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—
Chair

The Honourable Wayne Easter

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• (0850)

[English]

The Chair (Hon. Wayne Easter (Malpeque, Lib.)): I will call this meeting to order.

I think everyone knows why we're here. It's the pre-budget consultations in advance of the 2018 budget.

Before we get to the witnesses on the panel, we have a 15-minute session—I don't think it will be quite that long—for open mike. We also have a half an hour session at the end of the official witnesses for what we call open mike, which is where people can take a minute to state what's on their minds, and what they think the Standing Committee on Finance should be dealing with.

I'll ask each one when they come up whether they represent themselves as an individual or as an organization.

Sheila Taylor, you can grab one microphone, and Tyrone McKenzie can grab the other.

Let's try to keep it to a couple of minutes.

Ms. Sheila Taylor (As an Individual): Thank you very much

My name is Sheila Taylor. I'm on the executive of the Saskatoon branch of the National Association of Federal Retirees. As you see, when you retire, the titles don't get any shorter.

In 1996 there was a book published called *The Pig and the Python: How to Prosper from the Aging Baby Boom*. It described the effect baby boomers are having as they moved through the track of the python. Well, we're nearing the end, but we're still alive and kicking.

On that note, I believe the government should appoint a minister responsible for seniors. We need to see our face represented in Parliament to make sure public policy decisions are always viewed with a seniors lens.

For budget 2018, in addition to the all-important retirement security, I believe the federal government should lead a national seniors strategy. It should build on home care and seniors housing investments that have been made so far. The strategy needs to include a national palliative and end-of-life care strategy, and better pharmacare for seniors. Medical marijuana is prohibitively expensive, and I speak from personal experience.

The strategy must also continue to tackle infrastructure investments with age-friendly communities, and universal design stan-

dards in mind to ensure that seniors' residential needs are met. Because it is coming.

We all know that death is inevitable and we keep hoping it will make an exception in our case, but it isn't going to. These actions, we believe, will lead to better productivity, and a stronger economy not just for seniors but for their families and all of Canadian society.

Thank you very much.

• (0855)

The Chair: Thank you very much, Sheila.

Tyrone McKenzie.

I would just point out that during the open-mike sessions we do not have questions. We're trying to get as many people on, so they get their points of view on the record in order for them to be considered.

Mr. McKenzie.

Mr. Tyrone McKenzie (As an Individual): Thank you. I'm representing the ONE campaign.

Honourable members, about 130 million girls are out of school. If they were a country, they would be the 10th largest—let that sink in for a moment—behind Russia and just ahead of Mexico.

Canada contributes about 2¢ per Canadian per day to global education. According to the Education Commission, it is indispensable to double our contributions to education if we want to close the 130-million gap, and provide every girl with the opportunity to go to school.

This means that with just 2¢ more, Canada can lead the way. Today, we ask Canada to contribute to the financing of the Global Partnership for Education in 2018 as part of the solution, so it can help millions of girls in the poorest countries get the education they deserve.

I want to close by asking honourable members and the audience, where would we be without our education?

Thank you.

The Chair: Thank you, Tyrone.

Angela Howell.

Ms. Angela Howell (As an Individual): My name is Angela Howell and I am a volunteer with Engineers Without Borders Canada.

We ask that in budget 2018, Canada commit to a timetable of predictable annual increases to its international assistance envelope that would bring Canada's development assistance to 0.31% of GNI within this government's first mandate. Canada's current level of development assistance is 0.26% of GNI, and it is the lowest in recent history. While development assistance globally has increased 9% in the past year, according to the OECD, it is disappointing that Canada's own contributions have declined by 4%.

Increasing aid will help Canada achieve sustainable development goals, and it also has an economic connection. Forthcoming research from the Canadian International Development Platform suggests that Canadian exports to countries receiving development assistance tends to be higher than they otherwise might have been without aid.

We hope budget 2018 can correct this downward spending trend so that Canada fulfills its global commitments.

Thank you so much for your time.

The Chair: Thank you, Angela.

I would just say that last year Engineers Without Borders were at nine out of 10 of the hearings, so congratulations on organization.

Welcome, Viktoriya Kalchenko.

Ms. Viktoriya Kalchenko (As an Individual): I'm representing Oxfam Canada.

Budgeting and fiscal policy are important tools the government can use to advance gender equality. The government introduced Canada's first-ever gender statement in budget 2017. Now it is time for Canada to take a step further and ensure that the budget-making process itself actually contributes to greater gender equality.

We call on the government to include more women's rights organizations in the budget process by appointing an advisory council on gender budgeting to advise the Minister of Finance and the parliamentary committee on finance to ensure that at least 15% of witnesses in the pre-budget consultations be from women's rights organizations.

Evidence shows that women's rights organizations are the single most effective means to building better public policy and to better the lives of women, yet they are the most underfunded in Canada and abroad.

We are calling on the government to invest in the success of its feminist international assistance policy by committing more resources to year-to-year increases to Canada's international assistance envelope and to strengthen the women's rights movement here in Canada by investing \$100 million annually in the status of women.

Thank you.

The Chair: Thank you very much, Viktoriya.

We're right on time. Imagine that. That's unusual for us.

Turning now to the witnesses who are here for the official submissions, we appreciate you coming. We also appreciate those who were able to send a submission prior to mid-August. We have those on our iPads, so if you see us referring to our iPads, you'll

know what that's about. We're looking at your brief to see if you're saying the same thing you said then.

Before we go to the witnesses, because we are on the road, I'll ask each of the members to introduce themselves so you know who you're talking to and where they're from.

I'm Wayne Easter, a member of the Liberal Party from Prince Edward Island.

Michael, do you want to start?

• (0900)

Mr. Michael McLeod (Northwest Territories, Lib.): Hello, and thank you for coming.

My name is Michael McLeod. I represent the Northwest Territories, a very big riding, bigger than the countries of Spain and France combined, and I'm the only MP from that riding.

Welcome, everybody.

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

I'm Francesco Sorbara. I'm on the finance committee and this is my third tour on pre-budget consultations. I'm obviously very happy to be here in Saskatoon, for the first time, I will admit.

I represent the riding right at the top of Toronto, called Toronto—Vaughan. I am one of three MPs from there, but I actually grew up in northern British Columbia, so I do have a tinge of small city urban living.

I'm glad to be here and look forward to your presentations.

[Translation]

Mr. Greg Fergus (Hull—Aylmer, Lib.): My name is Greg Fergus. I am the member for Hull—Aylmer, a riding in Quebec near Ottawa

Unlike my friend, Mr. Sorbara, this is my first time taking part in a cross-country pre-budget consultation, but it is my third time in Saskatoon. I am pleased to be here.

[English]

I encourage all of you, especially the witnesses, if you don't have your translation devices, to please get them from the front of the room, because I will be speaking in French for the time that I'm here.

Mr. Dan Albas (Central Okanagan—Similkameen—Nicola, CPC): Good morning, everyone.

My name is Dan Albas. I am the member of Parliament for Central Okanagan—Similkameen—Nicola, the sunny Okanagan in British Columbia. I am very happy to be in Saskatoon. It is my first visit as well, and I am very excited to hear about what opportunities you see, as well as what challenges you have.

Thank you for your attendance, and also thank you to those who spoke at the open mike. It's a very Canadian way. You get to hear directly from the public.

Mr. Pat Kelly (Calgary Rocky Ridge, CPC): I am Pat Kelly. I am the member of Parliament for Calgary Rocky Ridge. I'm happy to be here this morning, and I look forward to the presentations.

[Translation]

Mr. Pierre-Luc Dusseault (Sherbrooke, NDP): Hello, my name is Pierre-Luc Dusseault. I am the member for Sherbrooke, in southeastern Quebec and I am from the NDP.

[English]

The Chair: Welcome, and thank you all.

We'll start with Mr. Huber, executive director of the Canadian Institute of Nuclear Physics. Welcome.

Mr. Garth Huber (Executive Director, Canadian Institute of Nuclear Physics and Professor, Department of Physics, University of Regina): Thank you.

CINP is the formal organization of the Canadian nuclear physics community, to promote excellence in nuclear research and education. We represent 116 active researchers from coast to coast.

I am here to talk about Canada's fundamental science review, otherwise known as the Naylor report. This is a historic opportunity to reposition Canada as a global leader in research and innovation.

The Naylor report is comprehensive, recommending improvements in government support and oversight structure that would strengthen Canada's impact in fundamental research and correct many problems to address more than a decade of decline. We commend the government on commissioning the report, because the intellectual infrastructure of Canada is a high priority in need of renewal. The recent appointment of Dr. Mona Nemer as Canada's chief science officer is an important first step in implementing the recommendations of the report, but this does not mean the job is completed.

Canada is losing ground in science and technology, compared to other countries. Over the past 15 years, Canada's research funding as a percentage of GDP has declined from 2% to 1.6%, while that of nearly all other major nations has grown. We have now fallen out of the top 30 nations in research spending, and we are considerably below the OECD average of 2.38%. Furthermore, there has been a shift away from the pursuit of investigator-led research, with a 35% drop in available real resources per researcher. In the handouts you'll get later, there is a plot from the Naylor report showing dramatically this decline in investigator-led research dollars, in constant \$2,000.

The single most important recommendation of the Naylor report is that the Government of Canada should increase investment in investigator-led research to address this decline. Again, here I have a table from the report, showing the total budgetary implications of the full implementation of the report, and highlighted in yellow is the single most important item in this report, which is \$400 million spread over four years for investigator-led direct project financing.

Why should we do this? Many fields of fundamental research, including the nuclear physics research pursued by CINP members, produce highly qualified personnel. These personnel are trained to design, build, and operate a wide variety of technical experiments and facilities, as well as devise complex algorithms to analyze data or perform detailed mathematical modelling. They have become experts in attacking problems by thinking outside the box, and they help develop the so-called disruptive technologies of tomorrow.

Most of the questions posed in your call would be answered if the Government of Canada were able to increase resources for fundamental research across all disciplines as an investment in the intellectual and innovative infrastructure of this country. This would allow researchers to train more young Canadians to be innovative, and better embed this innovative drive within the fabric of Canadian culture. It is only by increasing investment in Canada's discovery-driven research programs that we will be able to develop the innovative technologies, goods, and services that contribute to our economic prosperity.

If we fail to make these investments as recommended in the report, if we fail to support the next generation of scientists, the future and prosperity of Canada will be in peril, as our country will be stuck with yesterday's knowledge and technologies, rather than grow with those of the 21st century. By investing in research, we invest in Canada's future.

To finish, we urge the Government of Canada to implement, as soon as possible and at the highest priority, the budgetary recommendations of the Naylor report, which in the long term will help Canadians and Canadian businesses to be more productive and competitive internationally. The future of Canada as a prosperous, innovative country depends on this.

● (0905)

The Chair: Thank you very much, Garth.

Turning to the Canadian Neutron Initiative Working Group, we have Mr. Root, executive director, and Mr. Norris, senior strategist, research partnerships. Welcome.

Dr. John Root (Executive Director, Sylvia Fedoruk Canadian Centre for Nuclear Innovation Inc., Canadian Neutron Initiative Working Group): Thank you very much.

I represent the Canadian Neutron Initiative, a pan-Canadian effort to propose a solution to an urgent policy problem. The initiative is presently supported by nine Canadian organizations and is led by the University of Saskatchewan and McMaster University.

Committee members, Canada needs a complete 21st century scientific tool kit for materials, research, and innovation. To help maintain a clean environment and reduce greenhouse gas emissions, Canadian researchers study and develop materials that are needed to improve wind turbines, solar panels, nuclear plants, and hydro-electric dams, and to store renewable energy for release when the wind is not blowing and the sun is not shining.

To help achieve a clean growth economy, Canadian engineers are developing light yet strong alloys for energy efficient planes and cars that can be powered by alternate fuels or batteries.

Canadian engineers are investigating how metals change during service, which helps government and industry manage aging pipelines, naval ships, and railroads to ensure safety and to support cost-effective decision-making on infrastructure renewal.

Canadian scientists are developing materials for diagnosing cancer and fighting cancer. Canadian scientists are developing more resilient crops to strengthen global food security. In all of these examples and many other research areas, Canadians depend on having the right tools to study and improve materials. After all, everything is made of materials. But here's the problem. Canada is about to lose a critical tool, a tool which is essential to the country's clean economy, safety, and health goals because it is an essential tool to advance our knowledge of materials in all the areas I just described.

The tool we are about to lose is neutron beams, with the imminent closure of the NRU reactor at Chalk River. Neutron beams gently probe inside materials and reveal nanoscale materials' details that cannot be seen with other scientific tools and that are important to understand how materials perform.

The value of neutron beams is recognized around the world. Other developed countries have invested \$9 billion in capital so far this century in neutron beam facilities to support research on materials. Canadian Bertram Brockhouse was honoured with a Nobel Prize in 1994, recognizing the global social impacts of research with neutron beams, the method he pioneered.

Currently the value of neutron beams is being underscored by 2015 Nobel laureate Art McDonald, who has spoken in support of doing something about this imminent crisis.

In March, Canada will lose access to these irreplaceable tools when the NRU reactor at Chalk River closes. Researchers in over 30 Canadian universities, in government, and industry will be affected. Inaction creates the risk of crippling our ability to apply neutron beams to Canada's innovation agenda. Once lost, this capability will be very difficult to restore.

Our solution will ensure that Canadians can continue to access neutron beams for research, innovation, and development of young people for highly skilled careers. To maintain our capability over the next decade, we must now establish partnership with leading neutron beam facilities worldwide. We will also need to fully exploit our domestic asset, the McMaster nuclear reactor, which will be Canada's most powerful research reactor after NRU has closed. Both upgrading the McMaster reactor and accessing world-class facilities abroad will be needed to maintain and rejuvenate our national capability to apply neutron beams for materials research.

● (0910)

If in the future Canada contemplates investing in a new domestic research reactor for the long term, this rejuvenated community could help Canada maximize that investment by informing the inclusion of neutron beam capabilities that will attract collaborators and place Canada at the forefront of materials research for decades.

The Canadian neutron initiative offers a cost-effective solution to an urgent policy problem. The university-led program we propose will cover Canada's needs for neutron beams for 10 years. It will cost \$24 million over the first three years, ramping up to about \$19

million per year, less than a fifth of the cost to operate the NRU reactor today, currently stated as more than \$100 million per year.

Our solution will keep a critical tool in our scientific tool kit so that Canadians can continue to contribute at the leading edges of clean economic growth, security enhancement, health, and fundamental scientific discovery for years ahead.

Thank you very much for your time.

The Chair: Thank you very much, John.

From Enterprise Machine Intelligence & Learning Initiative, we have Mr. Bouchard.

Mr. Ray Bouchard (Chair of the Board, Enterprise Machine Intelligence & Learning Initiative): Thank you very much, Mr. Chairman. It is a pleasure to be here with you today.

My name is Ray Bouchard. I am the chair of EMILI, the Enterprise Machine Intelligence & Learning Initiative. I'm also the president and CEO of Enns Brothers, a John Deere dealership based in western Canada.

Enns Brothers is an ag equipment dealership with over 350 employees. We are involved in and supportive of many community-based activities across western Canada. EMILI is one of these.

EMILI is a CEO-led, not-for-profit headquartered in Winnipeg, Manitoba. EMILI's mission is to develop the most advanced and productive ag economy in the world through combining our natural strengths as a country in artificial intelligence, machine learning, and agriculture. Our board consists of business leaders in our community, along with university and college presidents.

EMILI's regional focus is western Canada but with a pan-Canadian impact. We are a broad sector initiative combining over 70 industry and technology partners both in research and talent development as well as incubators, accelerators, associations, government, and academia from across Canada.

We welcome the committee's focus on the topic of productivity and competitiveness, and in particular your focus on what federal government measures would help Canadians and Canadian businesses to be more productive.

Productivity is a topic EMILI has been concerned with since its formation in 2015. This is particularly critical as the world shifts to embrace more automation and artificial intelligence. The opportunity for AI to drive more productive Canadian businesses and more productive Canadians is immense, but so are the risks for our industrial sectors that wait on the sidelines.

The nature of business is changing. Inefficiencies and gaps in production, processing, and markets are being driven out or minimized through the adoption of new technologies and tools.

