canada's ability to attract jobs and investment. After a decade of progress in reducing the tax burden on business investment, Canada has recently fallen behind in terms of tax competitiveness. In 2012, according to the global tax competitiveness report, our country had the 19th highest tax burden on new business investments among 34 OECD countries. By 2014, Canada had ranked in 14th place, in large measure because other countries had instituted significant reforms.

By simplifying and modernizing the tax code, Canada could spur new investments, promote job creation, and significantly reduce the cost to government of administering the tax system. We believe that the overarching objective of tax reform should be to reduce preferences, broaden the tax base, and lower rates to position Canada as a global investment destination.

Let me conclude by underlining that in this uncertain economic environment, prudent fiscal management can set Canada apart from other advanced economies and create a stable environment for business investment and job creation. While running deficits in the short term can stimulate growth, we recommend that the federal government set a goal of achieving a 25% debt-to-GDP ratio by 2021. Among other benefits, this will bolster the government's capacity to respond in the event of another serious downturn, while addressing long-term challenges such as Canada's aging population.

• (1535)

With that, I conclude, and am happy to answer any questions.

Thank you.

The Chair: Thanks very much, Mr. Kingston.

We're turning now to the Association of Canadian Financial Officers and Mr. Chamberlain.

Mr. Scott Chamberlain (Director of Labour Relations, General Counsel, Association of Canadian Financial Officers): Thank you.

Honourable members, today ACFO has provided you with the just-published policy paper outlining actions parliamentarians can take as leaders against tax exploitation.

Our members represent the core of the federal government's finance workforce. We understand how important collecting taxes is to our ability to deliver vital public services, and that fiscal responsibility requires both prudent spending and revenue collection.

Polls show that Canadians believe there are two sets of rules when it comes to paying tax: one for the rich, and one for the rest of us. Canadians work hard. We do our part for the community, and we expect our fellow Canadians to do the same. The government has shown the courage to stand up for the real engines of our economy: Canadians and our small businesses who pay their taxes and choose not to cheat the system.

There is no justification to dodge taxes. Our corporate tax rates are highly competitive. Canada has the second-lowest combined corporate tax rate in the G7, according to the OECD. Canada ranks ninth out of 189 countries for ease of paying taxes, according to the World Bank and a PricewaterhouseCoopers study from 2016. A

2016 KPMG study ranks Canada as the most competitive country for business globally, based in part on our low corporate tax rates and moderate labour costs.

In the 2016 budget, Canada committed to working with the OECD and its action plan on tax avoidance. We applaud the millions invested in the CRA and the thousands of new investigations and audits recently announced. We support complementary measures to collect tax from digital service providers, to enhance country-by-country reporting, and to champion international tax reform at the UN as well as the OECD.

However, we cannot rely solely on enhancing the OECD process, relying on large-scale data leaks, audits, and litigation. We also need proactive methods that deter tax exploitation before it occurs, such as mandatory vetting of tax-planning products, required reporting of potential tax dodging, a beneficial ownership registry, and significant fines for non-compliance. Let me expand on these four examples.

The individuals and companies engaged in tax dodging have one thing in common: they all use professional facilitators to profit from and exploit legal grey areas. These lawyers, accountants, and financial professionals find ways to bend rules to gain advantages that Parliament never intended.

As a lawyer who represents thousands of chartered accountants, I find the role of these facilitators particularly concerning. Between what we commonly call tax avoidance and tax evasion lies a vast and layered wasteland of secrecy that we label tax exploitation.

You can place reasonable limits on this exploitation by requiring that all tax-planning products be registered and vetted before facilitators are authorized to market them to their clients, as is the case presently in the U.S.; and by legislating a positive duty on facilitators to confidentially report suspected tax abuse to law enforcement, as is the case in the U.K.

Canada must recognize and address our role in global tax dodging. Apparently, we are a great place to set up an anonymous shell company. Mossack Fonseca marketed Canada to its clients in precisely this way. A primary purpose of these shell companies is to obscure the truth of ownership and the truth of economic activity of these companies. They facilitate money laundering, terrorism, criminal corruption, and tax exploitation.

The federal government must work with the provinces to ensure that all companies in Canada are required to disclose beneficial ownership in a single unified national registry that's open to the public, as is the case in the U.K.

The current system clearly does not deter tax exploitation. In fact, it encourages facilitators profiteering while passing the entire risk and cost of non-compliance to their clients. Facilitators who fail to comply with these simple transparency measures should face fines equal to the tax avoided, as is currently being proposed in the U.K.

Our proposals provide a real deterrent to tax exploitation. They provide effective consumer protection to clients of the tax industry. They secure public revenue. And they significantly reduce the costs associated with the reactive litigation-based system we currently have in place.

The gaps in our tax law provide a large benefit to a small number of Canadians, which is both fiscally irresponsible and erosive to public services.

• (1540)

All Canadians need to pull their weight and play by the rules if we're going to deliver on this government's agenda of infrastructure investment, reconciliation with our indigenous people, pay equity, growing the middle class, and supporting sustainable economic growth.

The Chair: Scott, you're going to have to try and sum up in about a minute if you can.

Mr. Scott Chamberlain: Joseph Pulitzer once said:

There is not a crime, there is not a dodge, there is not a trick, there is not a swindle, there is not a vice which does not live by secrecy.

The same could equally be said about tax exploitation. It's time to inject some transparency and honesty into the tax planning industry. Before we start talking about raising taxes, let's collect the ones that are owed.

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

Turning to Imagine Canada, Mr. Emmett. The floor is yours.

• (1545)

Mr. Brian Emmett (Chief Economist, Canada's Charitable and Nonprofit Sector, Imagine Canada): Thank you, Mr. Chairman. I would also like to thank the members of the committee for inviting Imagine Canada to testify today on behalf of the charitable and non-profit sector.

[Translation]

In its invitation, the committee was careful to stress the importance of an equitable, inclusive and sustainable economy that better serves traditionally disadvantaged people and communities.

Charitable and not-for-profit organizations are in the best position to encourage and advance this kind of intelligent growth agenda.

[English]

Charities and non-profits make an enormous economic and social contribution to Canada. We employ more than two million people in every community across the country, and we account for about 8% of GDP.

By their nature as mission-oriented organizations, they are specialists in equity, inclusion, and respect for the natural environment. Despite our social missions, charities are not immune to the fundamental economic, societal, and demographic shifts that are now posing new challenges to all sectors. Indeed, these will probably have a disproportionate effect on our sector.

The aging population, the imminent retirement of the baby boomer generation, the emphasis on immigration to meet labour market needs, and forecasts of lower long-term economic growth all present unique challenges to charities and non-profits. Demand for the services we provide will continue to rise, we believe, while current financing models mean static or declining resources.

Charities and non-profits have always been creative and nimble in finding ways to generate impact from scarcity, but without a fundamental rethinking of the environment in which we operate, our long-term ability to meet coming demands is in question.

[Translation]

In the brief we submitted to the committee, we explained some of the components that should be part of this review, components that are the foundation of a renewed relationship with the federal government.

[English]

First of all, we are encountering more and more conflicts between the desire by charities and non-profits to explore innovative financial models and generate new opportunities, and a regulatory regime dating back to the reign of Queen Elizabeth I.

We are encouraged that the government in its ministerial mandate letters committed to examining and reforming the legal and regulatory framework under which we operate, but if we are going to contemplate root and branch reform of the system that despite its flaws is familiar to us, we need to ensure that we get this process right.

For the most part, charities and non-profits have not had the capacity to give a great deal of thought or analysis to potential reforms on this broad scale. Getting things right will require federal investment, so that issues and options can be thoroughly identified and examined. This means not just consultations, but building the capacity of those organizations whose future is at stake.

There are shorter-term steps that can be taken to strengthen relationships and promote the smart use of resources. We are encouraged by the emphasis the government has put on good data, collecting it, and seeing it used in decision-making. Our current understanding of the scope and contributions of charities and non-profits is limited by out-of-date data. Statistics Canada no longer produces data about the sector, and decisions are being made based on information that's almost two decades old. This would be unthinkable in any other sector, and we believe restoring data collection should be a priority.

We also want to work with government to identify ways to improve the ability of organizations to use data, to innovate, and to have a greater impact. We need to make sure they have the tools to do so.

Finally, as much as charities and non-profits are working to diversify their incomes, they remain important partners in the delivery of government services. Numerous reports have recommended reforms to the grant and contribution process, and the Department of Canadian Heritage recently announced a series of reforms that we applaud. We would like to see these reforms adopted by all federal departments and agencies.

• (1550)

In conclusion, the committee's call for recommendations recognizes that quality of life depends not just on growth, but the quality of growth, on more than the dollars measured by GDP. The reasons Canada ranks highly in measures of quality of life, published by the UN or the ranking of cities published by *The Economist*, and more highly than countries that have higher levels of gross domestic product, are that the indices used include measures of equity, inclusion, and environmental quality. Canada has a vibrant and growing charitable and non-profit sector increasingly contributing in all these areas. The challenge in the future will be to create a framework that allows charities and non-profits to contribute to a high and increasing quality of life for all Canadians. That is the smart growth.

We look forward to working in partnership with the federal government to achieve this goal.

Thanks very much, Mr. Chairman.

The Chair: Thank you.

We will turn to the Canadian Federation of Independent Business, Ms. Moreau.

Ms. Monique Moreau (Director, National Affairs, Canadian Federation of Independent Business): Thank you for the opportunity to be here today to share CFIB's perspective on these pre-budget consultations.

You should have a slide presentation in front of you, which I'd like to walk you through in the next few minutes.

CFIB is a not-for-profit, non-partisan organization, representing more than 109,000 small-business owners across Canada, who collectively employ more than 1.25 million Canadians and account for \$75 billion or nearly half of Canada's GDP. Our members represent all sectors of the economy and are found in every region of the country.

As you may be aware, CFIB takes its direction solely from our members through a variety of surveys. Today I'll be sharing with you some results from our pre-budget survey. I note that these are preliminary results as the survey is still in the field, but we'll be publishing our more detailed pre-budget submission once the survey is closed.

One of the surveys we do is called the business barometer. Every month we ask our members how they think their business is going to be doing in a year from now: better, worse or staying the same. The results of this survey give us an index. On slide 3, hot off the presses as of this morning, is our September business barometer, which shows small business optimism drifted slightly lower this month, to 59. The latest findings suggest economic conditions are stable, but weak. The index has been sitting between 58 and 60 for the last six months, but we'd like to see it between 65 and 70 when the economy is growing at its full potential.

We also survey our members to get a sense of what their high-priority issues are. They've identified the total tax burden, followed by government debt and deficit, and government regulation and paper burden, also known as red tape, as their top three priority issues.

So we have a sense of how confident business owners are about their own business and what their priorities are. We also asked our members how confident they are that the federal government has a vision to support them in this period of relative economic instability. Confidence levels are not that high, with 78% of business owners saying they're not confident the federal government has a vision that includes them. We have some ideas as to how the government can help build small business confidence by creating an environment where they can innovate, create jobs, and help grow the economy.

The first of these ideas to help SMEs strengthen their business performances is on slide 6. As you can see, for 86% of our members, the measure that would be the most effective would be to reduce the federal small business corporate income tax rate from 10.5% to 9%. This is our number one ask of your budget for 2017.

Our members know that today's deficits are often tomorrow's taxes, and two-thirds of our members feel that balancing the budget in the next few years would also be helpful.

On the same chart you'll see that 85% of our members feel strongly that a lower EI premium rate for small business would help their business performance. If you look at slide 7, you'll see why.

Payroll taxes are one of the biggest disincentives to hiring and growing a business because they are profit insensitive. You have to pay them whether you make any money that year or not. We were pleased to see that EI rates announced earlier this month are coming down, but unfortunately, due to the fact that the small business job credit, which many SMEs had access to, has not been renewed for 2017, many small-business owners' rates are actually going to go up by 4¢. This is why we suggest the government introduce a permanent lower EI rate for SMEs. There are good reasons for having a lower EI rate for small business: they are more labour-intensive than larger business and, as such, they feel labour changes that much more acutely.

Our members are also very supportive of having a form of rebate for hiring youth. In our recent EI report, 80% of our members were in favour of this credit. Small businesses are often the first employers of youth in this country and they spend a lot of time training them, both formally and informally. This explains the significant support for this credit.

We know the government is looking to increase CPP premiums in the coming months. In order to offset the biggest payroll tax that small businesses pay, we encourage you to consider other alternatives to ease the burden to the SME community.

We know that innovation is a priority for this government, and we'll be publishing in the coming weeks a report that challenges the notion that SMEs don't innovate. Our research shows good news: 80% of SMEs report they've been innovative in their business in the last five years. One of the key challenges they face when creating or improving their products, services, or processes is not accessing government grants, but rather it is the shortage of skilled labour. This was identified by nearly half of business owners as a barrier to innovation, followed by government red tape. We encourage the government to consider ways to increase access to skilled labour for business owners and, for those who need it, smooth out access to the temporary foreign worker program.

SMEs are often faced with the difficult choice of complying with government red tape or being able to have the time and money to undertake innovative work. We recommend that the government consider the creation of an innovation lens when implementing new regulations, policies, and taxes to ensure that they do not negatively impact a firm's ability to innovate. This lens would ensure that SMEs won't have to choose between being compliant and being innovative.

• (1555)

To sum up, on slide 9, you'll see our list of recommendations for budget 2017. We look forward to collaborating with the federal government to continue the good work that small businesses do to innovate, create jobs, and invest in the economy.

I look forward to answering your questions.

[Translation]

Please note that I can also answer your questions in French.

Thank you.

[English]

The Chair: Thank you very much, Ms. Moreau.

Turning to the Inter-provincial EI Working Group, Ms. Ritchie.

Welcome.

Ms. Laurell Ritchie (Co-chair, Inter-Provincial EI Working Group): Thank you for the welcome and for the invitation.

