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CANADA

## **Standing Committee on Finance**

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**EVIDENCE**

**Friday, October 6, 2017**

**Chair**

**The Honourable Wayne Easter**



## Standing Committee on Finance

Friday, October 6, 2017

• (0845)

[English]

**The Chair (Hon. Wayne Easter (Malpeque, Lib.)):** We'll call the meeting to order.

As all the official witnesses know, we are doing consultations in advance of the 2018 budget. The ones who are at the table may not realize that we have a 15-minute open-mike session. This gives anybody who wants it the opportunity to make a one-minute statement on their views for the budget, or their concerns, or whatever. That goes into the record and is, in fact, considered.

We will start with that, but first, committee members might want to introduce themselves and say where they're from. Pat, this is your city, so we'll start with you and go around the table.

Mr. Kelly.

**Mr. Pat Kelly (Calgary Rocky Ridge, CPC):** Thank you, Mr. Chair.

Thank you, everyone, for coming today. I am Pat Kelly. I'm the member of Parliament for Calgary Rocky Ridge. My riding is west of Sarcee Trail and north of Stoney Trail. Think of a corner around the northwest part of the city, and that's my riding. It's great to be back home. I look forward to the presentations.

[Translation]

**Mr. Pierre-Luc Dusseault (Sherbrooke, NDP):** Hello.

My name is Pierre-Luc Dusseault. I'm the member for Sherbrooke in the House of Commons. The Sherbrooke constituency is in southeastern Quebec. I'm also the national revenue critic for the NDP.

I'm pleased to be in Calgary, Alberta this morning.

[English]

**Mr. Dan Albas (Central Okanagan—Similkameen—Nicola, CPC):** Good morning, and thank you to all of our witnesses for being here. It's great to be in Calgary. I actually lived here during the Winter Olympics in 1988. Every time I come back, it's so fascinating to see how strong the city is. I'm looking forward to hearing testimony today. Thank you.

**The Chair:** For translation, the units are at your table, plugged into the system. English is on channel 1, and French is on channel 2. The audience can get units over here.

We'll continue with Michael.

**Mr. Michael McLeod (Northwest Territories, Lib.):** Good morning, everyone. Thanks for coming. My name is Michael McLeod. I represent the Northwest Territories. I'm a member of the Liberal Party. I travel through your city pretty much every Sunday, on my way back from the Northwest Territories to Ottawa. I come through the airport here quite a bit. I spend the better part of Sundays here. I look forward to your presentations. Thank you.

• (0850)

**Mr. Francesco Sorbara (Vaughan—Woodbridge, Lib.):** Good morning, everyone. *Bonjour.* I'm Francesco Sorbara, and I have the privilege of representing the wonderful, dynamic riding—much like the city of Calgary—of Vaughan—Woodbridge, which borders the city of Toronto. I'm originally from the north coast of British Columbia, though, so I understand some of the resource issues and opportunities that Alberta and Calgary have. I look forward to hearing everyone's presentations. Thank you.

[Translation]

**Mr. Greg Fergus (Hull—Aylmer, Lib.):** Hello everyone.

My name is Greg Fergus. I'm the Liberal member for Hull—Aylmer, a constituency in southwestern Quebec. It's beside Ottawa, on the other side of the river.

I'm pleased to be here again in Calgary.

I have visited Calgary a number of times. I have many good friends here, and I take every opportunity to spend time in the city. I'm also pleased to announce that my son became an Albertan a few weeks ago, after finding a job in Jasper. I know that Jasper is a five-hour drive from here, but I'm happy to have another link to Alberta.

[English]

**The Chair:** I'm Wayne Easter, member of Parliament for the riding of Malpeque, Prince Edward Island, which is the central riding between Charlottetown and Summerside. Actually, I worked in Crossfield, Alberta, when I was 17, on a beef ranch. Calgary's changed a little since then. I guess that would have been in 1968 or 1969, and I had hair, and it was brown then.

We'll start with the open-mike session, with Shane Bishop.

**Mr. Shane Bishop (As an Individual):** Thank you, honourable Wayne Easter. My name is Shane Bishop, CEO of Catalyst Healthcare. For reference only, my company is an integrator of technology solutions that enable patients and persons to take their medications as prescribed.

There are medical devices entering the market at this time, such as the one under my arm, which reside in patients' homes and communicate live back to pharmacies. These devices alert patients to take their medications on time, and spit out medications so you enable and ensure that patients take them safely, thereby keeping this high-risk population out of the hospital and decreasing the burden on the health care system.

It is my understanding that the committee made a recommendation last year around diabetic devices. I am here to seek the same type of treatment with this type of device. Keeping people out of the hospital is what it's all about.

Thank you so much.

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

We'll turn to Jeremy Zhao.

The floor is yours.

**Mr. Jeremy Zhao (As an Individual):** Hi. My name is Jeremy Zhao. I'm a volunteer with Engineers Without Borders Canada.

In budget 2018, we ask that Canada commit to a timetable of predictable annual increases in 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 by 9% in the past year, according to the OECD, it is disappointing that Canada's own contributions have declined by 4%.

Increasing aid would help Canada achieve its sustainable development goals and increase economic growth. Forthcoming research from the Canadian International Development Platform suggests that countries receiving development assistance tend to import more Canadian goods than they would without aid.

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

Thank you very much for your time.

**The Chair:** Thank you, Jeremy.

Next is John Forgeron. Welcome.

**Mr. John Forgeron (As an Individual):** Good morning.

I am the founder and president of a Canadian private company that employs 280 people. We've hired 156 Canadians in the last 12 months and despite the downturn, paid \$15 million in tax over the last 30 months. We were recognized as entrepreneur of the year by *PROFIT* magazine for high growth in employment.

My interpretation of what I am seeing in the tax proposal is that it is not something we seem to want in Canada anymore. My wife and I had to put our home up twice, once in 2008 and again in 2016, and we continue to have leverage against our home right now to get us through the downturn that we just got through as an organization. By the new rules, my interpretation is that it is now in question as to whether I can transfer dividends to her.

I am angered at the ignorance that supports that line of thinking. Our government seems to lack the understanding of what it takes to

rein in spending and conserve cash in order to survive very difficult times. I believe that if Liberal MPs don't get behind their business constituents and vote against the tax proposal that's on the table, Canadians will lose jobs and we will have an accelerated international exodus from the investment community into Canadian businesses. This is already well under way.

Two weeks ago, I approved expansion plans in the U.S. and cancelled any further review of Canadian expansion of our organization. We were considering Ontario. We've dropped that completely. The message I am getting is that you are a fool to put capital at risk in the current environment in Canada.

Reduce spending. Stop taking more than what's reasonable from the economic engine that drives the tax base and creates jobs for Canada. This plan is going to kill the dream of the Canadian entrepreneur. Listen to those of us who know and understand business. I am willing to bet that most Liberal MPs know in their heart that this plan is wrong, ill-conceived, and poorly researched, and it has great risk. Do what is right. Vote this thing down.

• (0855)

**The Chair:** Thank you, John.

We are hearing a fair bit on that issue across the country. Consultations were over on October 2. I would suggest that if you have any feedback, you send it to the Department of Finance. The press release from the minister is there. I think any additional information would be helpful. Thank you for your directness.

Saqib Qureshi, go ahead.

**Mr. Saqib Qureshi (As an Individual):** Good morning. My name is Saqib Qureshi, and I represent Oxfam.

We have two recommendations.

One, we are calling 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 for the parliamentary committee on finance to ensure that at least 15% of witnesses in the pre-budget consultations represent women's rights organizations.

Two, we are calling on the government to invest in the success of a feminist international assistance policy by committing a year-on-year increase to Canada's international assistance envelope, and to strengthen the women's rights onus here in Canada by investing \$100 million annually in the status of women.

Thank you.

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

Thank you to all for your open-mike presentations.

We are slightly ahead of time, but we will turn to the official presentations. We hope that people can keep them to around five minutes.

I also want to indicate to people that submissions that were sent prior to the mid-August deadline can be found on people's iPads. They're fairly extensive submissions, and they all will be considered as part of the pre-budget consultations.

We'll start with Mr. Legge and Ms. Addington, who are with the Calgary Chamber of Commerce.

Welcome, and the floor is yours.

**Mr. Adam Legge (President and Chief Executive Officer, Calgary Chamber of Commerce):** Thank you, Mr. Chair and committee members, for your stop here in Calgary.

It's a pleasure to address the Standing Committee on Finance regarding budget 2018 and how the federal government can help Canadian businesses to be more productive and competitive.

Our recommendations focus on policy changes that will build on the recommendations of the finance minister's economic growth council, benefit Canadian businesses, and address Canada's budget deficit by broadening the tax base, all while costing little in terms of program spending. Through consultations with the Calgary business community, the chamber has identified four ways for the federal government to improve Canada's productivity and competitiveness.

The first is to offer a competitive tax jurisdiction. In the 2018 budget we can improve the competitiveness of Canada's tax system by reducing the overall burden of corporate taxes, reducing complexity, and addressing barriers that discourage business growth. The chamber believes that the way to raise revenue and encourage economic growth is to lower tax rates and expand small business eligibility, because lower corporate tax rates free up money that can instead be invested and support business growth, which will in turn broaden the available tax base through economic growth and corporate scaling.

In a recent Calgary chamber survey, 41% of Calgary businesses thought the number one thing that government could do to support their success was to reduce corporate income taxes and fees. Therefore, the Calgary chamber recommends that the federal government reduce the small business tax rate from 10.5% to 9% by 2019—in line with the Liberal Party of Canada's campaign platform—increase the small business income threshold from \$500,000 to \$1 million, reconsider the changes proposed to taxation of private companies, and, at a minimum, extend the consultation period to allow for proper discussion and full consideration of the effects of proposed tax changes.

The second is to improve workforce skills and participation. Despite Canada having a highly educated workforce, its productivity levels remain lacklustre. As Canada's population continues to age and workforce growth slows, the Government of Canada can increase productivity through budget 2018 by enabling increased participation of under-represented groups in the workforce. Raising the participation rates of Canadians without post-secondary education has the potential to add \$38 billion of GDP. In addition, increasing the participation rates of indigenous peoples up to those of non-indigenous Canadians could add another \$7 billion of GDP annually.

We also heard from members that there is a skills gap, a mismatch between the skills being obtained by our workforce and the skills needed by businesses, particularly for the digital economy. Therefore, the Calgary chamber recommends that the federal government introduce a broad tax credit for employers across Canada to offer training, post-secondary placements, and internships, and introduce

tax incentives for training of under-represented groups in the workforce and workers who may not have the necessary skills to succeed in an increasingly digital world.

The third is to incent innovation. Canada lags behind our peer countries on innovation. Fifty-three per cent of technology companies report that finding and hiring experienced talent is their biggest obstacle to growth. The federal government could continue to work with the business community to address barriers that are limiting access to highly skilled global talent. Canada does not benefit as much as it should from the intellectual property created here. All federal government programs, such as SR and ED, have encouraged greater private sector expenditures in research and development, but Canadian businesses are still struggling to translate those expenditures into revenues. The Calgary chamber therefore recommends addressing the revenue side by reducing the corporate tax rate on any new revenues earned on innovative or new technologies developed in Canada, through what is commonly referred to as an intellectual property or R and D box tax program.

The final recommendation is to encourage capital investment for business growth. Canada has a company growth problem. Canada's 1.2 million small and mid-sized companies are critical to innovation and entrepreneurship and employ nearly 70% of the Canadian workforce, but only 1.4% of Canada's mid-sized companies go on to become big companies. In the 2018 federal budget, the Government of Canada can encourage business scaling by addressing the barriers limiting small and mid-sized businesses' access to capital. The Calgary chamber therefore recommends that the government establish a federal investor tax credit, similar to that in the provincial models, equal to 30% of investment against federal taxes to encourage greater capital investment in small and mid-sized companies. The program should be open to both small and medium-sized companies looking to expand production.

