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Chair

The Honourable Wayne Easter

Standing Committee on Finance

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● (0900)

[*English*]

The Chair (Hon. Wayne Easter (Malpeque, Lib.)): We will call the meeting to order. As everyone knows, these are the pre-budget consultations of the federal finance committee, and we're doing hearings in advance of the 2017 budget.

Welcome, everyone. Thank you for coming. We have so many pairs of people appearing this morning that we've had to reset the room.

In any event, when we're on the road, we ask members to introduce themselves so that you at least know who we are, what parties we represent, and what region we come from.

I'm Wayne Easter, the chair of the committee, and my riding is next door. After you get around all of those roundabouts, you'll get to the riding of Malpeque.

Francesco, do you want to start?

Mr. Francesco Sorbara (Vaughan—Woodbridge, Lib.): Thank you, Mr. Chair.

Good morning, everyone. I'm Francesco Sorbara. I represent the riding of Vaughan—Woodbridge, which is right on top of Toronto, bordering the city of Toronto.

Mr. Steven MacKinnon (Gatineau, Lib.): I'm Steve MacKinnon. I'm a proud graduate of Colonel Gray Senior High School, and now I'm a member of Parliament for Gatineau, Quebec.

Mr. Ziad Aboueltaif (Edmonton Manning, CPC): Good morning. My name is Ziad Aboueltaif. I'm from the riding of Edmonton Manning, on the north side of Edmonton.

Mr. Dan Albas (Central Okanagan—Similkameen—Nicola, CPC): Good morning. I'm Dan Albas. I'm from the British Columbia interior, in the riding of Central Okanagan—Similkameen—Nicola. I'm a Conservative member. I look forward to hearing your views today.

Mr. Pierre-Luc Dusseault (Sherbrooke, NDP): Good morning. I'm Pierre-Luc Dusseault. I'm the member of Parliament for Sherbrooke, Quebec, in the Eastern Townships.

The Chair: Thanks to all of you.

We have the analysts and the clerk here as well.

To start, what we would hope for is that people can stick to five-minute presentations. There are six presentations, and I think one combined, and then we'll go to questions.

We'll start with BioVectra. Mr. Technow is the president, and Ms. Delage is the vice-president of business development.

Oliver, the floor is yours.

Mr. Oliver Technow (President, BioVectra Inc.): Thank you, Mr. Chairman, for the opportunity to address you and the finance committee today.

My name is Oliver Technow, and I'm accompanied by Ms. Heather Delage. The organization we lead, right here in Charlottetown, Prince Edward Island, can truly be considered a prime example of how an entrepreneurial vision can turn into global leadership in one of the most competitive areas: pharmaceutical ingredient manufacturing.

I have two objectives today with my five minutes. I would like to share a little of our BioVectra story with you so that you can envision how innovative clusters can help create and lead a knowledge-based economy, not only in what we consider the big centres in this country, such as Toronto, Montreal, Vancouver, or Calgary, but also right here in beautiful in Atlantic Canada, where we have some of the best universities and colleges in the country and a very talented and highly skilled workforce that is looking for ways to drive the economy here.

Second, as you know, BioVectra has provided a written submission and has developed alongside that a very compelling business case that would help operationalize a major facility in Windsor, Nova Scotia, which we've purchased and have started retrofitting. We are asking the finance committee to recommend federal government investment in BioVectra in its pre-budget report. I want to be very clear at this point that this is not a corporate handout. This is a very smart investment that will quickly pay dividends for many years to come and can lead to the creation of hundreds of jobs in the outskirts of Halifax.

I truly hope that you see how our current business model and our future vision will help to answer all three of the finance committee's questions that have been posed: by boosting employment in rural Canada; by expanding an innovative and knowledge-based company that supports economic diversification in Atlantic Canada; and as well, as an organization, by providing cutting-edge technology and innovation and exporting that to the globe.

Let me introduce you briefly to what BioVectra does. We are a contract manufacturing and development organization applying world-leading technology in the pharmaceutical manufacturing sector. We have a speciality in the area of fermentation, which is a technology that is used in a lot of innovative drugs these days. We are headquartered here in Prince Edward Island. BioVectra can already be considered as the premier life sciences company in Atlantic Canada, which has a growing bioscience cluster. We have three active manufacturing and research and development facilities in total and we employ already a little over 300 people here in Atlantic Canada. I would strongly encourage you, if you fly out later today from the airport, to just turn your head to the left so you can see our biggest facility right there at Aviation Avenue, where we produce commercial-grade active pharmaceutical ingredients in both the synthetic and biologic products areas.

I'll give you a bit of the history as well. BioVectra is on a very impressive growth trajectory, which sets us quite apart from our competition. It started off very small, truly as an entrepreneurial dream and vision in the 1970s. The first couple of decades were clearly dedicated towards developing expertise in scaled chemical manufacturing, which then led in the 1990s to the first outreaches into the market as a contract manufacturing organization. Only in the last few years has BioVectra truly reached the stage of global competition where we consider ourselves one of the leading organizations in our space. We do have strong relationships, business relationships, and long-standing long-term contracts with probably most of the top 20 pharmaceutical and biotech companies in the world.

Now that you've heard a little about who we are and our outreach and our organization, I would like to share my vision for the organization and how to expand into eastern Canada.

Our operation in Windsor, Nova Scotia, has been the subject of a major retrofit. Our objective is to install large-scale fermentation there, which is an important addition to our manufacturing continuum and is important for our competitiveness in the global world. We have already invested \$20 million for the retrofit of this facility over the last two years, which was acquired in 2014.

•(0905)

Today, we are at the point that to still have a viable business case that benefits the Canadian economy, we are looking to secure partnership government grant support so that we can complete the work and get the site up and running. We envision this to be possible in 12 to 18 months. I ask for an investment of \$10 million from the Government of Canada. With this investment, this partnership grant, BioVectra would be able to get this operation up and going.

The key question, obviously, is why: why would the Canadian government consider this investment in this organization? I believe this is a very strong and simple case to make. If the plant is operationalized.... As I've said, we believe we could do this in 12 to 18 months. Please have a look at the binder we gave you, which shows that this site already exists; we have a couple of pictures that bring to life where this currently stands. If the plant is operationalized, it would create up to 70 new jobs. That is a rather conservative guess on our end. For both the commercial fermentation and laboratory process development at this site, we will require

a very unique set of highly skilled talent. We need microbiologists, biochemists, and biochemical engineers, as well as highly trained and skilled operations staff.

While direct employment may add up to 70 jobs, it's the spinoff jobs that truly make a big difference in this investment. Based on experience, we know that once a facility and a manufacturing site of this scale becomes operational, hundreds of spinoff jobs are created in the immediate environment for vendors, suppliers, and everybody who has to help to keep this site going. This would create a significant economic boost to Nova Scotia. BioVectra would be committed to attracting and retaining workers in Nova Scotia's highly educated workforce and in driving the diversification of the local economy, consequently reducing unemployment in this area.

We believe this investment is directly aligned with and supports the federal government's innovation agenda and, equally, the Atlantic Canada growth strategy. A positive return on this investment of the federal contribution in terms of the spinoff jobs, the growing tax base for the province and the federal government, would be quickly realized—you can do the math—in a couple of years, and it would continue in perpetuity.

We have reached out to many stakeholders in Canada over the last few weeks to share our vision for expansion into eastern Canada. We spoke with the Atlantic Canada Opportunities Agency, ACOA, and to members of Finance Canada, Innovation Canada, and other federal organizations, and, as you would imagine, with the local and provincial governments in P.E.I. and Nova Scotia as well. Everyone is excited about this opportunity because it's such a compelling case to make.

This is truly about a knowledge-based company and a knowledge-based economy growing in Atlantic Canada, boosting exports into the globe. It's not only for the pharmaceutical cluster in New England and between the Ontario-Quebec corridor. This is truly about competing on the world stage out of Atlantic Canada. It would create a future for highly skilled Canadians and immigrants who you would have to attract to run this organization in Nova Scotia, in an area that probably needs growth like this more than other areas of the country. BioVectra is truly ready and wants to play a key role in that vision in close partnership with the Government of Canada.

I thank this distinguished committee for giving me the opportunity to be part of this discussion. I'm looking forward to your questions.

•(0910)

The Chair: Thank you very much, Oliver.

I should have mentioned it before, but you'll notice members on their iPads from time to time. People find it distracting, but all the briefs that have been presented are on electronic technology now. We're supposed to be paperless, although I'm not.

I'll turn now to the Greater Charlottetown Area Chamber of Commerce, with Penny Walsh McGuire, executive director.

Ms. Penny Walsh McGuire (Executive Director, Greater Charlottetown Area Chamber of Commerce): Good morning, Chair and members of the Standing Committee on Finance. Thank you for the opportunity to speak to the committee on the topic of the 2017 federal budget.

The chamber serves as the voice of business in the greater Charlottetown area, and that takes in Stratford, Cornwall, and Charlottetown. We are a very active provincial chamber, and we provide services, opportunities, and advocacy support for members to enhance their ability to do business. We have close to 1,000 members, and we reflect a diverse network of businesses from almost every industry sector and profession in our region.

It is our philosophy that Prince Edward Island, if it is to prosper, must have a business development strategy that is private sector driven, export oriented, and focused on innovation. We also must possess the quality and quantity of human capital and strategic infrastructure appropriate to the task. This is a core message of the chamber and drives our advocacy efforts on behalf of our membership.

With these principles in mind, we initially provided written recommendations to the committee on August 5, addressing five issues that could be influenced by the federal government's actions. Today, I will highlight some specific recommendations that pertain to the following five issues: strategic physical infrastructure, innovation and commercialization, access to capital, taxation, and demographic and labour issues.

To begin, I'm sure you would all agree that the quality and quantity of local infrastructure are essential to advancing the Island economy. Infrastructure such as roads, water and sewer, electrical power, and broadband Internet are basic requirements for the prosperity of Island communities. It is worth recognizing that phase one of the new federal infrastructure program has made important investments in public transit, clean water, and affordable housing; however, it is still unclear where phase two funding will be allocated.

With this in mind, we emphasize the importance of federal investments in innovation and commercialization projects that will accelerate new product development, local manufacturing, and scaling of export-oriented businesses. Strong inroads have been made with past strategic investments in physical infrastructure at our post-secondary institutions and scientific research institutions. Additional investment in these areas is critical for the growth of P.E.I.'s existing knowledge-based industries.

Further to this, financial infrastructure must also be in place for individual firms to realize innovation and commercialization success. In this case, the importance of federal R and D financial assistance programs, such as ACOA's Atlantic innovation fund, SR and ED, and the NRC's IRAP cannot be underestimated.

Still on the topic of strategic infrastructure, the chamber continues to actively pursue the issue of the federal airports capital assistance program, or ACAP. I think you might be hearing more about that this week. Because of its location on federal land, the Charlottetown Airport is one of six small airports in the national airport system that is currently ineligible for funding through ACAP for safety-related maintenance and upgrades. Members of the Canadian Chamber of

Commerce, representing over 200,000 Canadian businesses, recently approved and support a resolution to pursue this issue further with the federal government. We do urge you to consider the connection between the prosperity of P.E.I.'s business community and adequate access to our country's transportation network through a safe and financially viable airport.

Access to capital is another crucial aspect of an effective business development strategy for P.E.I. A range of programs is available for new businesses seeking financing, but gaps still remain. Through its Island advance initiative, the chamber is expanding connections among potential investors and entrepreneurs. I want to recognize our Island Advance advisory board chair Ron Keefe, who is very actively involved in the Island Advance initiative. The chamber recommends that the federal government continue to pursue initiatives to support entrepreneur development, whether it be through a specific venture capital strategy or a combination of taxation measures to promote venture capital investments and encourage first-time entrepreneurs.

Finally, a significant priority of the chamber has been to stress the central role that international immigration plays in P.E.I.'s economic growth. We spoke to a number of demographic and labour market issues in our written submission, but today I want to highlight the efforts of the chamber's PEI Connectors program, which is supported through federal funding from Immigration, Refugees and Citizenship Canada.

• (0915)

The importance of attracting international immigrants to the Atlantic region was underscored by the recently launched Atlantic growth strategy. Retention through integration is the key aspect of building on this goal, and the PEI Connectors program has been at the forefront of this work by helping entrepreneurial immigrants make connections and establish themselves on P.E.I. As such, the chamber would like to reinforce the importance of federal government support for this program as an effective method of ensuring the future economic prosperity of P.E.I.

I want to thank you for the opportunity to provide comments on behalf of the business community. I look forward to your questions.

Thank you.

The Chair: Thank you, Penny.

The Prince Edward Island BioAlliance is next, with Mr. Keefe and Mr. Yuill.

Mr. Ron Keefe (Executive Board Member, PEI BioAlliance): Honourable Wayne Easter and members of the committee, good morning. It is a privilege to welcome you to Prince Edward Island, and to welcome a couple of you back to Prince Edward Island, and to offer comments on economic infrastructure as you carry out your consultations.

As Penny has indicated, one of the main themes we are looking at is innovative economic infrastructure in the province. That is my purpose here today. With me today is Martin Yuill. Martin is the director of incubation for the PEI BioAlliance and head of the Emergence bioscience business incubator program.

The Prince Edward Island BioAlliance was incorporated as a private sector-led not-for-profit in 2005 to coordinate and accelerate the development of the P.E.I. bioscience cluster. Since that time, the BioAlliance has been the catalyst in aligning the efforts of government partners, research and academic organizations, and bioscience business leaders to build a new economic pillar for the province and, indeed, for the Atlantic region. Since the incorporation of the BioAlliance, the bioscience industry in Prince Edward Island has grown from 16 companies to more than 45. Private sector revenue has tripled to more than \$200 million in export sales, and employment in the sector has risen from about 450 jobs to more than 1,500 jobs.

About half the companies in the cluster are locally grown from early entrepreneurial efforts, and we witnessed one being discussed this morning—BioVectra. The other half of them are from other parts of Canada and the world. We are home to business units of three multinationals, all of which are here because they invested in local small and medium-sized enterprises, and they continue to invest. Our companies produce human, animal, and fish health products, including cosmetic ingredients, natural health products, feed additives, vaccines, diagnostics, and pharmaceuticals.

Early on, we recognized, as others have, that Canada needed to improve its commercialization efforts from new technologies developed in academia and the start-up companies. This has been a core part of our development strategy: to become a Canadian leader in commercialization. We've done this through our collaborative partnership model. As a result, we have established a winning environment for early-stage businesses in P.E.I.

Key partners in our cluster, which support strategic implementation and business growth in a variety of ways, include: Holland College; the University of Prince Edward Island and other regional universities such as Dalhousie, Mount Allison, UNB, and St. Francis Xavier, etc.; Innovation PEI; the NRC; Ag Canada research; ACOA; and NSERC.

With our recent successes in two important federal competitions—the Canadian accelerator and incubator program and the Centres of Excellence for Commercialization and Research—we have established both the Emergence Bioscience Business Incubator and Natural Products Canada. These entities are exponentially increasing business development and business attraction opportunities and are assisting in building our reputation in Canada and the world as an innovation leader with the experience and infrastructure to commercialize new products and new ideas.

One of the consequences we are now facing is that we are exceeding the capacity of our incubation and acceleration infrastructure in the province, in the region, and in Canada. This is, as you can appreciate, a good consequence. We must, as an urgent priority, establish strategic infrastructure—something that Penny also mentioned—including laboratory, manufacturing, and scale-up

facilities and the services necessary to exploit this opportunity and grow our economy.

I chair the multi-stakeholder steering committee of the BioAlliance, which has worked for the past few years on the conceptual design and business plan for a solution to our space and service needs. The solution is what we call the “centre for bioscience commercialization” or, simply, the “BioAccelerator”.

• (0920)

It is a 70,000-square-foot facility that incorporates technical and business services, accelerator space for early-stage businesses, and manufacturing space that allows companies to scale to global markets. It would be located at the BioCommons Research Park in Prince Edward Island. The current cost estimate is \$38 million. Its construction will allow for the establishment of 30 new companies within the cluster and the capacity to initiate commercialization and ultimately lead to expansion of stand-alone facilities across the province, the region, and Canada.

The BioAccelerator will be part of Canada's national innovation connectivity, supporting new product development and commercialization in biosciences. There is no reason why Canada can't be a leading nation in the manufacturing of innovative science-based products. Our competitive advantages are our people and infrastructure. We have spent significant dollars on research and innovative institutions. We now need to commercialize these innovations and reap the economic rewards in this country.

Our request today is that the federal government ensure that strategic economic infrastructure, such as the BioAccelerator, is a priority for funding under phase two of the federal infrastructure program. Infrastructure such as the BioAccelerator, when placed in the midst of a successful cluster partnership, will ensure that the federal government achieves a full return on its investment of public funds. It supports Canada's innovation agenda, enables commercialization of technologies for global markets, attracts talented immigrants, increases foreign direct investment, and mobilizes Canadian capital for investment in Canadian business.

We wish to thank you today for your time. I would be pleased to answer any questions you might have. Thank you.

The Chair: Thank you, Ron.

We have a joint presentation, I believe, of the P.E.I. Literacy Alliance and Literacy Nova Scotia, with Ms. Beazley and Ms. Hunter.