The Inter-Provincial EI Working Group was formed in 2013, initially with coalitions in New Brunswick and P.E.I., Quebec common front groups, and the Good Jobs for All coalition in Toronto.

We developed a joint statement on principles and EI reforms, and now more than 100 organizations from coast to coast have signed that statement. Earlier this year, we also wrote to the Prime Minister and others in government with respect to EI reforms and the need for stimulus spending in that budget.

We believe we need to rebuild our EI social insurance system. The health of EI and that insurance system is vital to the larger economy and not individuals alone. As an earlier federal study found, EI is the "single most powerful automatic stabilizer", reducing both GDP and job losses by up to 14% during recessions.

Much of that earlier capacity, though, has been lost, with only about four in 10 of the unemployed now receiving EI benefits after years of repeated cutbacks. The most recent StatsCan figures for July show an EI reciprocity rate of 42.9%, or 43% roughly, among the unemployed in Canada. That's pretty much where it's been for a long time. In Canada's three largest urban centres, it's much less: Montreal 31.6%, Vancouver 20.5%, Toronto 20.3%. The lowest in each of those last cases has only one in five of the unemployed getting EI.

We know that there are a number of reasons for that: the growth in long-term unemployment; precarious part-time, temporary, and non-full-year jobs; self-employment issues with the issuing of records of employment; and the failure to apply. In any event, the fact remains that there were much higher reciprocity rates, 70% to 80%, before the last big overhaul of EI in 1996. We need to get a grip on the modern labour market so that EI can properly respond to it.

We appreciate that the government has made some significant improvements, including the elimination of the 910 rule and the forthcoming one-week waiting period. On some other changes, the jury is still out because the implementation has not yet been specified. In general, we view these as the down payment on the changes that are really needed.

It perhaps goes without saying that we support a new emphasis on full employment policies in the federal arena. That includes a lot more attention to the issue of underemployment. This will also serve as part of an equity agenda given the preponderance of women, racialized workers, aboriginal workers, those with disabilities, new immigrants, and young workers in the precarious job market.

Specifically with respect to EI, we have five key recommendations. I won't go into them at length right now. Number one, we want to see the government fast-track the review of EI in a changing labour market, the one that was promised in last year's election. We need to repair one of the most obvious problems with EI, and that is the issue of access. We think that is going to have to necessarily involve reforms with both the EI variable entrance requirements and the EI hours system.

We recommend a 360-hour standard requirement for a basic entry-level claim. There's no legitimate reason for a different number being required, whether you're in Laval or Saskatoon. We hope, come the end of the year, that the government will start to move in that direction by restoring a single EI economic region in P.E.I. and the three territories. As for the EI hours system, it is currently based on a 35-hour work week. It's been a long time since paid employees had an average 35-hour work week. It is now hovering around 30 hours, even less in the service sector, which is where most people work. In the retail sector, the largest sector of all, it is 27.5 hours. We need to revamp that hours system.

•(1600)

Second, we need to see benefit rates at 55% of normal earnings increased. It not only creates hardships for families, but it undermines the role of social insurance to act as an automatic stabilizer.

Third, we want to see EI better help workers to develop their skills and retrain. That goes, of course, to say that we need money put into labour market development agreements, but it also means that we need to get ahead of emerging industry and labour market transformations that are happening due to climate change, tech change, and Canada's further commitment to a low-carbon economy. Sometimes this is called just transitions. We—

The Chair: Laurell, can I get you to sum up fairly quickly?

Ms. Laurell Ritchie: Okay. In this respect, we recommend an EI training benefit. We used to have that. In the eighties, you could get maintenance benefits for up to two years if you were in approved training.

Fourth, with the new report coming out any day now on the quality of services in Service Canada, we recommend that when those recommendations come, you expedite their implementation.

Finally, as to financing, we still seek an independent EI account and recommend that the government start contributing again to EI, as it once did, as part of tripartite contributions. After a decade and a half of siphoning off billions by successive governments, it's time to put back in.

The Chair: Thank you, Laurell.

Mr. Cadieux, go ahead.

[*Translation*]

Mr. Pierre Cadieux (Vice President, Federal and Quebec Governmental Relations, Restaurants Canada): Good morning, Mr. Chair and members of the committee.

My name is Pierre Cadieux. I am the Vice President of Restaurants Canada for federal and Quebec government relations.

As part of this 2017 pre-budget consultation, it is my pleasure to speak on behalf of my association and answer your questions.

In doing this, I was to have been accompanied by my colleague Joyce Reynolds, Executive Vice President, Government Affairs. However, her flight from Toronto was cancelled.

[*English*]

In these brief introductory remarks, I would like to remind the honourable members about the importance of the restaurant and food service industry to Canada's economy.

Here are some key facts and figures I wish to bring to your attention.

As an industry, we are an integral part of every community, with 94,000 restaurants, bars, and caterers across the country. We account for \$75 billion in annual sales, which represents 4% of our country's gross domestic product. We employ 1.2 million Canadians, which is 6.9% of the country's workforce. An additional 283,000 indirect jobs are supported by us in related industries. We purchase \$25 billion in food and beverage products every year. There are 18 million visits to restaurants every day by Canadians.

Our industry is the source of first jobs for many Canadians. In fact, one in five young people between the ages of 15 and 24 is employed in our industry, and 22% of Canadians found their first job in our industry, which is the highest of any industry.

We also give back to communities, and we support many fundraising drives. In 2011, our industry contributed \$277 million to various charities.

•(1605)

[*Translation*]

These few figures underline the importance of our industry having good relations and a solid partnership with the government of Canada, so that we can continue to create even more jobs.

In our pre-budget submission, we explained our issues and the opportunities for collaboration. We also presented an overview of our expectations and our concerns. Because we are a major employer, workforce issues are in the forefront.

We also want to tell the government that we support it, particularly in initiatives like the Prime Minister's initiatives relating to youth and the renewal of the federal tourism strategy, of which the unique and diverse culinary experience is an integral part.

[English]

Another area in which we intend to collaborate further, particularly with the Department of Finance, is in the area of credit card fees that our industry is unfairly burdened with. Since we submitted our brief, the Minister of Finance has announced a review of the voluntary fee reduction commitments by Visa and MasterCard. Although the government acknowledged the independent audit findings, and both companies met their voluntary commitments, the government has agreed to undertake a further review and assessment of the marketplace.

Restaurants Canada is particularly pleased that this assessment will include approaches in other jurisdictions, since Canada's interchange fees are up to five times higher than the fees in countries that have interchange fee caps in place. Restaurants Canada will be there to provide the industry's perspective and support in those consultations.

In our brief, we've identified opportunities for job creation in our industry by removing obstacles to growth. Let us remind the honourable members, in closing our opening remarks, of three such examples.

With interprovincial non-tariff barriers on alcohol, federal and provincial governments must consider the food service industry as much as individual consumers or customers when studying the commerce of alcohol. Freer interprovincial trade will lead to more competitively priced products, which would be a win for our customers and operators across the country.

For the reduction of the small and medium-sized business corporate tax rate, we asked the federal government to lower the tax rate from the existing 10.5% to 9%. This would have an immediate beneficial investment impact to maintain and grow employment as members invest in the future growth of their operations.

Finally, we asked that the government fulfill its campaign promise, as part of its youth strategy, for an employment insurance youth job credit or other payroll tax relief targeted to youth employment. As you know, we're a major source of first jobs for youth. By collaborating more closely with our industry to hire more youth by having fiscal incentives and tax credits, we can generate immediate impacts in youth job creation across the country.

This concludes our opening remarks. I look forward to your questions.

The Chair: Thank you very much, Mr. Cadieux. I run into Liam Dolan a lot, so he is on your case.

Turning to questions, five-minute rounds, Mr. Grewal.

Mr. Raj Grewal (Brampton East, Lib.): Thank you, Mr. Chair.

Thank you to the witnesses for coming today. We appreciate it. In all of your briefs, one of your recommendations was a synergistic recommendation from everybody: less government regulation. I think I couldn't agree with you more.

Anybody can jump in and answer this question.

If there's one piece of regulation you could change that would help your members out the most, what would it be, and could you give a real-life example of how that's helping to grow the business? I've been elected to this place for about one year and everybody says "less government regulation", but few people provide me with concrete examples. For example, on the immigration side, the temporary foreign workers program is a concrete example of how a better program implemented by the government would help those businesses succeed. Can you please give a real-life example of how your member organizations would benefit from something like that? I would be interested to hear what Mrs. Moreau has to say.

• (1610)

Ms. Monique Moreau: Thank you. I'll start, perhaps.

It's a twofold problem. Getting after the low-hanging fruit of these concrete one-offs is one way to get at solving red tape. We've heard about interprovincial trade issues. One of my favourite examples of the inanity of our country sometimes is the fact that those small creamers that you put in your coffee are different sizes across the country. One is 14 millilitres and another is 16 millilitres. If you're trying to produce those, then you have to produce different sizes if you want to produce them and send them interprovincially. It doesn't make any sense. There's no reason for that.

When reducing red tape and taking it from the 30,000-foot level, you have to be able to measure what you manage. That's why our suggestion is to start by counting the obligations that are on business owners right now to comply, which they want to do.

We're setting aside anything to do with health and safety. Those obviously are there for good reasons.

For other regulations and legislation that are in place right now, which have not been thought through as to what the impact is on the business owner, let's start by counting them so that we can reduce through things like the one-for-one rule. In B.C., they did the two-for-one rule to bring regulations down and ask officials in government to look at where we can eliminate. That's one aspect.

The second aspect is to report and be transparent about that behaviour and what government ideas they're putting forward to be able to reduce red tape.

We recommend you work with industry. We have lots of ideas that we could give you on the low-hanging fruit. We've done lots of research as an organization about the monetary impact on businesses in Canada, from both the consumer and the citizen perspective compared to the U.S. There's a lot of research I can provide the committee with after, if you're interested. We certainly are looking forward to being a partner in this with the government and trying to get out of the way, so to speak, in a collaborative manner.

The Chair: Go ahead, Mr. Kingston.

Mr. Brian Kingston: I focused a lot of my presentation on trade. There is area of regulation that inhibits Canada's ability to take advantage of trade agreements, the supply management system in Canada's dairy sector. Canadian dairy producers are not able to export because of our supply management system. I think there are many examples of countries, for example, Australia and New Zealand, that have been exporting dairy products—particularly to China and other high-growth Asian markets—and they've been very successful in doing so. I think it's a shame that Canada produces such excellent dairy products—you just have to drive 10 minutes outside of Ottawa to find artisan cheeses and so on—yet we can't export them. It boggles the mind. On top of that, they also cost consumers significantly more. I think that's an area where you could reduce the regulation and Canada would succeed as a result.

The Chair: Mr. Grewal.

Mr. Raj Grewal: Mr. Chamberlain, my next question is for you.

I couldn't agree with you more, that it's all about tax fairness and that the discussion on increasing or decreasing taxes should take a back seat to collecting the taxes that are already owed. You'll be happy to know that this committee just completed its study of the CRA on tax evasion and tax avoidance, and the report will be published soon.

One of your recommendations was ensuring that tax products out there be registered. Can you elaborate a little bit on what you envision that being?

Mr. Scott Chamberlain: The way the system works now is that facilitators develop and market tax-planning products to prospective clients, implement them, and hope that they're compliant. As it turns out, as we've seen, what ends up happening in some of these cases is that years later these tax-planning products, which are otherwise secret, come to light through a leak or a whistleblower, and the system has to engage in a very costly process of, essentially, litigation. If a tax product is registered in advance and vetted to, say, see if it complied with the GAAR or something of that nature, then there would be no risk to that client. If it's approved in advance—it could even be done in a confidential way—the tax-planning products can be put in place, clients can optimize their tax, and the government isn't short tax that's owed. It's in place in the United States already. It's one of the recommendations that the OECD has made as part of the BEPS action plan.

•(1615)

The Chair: Okay, we'll cut you off there.

Go ahead, Mr. McColeman.

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

Thank you, witnesses.

On slide 5, I think it's quite a telling survey result that you've got: 78% of small and medium-sized businesses aren't sure the federal government has a vision to support them or entrepreneurship. Over the course of the summer, my colleague and I did several small business round tables across the country, and this is the exact result, anecdotally, that you've put data towards. This is exactly the uncertainty of the environment that they're in right now.

Let's talk about specifics, reducing the corporate tax rate to the promised 9%—the election promise by the current government to reduce it to 9% and it having backed away from that. How important is that? It's CFIB's number one. It's also mentioned, I think, by Mr. Kingston in his remarks, and we heard it yesterday from a number of the witnesses.

More specifically, how much is this standing in the way of growing jobs in this country? Small-business people are the primary employers, on the largest scale of any other group, by far. How much hindrance is this to hiring? If you can, even anecdotally, tell us how many jobs you think might have been lost because the business tax rate has not been reduced.

Ms. Monique Moreau: As we mentioned in our presentation and our pre-budget submission, reducing taxes for business owners is their number one priority; that's what, as members of our organization, they identified through our surveys. Whether that's the corporate income tax rate or payroll taxes, they want to be able to hire and grow their businesses, and they've identified those as the top issues of concern for them.

The reduction to the small business tax rate was promised in an election platform, and we anticipated seeing the legislated reduction. That was, as we understand, put on pause for now. We're looking forward, now that the government has had a chance to have a year under its belt, to perhaps some of the other ways to support small-business owners.

With respect to your question about jobs, I couldn't wager a guess at this point. Unfortunately, our research comes from what our members tell us. We haven't gotten that econometric modelling capacity in place on that particular issue. However, if there are other sources, we'd be willing to look at those.

Mr. Phil McColeman: Mr. Kingston, are there any comments from you on this one?

Mr. Brian Kingston: We have a bit of a divergent view on tax and the small business deduction. We've been calling for the government to unify the general corporate tax rate and the small business rate—as has been done in the U.K.—as part of a broader tax reform package. We don't think it makes sense to have a two-tier tax rate for small businesses and large businesses, and that it's a hindrance to growth. We would like to see a comprehensive reform with a lower, more competitive general rate for all businesses.