That is all for our comments. Thank you very much for your time and attention. I'm very happy to take any questions.

Thank you.

• (0900)

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

Next is Mr. Bayko from the Canadian Association of Oilwell Drilling and Contractors.

**Mr. John Bayko (Vice-President, Communications, Canadian Association of Oilwell Drilling Contractors):** Thank you for the opportunity to address the committee today.

I represent oil well drilling and well servicing contractors across Canada. These are the hard-working women and men who spend their days on drilling and service rigs drilling holes in the ground to eventually become the producing wells that supply us with affordable and reliable energy. We are particularly pleased to speak about measures that would help both individual Canadians and Canadian businesses be more productive and competitive.

We feel Canadians have a lot to be proud of when it comes to our oil and gas industry, and that the majority of us support its development, provided it is done responsibly. We say this with confidence because in September 2016 our association presented petition E-216 to the House of Commons with nearly 35,000 signatures in support of Canadian oil and gas, and building pipelines.

Additionally, since February 2016, we have been travelling across the country speaking with regular Canadians, who tell us they want pipelines and access to Canadian oil and gas. They recognize pipelines would mean thousands of Canadian jobs, a bright future for Canada's economy, and a safer way to transport our responsible, ethical resources to Canadians and the rest of the world.

Yesterday, TransCanada announced the cancellation of energy east. This cancellation follows five years of undertaking a comprehensive, collaborative effort that included hundreds of community open houses, hundreds of consultation sessions with indigenous communities, and saw support from thousands of Canadians across the country. Unfortunately, the NEB announced in an August press release that it would now consider upstream and downstream greenhouse gas emissions in determining whether energy east and similar projects were in the public interest, adding another layer of complexity to TransCanada's application. It would seem this announcement was one hurdle too many for TransCanada, and the project was cancelled.

Our oil and gas industry has a long history of building Canadian businesses and allowing Canadian families to prosper. In fact, it can be argued that all of our resource industries are a big reason why a large country with a small population has, in the 150 years since its Confederation, become a country with one of the highest standards of living in the world.

In our opinion, a lack of market access for Canadian oil and gas is a large short-, mid-, and long-term liability to the Canadian economy. For this reason, yesterday's announcement was a terrible blow to our industry and the entire country.

Without investment in our resource sectors and a modern distribution system to get our products to world markets, the future of our national economy is in jeopardy. Although we have approvals for some pipeline projects in place, lengthy and expensive application processes, with continued delays and significant, often redundant, regulatory hurdles have left many wondering whether Canada's days of building large-scale infrastructure projects are gone.

Without new pipelines, we will not remain competitive in global markets. Investors, employers, skilled workers, and customers know this and are increasingly losing faith in Canada and taking their money and expertise elsewhere.

Meanwhile, as confidence in Canada's oil and gas industry erodes, the United States, our number one customer, has made it clear that energy independence is a priority. Americans have built 16,000 kilometres of pipelines, lifted a 40-year export ban on oil and gas, and are building an LNG business to supply growing world markets. Our number one customer is now our number one competitor, and its oil and gas workers and business are both productive and competitive.

If we don't start building the infrastructure to properly supply new customers, our industry, an industry that employs 450,000 people across the country and remains Canada's single largest source of private sector investment, will be at a massive disadvantage, and other suppliers will step in and capitalize. We are at risk of becoming a marginal player in one industry that we know for certain has a track record of providing good jobs and revenues that allow our country to prosper and grow, in effect helping Canadians and their businesses to be productive and competitive.

What can government do? Well, Mr. Chairman, we're not asking for any money today, so I'm sure you'll be pleased with that. We have the following suggestions.

Number one, stand firm in the position that pipeline construction falls under federal jurisdiction, and make getting responsible and ethical Canadian oil and gas to Canadians and world markets a priority.

• (0905)

Number two, stand behind regulators and businesses by letting them begin the construction of pipeline projects.

Number three, assure Canadians that these projects will be monitored throughout their development and that the most advanced, best-in-class technology will be even better than what we have now.

Number four, defend and promote the benefits of our industry, including our world-class standards and technical expertise, as well as the fact that the revenues from this industry go directly into supporting the social programs and humanitarian efforts Canadians are so proud of.

Thank you for your time today, and I am happy to answer any questions you may have.

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

From the Canadian Association of Petroleum Producers, we have Mr. Brunnen.

• (0910)

**Mr. Ben Brunnen (Vice-President, Oil Sands, Fiscal and Economic Policy, Canadian Association of Petroleum Producers):** Good morning, Mr. Chairman, and members of the committee. Thank you for hosting me here today for a presentation.

The Canadian Association of Petroleum Producers represents the upstream oil and gas sector in Canada, which accounts for approximately 80% of total Canadian production.

Encouraging oil and gas investment is key to strengthening our national productivity and competitiveness. Our industry employs approximately 600,000 people in Canada, contributes \$113 billion in GDP, supports 24,000 businesses across the country, and procures \$3.9 billion from aboriginal companies.

Our sector is struggling, however. Technology has unlocked an abundance of resources at prices lower than were thought possible just 10 years ago. The future is a lower price, higher volatility, and increased competition, and the U.S. has embraced this opportunity. The U.S. will produce a record amount of crude oil this year, and their oil and gas exports to Canada are displacing Canadian supply. U.S. oil and gas investment will increase 38% this year, and that's approximately \$46 billion in growth alone. This is equivalent to the entire value of the Canadian upstream.

In contrast, oil sands investment has declined for the fourth consecutive year, from \$34 billion in 2014 to \$15 billion in 2017. On the conventional side, while investment is on the rise this year, we are still 40% below 2014 levels.

The challenges confronting our sector are both economic and policy-related. The U.S. is deregulating, encouraging investment, and expanding access to markets, while in Canada we estimate there are between 40 and 50 different government policy initiatives that could negatively impact the industry.

There is, however, a global opportunity for Canada. By 2040, global population will be 9.2 billion, and the middle class is expected to double in size. As a result, global energy demand is expected to increase by 30%. While renewables will be part of this growth, oil and natural gas demand will also increase substantially, and Canada has an opportunity to position itself as a supplier of choice to the world. We are the most stringently regulated jurisdiction, and our industry is strongly committed to environmental performance.

Canada's Oil Sands Innovation Alliance alone has invested \$1.3 billion in environmental technologies, and the world is recognizing this. In a poll commissioned by CAPP involving 32 countries and 22,000 people, by a two-to-one margin, global citizens prefer to get their oil from countries that have strong climate policies. If given the chance, these citizens would buy oil and natural gas from Canada more than any other country in the world.

Basically, the world wants more Canadian oil and gas, and all we need is a policy environment that will enable us to satisfy this demand. Canada's income tax system is a key tool in this regard. For oil sands, the future has always been in technology. The 1993 national oil sands task force realized this vision, and since 2005 oil sands has represented the third-largest source of global oil supply growth. That's a phenomenal accomplishment.

The next wave of technology will focus on environmental performance, cost reduction, GHG emissions, water use, and land footprint. However, it's very difficult for companies to commercialize new technologies, because of the risks and drain on cashflow during commercialization. The accelerated capital cost allowance is the most significant tool to encourage investment in large-scale technology projects. The ACCA is a deferral of tax until costs have been recovered and is suitable for industries with high upfront capital costs and long lead times until payout. The national oil sands task

force saw the value of this tool, and now we need it to advance environmental technology.

CAPP recommends that the federal government introduce an ACCA for oil and gas investment in clean tech and value add.

On the conventional side, our sector has become increasingly disadvantaged. In the 2017 budget, the Canadian exploration expense was curtailed so that only when an exploration well was deemed unsuccessful could a claim be made. This small change raised Canada's marginal effective tax and royalty rate by half of one percentage point. Even prior to this, Canada was at a disadvantage versus the U.S. The Canadian development expense, CDE, which is the tool for companies to expense intangible capital costs, only offers a maximum 30% deduction. In the U.S. these costs are between 70% and 100% deductible.

We recommend that the Canadian government update the CDE regime to make it comparable with tax conditions in the U.S. oil and gas industry. This would ensure that investments in Canadian resources are not seen as less attractive relative to competing jurisdictions.

In closing, thank you for the opportunity to present to you today, and I look forward to your questions.

• (0915)

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

We'll now turn to Festivals and Major Events Canada.

Martin Roy, please go ahead.

[Translation]

**Mr. Martin Roy (Executive Director, Festivals and Major Events Canada):** I want to say hello to the members of the Standing Committee on Finance and to Mayor Nenshi.

[English]

Festivals and Major Events Canada speaks as the recognized voice of the festivals and events industry in Canada. Today it's a growing coalition of 27 of the country's largest events, including the Stampede here in Calgary, the TIFF in Toronto,

[Translation]

the Festival international de jazz de Montréal and the Festival d'été de Québec,

[English]

just to name a few.

Although they accumulate an overall budget of almost \$450 million, FAME members form a fragile industry. Most of them are SMEs and NPOs. Their popular success doesn't necessarily translate into financial success, since a lot of them offer free activities and all of them face multiple challenges.

FAME Canada has submitted a brief to the House of Commons Standing Committee on Finance in which it is proposing the creation of a new federal program for the growth of festivals and major events. It has a budget of over \$1 million and a capacity for attracting international tourists and/or generating an economic impact in their region. The funding program described here will help meet Government of Canada priorities through increasing the productivity of Canadians in increased labour market participation, training, education, and experience, especially among youth.

Security training in particular is an integral part of FAME's recommendations. Security costs—I don't have to mention them a few days after the terrible Las Vegas shooting—have multiplied, and are now one of the most important expenses for festivals and events. If it were only for this purpose, the program that we suggest would be justified.

Elsewhere, various jurisdictions have understood the importance of investing in festivals and events. Texas alone invests nearly \$40 million annually in funds for various events. Australia has come up with the event partnership program. In the U.K., British Arts Festivals Association members get 13% of their revenue from the arts council, while here in Canada FAME gets barely 4% from different federal departments and organizations. An event that I visited this summer, Winnipeg Folklorama, doesn't even receive a cent.

FAME suggests using part of the 150th anniversary budget allocation to start a permanent fund, administered through Canada's regional economic development agencies. The overall objectives include increased attendance and geographic reach, increased tourist visitation and expenditures, and improvement in quality and sustainability of major events in Canada.

Based on the marquee tourism events program, a program that was positively evaluated but ended in 2011, we estimate that a fund of \$45 million per year would have a tremendous impact, but we understand the government's financial situation, and of course we could review it. As an example, both Quebec and Ontario have programs in which they invest around \$20 million per year.

[Translation]

Tourism plays a crucial role in the Canadian economy. It amounted to \$34 billion of the GDP in 2016. I want to focus on the importance of festivals and events in the tourism industry.

[English]

As worldwide social phenomena, festivals and events are now considered conversion products that turn a vague intention to visit a destination into concrete travel plans. Last year almost 120,000 tourists visited Montreal mostly or exclusively because of the Montreal international jazz festival. Almost 37,000 were from the United States, and over 42,000 were from other countries. With only a fifth of the grants received by the Formula 1 Grand Prix du Canada, the jazz festival has almost the same economic impact and

creates more tax revenue than this famous car race. I could go on and on with such examples.

[Translation]

A number of studies have demonstrated the economic importance of festivals and events. A 2009 study found that 15 of the largest festivals and events attracted 12,600,000 attendees. These festivals and events contributed \$650 million to the GDP and created or maintained 15,600 full-time jobs. The analysis also estimated that the 15 events generated \$283 million in direct and indirect tax revenue for the three levels of government each year. It has also since been established that each dollar invested by the government pays off 2.5 times in terms of taxes in the same fiscal year.

[English]

In conclusion, FAME suggests conducting an economic impact study during the first year of an eventual program and one every three to five years to precisely measure the industry's growth based on the investments made. FAME members are committed to increasing the number of international tourists they attract, knowing that each tourist will spend an average of \$1,035 during their stay.