Amazon's recent purchase of Whole Foods is an example of this in the agrifood sector. No one in the Canadian private sector wants to be the next business or industry to get "Ubered". We know we can't prevent automation. We need to adapt and lead in this evolution of technology, but we can't do it alone. EMILI believes we need the federal government to support initiatives to allow our agrifood industries to become leaders and not laggards in this evolution of automation. EMILI is focused on the following six measures or actions to improve Canadian talent and business productivity.

First, generate awareness about the changing nature of technology and global business interests, especially in agriculture. This is an industry that is poised for tremendous growth.

Second, create a collaborative framework that connects all sectors of agriculture to technology solutions designed by Canadians. There is much activity in the AI space in Canada, recently enhanced by the additional investments in budget 2017, but these need to be business-led to allow us to move beyond an academic and research focus to an all-inclusive approach. As Leah Olson of Agricultural Manufacturers of Canada has said, the sector is willing and wanting to embrace technology. They need help in identifying who to talk to and what opportunities are available to them in Canada. When Canadian ag companies work with Canadian technology companies, we can both improve productivity at home, create good middle-class jobs, and new goods and services for global markets. We can be the owners of global productivity.

Third, we believe we need to provide funding to de-risk pilot projects, innovation development, and adoption. We need a co-investment model to incent the various sectors to work hand in hand rather than in silos. From a programming perspective, EMILI's commercialization and partnership model has adopted the model of SDTC, which I believe you are familiar with.

Fourth, we need to support IP formation, protection, and freedom to operate, working with AiX out of Ontario to help companies capture some of the \$280 billion global IP market and expand global markets in both agri-food and technology products.

Fifth, we believe we need to scale successful candidates through venture. We believe a collaborative government and private sector venture strategy will be a key catalyst for success.

● (0915)

Government needs to adopt the first in and last out venture strategy to drive the Canadian private sector to invest at home. There's lots of money from Canadians that goes abroad. We need to keep these funds in Canada.

Canadian start-ups are left to fend for themselves and seek money from Silicon Valley, inevitably diluting Canadian interests. Venture funds need to be direct investment funds to keep our technology companies here in Canada so they are available to work on the retooling of traditional sectors and deliver on the benefits and productivity gains that are possible. If we lose these companies too early in their innovation growth cycle, the benefits for Canada never materialize.

We have the opportunity now to leverage the advantages we have in agriculture and technology, to be the seller rather than the purchaser of future ag AI innovation. EMILI has designed a \$90-million venture fund along with the Province of Manitoba as a sidecar to our main commercialization platform.

Finally, there's working with provinces and territories to train students and existing workforces for future jobs, not just computer programmers but middle-class, digital economy jobs. We can't build an economy based on Ph.D.s. We need to train the retail outlets, processing units, agronomists, managers, and farmers in how to use the new tools to achieve the desired productivity gains. Experiential learning with platforms and retraining are a big part of this.

EMILI's co-investment ask of the federal government is \$155 million over five years. This will leverage over \$500 million in investments to collectively pursue the above measures, transform the agrifood sector in Canada, keep Canadian technology companies in our economy, improve Canadian productivity, and promote environmental sustainability.

Today, we are working with 18 agricultural companies ready to embrace AI and machine learning through our commercialization platform with many more undertaking internal research on how AI and machine learning can improve productivity of their workers and business lines or help to diversify operations and develop new processes, IP formation and additional product lines.

Canadian agriculture is poised to take the first mover position. Federal investments in the measures EMILI is focused on will enable Canada to become the world's leading producer of ag AI technology. In business, you want to be the producer, not the purchaser. We believe that we have this opportunity in Canada right now.

• (0920)

The Chair: Thanks very much, Ray.

I turn now to Ms. Lindbjerg from the Greater Saskatoon Chamber of Commerce.

Ms. Darla Lindbjerg (President and Chief Executive Officer, Greater Saskatoon Chamber of Commerce): With the increased globalization of the economy, the term “competitiveness” has become ubiquitous. What does it actually mean? Mostly the term is synonymous with productivity and innovation. This is incorrect as they are three completely separate although interrelated forces that act on our economy.

To truly succeed in today's technology-driven global economy, Canada needs to develop and execute three distinct strategies: one for success in innovation, one for international competitiveness, and one for productivity. While we applaud the federal government's efforts around NAFTA, market access and free flow of products is a top priority. It is a moot point and one we cannot celebrate if our domestic economy erodes due to the policy decisions being put forward through the proposed tax on incorporated businesses across our country.

The tax changes the government has proposed are the most significant tax changes we have seen in 45 years. They have the potential to alter our current tax system in fundamental and negative ways.

I'm here representing over 1,400 businesses in Saskatoon. Over 90% of our members who were polled are against these proposed federal tax changes as they feel there will be significant and far-reaching negative impacts on themselves, their families, and their communities.

These impacts will not only expand across our country but across generations. We cannot be constantly changing the rules of the game, so government has one shot at this. You need to get this right by having a more comprehensive consultation that includes business. The short 75-day consultation period started in the middle of summer. The limited information and the controlled access to round tables are not enough.

These tax changes will affect all private business owners regardless of their level of income, size of business, or conformity with fiscal rules. Many, if not most, business owners will end up paying higher overall tax in the future if these proposals go ahead, sometimes even paying higher tax rates of taxation than other Canadians at the same income level. This has been confirmed by accounting professionals across Canada.

If the government is concerned with the growing number of Canadian-controlled private corporations and is trying to ensure delinquent business owners pay their fair share of taxes, they should be looking at targeted measures, not the broad sweeping changes they have proposed. Many small business owners have indicated that if these rules pass in their current form, they will shut down their

businesses and turn to full-time employment, or they will move their businesses out of Canada. This could result in significant job losses in addition to leaving Canada lagging behind other countries in terms of small business ownership statistics.

It isn't fair to target small and medium-sized businesses, and it certainly isn't fair to put in place measures that could cost employees jobs. These changes will ultimately affect productivity, disposable income, and the investment around innovation across our country.

If our government is serious about productivity, innovation, and competitiveness, we urge you to rethink your proposed tax changes to ensure that we grow small businesses across Canada and continue to encourage entrepreneurship, to launch meaningful consultations with the business community to review tax policy without unfairly targeting independent businesses, and to consider, through a royal commission, a comprehensive review of the Canadian tax system with a view towards fairness and simplification for all taxpayers and increasing competitiveness for all businesses.

I want to close by reading one of the many submissions that we received from our members:

“I grew up in Saskatchewan in a working poor single-mother family. I never received a college diploma or university degree. I didn't even finish high school. I started working as soon as I could. I vowed I would never be in the same position I grew up in. I worked non-stop doing various jobs, sometimes in unsafe conditions.

“Sixteen years ago, at the age of 26, I established my first business and invested every cent that I had saved—and not partied away like the majority of my peers—into a franchise operation hoping to purchase myself a stable job. With hard work and dedication, I managed to turn the one business into three small businesses and also operate a company that purchased housing so that my employees could have a safe place to live at a reasonable cost.

“As the owner of these businesses which run 24 hours a day, 364 days a year, I have gone into work at two in the morning to assist with power outages. I have laid in the hospital bed hours after giving birth doing schedules. I have carried my two-day-old baby to work doing fundraising for charities or company supports. I was ineligible for EI and wanted to breastfeed.

• (0925)

“I pay taxes in my business, and I pay personal taxes when I take money from my business to pay for things for my family of four children and a fifth on the way.

“I currently travel to Ontario several times a year and purchase—stockpile—groceries and bottles of water for my ailing father, who has poor well water, has osteoarthritis, and can't carry water bottles or other heavy items.

“Business owners make sacrifices to achieve. I am a leader. I take care of my people. I don't take sick leave. I don't take parental leave. I do take pride. I am not cheating. I am trying to build an example for my family and for others in my community that have given up hope.

“Please consider that changing these tax rules will limit my ability to pass on my achievements to my children. It will limit my ability to spend on extra benefits for my team members. It will limit my ability to expand my business and employ more people. Can you imagine how different my life would have been if I didn't become an entrepreneur, or the lives of my children, or the lives of my team members that I consistently help, or the community organizations I host at no charge in my business?”

Thank you.

The Chair: Thank you, Darla.

I might say that in the last report of the committee, we did recommend a comprehensive review of the tax system to simplify it. I don't think what's proposed is what we thought we were recommending.

We'll go to Ms. Schwann, president of the Saskatchewan Mining Association.

• (0930)

Ms. Pamela Schwann (President, Saskatchewan Mining Association): Chair, members of the committee, Clerk, fellow witnesses, my name is Pam Schwann, and I am president of the Saskatchewan Mining Association. *Bonjour.*

Thank you for the opportunity to appear today.

The SMA is the voice of the Saskatchewan exploration and mining industry, representing over 40 member companies and employing over 30,500 people in Saskatchewan. Our mission is to advance a safe, sustainable, and globally competitive mining industry in Saskatchewan that benefits all the residents of the province.

A productive and competitive mining industry, which has underpinned Saskatchewan and Canada's economic successes over generations, can advance Canada's priority commitments of reconciliation with indigenous people, growing the middle class, and developing a lower carbon-intensive economy, all of this while providing revenues to government to support social and infrastructure development across Canada, with the very strong support of the public, as consistently demonstrated by provincial and national surveys, which might be contrary to the perception one gets from social media.

Saskatchewan mines provide over 30% of the world's annual potash consumption, with the world's two highest grade and largest uranium mines providing over 22% of global annual uranium production. Proportionally, mining is the largest private sector employer of indigenous people in Saskatchewan, and has been for over two decades. In northern Saskatchewan the mining operations provide much-needed high-quality and high-paying jobs, with indigenous peoples comprising approximately 48% of the workforce, which is about 1,400 people in northern Saskatchewan, with a direct annual payroll in 2016 of \$102 million.

Additionally, indigenous-owned suppliers in northern mines provided over \$316 million in goods and services to northern mines in 2016 alone. Since 1991, northern mine operations have paid \$7.1 billion to northern employers and northern goods and services suppliers.

I want to repeat that northern Saskatchewan is a severely economically disadvantaged region of the country, very similar to areas of the Northwest Territories, where mining provides very valued employment and business opportunities that can be leveraged to other industries.

We believe mining can advance the government's commitments to the indigenous peoples, middle class, and the lower carbon-intensive economy by the following five recommendations: first, improving the regulatory framework to enable sustainable resource development, particularly with respect to the ongoing environmental assessment reviews and species at risk legislation; second, investing in the socio-economic capacity of indigenous communities; third, incentivizing investment through taxation tools; fourth, enhancing Saskatchewan's and Canada's trade and investment competitiveness; and fifth, promoting the role of Canadian clean energy in a low-carbon economy.

I want to go into some specifics of the first two recommendations, time permitting.

With respect to enabling a stronger regulatory framework that supports resource development, we need to ensure that regulatory agencies and relevant departments have the requisite capacity to perform and carry out responsibilities. We need to ensure that Canada's investment climate is not undermined by unnecessary interjurisdictional conflict and impractical assessment processes. We need to enhance indigenous participation in the role of the federal assessments in a manner that is consistent with Canada's constitutional and legal framework. We need to expeditiously develop and implement approaches to species protection and recovery that are consistent and complementary across federal, provincial, and territorial governments, and that provide a landscape approach rather than a species-by-species approach.

With respect to budget measure two which we've asked about, investing in socio-economic capacity of indigenous communities, as mining operations in Saskatchewan provide real opportunities for careers in economic development opportunities for indigenous communities, it is recommended that budget 2018 invest in and enhance foundational social investments—health, housing, water, education—that will contribute to better outcomes for indigenous people. They are our workforce of tomorrow and our business leaders of tomorrow, and we need to instill investments so they have capacity.

We need to increase funds for skills training and entrepreneurship to assist indigenous peoples in securing opportunities generated by the industry, and we need to allocate dedicated funds to the Canada infrastructure bank to facilitate northern infrastructure development.

• (0935)

With all due respect to the territories, my north is north of 56, not north of 60. There are many remote areas in northern Canada south of the territorial border that need assistance.

Finally, I need to flag my concern as an industry association representative about the legalization of cannabis and public safety, particularly with the timeline for implementation of July 1, 2018, when we don't have adequate testing mechanisms in place to ensure safe workplaces.

The last point I want to make is that we are undergoing a severe and prolonged downturn in both potash and uranium prices. Our companies have done everything they can to control costs. Every new cost right now counts. We just cannot pare down to the bone anymore. I ask you to consider that in your recommendations.

Thank you.

The Chair: Thanks very much, Pamela.

We'll turn to Mr. Davidson of Universities Canada.

Welcome out of Ottawa, Paul.

[*Translation*]

Mr. Paul Davidson (President, Universities Canada): Thank you very much.

I am very pleased to be here with you today.

[*English*]

I'd like to begin by acknowledging that we're on Treaty No. 6 territory and the homeland of the Métis.

Last October I met with this committee in Fredericton, where we heard from farmers, fishers, and foresters about the value of research in their lives and in their communities. Today I'm very pleased to be with you in Saskatoon, a community that has leveraged higher education, research, and innovation to enhance the lives of people.

Most of you know Universities Canada. We've been active since 1911, and in every decade, Canada's universities have contributed to Canada's success. We represent 96 universities across the country.

We prepared a written submission and we're delighted to be with you today. It's great to be here in Saskatoon. The University of Saskatchewan is an outstanding example of the ways in which universities benefit all Canadians with research that saves lives, drives social innovation, and makes our communities stronger.

[*Translation*]

Universities improve quality of life by promoting prosperity, creating better opportunities, improving public transit, helping businesses to innovate, and advancing reconciliation.

[*English*]

I was thinking about this this morning. Whether it's the global challenges we read about in the paper of climate change, mass migration, changing trade rules, or the local issues you face when constituents come through the door of your constituency office, university research is helping. On such local issues as how you get to

work, how to become more competitive or more profitable, or how to care for aging parents, the universities' research is leading the way.

I want to do a brief shout-out to the last couple of budgets.

Budget 2015 included transformative infrastructure investments that you're seeing roll out on campuses across the country, improving the learning environment for students and the research capacity of universities.

Last year's budget, budget 2016, included the CRC 150 competition, a competition for top-level talent. More than 200 world-leading scholars are trying to come to Canada. There's funding available for about 35 of them. Immigration changes are making it easier for students and top talent to come to Canada, and in the innovation clusters competition that's on right now, more than 20 universities are participating in 55 proposals that are business-led, making the connection between research, innovation, and prosperity.

Within your theme of enhancing Canadian productivity, I hope you'll see that universities are central. Let's start with the students, again, people you care about as MPs. One million Canadians are pursuing their first degree at universities on campuses across Canada. The experiences they have will determine Canada's prosperity for the next 50 years, which is why universities are working to provide research-enriched learning environments, work-integrated learning opportunities, and international outbound opportunities, a chance to study abroad.

Today's students get a 21st century education to prepare for the knowledge economy by learning from top researchers on campus, and we all know that innovation enhances productivity and that fundamental research is the fuel of innovation. Fundamental research generates knowledge contributing to breakthrough discoveries that lead to new products, services, and policy solutions.

You've heard a number of examples already this morning, and I know Jamie will provide more, but just think about Saskatoon 20 years ago, before Light Source existed. Think of the business that's been attracted to it. Think of the new solutions that have been developed. Think of the advances that have been made in agriculture, in health, and other fields. Think about the international vaccine centre lab built here, by virtue of which just one project is saving over \$400 million for the swine industry in North America. Jamie can provide more examples, I'm sure.

Another example of university hubs as hubs of innovation comes from the Université de Sherbrooke.

• (0940)

[*Translation*]

Its innovation, partnership, and entrepreneurship strategy provides the right environment for business. It promotes collaboration with industry and entrepreneurship, as well as competitiveness and productivity.

[English]

Sherbrooke's partnership with global tech companies and research centres is pushing the limits of quantum-based research. Companies, including Google and Microsoft, strategically position universities to broaden their reach on the global stage.

We heard earlier about the very real impact of artificial intelligence on the agricultural sector. It's interesting to see that this was discovery-led, investigator-led research spanning 40 years, and now it's creating new jobs and transforming our country.

Let me get to my main conclusion, which is that Universities Canada recommends the federal government endorse full implementation of the Naylor report over a multi-year period, beginning in budget 2018, with a significant increase in support for discovery research through the federal granting agencies, and an inclusion of support for the associated industries for costs of research.