Mr. Phil McColeman: Okay, let's talk quickly about government debt and deficit. There were some decisions made in the last budget to triple the size of the debt versus what this government campaigned on and take it to, I think, over \$100 billion over four years with no plan of bringing it back to balance. At least they said there was a plan at the start, and then they threw that out the window. That said, how important is it for business and for Canadians, in general, to know there is a plan to pay back the borrowed money that is happening right now through the federal government? How important is that to business confidence and the business investment environment?

Mr. Kingston, would you like to take a run at that?

Mr. Brian Kingston: Thank you. It's very important. We've been calling for some time for the government to establish a fiscal anchor, whether it be balancing by a certain date or targeting a particular debt-to-GDP ratio by a certain time. We think it's critical to business certainty to have something that is keeping the discipline on federal spending. I don't know if you've had a chance to review the PBO "Fiscal Sustainability Report", but Canada faces significant long-term fiscal challenges associated with an aging population and rising health care costs. We need to be careful about the amount of debt we take on because we will be faced with those significant expenses over the next 50 years.

• (1620)

Mr. Phil McColeman: I'd like to make another comment, because I know I'm going to be running out of time. If deficit spending were to have been proven as the way to grow the economy, then Ontario should just be humming right now. Look at what's happening in Ontario with the amount of debt and spending that's gone on there.

Would any other of you like to agree or disagree with that?

The Chair: A quick answer because he is out of time.

Ms. Monique Moreau: I think at this stage our members have not identified runaway spending as a priority for them for making sure spending is in place. Our preliminary results have shown that they appreciate infrastructure investment spending. Up to 40% of our members have identified that as something that might be stimulating to the economy, and they understand that. They want to see a plan to return to balance, and that's what they will be looking for in the short term over the next three to five years.

The Chair: Mr. Caron.

[*Translation*]

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

I would like to start by speaking briefly to the issue of supply management.

Mr. Kingston, you said that the Australian and New Zealand examples were quite fantastic. If we look at the facts, however, we see that the situation for producers in Australia is so disastrous that the government of that country has had to promise \$555 million in subsidies, more than a half billion Australian dollars, to enable the industry and producers to catch up.

Let us talk about prices. Since deregulation, the prices of dairy products and milk in New Zealand and the prices of eggs in Australia

have been higher than in Canada. When we look at American prices, the ones we compare ourselves to most of the time, the reason they are lower is that the products are heavily subsidized, which is not the case here in Canada.

So we have to include some specifics in talking about this. People always cite a lot of things that are presented as revealed truth. The fact is that the supply management system has enabled us to retain a number of small producers and to improve their productivity and has prevented vertical regression, which is ultimately not to the benefit of producers because it concentrates production in too few hands.

I would like to put my first question to Ms. Moreau and Mr. Cadieux. In fact, I am going to play devil's advocate on the question of small business tax rates. This is a question that was addressed quickly.

You are aiming for a reduction of the current rate from 10.5% to 9%. It is regularly argued, and Mr. Kingston also mentioned this, that reducing income taxes for small businesses is a hindrance to their growth and innovation.

How do you reply to that argument, which is often made?

Ms. Monique Moreau: Thank you for the question.

I am going to send the committee the research that shows, using Statistics Canada data, that we are talking about zero to \$500,000 in the case of most small and medium-sized businesses. In addition, the curve descends gradually. Very few businesses achieve \$499,000. They decide not to opt for growth because of this tax rate.

For the vast majority of Canadian businesses, the amount is lower than \$200,000. I can send the committee the statistics. It is our opinion that for entrepreneurs, it is not a hindrance to growth. If that were the case, we would instead see a curve that went up to \$500,000 and then went back down.

Mr. Guy Caron: Mr. Cadieux, you have the floor.

Mr. Pierre Cadieux : Thank you.

I agree with what Ms. Moreau just said. You also have to understand that our industry is largely composed of small and medium-sized businesses. We are talking about franchises and small businesses. The profit margins are extremely narrow, from 3 to 4%.

Some situations relating to prices affect us constantly. If the government allowed us to have predictable stability when it comes to taxes over the next four years, clearly that would help us. This is one of the factors in the Rubik's cube that we are trying to put together. What we are trying to do is lighten the tax load so we can improve revenue.

That being said, we want to be clear: what makes our economy grow is a set of factors and not just one, like this one. We are going through a period when the economy is growing extremely slowly and interest rates are very low. We think it has much more to do with families' disposable income. Disposable income is the deciding factor in whether or not people go to a restaurant.

•(1625)

Mr. Guy Caron: I am sorry, but I have only a very little time left, so I will now go to Ms. Ritchie.

You talked about accessibility. Other organizations, particularly business organizations, have said they want to see premiums reduced. Once again, I am playing devil's advocate, but the argument is that reducing premiums would allow for job creation, while increasing premiums and making employment insurance more accessible would increase dependence on the program among unemployed people.

What is your position on this subject?

[English]

Ms. Laurell Ritchie: Our concern would be that there has already been a number or series over recent years of...in some cases premium holidays, and in some cases premium reductions. We too believe in evidence-based decision-making, and we don't think there has been any study, any solid data, that demonstrates these two things go hand in hand as stated.

The Chair: Mr. Sorbara.

Mr. Francesco Sorbara (Vaughan—Woodbridge, Lib.): Thank you, and good afternoon everybody.

Mr. Kingston, welcome.

Welcome to everyone, but let me start with Mr. Kingston.

You laid out your four points on what the Business Council would like to see our government move forward on, and I can check off all four points.

You look at our infrastructure plan from our platform, and you see \$120 billion over 10 years. You look at trade liberalization, and you see our work to complete the CETA. There was our recent agreement with the Chinese government on canola. I think we need to highlight that. You look at what we're doing on our innovation agenda. On comprehensive tax reform, there is the removal of inefficient tax credits and the working group on that. I say to myself, well, I think we're on the right track.

I definitely think we're on the right track. We're facing a lot of headwinds globally that are impacting the Canadian economy, but our platform and our policies are the right things. Even our investment infrastructure to run moderate deficits over a short- to medium-term period of three to five years and then to get back into balance is exactly what is being called for by the OECD, by Christine Lagarde, by Bank of Canada governors—past and present and future, whenever that happens—by former federal reserve chairpersons. I think we are definitely on the right track.

There's one thing you didn't mention, which I'd like to hear from you about, and also from the Restaurant Association and the CFIB. It is on the issue of labour, skilled labour and unskilled labour. We had StatsCan this week report that the Canadian population grew by the most...both on an absolute level and percentage basis in over a decade.

What are we missing in terms of the labour component to be sure that we have the labour force ready to take those jobs and move our economy forward?

Mr. Brian Kingston: I didn't mention labour, but that does not mean it's not a priority. We actually have an initiative called the business/higher education roundtable, which was just launched. The purpose of it is to improve work-integrated learning to help more students transition from school into careers immediately.

Anything that the government can do to help support that would be critical, and it's very important for us. I'd be happy to provide you with more details on that.

Mr. Francesco Sorbara: Mr. Cadieux, could you address the immigration issue, the labour issue, please?

Mr. Pierre Cadieux: Thank you, Mr. Sorbara.

On the immigration side, we like the approach of the immigration minister that is focusing on higher-educated, entrepreneur-type individuals. At the same time, you need the service support when you have these high-income individuals. They generate a lot of services around them, amongst them are restaurants. When you have an immigration policy, you need to have at least 1.5, let's say, of a blue-collar-type workforce to support that white-collar workforce. We want the government to be cognizant of that.

On the temporary foreign worker side, when the economy overheats, we have issues getting skilled workers because we are a low-wage industry. We've made recommendations. We know that the TFW report is now being considered by government and it will react in due course along those lines.

Those are my initial comments.

•(1630)

The Chair: Thank you.

Mr. Sorbara, you have time for a quick one.

Mr. Francesco Sorbara: Mr. Chamberlain, in terms of issues with tax avoidance, tax evasion—a very important issue—there is a study going on right now that CRA has undertaken with regard to the methodologies used to estimate the tax gap and so forth. As my colleague mentioned, we just finished a comprehensive study on it.

Out of the recommendations that you've brought forward, can you list your top two that we can think about for the rest of the afternoon and as we move forward?

Mr. Scott Chamberlain: If I had to list our top two, it would be a registry for tax planning products, quite clearly, and a registry for beneficial ownership, to pierce the veil of secrecy that allows these anonymous shell companies to obscure their economic activity and their true beneficial ownership.

The Chair: Thank you.

Mr. Aboultaif.

Mr. Ziad Aboultaif (Edmonton Manning, CPC): Thank you very much.

I'm a small business owner, by the way. I owned three restaurants in the industry. Regrettably, I never made any money out of it.

I'm looking at the CFIB charts, at those numbers. I see of the policies that you were suggesting, none of them were introduced in the 2016 budget, and we don't know how the 2017.... Hopefully, 2017 will regard some of these things, which are very logical for any business...freezing CPP. Right now we're facing a huge increase on the CPP.

There is the EI premium, which is another big factor. Again, I'm a business owner and I know what impact these can have. There is the promise to at least balance the budget. All of these things that you've addressed here would help small businesses to prosper.

If we have healthy small businesses in the country, then we can start talking about job creation, which in reality the 2016 budget did not touch on in any logical way...even proven formulas that can tell us where we're going from this point.

I would like to affirm with you on that, and could you elaborate on the CPP effect on the growth of small businesses?

Ms. Monique Moreau: We've been polling our members on this issue for quite some time. This notion of increasing CPP premiums has come up again and again. It's the biggest payroll tax that our members pay. We understand that for the employees it's deferred income, but business owners feel as though they don't get this money back. It's not deferred income for them. They have no choice but to pay it. They have to pay it even if they don't make any money that year, as long as they have employees. For them, that makes it a tax.

We know that 80% of our members will see an impact on their business, whether it's having to reduce hiring plans, or freezing or cutting wages. We know that the impact of this increase will be significant for them. That's why we're asking for alternate support from the government, whether it's through EI, reducing the corporate income tax rate, special considerations on carbon tax. These are all coming down the track.

Mr. Ziad Aboultaif: Thank you. That's great.

Again, we're talking about job creation, and the policies will cost us through job reductions, which is not something that we are able to afford at any time.

I would like to hear from you, Ms. Ritchie. You mentioned an independent EI account. Can you elaborate on that, please?

• (1635)

Ms. Laurell Ritchie: Quite simply, this has been a long-standing demand on the part of many players here. I think all the stakeholders have had an interest in it. We had a brief semi-experiment with that for a few years, and it was ditched. I think we need to get back to that.

Mr. Ziad Aboultaif: If we run into a deficit in the EI account, how do we pay back that money? You're suggesting that we need an independent EI account, so if the independent EI account runs into a deficit, where do you get the money to pay those deficits? How do you manage?

Ms. Laurell Ritchie: I think the assumption here is that we're going to have to work with the premiums that are available. Again, we have advocated that there should be a government contribution as a tripartite contributory fund. In the past, that is exactly what happened, up until about 1990. When there was higher unemploy-

ment, the government contributed. One could use different triggers for government contributions, but one of them is the incidence of high unemployment.

We're really talking about the management of the system and the decision-making about the system. The financing of it could be set aside as a separate issue, but in terms of the ability of governments over time to borrow those funds and not to put them back in, I think everybody's quite familiar with the numbers. Something in the order of \$57 billion plus went out of the system since the mid-nineties. Arguably, we would like to see that money put back into the system.

Mr. Ziad Aboultaif: Technically speaking, do you see that the EI account would be managed by the Ministry of Finance?

Ms. Laurell Ritchie: No.

Mr. Ziad Aboultaif: Who's going to manage it?

Ms. Laurell Ritchie: An independent financial body responsible for administering—

Mr. Ziad Aboultaif: So like a private sector...?

Ms. Laurell Ritchie: As for the stakeholders, the government should participate in it, but business and labour, which contribute, would be the other stakeholders.

The Chair: Thank you very much.

Mr. MacKinnon.

[*Translation*]

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

I would like to thank the witnesses for being with us today.

We are beginning a long and very robust process of pre-budget consultations. As my colleague Mr. Sorbara said, we are facing headwinds in the global economy. The central banks have done practically everything to help us and there are very few tools left to use when it comes to monetary policy.

Some of you have said that investing in infrastructure was beneficial for the economy, but what we are looking for here is growth. We are looking for ways of stimulating it. Growth is going to come not just through government investment, but also by investment on the part of businesses.

Mr. Kingston and Ms. Moreau, what do you think would be the best way to stimulate investment by businesses?

[*English*]

Mr. Brian Kingston: Thank you. That's an excellent question. It's something that we've looked at quite extensively.

The number one thing that will increase business investment is growth. I know that's the problem, but businesses will invest when they see growth. Because we've been in this situation where we've been growing at 1.7%, which is far lower than what we've seen over the past decades, it's difficult to spur investment in that environment. Once the economy picks up and there's some certainty that there's growth going forward, I'm positive that you'll see a surge in business investment.

• (1640)

[Translation]

Ms. Monique Moreau: Our members have talked about lightening the tax load and the regulatory load. In our view and the view of SMEs in Canada, cutting tax rates and employment insurance or Canada Pension Plan premiums would help for hiring people, giving wage increases and continuing employment and also training, both formal and informal. On that point, our entrepreneurs told us that the training they offered employees represented \$16 billion per year, which is very substantial. In addition, we are talking here about an economy in which the tax rate is fairly high.

As Mr. Kingston pointed out, there is going to be growth if conditions are created to support these entrepreneurs who hire Canadians.

Mr. Steven MacKinnon: I think everyone agrees on the need to reduce the regulatory load. The main issue is dealing with the tax system; in other words, income taxes. This committee determined that simplifying taxes was the spearhead for economic recovery. The Minister of Finance seems to agree on that, given that he has also initiated a similar exercise.