• (0920)

FAME is committed to supporting its members to grow, to professionalize the industry as much as possible, and to represent it extensively.

Thank you.

**The Chair:** Thank you, Martin.

Next is Mr. Acuna from Oxfam Canada.

**Mr. Ricardo Acuna (Chair, Oxfam Canada):** Mr. Chair, and committee members, thank you for the opportunity to present Oxfam's recommendations for Canada's next federal budget.

Oxfam is an international confederation working in 90 countries in poverty and inequality around the world, through long-term development, humanitarian assistance, and campaigning. We put women's rights and gender justice at the heart of everything we do.

Earlier this year, Oxfam revealed that eight billionaires own the same amount of wealth as the poorest half of humanity. Extreme inequality is also a reality in Canada, where just two men own more wealth than the bottom 30% of Canadians. Growing inequality is bad for all. It makes it harder to end poverty and it has particularly adverse consequences for women who continue to make up the majority of the world's poor.

Our current global economic model relies on women's cheap labour to maximize profits. The hotel industry is a perfect example. Later this month, Oxfam will publish a report looking at how hotels increase their profit margins by squeezing women housekeepers out of decent pay and stable employment, and how they turn a blind eye to work-related injuries and sexual harassment.

We interviewed dozens of housekeepers in Canada, the Dominican Republic, and Thailand about the exploitation they experience.

With a feminist Prime Minister and a government committed to inclusive growth, Canada can begin to help shift exploitative economic models to ensure that all work is fairly paid and equally valued. This can start with concrete measures in budget 2018.

Before outlining specific budget recommendations, let me share the stories of two of the hotel housekeepers we interviewed.

Lei is a young Filipino woman who works as a housekeeper in a luxury hotel in downtown Toronto. Before she led the fight to unionize workers in her hotel, she had to work up to four hours a day of overtime without pay to clean her daily quota of rooms. In luxury hotels, beds can weigh up to 100 pounds. Lei injured her back three years ago and her employer made little effort to reduce her workload. She now suffers chronic pain and worries about what will happen if her body gives out.

We also interviewed Candida, a mother of four in the Dominican Republic. Candida used to work at a luxury resort in Punta Cana where many Canadians vacation. She would leave the house at 5 a. m. every day and would never know when she would return. She worked up to 14 hours a day without breaks, only getting paid for eight. She barely saw her children and the money she earned wasn't enough to make ends meet.

These are just two stories, but around the world, millions of women are being exploited by a system that puts profits before people.

Federal budget 2018 provides an opportunity for Canada to tackle gender inequality in the economy. I'd like to stress our four key recommendations.

First, the government should take gender budgeting to the next level. The government took an important step by introducing Canada's first gender statement in federal budget 2017. Now it's time for Canada to go a step further and ensure that the budget-making process actually contributes to greater gender equality. The government can do so by appointing a council on gender budgeting to advise the Minister of Finance and by strengthening the capacity of government departments to conduct gender-based analysis.

This committee should also ensure that at least 15% of the witnesses in the pre-budget consultations represent women's rights organizations.

Second, the government should increase foreign aid to demonstrate real global leadership on women's rights. The world is looking to the Canadian government for leadership on gender equality, particularly in a context of political backlash against hard-won women's rights in many corners of the world.

This spring Canada launched its first-ever feminist international assistance policy. The policy provides an ambitious road map, but its success will be undermined if it's not backed up by bold, new investment. The government should commit to year-on-year increases to Canada's international assistance envelope in 2018-19, and develop a 10-year plan to achieve the international benchmark of 0.7% of gross national income.

Third, the government should take meaningful action to protect workers' rights both at home and abroad. The world over, women are overrepresented in precarious work that keeps them stuck in poverty. The government should take steps to ensure women earn living wages by raising the minimum wage for employees under federal jurisdiction and awarding federal government contracts only to living-wage employers.

The government must also do more to hold Canadian companies accountable to human rights standards when they operate abroad. It can start by setting up and adequately resourcing an ombudsperson office that is effective and impartial to investigate human rights violations by Canadian companies.

Finally, the government should increase the budget of Status of Women Canada. Evidence shows that women's rights organizations are the best place to advocate for policy solutions to improve the lives of women, yet they are severely underfunded. This may help explain why so few are able to feed into the federal budget-making process. They're simply too time- and resource-strapped. To get us onto the right path, the government should invest \$100 million in Status of Women Canada to increase its ability to fund women's organizations in Canada.

● (0925)

We hope the committee will consider these four recommendations to help close the gap in earnings and opportunities between women and men around the world.

Thank you.

**The Chair:** Thank you, Ricardo.

We turn now to Mayor Nenshi. Welcome, Mayor.

[*Translation*]

**Mr. Naheed Nenshi (Mayor, City of Calgary):** Thank you, Mr. Chair and members of the committee. I'm pleased to welcome you here in Calgary.

[*English*]

Thank you so much for coming to Calgary today and for the hard work you're doing in developing the budget.

As you know, the economy here in Calgary has been hit hard over the last couple of years. Certainly this summer we added tens of thousands of jobs. We are no longer the city with the highest unemployment rate in Canada, but we're the second highest. Clearly, much work needs to be done to sustain this fragile economic recovery, and all orders of government must work together in order to do that.

It's a weird place for us to be, here in Calgary. We're used to being Canada's economic engine. We're used to having the lowest unemployment rates in the country and bringing our prosperity and sharing it with the rest of the nation. We want to be back in that role, and we look forward to working with you to make that happen.

In my few minutes with you this morning, I want to talk briefly about six items that are very relevant to what we are doing here in Calgary. The first two are around infrastructure.

The first is about phase two of the investing in Canada plan. Let me say that we are extremely grateful for the government's interest in economic stimulus—as well as the previous governments'—and we have been able to deploy those funds into building infrastructure that is desperately needed by Calgarians.

This summer we were able to deploy \$2 billion into the economy, thanks to partnerships with the federal and provincial governments as well as good financial savings from the City of Calgary. If you get a chance to travel around Calgary while you are here, you will be cursing the amount of road construction that is going on—guilty as charged. This is a very good opportunity for us to be able to build the infrastructure people need while construction costs are lower than they were two years ago and while people are out of work.

We are very interested in continuing to do that work, and we really do need clarity from the Government of Canada on how and when municipalities can access the funds of phase two of the investing in Canada plan. To give you an example, we are greatly appreciative of our phase one funding. Our pledged phase two funding from the public transit infrastructure program for the green line actually represents the single largest investment in Calgary's infrastructure by the federal government in Canadian history. However, we want more, of course, and one of the things I might highlight is that the City of Calgary has not received any of the nearly \$200 million of funding available through the clean water and wastewater fund.

I just want to make the committee aware that the City of Calgary supports the watersheds throughout this region in supplying drinking water to the city of Airdrie, the town of Chestermere, and the town of Strathmore. As well, recently we agreed to supply more water and wastewater infrastructure to the Tsuut'ina first nation. I have often said that I will not be a part of the problem with drinking water on our first nations, and when we can solve it, we will.

Second, I just want to mention quickly phase two of the investing in Canada plan relating to investing in green infrastructure, and I particularly want to speak about that in relation to watershed management. We would be very appreciative of the Government of Canada considering a financial commitment to our overall watershed management, which of course involves flood mitigation upstream of the city of Calgary, managing our water supply in drought years, and climate adaptation-focused projects.

We all know that until the Fort McMurray wildfires last year, the flooding in southern Alberta in 2013 was the costliest natural disaster in Canadian history. While we have done great work in the four years since, within the city of Calgary we continue to need assistance in upstream flood mitigation. Calgary is a city that is built at the confluence of two rivers in a place the Blackfoot called *Moh-Kins-Tsis*, the elbow. We can't move the city. We can't make room for the river. This is where the rivers are. As a result, it is incredibly important that we do the engineering work on the upstream mitigation.

We've had a lot of conversations on upstream mitigation on the Elbow River, and we are now in the midst of having conversations about upstream mitigation on the Bow River. That mitigation is critical to protecting Calgary's downtown from further flooding events, and it's very expensive, so it is an area in which we will be looking for the federal government to participate. As well, aggressive action was recommended by the province in its August 2017 Bow River water management report that we were very pleased to be part of. We need to continue to make sure we're building resilience against floods.

Third—and you'll hear it from every mayor, of course—is affordable housing. Our role as an economic engine needs affordable housing. We have to make sure we have affordable housing throughout the spectrum. For many years, federal and provincial governments abrogated their responsibilities for building new affordable housing units. We're very thrilled to be working with Minister Duclos on a new national housing strategy, along with my colleagues at the big city mayors' caucus of the Federation of Canadian Municipalities, but we need more.

● (0930)

Calgary is 15,000 units short of meeting the national average of affordable housing units, which was already too low. Only 3% of our housing stock is non-market, and if we're lucky, we build 100 or 150 units at a time. I've been cutting ribbons on eight-unit projects. We really need a very different way of thinking about affordable housing.

I'll go through the last three quickly.

The next one is on addressing poverty. Once again, it is time for a national poverty reduction strategy. I, along with many other mayors of course, have been a proponent of the basic income strategy; however, regardless of whether the political will exists to do that, we need to make poverty reduction a priority across our community and we would love to work with the Government of Canada to do that.

Number five is the legalization of cannabis. You may or may not know that the cities are doing all the work. The provinces recently suggested that the 50-50 split of any cannabis tax revenue is not fair because the provinces have the bulk of the work. Actually, the cities have the bulk of the work. We have to do the zoning, the regulation, the prevention, and most important, the policing, the enforcement. As a result, we need to come up with an equitable share. I would strongly suggest to the Government of Canada that any program around an excise tax on marijuana include direct transfers to the municipalities, not working through the provinces.

One small issue, but one that is very important to us, is that in this city we are experiencing the extraordinary impacts of the fentanyl crisis. We lose three to four people a week to overdose. That's far more than we lose to car collisions and violent crime together. We are very grateful for the health minister's and others' participation in addressing this crisis, but there is one very specific ask we have of you today, and that is funding for the Calgary Drug Treatment Court.

I've recently written to Minister Wilson-Raybould on this. Through alternative measures in the justice system it is an incredibly effective program to help people struggling with addiction, and they have to fundraise for it. They have bake sales to pay for the Calgary Drug Treatment Court. It's just not right. It's an integral part of the justice system. It pays for itself multiple times over, and right now it has to turn clients away. We seek a very small ask from the Government of Canada. It's not even a rounding error of a rounding error, but it is critical to improving people's lives.

With all of that, thank you so much for being here.

I apologize that I was both late and will have to leave early, but if you have questions for me, I will be here for the next 45 minutes or so.

**The Chair:** That will be pretty close to the end of the panel.

Thank you, Mayor.

Before we go to Mr. Fergus, I have two questions.

The Canadian Association of Petroleum Producers said the investment is below 2014 levels. It may be in the brief, but I couldn't find it. Can you get that number for us? It will be in the record anyway, but how much lower is it?

**Mr. Ben Brunnen:** Investment in oil sands was \$34 billion in 2014. It is now \$15 billion.

**The Chair:** Okay.

Mayor Nenshi, many years ago when I was solicitor general, I was involved in setting up the drug court in Vancouver's Downtown Eastside, so I'm familiar with that approach. Could you make sure the clerk gets a copy of a proposal for the Calgary Drug Treatment Court? We would appreciate that.

**Mr. Naheed Nenshi:** I will do that, thank you.

**The Chair:** Okay, we're starting seven-minute rounds with Mr. Fergus.

[Translation]

**Mr. Greg Fergus:** Thank you, Mr. Chair.

I want to thank all the witnesses, especially the people from the general public who came to share their point of view. We greatly appreciate it.

Today is the last day of the first half of the Standing Committee on Finance's Canadian tour. Since I have only seven minutes, I'll ask Mr. Brunnen very specific questions.

You mentioned that we have a golden opportunity to promote Canadian oil. You said we had opportunities available worldwide.