The Naylor report was authored by nine eminent Canadians who spent a year and a half looking at what the needs were. They found that investigator-led research had fallen 35%, that Canada had fallen out of the top 30 in the world in terms of research intensity, and that Canada was becoming less competitive and missing out on the economic benefits that research investments could bring.

Let me close by saying that we live in a time of closing borders and closing minds. We live in a time of disruptive technology. The changes that are happening in the U.K., in Europe, and in the U.S. are having immediate impacts on the nature of the Canadian research environment.

Now is the opportunity for Canada to lead. Now is the opportunity for Canada to shine. I ask this committee for its support in making strong, clear, and bold recommendations to the Minister of Finance and your parliamentary colleagues.

Thanks very much.

The Chair: Thanks very much, Paul.

We'll now turn to Mr. Miley from the University of Saskatchewan. Welcome.

Mr. Jamie Miley (Senior Strategist, Public Affairs, President's Office, University of Saskatchewan): Thank you.

I'd like to start by pointing over your shoulder where you will see the University of Saskatchewan.

The Chair: I already pointed it out to a couple of members this morning.

Mr. Jamie Miley: Did you add that it is Canada's most beautiful campus?

The Chair: No, no. I come from Prince Edward Island.

Mr. Jamie Miley: You did not, and apparently, I'm not allowed to say such things because we need empirical evidence to support that, but trust me, it is.

Welcome to you all.

First of all, I too would like to acknowledge that we are on Treaty No. 6 territory and the homeland of the Métis. We pay respect to the

first nations and Métis ancestors of this place and reaffirm our relationships with one another.

My name is Jamie Miley. I am senior strategist of public affairs at the University of Saskatchewan. I bring greetings on behalf of the president and vice-chancellor Peter Stoicheff, who unfortunately is unable to be here today as he is travelling on business.

There are three points I'd like to convey from the U of S, a member of the U15 Group of Canadian Research Universities. Some of this has been said before, but it bears repeating.

First of all, the Naylor recommendation that is most important to the university at this time is the call for greater federal support for major scientific infrastructure, as Paul already said. The current situation is that 40% of the funding for these critically important major scientific research facilities comes from the federal government, matched by 60% from the public and private sources. This allocation funding needs to be reversed to at least 60% from the federal government and up to 40% from other public or private sector contributors.

Given that our university alone, through its Canadian Light Source synchrotron and VIDO-InterVac infectious disease facilities, accounts for 23% of all CFI major science infrastructure funding, it's extremely important for us that this Naylor report recommendation be followed. These unique in-Canada synchrotron and infectious disease research facilities are enormous economic drivers. Not only did the creation and construction contribute to local economies and industries, but also these unique in-Canada facilities bring people from around the world to Saskatchewan. That's to say nothing of the economic spinoff that results from these discoveries and facilities.

The second point I would like to make is that we support federal review of federal funding for access to post-secondary education for indigenous students. The U of S has placed itself at the forefront in addressing the needs of our first nations people, in helping them find a place at our university where they can feel welcome, and in helping them to achieve their goals.

We understand that the 2018 budget will contain some short-term ways of addressing improvements to the PSSSP. Our president, Peter Stoicheff, chairs the Universities Canada education committee that is supporting the federal government's review of post-secondary funding for indigenous students. Because of the large number of indigenous students at our university and in this province, we feel that this review is extremely important.

Studies by a professor in our economics department have shown that the education gap costs the province and beyond billions of dollars. In his latest study released last week, Professor Eric Howe noted that just raising the indigenous high school diplomas to be the same proportion as for non-indigenous populations is a \$21.9 billion benefit. This alone is equal to more than one-quarter of the highest value of provincial GDP recorded in Saskatchewan's history, and the largest payoff of all is for a university degree.

The third point I want to make is that the federal government's innovation agenda is an initiative that the U of S can help advance. The University of Saskatchewan is an economic powerhouse in this province. We contribute \$1.3 billion to the provincial economy every year.

Consider this: In the 1970s, nearly half of the arable land was summer fallow. Through investments in science and innovation, our colleges in agriculture and engineering have developed new crops and seeding technologies that have turned that number into 100% use of these lands in any growing year. What does that mean? It means that since 1970, innovation alone has produced a net yield of nearly \$50 billion.

● (0945)

The impact of that number is truly staggering. When you compare the amount of money that has been invested through provincial grants to the university, roughly in the neighbourhood of \$9.5 billion in investment with a \$50-billion return, I think we'd take that business deal any day of the week.

The strengthened connections with the federal government that is fostering links between university research and industry to help find solutions to local and global challenges are, indeed, valuable to the regions and to the country as a whole. The superclusters program is an excellent example of why we are optimistic about what can be achieved through this innovative initiative.

Thank you for taking the time to hear our views. At the University of Saskatchewan, we look forward to continuing to work with the federal government in building a more prosperous and globally competitive Canada.

The Chair: Thank you very much, Jamie, and thank you all.

I would say to anybody who has not seen that infectious diseases facility, I have been there, and it is really unbelievable what it does, as well as the engineering in the facility itself. It is something to be quite proud of. I can say that without a doubt.

Now, we will turn to questions. We can go to six-minute rounds, starting with Mr. Fergus.

[*Translation*]

Mr. Greg Fergus: Thank you very much, Mr. Chair.

I want to thank everyone for their presentations and for welcoming us here in Saskatoon. I am used to saying, "Welcome to the House of Commons".

I am very pleased that everyone is taking part in this initiative to present their ideas on how we might improve the next federal budget.

I want to add to the Chair's comments. I want to commend not only the work of the University of Saskatchewan, but also that of Canadian Light Source. I had the pleasure of seeing it at the last minute during my last visit. I want to thank Mr. Norris and his team at the University of Saskatchewan for welcoming me. The centre is extraordinary. That brings me to the questions I wanted to ask.

Many of you raised the issue of the federal government's disinvestment in science and research. All of you mentioned it with

regard either to the Canadian Institute of Nuclear Physics or materials research.

Mr. Root, I have a question for you. If I am not mistaken, you mentioned that your recommendation is to invest \$24 million over three years to eventually end up with an annual investment of \$19 million. You also said that that was a lot less money than is being invested in Chalk River. Did I understand you correctly?

● (0950)

Dr. John Root: I believe I understood the question.

Thank you for your question.

[*English*]

The stated reason that the NRU reactor is being shut down is a financial reason, because the cost of running the NRU reactor is in excess of \$100 million a year. Shutting down the reactor is a bit of a shock to the scientific system and perhaps the impact on materials researchers who come to use the beams at the NRU reactor was not realized. What can we do to preserve that capability, while Canada takes a breath and thinks about the future, rather than throw the baby out with the bathwater, by accident perhaps?

What we are proposing is that we ramp up a national program that uses access to other neutron sources temporarily, perhaps for 10 years, so that the scientists and the thought leaders can maintain a Canadian program and a Canadian community. This would enable science to continue and young people to be trained, rejuvenation of the community, and also have a pool of expertise that can inform future government decisions about possibly investing in a replacement for the NRU reactor. This is something that seems to be very far down the road, but if you lose that expertise now, you have a voice missing at the time you're thinking about that kind of investment.

There's a twofold benefit that we're trying to preserve and it's not just because we're old guys with a little bit of white in our beards and we want to keep doing the same old thing. There's a true belief that the knowledge you get from neutron beams research on materials benefits every part of Canadian society and delivers benefits to the world in health, safety, transportation, communication, and all sorts of things that affect the lives of everyone.

[*Translation*]

Mr. Greg Fergus: Thank you, Mr. Root.

I believe I have four minutes remaining or I still have four questions to ask.

Mr. Huber, Mr. Davidson, Mr. Miley, and Mr. Bouchard, as far as investments are concerned, you all talked about the Naylor report and said that it was important for the federal government to increase spending by \$400 million. That is very good and I understand why.

To support this point, can you explain to the committee how Canada has truly lost ground and why it is so important that we regain this ground in order to be part of the economy of the future? That is my first question.

My second question has to do with the arts. I am very pleased that the Naylor report also mentions a need for increased investment in research agencies. What role does the arts play in research and social sciences? Can you explain that to us?

Perhaps we could start with Mr. Davidson, followed by Mr. Miley and then Mr. Huber.

[English]

Mr. Paul Davidson: We've lost ground in two ways. People heard me before the committee in the previous government that there were incremental investments over that period, from 2006 to 2012, but in real terms, the granting councils lost about 7% of the value of what had been received.

[Translation]

Mr. Greg Fergus: Mr. Chair, on that, I want to thank my colleagues across the way. Having worked in the university setting, I must say that former Prime Minister Harper and his government always maintained minimal investment even in the era of cutbacks. I thank them for that. It is important to give credit where credit is due. This is not a partisan issue.

•(0955)

[English]

Mr. Paul Davidson: There were increases, but the real value fell. The shift was toward more applied, more commercialized, and more directed research, so when we speak about the loss in research dollars for investigator-led discovery research, the loss of 35% that the Naylor commission reported, is a huge falling behind.

The other aspect is other countries are investing further and faster, and this is where the gap is going to grow. In 2005-06, we were third in the world in research intensity. We've slipped to seventh in the OECD, and now we're falling even further behind. In total research expenditures, we're now out of the top 30. That's unacceptable for Canada and for Canada's future.

I want to touch very quickly on the role of the arts and social sciences, because we believe in investing across the disciplines. The Naylor report indicated that the Social Sciences and Humanities Research Council has been disfavoured over the last decade and that investments there would be worthwhile. Let me just put it in the context of the nature of the problems we're facing in society: reconciliation, mass migration, rules of trade, and rules of international order. These are issues that we get at through studying the social sciences and arts.

The Chair: We'll have to leave it there. We're substantially over.

Mr. Kelly.

Mr. Pat Kelly: Thank you for your presentations.

I'm going to begin with Ms. Lindbjerg. Thank you for that presentation. You mentioned a number of things. You touched on your theme of competitiveness, and that the taxation system is a key part of competitiveness for the Canadian economy. The measures that were proposed in the white paper on July 18 certainly present some challenges to competitiveness and to understanding how they will impact competitiveness if any or all of those recommendations are enacted. You mentioned simplification. The government had promised to simplify the income tax process. Did any of your

members comment on simplification, or raise concerns about the proposed reasonableness tests that may be applied to the payment of dividends to related parties?

Ms. Darla Lindbjerg: Yes, we've had a lot of comments from our membership around simplification. Our members feel the proposed changes are vague. They are surrounding a very complex system, and not a lot of clarity is coming from the government as to what the impacts will be, so it's a case-by-case scenario. They're going to their accountants and their tax professionals and having these conversations. The impacts they're seeing for their businesses are huge.

They would like to see a simplified tax system in place. That would be great. Right now, our current tax system is fair, it's intentional, and the whole purpose behind taxation is to incentivize innovation and investment in business to propel our economy into the positive. If we take that away, we're setting ourselves up for failure.

Mr. Pat Kelly: Even without debating the individual merits of some of the proposals, how have the general language used and the explanation for the reasons behind these changes made your members feel?

Ms. Darla Lindbjerg: They are frustrated, angry, and confused. The emotions coming from our business members are not good. A lot of them have done their tax planning around the current tax system. Their retirements are at stake. Their children's educations are at stake. It's not a game to them. They have spent a lot of years working up, investing in their businesses, and planning for their future as well as their family's future, and with a flick of a pen, they are seeing that dissipate. That's not what they want to see.

Mr. Pat Kelly: You mentioned vague and unclear statements, concern, and confusion. What are the effects of this anxiety on business itself? Have members commented on setting aside plans for expansion, new hiring, or any plans for movement of capital, or any plans for movement of businesses themselves either to other jurisdictions within Canada or outside Canada?

•(1000)

Ms. Darla Lindbjerg: The majority of comments I have heard have all been negative in that regard. Our members, our businesses in Saskatoon, are looking at closing their doors, taking on full-time employment, or moving across the border. We have everything from a mom-and-pop type shop in our community to specialists in the health care field being impacted by this. We have specialists over at our hospital. We have a children's hospital being built, the first in Saskatchewan, which is great for our community and great for our province; however, we have general practitioners as well as specialists being impacted.

Specialists here in Saskatoon are being contacted by the U.S. one to seven times per week. I have been in consultation with members, and I have had conversations with them, and they have friends or know people who are specialists who were in the United States at that moment doing interviews, looking to move their practices.

That's not going to help our economy, and that's not going to help our quality of life.

Mr. Pat Kelly: Medical specialists in this city are not only being recruited by American hospitals or American employers, but some have already moved in anticipation of the worst.

Ms. Darla Lindbjerg: I have not followed up with that member to see if the individual accepted the job offer, but the indication was that it was very attractive, that they were getting a lot of benefits and a higher income. They were getting tax breaks they wouldn't otherwise get here with the proposed changes.

Mr. Pat Kelly: What about in the smaller communities? In the larger cities or in a city even like Saskatoon, which has a medical research facility and teaching hospitals, the talk is often around specialists. What about in the smaller communities? Have there been comments from either your members or the public about the concern of smaller communities to retain medical professionals?

Ms. Darla Lindbjerg: In the smaller communities, when people need specialists, they come to the urban centres to get their medical attention. When they have routine medical needs or immediate medical needs, they rely on their general practitioner in their community.

With the proposed changes, those practitioners, who are often not from Canada and who are attracted to those remote areas, are going to be seeking other locations that would be more beneficial to their quality of life as well as their bottom line, so, yes, it is going to impact the small communities. Ultimately the taxpayer will be paying the bill. They will be paying it municipally because the municipalities will need to attract and retain those general practitioners, and ultimately property taxes will be the way they'll do it.

The Chair: We'll have to end it there and go to Mr. Dusseault, but I do want to point out that these are proposed tax changes. The consultations ended yesterday, and we will see what the government comes back with, hopefully fairly quickly.

Mr. Dusseault.

[Translation]

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

I also want to thank all the witnesses for being here with us and for their heartfelt presentations.

My first question is for the representative from the University of Saskatchewan, Mr. Miley.

First, I must admit that I was surprised to hear that the University of Saskatchewan campus was the most beautiful campus because I was sure that the Université de Sherbrooke campus was the most beautiful. Maybe I should visit the University of Saskatchewan just to confirm.

My question is on the indirect cost of research.

Last week, I asked a witness a question when we were in Ottawa. He said that the problem remains and that the indirect costs weren't always covered. Do you have any experience with that? What solutions could be proposed in the next budget to settle this issue?

It is all well and fine to invest in research, but if there is no infrastructure such as laboratories to support it, then what is the use?

I would like to hear about your experience in that regard.

Mr. Jamie Miley: Thank you for the question.

[English]

I would agree that for some of these indirect costs, we always seem to be scrambling at certain times for various projects. Sustained, predictable funding is something we always welcome for these facilities. In fact, so that we can plan for the future, knowing where you are at from a financial standpoint is critical for the future of these big science projects. We welcome any support.

It seems that governments and universities, in a rush and in the excitement to build the facilities, actually find the money for the capital investment, and it seems to be that we'll deal with the ongoing expenses later. That's just the nature of the way these projects seem to go. But I would agree, and I think Paul may have some other thoughts on that.

• (1005)

Mr. Paul Davidson: If I may, I have a couple of quick comments.

First, indirect costs are real costs. They need to be borne, so universities find ways of meeting those costs, and they do it by cross-subsidizing from other parts of the university. That's having an impact on student experience.

Second, we've been advocating for a recovery rate of 40% of indirect costs. Right now we're at about 22% or 23%, and for some of our largest most research-intensive institutions, the recovery is as low as 18%. This is in comparison to our American, Australian, British, and German competitors who are attracting research.

This is an area the Naylor report addressed quite directly in terms of how to return to globally competitive levels with the coverage of indirect costs.

[Translation]

Mr. Pierre-Luc Dusseault: Thank you.

Mr. Bouchard, with you I would like to address the issue of technologies in agriculture. The importance of that sector tends to be forgotten.

Can you elaborate on the access to capital in Canada, which seems to be problematic compared to other countries? What could be done to help these businesses grow and have access to the capital that will allow them to develop new technologies and make them more productive?

Can you elaborate on the problem you raised regarding access to capital and what can be done about it?

[English]

Mr. Ray Bouchard: With regard to access to capital, there are two things in place. Access to capital is one of the components. More important is the access to the technology, and the companies that are required to be successful as you want to move that ag tech forward.