Mr. Chamberlain, could you talk about the importance of simplifying income taxes and the consequences that could have for the regulatory burden in Canada?

[English]

Mr. Scott Chamberlain: We agree that a review of tax expenditures and a reduction in those tax expenditures is warranted. In response to Mr. Kingston's suggestion that growth spurs investment, we believe that investment in our middle class is key to driving that growth. In order to drive that growth, to drive that investment, we need consumers who are compensated fairly.

One of the key things this government can do is to carry on with and follow through on the issue of pay equity.

I represent a group of employees who are predominantly female. In this country, we know—it's not debatable—that as a woman you make less than a man. We have a pay equity issue. If we address that pay equity issue, we'll get more money into the middle class to be spent at our businesses to spur on that growth.

The Chair: Mr. MacKinnon, you're done.

Mr. Nater.

Mr. John Nater (Perth—Wellington, CPC): I want to begin by addressing the first two questions to Mr. Emmett and Mr. Cadieux.

I'm a big proponent of private members' bills. I think private members' bills have some of the most innovative policy ideas. I know that the current government thinks they are a backdoor way of legislating, but I think there is some great legislation brought forward through private members' bills.

I want to get Mr. Emmett's comments on Bill C-239, which was an act to amend the Income Tax Act and increase the value of donations to charitable organizations to be more in line with political donations, those 75% donations, in terms of tax receipts for charitable donations. How would that have affected the charitable sector and your organization?

Mr. Cadieux, we did have a private member's motion earlier in the spring. It would have “freed the beer”, in reference to the Gerard Comeau decision. I want to get your comments on how the loosening of interprovincial trade barriers would have benefited the restaurant industry.

Unfortunately, both those initiatives were voted down.

Mr. Brian Emmett: I'd like to make a couple of points in responding. One is on the relationship between charities, non-profits, and growth. Here we have a sector that from 1996 to 2008 grew faster than the Canadian economy. That is the last date for which we have numbers, which comes back to another bugaboo of the charitable sector. The sector did that despite the fact that they don't pay taxes and they have difficulty accessing investment capital. They don't issue shares, they don't make profits, and they can't pay shareholders.

You have a sector there that has a lot of potential for growth. When it comes to looking at tax incentives to donate, I think there are very positive things that charities can benefit from, but one has to keep in mind that, for the sector as a whole, donations account for about 10% of revenue, and another 45% to 50% comes from government. Therefore, our fundamental concern, really, is with the number that has been the basis of discussion around this table, which is that we're heading into a long-term period of lower economic growth. To me, deficits are a symptom of that, as opposed to a cause.

What we're looking at on the charitable side is one thing that hasn't been mentioned. Along with the economic fundamentals, there are the demographic fundamentals. We see this looming divergence between demands on charities and demands on governments. Growth is falling and demands are accelerating. The aging of the population is accelerating. Cultural change is accelerating.

We think that charities and non-profits are basically in the same vise that governments are. What we're looking for is a joint solution, a reform of our relationship with the government, in a broad sense. Tax incentives may well be part of that, but there's no single-bullet solution out there.

• (1645)

Mr. Pierre Cadieux: A couple of years ago, we instigated what we called Raise the Bar, a report card on the various provincial jurisdictions in the area of alcohol and spirits. This is a perfect example of interprovincial non-tariff barriers.

As a client, we are a big client, right? We buy a lot of alcohol and spirits, but we and our members, especially the bigger players, are confronted with having to deal with these 10 separate jurisdictions that impose their ways of selling alcohol and spirits. It's not the liberalized environment that we would like to see.

Again, I'll take the example of Quebec, because I'm responsible for that province. What you have in Quebec is a monopoly, where even though you're the biggest client, you have no say in the negotiation of the prices. It took a long time to get certain concessions from the SAQ, but still we're not in an equal partnership or business relationship. It is a very skewed kind of relationship.

I'll conclude by saying that in terms of the case now before the courts—it has been appealed—of the New Brunswick chap who went to Quebec and bought beer, we're obviously following that with a lot of interest.

The Chair: Very quickly, Mr. Nater.

Mr. John Nater: I'd like to ask Madam Moreau to talk a bit about passive income versus active income. Would you expand on that very briefly and on how that's affecting the small businesses?

Ms. Monique Moreau: Briefly, the largest sector that's impacted right now, in our membership at any rate, is the self-storage facilities. They weren't contemplated in the legislation when it was designed years ago. As well, there are the motels and hotels, and now we've had some clarification on campgrounds.

Essentially, if you are a small business and you run a storage facility, you don't get access to the small business tax rate. It was designed so that if you have an apartment and a full-time job and you rent out an apartment, you would pay tax on that. That's an appropriate relationship. These individuals are mom-and-pop family businesses that are not getting access to the small business tax rate. They are now being aggressively audited by the CRA and, in some situations, having to pay tens of thousands of dollars, which will put them out of business. We think there is an opportunity for reform and an update.

The Chair: Thanks to both of you.

Mr. Ouellette.

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

I realize that this might be an unusual question that I'm going to be asking, but nonetheless I'm going to proceed. From your field of expertise, I wonder if you would be able to offer your thoughts on what your organization is doing concerning indigenous peoples, and what you feel, if you believe you have the capacity, the government should be doing concerning indigenous peoples in Canada.

That's a question for everyone. I guess we can start with Mr. Cadieux.

Mr. Pierre Cadieux: Again, I come back to the youth aspect. Indigenous communities have a serious problem with youth employment. I think we can offer solutions there. We would look forward to working with the federal government, with specific programs, to hire and train youth in our industry. It's about as simple as that.

It's the source of first jobs for youth. It's a fantastic business ground to learn basic business and trade skills, and what have you.

We are there with you. We would like to collaborate.

• (1650)

Mr. Robert-Falcon Ouellette: I just want to offer a comment.

Ownership is also really important. Obviously, I don't expect an answer today, but in the long term, I'd like you to consider, perhaps, how you would get indigenous people to own businesses—not just simply in the restaurant, in the back, those things, but ownership—so that they can be entrepreneurs as well.

I'll move on to Ms. Ritchie.

Mr. Guy Caron: That's a very good point.

Ms. Laurell Ritchie: First of all, our organizations are advocacy groups for paid employees. We would not be necessarily looking at issues of ownership and so on.

We do look—especially in a city like Toronto and in some of the other large urban centres—at what happens to people off-reserve who end up in poorly paid employment and aren't getting sufficient hours. Certainly, in many communities, that would include a lot of indigenous folks.

We were strong advocates of getting rid of the 910-hour rule, and that's one of the wins along the way, but there is a long way to go for people who end up, for one reason or another, in precarious and low-paid work, and that would certainly include a lot of indigenous workers.

The Chair: Ms. Moreau, go ahead.

Ms. Monique Moreau: I think you've hit the nail on the head, in terms of what we can do to encourage entrepreneurship, whether that's for indigenous members or the country or Canadians as a whole.

We have some ideas that we think would facilitate that and make it easier to start a business, to reduce the financial obligations of a business when it is complying with CRA and with various government organizations, and then to grow that business by creating an environment where it can hire.

As an organization, we have certainly, in the last two years, focused on expanding our membership to include not just indigenous entrepreneurs, but also entrepreneurs from other marginalized components of society.

The Chair: We have to wrap this up fairly quickly.

You wanted to go back into it for a minute, Mr. Cadieux.

Mr. Pierre Cadieux: Yes. I just had an afterthought.

Because of my responsibilities in Quebec, I just want to underline the fact that we are working with L'Institut de tourisme et d'hôtellerie du Québec to look at how we are going to approach indigenous communities.

I salute Senator Charlie Watt, whom I am about to meet, and the Makivik Corporation, a very entrepreneurial group.

We will be moving forward on that chapter, and I would like to keep you informed on that.

The Chair: Mr. Emmett, did you want to add anything?

Mr. Brian Emmett: I would just say that equity, inclusion, and respect for the environment are areas that charities specialize in and that we have in common with aboriginal people. Many charities are run by aboriginal people, dealing with the problems of aboriginal people.

At the national level, which is where I work, we are actively seeking to recruit board members from the aboriginal community and generally raise the profile of aboriginal issues, in terms of our priorities.

The Chair: Mr. Chamberlain, go ahead.

Mr. Scott Chamberlain: As long as we are investing in infrastructure, the bulk of that infrastructure investment should be to provide clean water and housing with dignity for indigenous peoples. Opportunity comes from having food on the table, having clean water, and having a safe place to live. The investments that Canada is prepared to make should be made. The lion's share should be made to our indigenous communities. We have a long way to go to recognize the indigenous communities as a full partner.

The Chair: Mr. Kingston, please give a quick comment.

Mr. Brian Kingston: Thank you. A number of companies that we represent, particularly in remote communities—and I'm thinking about the mining sector in particular—do employ a number of indigenous people. I think anything that can be done, though, to improve programs that promote education, training, and support, but also indigenous businesses in the supply chain... Some companies have programs like that, but again, anything that could be done would go a very long way.

Mr. Robert-Falcon Ouellette: And just—

•(1655)

The Chair: Robert, we're going to have to cut you there. We're well over. Leona has the floor.

Mr. Robert-Falcon Ouellette: I appreciate it. Thank you very much, Mr. Chair.

The Chair: Leona.

Ms. Leona Alleslev (Aurora—Oak Ridges—Richmond Hill, Lib.): Good day, and thank you very much.

I'm not normally a member on this committee, so it's a real gift for me to be here. I want to thank each one of you because I've learned a great deal from your presentations.

I also have two questions, one for Mr. Kingston and one for Ms. Ritchie.

I wanted to say, of course, that we have the lowest debt-to-GDP ratio in the G7. We've committed to bringing that down over the next five years and at the same time making considerable investments in infrastructure. I wonder if you would not consider that a strong and comprehensive message or fiscal signal.

On the topic of infrastructure, I have basically three questions.

You defined that we need to prioritize projects that have a direct and measurable impact on the Canadian economy. How would you measure the current state? What criteria would you use to ensure that those are direct and measurable impacts? Are there specific big rail, road, or airport projects that your members feel would make a significant impact in the short term on the growth of the economy?

Mr. Brian Kingston: On the fiscal point, we're not against fiscal stimulus by any means, we just would like the government to have a very clear target. Yes, the government has said we'll decrease the debt-to-GDP ratio, but that could be by 0.01%. If you set a target, it's a fiscal anchor, and then that drives decision-making around budgeting decisions. That's our point there, but we fully support fiscal stimulus when it's done in productivity-enhancing projects. On that, on infrastructure spending, we would like to see an independent entity created to actually prioritize these projects and come up with a

system that can evaluate which investments will have the biggest impact.

I'll give you an example of one, and this kind of relates to my trade comment. Port Metro Vancouver is looking to expand the Roberts Bank Terminal. That will help facilitate trade to growing Asian markets. That's the type of project I mean when I say productivity-enhancing.

Ms. Leona Alleslev: I would ask you, if you are willing at some point, to please give us your opinion on what the criteria would be for that independent organization, and whether there any other large projects.

Mr. Brian Kingston: One thing I would note is that there hasn't been enough research done in Canada on the multiplier effect of fiscal stimulus, particularly around infrastructure. There are different multipliers that are put out by different economists, but I think some research there to determine what would have the biggest impact broadly on the Canada economy would be extremely valuable for everybody.

Ms. Leona Alleslev: Outstanding. Thank you.

My second question is for Ms. Ritchie.

I was very interested to hear you state how we need to make EI a little bit more robust and ensure that it address precarious temporary and part-time jobs. I wonder if you could give me some thoughts on how we might go about doing that.

We have, by any guess, sometimes almost a third of our workforce not considered employees, and therefore they don't fall under that category. They are contract workers or whatever. What would that look like? Would there would be different EI rates perhaps for those who are full-time employees, from a company perspective, versus those who are part-time or contract because perhaps, by definition, they would be more precarious? Do you have any insight into how we might implement a broader system in that regard?

The Chair: Can you answer that in two minutes or less?

Ms. Laurell Ritchie: Okay.

What I'll do is simply repeat that we need a reform of the hours system. It's certainly not a magic bullet, but we need to start there. The whole system is premised on a 35-hour week, both for access and duration of benefits. For us that would be the key place to start. The prorating already happens in terms of how much you get and the actual level. If you're low paid, low weekly earnings, you're—

•(1700)

Ms. Leona Alleslev: If I understand correctly, that is only for employees.

The Chair: I'll have to cut you off there, Leona.

Ms. Leona Alleslev: Yes.

The Chair: Do you want to finish, Laurell?

Ms. Laurell Ritchie: I'll have a separate conversation.

The Chair: Okay, you'll have a conversation off-line.

I thank everyone for coming. If you have any more brilliant thoughts on how to achieve greater economic growth, we're always open to hearing them.

I'll also thank those of you who sent in briefs. We have over 400, [English]
so there's a lot of work for the analysts to do.

I want to thank you all for your presentations.

We'll suspend for three or four minutes.

•(1700) _____ (Pause) _____

•(1705)

The Chair: We'll call the meeting to order.

For committee members, we are one witness short from the schedule. Mr. Ian Lee just got back from Warsaw, I believe, and couldn't make it, so we'll try to schedule him in another day.

We are into our second round today on pre-budget consultations in advance of the 2017 budget. As witnesses were informed, our theme, beyond the pre-budget consultation itself, is how to achieve better growth in Canada. What do we need to do to achieve that growth? We'd really be appreciative of anything you can add in that perspective, because we know we have to do that.

Welcome, everyone, and thank you. For those who have sent in briefs, we have those briefs, and they will all be gone through and looked at in their entirety.

The procedure this afternoon will be five minutes each, if you can hold it to that, and then we'll go to questions.

We are starting with the Canadian Airports Council. Mr. Gooch, go ahead.

•(1710)

Mr. Daniel-Robert Gooch (President, Canadian Airports Council): Mr. Chair, ladies and gentlemen, thank you for the invitation to appear before you today as part of the pre-budget consultations.