You also mentioned that it was important for Canada to find a balance, that countries wanted our oil because it's clean and doesn't cause human rights issues, and that Canada had a good reputation. You said we needed to find a balance by implementing policies that show we're serious about the environment. Can you elaborate on this?

• (0935)

[English]

**Mr. Ben Brunnen:** I am sorry, Mr. Chair, I did not hear the question.

**The Chair:** You didn't hear it?

Mr. Fergus, please start over

[Translation]

**Mr. Greg Fergus:** You mentioned that Canada had a good reputation with regard to our oil exports and petroleum products. You mentioned that we needed to find a balance and show that we not only have clean oil, but also a clean reputation.

You mentioned that Canada needed to find a balance and implement environmental policies to develop a greener economy.

Can you elaborate on this?

[English]

**Mr. Ben Brunnen:** The opportunity for Canada and the interest, I think, in the reputation globally really links to our strong commitment to regulatory stringency as well as environmental protection.

My comment there really relates to the reality that our industry, the oil sands sector in particular, invested substantial amounts of resources, probably more than any other sector in environmental technology, as well as mitigating things such as GHG emissions, etc.

The opportunity is relatively substantial to be expanding upon this. The members of the Canadian Association of Petroleum Producers formed COSIA, Canada's Oil Sands Innovation Alliance. They invested \$1.3 billion in environmental technologies, and we're seeing the results. Our costs are coming down, and our footprints are getting less environmentally adverse, if you will.

Oil sands oil on a well-to-wheel basis is now comparable with the average in North America for any crude from a GHG perspective, and that's the result of the technology that's gotten us there. There are some transformative technologies that are out there right now, such as solvents and partial upgrading that can bring our GHG footprint down by as much as 80% more. That is very substantial, and can add a lot of value, but these are very expensive demonstrations.

Oil sands is a technology investment, and SAGD in particular has only been in production for the last 15 years. It was largely as a result of major R and D investments, and the right fiscal framework that got us to where we are.

The next phase is de-risking the technology we need for companies to invest in it on a commercial level. That's what we're talking about, so not an insignificant amount of capital.

What I've suggested and asked of this committee is a commitment to identifying those research and development opportunities, for improving our environmental performance, and defining those as clean technology.

This is very similar to what the federal government advanced in 2015 for clean energy, a capital cost allowance that enables companies that are investing in reducing our environmental footprint and GHGs to be able to write off that capital that changes the investment dynamics, and removes the disincentive to innovate, and encourages companies to continually improve.

• (0940)

[Translation]

**Mr. Greg Fergus:** Thank you.

I have two more questions. The first is for Mr. Roy.

Mr. Roy, your comments were very interesting. In my constituency, in the Outaouais region, MosaiCanada 150 was just held. It was an extraordinary and outstanding floral exhibition, and it was very popular. The exhibition attracted over 1.2 million visitors this summer, even though the weather was dreary and terrible.

The people came regardless. It was a major success. I completely understand when you speak about the importance of this type of festival across the country. It's very important for economic development.

Despite these successes, why do you want the economic development agencies, and not the Department of Canadian Heritage, to fund the festivals?

**Mr. Martin Roy:** First, thank you for your interest.

It's true that we have a member in your region, namely, the Gatineau Hot Air Balloon Festival. I'm also in contact with the Lac-Leamy Sound of Light.

Regarding your question specifically, I would say that we've had a number of discussions with the government and with public servants. There's nothing to prevent us from dealing with the Department of Canadian Heritage. If that's what the government wants, of course we'll agree. However, the fact is that not all our events are cultural.

The program we want isn't necessarily a cultural program. It's an economic and tourism program that recognizes the value of these events from an economic and tourism perspective. The program is similar to the existing programs in both Quebec and Ontario. You know that, in Quebec, we have a funding program for festivals and events that falls under the tourism department. Ontario has the famous Celebrate Ontario program. After the necessary changes have been made, we want to see something similar at the federal level. There has been a great deal of debate regarding the organization we could fall under. As I told you, the Department of Canadian Heritage is an option.

In recent years, we've raised the possibility of creating a Canadian council of major festivals. It would be similar to the Fame Council. However, in these discussions, in particular with members and people in the government, we've considered the regional economic development agencies the most appropriate vehicles. These agencies already work in tourism, including in Quebec. They have already been involved in tourism.

However, there are a wealth of possibilities, including Destination Canada, which may also accommodate the program. We're open to these discussions. For the moment, we're focusing more on the goal than on the vehicle.

**Mr. Greg Fergus:** Thank you.

My last question is for Mayor Nenshi.

Like many other people and many other mayors, you talked about the importance of affordable housing. During this tour, we have also heard from many business people. I would like you to explain to us why this is so important for Calgary. I imagine that, if people and workers do not have access to affordable housing, it would not be possible to sustain the economy.

Can you tell us a bit more about this please?

[English]

**Mr. Naheed Nenshi:** I hope I understood you correctly. There was a little bit of noise right there. I will answer in English.

We're very proud of our work in managing the watershed around the city.

[Translation]

**Mr. Greg Fergus:** My question was really about affordable housing.

[English]

**Mr. Naheed Nenshi:** Oh, *logement abordable*. I thought you said "*l'eau potable*". I'm happy to talk about that too, but we can talk about *logement* instead. I can talk about both of them, if you like.

The challenge, of course, in Calgary is that we're not seeing the same problems that we're seeing in places like Vancouver and Toronto, where the market rate of housing has become completely unattainable, but we're on the same path, and so we see a situation where as the price of homes increases, people end up having to rent for longer before they get into home ownership. When people are renting for longer, the market rate of rent increases, which means that people are seeking subsidized housing for longer. People who are working are seeking subsidized housing for longer, which of course means that those who are homeless and seeking subsidized housing can't get in, and the homeless shelters get clogged up.

A real housing strategy needs to approach all of these. Mr. Legge, in addition to being the president of the Calgary Chamber of Commerce, is also the chair of an organization called Attainable Homes Calgary, which is all about moving people from renting into home ownership, people who are working but who have modest income. In addition, one of my big policy failures is increasing the market's allowance for housing in secondary suites in Calgary, a market solution. But really, we have not had a good focus on that bottom level of government or non-profit-supported housing, and so we have two simultaneous problems here. The first is that the houses from the last big building boom of affordable housing in the 1960s and 1970s are getting very old, and governments of all stripes have not been investing in the required life-cycle maintenance.

Here in Calgary, as people move out of those, I am searching for money to renovate them. Otherwise, I have to take them off the market. So we need a real focus on renovating and upgrading the existing housing stock along with building new units, and we have to look at multiple ways of developing those new units at a lower price. We're looking at innovative ideas. I'm working with an organization right now called Homes for Heroes for homeless vets. It is looking at micro housing and temporary housing for these vets, but really we need the money to prime the pump to both build those units and repair the existing ones. Fundamentally, if we can't do that, then when I'm trying to attract Amazon.... Its workers are not going to live in affordable housing but some of those people are going to need rental units, and if the rental units are clogged up, we won't be able to get them. We really have to have supply releases across the spectrum.

● (0945)

**The Chair:** We're going to have to cut it there.

Mr. Kelly.

**Mr. Pat Kelly:** Thank you.

What an excellent panel we've just had. I have much that I would like to question each one of you about, but time is going to be our enemy here.

I'm going to start with the mayor. Your Worship, thank you for coming here today. It's a very busy time and a big day coming up—

**Mr. Naheed Nenshi:** Thank you.

**Mr. Pat Kelly:** —and I'm glad that I'm in town and will be able at least to vote in the advance poll.

In your remarks you mentioned the green line. Yes, indeed, we know this was the largest investment in infrastructure by the federal government in the history of the city of Calgary when, in the summer

of 2015, the previous government announced \$1.53 billion to cover the anticipated one-third of the cost of the green line. You said yes, and you want more. I heard that, but why do you want more for the green line? The one-third was what was asked for, and it was the understanding—and I was at the announcement—that it represented one-third of the total cost of the green line, not something more than half a green line that money is now to cover.

**Mr. Naheed Nenshi:** It's a little bit before your time, but I'm happy to explain a very strange turn of events, the strangest I have seen in my time as a politician, which is that particular announcement by the then federal government prior to a federal election was the first time I've ever had a government phone me and ask, "How much money do you need?" My answer was, "Well, we only have a class five estimate. We've only just started on this work, because we were not anticipating accelerating this." The question I got was, "How much to you need?"

We gave our best class five estimate, which is, obviously a very, very early estimate. Then, working with the new governments provincially and federally, as well as with the communities and with engineering, we talked about what needed to make sense for the community. It was decided that we needed to do this right the first time. That means that we had to tunnel under the Bow River, which added an enormous amount of cost to the project because a new bridge was found not to be feasible and a street-level LRT running through downtown Calgary was found to increase congestion to unacceptable levels for car traffic. As a result, after multiple years of major consultation, that class five estimate has now been revised to an estimate with which we're very comfortable. That allows us to build the hardest part of this project first.

We had someone suggest as recently as yesterday that we ought to not build the hard part and that we ought to not bring the line downtown, which doesn't make any sense at all because then you would be connecting to an existing line at its most congested point where you can't get on the train during rush hour. I'm very, very comfortable with the decision that the city council took in deep consultation with the community that we want to build the hard part first.

Now there are 10 years of construction here, and we're waiting on timing from the Government of Canada on the funding from the public transportation infrastructure plan; however, we anticipate that the funding will match the funding of the province, which is an eight-year term. That means that years nine, 10, 11, 12, and 13 will give us the opportunity to really be able to move forward with continuing the construction on the easier parts. As we get \$100 million at a time, we'll build a station at a time. The city is committed to continue to do that, and we'll get closer to your riding as well in so doing.

●(0950)

**Mr. Pat Kelly:** Indeed, the people in my riding heard the announcement, and they came away with an expectation that, for \$4.6 billion, they were going to get a complete green line, and I—

**Mr. Naheed Nenshi:** With all due respect, Mr. Kelly, I will tell you that we have been talking to people in your riding a lot, and they understand what we're doing. I appreciate your ability to try to make this political in the middle of a mayoral election, but I will say—

**Mr. Pat Kelly:** Your Worship, I—

**Mr. Naheed Nenshi:** Let me finish, Mr. Kelly, if you don't mind.

**The Chair:** Let's get onto the next question.

**Mr. Pat Kelly:** You mentioned getting to phase two and getting additional funding. I agree with you. We represent the same constituents, and the same constituents want wastewater treatment. They want public transportation. They want infrastructure. I want the city to succeed in getting infrastructure funds from the government. The issue, though, is that we need to be able to credibly go to government, be able to make a proposal, get funding, get what was asked for, and have confidence that it will get built.

What are we down to, Mr. Chair?

**The Chair:** If we could get you two off the Calgary discussion, we'll give you another four minutes.

**Mr. Naheed Nenshi:** This is Calgary, Mr. Chair.

**Mr. Pat Kelly:** I was going to say that all the witnesses are from Calgary, but perhaps I will leave it at that and move to Mr. Bayko.

All of us in this city very upset with the news that we heard yesterday. You mentioned in your opening remarks the way that this has come about, and the despair that many have over whether we will be able to construct large nation-building projects in Canada. These are not Calgary issues. This is certainly beyond Calgary when we talk about infrastructure, when we talk about national infrastructure, when we talk about pipelines.

We were in Yellowknife yesterday and heard from residents of the Northwest Territories who need resource development. They know that for their path to prosperity and to have jobs and employment, especially and in particular for indigenous communities in the north, we need to get behind projects and understand that these projects are good for all Canadians.

I'd like you to carry on with where you had left off in your opening remarks about that, if you have anything else to add.

**Mr. John Bayko:** Well, we would agree with you completely. It's our argument that we feel that the majority of Canadians support pipeline infrastructure. One confusing thing to us, I guess, about this recent announcement is that the NEB's press release talked about receiving 820 letters that led it to open up the application process to upstream and downstream GHG emissions. Our response was that we came to Ottawa with almost 35,000 signatures of people supporting pipeline access, so we're wondering where the priority is in terms of building these projects with the support of Canadians or holding them up because of a vocal minority, in our opinion.