Amanda, I believe you're first. Go ahead.

Ms. Amanda Beazley (Executive Director, Atlantic Partnership for Literacy and Essential Skills, P.E.I. Literacy Alliance): Good morning, everyone.

On behalf of the literacy coalitions in P.E.I., Nova Scotia, and New Brunswick, I'd like to thank you for the opportunity to appear before you today.

We have a lot to say on the issue of low literacy in Atlantic Canada and in Canada at large. In the interests of time, we've decided to review the highlights of the brief that all of you received.

To realize a stronger, more prosperous Canada, we need to strengthen the skills of Canadians across all regions. Literacy and the other essential skills are the foundations for all learning and involve not only reading but interpreting information in all forms. Literacy, numeracy, and problem-solving skills are key to the ability of Canadians to fully participate in our society and to contribute to economic growth. However, 49% of the working-age population in Canada is ranked below level 3, the level that workers in many Canadian occupations need to perform effectively.

The problem isn't necessarily about not being able to read. All but 15% of these workers have mastered the act of reading, a skill that allows them to apply routine procedural knowledge. What these workers cannot do is read well enough to be efficient problem-solvers and to apply their technical skills and knowledge in non-routine ways.

Atlantic Canada has some of the lowest literacy and essential skills levels in the country. The percentage of working-age adults in Atlantic Canada with low literacy is 46% in P.E.I., 50% in Nova Scotia, 54% in New Brunswick, and 56% in Newfoundland and Labrador. Since people of low literacy skills are more than twice as likely to be unemployed, it's not surprising that Atlantic Canada also has some of the highest unemployment rates in the country.

As organizations that provide much-needed literacy services, programs, and supports, we see the difference that literacy makes in the lives of individuals and their families. We would like to tell you the story of Kim, a learner in one of our adult literacy programs.

Kim began our program unable to read, due in part to a learning disability. Her early life in school was very challenging. Despite her desire to learn and despite her best efforts, she believed herself to be inadequate. To put it in her terms, she felt "stupid and unable to learn". In Grade 10, Kim dropped out of school.

She worked at manual labour jobs for many years. After sustaining an injury that left her unable to continue working in labour jobs, and with no skills to secure another line of work, she had to rely on social assistance to provide for herself and her two children. Her confidence was shattered, and she spiralled into a cycle of addictions, poverty, and reliance on social assistance.

When Kim decided that she wanted a better life for herself and her family, she sought treatment and joined an adult literacy program. It was a big step toward her goal of independence. In less than a year, and with the help of the literacy tutor, she is well on her way to achieving her goals. With her new skills, she is now helping her children with their reading, for the first time since they began school.

Kim no longer feels as though she's inadequate or worthless. She believes in herself. With the continued support of the program and her tutor, Kim wants to write her GED test and pursue a college diploma that will enable her to gain steady employment.

Each of our coalitions has stories of success like Kim's. Each story is unique, but given the statistics, Kim is typical of a woman who has low literacy skills and who is more likely to be unemployed, or

employed in the lowest-paying jobs, and a single parent. There are many others like her who need access to supports in order to be successful and contribute to growth in Atlantic Canada.

Overall, Canada's opportunity for economic growth is hindered by the fact that 51% of workers have literacy skill levels below those needed to do their jobs well. These skill gaps hinder our opportunity for economic growth and cost our health, justice, political, and social systems. The hidden cost of low literacy in Canada is estimated at over \$32 billion U.S.

A highly skilled workforce may not be the only contributor to economic growth in Canada, but it certainly plays a very large role. An investment in human capital—that is, in education and skills training—is three times as important to economic growth over the long term as investment in physical capital such as machinery and equipment. A 1% increase in literacy and essential skills in Canada would create a workforce that is 2.5% more productive and would increase Canada's GDP by 1.5%.

All levels of government would realize significant benefits from such an investment: for example, higher tax revenue, reduced income supports and payment of EI, social assistance, and workers' compensation, totalling over \$2 billion per year, and reduced health expenditures, totalling \$688 million per year.

An increasingly knowledge-based economy demands that our population grow and adapt to an evolving society. In Atlantic Canada, for example, because of the automation of traditional industries such as fisheries and aquaculture, forestry, and agriculture, employers are facing labour shortages as they attempt to hire and retain employees with the appropriate skills.

● (0925)

There are other populations of Atlantic Canadians, including first nations and immigrants, who are especially vulnerable to low literacy. Their needs must be met on an urgent basis, since these two groups will account for much of the growth in the labour force in the next few decades. It's also crucial to ensure that rural populations have access to literacy and essential skills supports.

There is clearly a need for literacy and essential skills services and supports in our country. In order to meet this need in Atlantic Canada, we must have the opportunity to leverage the strengths of our coalitions and community literacy organizations to grow supports for our residents. We are aligned with provincial and federal visions to form partnerships that will be more efficient and effective. We have the expertise to address the adverse impact that low literacy has on our communities, civic engagement, health, crime rates, and the economy. Each coalition plays a crucial role in our respective provinces and, by working together, we will strengthen our region as a whole.

As we collaborate to form the Atlantic partnership for literacy and essential skills, we are asking for funding from our federal government in the amount of \$600,000 per year over four years. This funding will provide us with the stability we need to develop a collaborative approach with all stakeholders to ensure that quality and accessible programming is in place in our region.

This will enable Atlantic Canadians to have opportunities to participate fully at work, at home, and in their community. It will also sustain and grow our ability to identify needs and gaps in services and develop an effective strategy that responds to the needs of our communities, and to share knowledge and successful models of literacy, training, and supports in areas such as workforce development and also in the area of youth, early years, family, and adult literacy in our region, as well as other jurisdictions in Canada.

A minimum investment in literacy and essential skills will allow us to make a broader impact in the our region and to produce measurable outcomes that will have a positive and lasting impact on the lives of all Atlantic Canadians.

On behalf of the literacy coalitions in P.E.I., Nova Scotia, and New Brunswick, I would like to once again thank you for the opportunity to share how, together, we can change lives and communities in Atlantic Canada by investing in literacy, essential skills, and lifelong learning.

• (0930)

The Chair: Thank you, Amanda.

We now turn to the Prince Edward Island Fishermen's Association, with Mr. Avry, president, and Mr. MacPherson, executive director.

Ian.

Mr. Ian MacPherson (Executive Director, Prince Edward Island Fishermen's Association): Thank you, Chairman Easter, for the opportunity for the Prince Edward Island Fishermen's Association to present to the Standing Committee on Finance this morning.

My name is Ian MacPherson. I'm the executive director of the PEIFA. Today I am joined by our association president, Mr. Craig Avery, who has over 40 years' experience in the fisheries for commercial lobster and various other species.

In terms of the mandate of the House of Commons Standing Order 83.1, we would like to expand on item two, which asks what federal actions would assist Canada's businesses to meet their expansion, innovation, and prosperity goals, and also on item three, which asks what identifying federal measures in rural and remote communities

would encourage expansion and prosperity in serving domestic and international customers.

The Prince Edward Island Fishermen's Association represents the interests of 1,300 core fishers on Prince Edward Island. The association is dedicated to making positive changes in the fishery so that current and future generations can remain active and financially viable in the fishing sector for many years to come.

In Atlantic Canada, the owner-operator model, which works well in many countries around the world, is strong and effective. Organizations such as the PEIFA strongly support the continuation of this independent business model. Each of our captains has a significant financial investment in their fleets, which translates into a direct connection with our fishery and a desire to improve it.

Our fishery, along with agriculture and tourism, is one of the top three economic drivers of the Prince Edward Island economy. Our organization supports the diversification of export markets and has made this position recently known to the standing committee dealing with the Trans-Pacific Partnership agreement. In addition to market diversification, we also feel that the rationalization of licences is an effective way to increase the financial viability of fishing fleets in Atlantic Canada. Fleet rationalization will be the focus of our presentation today.

One of the most impactful and effective methods to improve our multiple-species fishery is the permanent retirement of licences, which allows those who want to exit the fishery the ability to do so in a dignified and planned manner.

The primary objectives of our proposed rationalization program are as follows: to enhance the sustainability of our multi-species resources; to add additional conservation measures to existing conservation programs; to ensure we have sustainable fisheries that can meet the demands of the global seafood markets; to ensure eco-certifications are obtained and maintained; to ensure effective fishing efforts are achieved; to create higher-income opportunities for those remaining in the fishery; and, to create and enhance existing jobs, particularly in coastal communities.

These goals are consistent with the recommendations of the Fisheries Resource Conservation Council, the FRCC, which stated that one of the main goals in improving various fisheries is the reduction of fleet numbers. The FRCC also recommended that the following outcomes be sought through fleet reductions, and many of these initiatives have taken place or are planned in the near future: increasing the viability of the fleets; increased biological viability of the area; increased use of electronic monitoring and data collection; reduction of gear being fished; shorter fishing seasons; and finally, combining licences to reduce environmental footprints.

The PEIFA has been one of the leading organizations in Atlantic Canada in fleet reductions. For example, one of three lobster fishing areas on P.E.I., LFA 26A, has achieved the following results over the past five years: 33 lobster licences have been retired, at 300 traps per licence, and in addition, each individual fisher in this area also gave up an additional 28 traps per active licence. These two reductions resulted in over 19,800 traps being removed from the water.

These reductions were part of a detailed and comprehensive program that considered seven key components. These were: overcapacity in an area; core licence retirement; multi-species retirement; residual viability of the core fishing enterprise; location of the licence activity; fisher age; and, fisher health.

The reduction in traps and licences has increased catches for many harvesters and has increased their overall economic viability in a positive manner. Positive environmental impacts were also significant as a result of this rationalization program.

As noted above, the PEIFA has an effective, proven, and implementation-ready program that can be applied to other species. Now that the industry is trending in a positive direction, a joint PEIFA-Department of Fisheries and Oceans Canada rationalization document has set priorities to also rationalize groundfish, herring, mackerel, and tuna licences.

•(0935)

This does not mean the lobster fleet rationalization has been completed. However, a focus on these additional species will achieve two goals: one, to bring the number of licences much more in line with available quota and, two, to further increase the economic viability of those captains remaining in the fishery. At present, many secondary fisheries only last several weeks or just a few days before the quota is caught by the large number of harvesters licensed in those fisheries. It is important to note that active participation may be as low as 30% of the eligible licence-holders in some of these fisheries.

Fleet rationalization will reduce operating costs and carbon footprints will be reduced significantly when trips result in increased catches and a reduction in the number of trips.

I realize that I'm just about out of time, so I'll paraphrase here.

The Chair: That's good. I thought I was going to have to slow you down because the translators are having a hard time keeping up.

Mr. Ian MacPherson: Okay. I'll summarize. I apologize.

At any rate, we have embarked on a rationalization program to eliminate groundfish and other licences, but we're having limited success. A federal contribution of \$3 million toward the retirement of these licences, and \$7.5 million toward the retirement of tuna licences, would have a significant positive impact on these fisheries. In terms of order of magnitude, if we could retire 400 to 500 groundfish licences out of 872, and 180 out of 363 tuna licences, this would have a huge impact.

We feel that this is an investment in our fishery. These retirement programs have taken place in areas such as tobacco and hog production in the agricultural sector. This would be a significant positive investment in the future, and we would get away from the

crisis management that we've pretty well operated our fishery with in the last number of years.

The Chair: Thank you very much, Ian.

We are moving now to the Prince Edward Island Federation of Agriculture, with Mary Robinson, president, and Robert Godfrey, executive director.

Mary.

Ms. Mary Robinson (President, Prince Edward Island Federation of Agriculture): Good morning, Mr. Chair and committee members.

My name is Mary Robinson. I am president of the Prince Edward Island Federation of Agriculture. With me today is Robert Godfrey, our executive director.

Thank you for this opportunity to present here today in beautiful Charlottetown. Welcome to our province.

The PEIFA is Prince Edward Island's largest general farm organization, representing 80% to 85% of farms across the Island. The federation is comprised of approximately 600 farms and 15 different commodity member associations. Our membership is made up of family farms, many of which have been farmed for generations. Canada's agrifood sector employs one in eight Canadians and provided \$108 billion to Canadian GDP in 2014.

In Prince Edward Island, agriculture is the largest industry. Provincially, in 2014 it provided 4,000 direct jobs and more than \$435 million to GDP. Our industry is working to meet the opportunities presented by a changing climate, a rising global population, and a domestic consumer base looking for diverse agrifood products. P.E.I. agriculture continues to suffer economic limitations due to a shortage of labour, as well as access to deepwater ports.

Our remarks today will echo many of the same things you've heard from our national counterpart, the Canadian Federation of Agriculture: one, income tax revisions to enable family farm transfers; two, clean technologies in an era of carbon pricing; and three, market access opportunities.

•(0940)

Mr. Robert Godfrey (Executive Director, Prince Edward Island Federation of Agriculture): Prince Edward Island farm operators are aging. The average age of a farmer on P.E.I., according to the 2011 census of agriculture, is 54.2 years, which is slightly higher than the rest of Canada. This means many farmers are looking for a way to transfer their capital-intensive farms over the next decade.

This poses new challenges to the continuation of family farming in Canada. As you heard from the Canadian Federation of Agriculture, effective tax planning is essential to the viability of the next generation of farmers, as well as those retiring. As part of this planning, family farms continue to incorporate, while changing demographics means they're unable to rely on their children, necessarily, to stay on the farm.

These pressures also reduce the efficacy of existing provisions within the Income Tax Act established to enable family farm transfers. To ensure the industry is well positioned to continue its growth, we support the Canadian Federation of Agriculture's recommendations in terms of what has been asked for: one, that rollover provisions be amended to recognize the full breadth of family relations relied upon to maintain family farms across Canada; and two, that family farm corporations be provided with a level playing field when transferring their businesses to the next generation, including access to the capital gains exemption and ensuring siblings can access the same provisions as other family members.

Ms. Mary Robinson: On October 3, our federal government made it known that there will be a price on carbon by 2018 in order to reduce our emissions as a country. Clean technology and innovation will be required to meet that objective. The PEI Federation of Agriculture views renewable energy as an opportunity for our members. Wind, solar, and biomass are some of the options being explored for producer investments. However, many of these proven technologies are capital intensive. They struggle to break even, let alone be profitable.

Investments in clean technology, including tax- or rebate-based incentives, are needed to make technology more accessible to farmers to sequester carbon, feed this energy back into the grid, and improve other environmental incomes. With the introduction of the carbon tax, the federal government needs to ensure that Canadian farmers are not unfairly penalized. We need to remain internationally competitive, as the vast majority of our product is exported beyond domestic borders and is reliant on those foreign buyers in order to remain economically viable.

Canada has the potential to be an innovator and a global leader in this area. National strategies, coupled with federal investments and research commercialization and incentives, are needed.

Mr. Robert Godfrey: Now we'll address the third area, which deals with market access opportunities.

To leverage the trade opportunities currently available to producers, industry and government must invest in the development of a strategic market access vision for the sector. This would include a review of the emerging market opportunities and regulatory and non-regulatory barriers to achieving this access, and a comprehensive look at the infrastructure and broader industry capacity.

One example would be labour. The Agriculture and Agri-food workforce action plan is an example of how to meet long-term trade objectives. By strategically identifying how we can meet these opportunities, we can align efforts through clearly defined roles and timelines for all involved. The investments required to develop such a vision pale in comparison to the long-term benefits that would occur from the increases in tangible market access.

In closing, we want to assure you that the PEI Federation of Agriculture and our national partner, the Canadian Federation of Agriculture, remain ready to work in collaboration in partnership with you to further the interests of Canadian farmers.

Thank you.

The Chair: Thank you, Ms. Robinson and Mr. Godfrey.

I'll now turn to questions. We'll try to go with six-minute rounds, given that that time frame is a little tighter.

Mr. MacKinnon.

• (0945)

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

Welcome, everyone. It's great to be here to hear about all of the interesting work that's being done in so many sectors of the economy, both traditional and emerging, here in Prince Edward Island.

I want to start with a theme that we have commonly run up against as we've gone across the country literally from British Columbia to Prince Edward Island. That's the issue of skills, and the issue of immigration, tangentially, and the ability of the workforce today to keep generating the kind of opportunity that Canadians expect of themselves and that our economy requires in order to keep growing.

Perhaps I'll start with the Chamber of Commerce, Ms. Walsh McGuire. You mentioned the Connectors program, which is, I take it, a program aimed at retaining immigrants here in the region.

Ms. Penny Walsh McGuire: Yes.

Mr. Steven MacKinnon: Could you expand on that a little and explain its necessity? Please do so briefly, as the chair is pretty severe on his time limits here and we would like to explore another couple of areas. Could you explain that to the committee?

Ms. Penny Walsh McGuire: PEI Connectors is a program that the chamber of commerce initiated and has operated since 2011. We have worked with 600 entrepreneurial newcomers to Prince Edward Island. Primarily, they are referred to the program through the provincial nominee program. Our role in that program is to support newcomer entrepreneurs, or those interested in becoming entrepreneurs, in getting access to the information they need, such as regulations, marketing, and basically all the tools that a new business would need in the Prince Edward Island business environment. We work one on one with them, and we also present group training.