The Canadian Airports Council appreciates the committee's support in the recommendations last year and the opportunity to appear before you today. The CAC has 50 members, representing more than 100 airports across the country. They range in size from global hubs like Toronto Pearson and Montreal Trudeau to smaller, community airports in Fredericton and Kelowna. Canada's air transport sector employs more than 140,000 workers and generates about \$35 billion in economic activity.

[Translation]

For nearly 25 years, local airport authorities have been running, operating and funding their airports while paying long-term rent to the government. Those authorities have invested more than \$21 billion in airport improvements since 1992...

[English]

The Chair: Mr. Gooch, could you slow down a little?

[Translation]

Mr. Daniel-Robert Gooch: As I was saying, almost entirely through self-financing, that is, through travellers. This approach has enabled Canada to develop an airport infrastructure that is recognized as the best in the world.

Air travel is essential in a country such as Canada. The number of passengers using Canada's airports has jumped 27% since the economic slowdown in 2009. Although airports are making strategic infrastructure investments to meet this demand, they are being stymied by wait times at pre-board screening checkpoints at Canada's largest airports, as well as increasingly by CBSA at our air borders.

At peak travel times passengers can wait more than an hour to get through security at our largest airports. While the rest of the world is setting service standards and applying innovation and a risk-based approach to security, Canada is falling short. This is why we are calling on the government to establish a service standard, so that most passengers will be screened in under 10 minutes, as well as a more nimble funding mechanism for CATSA.

I will shift gears to small-airport concerns. Airports provide infrastructure that is safe and environmentally responsible. However, while the system as a whole is financially self-sufficient, some small airports with lower passenger volumes are challenged to gain sufficient revenue to cover both operations and ongoing capital needs associated with maintaining a safe airport.

The airports capital assistance program was created in 1994 to assist small airports with infrastructure projects. However, with the evolution of safety regulations, technological advances, and inflation, the amount of money provided through ACAP is no longer sufficient.

Meanwhile six small NAS airports in Charlottetown, Fredericton, Gander, London, Prince George, and Saint John are located on federal land, and through a quirk of federal policy are barred from even applying for ACAP or other federal infrastructure programs.

We've received a great deal of support from several of you and your colleagues in the Atlantic caucus on this file, and it is much appreciated. We are calling on government to develop infrastructure options for these small NAS airports, and to reform ACAP so that the program can continue to play a valuable role for the airports that need it.

My final area, airport rent, is a long-standing concern for many airports and air carriers. Last year, NAS airports of all sizes throughout the country paid \$323 million in rent to the federal government; that means more than \$5 billion since transfer.

Canada's user-pay approach to aviation puts a high emphasis on recovering revenue from air travellers, but as airports operate as not-for-profit businesses, rent is passed on to airport users and air travellers through airport charges.

At 5% to 12%, rent is charged on all of the money raised to build and maintain airport infrastructure so that the taxpayer doesn't have to cover these costs. As a tax on gross revenue, it acts as a disincentive that keeps airports out of business lines with low-margin financial returns. It is also charged on all of the revenue raised from food, shops, and other businesses that airports develop to keep costs to air carriers low.

A reduction in rent would be passed on to users through lower airport charges and debt requirements. At the very least, we say that rent should be eliminated for all airports with fewer than three million passengers. This includes airports like Charlottetown, Moncton, and Victoria, where rent can have a significant financial impact.

If rent is to be charged to larger airports, we contend it should no longer apply to revenue from non-aviation businesses developed to keep airline costs low or to revenue raised to fund capital projects. Ideally, we would like to see a cap on rent so that it no longer continues its upward trajectory. This cap would deliver significant savings-building over time. Any rent collected by government should be more fully redistributed within the industry to fix the challenges I'll outline later such as screening, border services, and capital funding for small airports.

When it comes to air transport, the good news and the bad news are the same: traffic continues to grow; runways and buildings need to be maintained; security threats continue to evolve; our work never ends; we are never done. But the fundamentals of our sector are solid, and there are ways that we can do some of this a lot better.

Thank you for your time.

• (1715)

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

We will now turn to the Canadian Association of Radiologists.

Dr. Miller, go ahead.

Dr. William Miller (President, Canadian Association of Radiologists): My name is Dr. Willy Miller. I'm a neuroradiologist at the Ottawa Hospital, just about five kilometres away. I've been practising for 25 years in both Canada and the United States. I present today in my capacity as the president of the Canadian Association of Radiologists.

It is an honour to speak to you today. My statement is based on our organization's pre-budget submission to this committee, which of course I am sure you've all read. I know this is the end of a long day.

[*Translation*]

Thank you for giving us the opportunity to make this presentation.

[*English*]

Today I want to focus my remarks on investments for medical imaging equipment, clinical decision support tools, and the value of group medical practices.

Medical imaging is the hub at the centre of health care. Although Canada has long prided itself on its record of achievement in health care, the rhetorical vision of what Canadian health care is and should be is increasingly distant from the reality.

Canada is ranked 10th out of 11 nations based on a comparative study of system-wide health spending and health outcomes. Canada is in the lower 50th percentile of OECD nations in terms of the number of MRI and CT units per million people.

Forty per cent of Canadian primary care physicians report that their patients have difficulty getting specialized diagnostic tests. People in Canada wait nearly twice as long on average as their OECD peers to get CT and MRI scans that are necessary for their treatment and optimal care.

We are at a tipping point for health care in this country, and I believe we all know that. It's not just about the numbers, the finances, and the investments. Health care is personal. The need for medical imaging is personal. We all have a sister, brother, father, or grandmother who is ill and awaiting an important diagnosis or cannot access the imaging they need. When one arrives at the correct diagnosis using the appropriate test at the optimal time, lives are literally changed and can even be saved.

The most complete surveys of the impact of wait times and their downstream economic burden are a few years old now, but the reality hasn't changed much. Lost output, reduced productivity, and forgone tax revenues while people are waiting for care cost the Canadian economy \$13.8 billion in 2007. By 2020, that impact will be closer to \$23 billion.

Medical imaging has not received significant infrastructure investment since the 2004 health accord. We are well past the point of needing to make replacements.

We need new investment in imaging equipment. Many of the machines we have are old and outdated. Canadians deserve the best care they can get, and that requires current, updated equipment. New equipment emits less radiation, and provides better high-resolution images and new capabilities.

We propose an investment of \$600 million over five years to address the equipment needs of Canadian patients and communities. However, infrastructure investments aren't made in a vacuum. Our goal must be the integration of these investments into data-driven, patient-centred approaches to care. We can make better use of medical imaging with the use of clinical decision support tools. These tools assist referring physicians when they order tests by helping physicians request the best test for every patient, reduce waste, and ensure top-quality care. Such a system advises referring physicians of the best and most appropriate test for a given patient in a given clinical situation immediately at the point of ordering. Evidence shows that patient outcomes and system performance both improve when clinical decision support systems are introduced.

We propose an allocation of \$65 million over five years for clinical decision support. These funds would be managed by Canada Health Infoway. Infoway's experience and leadership in digital health should be leveraged to the greatest possible effect for patients and physicians alike. The CAR, the Canadian Association of Radiologists, has had discussions with Infoway about how we can work together to achieve these goals.

At the end of the day, radiology and the delivery of medical imaging services is not just about updated technology and integrated systems. The care providers matter. Radiologists across Canada mostly work together in groups. This structure allows them to pool resources and expertise to deliver comprehensive care. For example, at the Ottawa Hospital, where I work, we are organized in a group of 62 radiologists. This structure enables us to provide quality care across a broad range of body systems using various imaging modalities. It also enables us to work together in education and research. The proposed tax code amendment is a strong disincentive for doctors to work in groups. This will have far-reaching, unintended consequences.

Radiologists stand united with other medical professional groups in asking the government to reconsider the proposed change to the federal tax code for the sake of ensuring patient access to quality care and for the sake of Canadian medical education and research.

• (1720)

In conclusion, we urge this committee to consider how the government can leverage investment to spur additional innovation and to improve health outcomes for our patients. Let's put Canada back in its rightful place as a health care leader in the global community.

[*Translation*]

Thank you for your attention.

[*English*]

I look forward to your questions. Thank you.

The Chair: Thank you very much, Dr. Miller.

Mr. Weatherell, go ahead, sir.

Mr. Carl Weatherell (Executive Director and Chief Executive Officer, Canada Mining Innovation Council): Thank you, Mr. Chair.

First, let me thank you and the committee members for the opportunity to discuss innovation and economic development today. I'm joined by Jean Robitaille. Jean is the senior vice-president of business strategy and technical services for Agnico Eagle. More importantly, Jean is here representing CMIC as the chair of the board of Canada Mining Innovation Council.

The mining industry in Canada is foundational to Canada's economy, providing the raw materials that enable other sectors of our economy to flourish, including high tech, transportation, aerospace and defence, manufacturing, and clean tech. As we move toward a clean economy, the need for raw materials produced from mining will only increase. As an example, it's estimated that Tesla will consume 5% of copper production—that's 900,000 tonnes of copper

—for its electric motors by the year 2030. That's one example from one company.

Innovation is not new to the mining industry. Our innovations include highly complex industrial processes that have required billions of dollars of investments to technologies incorporated into the lunar lander. Much of this technology development and associated investment occurs in metropolitan centres such as southwestern Ontario, Vancouver, Saskatoon, Calgary, and Ottawa. The industry desperately needs innovation, but adoption is hindered by its capital-intensive nature and current stress related to volatile commodity markets, increased costs, and significant competition from other jurisdictions.

With our partners in the mining industry and the Mining Association of Canada, CMIC created an innovation strategy for the mining industry—namely, the towards zero waste mining strategy. Towards zero waste mining defines the future of the industry in 20 years, focusing on the grand challenges common to the industry related to energy, environment, and productivity. Towards zero waste mining includes a full business case, transformational targets, technology road maps, and projects in various stages of execution.

CMIC incorporates an open innovation business model that includes all members of the supply chain, including academia, government and other laboratories, start-ups, SMEs, Fortune 500 companies, and of course mining companies, co-operatively focused on solving specific industry-defined challenges. Technologies from information and communication technology, genomics, aerospace, and defence have been identified as potential solutions. This highly collaborative innovation model accelerates technology development, deployment, and wide-scale adoption, and reduces the financial risk for all collaborators.

As an example, the process of crushing and grinding rocks consumes approximately 3% of the world's electricity, enough electricity to power Germany, of which 90% to 95% is lost as waste. Our energy and processing technology group, composed of senior volunteers from mining and engineering companies, a federal government lab, small and medium enterprises, and original equipment manufacturers, has identified a technology that has the potential to reduce energy consumption in this process by 50%. We're about to launch the first phase of a six-phase project next week to move this to a commercial product.

Our greatest challenge is the immense complexity of the innovation system in Canada. The existing funding mechanisms—over 7,000—to support research, development, and innovation are generally focused on research and academia, restricted to select regions of Canada, or generally are not compatible with the requirements of mining-related innovation projects. As a result, innovation and investments in technology development in Canada are significantly impacted.

A number of Canadian mining companies are placing innovation-related investments in foreign jurisdictions. Our proposal is modest. We're seeking a direct investment from the Government of Canada of \$50 million over five years. This investment will result in the development of technologies that will significantly reduce energy consumption, greenhouse gas emissions, tailings discharge, and water use. These new technologies will be deployed in Canadian mines and globally. This will increase foreign direct investment in Canada by international technology companies, make Canada a global centre of mining innovation, and increase Canada's export market share for new and cleaner mining technologies.

The Mining Association of Canada has identified up to \$145 billion in potential new mining investment in Canada over 10 years. Through the work of CMIC, we can help ensure that this investment represents the most energy-efficient, low-waste mines the country has ever seen. Zero-emissions fully electric mines are possible within the next five years, but it will require a concerted effort to make this happen.

Thank you for your time. We welcome your questions.

• (1725)

The Chair: Sorry. I was just asking if anybody knew whether or not that would fit under the green infrastructure program. I guess we'll find that out as we get into the discussion.

Mr. Khan.

Mr. Sahir Khan (Executive Vice-President, Institute of Fiscal Studies and Democracy): Thank you, sir.

Mr. Chair, vice-chairs, and members of the committee, on behalf of Kevin Page and my colleagues at the new Institute of Fiscal Studies and Democracy at the University of Ottawa, I would like to thank you for the kind invitation to participate in this committee's pre-budget consultation process.

[Translation]

Mr. Page is sorry he could not be with you today. He had another engagement in his capacity as an expert at the Slovak Fiscal Council on the reform of European Union fiscal rules. He sends his greetings.

[English]

Budget 2017 is set up to launch an innovation agenda and new programs for long-term health care. It also has the opportunity to frame the government's plan on fiscal management and budgetary performance, and to deliver on campaign commitments for fiscal transparency and enhanced parliamentary fiscal scrutiny.

Our first message is that budget 2017 will have to address a sluggish economy. The Canadian economy is struggling. Growth remains weak, and we face relatively high unemployment for this stage of the business cycle. The goods sector is in recession, and we have not seen growth in real business investment in years.

[Translation]

Budget 2017 faces the dual challenge of stimulating short-term economic growth and laying the foundation for long-term sustainable growth.

[English]

While there may be consensus on the state of the Canadian economy and the need for fiscal measures to address these challenges, their success will depend on performance; that is, the ability of public institutions to perform effectively and transparently to meet desired policy outcomes. For instance, the government may wish to move forward on phase two of its public infrastructure program. Should that be the case, a framework that ties spending to performance will be critical. This will not only promote rigorous front-end due diligence to help ensure that investments with good multiplier effects are made but also require transparent reporting of results, rather than solely relying on *ex post* assessment of rules compliance.

[Translation]

If economic growth remains weak and incomes are stagnant, fiscal and political credibility will depend on budgetary performance and a reallocation of funds within a framework of overall fiscal discipline.