●(0955)

**Mr. Pat Kelly:** Could I ask a really focused question? What then, obviously, are the effects of moving the goalposts in the middle of project proposals?

**Mr. John Bayko:** Well, we've seen it. TransCanada has just pulled out, and that's a massive blow for our members because investment has already taken a hit. What's interesting is the commodity price. People in oil and gas are familiar with the fluctuations in commodity price, but they're looking at longer-term projects. If they see that four or five years down the road they still may not have market access for products, they're not going to invest dollars in that jurisdiction. They're going to take them elsewhere. We've seen it happen. We've seen it happen in many instances in the news recently. Major international players are pulling their investments out of Alberta and out of Canada. It's bad for drilling and well servicing because there's no money to drill holes. It's that simple.

**Mr. Pat Kelly:** One last question will go to Mr. Legge.

I'd be remiss in this committee if I didn't give you the opportunity to comment on what your members have told you about the proposal for the changes to the taxation of Canadian-controlled private corporations.

**Mr. Adam Legge:** Our members are vociferously opposed to the proposed tax changes. We have had extensive consultation. We had a round table with Minister Hehr. I would support the comment made by Mr. Forgeron in the public address just before the witnesses' statements.

It's a rather blunt instrument for, perhaps, a targeted problem. Our concern is that it would remove the incentive for hard-working Canadians to take risks, to build companies, to create jobs. It feels like a solution looking for a problem that doesn't really exist.

We submitted a letter to Minister Morneau, by the consultation deadline, in which we encouraged them to reconsider this proposal, at the very least to extend the consultation in a more meaningful approach. It was a very short consultation period. It was a very difficult one to coordinate through the summer months.

We feel that, at a time when we need to be encouraging entrepreneurship and innovation, it creates a risk of completely derailing that. When you look at the broad-reaching effects, it affects the ability of families to take risks, to build businesses. It has very unintended consequences with respect to some of the industries we see affected, particularly farmers, one of the hardest-working groups of Canadian citizens.

In summary, I'm definitely opposed to it in its current structure. I would hope to see some more consultation with the business community going forward.

**The Chair:** Thank you, all.

Mr. Dusseault.

[Translation]

**Mr. Pierre-Luc Dusseault:** Thank you, Mr. Chairman.

Thank you all for being here today.

I am very interested in the security costs you mentioned, which are no doubt increasing steadily. You do not have to have white hair like our chairman to realize that security measures at major events have increased quickly in recent years. In the case of festivals like the ones we have in Sherbrooke, within a just few years, security measures have multiplied, and they continue to increase. Have you estimated the average increase in the cost of those measures for festivals? What do the security measures cost?

Similarly, turning to Mayor Nenshi, who I thank for being here, I would like to ask whether there is a major impact on police forces when large events are held. We know that security officers often work there and that they work for certain companies, such as Garda. I know there is also a police presence at such events, such as the Calgary Stampede.

How much does it cost for festivals and for municipalities, which also have to provide security?

**Mr. Martin Roy:** First, thank you for your question. I am familiar with the Festival du Lac des Nations, among others.

For most members of FAME, and REMI in Quebec, security costs have literally exploded in the past decade. In the past, volunteers were often tasked with security. It was as simple as that. Now we are required by law to use security agencies, which are in turn paid according to a government decree. As a result, costs have literally exploded.

I would say on the whole that costs are at least five times higher than what they were five or seven years ago, based on my experience and the discussions I have had with event organizers. I am thinking for example of an event for which the security used to cost close to \$20,000, but now costs \$100,000. So it has increased fivefold.

It is also true that we work with cities and the police forces of those cities. They often make their resources available to us. On the sites themselves, however, it is up to the festival or the event to provide appropriate security.

Once again, I must point out that this budget item has literally exploded. We cannot neglect security, of course. It is the top priority, so I think this warrants government intervention.

• (1000)

[English]

**Mr. Naheed Nenshi:** The horrific events in Las Vegas have us all thinking about security at major events, and it's fair to say that no matter what security you had in place in Las Vegas, that event would not have been prevented.

That said, the cities of Calgary and Edmonton—I can't speak for other provinces—are almost uniquely responsible for the cost of our policing. We receive next to nothing from the provincial government and nothing from the federal government in terms of managing that. Our property tax covers the cost of our policing here.

We are good at security. We have done the G8 here, and we have managed major events like the Calgary Stampede every year, but it would be helpful for us to have a broader conversation in the nation about the cost of policing vis-à-vis terrorism and major events. We managed to sort it out for the Olympics, and if we decide to go forward in 2026, we'll be coming to the federal government to cover

the cost of security for that. It's \$1 billion. It's an opportunity for us to have a broader conversation in the nation about where security and policing costs should be situated, since the threats we face nowadays are possibly national and international threats.

[Translation]

**Mr. Pierre-Luc Dusseault:** Thank you for your answers.

I would like to return briefly to what the president of Oxfam Canada said about the possibility of including a certain condition in our procurement policy for public contracts, namely, that people who work for those businesses must be paid decent salaries.

Have you estimated the number of businesses that currently do business with the Government of Canada and that do not respect that condition and do not pay their employees \$15 per hour, for example? Have you estimated how many such businesses have obtained government contracts?

[English]

**Mr. Ricardo Acuna:** Thanks for the question.

It's a very difficult process because when we talk about a living wage or a fair minimum wage, it varies from municipality to municipality, really. Here in Alberta, for example, a living wage can vary from \$16 to \$20, depending on where in the province you are, so we haven't set an exact number on it. A consideration is that this is part of the process that needs to be undergone when we speak about bringing a gender-based analysis into the budgeting process. These are some questions that should be considered by all of the various departments and ministries in the federal government. What exactly do we need to accomplish greater equity? To do that, it would be to set a standard that works across the country.

In terms of a living wage, we haven't broken down those numbers, but again that's the type of analysis that we're hoping can be done if the government truly takes gender-based budgeting seriously and dedicates the resources to it.

[Translation]

**Mr. Pierre-Luc Dusseault:** Thank you.

Mr. Mayor, I would like to quickly come back to the cost of floods.

You talked about significant floods that occurred in 2013. What was that like? To what extent did the federal government invest in repairs and everything related to recovery in the aftermath? Can you present us with an

• (1005)

[English]

economic case about why you should invest now to prevent the next event like this?

**Mr. Naheed Nenshi:** That is a very softball question.

[Translation]

By the way, “inondation” is my favourite word in French,

[English]

because I cannot pronounce it. Thank you for that.

The cost of the 2013 flood was \$6 billion in direct repair. The cost of that flood to the GDP and the economic output in Canada is almost incalculable. It's incredibly important that we spend the money now. When you look, for example, at upstream mitigation on the Elbow River, the Springbank dry dam, it's about a \$500-million project to prevent what we know is not a one in 100 flood anymore, but maybe a one in 50, maybe a one in 20. It seems to me to make very good economic case.

The work on the Bow River is even more urgent because while we ended up closing downtown Calgary for a few days in 2013, a cataclysmic flood on the Bow River would cause downtown Calgary to be closed indefinitely, or would cause large companies that are located there to have their insurance companies say, “You have to move out of downtown Calgary”, and that is a very incalculable loss to Canada's GDP, given what proportion of the GDP is represented by those companies headquartered there.

In addition to the incalculable personal, emotional, and social losses, there's a very hard-nosed economic case to be made here. This kind of investment is precisely what we need to do to keep this economic engine of the country moving.

**The Chair:** Thank you, all.

Mr. Sorbara.

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

[Translation]

Welcome to everyone. I'm very proud to be here in Calgary, which is a beautiful city.

[English]

I'm going to quickly ask a couple of questions here.

To the Calgary Chamber of Commerce, I liked, actually, a couple of your recommendations. One recommendation which stuck out for me was that only 1.4% of Canadian medium-sized companies become big businesses. There's a recommendation to establish investor tax credits. Is there any analysis behind this recommendation that we can look at? Will this tax credit replace existing programs?

**Mr. Adam Legge:** Through the Chair, thank you for the question.

The tax credit model is used extensively through the provincial systems. We haven't done a national analysis, but I can tell you that the Government of Alberta recently launched its investor tax credit, and it's fully subscribed. We've seen tremendous results. In fact, the rationale for Alberta introducing that was the great success we've seen across the country in provinces like British Columbia and Newfoundland.

The proposal is that it would be an additional tax credit, but what we've seen in the provincial models is that the tax credit is sufficiently offset by the growth in economic activity, jobs, and

investment, so what it would do is create a second layer of opportunity for investment in private companies.

**Mr. Francesco Sorbara:** Thank you for that and for the recommendations. Some of them would be quite useful.

I'll move to the Canadian Association of Petroleum Producers, or CAPP.

Whether the Trump administration gets any of its tax measures in or not, one of the measures I believe is having the accelerated capital cost allowance take place at time equals zero, so basically in your first year. My understanding is that companies would be able to write off any new capital investment that they do. They wouldn't have to do it on a declining basis or on an accelerated basis over a number of years, but just literally in year one.

On your ACCA recommendation, how important is it to partially level the playing field for oil and gas producers here in Canada versus the ones in the U.S. or even oil and gas explorers in Canada versus the ones in the U.S.? Can you comment on that recommendation, please?

**Mr. Ben Brunnen:** The rapid amortization of capital is one of the biggest levers available to the federal government to encourage large-scale investment particularly for natural resource industries. It was widely used and has been in place since the oil sands were established in the 1990s, with the rationale being that enabling companies to overcome the risk of investment would require significant upfront capital and long lead times prior to payout.

The accelerated capital cost allowance does not necessarily change the taxes collected by the government. All it does is change the timing of payment. The government has used this tool in a number of different places, such as the mining sector and the oil sands sector, but it's currently in place for the manufacturing sector, and a recent addition was included in 2015, as I mentioned, for clean energy.

In oil sands, the opportunity for it right now is in encouraging environmental investment and innovation. That's the next phase. It has the potential to be transformational for the sector. This type of research could apply to the entire basin.

• (1010)

**Mr. Francesco Sorbara:** I'm sorry, but I do want to move on. There was a recommendation on page 7 on the CDE rate provision, which I'll try to talk to you about offline, because I just don't have the time available right now.

I'll turn now to the mayor.

Mayor, thank you for joining us this morning and for taking time out of your very busy schedule. I can only imagine how hectic things are these days on top of running a—

**Mr. Naheed Nenshi:** I still have to be the mayor.

**Mr. Francesco Sorbara:** Absolutely, of course, and we appreciate that.

I reviewed your letter and what you said about the national housing strategy, and obviously that's forthcoming from our side. I want to say I think we've done a heck of a job partnering with municipalities, whether working through FCM or working directly with the cities. I think the partnership that's taking place now, the alignment among all three levels of government, is something that all Canadians should be proud of. It's something that I'm very proud of.

In my riding, we're going to be opening a new subway in a couple of weeks thanks to a lot of work done by the provincial government and my prior government to get that subway up.

**Mr. Naheed Nenshi:** Is it already opening?

**Mr. Francesco Sorbara:** October 28 is the open house for the public, and December 17 will be the opening of the subway coming up to Vaughan.

**Mr. Naheed Nenshi:** That's great.

**Mr. Francesco Sorbara:** We're going to turn an area where new inhabitants were into an area where 40,000 people will live within the next decade.

**Mr. Naheed Nenshi:** My cousin bought three condos in Vaughan Transit City.

**Mr. Francesco Sorbara:** There you go.

**The Chair:** You guys are going to run out of time.

**Mr. Naheed Nenshi:** You had a point.

**Mr. Francesco Sorbara:** The question relates to PTIF two. What would you like to see come out of there, out of the bilateral agreements? Also, with regard to the national housing strategy, can you rhyme off your top three asks?