The other piece of the program is that we help connect existing businesses, or businesses that are looking for succession planning, with newcomer entrepreneurs. The importance of the program can't be stressed enough in terms of both our retention and our population development for Prince Edward Island, which I think was noted in my presentation. We've seen great success. As I mentioned, we've worked with 600 newcomer businesses. Again, through the Atlantic growth strategy, we're expecting many more in the coming year.

Thank you.

Mr. Steven MacKinnon: Thanks very much.

I'm going to jump all over the map a bit, but I do want to go to the two representatives from the literacy community. This is a cause that I've championed for a long time, as I know many members have. It's discouraging, to be honest, to hear that we haven't made enough of a dent in these relatively low literacy levels, not just here in Atlantic Canada, but across the country.

You referenced some of the good work that's going on across Atlantic Canada, although seeing your Newfoundland counterparts fold up is not an encouraging development.

I was involved at one point in some community-based literacy initiatives in New Brunswick. Could you update us on how you assist in that continuum of learning? The \$600,000 you referenced would be put to work doing what kinds of things? How do you see that making an impact on the ground, so to speak?

Ms. Jayne Hunter (Executive Director, Atlantic Partnership for Essential Skills, Literacy Nova Scotia): Thank you for the questions.

I'll start with how we support the on-the-ground programs. We provide the support services. In Nova Scotia, we're referred to as the "bookends": we provide support to the practitioners at one end, so that they are highly trained and can be effective in meeting the learning needs, and on the other end, we support the learners themselves.

You've heard the statistics. There are many who could benefit from improving literacy, but there are not that many in programs. We try to encourage people to get into programs through talking about the success and how it can change people's lives, and also by providing financial support and that sort of thing.

In terms of the \$600,000, that's really just to allow us to continue to exist. As you said, Newfoundland has not been able to continue. We have expertise and we have momentum, and if we all go under, that's lost. There's no one else doing what we do in each of our provinces. It allows us to continue what we're doing, to collaborate more, and to really look at the gaps and figure out how best to meet those needs. Then we'll certainly be coming back with other proposals specific to meeting those needs.

•(0950)

Mr. Steven MacKinnon: As a country, certainly, I don't think we're going to meet the skills challenge we have until we improve this literacy performance. With these devices for children, I sometimes wonder if we're heading in the right direction. Anyway, I appreciate all your good work. Thank you for being here today.

If I might then turn tangentially to BioVectra, but start with you, Mr. Keefe, are you finding the kinds of skills required for growth in your sector here in Prince Edward Island? Is it immigration dependent? If so, how's that going in attracting people to the region to work in biotech and related sectors? Once you give us your answer, I'll go to Mr. Technow.

Thank you for your presentation today, Mr. Technow, and perhaps you could tell us about sourcing labour and if the proper kinds of skills are available to you here in the region.

Mr. Ron Keefe: Thank you.

I'll start off by saying that the BioAlliance does have a human resources strategy. It is well documented and does assist in terms of finding individuals who are competent to move the sector forward. We have a very good record with respect to that.

In my view, in Atlantic Canada we have one of the strongest systems of universities that you might find anywhere in the world. I think there are a lot of trained individuals, but not all skill sets are available, so we do rely heavily on immigration and obviously on people coming from outside the region with skill sets. There is a combination strategy that we employ, I think, but certainly the local infrastructure is very strong. To date, it has really not been a problem in the sector.

Mr. Steven MacKinnon: Before we go to Mr. Technow, perhaps as a follow-up question on that, do you work with universities—UPEI, Holland College, or others outside of Prince Edward Island and in the rest of Atlantic Canada or elsewhere—in terms of forecasting need? I know it must be hard. It's a growth sector. Do you work with them in terms of forecasting and urging them to perhaps tailor their programs to your requirements?

Mr. Ron Keefe: Absolutely, we do. Our main focus is on working with the businesses to find out what the needs are and then to assist in the attraction. I should mention not only the universities, obviously, but the colleges. Holland College has been a prime example of people who have the science background, if I could call it that, but then require technical training in order to go into the laboratories. We have both sides of that being part of the puzzle.

The Chair: Mr. Technow.

Mr. Oliver Technow: Just to add a bit to what Mr. Keefe said, it's a mixed bag. We do have a very strong foundation here on the Island. In particular, BioVectra has established a very good partnership with Holland College in the area of a biotech program that we help to support. A lot of graduates from Holland College end up working for BioVectra through that line, which I think is a tremendous asset and a prime example of how it should be, and what connectivity between industry and academia should look like. But there are certain skilled positions where we actually rely on immigration and getting talent from other areas of the country, or the world in this case.

Having a global background myself, I don't necessarily look at it as an isolated issue. It's a continuum problem that we need to address. Part of it is that you recruit talent and then you face a tremendous issue, which is, how can you keep people in your company? How can you keep people in your region? It's a development question that suddenly arises.

This is why it's important to offer opportunities to grow for individuals who are talented and who want to go elsewhere and explore their skills and their talents in other parts of the world. This is why I fundamentally believe that organizations that start here in Prince Edward Island need to think more broadly. They need to think "Atlantic Canada", and this is one of the key reasons why I feel that broadening into Nova Scotia and other parts of Atlantic Canada is so crucial for my organization; it's not business, but it's talent and development of skills.

•(0955)

The Chair: Thanks to all of you. We are well over time.

Mr. Aboulaif.

Mr. Ziad Aboulaif: Good morning again, and thanks to all of you for presenting this morning.

There's a common theme that I see today. We know that Atlantic Canada has a high unemployment rate and a lack of industry, or limited industry, and it seems the problem continues all the time. What we hear today is that we have issues. You're asking for skills development, and that is an issue, and we know that the unemployment rate is high, and you're asking for immigration as a solution, if I understood correctly. One thing I see here is absence of the private sector, and when the private sector doesn't come to a market, there are reasons. Either the legislation is not right or it's preventing that, or taxation could be an issue.

I'd like to hear mostly from the chamber of commerce, and from agriculture, the fishermen, and whoever wants to contribute an answer on what's preventing the private sector from coming to P.E.I. and to Atlantic Canada. What can we do in order to encourage that?

Who wants to start first?

The Chair: Go ahead, Mr. Keefe.

Mr. Ron Keefe: Penny can answer as well, but I do chair the Island Advance activity, which is an initiative led by the private sector. To your comment, I believe that the private sector is taking a very direct role in leadership. We strongly believe that government should be there to support but not to take the leadership in terms of economic development.

If we switch this back to our request from the BioAlliance, which is the same way, in that we are a private sector-led non-profit, we are looking to try to ensure that we have strategic infrastructure in place, which we think is a public policy and a public domain issue, but really, in order for that to be successful, it has to be led by the private sector. If you make an investment of \$38 million in an infrastructure project, I can guarantee you that the private sector part is going to be at least double that in terms of the investment.

Mr. Ian MacPherson: I just wanted to comment that, as I said in my opening remarks, our members are 1,300 independent businesses, so there's a huge private sector involvement. The other side of the equation is the processing sector. To process the lobster and the other species, there are six very viable plants. We're pleased to see that all plants have invested significantly in their infrastructure and will be upgrading their infrastructure over the next few years. They have started that and will continue.

One important thing I want to reiterate is that what we're proposing here is a partnership with the federal government. In terms of the PEIFA bringing money to the table, we would certainly solicit funds from our provincial government, but at the end of the day, we're not looking just to buy out these licences and have a gift. We're an active participant in that, so I think that shows a lot of private sector involvement in the fishery.

Ms. Mary Robinson: In terms of the question about what is limiting us, I think that in agriculture it's fair to say that investments are high. Private business is very active in pursuing new opportunities. The limiting factors, as we mentioned earlier, are labour and transportation. If we were to see further investment from our federal government in ports, that would be fantastic. That would take us to being able to better compete in world markets.

We've always considered this location to be a disadvantage from a transportation perspective, and we should probably be looking at it as an opportunity, because if we look out the window, we see a deepwater port here. That makes us incredibly competitive in foreign markets. We need to see a development of that port system within our province.

With regard to labour, currently the Canadian Agricultural Human Resource Council is doing fantastic work to address the gaps in labour. Agriculture is an incredibly exciting place for a career right now. It is exciting for investments. The forecasts are incredibly optimistic. I think the fact that we are a provincial driver at \$435 million in 2014 and 4,000 jobs speaks very strongly to private investment and private leadership.

•(1000)

The Chair: Penny.

Ms. Penny Walsh McGuire: I'll build on what Ron said. The chamber feels that it is very important that the government facilitate private sector-led development through competitive tax measures. In our written submission, we commented on the reduction of the small business tax rate to 9% by 2019, and we also responded to the latest budget in February.

I want to also note that through the Island Advance initiative, tax measures are a really important way to promote entrepreneurship, not just in our province, but across the country. I'm not sure if you're looking for suggestions at this point, but we've talked about things like a two-year tax waiver for new entrepreneurs. I just wanted to note that.

The Chair: Go ahead, Ziad.

Mr. Ziad Aboulaif: I have a question for you on the carbon tax. What is the justification for the carbon tax in terms of how innovation is going to go hand in hand with the environment? In my opinion, presenting a carbon tax on businesses, or imposing it, if you wish, is going to really delay or work against competitiveness, especially on the international market. How do you see a carbon tax affecting the business activities in your region?

Ms. Penny Walsh McGuire: We are currently undergoing a consultation with our members, so it probably would be a bit premature for me to say what the specific position of our members across all sectors is. What we're hearing around the discussion of a carbon tax model is the idea of a revenue-neutral approach to it. It's a little premature for us to comment on specifically what our membership's position is. We know that a sustainable approach to business and to operations is important, but we don't have a specific position yet.

The Chair: Anyone else from the fishermen or the farmers?

Mr. Robert Godfrey: I'll jump in and add to Penny's comments and say that we're looking for a revenue-neutral model. As long as the money that is captured through carbon tax is used to reinvest in clean technologies.... I can only speak for my sector, but in the agricultural sector we're doing a lot of innovative work when it comes to clean technology and precision agriculture. As long as that money is being reinvested in new technology that's going to make us more internationally competitive, that's all I would add.

Mr. Ian MacPherson: We share a lot of those sentiments that the Federation of Agriculture just mentioned. We're seeing some of these international trade deals get close to closure—we hope—and the lobster industry is one of the main beneficiaries of some of those trade deals. We wouldn't want to see that lost in anything we gain in terms of lower taxation or duties in terms of export, by adding to our costs at the domestic side. We're watching this very closely, but these are still early days, so we're formulating our official position.

The Chair: Thank you.

Mr. Dusseault, the floor is yours.

Mr. Pierre-Luc Dusseault: Thank you, Mr. Chair. I will speak a little English this morning. I feel comfortable.

First, I would like to thank the two PEIFA organizations who talked about the problem with business transfer within a family. I hear that it's a concern here too. I'm happy to say that one of my NDP colleagues has a private member's bill that will be up for debate quite soon, and I think the Federation of Agriculture, and probably the fishermen too, have shown their support for that bill. I hear that it's an issue for you, and we are hoping to get it resolved.

My first question will be for the chamber of commerce.

Madam Walsh McGuire, you alluded to the problem of access to capital in saying that there was a gap in access to capital, maybe more so for a young entrepreneur. Can you elaborate on what the federal government could do to help get capital for people who need it to start their business?

•(1005)

Ms. Penny Walsh McGuire: To reiterate, on the point of taxation waivers for new entrepreneurs, we have submitted some points around that in our written proposal from August.

I might ask my colleague Ron to speak to the access to capital. He's been leading a pretty important initiative through Island Advance around venture capital programs. I might get him to speak on that, please.

Mr. Ron Keefe: Thank you.

Access to capital is a very challenging problem in terms of small business, and we have been searching for innovative ways to attract capital. Our venture capital infrastructure in Canada is not as robust as we would like. We do believe that in Canada and the world it's very liquid; there is a lot of cash available. It's just very difficult to put structures and systems in place to access that capital, so we have looked to ways, and one way that we are trying in the province here is the creation of a fund for small businesses that will have some government involvement, but mainly private sector participation.

We have looked at taxation aspects of this. Flow-through shares have been a concept that we have pushed to several successive federal governments, in terms of trying to ensure that investment losses actually flow back through to individual investors when initial investments in companies are going to lose money until they get to a stage where they are viable, as they have in the mining sector and others.

BioAlliance and BIOTECanada certainly have been pushing that aspect, and we think that's a good way to do it. There are all kinds of things.... I know we don't have much time, and I'm aware of that, but there are all kinds of things that we have some good ideas about, and we would be more than pleased to share those ideas with you when there's more time.

Mr. Pierre-Luc Dusseault: Thank you.

I will stay with you, Mr. Keefe. You talked about incubators and accelerators, and I'm very pleased to hear that it's working quite well here in P.E.I. I also have in my riding an incubator and accelerator, in a partnership at the University of Sherbrooke. I wonder what you would propose the federal government do to make sure it's still going well. You talked about infrastructure. Is the main proposal you have for the federal government to invest in infrastructure so those incubators and accelerators can continue to grow?

Mr. Ron Keefe: It is. Today, we are asking for an incubator or an accelerator that would allow us to move along the continuum. We have a very strong research network. A lot of federal dollars and a lot of provincial dollars have gone into that.

One of the many hats I wear is that I am the chairman of the tech transfer company at the University of Prince Edward Island. What we're trying to do is commercialize some of the great ideas that these innovators have.

The problem we face is that we are now at a stage where we don't have the physical infrastructure to allow start-up companies to expand, nor do we have the services that are required. That's what we need at this juncture in our development here in the province and, I'm going to say, certainly in the Atlantic region and I think throughout Canada. I think that strategic investment in infrastructure for economic development is important.

•(1010)

The Chair: Just on the flow-through shares, Ron, is the proposal for flow-through shares in the main submission?

Mr. Ron Keefe: No, it is not.

The Chair: Can you send the clerk a note on flow-through shares and what you're asking for there?

Mr. Ron Keefe: I might actually turn to Oliver, who is with BIOTECanada. Oliver is a director of BIOTECanada, and they had and continue to have a very strong position on this.

We'll do something on this.

The Chair: Yes, between you and Oliver, if you can get a note to the clerk on flow-through shares and how they work, it will go to all the committee members and we can have a look at it.

Mr. Ron Keefe: I should say that the chamber of commerce also passed a resolution to the same effect.

The Chair: Mr. Sorbara, you have five minutes.

Mr. Francesco Sorbara: Five minutes? I think it was at six. A minute has disappeared.

Thank you, Mr. Chair.

Good morning, everyone. It's lovely to be here. It's my first time ever in Prince Edward Island. It's wonderful.

I can almost echo what Steven had to say on some of themes we've heard about in the last two days: human capital, skills related to immigration but also demographics, and taxation. I wasn't aware of the issues dealing with the transfer of farms within families. I grew up in northern British Columbia on the coast, so I'm well aware of the fisheries. In my area, it was salmon and halibut—groundfish—that were the big industries up in Prince Rupert. I've seen the contraction, so I understand what's going on here. Then there seem to be some comments on access to capital and some issues there.

To start off with my first theme, on literacy, Amanda, I believe your request is for \$600,000 on an annual basis for the next three or four years. Is that correct?

Ms. Amanda Beazley: It's for four years.

Mr. Francesco Sorbara: Okay. I take it that the payback on it would be quite substantial.

Ms. Amanda Beazley: Yes, that's our hope with it too.

We are a not-for-profit. We do have a history of being effective and efficient with the use of funding, by necessity.

As Steven mentioned earlier on community literacy initiatives, as coalitions our hope with this funding is to form better, stronger partnerships with all community literacy organizations in our region as well and to work together to strengthen that so we can identify where the needs and gaps are in services.

Mr. Francesco Sorbara: As an economist by training, I'll say that human capital is so important to increase economic growth. Those small investments are not glamour-type investments, but small investments in human capital and skills training are so important. I fully support your view on that.

On the labour side and the request for 2,000 plus immigrants—I believe done through your pilot project—my one question remains. Growing up in a small town, I've seen this when people immigrate to an area of the country that may be not as urban or as urbanized as a larger area, be that Toronto, Hamilton, Montreal, Vancouver, or wherever. On retaining those people once they do come, I would love to hear some feedback. Could you please keep it to 20 seconds on what the experience has been on retaining individuals who do

immigrate to P.E.I. or Atlantic Canada and not having them leave for another part of the country?

The Chair: Who wants to get that? Penny?

Ms. Penny Walsh McGuire: Yes. [Technical difficulty—Editor] related to the PEI Connectors program, it's specifically targeting an audience that is looking to become an entrepreneur here in Prince Edward Island, to create jobs and to create prosperity, but with that entrepreneurial newcomer comes a family, and maybe a partner or a spouse who is also looking for employment.

One initiative we've been working on with the PEI Association for Newcomers, as well as the provincial Office of Immigration, is trying to create connections not just with the entrepreneurs, existing businesses, and business people, but also with the employers, who are in fact our 1,000 members. There's that component. There's the integration from a cultural perspective. There is the idea of coming from a place with a very large populace to a place with a very small populace. All of these items are on the table for the chamber's activity around immigration, retention, and recruitment.

•(1015)

Mr. Francesco Sorbara: Does anybody else wish to comment before I go to my next question?