[English]

Our second message is that budget 2017 must lay out a fiscally sustainable budget. The government must have credible fiscal targets over the medium term supported by analysis that demonstrates fiscal sustainability over the longer term, for example, a stable debt-to-GDP ratio.

[Translation]

The medium-term plan should include presentation of complete profiles of major programs over a five-year period, along with a rigorous estimate of the costs of any proposed legislation, as was promised by the government in its campaign platform.

The transition period for the new government certainly has obstacles, in particular when its plan is ambitious and depends largely on the capacities of government institutions inherited from its predecessor.

[English]

Nonetheless, after a year in office, the government now owns the levers of its success. Budget 2017 offers an important opportunity to address the shortcomings of budget 2016, which included significant transparency gaps over the medium term, no fiscal targets, and no fiscal sustainability analysis.

[Translation]

Analyses by the Parliamentary Budget Office have helped to fill some of these gaps, but they do not replace proactive fiscal transparency on the part of the current government.

[English]

Our third message is that budget 2017 provides a historic opportunity to reform parliamentary fiscal scrutiny. Scrutiny of the estimates and the appropriation of public money is the most fundamental role of Parliament as the surveyor of the public purse.

• (1730)

[Translation]

Mr. Sahir Khan: This fall, our Institute of Fiscal Studies and Democracy will release the results of its survey of Canadian parliamentarians, and the results presented show the difficulties they face in meeting their obligations in terms of fiscal scrutiny.

[English]

Without adequate decision support, Parliament appropriates over \$250 billion per year, watches tax expenditures valued at over \$100 billion per year roll over from year to year, and votes on a plethora of new policies and programs.

[Translation]

We can applaud the government for its 2015 campaign promise to improve the expenditure budget system. The government should present its plans regarding that commitment.

[English]

While it did not happen last year, a useful step to signal positive action on estimates reform would be the tabling of departmental spending plans consistent with the 2017 budget, before Parliament votes on main estimates in the summer of 2017.

In terms of substantive structural change, the government should lay out an implementation plan on estimates reform consistent with the plan outlined by the government operations and estimates committee, OGGO, in 2012, a report supported by all the Liberal, Conservative, and NDP members of the committee. At the heart of the report was to include spending control gates based on program activities. Under such an approach, rather than voting on highly aggregated votes, such as capital, operating, and other expenses, parliamentarians would vote on program activities representing key business lines within government departments. Parliamentarians would get both financial and performance information, i.e., inputs, outputs, and outcomes, to support their scrutiny, and public servants would have to manage for budget and performance within these discrete envelopes. Any transfer of funds across these program activities would have to be reported to Parliament, and variances from both budget envelopes and performance standards would have to be explained to committees such as this one.

This one change eclipses all of the others in terms of impact for parliamentary financial scrutiny. It can be described simply as “historic” and would tower over any other initiatives to strengthen reporting, align budget and estimates, and even enhance the role of the parliamentary budget officer.

[Translation]

I would like to thank you for your attention. I will be pleased to answer your questions.

[English]

The Chair: Thank you very much.

We have four distinct areas, from airports to health care and imaging equipment, to innovation in mining, and to fiscal studies, so we're going to cover the map.

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

[Translation]

Mr. Steven MacKinnon: Thank you, Mr. Chair.

[English]

Thanks to all of you for being here today. It's a great pleasure.

[Translation]

Our biggest challenge is probably to find growth in the Canadian economy in circumstances where opportunities to do that seem very weak. My first question is for Mr. Weatherell and Mr. Robitaille. I would also like to thank you for being with us today.

I have a little experience in the mining sector. As you said, mining is essentially a high tech industry and it is entirely in its interests to improve its performance and technological efficiency. On your request for \$50 million, my question is very simple. Obviously, the strategy seems attractive, but if it is as attractive as it seems, why does the industry not make those investments itself?

[English]

Mr. Jean Robitaille (Senior Vice-President, Agnico Eagle Mines Limited, Canada Mining Innovation Council): Good evening, everyone.

[Translation]

At present, the mining industry is contributing substantially to Canada's economic growth. As you may have noticed, our industry is not especially thriving at present. Prices of metals have fallen across the board.

To answer your question, what we are proposing is to combine the efforts of all mining companies so we can acquire a better lever. Various mining companies are currently investing millions of dollars in various initiatives, some of which overlap. Rather than letting the various mining companies each spend \$1 million, we want to get them to stop competing among themselves on the details and combine their efforts, through the Canada Mining Innovation Council, and thus bring mining technology up to the level where it should be.

If we compare ourselves to other industries, the mining industry is 30 years behind. In comparison to the aviation and automotive industries, we are behind. There are a lot of gains to make in this regard and good potential for Canada.

I am wearing two hats here: as president of the CMIC board of directors and as a senior executive of Agnico Eagle, which is a Canadian company. Last year, Agnico Eagle celebrated 60 years in the market. Agnico Eagle is a very well-known producer in the gold sector.

Agnico Eagle has a development strategy for mining platforms. We have developed a platform in Quebec. We have several mines in Quebec and we produce more than 800,000 ounces of gold per year. To be honest, we had to write off \$1 billion from our balance sheets after our investments. We are staying in Nunavut; we have more development projects and we are there to stay for several decades.

Now, to address innovation, I will take the example of Nunavut where there is a lack of infrastructure. We use diesel to fuel our plants and that is also what the communities in Nunavut, and probably also communities in other remote regions, use to fuel their outmoded facilities.

The Meadowbrook mine alone employs 400 Inuit contractors and employees, directly and indirectly. We have Inuit people in our employ who started in the company as caretakers and now work as operators.

• (1735)

[English]

The Chair: Excuse me, sir. Mr. MacKinnon needs time to get his second question in.

Mr. Steven MacKinnon: Thank you.

[Translation]

Gentlemen, the message has been received and I thank you for your constructive approach.

[English]

Mr. Khan, I'm very intrigued by estimates reform. I'm sure that some of my colleagues will want to take you up on this, so you don't have to give us all the information in one fell swoop.

For my purposes, let's focus on performance indicators. We're all looking for evidence that allocations work and that budgets are effective. We're looking for results. Can you spend a little time on indicators of success and how they could be best encapsulated for parliamentarians as we go through future budgeting exercises?

Mr. Sahir Khan: I think this is actually quite fundamental in the role of Parliament in holding the government to account, but also in effective implementation on the part of the government.

One of the things we focus on when we look at program expenditures is looking not just at the inputs—what is being spent, the broad allocations—but the outputs and the outcomes. It's something we learned in the parliamentary budget office. There was a tradition of often looking at things after the horses have left, closing the door after the horses have left the barn. The issue is whether the government can, for example with infrastructure, frame out performance in terms of economic outcomes, policy outcomes, GHG reductions, or congestion reductions. There are economic and other policy objectives that can be stated that are well within the current Treasury Board policy, but these need to be communicated to parliamentarians and the information provided so that you can ask questions to hold the government to account on how it executes on these programs.

I think this infrastructure initiative of the government can be quite effective in terms of addressing some of the sluggishness of the economy, but not all infrastructure is equal. It's very important that

we look at not just how much money is getting out the door, but for what types of projects. Are they being implemented well, on time, on budget? Again, that's important for outputs, but then is there a return on investment? That ends up being really critical. If parliamentarians don't get that information on the results—financial, economic, and other—then it's very hard for you to hold the government to account without those details.

The Chair: Thank you very much.

We are considerably over time.

Mr. McColeman, go ahead.

Mr. Phil McColeman: Thank you, Mr. Chair.

Thank you, witnesses.

Dr. Miller, you brought up the importance of the current corporate structure for groups of medical radiologists forming together for the betterment of each of their practices. What is the financial impact, specifically? I know you've been around to most of our offices, and you've probably talked to most of us around this table and in the lobby in government since this was slipped into the last budget, since they became aware of it. What is the actual dollar value that most radiologists would face in terms of extra taxation?

Dr. William Miller: It's hard to predict, but as I understand the proposed rule, it takes that \$500,000 exemption to the lower corporate tax rate from a higher corporate tax rate. If I was an individual radiologist working on my own, in a solo practice, I would be entitled to that entire \$500,000 exemption if I earned \$500,000 this year. I'm not going to earn \$500,000 this year, unfortunately, but there are radiologists who do, and there are radiologists who earn less or more, but certainly that exemption makes a difference. Working in a group of 67 radiologists, I would get 1/67th of that exemption, so that would be \$7,000, or something like that, versus the \$500,000 exemption, if I earn that much.

• (1740)

Mr. Phil McColeman: An accountant in my community who does a lot of work for the radiologists suggested it's about \$60,000 of extra taxation, on average, that a radiologist would have to pay to the government. This is extra taxation over what you already pay on your income; it's a huge disincentive in a medical environment that needs huge investment, as you said.

I have a couple more questions for other witnesses, but have you made any progress in your lobbying efforts to this government to take this back and rescind it?

Dr. William Miller: I don't know the answer to that question. I hope I am making progress today. Obviously, you understand the issue well, so I think we have made some progress.

Mr. Phil McColeman: That's good.

I'd like to move on. Sorry I had to be short with you, in the limited time.

Mr. Gooch, regarding the airports, are you aware of any move by the government to privatize airports and ports?

Mr. Daniel-Robert Gooch: I have a minor correction: airports are actually private today, since they were transferred to local airport authorities starting in 1992. They are private businesses, but they operate on a not-for-profit basis.

There was a recommendation in the Emerson report, which came out earlier this year, that the structure of larger airports be moved to a share capital, which would introduce the for-profit motive. We also know that, in the budget, an asset recycling review was launched, which is under way. The government has been analyzing the options. We have been working closely with Transport Canada and Finance Canada. I am not aware of any decision being taken on that, but we are certainly working with government on evaluating that.

Mr. Phil McColeman: Basically the government is considering selling off our airports and ports to individuals who do for-profit business as a result of buying those assets, correct?

Mr. Daniel-Robert Gooch: The recommendations are being reviewed. I'm not sure what the government is considering, but there were recommendations in the report and Transport and Finance are evaluating those. I can't speak to the government's mindset, but certainly the topic is being reviewed, yes.

Mr. Phil McColeman: Okay. Thank you.

Now, to move on to Mr. Khan.

Your work is fascinating to me as a parliamentarian going into his ninth year here on Parliament Hill. Information we receive on estimates is confusing at best and there's limited time to do proper analysis. If I might paraphrase you, your organization is working towards the simplification of this process for legislators like myself who would appreciate a system of accountability in the system, with a much simpler understanding and measures of whether or not we should be approving or not approving estimates and supplemental documentation—supplementary (A)s and supplementary (B)s and all that stuff that comes in front of us—where it's just seemingly rubber-stamped at committees right across the government.

Is your effort really to finally bring some common sense to the way that we as parliamentarians can actually play a meaningful role in the accountability side of government? Right now it's pretty much whatever the minister and the ministry recommend just flows through almost as an automatic. That's been my experience.

• (1745)

The Chair: Mr. Khan, if you could, please be fairly tight in your answer.

Mr. Sahir Khan: The government tabled, in the platform, a commitment to reform the estimates process. The OGGO committee to which Mr. Page and I presented a plan for the reform estimates was accepted by the committee and approved by all parties. There is a blueprint for making this simpler, to help parliamentarians understand departments, not by three high-level votes, but actually by business lines that make sense.

For instance, Fisheries looking at Coast Guard search and rescue, protecting fisheries, things that make sense to you and me, then understanding the performance of those program activities... Are they over budget or under budget? Are we achieving the outcomes

that we talked about earlier? You need to know whether they're achieving the outcomes, and if their variances are positive or negative. If you get that information, then the questions around this table to the minister and to the public servants can have a pinpoint accuracy to them, and a reform should address those issues.

Mr. Phil McColeman: May I please ask the Chair a question?

The Chair: Go ahead, Mr. McColeman.

Mr. Phil McColeman: Do you feel the way I do about that issue?

Some hon. members: Oh, oh!

The Chair: Look, I can tell you this, I do. In terms of the numbers—without getting into the performance tests, and Guy has been around a long while too—of what a department spends on a program going back five years or ahead five years, the documents that we were provided with in 1995, 1996, 1997 were a heck of a lot better than they are today, in terms of informing a member of Parliament what was going on. There's no question about it in my mind.

Go ahead, Mr. Caron.

Mr. Guy Caron: I'll continue in this line of thinking.

Thank you very much for your presentation and for your work as well.

I know there was a meeting at the beginning of Parliament by the President of the Treasury Board, Scott Brison, who actually presented not a presentation, per se, but it was really just having a first meeting on what it could look like. We haven't really heard anything since then. Have you heard anything since then?

You knew of that meeting, right?

Mr. Sahir Khan: Yes, sir.

We haven't seen anything tabled by the government. We know that there is work going on behind the scenes with public servants, but our sense is that this is the type of work that, to some extent, has to be done in front of the clients, which are these committees and the members of these committees. There's always a challenge when the government has an ambitious plan for transparency and reform, but you also have institutions that might take a little longer to move along with it. The Public Service of Canada has been operating a certain way for quite a long time. There are institutional challenges to getting this, but our view is that this discussion is probably best undertaken out in the open with the clients who are going to benefit from this information.

Mr. Guy Caron: We're talking about improving the clarity, linking it to outputs, and basically the objectives of those numbers. One thing is that usually when we have those estimates, we come, if we're lucky, to a committee like this and we look at the numbers for two hours. Now, we might have one page of numbers, usually in supplementaries A, B, or C, or we can have three, four, five, or six pages that are actually very difficult to understand because they are usually one line. This is why we have the ministers, so we can actually ask what those lines mean. Not only that, but usually it's not very well detailed. You can have many hundred millions under one line that is very vague in its meaning.

How can we actually have a meaningful estimate process even if we are clarifying or standardizing the process when we don't have enough time to do it? How much time should we have to do a proper scrutiny of those numbers?

Mr. Sahir Khan: Well, probably a lot more than the time you currently have allotted to scrutinize the \$250 billion that goes through.