**Mr. Naheed Nenshi:** Let me go backwards. When we looked at the national housing strategy, we worked well with Minister Duclos. I should have said upfront that this government's commitment of \$12 billion to affordable housing over 10 years is truly historic. It's the first time that mayors in big cities got exactly what they wanted. Now, it's a matter of figuring out the way we should be working with the provinces.

This really represents our top three requests. The first is clarity around timing of those flows, so we can do some long-term planning. The second is the development of a thoughtful way to work with or through the provincial governments to ensure that municipalities and non-profits that operate in cities actually have access to that funding. The third is the development of some guidelines regarding the allocation of that funding, and preferably local control, so that it can be used toward new builds versus rehabilitation of existing stock. Those are the three big things we want with respect to housing.

As for PTIF two, Calgary and Ottawa are in a different place with this, given the electoral commitments of this government, and the money devoted to the green line. We're very pleased with our relationship with Minister Sohi, and the work that has been done on the green line. As I was intimating to Member Kelly earlier, the federal government has fully participated at the table on all our discussions around the green line and its design, which has been great.

When it comes to PTIF two, we really do have to look at what happens in the long term. We've been asking for a while for permanent, stable, long-term financing, because for the cities in Canada that rely on rail-based transit, those projects, even the construction of those projects, long outlive the mandate of any government. The idea is to obtain long-term, predictable financing, so that we can borrow money if needed, and understand how to move forward on that.

The other thing we've talked about a lot has to do with debt vehicles. With regard to the green line, right now the city is carrying all of the debt. It may well be that the provincial and federal governments will cover the carrying costs of the city's financing, but the city still carries the debt. It's time for us to have a broader conversation at the federal level regarding financial mechanisms, and how we should manage the debt on big projects, especially rail-based transit projects. Using the Canada infrastructure bank might be a good starting point.

• (1015)

**The Chair:** Thank you, both.

Mr. Kelly, for six minutes.

**Mr. Pat Kelly:** Thank you. I may as well continue where I left off with Mr. Legge.

At the end of your earlier intervention, you mentioned unintended consequences, and we've heard this quite a few times both at this committee and in statements by the minister. Do your members care whether or not a consequence is intended, if it's going to hurt their businesses?

**Mr. Adam Legge:** The reality is that all of our members who fall under this private corporation model have told us that unintended consequences are real, and they would impact business. They would impact our members' ability to sell within the family, and create intergenerational entrepreneurship. They would affect our members' ability to allow a spouse to stay home and take care of children, so that energy could be focused on the business schedule, which could affect the families themselves.

Finally, these unintended consequences would affect the fundamental viability of many of these businesses, whether they're in the agriculture sector, manufacturing sector, oil and gas sector, or retail sector.

**Mr. Pat Kelly:** Have members expressed stories similar to the stories we heard from Mr. Forgeron during the open-mike session, such as the cancelling of projects and the relocation of businesses? Are these the things your members have told you about?

**Mr. Adam Legge:** Yes. Our members have told us that it would essentially terminate any of their expansion plans. They would then be looking at encouraging their children to not take over the family business, but to pursue different kinds of employment instead. This spans the entire industrial sector, from retail to manufacturing, oil and gas, professional services, agriculture, and so on.

**Mr. Pat Kelly:** I'll move to you, Mr. Brunnen, and give you an opportunity to carry on from your part of the presentation earlier.

One of the themes of this committee is the competitiveness of the Canadian economy, and we discuss this in our pre-budget consultations. Can you talk about the role that regulation plays when it comes to competitiveness?

**Mr. Ben Brunnen:** Thank you, Mr. Kelly.

Through the Canadian system, we seek to advance effective outcomes that focus on regulatory systems. Essentially a good regulatory system needs to provide the confidence and assurance to the Canadian public that the social and environmental outcomes are met satisfactorily, also that there's confidence for investors. That's currently one of the biggest weaknesses in the Canadian system, whether it's the review of CEAA, the Canadian Environmental Assessment Act, or the NEB, or the species at risk requirements for boreal caribou under the SARA. Those three major pieces of federal legislation currently being contemplated are threatening the investor confidence of the sector.

We need to see something that reduces the regulatory risk long term. The financial terms are also challenging, as I have indicated today, but for examples of where the regulatory risk causes concern, look no further than the LNG sector or the announcement yesterday. How can we find a way to bring that balance back into the Canadian regulatory system to give investors the confidence to put up the capital that is going to be required for multiple years and multiple billions? This is one small part of what I've brought to the table today.

Some commitment from the federal government to affirm and recognize the role of oil and natural gas in Canada's future energy mix would be a very helpful signal. Some concerted effort to work with industry, perhaps develop a whole-of-government approach to advance and improve competitiveness while achieving government objectives would be a very important measure as well.

• (1020)

**Mr. Pat Kelly:** Signalling is an important aspect of investor confidence. This is the problem I hear about from many people, both constituents and business people in town, that mixed messages coming from the federal government on small or large projects are extremely harmful to investment. It's not just the law that's tabled in the House; it's also the messages that are sent outside.

Would you agree that we need to send a much stronger signal to the broader global investment community that Canada is open for business and that projects can be built in Canada?

**Mr. Ben Brunnen:** I would definitely agree on the importance of signalling. Our members compete to raise money globally for opportunities. They definitely have projects where they like to invest and create the jobs and the wealth in Alberta and across the nation.

Lately, the confidence has not necessarily been very strong for the industry and the signals from the federal government have not been supportive, generally speaking. There hasn't really been anything too substantively supportive of late. We've seen that in the investment numbers, whether it's the discussion of the Canadianization of the oil sands.... I know some would appreciate that. Essentially, the message in that space is anyone with access to capital and optionality is investing in another jurisdiction.

Long-cycle oil and gas development is being prioritized. LNG and offshore in other jurisdictions are being advanced. They're not necessarily being advanced here. Some message from the Canadian government that indicates some level of support and the role for Canadian energy in the energy mix would be very welcome.

I have one final point on that. We have a very good regulatory and environmental framework. We have a carbon price coming forward. If the world isn't using Canadian energy, it's going to be using it from another source and their carbon footprint and their environmental impacts will likely be worse.

Thank you.

**The Chair:** Before I go to Mr. McLeod, on that point, regulation and the environment and what we're doing, I think you said earlier, Mr. Brunnen, that is also an important point for investment. How do we do a better job of getting the word out on what we are actually doing?

I co-chair the Canada-U.S. Inter-Parliamentary Group. I'm in the U.S a lot, and I will admit it's crazy times down there these days. In any event, that message is not getting through, that our greenhouse gases and reductions are just as good as they are in California, etc.

Even if you look at energy east, the things that are said on the side that's opposed are not very close to the truth sometimes.

**Mr. Ben Brunnen:** That's a good question, Mr. Chair.

There's a role for governments—and our industry is working toward it—to help inform and educate. That's where I was going with defining the vision for Canada's oil and gas globally. We need to add a bit more context regarding what future energy demand looks like, confirm that there will be a role for oil and gas globally and help people understand that, and also raise awareness of the strength of the Canadian system: our climate pricing is actually better than California's, for the energy sector in particular, given what's being developed right now in Alberta. Those are the types of messages we would like to see conveyed in the public space from the government's perspective. We understand the importance of the balance, but we also understand the importance of economic prosperity, and we can achieve that.

The other piece I would encourage is in relation to the substantive regulatory consultations that are currently under way. There are a lot of them, and they are foundational to long-term access to the resource base. In the absence of some clarity and confirmation that there will be some confidence from industry about what that process looks like and is expected to look like over a long period of time before they can get a return on their capital, they're going to be jittery, as we're seeing right now.

Those are my comments.

• (1025)

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

Mr. McLeod, you have the last question during this panel.

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

From just listening to the comments about energy east, I can understand and share the disappointment, because we in the Northwest Territories went through a similar process with the Mackenzie Valley pipeline. We spent a number of years; we rolled all the regulatory bodies up into one umbrella group, and we brought in the aboriginal people as a 30% shareholder. We had all the ingredients, yet it took a long time and many thousands of questions. It was very interesting that when we went back and looked at who was asking the questions, it was the federal government of the day that was asking 75% of the questions that needed detailed responses.

The industry was flagged in pointing to the need for a road in the Mackenzie Valley. We don't have a road, so that drives the costs way up. At the end of the day, they got their permitting, and to this day, they still have their permits, but market conditions don't allow it to move ahead. Sometimes you can have all the ingredients you require, but the conditions are not right and it's not going to move forward.

That leaves us in the north with a real challenge. I wanted to talk a bit and maybe ask the Calgary Chamber of Commerce some questions, because you indicated a need to increase indigenous participation. I belong to the Dehcho First Nations, and we have a real challenge in front of us with our youth. It's been pointed out that we probably have 150,000 aboriginal indigenous people sitting unemployed in our communities. I have communities that are up to 60% unemployed. It's been predicted that we're going to see 400,000 indigenous youth entering the workforce or of working age in the next while. That's going to really increase the challenges, and we don't have a mechanism for making the transition from education to getting a job in our system. Many leaders have said maybe that should be a requirement, as an attachment to economic projects.

What also caught my ear was the suggestion of a tax credit for employers. Would that be something you might see as a solution to where we're heading, of having even greater unemployment in our communities?

Another challenge, of course, is mobility. Most aboriginal people do not go where the work is, so local employment in the areas is something we need to focus on.

**Mr. Adam Legge:** Through the chair, thank you, Mr. McLeod, for the question.

You're absolutely right that there are opportunities for Canada to achieve positive outcomes with increased labour force participation among indigenous Canadians. We could achieve so much: economic development within communities, self-sufficiency within communities, and greater support for economic activity overall.

The proposal around something oriented toward the employer specifically is that it enables the development of skills to be tightly aligned to what the needs are within the workplace. We have a variety of different funding mechanisms that follow the individual. What this would do is make sure that if there's a need for pipefitters, welders, brewmasters, or whatever it might be, you can actually get that tied to the company, and then the company can deploy those dollars in support of the specific occupations they need. I agree that there are huge opportunities to tie that to projects that exist all across this country, enabling greater employment and skills development among indigenous Canadians.

As to the issue of travelling to where the work is, one of the other options to consider is that, in addition to being a skills development investment, it could also be an investment in some of the wraparound supports that enable people to achieve stable employment. That might be child care, elder care, transportation support, lodging support, etc., that would enable someone to maintain employment. It shouldn't always be 100% tied to just the skills development.

• (1030)

**Mr. Michael McLeod:** Thank you for that.

Many people have pointed out that if we could properly invest in education and skills training for the aboriginal population, we'd see a great return. We've seen it in the mines up north. The diamond mines are doing a very good job, to the point that they're providing on-site literacy programs. We're seeing a lot of people employed, especially the younger people from the communities.

We're starting to see the same challenges the mayor of Calgary referred to. I was a mayor in my previous life, and although the community I represented only had 800 people, the challenges were the same. In our diamond industry, the Ekati mine, for example, has 200 aboriginal people from one community working there. When they go back to their communities, though, they're back in the social housing units. They're jamming the system, because there's no market or mechanism for affordable housing in those communities. A national housing strategy is something we're counting on to make a change.

I want to ask the mayor of Calgary about putting a price tag on the infrastructure deficit. I've watched the deficit grow in our communities across the country, across the north, and I've seen it at the territorial level. It continues to grow, and playing catch-up is going to be a real challenge. What would be the price tag that would be put on it? I've also heard from the mayor of Yellowknife that there is a lot of construction, more than ever in history, going on in his city, but housing continues to be an issue there as well.

**Mr. Naheed Nenshi:** I can certainly provide the committee with updated numbers for our municipal infrastructure deficit. We have not calculated it in a while, but it would be relatively easy to bring that up. I will also suggest to the big city mayors' caucus of the Federation of Canadian Municipalities which keeps updated numbers, that they make sure the committee has those numbers.