I think the ISI program, the innovation superclusters initiative, which was announced in budget 2017 was a first step in really forcing a collaboration among academia, research, and business.

From a capital perspective, what we find too often is that stage one and stage two companies that are in the ag tech area do not have the Canadian investors there to support them through stage two and stage three. What typically is happening is that they are looking to the U.S. I will give you an example. In the last two months there was close to half a billion dollars invested in Silicon Valley in ag tech alone. I'd be scared to imagine what the number is in Canada today. It's not very high.

What we've taken upon ourselves is to work with the provincial government in Manitoba, and we're talking to organizations in Saskatchewan. I believe the federal government could play a co-partner role in helping to establish a broader venture capital strategy for ag tech as we go forward.

[Translation]

Mr. Pierre-Luc Dusseault: Thank you.

I would like to move on to another topic.

There is a lot of talk about support and tax credits for mining companies. I wonder how important mining exploration is. I know almost nothing about the mining sector. I wonder how important it is to companies to conduct mining exploration in order to find new deposits.

Could you say a few words about the tax situation for mining exploration companies?

[English]

Ms. Pamela Schwann: I would start by saying a predictable regulatory system is probably more important than tax breaks. The mineral exploration tax credit that I believe you were referring to is an innovation that was developed in Canada when Minister Goodale was minister of natural resources a long time ago. It has done well in terms of helping junior companies attract investment to find new deposits.

Since we've had very prolonged and depressed commodity prices, these junior companies really need everything they can to attract investment, particularly uranium prices in Saskatchewan. Our exploration basket pretty much is uranium. There's a bit of gold and some base metals, but it's primarily focused on uranium. We have over 100 million dollars' worth of investment in uranium exploration on an annual basis, so it's very significant.

The best exploration new deposits in Canada for the last couple of years have been found in Saskatchewan's Athabasca Basin by companies using tax credits. It has been helpful in identifying new deposits in Saskatchewan and across Canada. For the junior companies, they're critical to attracting investment and helping them in the further development of properties through the exploration cycle.

•(1010)

The Chair: Thank you all.

I'll come back to you, Mr. Bouchard, for a minute.

In your proposal here, which certainly shows that industry is doing its part, you're requesting a co-investment ask of the federal government of \$155 million over five years, which in terms of the federal government's budget is not a lot. I see industry being there,

but how do you see the process to roll that out from the federal government? You mentioned the clusters, etc., but how would you see the federal government coming in to do what you're requesting be done under these six points?

Mr. Ray Bouchard: The \$155 million ask that we have of the federal government is made up of a \$125 million ask in the supercluster initiative we submitted under the LOI. We still are not sure if we're moving to stage two. We're hoping to hear that any day now, but we believe we'll be asked to move forward with two other ag proposals in western Canada. That's where \$125 million is. We're also talking to AAFC about a \$30-million investment over five years. That's where the \$155 million comes from, part from a supercluster initiative and part from a direct investment from agriculture. Those are the proposals that we have on the table today.

We use the SDTC model, which is funding 50¢ on the dollar, so we look to the private sector to invest a dollar. We look at projects that are impactful, scalable, and immediate.

Included in the spin on that \$155 million is roughly \$20 million for training. We have a working group with universities and colleges to work on assessing curriculum in terms of what the gaps are from a machine learning and AI perspective, and to help with development of those curriculums as well.

The Chair: That's helpful.

Mr. Sorbara.

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

[Translation]

Welcome, everyone.

This is my first time in Saskatoon.

[English]

That's enough French for the morning.

I have a couple of comments for Darla from the Chamber of Commerce. It was nice to meet you this morning in the elevator.

I wanted to let you know that there was a consultation period that we just finished on October 2. I come from a riding in the city of Vaughan. It has about 13,000 small, medium, and large businesses and manufacturers. I've met with a number of them. From my prior background working on Wall Street and Bay Street, although raised in a small town, and having met with a number of tax accountants, I'm fully versed in the potential unintended consequences, and I also understand that tax fairness is something which many Canadians care about. We need to get it right. We need to be judicious and diligent, and we are listening on that front.

I'm turning to the Naylor report. Three of the presenters this morning spoke about the Naylor report. I'd like you to quickly—and I mean in 30 seconds—re-emphasize how important fundamental research is to the Canadian economy in terms of our competitiveness versus our neighbours to the south or our neighbours on the other sides of the Pacific and the Atlantic. I'll throw that over first to Mr. Huber, please.

Mr. Garth Huber: As the report and other studies have documented, there's a whole ecosystem of innovation, from fundamental research all the way to the economy. Of course, if you don't fund that first step, then you starve the later steps too. In 30 seconds, that's how I would describe that important incubation first step.

•(1015)

Mr. Francesco Sorbara: I'm not a scientist and I will never pretend to be one. I've always burned down the chemistry lab before doing anything else—by accident, of course. Are most innovations or most patent applications that are filed based on fundamental research first?

Mr. Garth Huber: There's a mix, but there are certainly many examples in which that has been the case. The transistor is a very good example, as is the laser. Those came completely out of fundamental research. They were not anticipated beforehand.

Mr. Francesco Sorbara: Mr. Bouchard.

Mr. Ray Bouchard: I would just add, in order to reinforce, it is the first step, but making sure that we integrate business is also extremely critical as we move forward.

Mr. Francesco Sorbara: Okay.

Mr. Root or Mr. Norris, do you want to chime in?

Dr. John Root: Neutron scattering sounds very fundamental. We do quantum material research and things like that, but we also measure stresses in an industry component.

A customer of ours, Nematik, a Canadian company, makes motor blocks for cars all around the world. It's a major company, and they had a question: do they have to spend this much money to make their part more reliable? It's a big question, because it's a factor-of-two change in their cost of production. The neutron beams enabled them to get the knowledge they needed to make an objective assessment of whether that step was needed, and it had a big impact on their competitiveness.

Mr. Francesco Sorbara: Good.

Mr. Davidson, please.

Mr. Paul Davidson: I'll make a couple of points.

One is that the relationship is non-linear. That's why we speak about the research ecosystem and why having a strong and healthy research ecosystem is so important.

I'll point to three quick examples that did not happen quickly in Canada but that really are transforming our economy.

The first is the discovery of pluripotent stem cells in Toronto on a Sunday afternoon in August 1960. It has led to the development of personalized medicine and has created a whole new economic sector in Toronto.

Think of the advances—I mention Geoffrey Hinton—in artificial intelligence, work also being done at the University of Alberta, in Montreal at McGill, and at Dalhousie University and others, whereby artificial intelligence is being applied to the agricultural sector. For many years, if you were only thinking about a narrow approach to research, that would not have been possible.

The third is the battery technology being developed out of Dalhousie, where Jeff Dahn has been recruited by Tesla, which is investing in Halifax.

Those are three very distinct areas in which fundamental research has led to a transformed economy in Canada. We can't predict where those breakthroughs will be, and that's why we need a strong research ecosystem.

Mr. Francesco Sorbara: Even just work on computer chips and materials, when we talk about materials, is also done on a fundamental basis.

I want to go to the Saskatchewan Mining Association with my last bit of time.

I always find this important. If you were to describe what I might call the sentiment or tone for the mining community in Saskatchewan or across Canada, how would you describe it in terms of investment levels? I ask this question to inform myself, and I think it's worth pursuing. What is the community feeling? Are we competing against areas such as Australia or South America—with Chile, for example, in copper, and with Australia for many other things—and other jurisdictions? Where do we stand? How can we do it better? Where are we getting it wrong?

Ms. Pamela Schwann: Thank you for the question.

I want to note that eight of the 10 presenters have asked for money in this presentation. I'm not asking for any money for the mining industry. I'm primarily looking for a good regulatory system that will help us generate wealth. It's not that the other presenters don't deserve the funding they have requested, but you need to generate wealth somehow, and you do that through a primary industry such as mining.

I would describe our environment, particularly in Saskatchewan, as being really buttoned down. Our commodity prices are very low right now. We've gone from highs in potash of more than \$800 a tonne to now \$220 a tonne in eight years. Uranium prices have had a similar decline.

Companies across the board have done all the cutting they can do. We're in survival mode in many cases. We are the world-leading producer of potash in Saskatchewan, and also the only producer in Canada and the second-leading producer of uranium. Our competitors are global. In potash, they are Russia and Belarus. They don't have the same regulatory system or the same tax structure to deal with. With all of those costs, we have to somehow be more cost-competitive than they are.

Similarly on the uranium front, many African countries and Kyrgyzstan are primary uranium producers. They do not have the same regulatory framework. They do not have the same tax structure. Specifically, when I talk about new tax structures, I am talking about the carbon levy that's going to be coming.

•(1020)

Mr. Francesco Sorbara: Thank you. I think I've gone over time.

The Chair: Mr. Albas.

Mr. Dan Albas: Thank you to all the witnesses. I have to say this is one of the finest panels. There is a lot of food for thought. Thank you each for your contribution.

I'm going to start with the Saskatchewan Mining Association. Thank you very much for being here.

I received an email from the Klondike Placer Miners' Association in regard to their input on the proposed tax changes, which are receiving a lot of scrutiny in Ottawa. Where are your members at in regard to that? Do you have a large number that are private corporations versus publicly traded?

Ms. Pamela Schwann: Most of our members are publicly traded. We have a couple that would be more state-owned enterprises, but most of them are large global publicly traded companies.

Mr. Dan Albas: In regard to the implementation, you raised questions about the government's approach to cannabis regulation, specifically safe workplaces. It's my understanding that cannabinoids can stay in the fat cells for two weeks and cannot be detected per se until some form of adrenaline happens, and then they get released into the system causing, basically, a new high.

How do you deal with something as complicated as this? Alcohol is usually completely gone from the system within 24 hours.

Ms. Pamela Schwann: That's part of the problem. We're not sure how we're going to deal with it. I don't think anybody is sure. There's no real good testing mechanism in place that's not really invasive. That would cause human rights issues in terms of the fact that you can't go around giving somebody a blood test.

Mr. Dan Albas: That's a very good question, because it's not just even if you had a magic device that could accurately do that, but who would administer the test? In a unionized environment, would it be the union or would it be the company? Many people might say that there are privacy issues there.

Ms. Pamela Schwann: There likely are. This is a really important issue. There's no issue that's more important to the mining sector than safety. We cannot afford to have people injured or killed because of a rush to put in place a policy that is not well thought out in our minds. There may be a time that it's appropriate, but from my read of submissions, there are very few medical associations, very few police enforcement officials, certainly no mining industry representatives who—

Mr. Dan Albas: Your regulator that handles WorkSafe, do they have any guides or forward guidance on how to deal with this issue?

Ms. Pamela Schwann: They're part of working committees right now, but they have nothing in place.

Mr. Dan Albas: You as an industry right now don't have any instructions about how you're going to adapt to this new legalization?

Ms. Pamela Schwann: No, we don't even know if there will be an impairment level.

Mr. Dan Albas: In regard to timelines... Again, I totally understand that it's very important to have consistency. You have to have certainty for business, particularly in your sector. I have two copper mines in my area, and both of them require large amounts of foreign direct investment. People tend not to want to invest in a country if there's no certainty.

In regard to species at risk, you said that you would like to see a landscape approach versus a species at risk approach. Could you elaborate on that?

Ms. Pamela Schwann: Right now, we're seeing basically a waterfall approach to designation of different species that are either endangered or threatened. As soon as something becomes threatened and listed, a recovery strategy is required that talks about what activities might be permissible. However, the problem is a number of these species have competing habitat requirements. For example, in Saskatchewan, cariboo would require winter forests, but the olive-sided flycatcher doesn't like mature forests. Both are threatened and both have the same range, so what do you do? You can't do anything that satisfies both.

We need to look at the landscape as a whole. There is a project in southern Saskatchewan called South of the Divide, that the Minister of Environment and Climate Change and Environment Canada are looking at, which would provide a more balanced landscape approach to provide protection to species across the board. I would refer to that approach.

Right now, there's no current mechanism in place to support a lot of this work.

• (1025)

Mr. Dan Albas: First of all, just let me thank you for the work that you do, because mining is one of the most innovative areas. There's lots of technology used there. There are lots of jobs for indigenous people, as well as the general population. That's exactly the kind of economic development we should continue to support.

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

Mr. McLeod, you have five minutes.

Mr. Michael McLeod: Thank you, Mr. Chair.

Thank you, to all of you, for your presentations. It's my first time being involved in a pre-budget consultation, and there have been some very good presentations here today.

My first question is for Pam. It's good to see you again, wearing a different hat this time. I have a couple of questions.

You raised concerns about the proposed marijuana legislation coming forward, and not being able to test. Could you tell me what you're doing now to test? What's going to be different that won't allow you to do the testing you're currently doing?

Ms. Pamela Schwann: It's going to be a different environment.

The only way you can have people who have used marijuana in a workplace is if they're not in a safety sensitive position and they have a prescription. You can control the people who are legally using marijuana.

Right now you're not allowed to test somebody on a random basis. You have to have a reason to test, and usually that's triggered because there has been an accident. We don't want to have to wait for an accident to happen before we can test somebody, because that accident could hurt or kill somebody.

Mr. Michael McLeod: You are saying that the risk could increase.

Ms. Pamela Schwann: Absolutely. The risk of people using a legal substance will increase, and the impairment effects can be much longer lasting with marijuana than on other substances such as alcohol.

Mr. Michael McLeod: You mentioned that there was no real ask in your presentation today.

I represent the Northwest Territories, and we have a large mining industry in that part of the country. We have a good relationship. They're the backbone of our economy.

However, they still feel that the mineral tax credit is something that is very important to continue with. We have discussions regarding the benefits of either a tax credit or more infrastructure. As a politician, I want to see that the investment attractiveness is improved.

Given that we are a jurisdiction with very little in terms of roads, good airports, bridges, would you say there should be a priority in remote parts of Canada, where we look at maybe giving the benefit of infrastructure that's going to stay long after the industry is gone?

Ms. Pamela Schwann: Are you including north of 56?

Mr. Michael McLeod: Or opening up new areas.

Ms. Pamela Schwann: You know, I would agree with you.

I think the investment in infrastructure is important. When we look at northern Saskatchewan, we have half a dozen gold mines that are literally a stone's throw off Highway 102, which is one of the only roads in northern Saskatchewan. If you have infrastructure, it's going to lower your exploration costs. It's going to help communities in their access to better food and things. If it's a choice, I would invest in infrastructure.

Mr. Michael McLeod: I don't know if I missed it, but I didn't see it as part of your list of what you are recommending.

Regarding the regulatory process and the many different systems across the country, I've had the opportunity to see what is out there and what we have in the Northwest Territories. We certainly have a different and unique process in the Northwest Territories, because half of our boards consist of aboriginal people. It's more of a collaboration between industry, government, and indigenous peoples when we start looking at projects, rather than the historic way of doing things, setting up a project, doing the proposal, and then trying to sell it. It seems to be well received, and the regulatory bodies are asked to present all over the world on the system. It's been really popular in many, many different countries.

You mentioned a few places that you suggested we look at in terms of regulatory models. Is there one in Canada that you could point to that maybe we could start working towards as a goal?

• (1030)

Ms. Pamela Schwann: I know there are pros to the model in the territories. I also know there have been some issues with some water boards and things like that.

Northern Saskatchewan and the federal government actually had a joint federal-provincial uranium panel back in the 1990s that worked very well. The panellists were professionals, scientists, but also Vice-Chief John Dantouze was one of the three panel members.

Community members were very involved in the hearings and the process. Don Lee, a chemistry professor from the University of Regina was the chair. I actually had the benefit of participating in that. I think that was a good model. It had provincial-federal harmonization. It had a lot of community participation and input. It was a very open and transparent process.

The Chair: We will take just a couple of questions. We'll go a little over our 10:30 deadline.

This is for Rob, John, or Mr. Huber.

On this Naylor report, you're basically asking for \$1.3 billion over four years to implement it. Regardless of how we got here, it seems to me the federal government has shot itself in the foot on the Chalk River situation. How do you see that we get around that issue by way of a budget? What can we do?

Hon. Rob Norris (Senior Strategist, Research Partnerships, Office of Vice-President Research, University of Saskatchewan, Canadian Neutron Initiative Working Group): Thanks very much, Mr. Chair, and for all the interest from across the committee.