I worked as a budget official on the government side before serving you in the parliamentary budget office, and I can tell you that, on the government side, we don't manage by those reports that we would give to Parliament, and that's actually the problem. If they are out of sync, if estimates are a reporting exercise as opposed to giving you information on their management process, then you're out of sync. You're now having to have this kind of secret decoder ring to understand what those reports mean in the way cabinets allocate money and then public servants manage it.

My response to Mr. McColeman was that, if they are managing those program activities, and you're getting reports on those program activities, when there are deviations in budget or performance, and you get those variances, all of a sudden you're not worried about the whole book, you're worried about those changes, those differences from budget, those differences in outcomes. All of a sudden the manner in which you're holding the government to account is also the manner in which public servants and the government as a whole manages that money. Right now they're out of sync. That's the core issue.

• (1750)

Mr. Guy Caron: Okay, thank you very much. I would have so many more questions but I need to ask Mr. Gooch a question.

You wrote the pre-budget consultation, I guess, in August. That was before the whole news about the Montreal airport in terms of the customs, right?

Mr. Daniel-Robert Gooch: Yes.

Mr. Guy Caron: I'm not surprised because I actually went through coming from Europe to Montreal back in April. It took me over an hour and a half to actually get through. I think you're right for investments. Those reports actually were accurate in my own personal experience.

But when we're looking at CATSA, the security services, I can tell you that some of them in a few airports recognized me as a member of Parliament and some actually took me aside. They have told me—and that's over the last three years—that morale is actually very low. They are being asked a lot and not provided the resources to do it, and many of them are actually going on leave because they can't take it any more. They are under duress, under stress, and it's extremely difficult for them to manage. Is that what you want to report to us in those recommendations?

Mr. Daniel-Robert Gooch: I'm sorry to hear that. The team at CATSA and the team at CBSA have some fantastic people, and they are working very hard to protect our country. We're seeing strains at both groups, CATSA and CBSA. I'd say it's fair to say that CBSA has been a little bit slower. It's happening more recently. CATSA has been a challenge going back several years. They are asked to do a lot, and the resources have not kept pace with demand. Air transport

is a volume business and it grows. We experienced between 4% to 8% growth in the first six months of this year at some of our airports.

At a certain point, you can do things more efficiently. Certainly airports have invested millions of their own money, for example, in technology for CBSA kiosks to be able to process passengers more quickly, but government agencies and departments need their resources to handle their systems on their end and ultimately staffing as well.

I'm not surprised to hear that morale is low. It's unfortunate, and hopefully we can change that.

The Chair: Thank you to you both.

Mr. Sorbara.

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

Welcome, everyone, and good evening. There is a lot of good insight tonight.

To Mr. Kahn, I think I'm going to go back to university. If you want to do a lecture, come in my office, and I'll sit there for an hour or two and listen to everything you have to say.

Mr. Sahir Khan: We'd actually welcome briefing this committee.

Mr. Francesco Sorbara: We need to talk about that.

To Daniel, I was flipping through GTAA's financial statements, filings, and stuff. I used to cover them in the private sector.

In 2015, there were 41 million passengers; in 2014, 38.5 million, an increase of 2.5 million. Basically, that is one new Billy Bishop.

This year they're up 10.9 versus 9.9, so for six months of the year they're already up a million passengers. Speaking to the volumes that are going through, the ground rent, they're on track to be about \$150 million this year in ground rent payments to the airports. That's a flow-through. That doesn't get tacked on to what people pay.

You have commented on how we treat airports, how we look at airports. There's been a lot written about it. I've read about it and written about how they are economic drivers. We need to look at them on that level.

With regard to the six small airports, how important would that change be? What would be the bang for our buck in making that change for those six smaller-sized airports?

Mr. Daniel-Robert Gooch: We're talking about air gateways into their communities. Prince George is about an eight- to 10-hour drive from Vancouver as I understand it. I've never done it. I might be really wrong, but it's a long drive. Charlottetown, the only air gateway in Prince Edward Island, is a major tourism market.

For airports of this size, it's a challenge to fund both operating costs and capital costs on an ongoing basis. The government recognized this back in 1994 when the national airports policy was written. Other airports in a similar category have been able to make do because they've been able to participate in federal programs from time to time, including ACAP, but these airports are barred from it, and also have to start paying rent as well. It's early days for rent payments for some of them. Ultimately, money will be going out the door as well, so it's quite significant.

In some of these communities, they've reached the point where they're not sure they could necessarily even raise the AIF enough to cover the costs associated with the infrastructure improvements without scaring off the commercial carriers that they have now.

• (1755)

Mr. Francesco Sorbara: We're looking to grow our tourism numbers and encourage people to visit places like Prince Edward Island. I grew up on the north coast. I know the drive from Prince Rupert, Prince George, and then down to Vancouver. I know it quite well, so it's very important.

I'd like to switch gears to the gentlemen from the Mining Innovation Council.

Mr. Robitaille, good evening to you. I know your firm very well. The CFO there is a former colleague, and a great friend of mine, Mr. Smith. Please pass on my hellos. Sorry to make it personal, but I did want to say that.

The ask over five years of \$50 million is to be matched by the Innovation Council. Have you even done a cost-benefit analysis on that? It seems to be such an attractive program to look at. It meets a lot of the government's goals on reducing greenhouse gases, switching, and moving toward a more low-carbon environment, a low-carbon intensity, if I can use that language. There seem to be a lot of wins for the mining industry that could be looked at from this program.

Mr. Jean Robitaille: I will make some remarks, and then I will leave a bit of time for Carl.

It's \$50 million, and the intention is to add from the industry another \$50 million, so we're speaking about an investment of \$100 million. On the cost-benefit, first of all, what will make a difference with CMIC? The intention is to be led by the industry. You have the players of the industry on the board of CMIC who want to look at each of the innovation projects that will move forward and be treated with a business case. We don't want to just invest money. We want to ensure there will be a return.

When you invest in innovation, you have to share the risks and rewards. We see the possibility of increasing in some places by 10 times the investment we are proposing. If you look at global production, just in Canada, in terms of all the metal, just 1% will represent a huge benefit, but it will be more than this. If we can move the mining business to the next level, you will see junior companies coming back, restarting exploration, and we will go back to where we were. Presently, there is a lack of exploration.

Carl, do you wish to add something?

Mr. Carl Weatherell: Yes, just a little more on top of that.

In my opening remarks and in our brief, we've mentioned a business case. We have a full business case for towards zero waste, and it's oriented towards industry. In that business case, we have calculated what the ROIs are for 14 companies across Canada, so it is substantial.

The Chair: Thanks to both of you. We do have the member for Charlottetown here, one of the small port areas, and I expect he'll have a question for you before we get out of here.

Mr. Abouttaif.

Mr. Ziad Abouttaif: Thank you very much. I have a few questions.

One is for Dr. Miller and is about the question asked by my colleague, Mr. McColeman. I know that you stand by the CMA, the Canadian Medical Association, in your request to the government to basically amend the implementation act on the group medical structure. This is a sort of tax hike on your business. He asked you about the percentage. You did not give an answer on that, which is fine.

The second part of the question is, will it cause a decrease in access to health care for patients?

Dr. William Miller: Yes, and I think because it's a disincentive to work in groups, particularly academically. From a radiology point of view, academic delivery of services in radiology is all done by groups.

I think we'd have a hard time attracting people to academic groups. I think it will have impacts on the ability to educate future radiologists. Also, we educate not only radiologists but subspecialists of all natures, such as surgeons, neurologists, and those in orthopedics, etc.

As well, it's going to have an impact on research, because the people who are doing research are those in academic centres, so if it's harder to attract people into the academic world, then it's going to be harder to get those things done. There are a lot of committed people who will stay and suck it up, but it's going to be hard over time. It's going to be a disincentive to get people to come and work in those circumstances.

Also, there's the delivery of comprehensive care. For example, I'm a neuroradiologist. I only look at the brain and the spine. As you know, in order to deliver full-body, full patient care, we need all kinds of subspecialists if we want to provide expert care. Or we could have all general radiologists who just provide general level care, but it's not as expert as subspecialized care. This way, we can bring subspecialists together in groups and provide full-body service, so to speak, without paying a penalty.

• (1800)

Mr. Ziad Abouttaif: How big an industry are we talking about here?

Dr. William Miller: How big an industry...?

Mr. Ziad Abouttaif: Yes, dollar-wise.

Dr. William Miller: In Ottawa?

Mr. Ziad Abouttaif: No, dollar-wise.

Dr. William Miller: Dollar-wise? Hang on a second. Maybe Nick can help me with that.

Mr. Nicholas Neuheimer (Chief Executive Officer, Canadian Association of Radiologists): Mr. Kahn would correct me, but I believe the latest government figures on health care are \$220 billion.

A voice: On the health care budget.

Mr. Nicholas Neuheimer: Yes.

Mr. Ziad Aboultaif: In your business, the association of radiologists, how many people do you employ in Canada in total?

Dr. William Miller: I think there are about 3,000 radiologists in Canada.

Mr. Ziad Aboultaif: Are they all business owners?

Dr. William Miller: No. A very few, probably, are employees.

A number are employees of hospitals under alternative payment plans, but mostly they're independent practitioners working together in groups or solo, and mostly running their own businesses.

Mr. Ziad Aboultaif: How much is the budget going to benefit in 2016 from changing this regulation? Again, in dollars and cents, do you have any idea?

Dr. William Miller: I have no idea. Again, I might defer to Nick, who might have an idea.

Mr. Nicholas Neuheimer: The point is that it would be very disruptive to care, and not only in access to care, medical research, and teaching, but also very disruptive all across the country. The cost estimates of how disruptive that would be are really difficult to assess, but they are significant, and they're across all specialties: radiology, ophthalmology, and cardiology.

Dr. William Miller: Could I add one more point?

The other thing about it is that it's very unfair. Why would you penalize people who are practising in groups versus people who are practising solo? I don't understand the rationale for that.

Mr. Ziad Aboultaif: Thanks.

The Chair: Mr. Champagne.

[Translation]

Mr. François-Philippe Champagne (Saint-Maurice—Champlain, Lib.): Thank you, Mr. Chair.

I am going to address Mr. Gooch.

You have seen that in the last budget, we made major investments to attract more tourists to Canada. According to the figures you mentioned, there was a 4 to 8% increase in airport traffic. That is good news.

You represent large and small airports and also medium-sized airports in Canada. I would like to hear your thoughts on the subject of the strategy we might adopt to expand the regional airports. In Canada, and in any event in Quebec, there is congestion in some large airports. Would a possible solution be to develop the regional airports? I know that some airports would like to play a regional role someday, to offer flights south for people leaving on vacation, for example, or flights north for workers. What are the barriers to expanding the regional airports?

Mr. Daniel-Robert Gooch: Thank you for your question.

I will answer in English.

[English]

As a point of clarification, when you refer to a "regional airport", what category or size are you talking about? Can you give me some examples?

Mr. François-Philippe Champagne: An example in Quebec is Sherbrooke, which is asking to do more, and Trois-Rivières is looking for more. I've also heard there is a committee of about seven or 12 regional airports that are really looking to play a bigger role in terms of aviation in our country, which seems to me a way forward if we want to increase the number and perhaps reduce the backlog in some of our major airports.

What's your view on all that?

● (1805)

Mr. Daniel-Robert Gooch: Many of these airports have smaller traffic volumes today, so anything that improves the cost structure for industry is an improvement for everyone across the board.

Our members today actually don't include some of those airports you referred to. We have small airports like Sudbury, Stephenville, and Deer Lake, but in Quebec we have only Quebec City.

Our airports generally think of themselves as a system, so we're at a point where actually the larger airports are helping out the smaller airports and the smaller airports are helping out the larger airports, because they realize, for example, if you can't get through CATSA in a timely manner in Toronto, then that affects everybody downstream, because those passengers ultimately are going to be travelling through the major hubs. Improving the hubs can actually do a lot for airports of all sizes.

Airports of all sizes are very active in marketing their communities. Our parent organization in the United States is part of an international network of airports, and we actually hold forums at which airports are able to meet with air carriers so that they can promote themselves. We've seen growth in domestic and international routes from airports that might not have had international connections 10 or 20 years ago.

I can't leave this topic, though, without pointing to my colleagues in southern Ontario at Toronto's Pearson. Even though billions of dollars were invested in Toronto in the 1990s to build up that airport and we've grown it to over 41 million passengers last year, they're actually looking down the road and realizing that they're going to hit capacity, so Toronto Pearson is actually working with airports in the southern Ontario region on how to handle that as they approach capacity. They're looking at whether airports can specialize in different types of activity, for example. That's an area of work that is fairly new. That's been under way for a couple of years, and I think it will present a good model, going forward, of how airports can work within their region.

Another good example is in Atlantic Canada, where the Atlantic Canada Airports Association works together on a lot of files, including air service development. They travel overseas together and they promote the region at conferences like the ones my organization holds.

The good thing about airports is that because they are not-for-profit businesses, there is a great community spirit of working together and learning from each other, and you see a lot of collaboration in our industry today. I'm proud of that.

Mr. François-Philippe Champagne: Mr. Khan you might answer now, or otherwise later if there's no time.

You talked about what we are doing with our infrastructure spending in this country as being historic. What are the best practices you've seen around the world? You've studied a lot of the OECD and G7 countries. In terms of metrics you may have had a chance to address, what metrics do you see in G7 countries that we could adopt in Canada to provide the accountability that parliamentarians want to see?

Mr. Sahir Khan: That's an excellent question. We have a paper we'll be publishing soon that looks at this. It was done at the request of Minister Sohi.

The International Monetary Fund identifies important practices around transparency. You want to have good planning up front. You want to have coordination.

I gave a speech this morning on health care and the question was, "How do you get collaboration?" I said, "Well, look to infrastructure." You want federal, provincial, and municipal governments actually working together.