Ms. Mary Robinson: Our federation has done an outreach program not only with our grade schools but also with immigrants in offering a PD day on the farm. We're taking them out and giving them a glimpse into what opportunities exist for employment within agriculture. We took a busload of immigrants on a tour of a few farms and were impressed that there were connections made with a few of those people. They became employed on some of those farms that they were there to tour just for information purposes.

Mr. Francesco Sorbara: Thank you.

On the issue of the taxation and the capital gains exemption—Pierre-Luc, I think you said that one of your colleagues may be addressing this in a private member's bill—I would like to learn more about, Mr. Godfrey. I will follow up with you. You can comment on it, but I do wish to investigate with someone who sat on the CICA board for accounting standards. It never crossed our laps, but it's something that I think....

But I do want to talk about one thing that our committee heard last year, and we've heard loud and clear this year, and that is with regard to the airport here, the Charlottetown Airport, being one of those six airports. What would be the benefit of the system changing and allowing the airport to receive funds? I'll throw that out there.

Ms. Penny Walsh McGuire: If I recall, there are I think six airports that were on the Canadian Chamber of Commerce resolution and that of course don't have access to the ACAP funding because they're on federal land.

My colleagues at the airport have identified that infrastructure or that access to capital as important to both the security and the safety of the airport structure, as well as for upgrades for expanding the capacity of the runways, etc.

Mr. Francesco Sorbara: If I could add one comment, I think the airport issue is actually tied to an immigration issue. When you have people who move to a certain part of the country, if they see that there is access to come and go on a freer basis, or an easier basis, then they're apt to stay, whether that's having an airport in Kelowna where you can catch a flight from Toronto to Kelowna on a daily basis, or having an airport here in Charlottetown where you can easily access the larger markets. If you want to go away for the weekend or travel or something like that, then you have that access. I think it's important that we focus on that.

Ms. Penny Walsh McGuire: Just to add to that from a tourism perspective, we've seen what the increased capacity can do for a place that relies heavily on tourism.

The Chair: We will cut you off there.

Mr. Albas, I give you an official welcome to the committee, now that you're officially a member of the committee. Lisa Raitt left for some reason. I can't understand why.

Voces: Oh, oh!

Mr. Dan Albas: Thank you, Mr. Chair. I certainly appreciate the warm welcome. I would not describe your chairmanship as severe, but I would say tough but fair.

I like the fact that we're talking about Kelowna, but I'm going to start with agriculture here in P.E.I.

In regard to the suggestions that perhaps there could be some further criteria change, I do know that the process for crystallizing a piece of property and then transferring it to a family member can be quite cumbersome. There are a lot of steps involved. Are you talking about changing the criteria in terms of how it can be a more distant relative who could seek that?

Mr. Robert Godfrey: Yes. Specifically, we were asking for a language change in the Income Tax Act—and if I'm going to get really technical, under subsection 73(3)—to replace the word "child" with "family member". If I want to transfer that piece of land to my nephew or my uncle, I'm—

Ms. Mary Robinson: Or your daughter or your sister.

Mr. Robert Godfrey: —yes, or my daughter or my sister, that's right—I would face tax implications if I were to do that, if I were to transfer to my daughter or my sister. That's simply what we're saying there.

Mr. Dan Albas: Yes. I'm from the Okanagan, and we have a lot of small family wineries, vineyards, and whatnot.

The question I have for you is from a public policy perspective. Farming is becoming something different from the old family farm. In order to be able to compete internationally with some of these trade deals that the Fishermen's Association has related, obviously consolidation is an important factor. Do you see this as being more of a "it would be nice to have this"? To me, I would imagine that the consolidation of your industry, where you have ones who've proven that they can succeed in the global market....

Is that not the direction your industry is heading?

• (1020)

Mr. Robert Godfrey: Well, with regard to consolidation, 97% of my members are still family farms. Yes, a growing number of those are incorporated corporations, but they are still family-run farms. In terms of the larger successful farms you're speaking of, I think everybody takes advantage of the trade deals where they can, but there are very large farms in this province that are family farms. There are multi-family households supporting them.

One of the largest farms here in P.E.I. is three brothers and a father, only about 20 minutes down the road from us. They have land throughout the United States as well as here, and compete internationally on a daily basis. But they are a family-run farm.

Mr. Dan Albas: You believe by offering a little more wiggle room on the criteria it will allow for the integrity of the tax code but also allow for the more traditional in that your membership, as you say, is more family-driven. Is that correct? Okay. Great.

I'd like to go to the association now on the rationalization of licences. It's the same kind of thing; consolidation-wise, can you just go through the mechanics of it? Let's just say he has a licence and I'd like to buy his licence. Obviously he wants to get as much money as he can. I'm going to try to pay the least amount I can. If I have to get financing, is financing just not eligible due to the risky nature of fishing, where sometimes you may not get a return that year, or is it just to try to help move along this process so that these licences can be consolidated and business activity go on?

Mr. Craig Avery (President, Prince Edward Island Fishermen's Association): I guess the answer to your question is that basically, as far as the transfer goes, that still can happen in any fishery. But on the rationalization idea of it, I'll give you an example. Ian spoke about groundfish. We have over 800 groundfish licences. This year you had to register to be part of the groundfishery. I think we had about 250 fishermen out of the 800 licence-holders who registered. Each fisherman was able to go out and catch 270 pounds of halibut. So it's not even a fishery. It's basically just to get out in the boat for the fun of it. To make it viable for anybody to be into it, we need to retire licence.

Tuna is the same way. We have 350 tuna fishermen right now, tuna licence-holders, out of our approximately 1,300 core fishermen. Most of those tuna fishermen are only allowed one tuna. The way tuna works is that it's in an auction when you bring that fish in. Some guys got as low as \$1 a pound. So they went in the hole fishing tuna again. If we could rationalize that fleet....

DFO keeps telling us we have to take licences out, we have to rationalize. We're prepared to put money into it, but we need help from government to be able to rationalize our fleets. Right now lobster probably doesn't need to be rationalized in most areas. It's doing fairly well as of now. We want to keep it that way. But we have a lot of side fisheries that we could make a lot more viable and have a lot more extra income for fishermen if we could rationalize some of the fleets.

Mr. Dan Albas: Okay. Great.

I'd like to turn to literacy now. I believe in answer to Mr. MacKinnon's question you said that some of the existing work you do right now will not continue due to the fact that you're not receiving funding from other sources, and that this request you've had is to pick up where that left off. Is that correct?

Ms. Jayne Hunter: Yes. Without this funding, we won't exist anymore as an organization. We're the only ones doing the work that we're doing, so who will pick that up? I listened to everyone speak across the table here, and I can identify that essential skills in literacy is an issue with each and every one.

Mr. Dan Albas: The province is not supporting local.... City councils aren't supporting this right now, is that the...?

Ms. Jayne Hunter: To be sustainable, we need various revenue sources, and we do that, but the way it works is that it's project-based funding. We do projects in Nova Scotia for the provincial government there, but it doesn't cover all the costs of the organization.

•(1025)

Mr. Dan Albas: Thank you.

The Chair: Before I turn to Raj, I have a quick question for Mr. Keefe and Mr. Technow.

Ron, you said in your presentation that an urgent priority is to establish strategic infrastructure, including laboratories, manufacturing, etc. What can the federal government do in that regard?

To both of you, I guess, we've heard from all the regional development agencies. What was surprising to us is that ACOA said they had enough money. They didn't make a request for more money or other programming. My question is for both of you. I think you work through ACOA. Does the regional development agency have the programming and the capital to do its job to meet your needs?

Mr. Ron Keefe: Let me talk just briefly about ACOA. I can't understand why they'd say they have enough money—

The Chair: I can't either.

Mr. Ron Keefe: They certainly have been exceptional in the region. The Atlantic innovation funding helped us move along in the process of commercialization and research. There's no question about that.

ACOA is very limited in terms of its ability to invest in capital to the business development program, which is \$500,000 per loan and I think a maximum of \$1 million.

What we're talking about in strategic infrastructure is not.... It could be through ACOA, but certainly my understanding is that we are embarking on infrastructure programs in Canada. We've had our first round of them and they have been very specifically earmarked to certain activities. What we're looking at is economic infrastructure that will allow the economy of Prince Edward Island, and certainly economy of the region here, to advance beyond where they are today. That's specifically what we're trying to ensure: that in the next round of infrastructure funding the federal government provides, economic infrastructure is at the fore of that, and that projects like the BioAccelerator will be eligible for that funding.

The Chair: Thank you.

Oliver.

Mr. Oliver Technow: Just to add to Ron's point here, I think ACOA has been tremendous in helping to support businesses to find funding ways over the last few years; however, the limitation is pretty much the scope. When we talk to ACOA about projects of our scale—for example, when we ask for a \$10-million grant that would create hundreds of jobs and would return investment quickly in a few years—those kinds of programs don't exist within ACOA. There might be enough money for the smaller-scale projects, but they have no funding streams, no vehicle to support that kind of scale of investment that actually has a high impact on employment and rural infrastructure.

The way I look at it is in terms of creating sufficient infrastructure. It has to do with the exact mandate of these types of agencies. What are they looking at? What types of investments do they support? I believe there's a limitation simply by the funding streams they administer.

The Chair: Thank you.

Mr. Grewal, you have five minutes, and then we're done.

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

Thank you to all the witnesses for coming today. It's my first time in P.E.I. and hopefully it's not my last.

I want to start with BioVectra. You've asked for \$10 million in the budget this year specifically to help improve your Windsor plant. You say that 70 new jobs will be created. That works out to about \$142,000 per job. What's the greater economic impact of the government's \$10-million investment?

Mr. Oliver Technow: Thank you for the question.

This is the key question of our submission, obviously. From an economic and a business plan perspective, the way it works—and you pointed it out—is that the \$10-million investment pretty much creates a strong investment case for the government. By default, it's not only the 70 jobs that we would create within the short term. As I alluded to in my presentation, when you create a facility of that scale and size, you create hundreds of spinoff jobs around that facility. It's vendors. It's the infrastructure. You create what is almost like a microcosmos of an economy in these types of businesses.

In terms of the way we look at it from a return on investment point, we did the same math that you just laid out, and the tax base will pretty much pay back this investment in two years. This is the way this investment would work for the Canadian government. We believe that this is a very smart investment to do, as we can actually create a very strong microcosmos there.

•(1030)

Mr. Raj Grewal: Thank you very much.

We recently heard about the airports in the smaller provinces. I think that feedback has resonated with the committee, and we will definitely address that with the Minister of Transport.

Moving on to Literacy Nova Scotia, thank you so much for coming today, and thank you so much for the work you do. My question is not about your data and the fact that four out of ten Canadians don't meet the standard. My question is about willingness.

I am the son of immigrants to this country. My dad was a taxi driver. My mom was a factory worker. My mom's English is pretty good and my dad's is good enough to get by, but they never ever wanted to spend time learning more English. For them, it was always a matter of "we'll scrape by", because that's the immigrant success story. You do whatever it takes to keep going.

My question is about willingness. If your program is funded, is the demand to improve literacy? Or is literacy just something that we're going to have to accept at a certain level because people aren't willing to improve their skill set?

Ms. Jayne Hunter: Thank you for that. I'll let Amanda jump in as well.

That's one of the roles we play: raising awareness and letting people know about the benefits of improving their literacy. Some people don't recognize that they have an issue, and they don't until something changes in their life. Maybe they're getting along fine in their job today, but if a new technology comes in, or they get hurt, or something happens, then there's a crisis and they have to find a program. We make sure that there are programs available for them, that they know about them, and that when they get there the program meets their specific learning needs.

Raising awareness is one of the key things. There will always be literacy issues, just like there will always be health care issues, but we still have to fund those programs.

Mr. Raj Grewal: Is your funding currently provided by the government?

Ms. Jayne Hunter: The provincial literacy coalitions began through a federal initiative. It was the National Literacy Secretariat. It was a federally funded program up until 2014, when that funding ended. We have other partners, but the federal government is a crucial partner, and without that money we are in jeopardy. I believe that for such an important issue all levels of government need to be playing a role.

Mr. Raj Grewal: Thank you.

The Chair: Raj, I think Amanda wanted to add a little more.

Ms. Amanda Beazley: I have a comment that also goes back to your question, Dan.

If we have sustainable and stable funding for our organizations, it enables us to leverage other funding opportunities, both from the private sector and from the provinces.

Mr. Raj Grewal: Thank you.

In terms of fishing licences, I'm going to pick up on Dan's point here. On the retirement of licences, they're given by the crown, right? Correct me if I'm wrong in saying that the licences are property of the crown, so the retirement of a licence would mean ceding it back to the crown. Would the government make a payment to buy the licence back? Or is this just something to end the licence system across the board?

Mr. Ian MacPherson: What we're proposing is a model that was used a few years ago in the lobster industry. An amount was established, and then there was a bidding process or a seeking of expressions of interest from those who wanted to sell out their

licence at that amount. Then there was a formal process with DFO to officially retire that licence and take it out of the system for good.

Mr. Raj Grewal: How much was the difference between the licence in the private market and what the government was willing to pay for it?

Mr. Ian MacPherson: The value of the licence was basically market value or close to it.

Mr. Raj Grewal: The government bought it back at market value?

Mr. Ian MacPherson: Yes.

Mr. Raj Grewal: That's incredible. Good for them. Good for you guys.

Mr. Craig Avery: [Technical difficulty—Editor] the government participated in the buyout.

• (1035)

Mr. Raj Grewal: Okay. Thank you.

My last comment is for the Federation of Agriculture. We've heard from a lot of farming organizations in pre-budget consultations, and this is about the recommendation piece, because we haven't heard this yet.

The fact is that all of you guys have advocated for changes to the tax policy. What would help your case is the impact on the government treasury of that tax change and to see how much it will cost the government to implement a change to the Income Tax Act, because at the end of the day, the government is just like any other organization. It's about dollars and cents. There's only so much revenue, and there are always so many expenditures, and any change to the tax policy will affect revenue. If you can get that information to us, I'm sure it will help your case or will help make your case going forward.

The Chair: We'll have to cut it there, Raj.

Mr. Raj Grewal: Thank you, Mr. Chair.

The Chair: We are a little over time. I thank everyone for their presentations. You can see the mix of the issues that come up before the finance committee. There's certainly not only one theme.

We'll suspend for only five or six minutes.

• (1035) _____ (Pause) _____
• (1050)

The Chair: We will reconvene. As all the witnesses know, these are the finance committee's pre-budget consultations ahead of the 2017 budget.

The theme we're trying to centre on is what we need to do to achieve better economic growth in the country. People have received those questions.

We would like witnesses to try to hold their presentations to about five minutes. That would leave us a little more time for questions. We are a little late in starting.

As a first go-round, though, I'll ask members of the committee to introduce themselves so you know who they are, where they come from, and what party they represent.

I'm Wayne Easter, the member of Parliament for Malpeque. As I said earlier this morning, after you go through about six roundabouts, you'll get to my riding.

Mr. Grewal.

Mr. Raj Grewal: Thank you, Mr. Chair.

My name is Raj Grewal. I'm the member of Parliament for Brampton East, the Liberal member of Parliament, although my turban does not reflect that today.

Voices: Oh, oh!

Mr. Francesco Sorbara: I am Francesco Sorbara, member of Parliament from Vaughan—Woodbridge. Raj and I are neighbours in our ridings. Vaughan—Woodbridge is a part of York region, right on top of the city of Toronto.

Mr. Steven MacKinnon: I am Steven MacKinnon, member of Parliament for Gatineau, which is just across the river from Ottawa. I am also a proud graduate of Colonel Gray High School.

Mr. Ziad Aboueltaif: My name is Ziad Aboueltaif. I am the member of Parliament from Alberta for Edmonton Manning, which is on the northeast side of Edmonton.

Mr. Dan Albas: Thanks to all of you for being here.

I'm Dan Albas. I'm from the interior of British Columbia, and my riding is Central Okanagan—Similkameen—Nicola. I am a Conservative. Raj and I exchange ties just to keep everything in balance.

Voices: Oh, oh!

Mr. Pierre-Luc Dusseault: My name is Pierre-Luc Dusseault. I am the member of Parliament for Sherbrooke, in Quebec, and more precisely in the Eastern Townships, one of the best regions in Quebec.

The Chair: Thanks to all you.

I understand that Minister Roach and his deputy will be here a little later, so we'll start without them.

We will begin with the Canadian Camping and RV Council, with Mr. Devenish and Wayne Hamby.

Mr. Devenish.

Mr. Shane Devenish (Executive Director, Canadian Camping and RV Council): I'd like to start by thanking the chairman and the members of the committee for the invitation to speak to you today.

My name is Shane Devenish, and I'm the executive director of the Canadian Camping and RV Council, a federal non-profit association representing 2,347 private campgrounds across Canada.

With me today is Wayne Hamby, president of the P.E.I. Home and RV Centre.

Campgrounds offer an opportunity for families to spend time together, to create lifelong memories, and to discover Canada's natural landscape. Camping creates a sense of community that is unique to this form of travel accommodation, and it is also an industry that plays an important role in the health of Canada's tourism sector. It also makes a significant contribution to the economy.