The looming closure of Chalk River simply reinforces the significance of materials research as it's needed in Canada for our scientists, for our students, for industry, and we've offered a broad range of what that looks like.

Practically speaking, what we've tried to do is say the investment today, \$100 million per annum, if we were to take roughly a fifth of that we could make enhanced investments at McMaster, also an aging facility, but one capable of meeting some of Canada's needs. Then, quite frankly, work diligently to develop some formalized and sustainable partnerships.

I'll offer an example. It's not simply that Chalk River is closing next year. There is a partnership with Oak Ridge, Tennessee, which at the exact same time is coming to an end. That relationship needs some immediate attention so we can begin to have conversations. That's quite open. It's a well-established relationship and collaborative set of arrangements. We're also looking at Europe. Honestly, we're taking a technical team over to Europe to have a look. Could we do some of that on a sustainable basis?

The key here is that we need to make sure there's access not simply for our scientists but also for our industry partners. These protocols take time, so the clearer, earlier signal we could have to move forward on these partnership connections as well as enhancing the infrastructure at McMaster, would send a very reassuring signal to our scientific community.

I was recently in Chalk River and had an opportunity to speak with some of the scientists, and there is a great uncertainty.

• (1035)

The Chair: I wonder if you could construct what you've outlined into a bit of a plan that we could consider as a recommendation, and forward it to the department.

Back to you, Mr. Bouchard. On the proposal that you handed in, you're basically looking at getting those six measures you laid out as a way of a project. Is there anything that could be done if that project doesn't come through? What are the other options that would be available to get there?

To me, that is the cutting edge in terms of putting Canada ahead of the field in terms of IT and agriculture and so on. What can be done if that project doesn't come through?

Mr. Ray Bouchard: Are you referring specifically to the supercluster initiative?

The Chair: Yes.

Mr. Ray Bouchard: That's why we've also approached Agriculture, and that's why we're working hard with AAFC to see if funding is available through the innovation bucket through Agriculture. If we could secure funding there, at least we would be able to start, and we would be able to show what can happen when you have a business-led initiative focused on innovation and integration of technology. Anything we could do to encourage AAFC to come through with funding would allow us to start immediately. We have about 18 shovel-ready projects that we could start within four months.

The Chair: With that, thank you very much for all your presentations and the discussion.

We will suspend until 10:45, for the next panel.

The meeting is suspended.

• (1035) _____ (Pause) _____

• (1045)

The Chair: We'll reconvene.

Welcome to the second panel in Saskatoon. It's a pleasure for us to be here.

What I'll do, because we are out of Ottawa, is ask the members to introduce themselves so you know where they come from and what areas they represent.

I'm Wayne Easter, member of Parliament from Prince Edward Island.

I had an office on 2nd Avenue South here 25 years ago in the good old days of the farm movement.

We'll start with Michael.

• (1050)

Mr. Michael McLeod: Hi, I'm Michael McLeod, Northwest Territories.

Mr. Francesco Sorbara: Keeping it short as Michael, which is hard for me, I'm Francesco Sorbara, member for the riding of Vaughan—Woodbridge, bordering the city of Toronto.

[*Translation*]

Mr. Greg Fergus: My name is Greg Fergus. I am the member for Hull—Aylmer, in Quebec.

[*English*]

Mr. Dan Albas: I'm Dan Albas, member for Central Okanagan—Similkameen—Nicola, in British Columbia.

I love being here in Saskatchewan with all of you. I hope you guys can meet the same standard as in the briefs we had in the last panel. They were wonderful.

Mr. Pat Kelly: I'm Pat Kelly, member for Calgary Rocky Ridge.

[*Translation*]

Mr. Pierre-Luc Dusseault: Hello. My name is Pierre-Luc Dusseault. I am the member for Sherbrooke, a riding in southeastern Quebec. I am a member of the NDP.

[*English*]

The Chair: Thank you.

Welcome again to the witnesses. I also want to thank any of you who provided submissions prior to the end of the first week of August. We have those submissions. They're on our iPads. They will be considered as part of the consultations, and this is just to follow up on that.

Starting with Ag-West Biotech Inc., we have Mr. Pitka and Ms. Dorish.

If you could try to keep it to about five minutes, that would be dandy. Thank you.

Mr. Patrick Pitka (Chief Financial Officer, Ag-West Bio Inc.):

Thank you. My name is Pat Pitka and I'm the CFO at Ag-West Bio Inc. I'm accompanied by Boni Dorish, director of finance, administration and human resources. The comments we are making today are on behalf of Ag-West Bio Inc.

Ag-West Bio is a member-based, not-for-profit organization with over 100 members, including multinationals such as Bayer CropScience, Cargill, and PotashCorp; various government agencies and departments such as AAFC; and small and medium-sized organizations such as Bioriginal Food, Prairie Berries, and Prairie Plant Systems.

Ag-West Bio's strategies are to promote the development and adoption of emerging technologies, create connections and partnerships to build community, enable and accelerate commercialization, advocate for science and build trust, and build national and international awareness of the cluster. The agrifood sector presents great opportunities for the province and for the Prairies.

The prairie provinces contain about 85% of the arable land in Canada. The Prairies used to be known for wheat, oats, and barley production, which was grown, harvested, and shipped overseas. This has all changed, thanks to the innovation of our researchers and the technologies used by our farmers. Today, canola is a \$27-billion crop, 50% of which is processed in the Prairies. Pulses, also known as legumes, are another example. These include crops like lentils, peas, and chickpeas. Lentils alone are a \$2-billion crop, and 99% of the lentils produced in Canada are grown here in Saskatchewan and processed and exported to countries like Turkey and India. Continued research is leading to further improvements.

Our farmers are leading in the use of technology. An example is zero tillage, which preserves moisture, reduces soil erosion, and acts as a carbon sink. Thanks to zero till, Saskatchewan farmers are responsible for over 11 million tonnes of carbon sequestration a year, significantly reducing the impact of farming on the environment. New digital technologies are also having an impact. For example, drones are used to help farmers assess fertilizer and chemical requirements, thereby eliminating overuse of these products. Dot Technology Corporation, a company near Regina, is developing a new driverless tractor using GPS to guide the process. It is currently at the prototype stage, and field demonstrations have taken place. This will help farmers control labour costs.

New technologies keep our farmers competitive on the international market without government subsidies, which is a great achievement. Continued public investment in research is critical.

We support the federal innovation superclusters initiative. Key priorities in the agrifood sector should include: more value-added processing and commercialization to develop food and feed ingredients for our global customers; stimulate the creation, growth, and attraction of companies; support for emerging technologies, including artificial intelligence, big data, and robotic applications; and improved crop varieties for ever more discerning global markets. We are searching for the next canola. Investment in research and development is critical for the future of agriculture in the Prairies and in all of Canada.

An impact study completed by MNP of Vancouver found that for every dollar invested in R and D in the Prairies, there is a \$6 return on that investment. This is something for governments to consider.

• (1055)

Regarding challenges for the future, preservation of the family farm is critical. The current environment and success in the Prairies has been achieved without large public corporations owning or operating the farms. We need tax changes that support the intergenerational transfer of the family farm without penalties. Right now, it is more advantageous for a farmer to sell to an outsider than to transfer the farm to his or her children. This must change if we are to preserve the family farm.

There is another issue the government should consider. We're talking about a new phrase called "freedom 85". In an article published in the September 2017 issue of *CPA Magazine*, life expectancy has increased at the rate of one year in every five years. At this rate, half the children born in Canada in 2007 can expect to live to 104. This is good news and bad news. Collectively, we need to find ways to financially support a long life. The retirement age of 65 was set almost 50 years ago when life expectancy was 72. Unless you have a defined benefit plan from a government or major company, you'll have to invest a lot of money into your RRSP for your retirement years.

The government could consider some options, such as deferring the payment of old age security until a later year, maybe age 70. The second option would be to allow small business owners, including farmers, to make an extraordinary contribution to their RRSPs in years with unusual events, such as exceptional profit or the sale of their business.

Thank you for your consideration.

The Chair: Thank you, Mr. Pitka.

Turning to the International Association of Heat and Frost Insulators and Allied Workers, we have Mr. Rudder, business manager, and Mr. Engel, international vice-president. Welcome.

Mr. Vince Engel (International Vice-President, Western Canada, International Association of Heat and Frost Insulators and Allied Workers): Thank you, Mr. Chair.

Thank you to all the members of the committee for the invitation to participate today. My name is Vince Engel, and I'm the western Canadian vice-president for the International Association of Heat and Frost Insulators and Allied Workers. Let me briefly tell you a little bit about who we are, just for some context, before I speak about our recommendations to improve productivity in the Canadian workforce and the competitiveness of the Canadian economy.

Our association represents Canada's mechanical insulators. We are tradesmen, expert in the insulation of mechanical systems in buildings—buildings just like this one—and in refineries, pulp mills, hotels, schools, and hospitals. Mechanical insulation restricts heat loss or gain in mechanical systems, ultimately increasing the efficiency of heating and cooling systems. Mechanical insulation reduces greenhouse gas emissions, saves money, and puts people to work. Mechanical systems that require insulation are primarily ducts, pipes, and equipment such as boilers, furnaces, pumps, and fans.

Our skilled tradespeople are industry leaders in health and safety through the removal of hazardous waste, including asbestos. Our members also support fire prevention through the insulation of firestop materials. There are approximately 7,000 qualified, ticketed insulators in Canada. The mechanical insulation industry also includes Canada's mining and manufacturing sector in the production of insulation. Fibres used in modern insulation are made from raw materials mined right here in Canada.

Mechanical insulation is a practical, cost-effective solution for improving energy efficiency in buildings. In a report released last month, the Canada Green Building Council said that the country could reduce emissions by as much as 50% by 2030 if owners worked with governments and investors on energy consumption initiatives, including more efficient heating and cooling systems. The Government of Canada has made substantial investments in improving the energy efficiency of buildings to reduce their environmental footprint. These investments are essential to ensure the competitiveness of the Canadian industrial and commercial sectors. The Green Building Council's report also noted that energy-efficient retrofits to private sector buildings could save Canadian industry as much as \$6.2 billion in business costs, resulting from reduced energy consumption. That's \$6.2 billion that could be reinvested into Canada's economy to improve things like critical infrastructure, health care, and supporting small businesses, all of which improve the country's productivity and competitiveness.

Supporting heat and frost insulators goes hand in hand with these commitments. By working with construction trades like ours, the federal government has the opportunity to improve productivity and competitiveness within the trades and contribute to environmental objectives, including reducing greenhouse gas emissions.

It's also important to ensure that the monies set aside for greening buildings is well spent so that work is not being unnecessarily repeated in the future. For Canada's mechanical insulators, this means making use of qualified, certified tradespeople on all federal building projects. Supporting skilled tradespeople who have been properly trained ensures that the work needed to upgrade buildings is done right the first time, ultimately saving on costs down the road. By requiring the use of properly trained and certified skilled tradesmen on work sites, the federal government can enable a productive workspace by ensuring that the work contracted is completed professionally and sustainably.

Our main asks of the committee are these. Continue financial investments in union-based training programs that support those in the skilled trades, including insulators, in the green economy. Ensure that any federal-provincial incentive programs for energy-efficient retrofits in the private sector include mechanical insulation. Finally, require the use of qualified, certified mechanical insulators on projects designed to support energy efficiency.

● (1100)

Thank you. That's my report.

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

We now turn to Mr. Moen and Ms. Wasylow, from the North Saskatchewan Business Association.

Mr. Keith Moen (Executive Director, North Saskatchewan Business Association): Thank you.

My name is Keith Moen. I am the executive director of the NSBA, a dynamic business organization that I'll expand upon in a moment.

First, let me thank you all for coming to Saskatoon. Welcome back, Mr. Easter.

I also want to acknowledge the appreciation, admiration, and respect I have for anyone elected to public office. Thank you for

your respective commitments to the public service for the betterment of our great nation.

The NSBA is a member-driven business organization that serves, promotes, and protects businesses throughout Saskatoon and beyond, through our lobbying and advocacy efforts. From its grassroots origins some 50 years ago by a handful of businesses, today's NSBA consists of a membership in excess of 700 companies, with members ranging from single owner-operator proprietorships to large multinational corporations that employ thousands. Although diverse, our membership mainly consists of a strong community of small to medium-sized businesses that are largely owner managed by entrepreneurs. We are known for our pragmatic, common-sense approach—not just to talk about it, but to actually get things done.

Our response to question one, in terms of benefits to Canada as a whole, is that we believe productivity would increase through funding for indigenous peoples and programs that are directed more toward action rather than toward more reports or studies. It's a multi-generational issue that needs to begin one step at a time, but it needs to be a step in the right direction.

Specifically, we would encourage the government to direct dollars into distance education that enables people to learn skills that can benefit their communities without having to leave those communities. We would encourage more emphasis on finance and business development education for band chiefs who are receiving federal money and implementing educational programs for their bands.

Education and workplace preparation, i.e., work readiness, is key for Saskatchewan, where more skilled labour is needed to keep up with the rates of business growth and retirement in the current workforce dynamic.

Our response to question two is for the federal government to have a growth-friendly tax policy, to implement a procurement model built on best value, and to have open borders based on fair trade enforcement, for example, a working agreement on internal trade. Let's make it easier to do business in Canada, not harder.

Another measure would be to have a patent or innovation box on tax returns to incentivize the commercialization of intellectual property, encourage entrepreneurship, and grow the economy while adding value to society.

Another measure would be the development of trade corridors outside of Canada's large metropolitan centres, such as Toronto, Vancouver, and Montreal. We live in the heart of a commodity-based jurisdiction, which benefits not only our local economy but that of Canada. We have what the world needs—not just wants but needs—food, fuel, and fertilizer, all of which need to get to export markets. For many years, we've had a need for a perimeter highway around Saskatoon, which has only become more pronounced during our recent population and economic boom.

Last but certainly not least—in fact, it's the biggest point I want to stress here today—the proposed changes to tax planning and private corporations can and will hurt the competitiveness of Canadian businesses, especially relative to neighbouring jurisdictions that aren't raising taxes. I specifically raise this issue last to emphasize that we are a pragmatic organization that sees things holistically, and we are not a single-issue organization.

During the very brief consultation period, you've seen and heard many passionate and personal opinions on this topic—and, believe me, we have those as well—but we want to emphasize that the proposed changes do not stand up to reason or fact, and therefore have no value or net benefit to the government. If they are implemented, the law of diminishing returns will be in effect. Specifically, changes to the effective tax rate on passive income held within a corporation will not only stifle investment and job creation, but will reduce jobs as well, and the middle class will be negatively impacted as a result. This negative impact will be felt across all industries and sectors.

We support fairness and welcome changes that increase fairness, but the proposed changes fail in this regard. The analogy I have been using to stress this point is that the federal government is using an RPG to kill a fly, when a fly swatter would suffice.

We have heard the minister and other leaders in government, including members of this committee, say that the changes will not hurt the majority of small businesses, farmers, and incorporated professionals. However, tax professionals tell us otherwise, and we believe in and trust their expertise and facts.

• (1105)

In closing, we strongly encourage the federal government to take a holistic approach regarding taxation, which is to say a non-partisan apolitical stance for the betterment of the Canadian economy, because when it comes to economic development and growth, the solution lies in the private sector, not in government.

Thank you.

The Chair: Thank you, Mr. Moen, for those direct remarks.

Next is Mr. Hopkins from the Regina and District Chamber of Commerce.

Mr. John Hopkins (Chief Executive Officer, Regina and District Chamber of Commerce): Good morning, Mr. Chairperson, and members of the committee.

My name is John Hopkins and I'm the chief executive officer of the Regina and District Chamber of Commerce.

I want to begin my comments by expressing our shock and dismay about the manner in which the largest tax changes in 45 years were communicated. Tax cheats, not paying their fair share, tax evaders, and the list goes on: these accusations are being levelled at people who used to be the most respected professionals and business people in the land, farmers, doctors, dentists, lawyers, accountants, and business owners on every single main street.

What is most appalling is that these accusations did not come from a fringe group but, rather, from the Government of Canada, a government that is supposed to represent all Canadians, including

business people, most of whom are in the highly exalted middle class. These changes were released in the dead of summer with only 75 days to disseminate. However, these are not simple changes. They are complex and far reaching.