That said, when you break it down within the city alone, on public transit, in terms of infrastructure that needs to continue to be built, we're looking at, in the low, up to \$10 billion. When you think about affordable housing, 15,000 units are required. I'm going to drop a zero if I try and multiply through the average cost of a unit, but we're looking at a couple billion dollars there. That's just transit and housing. The big money, of course, is in roads, water, and wastewater infrastructure. The City of Calgary, for example, has about a \$3.8 billion debt. Almost all of it is for water and wastewater infrastructure. When you look at a city this size, 1.2 million people, you are easily looking at \$20 billion in unfunded infrastructure, and you just multiply that through by communities across the country.

Now the good news is that the previous government of Canada and the current Government of Canada have recognized that in ways that governments before them didn't, and we've been whittling away at that as part of our economic stimulus work, but also as a real interest in the need to build infrastructure. I'll give you one very fast example.

When I was first elected, I created in Calgary our first ever permanent fund for social infrastructure. You know, the transportation infrastructure and the environment infrastructure have the gas tax and other forms of funding. We had nothing to build libraries, recreation centres, and fire halls, so we've set aside from our own tax base \$42 million a year, 50% of which is for maintenance of existing facilities and upgrades, and 50% of which is for new, and that has allowed us to build new libraries and four new recreation centres, as well as buy some personal protective equipment for our firefighters and fire halls. But you know, we have to actually do it. Nobody wants to sponsor the renovation of a locker room or the fixing of a leaking roof in a hockey arena, but all of this stuff has to happen.

With that, I have to go.

**The Chair:** Thank you, Mayor. I know you have to go.

I have one last comment, really, for a number of people on the tax planning using private corporations. I know there are a lot of people saying the consultations should be continued. I would suggest that the unintended consequences are real. I think Mr. Forgeron said that. He's not the only one who said that, as I heard it from people in my own riding as well. Where I come from, it's essential that the government bring some clarity to this issue and address some of the concerns that have been raised and do it quickly, because we have to get that investor confidence back.

That's why I'm certainly in favour of extending the consultations, but I would ask the chamber and others to look at the minister's press release of October 3 where he outlines five points. Get your feedback in on those five points, and concerns that you still have on the direction that is being proposed.

With that, I want to thank each and every one of the witnesses for their presentations. I think we had a really good panel.

We will suspend until 10:45 a.m.

• (1035) \_\_\_\_\_ (Pause) \_\_\_\_\_

• (1045)

**The Chair:** We will reconvene. I call the meeting to order.

I want to welcome the witnesses here for the consultations in advance of 2018 budget. Thank you for coming here today. I know that some of you have come long distances.

I also want to thank those who were able to send in submissions prior to mid-August. They are on people's iPads and they are part of the budget consultations as well, and the witnesses' presentations will add to those.

I will ask members to introduce themselves just to give people a bit of an idea of where representatives on the committee come from. This is not the full committee. We travel with a little less than the full committee, but we do represent across the country as a whole.

There will be some people speaking French. Channel 1 is English. Channel 2 is the one you will use for translation, if need be.

We'll start with the local member, Mr. Kelly.

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

I'm Pat Kelly. I am the member of Parliament for Calgary Rocky Ridge. For our largely local panel here, my riding is west of Sarcee Trail, north of the river, and north of Stoney Trail, so a corner around the northwest suburbs of the city is my riding. I'm glad to be here for a meeting in Calgary. It's great, and I look forward to the presentations.

[Translation]

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

My name is Pierre-Luc Dusseault, and I'm the member of Parliament for Sherbrooke in the House of Commons. Sherbrooke is a riding located in southeastern Quebec, an hour and a half away from Montreal. In addition to that, I am the National Revenue critic for the NDP.

I'm very happy to be in Calgary, Alberta, to meet you and hear your concerns and expectations regarding the next budget.

[English]

**Mr. Dan Albas:** Hi. My name is Dan Albas. I am the member of Parliament for Central Okanagan—Similkameen—Nicola in beautiful British Columbia.

It's exciting to be here in Calgary. I actually lived here during the Winter Olympics, and it's a wonderful city, so it's always a pleasure to be in Calgary.

Thank you.

**The Chair:** Michael is almost a resident as he flies through the Calgary airport so much.

Mr. McLeod.

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

Welcome, everybody. I'm very happy to be here.

My name is Michael McLeod and I am the MP for the Northwest Territories, a very big riding.

As the chair has mentioned, I travel through Calgary quite a bit. Every Sunday I come through on my way to Ottawa.

We just came from the Northwest Territories, where I am from. We heard lots of very interesting comments from the people who presented there and I'm hoping we're going to hear some interesting comments, solutions, and good recommendations that we can take back to Ottawa.

Thank you.

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

Welcome, everyone.

I am Francesco Sorbara and I have the pleasure of representing the riding of Vaughan—Woodbridge, a pretty dynamic place with a lot of manufacturers and a lot of development going on in the area where things are actually going quite well.

It's great to be here in Calgary and I look forward to hearing everyone's presentations.

Thank you.

• (1050)

[Translation]

**Mr. Greg Fergus:** Good morning, my name is Greg Fergus. I am the Liberal MP for the riding of Hull—Aylmer, just outside Ottawa, on the Quebec side.

It's my first term as an elected official and I'm very happy to be back in Calgary, a city that I've already visited a dozen times. I'm happy to be here with you.

[English]

**The Chair:** Thank you, all.

I'm Wayne Easter, member of Parliament for the riding of Malpeque, in Prince Edward Island. I know that in Calgary there is even an Islanders club as so many Prince Edward Islanders have come out here to do their life's work.

In any event, as the chair of the committee, I would just say that there is nothing like being on the road and on the ground to hear people's proposals and concerns relative to the work that the federal government does, so it's a real pleasure to be in Calgary to hear from you. A great many of you are on your own turf, although I know there are some here from Saskatchewan, as well.

With that, we'll turn to the first presentation on panel two.

Mr. Bloomer, from the Canadian Energy Pipeline Association, the floor is yours. Welcome, and thank you for coming.

**Mr. Chris Bloomer (President and Chief Executive Officer, Canadian Energy Pipeline Association):** Thank you, Mr. Chairman.

Good morning, everyone. Thank you for the opportunity. I will keep my comments short, because I look forward to the questions.

I'm the president and CEO of the Canadian Energy Pipeline Association. We represent the 11 major transmission pipelines who transport 97% of all of Canada's natural gas and crude oil production. We do appreciate the opportunity to speak to you today about how the government can help our industry be more competitive.

To be clear, for our industry, remaining competitive requires a regulatory system that provides certainty and stability. Investors are choosing other jurisdictions because they see uncertainty in the Canadian regulatory system, which means additional risks, costs, and delays. We were encouraged by Minister Carr's remarks when he said that the government understands our need for predictability and stability. It is the responsibility of governments to create the right conditions to ensure that Canada remains competitive. If we don't act on this responsibility, we will risk losing opportunities to get our resources to markets. We hope that this is a goal shared by everyone here today.

The pipeline industry plans for the long term. Even small changes to regulatory processes have significant repercussions. Major changes take years to adapt to, and create considerable uncertainty

and risk along the way. In addition, changing requirements in the regulatory processes that are already under way have led to increased ambiguity, delays, duplication of work, and growing politicization. As you can imagine, we're understandably very nervous at this time.

CEPA supports a balanced approach to the economy and the environment. We have vigorously participated in all of the government's consultations on regulatory reform in an effort to help the government strike the right balance that will provide the certainty and stability the government says it understands is so important to our industry.

Now, much of the recent debate surrounding the need for regulatory reform is focused on new major projects. What seems to be lost, though, is the potential impact the proposed regulatory changes could have on current operations and maintenance of our existing pipeline network. That is a major concern for industry.

Canada's pipeline infrastructure is world class. Our member companies have delivered oil and gas products with a 99.99% safety record for over a decade, and we are continuously trying to improve on that record. We are a global leader in pipeline technology and innovation. We understand that the energy sector is in transition to a lower-carbon economy. We've heard the narrative about why we may not need new pipelines. However, according to "International Energy Outlook 2017", global consumption of oil and gas will still account for 77% of energy use in 2040. Clearly there will continue to be a demand for oil and gas, and pipelines will be required.

In Canada there are enormous resource development opportunities beyond the oil sands. The Montney and Duvernay fields contain significant new resources. Last month the National Energy Board concluded that Duvernay could produce 3.4 billion barrels of marketable oil, 76 trillion cubic feet of natural gas, and six billion barrels of natural gas liquids. These fields are an enormous future opportunity for Canada.

In conclusion, we have two points to emphasize. First, we encourage the Government of Canada to commit to regulatory reform that ensures certainty and stability for our industry. Second, in the next budget we hope that the government makes a bold statement about the importance of the natural resource sector to the Canadian economy, employment, government revenues, and business investment. No single federal document is more carefully scrutinized by economists and the investment community than the budget. All our industry needs to hear is the strong message that our resource sector matters.

Thank you. I look forward to your questions.

• (1055)

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

We will turn now to Canadian Manufacturers & Exporters.

Mr. Holden, welcome.

**Mr. Michael Holden (Chief Economist, Canadian Manufacturers & Exporters):** Thank you very much, Mr. Chair.

Good morning to you and the members of the committee. Thank you for the invitation to appear before you today.

I am the chief economist of Canadian Manufacturers & Exporters. I do that work here out of Calgary, and I'm here to represent the organization, our 2,500 direct members and the broader manufacturing and exporting community. Our membership network accounts for an estimated 82% of all manufacturing across the country and 90% of Canada's exports.

I want to begin by congratulating this committee for focusing its pre-budget consultations on productivity and competitiveness. Productivity is the single most important factor underpinning our prosperity as Canadians. A productive economy attracts investment, creates jobs, supports wage growth, and improves the standard of living of all Canadians. Unfortunately, our record on productivity has not been strong. According to data from the OECD, overall labour productivity in Canada is among the worst in the G7. The United States is 30% more productive, and Germany is 38% more productive. The situation in manufacturing is largely the same. Most concerning is the large gap between Canada and the United States. American manufacturers are 150% more productive today than they were in 1990. In Canada, they are just 73% more productive.

Why is productivity lagging in manufacturing? We have a number of specific challenges. Compared to advanced manufacturing leaders around the world, our businesses underinvest in new capital, machinery, and equipment. We are relatively slow adopters of new technologies. Our performance in business R and D innovation and new product commercialization is poor. On top of all of that, the business cost environment in Canada is slowly deteriorating as energy costs, minimum wages, and the overall tax burden are on the rise.

We believe that with the right action these trends can be reversed. New advanced manufacturing technologies offer a unique opportunity to leverage Canada's strengths, to usher in a new era of prosperity for manufacturing, and by extension, for the Canadian economy as a whole.

In our formal submission to this committee, we offered a number of recommendations to help achieve that goal, and with the time I have remaining, I'd like to highlight a few of the most important of these.

First, the Government of Canada took a strong step forward this year due to the creation of its five-year \$1.3-billion strategic innovation fund designed to boost innovation and investment in new technologies. We believe that this program should be expanded to \$2 billion per year, made permanent, and that half of all funds should be earmarked for advanced manufacturing.

Second, the federal government should introduce a permanent accelerated capital cost allowance specifically for advanced manufacturing technologies. This new ACCA would allow manufacturers to claim an immediate first year writeoff of all qualifying capital expenditures on advanced technologies, including software.

Third, business tax and regulatory systems need to be reformed. Piecemeal efforts like changes to the taxation of private companies do not address our root concerns. We ask that the Government of Canada commit to a full review of the corporate tax system to ensure that it is globally competitive, fosters innovation, entrepreneurship, and growth, and is simple, transparent, and fair.

The need for such a review is all the more urgent given the apparent direction of tax reform in the United States. We can't forget that Canada competes directly with the U.S. for business investment. Taxation may not be the only metric that businesses consider when deciding where to invest, but it is an important one. Large gaps between Canada and the U.S. should not be taken lightly.