Campgrounds stimulate economic activity and create jobs for Canadians in urban areas and rural communities coast to coast. The Canadian Camping and RV Council contributes \$4.7 billion to the economy, employs 60,400 people full time, and pays almost \$1 billion in federal and provincial taxes. There are 5.8 million Canadians who camp annually, with travel-related expenditures totalling \$2 billion and another \$850 million spent on non-travel-related camping expenditures.

The camping and tourism industry provides a growing source of income for rural and remote populations, not only through RVing and camping, but through the local businesses the incoming visitors support and utilize around campgrounds.

The small business tax reduction reduces corporate tax that Canadian-controlled private corporations would otherwise have to pay on the first \$500,000 of their income derived from an active business. An active business does not include a specified investment business, which is, one, a business with the principal purpose of deriving income from property—for example, interest, dividends, rents, and royalties—and two, a business that does not employ more than five full-time employees.

For the past several years, campground corporations have been able to qualify for the small business tax reduction of around 15%. However, CRA's interpretation changed earlier this year, without notification to either campgrounds across Canada or their accountants, and they reassessed a number of campgrounds at the large corporate tax rate of approximately 45%. CRA and National Revenue representatives are stating that their interpretation of campgrounds that employ less than five full-time employees as a specified investment business is a question of fact, as written in the current Income Tax Act, and they're acting accordingly. This now has campgrounds grouped unfairly in the same category as apartment buildings and mobile home parks, not to mention large Canadian corporations.

CCRVC estimates that nearly 75% of its private campgrounds do not employ five full-time employees, meaning that up to 1,760 campgrounds are impacted. Most campgrounds are required to close during the winter months in order to comply with local zoning bylaws. Because it is a seasonal business, the majority of campground employees are part-time. It is not financially feasible or necessary to employ them year-round. Simply, on average, campgrounds are small family-run businesses with limited staff working endless hours, and they are financially incapable of sustaining their business if they're paying a triple increase in their taxes.

With required environment and infrastructure expenditures, new campgrounds entering the Canadian market are virtually nonexistent. For Canada to remain an attractive destination for domestic and international travellers, current private campgrounds must remain vibrant, and we need help from this government to remain financially stable.

CCRVC endorses the following potential solutions.

The definition of income in a corporation for the year from an active business should be modified so that it includes income that is derived in whole or in part from property where at least 500 hours of time is spent by employees of the corporation or by contractors retained by the corporation in the income-earning process—this would allow for the inclusion of seasonal worker hours when determining if the business is “active” or not—and/or establish tourism exception guidelines similar to ones that currently exist for hotels, motels, and inns, or any other similar premises, to aid in the determination of whether a business is an active business and therefore eligible for the small business tax deduction.

For the 2017 budget, CCRVC respectfully asks the finance committee to endorse a modification to amend the Income Tax Act that clearly distinguishes campgrounds as “active” businesses, which would provide private campgrounds eligibility for the small business tax deduction, ensuring that the campground industry remains strong and financially viable.

•(1055)

If that is unsuccessful, rural areas across our country will be impacted with numerous campground closings, leading to decreased tourism numbers, negative economic growth, job losses, and lost tax revenue in the regions that we need to support the most.

With that, I conclude. I'm very happy to answer any questions that the committee may have afterwards.

The Chair: Thank you very much, Shane.

Turning to the Cooper Institute, we have Ms. Baker and Ms. Wheatley.

Ms. Ann Wheatley (Coordinator, Cooper Institute): Thanks for inviting us to speak to you today.

Cooper Institute is a community-based social justice collective. We've been active since 1984 in communities across P.E.I. in working on social, economic, and environmental issues that are vital to Island residents.

In our presentation today, we're going to touch on several issues of particular importance to us: justice for migrant workers, addressing poverty, and sustainable communities.

It was with great enthusiasm that we read in the mandate letter to the Minister of Families, Children and Social Development the request to work with other departments to develop a strategy to address poverty. This is first and foremost a matter of fundamental human rights. It's also a budgetary concern. Acknowledged as a leading social determinant of health, poverty is costing Canadians billions of dollars annually.

Cooper Institute supports the concept of a basic income guarantee—BIG—and encourages the federal government to collaborate with provinces and territories, and especially with the community sector, to develop a model for implementing such a program. This is a long-term goal; we still need to invest in programs and services that support low-income Canadians, including affordable housing, universally accessible child care, and public transit. The BIG and other poverty reduction strategies must be seen as investments and could be paid for with revisions to the tax system. We support other

groups in asking for tax fairness, including an increased corporate income tax and an end to corporate offshore tax dodging.

In Prince Edward Island, our rural communities and economies have been built and sustained by seasonal workers in fishing, farming, and tourism. Employment insurance is essential. It's paid for by workers and employers. It's essential to workers and businesses and the sectors in which they are employed. It's essential to the health and the economic well-being of their communities. The federal government must honour its commitment to reverse the 2012 changes to EI, reinstating the five extra weeks in all regions of the country. We have a high unemployment rate here, and our workers have been affected by the oil industry changes. We're asking for the working-on-claim provision to be fixed to make sure that workers are fairly compensated when they take work while on EI and for a re-evaluation of the regional divisions, which were particularly unfair in P.E.I.

Federal measures should support communities to develop their own policies and plans to meet the needs of people who live there. Cooper Institute is concerned about the impact of trade agreements, such as the CETA and the TPP. Under NAFTA, investor-state dispute settlement provisions have led to Canada being sued on numerous occasions and being forced to pay millions of dollars in compensation to foreign corporations. These costs are borne by all Canadians. The CETA and the TPP contain the same ISDS provisions that grant excessive power to corporations and impede government's ability to develop policies and programs that benefit communities and the environment.

Just a few months ago, we worked with MPs Sean Casey and Wayne Easter to organize consultations on climate change. In total, a hundred people attended and shared their ideas about what should be included in a climate change strategy for Canada. Not surprisingly, a common theme was the need to make a transition to a green economy. Specifically, people said they wanted no new infrastructure to support a carbon-based economy; no new investment in fossil fuel extraction or transport; investment in local renewable energy infrastructure and local food production and distribution; all government decisions to pass a climate test; avoidance of trade deals that will worsen climate change; and, a phasing out of fossil fuel subsidies.

•(1100)

Ms. Josie Baker (Coordinator, Cooper Institute): For the past six years, Cooper Institute has also been working on issues of migrant workers in Prince Edward Island. We are engaged in this issue on a national level as well, through work with the Canadian Council for Refugees, the National Farmers Union, and the Coalition for Migrant Worker Rights Canada.

Migrant workers contribute enormously to Canada's industries, particularly those related to food production as it occurs in rural and isolated areas. Over the past 50 years, industrial agricultural operations have grown to depend on this flexible workforce to operate in a context of dwindling rural populations. Canada's temporary foreign worker programs have been variously lauded and demonized with the changing tides of industry demands and media scandals. Further changes are expected following the recent release of the HUMA committee's report.

The policies of Canada's temporary foreign worker programs create systemic vulnerability for workers. One of the core constraints on workers is that their temporary work permits, which are tied to only one employer, effectively restrict their human rights. The deepening difficulty and expense of hiring foreign workers has the effect of driving employers towards the often unregulated international recruitment industry, which is known to traffic and extort workers.

Migrant workers pay into EI and CPP programs but are usually disqualified from claiming benefits from these programs. They pay Canadian taxes, but many of them are denied access to Canadian health care, and all of them are denied access to federally funded services offered to other kinds of immigrants. Canada's food system is now largely dependent on workers who have little or no access to rights and, in many cases, workers are routinely repatriated in the case of injury or illness. Some of them have been working and paying taxes in Canada for eight months each year for over a decade, but they are still denied basic rights and are not eligible to settle in Canada.

Migrant workers in Canada are propping up our economy. They are living and working in our rural communities, communities that are starved for new residents, young families, children in the local schools, volunteers for local fire departments, and workers in the local plants. These people and their families are needed and wanted, but they are ineligible for current immigration programs that prioritize affluent immigrants. The federal government should take immediate steps to make all migrant workers eligible for permanent residency status. This step would ensure that these workers' rights are respected, as befits Canadian workers, and would ensure that an industry does not profit from violating human rights.

It is worth questioning the economic ideology that promotes migration. Industry has demanded a flexible workforce, and this flexibility has been facilitated by federal policy through both the temporary foreign worker program and the changes to employment insurance. But whether we're talking about domestic or foreign workers, a flexible workforce is created out of desperate people willing to go anywhere and do almost anything for a paycheque. Flexible workers are, by definition, disposable. Desperate and disposable workers are more profitable for industry, and industry has the luxury of externalizing the real social and economic costs borne by Canadian and international societies when families are fractured and the social fabric is torn.

Migration is not a tool for development. Migration is more often a tactic of survival when other livable choices have been taken away. I urge this committee to reconsider the kinds of economic growth that are valued and what the true cost of those is.

In the maritime provinces, we can see very clearly the economic forces at play behind forced migration, and we've also seen what disposability looks like when the jobs dry up. We urge the finance committee to end the race to the bottom for workers, to grant status to transnational migrant workers, and to bring an end to forced economic migration within Canada.

•(1105)

The Chair: Thank you, Josie.

Before we turn to Mr. Pearson, I neglected to mention earlier that sometimes it's distracting for witnesses when people are on their iPads. People may be paying attention to some of the briefs that may be on our iPads or the ones that were sent in prior to August 5. We are trying to be a paperless committee, most of us, except me. That's too new a technology for me.

As well, there will be an open-mike session following this meeting, in which we will give anybody who wants to make a statement for two minutes the opportunity to make that statement and get their message on the record.

Now, from CONTAX, we have Michael Pearson. The floor is yours.

Mr. Michael Pearson (President, CONTAX Inc.): Thank you, Mr. Chair. I will be checking all your personal profiles later to make sure that you weren't updating your status during our presentation.

Voices: Oh, oh!

Mr. Michael Pearson: First of all, I would like to commend you on the choice of location for this meeting. I've been in a lot of stuffy meetings rooms, and this is just a wonderful place to be for a meeting such as this. Whoever is responsible for this made a great choice. Thank you.

My name is Michael Pearson. I'm the president and founder of a software and technology services company called CONTAX. As you may have guessed, I am not from Canada. I wasn't born here. I came to Canada as a young man by myself. I had about enough money to buy a suit and get a job. I got some experience, saved some money, and started my company. That was quite a few years ago. Since then, my company has grown to have over 150 employees in four countries, with nine office locations, including right here in Charlottetown, P.E.I.

I've learned a lot about running a business, from the ground up. Many things I've learned the hard way, and I've had to become an expert in taxation and foreign currency hedging and things that I would never have dreamed would be important qualities when I first started my business. I'm very appreciative of the opportunities I've had in coming to Canada; I don't take that for granted.

We have a wonderful system here. Many things are great about living in Canada, but it's also a great place to start and grow a business. There are many tax policies and other great things that encourage people to start businesses and grow and prosper here, and I do appreciate that, but obviously things can always be better. That's the reason why I wanted to come and present to you this morning and make my recommendations for changes that I think would make a significant difference to allowing small and mid-sized companies in Canada to grow and prosper.

My first recommendation is around the small business deduction, the SBD, which I'm sure you've been discussing or have been hearing about many times during these hearings. The SBD allows for a lower tax rate on the first \$500,000 of taxable income for a Canadian-controlled private corporation, a CCPC. You're probably already aware of that. I'm sure there have been some requests to lower the taxation rate for the SBD. It's currently at 11%, and I know there's been discussion around its future.

My recommendation is slightly different. I don't necessarily agree that lowering the tax rate would have a significant economic advantage or impact, but increasing the threshold would. My recommendation is to increase the threshold from the current \$500,000 to \$750,000, and then index that threshold to inflation so that it doesn't erode over time. Most other thresholds, obviously, already have been indexed. The SBD, for some reason, hasn't been indexed. I'm not sure if anyone here knows the answer to this, but I believe the SBD threshold has been at \$500,000 for roughly a decade.

Why is this important? As a business owner and a principal of the company, the amount of money I take out of the company is not determined by me. It's determined by you, by the taxation laws. My accountant and my finance department tell me how to minimize tax, obviously by taking advantage of the tax structure. By increasing the threshold, I'll be encouraged to leave more cash in the company, and cash in the company is a good thing. It encourages me and all other CCPCs to invest in innovation, technology, and growth, and to create jobs. Once I take that money out of the company, it's not there to do that. Increasing the threshold encourages me and my company and all other CCPCs to leave the money in the business, where it can be put to good use to create growth and jobs.

My second recommendation is around providing incentives and rewards for companies that are creating jobs. There was a program in 2011 called the "HCSB", the hiring credit for small business. Essentially, any business paying EI premiums, employee premiums, up to \$15,000 a year, could qualify for a \$1,000-a-year tax credit. That program existed until 2013.

•(1110)

In 2015 a very similar program was put into place. It was called the small business job credit—SBJC—and it expires in 2016. Again, it's a similar program. It's based on the delta, the year-over-year increase in EI premiums, so an employer who is creating jobs and therefore paying more in EI premiums will get a tax credit, but only certain employers, only those employing up to about a dozen people. After that, you cross the threshold and there is no incentive. It's almost like a disincentive.

Once you cross that threshold, there is no tax break, so my second recommendation, and my final one, is to introduce a job credit program that provides a tax credit, but different from the previous programs. They had a good concept, but I don't believe they were well executed. Remove the threshold. There should be no threshold. Any company, any CCPC, that is creating jobs and therefore paying higher EI premiums should get a tax credit as an incentive, as a reward. That money would go back into the company, and for companies that are growing, innovating, investing, and creating jobs, what are they going to do with more money? They're probably going to continue to grow and create more jobs. Perhaps there needs to be a cap on the tax credit at some point, whether it be \$10,000 or whatever number is deemed to be appropriate. That's my second recommendation.

Lastly, I would like to mention that my company has benefited from support from the Province of P.E.I. and from the federal government through jobs programs. We are very grateful for that support, particularly to the Honourable—and absent—Mr. Roach for

his support here in P.E.I. also. I would encourage you to ask me any questions you may have about those programs, because we have taken advantage of them, and they have paid off very well.

•(1115)

The Chair: He just came through the door as you thanked him.

Welcome, Minister and Deputy Minister.

Thank you, Mr. Pearson. Does that conclude your presentation? Thank you very much.

We'll turn to the St. John's Status of Women Council.

Ms. Wright, I want to apologize for the committee not getting to St. John's. We got to every other province, but we didn't get to Newfoundland or to the territories, because at the finance committee we couldn't get enough money from the budget liaison committee. We run into tight times too.

Ms. Wright.

Ms. Jenny Wright (Executive Director, St. John's Status of Women Council): Good morning, members of the committee. I'm grateful for the opportunity to address you this morning.

As the executive director of the St. John's Status of Women Council, my perspective on our economy and the budget is deeply rooted in the desire to attain economic equality for women in Canada.

Women may be a slim majority of the population, but we are the majority, and therefore our economic security has a substantial impact on the economy. I'm here to urge you to apply robust gender assessment tools, to mitigate the harm economic policies inevitably have on women, and to close the growing gender gap and raise women out of poverty.

As long as we continue to utilize traditional economic analysis, we will continue to recklessly ignore the fact that the status of women has a direct impact on our economy and mechanisms will not be put in place to close the inequalities and mitigate the damage to women. For example, pay equity legislation would dramatically decrease women's reliance on services and substantially increase women's contribution to the economy.

Treating women as a subset of the population is dangerous for women and the economy. We are 52% of the population, and our experiences cross all social determinants. We are seniors, youth, business owners, heads of families, workers, indigenous, sex workers, trans, middle class, sick, immigrants, and disabled.

We hold the majority of low-paying and precarious employment and take on the bulk of unpaid labour and child care, while dealing with a monumental and growing wage gap, now sitting at 72%. We cannot seek a fairer, more just economy without recognizing and addressing the fact that the majority of our poor are women.

Add to this our role as mothers and we are the largest users of services, often multiple services simultaneously. A lower socio-economic status has meant that women are always harmed by cuts in general, and austerity budgets can and do decisively destroy the services we most heavily rely on: health care, education, income support, and, because of the abysmal rates of violence we still experience here in Canada, domestic violence supports and services.

The World Health Organization and others have been calling on all governments to use gender assessment tools when generating budgets and economic policies that lessen this burden on women. A framework of tax and welfare policies can tackle this disproportionate burden. Pay equity, tax relief, and gender assessment tools can play a significant role in elevating the status of Canadian women.

Amidst concerns about the slow rate of growth in our economy, the International Monetary Fund has drawn attention to the need to close the gender gap between men's and women's employment in Canada. Research published by the World Bank suggests that closing the gender gap would be equivalent to 10% of Canada's GDP.

It's long past time for a national child care program. Clear research demonstrates that child care helps stimulate the economy through mothers' paid work, alleviates poverty, and moves women out of precarious work. A national program would create jobs, leave parents free to work or to upgrade their skills, and provide additional support for single parents.

Aside from raising families out of poverty and stimulating the economy, research has shown that early childhood education and care provides an environment where our children thrive regardless of their social and economic status. The numbers do bear out that the costs of subsidized child care are more than worth their cost in terms of returns to our economy. Many sound organizations have created viable frameworks for providing child care through social infrastructure, and it is well past time that we revisit these frameworks.