Our view, which incidentally is the view of virtually every chamber of commerce, board of trade, and every other major business association in the land, is that there needs to be meaningful, open, transparent consultations where everyone can be heard. During the 1960s, the Carter royal commission took four years to propose changes, but for these changes it's 75 days. Why the rush?

Recently we had the opportunity to meet with numerous chamber executives from all over our country and, without question, by far the most egregious challenges facing members of chambers of commerce and boards of trade are the corporate tax changes. Our approach to dealing with the discussion paper was to encourage our members to get professional tax advice. In addition, we asked members to let their voice be heard through an online forum. To date, we have had over 1,320 individuals fill out the form, which calls upon the government of Canada to take the current proposals off the table and to launch meaningful consultations.

Business owners are risk takers and in many cases put it all on the line, and during start-up there's typically limited or no profit with the potential for downturns at any moment. At the same time, business owners have no safety net. There is no social program if the business doesn't make a profit. They simply don't get paid. There is no earned vacation pay, no medical leave, no maternity leave, no overtime pay, no employer contribution to a pension plan, and no severance or health benefits that many middle-class employees receive, which in many cases are mandated and in some cases paid for by businesses but are mandated by law. Yet the discussion paper goes to great lengths to say that both are on the same level playing field.

The proposed income-sprinkling changes will have dramatic impacts on some business owners and their families, while the government continues to say this will only impact the highest income earners. We're less than convinced. In addition, the government's reasonableness tests are not clearly defined, particularly given the reality that in many cases a family business person may be in charge of multiple duties that may not have a market comparison.

The goal of most businesses is to increase the value of the business as an asset, which has proven to be exceedingly valuable to all Canadians in terms of job creation, capital investments, and tax revenues for all governments. One can and should question what impact these changes will have on the national economy. Passive income is the most disconcerting tax change. While we do not know exactly how this will be implemented, our discussions with numerous tax professionals have led us to believe that these changes could be very material and have far-reaching impacts.

Most prudent businesses will have or will be seeking to have an adequate level of reserves through economic slowdowns, capital purchase, expansion, new acquisition, and the list goes on. Will these reserves, which are typically invested in various financial instruments, now be deemed as passive income? What about those who are saving to expand or buy out competitors, or those who have reserves to ensure that they don't lay people off? If these changes go through and these types of dollars are now deemed passive income, what happens to the pool of capital across the nation?

• (1110)

On intergenerational transfers, we were absolutely flabbergasted that this common practice was not caught until late in the consultation period. The unintended consequences of that measure alone sent shockwaves through families and businesses. Are there others? Business owners, business groups, individuals, and even some of the government's own MPs are calling for the Government of Canada to hold meaningful consultations.

As a country we cannot and should not be throwing out the baby with the bathwater. Please heed the call of Canadians and hold meaningful consultations.

Thank you.

• (1115)

The Chair: Thank you very much, John.

Turning to Polytechnics Canada, we now have Mr. Johnson and Mr. Rogers. Welcome.

Mr. Dennis Johnson (Vice-President, Strategy and Business Development, Polytechnics Canada): Thank you, Mr. Chair.

Mr. Chair, committee members, thank you for having me here today representing Polytechnics Canada, and president of Saskatchewan Polytechnic, Larry Rosia.

As we enter into the fourth industrial revolution, Canada's future looks bright. We are well-positioned to harness new technologies, to adopt new production processes, and to develop a workforce that has the future-forward skills needed to succeed in this new world of work. However, as bright as the prospective future looks, our economy faces wide-ranging challenges. Two of these significant challenges are productivity and competitiveness. As I will outline today, polytechnics are one important economic development lever that addresses these persistent challenges, but are underutilized and under-leveraged in federal policy and programs.

Polytechnics are leaders in creating innovation-led inclusive growth and are leaders in the ways in which we contribute to made-in-Canada talent development. This is how Canada's polytechnics contribute to productivity and competitiveness most: innovation capacity and human capital development. Yet, we can do more, but only if the federal government can right-size, re-balance, and re-tool its support for polytechnic education and innovation.

Polytechnics build Canada's innovation capacity by helping firms bridge the commercialization gap. We move products from the laboratory and shop to markets and to people, and ultimately ensure that these products are creating revenue and income for Canadians.

As much as connecting people to products and makers to markets contributes to our productivity and competitiveness, in Canada we don't value the near to market end of the innovation spectrum as highly as we value basic research. Canada is great at supporting ideas, but we must be stronger in our support for the commercialization of those ideas.

Disappointingly, of the \$3.1 billion the government spends annually on the higher education R and D, only 1.7% or \$53 million is available to the entire sector of polytechnics in colleges, primarily through one program. The remainder goes to university-driven research, leaving important applied research successes to wither away or suffer from underutilization.

As you are aware, industry is critical to driving innovation. Institutions such as Saskatchewan Polytechnic are nimble, and have strong track records of working with industry on applied research projects. A lack of research funding and restrictive policies would prevent us from meeting the huge demand from companies for R and D projects that would lead to the commercialization of products and services, and would diversify and grow the provincial and national economies.

In 2016 alone, the college and community innovative program supported 2,815 firms across Canada. However, current funding levels cannot effectively meet the demand. Presently, the program is oversubscribed and faces a \$13-million shortfall. The irony is that the message this sends to industry, that innovation is not that important particularly for the small businesses that want to work with us to solve their problems, contradicts the government's message.

To support innovation-led growth and productivity, we urge the committee to support our call for the federal government to right-size its funding to polytechnic innovation by doubling its current \$53-million commitment.

On talent, we know the world of work is changing. It's critically important we invest in our people to support an innovative, productive, competitive, and inclusive new economy.

We have a number of recommendations on talent and skills. I want to focus in particular on the skilled trades. Canada's polytechnics produce highly skilled, multidisciplinary talent that grows both the knowledge economy and the know-how economy. Yet, we often forget that the knowledge economy and the know-how economy enable each other.

As the impact of technology increases, our skilled tradespeople are critical to the success of the new world of work. They are in fact automation enablers. The government's ambition to improve productivity and competitiveness, while reducing income inequality and growing Canada's middle class, requires smarter use of higher education's contribution to the economy and society.

• (1120)

Canada's polytechnics are ready to contribute, and today I urge the government to harness us better.

Thank you very much. I look forward to your questions.

The Chair: Thank you, Dennis.

Next is the Saskatchewan Economic Development Association.

Mr. Wallace, welcome.

Mr. Sean Wallace (Director, Board Representative, Economic Development of Tisdale, Saskatchewan Economic Development Association): Good morning, Mr. Chair, and committee members. My name is Sean Wallace. I'm the economic development director for the town of Tisdale, a small agricultural community located in the northeast region of the province. I'm here representing the Saskatchewan Economic Development Association, SEDA. My comments this morning pertain to productivity and competitiveness in rural economies.

SEDA's membership includes a large cohort of economic developers, with a majority serving in small rural communities with populations under 10,000. Many of these communities are reliant on agriculture and resource development. The majority of businesses located in these communities service these sectors.

Rural Saskatchewan has many of the same core issues as does any small community in rural Canada when it comes to productivity and competitiveness. The ability to attract investment, mitigation of population decline and shifts, access to health care and education, aging and inadequate infrastructure, lack of transportation options, and opportunities for youth are usual themes. Rural communities also tend to have higher rates of poverty, unemployment, and underemployment. Of course, there are exceptions, and these exceptions are the communities that have taken advantage of their unique economies.

Unfortunately, when developing strategies and policies around productiveness and competitiveness, a single national strategy would be largely ineffective because they tend to be generic and focus on large population centres. What works in cities doesn't necessarily work in rural communities. Rural Canada can be complex when it comes to local economies, labour market participation, access to services, transportation, etc., and we require different strategies to address these complexities.

In terms of what would make Canadians more productive in rural Canada and the measures the federal government can take, I believe developing a modern strategy on rural economic development with the participation of provincial organizations like SEDA and rural economic developers would be a positive first step.

In terms of the federal measures that would make Canadian businesses more productive and competitive from a rural perspective, funding for innovation, encouraging careers in agriculture through education and training, and preserving tax incentives for farm operations and rural businesses to support the agriculture industry will help grow and maintain rural economies.

Last, I would be remiss if I did not mention taxes. We know that small business is the backbone of our economy, but in rural Canada, small business is our lifeblood, and a competitive tax regime is critical. Higher taxes mean higher prices for goods and services, which directly impacts our ability to compete.

The government's proposed tax changes would have a disproportionate impact on the agricultural industry. As far as small businesses go, a farmer is much more likely to rely on contributions from all family members. A farm is much more likely to stay within a family for multiple generations relative to other small businesses, and income splitting rules will cause uncertainty as to the tax compliance in these situations, and an increased risk of higher tax costs for family farms.

The proposed tax changes will drastically increase costs of *inter vivos* and will force families to wait until the parents' passing to transfer farm ownership to the child. They will greatly increase the costs of this transition. In either case, it will decrease the likelihood of a family farm staying within the family.

Also, economic development in rural communities is heavily dependent on private investment, and that is a fact. Rural communities are less likely to attract investment from public companies and foreign investors than urban centres. By removing these incentives from private corporations, and in turn giving the advantage to public companies and foreign investors, it disproportionately impacts rural communities. Much of this private investment comes from business owners in the community with excess incomes who use it to invest in new ventures, often in the form of passive investments that create employment. By taxing these investments at punitive rates, and encouraging the individuals to instead withdraw cash and invest in RRSPs, the ability for this capital to be reinvested in the community will be effectively eliminated. This will have a devastating impact on the economic growth in rural communities. I might say, it might also have a devastating effect on those who practise my profession in rural communities.

Mr. Chair and committee members, thank you for inviting me here today. I appreciate the opportunity to speak.

Thank you.

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

I might mention to witnesses that the committee did hold hearings for two days last week on the tax issue specifically. Many of those witnesses said much along the same lines as what we're hearing here on the tax issue. We've forwarded that information to the minister's part of the consultations without recommendation from us.

Next is Thomson Jaspas and Associates. Welcome, Mr. Gorniak and Mr. Turnquist.

● (1125)

Mr. Michael Gorniak (Partner, Thomson Jaspas and Associates): Thank you, Mr. Chair.

I want to start by agreeing with the previous comments by the witnesses regarding the private corporation proposed tax changes.

Thomson Jaspas and Associates is a mid-sized CPA firm in Saskatoon. We deal exclusively with small businesses, including farmers and professionals, providing services and advice to 1,200 private corporations.

We believe major modifications to the proposed private corporation income tax measures released on July 18, 2017 need to be implemented to ensure that Canadian small businesses do not suffer employee retraction and losses in productivity. Small businesses are a driving force behind innovation. The proposed changes remove the incentive to pursue small business, which will have a drastically negative impact on competitiveness in our global economy.

Our submission—and I apologize, we were invited to the committee on Friday—includes a copy of the letter we have written to the Department of Finance in response to the proposed small business corporation income tax changes and three examples that illustrate the negative impact the proposed tax changes will have on small business owners, physicians, and start-up companies. As well, we offer our firm's proposal, which I would like to outline now.

We believe income splitting should be allowed for private corporations to recognize that family capital is at risk and that family members contribute in non-measurable ways toward the success of a business. We also believe that all families across Canada should be entitled to a form of income sprinkling. Therefore, we propose the reintroduction of a modified version of the family tax cut, enabling all Canadians to benefit from income sprinkling.

To make up for the lost revenue of our proposed measure, we would suggest eliminating most stock option deduction benefits. We realize that stock options are a legitimate form of compensation in the high-tech start-up sector. The stock option benefit in this sector could be maintained while eliminating it for Bay Street corporate executives, the true 1% of high-income earning Canadians that the proposed tax measures are intended to target.

To prevent the conversion of dividends to capital gains, we propose a simpler alternative to the draft legislation accompanying the discussion paper. A different system could be adopted whereby long-term capital gains, for example, on assets held for five years or longer, are taxed at the current 50% inclusion rate, but short-term capital gains, held for less than five years, would be taxed at a higher inclusion rate of 75%. If this were to be implemented, the personal income tax rates on dividends and short-term capital gains would be comparable, eliminating any benefit from converting dividends to capital gains.

We believe these suggestions would provide three benefits. The first would be increased revenue for the treasury. Taxpayers had been expecting such an increase in the last federal budget and we believe were prepared to accept such an increase. The draft legislation in this area would not be needed, and therefore simplification of the Income Tax Act would be the second benefit.

The third benefit would be the elimination of the unintended income tax consequences that the draft legislation has on farm and family business succession planning. It has been well documented that the draft legislation would negatively impact succession planning, because the income tax resulting from a sale to a third party would be more favourable than if the farm or business were sold to a family members. Our proposal eliminates the need for the draft legislation in this area, and therefore eliminates this major area of concern amongst income tax practitioners.

Thank you very much for your time.

The Chair: Thank you very much.

I thank all the witnesses for their presentations.

Mr. McLeod, you're first on the list.

● (1130)

Mr. Michael McLeod: Thank you, Mr. Chairman.

Thank you to everybody for coming to present to us in the pre-budget consultation process.

First, I wanted to thank Mr. Gorniak for his recommendations. I think they're very constructive when it comes to looking at the tax discussions and the changes that are being proposed. You're one of the few witnesses who have come forward and offered solutions rather than criticizing what's going on.

I was really surprised at the North Saskatoon Business Association which came out with the first recommendation involving aboriginal people. Being an aboriginal, I certainly recognize some of the challenges that you're up against. One is getting aboriginal people involved and working in the industry. I have four large mines in my riding and they've done really well in tracking aboriginal people, but some organizations are suggesting there are probably well over 150,000 unemployed aboriginal people. We really have a challenge in trying to get aboriginal people to migrate where the jobs and activities are.

Other committees have recommended better wraparound services focusing on mobility issues, some of the literacy challenges the indigenous people have, better training, and transition housing. I wonder if you could talk about the needs in that whole area and the requirements that would help us move forward on that front.

Mr. Keith Moen: Sure, I'd be happy to and will defer to my colleague, Brenda Wasylow, if need be, if she has comments as well.

We're thinking in terms of education and training, provided that the work readiness is there. As we've evolved technologically, we see many people working off their phones, from their home offices, their laptops. There's absolutely no reason, aside from the work readiness training and education component, that the same scenario could not be replicated in first nations.

That's the vision we see and that's where we think there is opportunity for inclusion among first nations and indigenous people. Again, it's a multi-generational thing. We don't think that will happen next year or the next decade, but nonetheless, as I said, it's the first step we would like to see. Of course that would require infrastructure, which is expensive, as you know, and opportunity as well.

That's it for my comments.

Brenda, do you have anything to add?

The Chair: Ms. Wasylow.

Ms. Brenda Wasylow (Past Chair, North Saskatoon Business Association): I am a partner in an aboriginal majority-owned company, so we're hitting some of these things head-on.

I don't want to take a lot of time, but I want to share a story about a trip to China. We were looking at potentially working with a company overseas. One of the things they addressed right away was, "You don't have to hire. You don't have to expand. Just bring your work to China, and we'll do it here for you." That was really disconcerting from a perspective of being an aboriginally controlled company, because there are tremendous resources here of people who are unemployed in this province.

I appreciate some of the comments coming from the polytechnics side of it, because if businesses were being asked to invest dollars to try to bring education and that next step in work readiness skills to the aboriginal community.... I think we need to do a lot more in that area. I appreciate those wraparound services. We're trying to make use of them, but it really is about bringing sustainable education to those aboriginal communities and then helping them transition into our workplace, not just as labourers, but as a highly skilled, highly valuable workforce in our country. We need some investment in education and support services to be able to do that.

Mr. Michael McLeod: I'm glad you mentioned the infrastructure piece, because that's so important in the area that I represent. We'll never get investment if we don't improve our transportation infrastructure.

Mr. Wallace, I want to quickly ask you a few things. I was really glad to hear some of the comments you made about the area that you worked in. For a while, I thought you were talking about the Northwest Territories or the whole north, because we seem to share a lot of the issues that you flagged.

One of the things I've really worked hard on bringing to the government's attention is the idea of rural and remote communities, areas that are challenged by some of the programs we've seen announced historically where there's money announced, but it's based on per capita. It doesn't reflect some of the challenges we have in terms of remoteness and the high costs in the different parts of this country we live in. We also seem to have the challenge of trying to get flexibility from the money that is announced.

Could you talk about some of the benefits that we'd see if we had base-plus funding and flexibility in some of the funding programs we have coming forward?