As a first step this is excellent. I think now the challenge is how we get the outcomes we want out of this. How do we ensure that the transfers that are going from the federal government to the other orders of government come back as information on performance? In the past we've had challenges at the federal level where transfers were made but the information didn't always come back. It gets very hard to assess whether the transfers have been effective.

I think this is the important challenge when the federal government is making historic allocations to infrastructure. I think they have an opportunity as a quid pro quo to get that data and to ensure that they have the right planning information, that the right due diligence is being done, and that there are metrics around performance, whether financial or non-financial. The financial metrics are rates of return that contribute to the economy, but there are also things like GHG reduction, the reduction of congestion, and an increase of commutable distances. These are important metrics around infrastructure that can address not only the economic concerns of a sluggish economy but important policy considerations that the government advances in the Speech from the Throne.

The Chair: Thank you, both.

Mr. Nater.

Mr. John Nater: Mr. Khan, in response to a question from my colleague, Mr. Caron, you mentioned the challenge of time to review estimates. I'm sure you're aware of the 1968 changes to the deemed to have reported rule, as of May 31. I want to get your comments on the deemed rule. How do you see that affecting the role of parliamentarians? Next Thursday, the House of Commons will have a whole sitting day to debate the Standing Orders. Could you comment on whether or not you see that as a potential topic of debate in terms of how we review the estimates?

• (1810)

Mr. Sahir Khan: I think there's a ripe opportunity right now with the government having advanced this proposal for estimates reform. I think that, to some extent, the deemed rule reflected the decline of the role of estimates in that process within Parliament.

For those who don't know, after a certain period of time the estimates are effectively deemed to have passed. The very core Magna Carta rights of parliamentarians were traded at the time for—I think—extra staff and office space. It sounds silly, but when we think about subverting the core obligations of all members of Parliament, linked not just to the Magna Carta but to our Constitution and the Financial Administration Act, I think it is worthy of time, effort, and information.

Mr. Caron asked, "What is the nature of information?" It's a good question. Well, yes, program activity, things that make sense to you and me, but also the information that goes with it.... I agree with you that if the government didn't have the deemed rule, then all of a sudden there wouldn't be the same time pressure. You could have fulsome discussions on things that are important. If parliamentarians are getting information about deviations from the budget or about performance, then the discussion can focus around that. You're not going through every last page of the blue books looking for something that—as I learned when I worked at Treasury Board—you're never going to find anyway. Instead, you're looking at things that are important, and consistent with the questions Mr. François-Philippe Champagne asked about performance, and you're getting reports on that basis. Then you'll ask about those things that are important to you and to your constituents. I think the time pressures will be taken off, and there will be far more time, consistent with you appropriating \$250 billion.

Mr. John Nater: I appreciate that answer and I think it's going to be an intriguing debate next Thursday when we do have the debate on the Standing Orders in the House.

I want to touch briefly on your comments about the lack of fiscal targets in the 2016 budget. I would like you to comment briefly on what you would like to see in the upcoming budget in terms of fiscally sustainable targets and clear targets to reduce the deficit. We all know where we're at right now—\$30 billion. What would you like to see in terms of clear targets going forward?

Mr. Sahir Khan: I mentioned that transitions are difficult for all new governments. Now that a year has passed, this is a very good opportunity for this government to put its stamp on transparency in how it reports to Parliament.

Having clear targets also for debt-to-GDP ratio, for example, means having the supporting information. You get a fiscal sustainability report from the parliamentary budget office serving parliamentarians. It would be really helpful if, accompanying the budget, there would be a report from the government on fiscal sustainability, showing whether the federal principal structure is sustainable today and also with the measures proposed in the upcoming budget.

This is something very important. There was a discussion this morning at Canada 2020, an event on health care. There is a significant fiscal imbalance between the federal and the provincial government, and that doesn't fully consider the pressures the federal government has within its own jurisdiction.

We talked about infrastructure, aboriginal considerations, innovation, and major agendas that are coming at the federal level. All of these have to be baked into this type of analysis of the budget to look at what it means not just for the next two years or three years but also for the next five years. How will debt to GDP be impacted with all the new measures, and what does that look like over the long term, in the 75-year type of projections that the PBO does?

That type of transparency, we feel, would help parliamentarians understand the broader fiscal context of these decisions, and that transparency would also help you to hold the government to account on the targets they have set out.

Mr. John Nater: I appreciate it.

The Chair: Mr. Casey.

Mr. Sean Casey (Charlottetown, Lib.): Thank you very much, Mr. Chair.

Mr. Gooch, it will come as no surprise to you that I want to direct the question to you. Thank you for being here and for your continued advocacy on behalf of the six small airports that are part of the National Airports System, which includes the one in my riding.

Your advocacy successfully resulted in the committee unanimously recommending in the last round of budget consultations that this situation be remedied. The fact that you're still here and still beating that drum indicates that the recommendation has not yet been adopted, so thank you.

My question for you relates in part to some information we received from the Atlantic Canada Airports Association, from Monette Pasher, who does excellent work there. I think I also heard from Mr. Khan that phase two of the infrastructure program anticipates a transportation and trade corridor program.

The last and largest injection of federal funds that the airports in question, the six small airports that are part of the National Airports System, received was back in 2010 under the gateways fund. What did we learn, or what should we have learned from the last infusion in 2002 under the gateways fund that can be and should be incorporated into any new program such as this transportation and trade corridor that's being anticipated this way around? What advice would you have?

•(1815)

Mr. Daniel-Robert Gooch: Thank you for the question, Mr. Casey. We certainly appreciate your support and the support of your colleagues, as I said at the outset.

The projects fall into two sets of categories, and certainly the ones you're referring to from 2010 were more of the trade-enabling infrastructure as opposed to the safety and security projects that are funded out of the ACAP program, for example.

My understanding is that those investments that were made in 2010 at airports throughout Atlantic Canada were quite successful in

supporting those airports' economic activities. They included runway extensions that have led to new cargo services, for example, in British Columbia. Equipment is being put in St. John's, Newfoundland, not one of the six airports but still under that funding, that's allowing the airport to offer greater reliability in tough weather. Greater reliability means you can be more certain you're going to be able to get to Newfoundland on time, and so businesses and conferences will be more likely to host there. Those investments have yielded great outcomes.

On the safety and security side, you don't always see what results from that, but airports are highly capital-intensive. You don't just build a runway and a building once. You have to maintain them. Safety and security are always our number one priority, and so even though you can't always see what those investments result in, we have a very safe, secure air transport system in this country, and we need the funds to help us keep it that way.

The Chair: Do you have anything you want to add?

Mr. Sean Casey: No, that's good.

The Chair: That's fine.

Mr. Caron.

[*Translation*]

Mr. Guy Caron: Thank you, Mr. Chair.

Since I have the opportunity, I would like to address Mr. Khan.

On the one hand, in the expenditure budget, there are a lot of things that we do not have details about and where we are unable to make the connections with the objectives set by the departments.

On the other hand, in terms of the departments and programs as a whole, there are plans and priorities for the years ahead, accompanied by extremely general talk about expenditures. It would probably be useful for parliamentarians to be able to merge the two processes and know what the government's plans and priorities are over a year, and also to know what the priorities are for a few years ahead. We would have to have much more detailed figures. It would be important to have time to be able to study them appropriately in committee.

Mr. Sahir Khan: If I can answer in English, it may be easier.

Mr. Guy Caron: All right.

[*English*]

Mr. Sahir Khan: There's an important opportunity this year for the budget. Measures have to be reflected in the reports on plans and priorities. Last year, for example, after the budget was tabled, a historic investment in infrastructure...parliamentarians were still working with essentially obsolete reports on plans and priorities, so ensuring that they have the right content, first of all, is really important, and there's an opportunity today.

I think it also goes back to the message I made earlier, which was that it's important for parliamentarians to receive the information the same way the government manages its resources. If it's highly aggregated or in a different accounting language—cash versus accrual—or with high-level votes, and you're not actually voting on the program activities, you're voting on a high-level vote structure, there isn't a lot of incentive for people within the government to manage on that basis and report to you on that basis. Ideally, you're getting a report on plans and priorities that is outlining the government's spending plan for the year.

Then you have quarterly financial reports that come out and tell you whether they're on track. Then the departmental performance report is produced soon after the end of the fiscal year to let you know how they did. Right now the DPR is produced far later. You get public accounts some 200 days after the end of the fiscal year, so you're appropriating money in main estimates for the following year without having the public accounts tabled for the prior year. We have a lot of these—the reporting and the management when these documents are tabled—out of sync right now, and at the level of aggregation.

Our advice is that you have control gates because you're voting on program activity. If the information isn't coming to you, then it's a serious problem for somebody because they're having to manage those program activities within the government. If you're not getting the variances on budget or on performance measures, you have very good lines of inquiry when they come to committee. But once you're voting on that basis, they have to manage on that basis. That's the fundamental opportunity for change in the estimates reform proposed by the government.

• (1820)

[*Translation*]

Mr. Guy Caron: It could also result in better understanding of the work we do in committee and what the government also does in relation to the departments. We would be able to work from the same bases.

As parliamentarians, we are not ministers. For all of us, it is a little difficult to make the correlation between the needs and the work being done in the departments under the budgets allocated by the government, by the committees, and by us, the members who examine these budgetary allocations.

Mr. Sahir Khan: It becomes more and more difficult.

For example, in the case of a department like National Defence where there is a lot of capital, funds are managed on the basis of an amortization period of 20 or 30 or 40 years.

However, in your case, everything is in cash. These are current expenses that are being considered. So there is a lack of synchronization between the two accounting methods and that is where the problem lies.

Mr. Guy Caron: I would also put to you the way things are done in Quebec.

[*English*]

The Chair: I'm going to cut it off there. We have two more on the list.

Mr. Ouellette.

Mr. Robert-Falcon Ouellette: Thank you very much.

Thank you all for your submissions. They were very interesting and good reading before going to bed at night, so I appreciate it.

I realize this might be an unusual question, but nonetheless I will proceed. From your field of expertise, I was wondering if you would be able to offer your thoughts on what your organization is doing concerning indigenous peoples and if you feel you have the capacity.

What should the government or even your organization be doing concerning the indigenous peoples in Canada? It's a general question.

Mr. Jean Robitaille: With regard to innovation itself, I don't want to repeat myself, but I'll again look at the Nunavut platform. It's a good example. We need to innovate for energy, for infrastructure. There are other ways than building roads. There are other ways to accomplish what has to be accomplished. In the specific example of Nunavut, they have aboriginal people, and currently, in the company I'm working for, we create a lot of wealth.

You'll see the same thing in other regions. I see true innovation in what we're trying to accomplish. You'll be able to open those territories and you'll be able to create wealth. In this specific example, it's not just lower-level jobs we are speaking about. In our own company, where we are investing substantially in innovation, each of our mines is operated and managed by the people from the country. In Quebec the general manager is from Quebec. In Finland they are from Finland. In Mexico they are from Mexico. In Nunavut our wish is to bring the management in with people, so this is one angle you will see.

As well, when we speak about the footprint, when we speak about water, and when we speak about energy, that will directly touch the aboriginal people.

Do you want to add something?

Mr. Carl Weatherell: Perhaps I could take 30 seconds. It's a great question.

A key element of what we're doing, as I mentioned before, is open innovation. It's not just about the mining sector, it's about other sectors as well. We're reaching out to aboriginal businesses already. We've talked to some aboriginal businesses to see if the technology or the solutions they have could potentially fit under the towards zero waste strategy. So that's going on.

Potentially we could have transferable skills, not just mining-related skills. They could be relevant to ICT or to other sectors of the economy instead of being service-related sectors for mining in sunset-type scenarios.

•(1825)

Mr. Sahir Khan: I would add that there are several tangible things that we'd like to do at our new institute with the aboriginal community. In particular, we'd like to develop a training program in financial management. It would partner financial officers in aboriginal communities with our partners in the accounting profession and with the Financial Management Institute, which serves public sector financial officers, to help build capacity for greater performance budgeting opportunities for new funds that are available to aboriginal communities.

Mr. Robert-Falcon Ouellette: How do you then...? For instance, under the Indian Act, as a chief you could fire any person on the reserve at any moment. You could fire teachers. You could fire the entire school, if you liked. Then you could appoint people to be in those positions who might or might not be qualified. Some are often very qualified.

How do you then go about ensuring that if you train someone to be a qualified civil servant, they will actually be able to stay in that position in the long term?

Mr. Sahir Khan: We understand that capacity building is a slow process. What we want to do is to have financial officers on first nations communities actually partnered with professionals, with members who are part of the Financial Management Institute and part of the accounting profession, so that they actually have external resources to not just build on their professional skills but also have mentorship on how they manage within their organizations.

This is a small contribution that our small public finance institute can make. The approach we are taking with public servants on improving financial management capacity is the same one we'd now like to see within aboriginal communities. We've had discussions with a number of groups to do this.

The second thing we're trying to promote now, as part of the innovation agenda, is—

The Chair: I have to let Mr. Bittle in here.

You get one question, Mr. Bittle.

If people want to answer on both, they can. That's the only way we can handle it.

We're out of time, Chris.

Mr. Chris Bittle (St. Catharines, Lib.): That's fine.

Specifically to the Canadian Mining Innovation Council, do you have a target for greenhouse gas reductions with your plan?

Mr. Carl Weatherell: We don't have a specific target for greenhouse gas emissions, no.

Mr. Jean Robitaille: However, we have four specific areas, and energy is one component. It's obvious that we will touch that.

On the question about aboriginals, for one mine we are investing \$5.6 million per year in its development. So this is not fake. This is true at Meadowbank. Imagine the multiples you'd have with more development, with more mines able to move forward.

Thank you.

The Chair: Okay, we are at the end of our time frame. I thank people for their presentations today. I also appreciate the briefs that they've sent in—those who did—by early August. Thank you for your time today.

For committee members, we will see you in Kelowna, B.C., on Monday.

[*Translation*]

Mr. Guy Caron: Bon voyage, everyone.

[*English*]

The Chair: I guess you're not coming.

The meeting is adjourned.

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