It is also time to return to a federal minimum wage, a living wage. A strong minimum wage is an immediate and highly effective economic policy to alleviate poverty for women. Women currently hold 59% of all minimum-wage jobs in Canada. A federal minimum wage would immediately benefit many Canadian workers and serve as a standard-bearer for provinces to follow.

Not only must we apply a gender lens to the economy, but we must not forget our human rights obligations. Canada has signed numerous conventions protecting and advancing the rights of women, including CEDAW, where article 3 states that the convention gives positive affirmation to the principle of equality:

States Parties shall take in all fields, in particular in the political, social, economic and cultural fields, all appropriate measures, including legislation, to ensure the full development and advancement of women, for the purpose of guaranteeing them the exercise and enjoyment of human rights and fundamental freedoms on a basis of equality with men.

A robust gender and human rights lens that strives to raise women out of poverty and closes the gender gap must be a prerequisite for Canada in meeting this responsibility.

• (1120)

In closing, I want to impress upon you that the correlation between women's economic security and their personal security is definitive. We must understand—and redress—that the lack of child care, housing, pay equity, access to women's health care, reproductive rights, education, and a fair justice system is not only the cause of violence against women, but is often the very barrier that prevents them from leaving. Women are not born vulnerable. We are made vulnerable by legislation and policies. We all want a vibrant, fair, and just Canada. We cannot reach this goal, however, if we continue to leave half the population behind.

Thank you.

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

Turning to the Province of Prince Edward Island, we have Minister Roach and Deputy Minister Arsenault. Welcome. Thank you for coming.

Hon. Allen F. Roach (Minister of Finance, Province of Prince Edward Island): Good morning, Mr. Chair, and welcome to you and your committee members. Let me take the opportunity to welcome you to P.E.I. on behalf of the Province of P.E.I. and all the constituents and residents of Prince Edward Island.

We look forward to having the opportunity to present to you this morning. What we're going to do is pass out a few summaries of our economic performance. It's not my intention to review those with you this morning, but once you look at them, you're free to ask questions.

I know you have a difficult job to do. It is an important one, and I recognize that. I will be doing the very same outreach come January and February this year, when we'll be looking at our own budget here in the province.

Time is short, so I will get to the point. I have three areas that I would like to address.

The first one is infrastructure. We are pleased with the new programs, particularly with water and sewer. We're happy to see the fifty-fifty cost-sharing, but anything that large for a province of this size has a few wrinkles for us. Fiscal capacity is a limiting factor here.

There is a demand locally for projects that don't qualify under the rules of the federal program. It strains our ability to use these funds. We feel that there is a need for broader rules for qualifying for these projects, rules that possibly could be tailored. We believe they should be tailored to small jurisdictions such as ours, and I'm sure you recognize that. We also believe that the process is a bit cumbersome. We know there has to be accountability; however, it is always better to look at local versus national projects.

The second item that I want to speak of is health care. It's a constant financial pressure. We're a small jurisdiction, yet we're expected to provide the health care that's seen in other jurisdictions. Certainly, there's a lot of pressure on this government and on our budget to continue to move forward with that. Your move to drop the health transfers from 6% to 3% in 2017-18 will hurt us. The CHT covers approximately 25% of health costs at present, and the 3% decline will drop this percentage significantly over time.

As in other provinces, new services are required for mental health, home care, drugs, and innovation. Our population is aging, and costs are going to rise above 5%, as an older population requires more health care services.

Certainly, speaking anecdotally, I notice that even in my own district the number of people who have moved for retirement purposes to Prince Edward Island is increasing at an incredible rate. To give you a quick example in my own district, probably half a dozen families of teachers that have retired from the province of Ontario have come here for retirement purposes. Certainly, as they age, those needs will increase, and that's just a small portion. We're starting to see this as a trend. Home care demands are increasing. They have increased already. Pharmacare, or pharmacy, has increased.

I note that the premiers have instructed health ministers and finance ministers to report back to them this fall on a new health funding arrangement. I was on a conference call yesterday with the health ministers in Toronto to review phase one. We need to see action now, because our 2017-18 budgets are just around the corner.

•(1125)

The final item I would like to talk about is the carbon tax. Prince Edward Island is a low carbon emitter. Charts will show that we have lowered our emission rates significantly. Approximately 25% of our emissions come from agriculture and fisheries, 40% from transportation, and 25% from structures, buildings. Not a lot of mitigation is available to these sectors without massive investments in new technologies.

We're in the process now of developing a new energy strategy. It's due to be released later this fall. It will involve making electricity usage more practical as a way to mitigate our carbon footprint. We have no single large users or emitters of carbon. We'd like you to consider policy alternatives to encourage building and transportation conversion to allow a low carbon economy.

One of the things I'd like to point out, certainly, is that the Province of Prince Edward Island has been concerned about carbon emissions for a number of years. For anybody who follows what has taken place here, you will know that the Province of Prince Edward Island has made significant investments in wind energy over the years. Those investments certainly have been made in the past, to the point where we now generate 35% of the electricity ourselves, here on Prince Edward Island. When you look at a small jurisdiction, that's a significant number, and as a province that has been looking toward green and getting away from carbon for a long time, it's one that we hope doesn't get lost.

With that, I want to thank you very much for giving us the time here today and for listening to us. We'll certainly take any questions you may have.

The Chair: Thank you, Finance Minister Roach.

Turning to the last presentation, we have the Canadian Union of Public Employees, with Lori MacKay.

Go ahead, Lori.

Ms. Lori MacKay (Chair, PEI Coalition For Fair EI): Thank you, Wayne.

It's a pleasure to present to you again. Welcome to P.E.I. My name is Lori MacKay.

I'm also the chair of the PEI Coalition for a Fair EI, so employment insurance is the topic I want to talk about again.

As I've commented before, the last federal budget has taken a few small steps toward reversing the negative impacts of the devastating 2012 changes to the EI system, but fell well short of the election promises of this government. We are hopeful that the next budget will finally reverse all the changes that were so devastating to this region and many others across the country.

For the PEI Coalition for a Fair EI, the number one priority is to see the additional EI zones reversed. As I explained to this committee in May, P.E.I. was always one economic zone for a reason. The Island is too small, and there is not one major industry that's in one particular area of the province. Fishing, farming, and tourism are spread throughout the Island. Federal jobs are located in both cities. The two largest private sector employers in Prince Edward Island are in the rural zones. It is imperative that our Island be reverted to one zone, because it is the fairest approach to EI benefits for Prince Edward Island.

As the chair and I explained through examples the last time, co-workers are working side by side and living close to one another, but have substantially different EI benefits. The number one ask for the budget from the coalition is to revert the EI to one zone.

There are other key priorities that we'd like you to address.

Restore the additional five-week benefit extension for high unemployment areas. There are a lot of continuous high unemployment areas in P.E.I. Many of them around the country have a lot of precarious but important work that still needs to be done, and workers need the knowledge that they can get from one season to another, or they're going to make different choices, and that is going to create labour shortages in many important industries in P.E.I.

Restore the "best 14 weeks" pilot project and make it permanent. This is the best way to calculate benefits for workers who have sporadic work patterns. Again, for areas of the country with seasonal work, sporadic work patterns are the norm..

Eliminate the classes of workers. This 2012 change perpetuated an unfair assumption about workers in the seasonal industries across the country.

Re-establish the local EI processing centres and the three-party juror system so that unemployed workers get the services they deserve.

Reverse the decision to allow cabinet to make adjustments to EI without the approval of Parliament and implement a wall of protection so that EI funds are for EI purposes only and not used to balance the federal budget.

Probably one of the most important areas you need to consider as a committee is the planned reduction of EI premiums. Yes, the economic sustainability of our country relies on a healthy EI system. It is necessary for our capitalist economy to continue doing that. The money that has been accumulated in the fund recently was on the backs of the seasonal/precarious workers in this country. Instead of recognizing the challenges, with an ineffective job strategy the government of the day targeted seasonal workers.

Our ask: reverse all changes implemented in 2012, stop premium reductions, and create a job strategy that works for all regions in the country so that we reduce our need for the EI system. But to be clear, we will need an EI system in a capitalist economy.

Thank you.

•(1130)

The Chair: Thank you very much, Lori.

Turning to questions, we'll go with six-minute rounds.

Mr. MacKinnon.

Mr. Steven MacKinnon: *Merci, monsieur le président.*

Thanks to all of you for your excellent presentations today, and thank you, Minister, for your warm welcome to Prince Edward Island.

We'll start with you, Minister, if I may. My home province is Quebec, as it is for Mr. Dusseault. The point of view of our health minister is that the federal government should simply write—pick a number—cheques above and beyond the 3% escalator that is currently planned and not ask any questions. If I understand his position correctly, it would mean that the money may or may not get allocated to health care, or if it is allocated to health care, it may or may not get allocated to a national priority that is identified by the health ministers. Could you state the position of the Province of Prince Edward Island on this?

Hon. Allen F. Roach: First of all, we'd welcome questions around any increase. Certainly, our biggest challenge here is the fact that we do have an aging population in this province. We have a lot of people who take the opportunity to retire here from other provinces, because of our housing and because it's simply a great place to retire to and to live.

I've been Minister of Finance now for roughly 18 months. During that time, we've had two budgets. As the Minister of Finance, , and I certainly recognize that my biggest challenge is health care. Whatever happens, health care is at the forefront, and as you know well from your position, that's not just in Prince Edward Island. It's right across the country. I don't necessarily concur with a blank cheque. I have no problem accepting a cheque and telling you exactly where it's going.

•(1135)

Mr. Steven MacKinnon: Thank you. That's a very constructive approach.

On taxing carbon pollution, the understanding that we have as parliamentarians—and I'm sure it's yours—is that provinces will either implement a cap-and-trade or taxation solution, and revenues derived from such a scheme would be reinvested as the provinces see fit.

You've identified a couple of areas where that money could be profitably invested. That was in terms of retrofitting buildings, if I understand correctly, or other measures. Have you begun that conversation within government? That would be one question. Another, more generally, would be, do you view a move away from taxing things like income into taxing carbon as an appropriate tax shift for the future?

Hon. Allen F. Roach: To your first question, we certainly have engaged in that conversation, and I'd like to add that it's a very active conversation around the table.

With respect to your second question, I think that with respect to a carbon tax there will be a lot of pressure on ensuring that those taxes that are collected go back into the economy to support initiatives that will lower carbon. Just in general conversation, we haven't made any firm decisions, but I think we'd certainly be looking at lower-income issues, starting off with homes that require it, to help them along the way. At least at this point, we certainly do not view it as a tax grab.

Mr. Steven MacKinnon: So it would be a—

The Chair: I need to interrupt for a moment.

If anybody else has a response to any of these questions, just raise your hands, and we'll acknowledge you as well.

Go ahead, Steve.

Mr. Steven MacKinnon: I take it from your last answer that you do see that as an appropriate shift and you'll be devising solutions appropriate to the circumstances of Prince Edward Island.

Hon. Allen F. Roach: I think I mentioned during my presentation that we're looking at an energy strategy. I can't discuss that strategy right at this point, but a big piece of the strategy is energy conservation and looking towards what we will do to reduce our carbon emissions.

Mr. Steven MacKinnon: Thank you very much, Minister.

Perhaps I'll shift to you, Mr. Pearson. You've identified incentives for job creation, which I'm sure is music to the minister's ears and to the ears of most people on the panel today. You described some of the programming that may or may not expire and which we ought to consider recommending extending. Can you give us some real-life examples, perhaps in your business or businesses that you're aware of, where those kinds of initiatives have made a difference?

Mr. Michael Pearson: Certainly. Thanks for the question.

As a business in multiple jurisdictions, provinces, and countries, we have a choice about where we hire people. Obviously there are a lot of factors that go into that. One of them is the cost of salaries, wages, taxes, and things like EI premiums, which go into the cost of business. These things can make a significant difference.

Not only is Prince Edward Island a great place to live and do business, but we also received incentives through the minister's previous portfolio, I believe, and it did make a difference in terms of our decision where to locate our operations, hire people, and create jobs.

These incentives are not necessarily the.... You have to have a sustainable business in the long term, with or without incentives, but they do make an initial impact on your decision as to where, how fast, and how many.... Although our business here in P.E.I. is very sustainable and profitable, the fact that the province was willing to make an investment in helping us to grow and create those jobs made a big difference.

•(1140)

The Chair: Okay. I'll cut you off there.

Mr. Albas, go ahead.

Mr. Dan Albas: Thank you, Mr. Chair.

I thank everyone for their presentations today.

Minister Roach, thank you for your commitment to your province and also to our country.

I'd like to ask a few questions in regard to federal funding transfers in particular. You said that the current framework by the federal government in regard to health care is not helpful to your province. There are no strings attached to the current funding that you've been receiving. Is that correct?

Hon. Allen F. Roach: That's correct.

Mr. Dan Albas: Okay. It seems to me that right now there is a discussion.... You mentioned a conversation, a telephone call you had with your colleagues across the country, in regard to health care. You are not in favour of seeing dedicated funding in certain areas where the federal government might say that it's going to invest in things like mental health or different specialized services.

Is the best way to do it where the government says that it's going to attach some strings to this money? Or would you prefer that it remain as it has been under the Canada Health Act, where the transfers are non-conditional?

Hon. Allen F. Roach: The health minister is not in the room, but I don't believe there has been enough of that discussion to date for me to accurately answer that question.

I certainly agree with what the federal government is proposing, which is that specific funding go into specific areas. I don't have an issue with that. I think we need to have a lot more discussion about how much that is going to be for the provinces, and we need to look at the other pressures that come every year, with regard to salary increases, increases in technology, and those sorts of things. It's too early, I believe, to ask the finance ministers that question without having a deep dive into the three areas that you spoke of.

I hope that answers your question.

Mr. Dan Albas: I appreciate your perspective.

In regard to the carbon tax, the government has contended that it will be revenue neutral. Obviously, it won't be revenue neutral to the people who pay it, because they are going to see the price at the

pump or on the price of produce and whatnot going up. However, the government has said that they are going to return those monies to the provinces.

Have you been given any indication that there will be any strings attached—for example, where they say part of it has to go towards clean technology, or part of it has to go to low-income people—or are they leaving you total discretion?

Hon. Allen F. Roach: We haven't heard anything on that yet.

Mr. Dan Albas: They've made this announcement and they haven't even considered letting you know that those are the terms under which they're going to impose this tax?

Hon. Allen F. Roach: We're still in those discussions, and we'll negotiate that.

Mr. Dan Albas: Okay. It's just interesting that on certain things they're saying that they want to see more involvement of the federal government in telling provinces how to operate in areas of their jurisdiction, yet they're offering what in some cases seems to be no strings attached.

From what you said earlier, the fact that there are no large emitters rules out a cap-and-trade system for Prince Edward Island.

Hon. Allen F. Roach: That's correct.

Mr. Dan Albas: Are you planning on instituting a carbon tax so that you can have more control over how it's implemented, or are you simply going to let the federal government continue and impose that tax on your constituents?

Hon. Allen F. Roach: We will be controlling it.

Mr. Dan Albas: Okay. You're going to introduce a carbon tax or...?

Hon. Allen F. Roach: That's the only way we have any control.

Mr. Dan Albas: All right. That's interesting, because the question in my mind, which I still haven't received any answers on, is that obviously the federal government cannot tax a provincial tax, as we see sometimes happening at the pump with a tax on a tax.

Again, that's protecting your consumers, I guess, by having it provincially controlled.

How much time do I have, Mr. Chair? A minute? Okay. I'm just going to go quickly to the Cooper Institute.

I represent an area in the Similkameen where there is a group of citizens who have been raising a variety of different concerns. One that they have asked me to look into is around the collection of CPP and EI for people who are participating in the seasonal agriculture worker program. Often they're from Jamaica, or Mexico, or India, and they are asked to put money into those programs, and of course they don't receive that back. Have you been given any indication as to why that practice occurs?

•(1145)

Ms. Josie Baker: The focus of the movement across Canada around migrant worker rights is really to secure status for these workers that would entitle them to those programs. My understanding of the reason why this is done is the way the temporary foreign worker program was implemented. When they come in, they are theoretically under the same conditions as Canadian workers. There are various reasons why that doesn't play out, but that was one of the reasons. The reason they cannot collect EI in that case is that they're out of the country, and it's the same thing for CPP.

Mr. Dan Albas: If someone pays into the system and their country has a social security agreement with Canada, then there can be some benefits, but maybe this is something for another discussion. That's an area I'm interested in. I appreciate it.

The Chair: You have time for one more, Dan, if you want.

Mr. Dan Albas: You know what, Mr. Chair? I don't want to dominate the conversation.

Thank you again to all of our witnesses.

The Chair: Mr. Dusseault.

Mr. Pierre-Luc Dusseault: Thank you, Mr. Chair.

I would also like to thank everyone on the panel today.

My first question is for the Cooper Institute. Do you agree that if someone comes to Canada to work, that he is good enough to come to Canada to work, he should be able to stay in Canada for the long term?

Ms. Josie Baker: As it stands, our immigration system is such that the people who are coming in through the temporary foreign worker program are not eligible to come through the federal immigration programs, so the ask is that these people coming to work are able to apply for permanent residency status in Canada, if that's something they choose to do.