• (1135)

Mr. Sean Wallace: You are totally right. I did spend some time about two hours north of Yellowknife in Kugluktuk working closely with the mining industry up there, and indigenous employment was one of our big things there as well.

You're right. Everything is more expensive in rural Canada. Gas is more expensive, and you have to travel longer distances to go to work. Recently, the federal government did a federal poverty study on tackling poverty together. Another connection between you and me is that Yellowknife, I believe, was a city involved in that study, as was Tisdale, as a rural community.

The government needs to take a bit more time to figure out what the issues are in rural Canada because they're completely different from what urban centres face. It's hard to find health care professionals, and it's hard to attract people to rural areas. If organizations like SEDA had some funding and support from the

government, we could probably do a better job figuring out how to get better labour market participation in the north.

The Chair: We'll have to leave it there.

Mr. Albas.

Mr. Dan Albas: I want to thank the whole panel today for a very educational, wonderful session. You've done a very good job today as far as soliciting good feedback.

I'd like to start with Mr. Pitka of Ag-West Bio.

To comment, sir, you're totally right when it comes to the demographic challenges we have. Obviously, the previous government sought to extend old age security benefits in recognition of those things. Obviously, the government had a mandate to roll those back. This is not a problem that is going away, and good on you, sir, for presenting some suggestions.

Mr. Engel, thank you for your submission today. Certainly, if we want to have safe installations, I think you raise a very good point, but it also maintains the integrity of the tax system, because often, the professionals you're using bill and pay GST, etc., so it's a very good suggestion.

To Polytechnics Canada, last night, just so you know, I drove by the local institute here quite late, and they all looked like they were working, just burning the midnight oil. I appreciate what you guys do.

My real concern has to do with small business taxation, and I'd like to ask a few different people about it.

First of all, when it comes to passive investments and how the government, in its proposal, has said that it wants to steer people to active investment, my understanding is that companies, if they have active investments, they make them. It's already in their benefit, in terms of depreciation, to make those capital investments for production and all those other reasons.

If the government goes ahead with these rules, I'm worried about the undercapitalization of businesses. I'm worried about some businesses rolling to cash and then having inflation burn, because the government is basically making it very prohibitive. I'm also worried about the role of financial intermediaries. For example, we like to link savers with people who can borrow, whether we're talking about the bond market, whether we're talking about new issuance of stock, etc. I'm worried about the corrosion of the fiscal framework, so to speak, between financial intermediaries.

Do you have anything to contribute in terms of those concerns?

I'll start with Mr. Gorniak, please.

Mr. Michael Gorniak: We have those same concerns. The current taxation system allows for small business owners to accumulate assets and save during the good times, then bank that war chest, so to speak, so that when the bad times come, they can handle the downturns. I have a very good example. I have a client in the construction industry. Three and four years ago they were making \$300,000 to \$400,000 a year. Last year they lost \$50,000. This year they broke even. They've utilized assets that were previously saved in the corporation so as not to have to lay off employees during the slow economic times. They've done a clawback on wages but they haven't had layoffs. From that perspective, it's very important that we take a good look at passive investments.

We have to look at the situation with regard to.... I'm sorry. I'm going to let my colleague take over here. I'm drawing a blank. I apologize.

• (1140)

The Chair: That happens to us, too.

Voices: Oh, oh!

Mr. Braden Turnquist (Partner, Thomson Jasper and Associates): What I was going to touch on is your point about the utilization of financial intermediaries and that role that might happen. Right now, you talk about a company that might have built up that war chest. If these proposed tax changes go through, there's less incentive to keep that, and you lose on the inflation side. Where we may be in a few years is that you'd have companies that would have to utilize that to take on those opportunities, or suffer those down times. Business is already risky and I think taking on more debt adds another level of risk. I'm not sure the intent is to push businesses that way.

Mr. Dan Albas: I'd like to ask Mr. Hopkins, Mr. Moen, or anyone else who would like to, to talk about the passive investment side and what that could mean.

Mr. John Hopkins: I talked to chambers of commerce across the country recently, and this is probably the most egregious change. This could have huge impacts. It's hard to put a dollar value, but some of them I've seen are \$3 billion. That's a \$3-billion tax change in 75 days.

To come back to something else quickly, what we really need is a new plan. Perhaps, as Mr. Easter talked about previously, it's a white paper where we actually get some tax professionals in the room to talk about what we are really trying to do, and have an open, transparent consultative process.

On passive income, we have a lot of concerns. To echo what's already been said, what are you going to do during the down times if you don't have the money to keep your staff? Well, you're going to lay off more people. What about plans to acquire different businesses? How is that going to work?

How is it fair? I'm not an accountant, so these guys are probably way better at this than I am, but this is the scenario that was run by me. If I have a private corporation and I buy an apartment building, I'm going to be taxed at a much higher rate, but if I have 10 people and we join together and form a public company, there are different rules. Why are we not talking about the whole piece as opposed to

just attacking private corporations? That's really what it is. It's an attack on private corporations. That's the way it's being seen from coast to coast to coast.

Mr. Dan Albas: Mr. Moen, do you want to add anything?

Mr. Keith Moen: I agree with the comments so far of all the other witnesses, but I would add that notwithstanding the ability to withstand the down times, in the good times, companies, especially small and medium-sized enterprises, tend to look at their own companies as essentially family members. You want your family to grow and prosper, and that's what businesses do as well, so they'll reinvest that money. It's not like they're going to be keeping that passive money dormant for a long period of time. If they feel there's an actual need, as Mr. Hopkins alluded to, to purchase another business and employ more people, they will. If there are options to invest in further infrastructure to improve productivity, make technological advancements, or employ more people, they will. There is no downside to having a passive investment remain as passive.

Mr. Dan Albas: Perhaps someone wants to throw a hand up and make a quick comment on this. Obviously, rentals are an issue in many parts of the country. Many rentals are owned by CCPCs, Canadian-controlled private corporations. Do you believe this is going to have an impact on the incentives for people to build housing stock?

Mr. John Hopkins: Not only is it housing stock, but your comments drew me to the farm right away. What's the retirement plan for a lot of people who own farmland, who farm? I've worked all my life, for 30, 40 years, because you're not usually going to get a pension out of it. The pension is that I'm going to rent out my land, and now it's going to change.

• (1145)

The Chair: We're a little over.

People may want to put their earphones on. I expect that Pierre will talk in our other official language, French.

Pierre, the floor is yours for seven minutes.

[*Translation*]

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

My first question is for Mr. Engel and it is on insulating ventilation, heating, and cooling systems. I believe firmly in the potential of these measures for reducing greenhouse gas emissions and energy efficiency. I didn't see anything in the brief about this, but maybe that's because I didn't read the whole thing.

What can the federal government do to help in the transition in existing buildings, whether residential, commercial, or government—and I suppose it might be easier for a government—and ensure that new buildings are better insulated?

Should there be a tax credit program? What measures should be taken?

[English]

Mr. Vince Engel: That's a great question, thank you.

We have been pushing for insulation energy audits in federal buildings. It takes a very short time for a qualified person to go in and take a look around the mechanical room in a building like this and very quickly identify insulation deficiencies that are costing money. It's a simple matter, really. It could be a checklist that's provided to building managers to go and take a quick look at their insulation. If they see some of the red flags, they can have an expert appraiser come in and do an audit.

I have a couple of examples of audits that we've done. We did one at the London courthouse. The Ontario government gave us a building and let us go in, and we did a quick audit. It was a fairly new building but, all the same, we found mechanical insulation upgrades that would save \$10,000 to \$14,000 a year in that building. The cost of installing the insulation would be estimated between \$6,000 and \$9,000, depending on the contractor and the cost of the materials. It works out to a payback of nine months. At the same time, we reduce greenhouse gases by about 61 tonnes a year from that one building. We save a lot of money and energy.

That's one of the things the federal government could do. The tax credit is also a great idea for building owners who want to put in the small initial investment of doing an audit on their mechanical insulation and then doing some repairs and replacing of missing or damaged insulation. If there is some kind of a tax credit incentive for that, we think that would be another big step.

[Translation]

Mr. Pierre-Luc Dusseault: Thank you for your response.

I addressed the following topic earlier with a representative from the agriculture sector. Now more than ever the agricultural sector needs to use innovation in order to stay competitive. Having worked in the sector a little bit, I am familiar with the issues related to the production capacity of canola and pulse crops in Saskatchewan, as well as in the Prairies. It is an incredible production. I was wondering what the government could do to speed up innovation in the fields and keep the sector competitive.

Will it take funding for research and innovation, partnerships with universities, or equipment procurement?

What do you think would be the most effective way to help farms remain competitive, but mostly become better than others on a global level?

• (1150)

[English]

Mr. Patrick Pitka: Investment in research and development is critical, including the proposed superclusters, which, if by summer... awarded in the Prairies, could be a major contributor to solving some of those issues.

I know of a group from the three prairie provinces who have put in an application for about \$200 million. They have industry support of over a quarter of a billion dollars at this time to support the

application. It covers research, robotics, technology, the whole gamut.

[Translation]

Mr. Pierre-Luc Dusseault: Now I will turn to the representatives of Polytechnics Canada.

You say that 1.7% of research and development funding goes to polytechnics and colleges and you are asking for that percentage to be doubled.

I would like to know what that 1.7% is based on. Was that figure established by the government? Is that all you manage to get because you have to compete with the universities? Where does 1.7% come from?

Could you be more clear so that we can go ahead and possibly make a recommendation?

[English]

Mr. Kevin Rogers (Director, Applied Research and Innovation, Polytechnics Canada): That 1.7% is a reflection of the total funding provided to the national tri-agencies—CIHR, NSERC, and SSHRC.

Most of what the polytechnics and colleges are competitive for by way of grant funding through those agencies is separated into a pool all on its own that they're allowed to apply to, which is the CCIP pool that was referred to. The entire pool is \$53 million, and it is set by the tri-agencies. That is the total for which we can apply.

Of that \$53 million, \$50 million is actually distributed by NSERC, so you're talking about \$50 million out of the \$3 billion. That's where those numbers are coming from. When you look at having 110 institutions competing for \$50 million, we're talking about, what, \$200,000 each. When you get into large research projects, that covers a single project.

Mr. Pierre-Luc Dusseault: Is it the three agencies that have assigned that?

Mr. Kevin Rogers: It's in conjunction with federal direction that they have done so, but yes, at this point, that's the allocation towards the college pool.

The Chair: Thank you.

Mr. Engel, you mentioned an example of doing the audit on the building in Ontario. You don't have a recommendation on audits in your brief, unless it's in the long one—I didn't look. Would you be suggesting that the federal government, over a two- or three-year period, do audits of their buildings? There are economic savings if your examples work out, and also there's a lowering of greenhouse gases.

What would you recommend in that area, and how do you tie in the tax incentives that you mentioned?

Mr. Vince Engel: The tax incentive, I guess, would tie in when the insulation work is completed and inspected to make sure it was done properly. Then a certain amount of tax credit could be available.

We have talked at the provincial level about trying to implement some system of doing energy audits in provincial buildings. We haven't had many meetings with federal people, to tell you the truth. We've been more concentrating at the provincial level to date. We're just taking this initiative on and are expanding it. I guess it's part of the process for us to get to what you're talking about.

The Chair: Do you have any trouble in that area with an underground economy?

Mr. Vince Engel: The biggest trouble we see is unqualified people doing the insulation.

There are a couple of problems with what you call the underground economy. First, people who aren't qualified just set to work. They look at how the other guy is doing it and do the same. At the end of the day, the insulation is not as efficient as it should be. That insulation is going to be operating in that building for 30 years, and if it's not operating up to par, the meter is running on the energy that's being lost.

One of the other big problems we see, to tell the truth, is value engineering. It may be a term some of you are familiar with. In the construction industry, when you get to the end of a job and there are only a few tradesmen left on site and the money is getting tight—usually it's the insulators and the painters who are last—where are you going to cut back? You can't cut back on the paint because it's visible. The insulation is hidden behind the walls and in the boiler room, and nobody really sees it.

A good example of this, which you may recall, was the Olympic village fiasco a few years ago. They got to the end of that project, and they ran out of money and said, "Cut the insulation."

Then you have, concealed in the walls, a hot water pipe and a cold water pipe, and neither is insulated. The cold water is sweating; the hot water is providing the heat, and all of a sudden you have mould. Before they moved the first person into the Olympic village, they created a boon for insulators and drywallers, who went in there, ripped off all that drywall, and did the insulation properly. That made headlines all over the world. That's one example of the undervalued attention that's paid to insulation. We think it's under everybody's radar, and we're trying to raise awareness.

• (1155)

The Chair: Thank you for that.

Mr. Sorbara.

Mr. Francesco Sorbara: Good morning, everyone, and welcome. Thank you for your presentations.

There have been a lot of good conversations, and I'll get to one or two questions after I finish my little diatribe.

The consultative period did end October 2. I've heard some very substantive remarks from the participants here today, and I thank you for them. I know that in a lot of instances there are some unintended consequences as a result of the proposed consultative paper that was

issued. I have met with a number of tax experts and spent half of Labour Day with one of them, so I understand it.

It is a consultative paper, and we are listening. That's what any government's duty is: to listen. I think our government has raised the bar on listening and consulting over the last two years, much higher than the prior government.

In my riding of Vaughan—Woodbridge there are about 13,000 businesses. I've heard from many of them. I understand full well what it takes to run an SME and to be successful, and the sacrifices that are undertaken by business owners to achieve success. That should be celebrated, and we should be proud of that.

Moving to Polytechnics Canada, your recommendation is to double, from \$53 million to \$106 million, over a number of years. Where would you see that benefit going?

I know for example that BCIT would fall under the umbrella of polytechnics. I am originally from British Columbia and I have family there, so I'm very familiar with BCIT and the trades.

Could you talk about where the benefit would go from that recommendation and how it would assist in closing what I would call a labour supply issue in terms of the skilled trades? The skilled trades are anything from being a mechanical engineer to a bricklayer. Could you just tackle that in 30 seconds, please?

Mr. Dennis Johnson: Thank you.

The need is already there, so the \$106 million would just help to address the current need.

We have a number of programs. There is already a shortfall in the \$53-million range this year. There is \$13 million in documented unmet needs for this year. That's not going out looking for additional work; that's just what's in front of us.

The additional investment would just help to meet the existing needs, primarily from small and medium-sized enterprises, but it would also allow us to expand those activities.

When Polytechnics does applied research, often there is a real direct benefit to the students that you may or may not see in the university basic research. A lot of our applied research projects are direct learning experiences, so in many cases it definitely benefits the skilled trades, and often they're involved in projects.

Mr. Kevin Rogers: If I could add to that, in terms of the benefits, one of the things you find is we're the ones with the boots on the ground when it comes to businesses and developments. At this point we're working with everything from the tech start-ups coming out of the local incubator through international auto manufacturers, so the diversity of the projects is huge, and adding the funds would simply allow us to expand the potential. It has been growing steadily, which is why there's such a large shortfall already, and there is no sign that's going to abate.

The potential is there throughout this country for the polytechnics and colleges when it comes to research.

•(1200)

Mr. Francesco Sorbara: I have one quick comment. Mr. Hopkins or someone brought in the idea of post-mortem versus *inter vivos* estate planning. I am aware of the issues that have arisen with the consultative paper with regard to some of the sections that potentially may be impacted from the paper. Those concerns have been brought forward, so please rest assured.

For the International Association of Heat and Frost Insulator and Allied Workers, a couple of friends of mine own what are called chillers. You put them in buildings and they make the buildings more energy efficient for heating and cooling. They have commented to me about the lack of labour—

Mr. Vince Engel: —a manpower shortage—

Mr. Francesco Sorbara: —or proper individual training. Our government put \$85 million into apprenticeships in our last budget. Have any of those funds flowed down to you folks, or is that being directed toward other areas? If not, then we should talk.

Mr. Vince Engel: I think it's in the works. My colleague can answer better whether any of the money has actually made it to the local training centres, but I know there is a program that the Liberals brought in. We're providing some input from industry on what we think we need to enhance our training and to bring more people into the workforce and get more people trained up faster.

I don't know if you want to add anything to that, Chuck.

Mr. Chuck Rudder (Business Manager, International Association of Heat and Frost Insulators and Allied Workers): We have an application pending with the union for the structured training fund. On direct funding to us, we haven't really received any. Our funding comes from the provincial government in Saskatchewan for our training of frost insulators.