Mr. Pierre-Luc Dusseault: Thank you.

I have a second question. I think I heard correctly that you are proposing maybe a more progressive tax system. I don't know if I heard it correctly, but do you have a specific proposal on how we could make it more progressive? Would it be by more level taxation for individuals and corporations?

Ms. Ann Wheatley: Yes. We support the other groups, such as the Canadians for Tax Fairness, which is suggesting the corporate income tax should be increased and that we should be getting back the taxes that are lost in offshore accounts.

Mr. Pierre-Luc Dusseault: I will turn now to the minister.

Thanks for being here.

On the health issue, can you provide us with the impact that the 3% in health transfers compared to 6%—an absolute number in dollars—will have? What is the impact and what percentage will your province and the taxpayers of Prince Edward Island have to invest to sustain the health system?

Hon. Allen F. Roach: Even if the cost of health care didn't rise, it was just year over year. It's \$5 million a year compounded.

Mr. Pierre-Luc Dusseault: So in the next budget in 2017-18, you will have to add \$5 million in your own budget?

Hon. Allen F. Roach: Plus the \$5 million, yes, and that will be compounded each year after that.

Mr. Pierre-Luc Dusseault: Yes, and in each year there is an increase in costs.

Hon. Allen F. Roach: Additional, yes.

Mr. Pierre-Luc Dusseault: Now, on the EI file, I thank you for being here. This is something we heard quite a lot about in 2012 when the changes were implemented.

What solution do you see to make sure that in every region of the country there's a fair EI system and that the system is able to recognize the fact that in some regions there's seasonal work? How can we make sure that the system is fair for everyone and make sure that seasonal workers, like those in Atlantic Canada, have a system that works for them?

Ms. Lori MacKay: The first suggestion we would make—and we have been saying it—is to revert back to 2012 as a starting point, because those changes were really targeted toward seasonal workers and precarious work, part-time work. That would be the starting point.

There's no question that EI is probably the most complicated system we have in the country, and that makes for administrative nightmares and a whole lot of other things. I know that this government had talked about doing a full review, and I believe that's supposed to happen in 2017, but I think the starting point should before all of the changes that have taken place since 2012.

The premium reductions that are planned are going to really tighten the purse strings on the EI fund, which has already gutted a lot of the benefits for a lot of workers. I've had a lot of conversations about EI over the last number of years, and in those conversations, this has been based on the fact that in a system where we have a lot of seasonal workers, the EI system has supported those seasonal economies.

The challenge I have with the previous federal government that made the choices to change the system the way they did was that they targeted seasonal workers without saying what is the job.... Workers want to work. There's no question in my mind workers that want to work. Provide them the jobs and they will work. They didn't even look at that. Instead, they said to target the seasonal workers and get them to be mobile. They wanted a mobile workforce. What are the social consequences for a mobile workforce? That question, we didn't ask. What are the health consequences of low-income, precarious work? What are the stressors on the health system because workers now are afraid of not making it from one season to another? That is compounded, and that's something that as government we have not looked at.

How can we make the EI system fair? Certainly, I would say, don't target certain industries. Recognize that as a country we are vast, we're diverse, and we have seasonal industries, and not just in Atlantic Canada. There are seasonal industries throughout this entire country, including the north and in northern communities in every province. It's not just the Atlantic region's concern; it's everybody's concern. We really need to focus on the system from a worker's point of view. Every economy has to be considered, and we need to look at what are the consequences to every system that we have when workers aren't supported properly.

•(1150)

Mr. Pierre-Luc Dusseault: Thank you.

Did you see an impact after the 2012 changes in P.E.I.? Did you see an impact whereby seasonal workers who used to work in seasonal industry decided, because of the change in the rules, to work in a year-round industry or to move elsewhere in Canada? Did you see this impact on the ground?

Ms. Lori MacKay: We certainly saw a lot of outward migration out west prior to the oil drop. Then, of course, all these workers came back with fewer EI benefits than their counterparts who they were working with in Alberta, because they got the five-week extension and a bunch of other changes. Our workers came back with the reduced benefits. It's number one on that. We did see a lot of outward migration.

I think some of the industries in Prince Edward Island that rely on seasonal workers can attest to the fact that a lot of their long-term employees are not coming back, so it's causing them problems with training and costing them more money. We were seeing that too. I know, for example, that as CUPE we represent support workers, and we have depleted substitute lists. That is affecting the education system in the province. My question is, what have the EI changes in the last couple of years done to, say, a school bus driver who is just there as a substitute? They probably have chosen to do something different.

I'll tell you what hasn't changed since the changes in 2012: the unemployment rate in Canada and the unemployment rate in Prince Edward Island. It did nothing to help any of that.

The Chair: Mr. Sorbara.

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

Welcome, Minister, and thank you for your welcome to this lovely province.

Just to get some numbers on health care spending in the P.E.I. budget, what percentage was health care spending in the last fiscal year?

Hon. Allen F. Roach: Health care was about 40%.

Mr. Francesco Sorbara: At what rate has it been growing?

Hon. Allen F. Roach: I'd say it's been growing at about 5.5% or 5.7%.

Mr. Francesco Sorbara: Your comment was that the CHT covers about 25% of that spending. It's been interesting hearing these things for the second day now. It's my first time out on the east coast. We hear about the demographic challenges when we're back in Ottawa,

but being here, it has really hit home what the demographic challenges are that the provinces face.

What more could be done to encourage investment migration here? I'm not just talking about people retiring here, which is lovely. They come out here, and that's great and everything. On investment in migration here in Atlantic Canada—and this is a general question, structurally and long term—what one, or two, or three things can we partner on to ensure that there's a bright future for all of Atlantic Canada?

•(1155)

Hon. Allen F. Roach: Certainly, in Prince Edward Island, we've done a phenomenal amount of work to ensure that our immigration numbers are high, as high as we can get them. Prince Edward Island is the leader in Atlantic Canada on immigration. We remain one of the leaders in the country.

One of the challenges—and I have to go back to the previous 18 months—is that some of the rules around the people who want to immigrate, who want to come here, who want to be part of the Prince Edward Island culture, need to be reviewed in order to allow that to happen. It doesn't need to be as difficult as it is at times.

With respect to some of our temporary foreign workers, the changes that came in several years ago caused difficulties in our industries, particularly our agriculture and fisheries industries. Some of the new rules put an incredible hardship on the companies employing these temporary foreign workers.

The Chair: If anybody else wants to come in on these, raise your hand and we'll acknowledge you. Go ahead, Francesco.

Mr. Francesco Sorbara: I'll ask this question, and maybe Josie or someone else will want to jump in.

I don't want to use the words, "temporary foreign workers", but I want to say something about "workers", especially with regard to the seasonal industries here in P.E.I. I've always viewed immigration as a nation building exercise, with the caveat that you will need some people to come into a country, work for a temporary period, and then leave, whether they are working for a conglomerate or a small business and have specialized skills.

For the most part, I would view immigration as nation building. You welcome somebody in, and you want them to stay and build a future and a family. That's what my family did. This afternoon, I hope to go and visit Pier 21 when we arrive in Halifax, where my parents, my grandparents, and my parents' siblings, the children, came in.

On the need for migrant workers here, and the skilled labour force, if you had to rate it on a scale of one to ten for P.E.I., where you would see it? Ten would be the optimal and one would be the really not optimal. We've had some large changes. TFW went from being very easy to have folks come in to very difficult. The pendulum, I hope, is going back to some sort of balance. I just wanted to put that out there.

Hon. Allen F. Roach: I certainly think we have a very diversified economy here. We range from IT to pharmaceutical, bioscience, marine technologies, and aerospace. It's a very broad and diverse economy for such a small jurisdiction, and we certainly need a skilled labour force for a lot of those jobs.

A lot of where that diversity comes from, in pharmaceuticals, etc., certainly needs a skill set, and those industries are growing. That's what has enabled Prince Edward Island to show, for a small jurisdiction, a strong economy. We don't see the rises you see in Alberta, in oil-producing provinces, but we don't see the lows either. We've been fortunate enough in our economy to have a steady economy, steady and slow. We always continue to move, but we do need the skill sets for those types of jobs, and we want those people to stay here through the immigration process.

In some of our other industries, within our tourism industry, our processing plants and fisheries, and our agriculture industries, there is a requirement there. We need workers that we necessarily don't need all year round, but we do need to have a program that will allow those temporary foreign workers to come in as well.

•(1200)

The Chair: Go ahead, Josie.

Ms. Josie Baker: Prince Edward Island has a critical worker stream in our provincial nominee program that has allowed workers who don't necessarily have really high fields—though many of them do, but they're just not working in high field positions—and they don't have a great deal of money to invest in a business in Prince Edward Island as immigrants. That's been really positive in terms of allowing some of the temporary foreign workers in Prince Edward Island to settle here. Those families who have children thrive.

They're really committed to staying and working in this province. However, one of the barriers federally is that workers who are in seasonal industries have a difficult time qualifying for that program, even if they are working 14-hour days eight months of the year, which, if you even it out, would be equal to a full-time position. Workers would have to transition out of some of the high-demand industries, such as agriculture and fisheries, and into any other full-time job in order to qualify for that program. I would say that P.E.I. has had some success in that and that provincially there has been work done to give the seasonal industries access to it.

I also would like to highlight that the changes of 2014 were devastating for industry and devastating for workers. The more difficult it is to hire a migrant worker, the more we are funding the under-the-table recruitment industry. Prince Edward Island, unlike other provinces, doesn't have regulations specifically governing that, so I think that loosening up those things to allow employers to hire workers a little more easily, but also allowing workers to leave dangerous or abusive situations, is important.

Personally, in the company of migrant workers, I have assisted in communicating their ask to the federal government surrounding the 2014 changes, surrounding the HUMA committee's review, and also surrounding the lack of follow-up from the 180-day exemptions that were issued for the seasonal industry right now, which has left these workers with nowhere to go.

There are various issues, but I encourage the committee and everyone here on this panel, when they're talking about the temporary foreign worker program, to not only consider the needs of industry but also to consider the needs of the workers.

The Chair: Thanks to all of you.

Ziad, before I turn to you, I want to throw out one question to the Canadian Camping and RV Council.

You have a recommendation here, Shane, but it's based on the changes. The CRA changed their interpretation without notification earlier this year. This hearing is all about how to achieve growth. Listening to your brief, this is going to drive people out of business, which is not exactly achieving growth. Why did the CRA change the interpretation? Did they give you any reason why? Also, is what you've proposed here the only fix?

Mr. Shane Devenish: We've tried to uncover the motivation of CRA. We had a meeting with a liaison in their office. We weren't given any reason why suddenly they started to crack down on campgrounds, even though nothing changed in terms of the campgrounds' classification or their business model.. Nothing ever changed, but all of a sudden they started to act on what their interpretation was, I guess. Four campgrounds—three in Ontario and one in Quebec—started this forest fire, for lack of a better term, when CRA did some audits and reassessed these campgrounds, one going back three years at \$250,000. We've yet to uncover why.

It's important to say that our industry is really unique in that it's very seasonal. There's been some correspondence and communication, some in an earlier committee meeting that I saw, in which campgrounds and storage facilities were used in the same sentence. We think they're completely different. We want to point out that campgrounds are very seasonal and that their workforce is made up of probably three or four times as many seasonal workers as full-time workers. This will have an economic impact.

•(1205)

The Chair: Just so I'm clear, as far as CRA's interpretation goes, do they consider seasonal campgrounds and RV sites in the same way they consider a hotel or a motel or an inn?

Mr. Shane Devenish: No, they're considered in the same vein as an apartment building or a modular home complex.

The Chair: Okay.

Mr. Aboultaif.

Mr. Ziad Aboultaif: Thank you.

Thanks to the minister for the warm welcome. This is a great place to be. It's my first time in P.E.I.

As a final note regarding the campgrounds, as the CRA critic, I received letters a few months ago. I can understand the concerns. With regard to the CRA position, I can see that if we're going to lose businesses, if a business is going to shut down, nobody's going to benefit, so we're going to hurt everybody more or less.

The motive for CRA has to be a financial one. They somehow feel that some money has not been shown there, and maybe some taxes can be collected, whatever the case. By the way, I've sent the letters to the minister from my office just to show him the concerns of the business owners, and I haven't received anything back yet.

Have they shown you any figures? Have they given you any fundamental reasons why this move is on? Usually, it has to be money. Have you heard anything in that regard?

Mr. Shane Devenish: We haven't heard anything directly about that. We can surmise that's the motivation. Since our meeting, we haven't heard anything from CRA or anybody else in the Ministry of Revenue office. They're basically pointing the finger at the Ministry of Finance and saying that it's up to them to change the laws in the Income Tax Act or the budget. They're just looking at the cards they've been dealt, for lack of a better term.

Mr. Ziad Aboualtaif: If I look at it as a business owner, I think this is a move towards taking those businesses from being small businesses to being bigger business. I hope that's not the case here, and I hope we don't end up with this, because small businesses are very vital for our economy and our society.

Mr. Shane Devenish: Yes, and thank you for that. It is a good point that these campgrounds cannot afford the triple increase in tax. Undoubtedly, We will see campground closings in the worst-case scenario. The next-to-worst is that they just stop improving their services and eventually have to go out of business because they won't be competitive with other places anymore.

Mr. Ziad Aboualtaif: Okay.

My next question is for Mr. Pearson.

Congratulations on the business you've built. I'm very grateful to hear your story. I've read it already. It's a very successful Canadian story of growing a business.

I'm also very interested, being a CRA critic, in your proposal regarding taxation for increasing the threshold from \$500,000 to \$750,000. You didn't seem to be very excited about lowering business taxes, let's say, from 10.5% to 9%. The final part of my question, and then you're free to answer, is, what do you think, as a business owner, of the expansion of CPP and the increase of EI premiums for businesses? How are these things going to impact you as a business owner with 150 employees?

•(1210)

Mr. Michael Pearson: For the record, I'm not against lower taxes. Tax decreases are always a good thing. However, if I had a choice between adjusting the tax rate on the existing threshold or increasing the threshold, the economic impact of increasing the threshold will be so much greater, because, again, the key is to keep the money in the business. The money in the business will be used to continue to grow the business.

Once you take the money out of the business, which a lot of business owners like me are forced to do, it's no longer available to fund innovation and research, to buy equipment, or to hire new staff. That's why I want to focus on increasing the threshold, which hasn't been adjusted for probably a decade at the federal level, as far as I'm aware.

That would be my preference, but I wouldn't refuse a tax decrease if one was offered.

Could you remind me of the second part of your question, please?

Mr. Ziad Aboualtaif: It concerned CPP expansion and EI increase.

Mr. Michael Pearson: Any additional—and I'll avoid the words "tax" or "payroll tax"—employer-funded cost of employment has to be considered very carefully. Again, a lot of employers are like me. We're going to look at what it costs to hire somebody in this province versus Ontario, versus the U.S., and versus Europe or Australia. Any additional cost of employment will factor in our decisions in terms of where we want to hire, invest, and create new jobs.

I understand the need for a federally mandated expanded CPP program. Given the alternatives in some of the provinces, this is the far better option. We want to see a federal program rather than each province going it alone, so we support that. We also support the gradual implementation of the changes that are being proposed. As a business owner, the worst thing that we can be exposed to is sudden unpredictable shifts in policy and taxation that we can't predict or that we have a very hard time reacting to.

To answer your question about CPP and the policy that's being proposed, we would not be in favour of an additional cost of employment, but if it has to be done, this is a somewhat responsible way to do it.

Mr. Ziad Aboualtaif: Am I done?

The Chair: We'll give you a little more time.

Mr. Ziad Aboualtaif: Thank you.

Due to the nature of your business, which is software development, if I understand correctly, how competitive are you on the world stage compared to other businesses if you're not in a niche business? If you're in a common-ground business, compared to Australia, let's say, or the United States, how competitive are you?

Mr. Michael Pearson: Your question is how competitive are we in Canada versus other jurisdictions around the world?

Mr. Ziad Aboualtaif: Yes, specifically within your industry.

Mr. Michael Pearson: There are many facets to that question, but we are very competitive in Canada. Part of that, obviously, is related to the foreign currency exchange. The current environment makes Canada very competitive in the labour market. We are a net exporter of services, which means we do work for companies and organizations all around the world based out of Canada. Part of that decision is based on the currency, obviously, because it affects our costs significantly.

To answer your question in summary, we find that our operations in Canada are very cost competitive, especially compared to some of the States to the south. We also choose to do business here, not just because we happen to be here.

The Chair: Thank you, Ziad.

Mr. Grewal, you have five minutes.

Mr. Raj Grewal: Thank you, Mr. Chair.

Thank you to all the witnesses for coming and testifying today. We really appreciate it.

Like my colleague here, this is my first time in P.E.I., and hopefully not my last.

My first question is for the Canadian Camping and RV Council. I'd like some clarification. You're advocating for a change to assess the income as business income, as opposed to investment income. What has the CRA said on the matter?

Mr. Shane Devenish: They said that we weren't eligible as a specified business. They said that if the employee level was fewer than five, we weren't eligible for the small business tax deduction. They don't consider us an active business.

•(1215)

Mr. Raj Grewal: Is the matter before the courts for interpretation?