Mr. Francesco Sorbara: I want to talk to Ag-West Bio Inc. You commented on how Saskatchewan and the Prairies have become a powerhouse in lentil production and canola.

I'm going to be very general. How can we continue that?

Mr. Patrick Pitka: We need to continue research to improve yields and transportation. Right now we're exporting lentils to over 120 different countries in the world, so we need to keep the process going. As I said, transportation and research are issues, as well as more processing locally.

Mr. Francesco Sorbara: Thank you, everyone.

The Chair: Mr. Kelly.

Mr. Pat Kelly: Thank you, Mr. Chair.

I've heard you this morning, as well as my colleague Mr. Sorbara, talk about how the consultation period on the tax changes has come and gone; it ended yesterday. The fact that the majority of our panellists this morning have devoted most of their presentations to this topic, I think speaks to the inadequacy of that 75-day period. I'm going to continue on this theme because it's so extremely important to so many Canadians.

John Forgeron is a constituent of mine who, at age 34, quit a high-paying and secure job, mortgaged his home to the max, borrowed hundreds of thousands of dollars from friends and relatives, basically risked the financial stability of his family and, indeed, had the

potential to test family connections by borrowing lots of money from these family members, and went into business. Ultimately, he was quite successful in his business.

He feels insulted and attacked by the very language employed in the tax change proposals. In one of the round tables I held in my constituency, he said that he is exploring setting up in Ontario near the U.S. border in order to better support and grow his U.S. business. He is now looking at Denver, Ohio, or Pennsylvania. The return does not justify putting capital at risk in Canada with the proposed tax changes.

I would like Mr. Hopkins, first, to comment on capital flight.

•(1205)

Mr. John Hopkins: I think the former minister in the Chrétien government has already spoken to that, and there is already capital that is looking to leave this country. There is all kinds of instability out there right now. I was actually on a radio show and started getting text messages from a guy who wanted to know if he should invest his \$250,000 in a business now, or not. In the middle of the show, I'm telling him to talk to his accountant first, because these changes are going to impact him.

This is a very real thing. It's not only that, but it has the potential for the largest brain drain in Canadian history. I don't understand why we would insult the professionals from coast to coast to coast. I don't get that whatsoever. There are opportunities for people to leave this country. Are they leaving today? No. But there is a lot of opportunity for them to move elsewhere, particularly doctors.

In Saskatchewan, what I can tell you is Regina and Saskatoon will be relatively okay, but are towns such as Bienfait, Yorkton, and Prince Albert going to be okay? I don't know. These are the kinds of things we're really concerned about, as well as the ability for businesses to say that some of what Trump—I'm not a big fan of his; let me just put that on the table—is talking about in terms of tax changes and the impact of those, are really starting to resonate with some business people to think if they're going to get hammered here, why wouldn't they set up somewhere else?

Mr. Pat Kelly: We've heard talk this morning about acknowledging that there may be unintended consequences of these tax proposals. Do any of your members care whether the consequences that will affect their business are intended or not?

Mr. John Hopkins: Our members are very concerned about this package of tax changes in total. Again, what we really need to do is take a step back and develop a white paper. I agree with Mr. Easter on this. Let's get the experts in the room.

One of the things I personally found very offensive is that the tax experts weren't invited to the round tables. Why? If we're really trying to get this right.... At one round table I was invited to last week, I brought a tax expert. There was not another tax expert there. I said that he was like a board member kind of thing. He wasn't. Anyway, that's another story.

These tax changes are going to have huge impacts. What's the economic impact? Where's the economic analysis on this?

Mr. Pat Kelly: Speaking of tax experts, I'm going to move to those who are on our panel. I heard a tax expert speak at a town hall meeting in Calgary, where one single accountant said that he has given advice to clients. Clients have come to him for advice over questions around moving over \$1 billion in assets outside of Canada. That's one practitioner at one firm.

Have you had any experience with people, clients perhaps, wondering whether or not it would be in their interest to move money or business operations outside Canada under these proposed tax changes?

Mr. Michael Gorniak: Yes, we have. The short answer is yes. The specific example I can give you is a follow-up to the brain drain to the United States.

Our small business owners are still trying to grasp what's happening here. However, the example I have for you is a meeting that happened in my office with a physician. I have an OB/GYN client who works 80 hours a week and has three small children. The husband stays at home with the children now because you can't get standby child care at three in the morning. One of the issues we're hearing from a lot of female physicians is that their husbands are now stay-at-home dads.

The proposed tax changes with regard to income splitting will affect this family to the tune of \$22,000 per year. She has just come out of university and has 13 years of schooling, with \$300,000 of student loan debt. Now there's an extra \$22,000 a year that's going to be added on top of this.

We had our meeting. We went over the facts. They left that meeting and immediately started to explore the United States. As of last month, in the state of California alone, there were 587 OB/GYN positions available, with \$250,000 to \$500,000 signing bonuses. Goodbye student loan debt. Physicians in the U.S. are paid more.

In the mid-1990s, prior to professional incorporation, Canada was losing 600 to 700 physicians per year. Professional incorporation came in in 2000. By 2006, that has slowed to 122.

If we fast forward, studies in the United States are showing that by the year 2025, the U.S. is going to have a shortage of 62,000 to 95,000 doctors. There are 83,000 doctors in all of Canada. This is scary stuff in terms of what's going to happen to health care should these proposed rule changes go through.

The brain drain is real. We saw the survey from the New Brunswick doctors I believe, three weeks ago. It said that 65% of them said they're going to move to the United States. It is very real.

• (1210)

The Chair: Thank you.

Mr. Fergus.

[*Translation*]

Mr. Greg Fergus: Thank you very much, Mr. Chair.

First, I want to thank all the witnesses who are here today. I appreciated the passion with which they made their respective presentations.

This is my first time joining the Standing Committee on Finance on a Canadian tour. However, this is my third time in Saskatoon. I love this city and the people of Saskatchewan.

I have some questions for Mr. Pitka and Ms. Dorish.

The importance of the agri-food industry and the benefits of the research conducted by that industry cannot be overstated. Not only must we be sure to take our place on global markets, but we must certainly do our part to reduce greenhouse gas emissions, as you said in your presentations. This is important, especially considering the significant changes occurring in your sector.

Could you elaborate on the importance of investment in research and development in your sector for reducing greenhouse gas emissions? Why is it important? We want to ensure that the next budget includes federal government investment in this sector.

[*English*]

Mr. Patrick Pitka: Yes, research dollars are very important. As I mentioned in my presentation, the sequestration of carbon in the soil through the zero tillage process is a new innovation. You don't see the farmers in Saskatchewan plowing their fields, because the carbon just goes up in the air.

It's a start. There are other things.

I'm not a beef expert, but through proper feeding processes, the carbon expelled by cattle can be reduced by 90%. We need more research on how to do that.

With regard to any money that the government can put into research and development, in the Prairies, as I mentioned, there is a 6:1 payback. We're looking at all of those areas in terms of research.

[*Translation*]

Mr. Greg Fergus: In the previous group of witnesses, Mr. Root—come to think of it, his name is rather ironic—talked about the importance of investing in artificial intelligence for the agri-food sector.

Mr. Pitka, do you share that opinion? Do you believe that it is important for the federal government to look to invest in this area in order to advance research in your industry?

•(1215)

[English]

Mr. Patrick Pitka: In my presentation, I talked about the supercluster. Ag-West was involved in putting together a group to make an expression of interest for funding for the supercluster. We've included researchers and institutions from Alberta, Manitoba, and Saskatchewan. It's a \$200-million request. Part of it includes emerging technologies, such as artificial intelligence, big data, and robotic applications. That's part of it. Part of it is improving varieties and more value-added processing and commercialization. It covers that whole area.

[Translation]

Mr. Greg Fergus: Mr. Engel, your association is vital to meeting the challenge of the climate change affecting us all. We must take steps to have certified professionals who can make changes to or renovate our buildings. It is very important especially here in Saskatoon. The last time I was here, in December, it was -35 degrees Celsius. I know firsthand how important it is to have well insulated buildings.

Can you elaborate on your contribution and tell us why it is important for the federal government to keep investing in this area? As you know, our federal government is investing \$60 billion in green infrastructure. That includes the changes that will need to be made to renovate our buildings so that they are on the cutting edge of technology.

[English]

Mr. Vince Engel: I'm not sure what the question is, but I'll say a couple of things. The building code is under review right now. We are lobbying to get stricter, with more thicknesses of insulation and more uses of insulation in new builds. For new federal buildings, schools, and hospitals, we've been promoting the upgrading of the insulation code in the specifications.

There also needs to be a review of the code for retrofits in federal buildings. Special attention, we believe, should be paid to insulation, because over the course of a building's lifetime, maintenance happens in the boiler room, for example, and pieces of insulation are removed so work can be done on the equipment. Many times, that insulation is just put to the side, ends up in the garbage, and is never replaced. Over a period of time, these all accumulate.

There have been studies and surveys done, and they show that in many buildings 20% to 30% of the mechanical insulation is not working right because it has been either damaged or removed. I think we need some attention paid to the building codes and to insulation in particular. We need to realize that the cost of energy has increased so much. Insulation is more valued. Traditionally, it's undervalued by a lot.

I hope that answers your question.

The Chair: Thank you all.

This discovery research, Mr. Pitka, on canola was because at that time Agriculture Canada did recovery research and took a shot in the dark. In the 1995 budget—I remember it well; we were the government at that time—we cut back by going to matching dollars. It was because of budgetary issues, but we went to matching dollars.

Am I wrong in thinking that, because we've now gone to matching dollars, the corporate sector is demanding that we get a return on dollars within five or seven years, and therefore, we're not doing the discovery research any more under that proposal that we used to do? Should we emphasize more public research shot in the dark rather than depend on the matching dollars from the corporate sector, who have their profit they're interested in rather than shot-in-the-dark research?

•(1220)

Mr. Patrick Pitka: Yes, we would support that process because it is tough to come up with matching dollars for these projects, especially from industry, because the IP generally is public as well at that point.

The Chair: Okay.

Mr. Gorniak, on the doctor issue, what number did you say? What are they paying in the U.S. as a signing bonus?

Mr. Michael Gorniak: What we were told from my client who had looked into the matter was that the signing bonuses range from \$250,000 to \$500,000.

The Chair: We've asked our doctors and accounting firms in P.E. I., at least, to write the Minister of Health on this issue, not just the Minister of Finance, because this could have implications. I'm not saying it will, but it could have implications on the health system, and in Atlantic Canada we have the lowest paid doctors and the highest taxes. Our situation is even a little more troublesome than yours.

Mr. Michael Gorniak: Just to add to that, where the real risk is was already alluded to by Mr. Hopkins. The rural areas are going to suffer the most. When doctors start to leave, it's going to be the rural areas, not just in Saskatchewan but across Canada. Trying to attract and retain those doctors is going to be very difficult. If they are fortunate enough to do that, if the proposed tax changes that don't potentially allow income splitting go through, those spouses, if they go with a young family, are not going to be able to get a job in that community, either because they're too hard to find or they have to provide child care.

The Chair: With that I want to thank members and the witnesses for their testimony and their presentations.

The committee will be on the road this week and in two weeks' time in eastern Canada, and then from that we'll hopefully propose some recommendations for the minister to consider in budget 2018.

I want to thank each and every one of you for your presentations.

With that, we'll suspend for about five minutes and then have an open-mike session. I know there's one guy back there who was waving his arms. He wanted on earlier to answer a question.

•(1220)

(Pause)

•(1225)

The Chair: Could we come to order.

Okay. We shall reconvene.

Do we have just the one open mike, Suzie?

The Clerk of the Committee (Ms. Suzie Cadieux): Yes.

Mr. Terry Youzwa (As an Individual): Do you mind if I sit down?

The Chair: Sit down at the table. You can take whichever name you prefer—

Voices: Oh, oh!

The Chair: —whichever you think is the fanciest name.

We'll not stick to one minute, so we'll give you three or four, as you're the only one on.

Mr. Terry Youzwa: Can I circulate this, please?

The Chair: It will have to be in both official languages or you have to give it to the clerk.

Mr. Terry Youzwa: I can give a copy to your clerk. Most of what I'm saying is from this.

Are we ready?

The Chair: Yes, fire away.

Mr. Terry Youzwa: Thank you, Mr. Chairman. It's been a while since we've been in the same room.

I want to be very clear that I'm speaking as a concerned independent farmer. You will see at the bottom of the piece of paper that I've distributed, which is my response to Bill Morneau, which has been circulated to a number of media outlets and journalists, that I am a past chairman of the Canola Council of Canada, and at one time, I chaired the audit committee of the publicly traded companies, Agricore United and United Grain Growers.

First of all, you should know that I'm a proud Canadian. This is not about being a Liberal or a Conservative. It's about right and wrong and it's all about taxes.

I'm really quite appalled at the tone of the rhetoric in the document. I'm shocked that it doesn't appear that financial experts were consulted along the way. This is of such magnitude that it's more important to get it right than it is to do it in a hurry. If you had consulted with financial experts, then the Department of Finance, the Liberal MPs, and the financial experts would all be interpreting the proposal in the same manner and they're clearly not. How can such a huge disconnect exist?

It goes further than that. When you look at these unintended consequences, how could these unintended consequences not be addressed prior to a document going public? One has to ask the question, are these actually objectives?

When we look at specific examples, as they affect farms across our country and small businesses, a 40% tax when passing to your child on capital gains versus 24% tax when going to a third party, what kind of government promotes a program...puts it out there? I know it's just a proposal and it'll change, but why didn't you have the integrity to put the proper proposal in front of us in the first place? It encourages you to sell your land to a third party instead of your own kid. What is the objective of that? Why do public companies have an advantage over private companies? What is your objective—to decimate small communities, every community?

On passive income, we spend decades working with our accountants, and financial experts, and certified financial planners,

so that we can prepare for our retirement. As was said by John Hopkins, for many of us, and I'm in that boat.... My son quit his full-time job, with its benefits and packages. You can read all about a mother's letter, which was my wife's letter, at #SandeeYouzwa. I've done a number of interviews on this subject, as well as podcasts with Charles Adler and John Gormley. They're all there. My son gave up his job to come home to the farm. My retirement income was supposed to be renting out the land and collecting that rental income.

This throws accountants under the bus. Every succession plan in any small company is in jeopardy. How can you possibly contemplate taking up to 73% tax on that value? It's ludicrous. It's ridiculous.

I'll give you two solutions. I'm not familiar with the chairman's white paper, but I think it's talking about the same kind of solution that I'm referring to, which is to start over with a meaningful consultation involving financial experts, so that the financial experts, the Department of Finance, and the Liberal MPs are all interpreting the proposed tax reform policy the same way. We have something right now, where Minister MacAulay and Minister Morneau—who I had a 10-minute phone call from—are suddenly starting to say, “Well, capital gains exemption, that will be exempt. That will protect it. We're not doing this. We're not doing that.”

Why don't you put the real package in front of us then, so we can have a meaningful dialogue? You've wasted the financial experts' time, capital, and resources for the last 75 days. You've insulted them and you've wasted their time, energy, and resources. I'm appalled by it all. I can't believe it's happening in our great nation of Canada.

• (1230)

I implore you to start over with a meaningful consultation with financial experts, the Department of Finance, and the Liberal MPs. Your other option is to drop the whole thing.

In western Canada, we export over 90% of what we produce. Having a low corporate tax is the one advantage we have, and you want to start attacking that. We are the farthest from tidewater of anybody. We have high costs, and we have transportation issues, and you want to hammer us on that one. You say you want to grow our economy, but it sounds to me as if you want to shut it down. I don't know what you're trying to create, but it's not the Canada I want to be a part of.

I thank you for the opportunity to vent a little. As you can tell, I'm rather passionate about this issue. I've put a life's work into it, and I can speak louder as an independent than I can as part of an organization.

• (1235)

The Chair: That's not a problem, Terry. I don't think it hurts to hear the passion. We've heard it in a number of places. I thank you for your presentation. You mentioned that Minister MacAulay and Minister Morneau did say it's not the intention to affect the intergenerational transfer of farms. I look forward to seeing what comes out in the final analysis here.

Thank you, Terry.

Thank you, members.

With that, we will adjourn and move on to our next stop.

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