Mr. Shane Devenish: Not yet. The reassessments have been pushed back to the campgrounds and then back to CRA, but we have not gone—and we certainly don't want to have to go—to the courts.

Mr. Raj Grewal: Previously it was assessed as business income?

Mr. Shane Devenish: Yes, up until this year, absolutely, every year, and nothing has changed. That's why everybody was surprised when this suddenly happened.

Mr. Raj Grewal: How many Canadians will this affect?

Mr. Shane Devenish: About 5.8 million Canadians.

Mr. Raj Grewal: Wow. Really?

Mr. Shane Devenish: Yes. We did an economic survey in 2014 of the whole RV and camping industry, and it was discovered that 5.8 million Canadians love to camp, and they go to private and government-owned campgrounds. There are about 2,300 private ones, which we represent, and 4,100 in total.

Mr. Raj Grewal: Thank you for that. I appreciate it.

To the Cooper Institute, thank you for coming today, and congratulations on your work on migrant workers. I was doing my work last night, and I saw that you've done basically the only work that's been done in the country on the topic.

In terms of numbers, what's the sheer volume of migrant workers across the country?

Ms. Josie Baker: I do focus primarily on P.E.I., and there are other people who work on this across the country. I didn't come prepared with that number today, and I don't have a head for numbers.

Mr. Raj Grewal: Let's go with P.E.I.

Ms. Josie Baker: In P.E.I. it has reduced drastically since the 2014 changes. We get the numbers only the year after. In 2015, it was around 700. The year before that it was 1,000. The year before that it was 1,200. Before that, it was generally a pretty steady climb, with the exception of one year when there was one plant barred from the program and another plant closed. Other than that, there had been a steady climb up until about 2013, when the changes started coming in and tightening up, and then in 2014 it dropped off significantly.

Mr. Raj Grewal: Are there any statistics on how many of these migrant workers have a path to permanent residency?

Ms. Josie Baker: In Prince Edward Island, it would be only the workers in full-time year-round jobs. That would exclude all of the fishery industry, with the exception of a couple of mussel plants. Since Prince Edward Island can no longer hire migrant workers in stores or restaurants, those folks are excluded as well. It's a very small number.

Across Canada, for the entire seasonal agricultural worker program, everyone is excluded from access to permanent residency. Then it varies by province, depending on the nature of their provincial nominee program. I am talking specifically about low-wage migrant workers, that stream. Prince Edward Island, Saskatchewan, and I think New Brunswick have PNPs that they can access. In Ontario, Alberta, and B.C., it's very restricted.

Mr. Raj Grewal: Thank you very much.

Mr. Pearson, congratulations on the success of your company. You're advocating today for the increase in the threshold from \$500,000 to \$750,000, so the 11% will now apply to the additional \$250,000. What's the cost to the government treasury of your proposal?

Mr. Michael Pearson: Thank you for the question. I would encourage the ministry to do its own calculations on the numbers, but—

Mr. Raj Grewal: You're advocating for the change, though.

Mr. Michael Pearson: I would suggest the net impact to the government would be less than \$100 million, but that money would be reinvested in future growth.

Mr. Raj Grewal: That's a bold assumption. There are so many economists who differ on this and say that decreasing corporate taxes doesn't generally lead to economic growth. We've seen that across the board. It's a fine balance between high corporate taxes.... I'm not advocating for higher corporate taxes, by any means. I'm advocating for the status quo on the small business tax.

You're increasing it by \$250,000. I'm coming from a previous background as a corporate lawyer. What that's going to increase is just people on Bay Street finding out more ways to get more money out in their small businesses.

Mr. Michael Pearson: The money doesn't avoid taxation. Ultimately, at some point, the money comes out of the company and gets taxed anyway.

Mr. Raj Grewal: But it's a threshold at what it's taxed.

• (1220)

Mr. Michael Pearson: You may be delaying it, but if the corporation keeps the money and invests it in non-operating business activities, it gets taxed at the highest corporate tax rate. If it's reinvested in growing the operating activities of the business, i.e., in hiring more people, funding innovation and research and development, which is the government's agenda.... The government wants companies to invest in innovation and technology, and that funding will come, to a large degree, from small and mid-sized companies. That money is being retained in the company to fund those activities and if it's not used for those activities.... There is no downside to it.

Mr. Raj Grewal: That's debatable. We're not going to get into that now.

On the job credit program that you're advocating, I can understand the policy rationale for that, which is that government should offer incentives for the private sector to create jobs, so I'm not totally offside on that one.

Mr. Michael Pearson: But on the threshold limit, do you agree that the threshold limit is something that could be revisited?

Mr. Raj Grewal: I think that's a matter of policy and financial decisions. as the minister of finance from your province is sitting here. There's a give and a take, right?. There's only so much revenue, and there are only so many expenses.

That's a nice segue into—

The Chair: Into your last question.

Mr. Raj Grewal: —my last question.

Voices: Oh, oh!

Mr. Raj Grewal: You have a beautiful province. I totally understand why people come here to retire, and if I ever decide to retire at a younger age, I will definitely consider P.E.I.

My question is on the health care transfers. We're all listening to the news, and the government's decision is to hold it at a 3% increase, and all the provinces are...to say they're upset would probably be understating it. There are studies across the world that show we overspend per citizen on health care and that we don't have efficient spending on health care programs across the country.

In terms of P.E.I., do you have any comments on how efficient the health care spending is in your province? How much do you think is slippage? How much do you think is wasted or how can it be improved? All of that in five seconds.

Hon. Allen F. Roach: You said it was the last question, but you didn't tell me how much time I had.

Mr. Raj Grewal: Fair enough. That's why you're a minister.

Hon. Allen F. Roach: That is a great question.

I think that sometimes it's easy to say that there's a study to show that around the world there's waste. I know from being in the positions I've been in around the cabinet table, and certainly as a member of the Treasury Board and the chair for the last five years, that when I see the requests come through the Treasury Board, I see the management plans that come forward for budgets.

When I look at health care, I look at the way we send them back year after year to find savings. I can only speak on behalf of my own province. Again, we're a small jurisdiction, but we get to look at things a little more microscopically than perhaps the larger provinces like Quebec, Ontario. and B.C. We can really see, dollar for dollar, where everything goes.

I'll speak on behalf of my province very clearly. I don't think there's much wastage in this province, if any. We're just too small a jurisdiction. We count on every dollar. I know that you could talk to the previous health minister about discussions he and I had last year, and he'll tell you that we certainly went back to him and said, "No, we can't afford it." I believe we're very prudent.

Mr. Raj Grewal: Thank you, Minister.

The Chair: Thanks to all of you.

Ms. Wright, you didn't have any questions, so I'll ask you one.

You mentioned in your submission that the government should be using a gender assessment tool when generating budgets and economic policies that lessen the burden on women. What do you mean by that? How do you implement that? How important would a national child care program be for women participating in the workforce and paid employment?

Ms. Jenny Wright: To reply to that question with regard to child care, a national subsidized child care program is something that we've been fighting for over 45 years, and it would be huge. It's the last bastion for women's equality and to improve the status of Canadian families and children. It's long overdue. It's time. As I said in my presentation, it has been costed out several times, and the cost of a child care program is well worth what it would bring in terms of the improvement in and stimulation of our economy.

With regard to gender assessment tools, our Canadian government does use some. They're not very robust and they're not used across everything, but they are an economic tool that is used. There are several frameworks. Many people have put them forward and costed them out, from Oxfam, to the World Bank, to the World Health Organization, and they aim to mitigate women's current socio-economic status, which is much lower.

As a country, we really need to be very upset and very concerned about the fact that we have a huge wage gap that is growing. It's not improving. Even though women's participation in education and in some parts of the workplace is growing, we have a monumental 72% wage gap. Women are only making 72 cents on the dollar relative to men. This can't be accepted in Canada any longer. As I said, of the minimum-wage workers, 59% are women. We need to put some economic tools in place right from the beginning in order to help mitigate some of that damage for women, so that they can be stronger contributors to the economy.

In terms of gender assessment tools, there are many of them out there, and they need to be part of the structure when we build economic policy. There are critical analyses that simply look at the financial impact on women, as opposed to men, if we generate a policy such as EI, health care, or income supports. What we find is that many governments have them, but they're kind of on side of the table, and the policy office at Status of Women Canada has to look that over before it actually becomes.... What we want to see are very robust gender analysis tools used when any economic policy is generated, and they need to have a human rights lens. Globally, the status of women in our country is falling, and we need to stop that trend immediately and make it fairer for both genders.

•(1225)

The Chair: Thank you very much for your answer.

I thank all the witnesses for their presentations.

Also, for those who did forward briefs by the August 5 deadline, we have all of those all in our system. I believe we have 470 in total, so there is some work for the analysts to do yet.

With that, I thank each and every one of you for your presentations and for your answers.

We will suspend for five minutes and then go to the open-mike session.

•(1225)

(Pause) _____

•(1235)

The Chair: Order. I know that you guys are sorting out corporate taxes and deductions over there, but we have to start.

Thank you, Minister, and thank you, Michael.

We shall reconvene for the open-mike session. Just before we do that, we had a suggestion, and we are going to hear from the head of the economic advisory committee, Dominic Barton, next Thursday morning at 8:30. That will be great for Raj.

Voices: Oh, oh!

The Chair: He is going to do it by video conference from South Korea.

We also had the suggestion that, because we are looking at economic growth and supporting business for growth, we should also, in an hour-long session, have the Export Development Corporation and BDC appear, the two together, if it can be arranged. Are people okay with doing that? It would be another hour on top of all the other hours. Okay? We will try to arrange that.

In our open-mike session, we have three presenters: Leo Broderick, Edith Perry, and Joe Byrne. What we'd suggest, because there are only three of you—not 23—is that all three of you come up at once to the table and take a mike. We'll give you about three minutes apiece. I think you all know how the open-mike sessions work. It's a way for you to get on the record. There are no questions from members, but it's a way to put on the record the things that you think should be considered in government policy and pre-budget consultations.

Welcome. We'll start with Leo Broderick.

•(1240)

Mr. Leo Broderick (Representative, P.E.I. Health Coalition): Thank you very much for the opportunity to speak to you. I'm pleased to be here. I do want to say a special welcome to Steve MacKinnon, a former student. We're delighted—

Voices: Oh, oh!

Mr. Leo Broderick: We're pleased he's here.

I'm here to make a statement on behalf of the Council of Canadians and as a strong supporter of Canadians for Tax Fairness.

We have the means in this country to eradicate poverty at all levels. We have the means to provide a national child care program, a national pharmacare program, and a national home care program, and we can eliminate the gender pay gap. The following suggestions will add an additional \$30 billion to the federal treasury. I will have six points.

First, raise the corporate income tax rate from its present 26.3% to the U.S. corporate income tax rate of 39%. The federal tax rate now is 15%, and that would mean increasing it by 12 percentage points. Corporations in this country have never been more profitable. At this very moment, they have in their accounts \$630 billion. Some refer to it as "dead money". I refer to it as money that belongs to the Canadian people and to Canadian workers.

Second, close tax loopholes. There are at least eight serious loopholes in the Canadian tax system. You have been given those in a report.

Third, stop corporate offshore tax dodging. There are at least close to 100 Canadian corporations that use offshore tax havens.

Fourth, tax e-commerce companies to level the playing field.

As well, Canada should eliminate tax subsidies to big oil, which are at the moment \$1.5 billion, and we should eliminate subsidies to the arms industries in this country.

Also, if we're fortunate enough to be able to rely on the people of Bologna and Belgium, and CETA is defeated, we would save an additional \$2 billion in drug costs. It would also mean additional financial support to the Island dairy industry, so let's hope it is defeated, and then, following that, that the TPP is defeated in the United States.

The question is simply this: do you as a federal government want to serve the 99% or to continue to deliver the profits to the 1%?

Thank you very much.

The Chair: Thank you, Leo.

Next is Edith Perry.

Ms. Edith Perry (As an Individual): Thank you, Wayne.

The Chair: Welcome.

Ms. Edith Perry: Welcome to all of you.

I guess I'll be the face of the low- and fixed-income population in Prince Edward Island, as well as a woman who's presenting.

Thank you, Wayne, for being, finally, a male on this panel who asked a question of the representative from the advisory council on the status of women. It speaks quite loudly that questions weren't directed to her when she gave a very credible presentation about the gender gap in wages and the fact that we don't have a national child care program. After all, the Liberals and Conservatives have been in government, as I believe somebody mentioned, for 45 years. We're still waiting for those two things to come into play. I wanted to make that observation.

I'll just reiterate my concern, as long-time social justice advocate, that we should certainly stop corporate offshore tax dodging, which I think was brought up during the Conservative government regime; close tax loopholes; raise the corporate income tax rate from 26.3% to the U.S. corporate income tax rate of 30%; tax e-commerce companies to level the playing field; and put basic income guarantee projects back on the government's radar. It could be, indeed, another publicly funded health care program—i.e., medicare. The time is here for that.

Many P.E.I. residents deal with low incomes and high living costs. That includes a 15% increase, just recently, of HST, which includes nearly all forms of heating. We expect that it will also be tacked on to fuel oil as well. Our electricity rates are very high-cost in Prince Edward Island. That also then means that we have higher prices on good food and other necessities of living. This is where basic income guarantee can play a role, for certain.

I think it's time that people who look at financial strategy should include social justice as an equal standing in how they approach things. I'm a little skeptical about whether or not this new government will indeed address all these needs.

I'll sign off here. Those are my observations and comments.

• (1245)

The Chair: Thank you, Edith. You're just under the wire, in any event.

Mr. Byrne, the floor is yours for three minutes.

[Translation]

Mr. Joseph Byrne (As an Individual): Thank you to all of you.

Welcome to Prince Edward Island.

I also want to acknowledge the contribution your team makes to these deliberations.

Thank you for having me here today.

[English]

My remarks are made on the basis of the studies and presentations that I've had access to over the last 20 years. The overarching theme that I'm asking the committee to consider is, for all the policy proposals you're going to consider, that the lens used to assess them is, how are they affecting the most vulnerable around us?

Effective policy should allow us to draw a straight line between the policy and the effect it has on people living in poverty, those with mental and physical health issues, or those living with disabilities, one-parent families, especially single mothers, children, and our first nations communities.

The corollary of this principle of looking at how it affects the most vulnerable is that we need not actively pursue policies that focus on benefiting the wealthiest among us. They're doing quite fine.

The social analysis I'm using is one that's been used for a long time, which is "see, judge, act", and you can enter that circle from any point. I'm asking the government to act quite quickly on two particular issues. This could be a dissertation, but I just want to focus on two particular issues right now. They are housing, and employment and income. The actions there will lead you into that same circle of see, judge, act, but it needs to get started immediately.

We need reliable and predictable investment in public housing stock. There are plenty of good experiences with programs such as home retrofits, but we need an expansion of multi-family units in public housing right across the country. I'm asking the government to recommit to co-op housing, not just to the existing co-op housing, but also to the expansion of the co-op housing stock over the next 20 years.

Just a few blocks from here, walking through the streets, we can see the places where we're asking our families, friends, and neighbours to live in substandard conditions. It's really unacceptable in Canada in the 21st century. We recognize the efforts of landlords to make some of that housing affordable, but we see people living in places that are overcrowded, dingy, cold, and dark. We're asking those families to raise their children in that kind of environment, which makes it very difficult to nurture a sense of hope and optimism for the future.

We can study it. We can act. There's a number of programs that the committee can be recommending over the next few years, but we also need to start expanding to see what the future is going to look like. It is going to take time to build the stock and plan around it. We need expansion and maintenance. We have to look at civil society groups to invest their own time and energy in building these communities. The outreach needs to begin immediately. The conversations need to happen at food banks, soup kitchens, churches, and service organizations, but they need a message that change is not just around the corner, it's here.

Second, in terms of unemployment, as we know, most of us want to be in charge of our own lives and our own decisions and to feel that we have a high degree of independence. The ability to exercise control of our spending starts with our income. We need to broaden the discussion, as we heard earlier, about the precariousness of employment. In P.E.I., if you work full time at a job at \$11 an hour job, you're making just over \$21,000, which is almost \$3,000 less than the low income cut-off. We're asking workers to live in poverty.

We need to move more quickly on wages. The federal government could take the lead by increasing the federal minimum wage and encourage provinces to do the same. We also have to encourage workers to organize and to make it easier for workers to organize and

for unions to be certified. If you're living in poverty and are dependent on the income you have, you're not going to take very many risks to jeopardize that, because for the future, losing that, as little as it may be, is pretty bleak.

Federal government transfers to individuals can be helpful, but the evidence also says that federal government investment is needed in social infrastructure: a national child care strategy, pharmacare strategies, and a housing strategies are all essential. Stability comes from that. On the increase in direct and indirect transfers, a move to a basic income guarantee would be a major advance.

• (1250)

The final request to the committee is for movement on national revenue: simplify the tax forms and bring back the links to basic personal exemptions at federal and provincial levels. P.E.I. has dropped the basic personal exemption in real terms, and it has the most drastic effect on people who are living most precariously and with the least ability to benefit.

The Chair: Thank you, Joe.

Thanks to all three of you.

With that, we'll adjourn.

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