The final two recommendations that I want to highlight today relate to labour and skills. Any effort to boost innovation and adopt new technologies will fall short unless we have a well-trained and adaptable workforce, creative minds and skilled hands that can make the most of these new tools.

First, improvements need to be made to the Canada job grant. To be clear, CME and the manufacturing community in general strongly support this program. We believe that it should be made permanent and that funding should be increased. We also ask that the range of eligible training programs be expanded and that support be extended to multi-year training initiatives.

The second issue relates to the makeup of the manufacturing workforce. Manufacturing is dominated by men. Women make up 48% of the labour pool, but hold less than 5% of jobs in some production-related skills trades. Attracting more women to these jobs would go a long way towards addressing the labour and skills shortages in manufacturing. We thus recommend that the government work with industry to introduce more women to jobs in manufacturing, beginning with finding ways to increase female enrolment in skilled trades and STEM-related education.

In closing, let me just say once again that we strongly support this committee's focus on productivity and competitiveness. A more productive economy means a more prosperous society, more jobs, higher wages, and better opportunities for all Canadians.

Thank you all for your time, and I look forward to answering any questions you may have.

• (1100)

**The Chair:** Thank you, Michael.

We're now turning to the Hotel Association of Canada. We have Mr. Kaiser and Ms. Shaw.

Welcome.

**Mr. David Kaiser (Member, Board of Directors, Hotel Association of Canada):** Good morning, and thank you for the opportunity to be here today.

My name is Dave Kaiser, and I am here today on behalf of the Hotel Association of Canada. In my day job, I am the president and CEO of the Alberta Hotel and Lodging Association.

Joining me is Leanne Shaw, who is the vice-chair of the Alberta Hotel and Lodging Association, and also the owner of the Country Inn & Suites right here in Calgary. Leanne is very representative of the many family enterprises that operate hotels across this country.

The Hotel Association of Canada is proud to represent more than 8,000 hotels, motels, and resorts, which encompass the \$18.4-billion Canadian hotel industry. Our country's hotel sector directly and indirectly employs over 304,000 people and is a significant contributor to the Canadian economy, generating revenues estimated at \$8.1 billion for all three levels of government.

In response to the committee's requested questions, my remarks will centre around measures that would help Canadian businesses be more productive and competitive.

We are here today with two key messages. Number one, we need fair rules for the sharing economy, and number two, we need continued funding to support Destination Canada's important work of marketing Canada to the world.

Last week, the Hotel Association of Canada released a new study, the most comprehensive of its kind. The study examined the short-term rental market in comparison to Canada's hotel sector, with a key focus on Airbnb as the most widely used digital home-sharing platform in Canada.

The results of the study revealed that commercial operators are growing exponentially and are far outpacing actual home-sharing activity. Alarming, only 17% of total Airbnb revenues in Canada are generated by true home sharing. This means that approximately 80% of Airbnb's revenues nationwide, which is \$462 million, come from rentals where the owner is not present. This unregulated commercial activity has given rise to unintended consequences, including loss of affordable housing, loss of tax revenue for government, disruption in communities, and a risk to guests as there are no health and safety standards in place.

The existing tax laws in Canada are not designed for the 21st century digital economy. These laws need to be updated so that all businesses operating in the accommodation space have a level playing field.

In 2016, guests of Canada's legitimate hotel properties contributed an estimated \$2.2 billion in consumer taxes and fees based on room revenues alone. If the same consumer tax and fee rates were to be applied to Airbnb revenues, Canada's Airbnb sector has the potential to contribute \$85 million in consumer taxes and fees to the Canadian economy.

Other countries have taken action. Airbnb is now required to collect value-added tax on its service fees in the EU, Switzerland, Norway, Iceland, South Africa, and Japan, among others. Canada should follow suit.

Today, we are calling on the federal government to amend the Excise Tax Act to create a more level playing field for hotels. Airbnb and similar online platforms should be required to charge and remit HST on the service fee charged to hosts and guests.

We also recommend that the finance committee, Finance Canada, and the Canada Revenue Agency work collaboratively with the Hotel Association of Canada on a focused review of tax policies for

the short-term rental industry, with the goal of achieving fairness. To be clear, we are not against individuals sharing their home to make extra income. What we are against is commercial operators acting like hotels without the same responsibilities to tax. Competition is a good thing, but it needs to be on a level playing field.

Finally, I would like to thank the government for its commitment in the last federal budget to bolster Destination Canada's funding to \$95.5 million. This brings stability to Canada's marketing strategy and will allow for continued maintenance of Canada's current market share. In order to capitalize on this momentum and build towards the fulfillment of the government's new tourism vision target of being one of the top 10 most visited countries in the world by 2025, Canada will need a more competitive investment. The Hotel Association of Canada believes that a performance-based funding mechanism would best achieve this goal.

Thank you for your time. I would be happy to answer any questions you may have.

• (1105)

**The Chair:** Thank you very much, David and Leanne.

We now turn to the National Cattle Feeders' Association. Mr. Vander Ploeg, go ahead.

**Mr. Casey Vander Ploeg (Vice-President, National Cattle Feeders' Association):** Thank you, Mr. Easter, and good morning. I'm the vice-president of the National Cattle Feeders' Association and I too would like to thank you for the opportunity to share our views on budget 2018. Before I do that, I'd like to take us back to budget 2017.

Canada's agriculture community was very pleased with budget 2017's emphasis on the importance of agriculture and agrifood to the national economy and our potential to contribute even more. We agree with the findings of the advisory council on economic growth, the Barton report, that were referenced in budget 2017. We too believe that an expanding global middle class and an increasing international demand for food creates a significant opportunity for Canada's agricultural and agrifood industry.

As I said to this committee last year, and to some extent this was reflected in the budget, Canada does indeed have all the elements to become a true agricultural superpower. When it comes to beef, which pound for pound is our most valuable agricultural product, we have all the ingredients for success: a large arable land base, rich endowment of water, ample natural grasslands, superior genetics, a good climate, a fulsome supply of feed grains, tons of industry experience and know-how, and a world-class food safety system.

Budget 2017's goal of growing Canada's agricultural exports from \$56 billion to \$75 billion by 2025 makes a lot of sense, but it won't be automatic and it won't come without the support of policies and programs, and that's certainly the case with the beef industry.

Canada currently exports between 40% and 45% of our beef and cattle production. In 2016, 360,000 metric tons of beef worth \$2.3 billion were exported. That's up from \$2.2 billion a year before and \$1.9 billion in 2014. While that all seems encouraging, all is not entirely well. Our national herd is below historical levels. In 2005 we had almost 13 million head of beef cattle. In 2017, that's just under 10 million, a 22% reduction. In 2005, fed cattle production was 3.6 million head. Last year, it was 2.4 million head, a 34% decline. There is concern about the industry losing its critical mass. That being the case, the timing may well be right for new policies, programs, and even goals to reverse some of the troubling signs of decline.

Getting back to budget 2018, how can Canada get to 75 billion dollars' worth of agriculture and agrifood exports and how can beef contribute to that larger goal? We believe that competitiveness emerges as the single most important prerequisite to achieving growth and achieving that export level. With that in mind, I would make five suggestions for the committee to consider.

The first concerns labour, which I believe is the single largest challenge facing Canadian agriculture and agrifood. A critical and chronic shortage of labour is impeding competitiveness and limiting our growth in future opportunities. We are very pleased to see the recommendations of the HUMA committee report on the temporary foreign worker program and decisions in budget 2017 to eliminate the four-year cumulative duration rule and to continue the exemption of certain employers from the program cap.

We're certainly pleased with the \$200-million investment in the TFW program and the budget's commitment to engage stakeholders in securing improvements to that program and to improve pathways to permanent residency. Such efforts are under way but progress is slow, red tape continues, and the labour need remains great.

In budget 2018, we urge the government to follow up on its previous commitments and ensure that agriculture and agrifood has ready access to the labour it needs to remain competitive and to grow.

The second concerns rural infrastructure. Agriculture and agrifood is certainly poised to grow as an economic driver, but a strong local rural infrastructure foundation is needed. Agriculture operations are located in small rural municipalities with a limited tax base and meeting local infrastructure needs that provide national benefits is very challenging.

We welcomed budget 2017's establishment of the new national trade corridors fund and the Canadian infrastructure bank. We welcomed the \$10-billion investment for gateways and ports and the \$2 billion for rural roads and bridges. However, rural infrastructure support is still meagre compared with investments in urban areas. Some \$2 billion for rural infrastructure over 11 years and spread across the entire country can only go so far. Meanwhile, pressures continue to build.

In the county of Lethbridge, which has a \$3.5-million annual shortfall in funding for roads and bridges, the county has imposed a business tax on all livestock producers. For cattle feeders, this amounts to a \$3 head tax on every beef animal in the county. A 50,000 feedlot operation in the county saw a \$150,000 increase in

their local taxation last year alone. These sorts of things have the potential to cause serious harm, particularly if cattle begin migrating to the U.S., shortening the supply of cattle to Canadian beef facilities.

• (1110)

In budget 2018 we urge the government to increase its investment in rural infrastructure to support agriculture, and to develop an ongoing stream of meaningful funding that will keep us competitive and help us to grow our exports.

Third is with regard to taxation. Federal, provincial, and local governments are introducing tax measures that are negatively impacting competitiveness. Federally, we see proposed changes to the Income Tax Act that are expected to leave less income in farmers' pockets and constrain their ability to grow. Provincially, a new carbon tax could increase costs for producers up to \$7 per head. Locally, the head tax in Lethbridge is originally set at \$3 per head, but plans have called for that to rise to \$4 per head.

There is a piling on here that worries producers. We figure that the combined effect of these new taxes could reach up to \$14 per head. The average annual profit margin for a cattle-feeding operation in Canada across the last 10 years is \$18 a head. That's a 75% hit with respect to profitability.

In budget 2018 we urge the government to ensure that any changes to the Income Tax Act do not negatively impact our nation's farmers, ranchers, and feeders, and their ability to compete, grow, and expand exports.

Fourth concerns regulatory impediments. NCFCA welcomes budget 2017's commitment to advance regulatory alignment with our trading partners through the \$6 million invested in the Treasury Board Secretariat and the Regulatory Cooperation Council. In budget 2018 we urge the government to follow through with these funding commitments and reiterate the trade benefits of regulatory reform.

Fifth is with respect to trade. NCFCA is a strong supporter of liberalized trade and recent deals such as CETA, the South Korean free trade agreement, and the TPP process. All of these are key to reaching our export goals. However, we need to resolve our labour, infrastructure, and tax challenges. Without that, we simply will not be able to take advantage of those new market opportunities because we are just not competitive.

In budget 2018 we urge the government to ensure that our trade policies and priorities are not being undermined by action or even inaction on other policy fronts. Competing internationally requires reinforcing policies that do not work at cross-purposes.

Finally, we commend the government for completing the new \$3-billion Canadian agricultural partnership. With the heavy lifting done, NCFA encourages the government to push ahead with establishing the new agrifood growth council, as recommended in the Barton report.

With that, I would be pleased to answer any of your questions.

Thank you.

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

We'll turn now to SARM, and Mr. Orb.

**Mr. Ray Orb (President, Saskatchewan Association of Rural Municipalities):** Thank you, and good morning. My name is Ray Orb, and I am the president of Saskatchewan Association of Rural Municipalities, or SARM.

SARM is the independent association that represents all of the 296 rural municipalities in Saskatchewan. I appreciate the opportunity to be here today to talk about rural Saskatchewan's priorities for the upcoming 2018-19 budget.

The goal of increasing productivity for all Canadians, businesses, and communities is important for ensuring the overall well-being of Canada, but SARM does have concerns with the proposed tax planning using private corporations, as the changes will have major complications for the agricultural sector, a sector that the federal government did single out as a key source of future economic growth in the last budget.

Saskatchewan has the highest proportion of incorporated farms in all of the Prairies. One-quarter of all farms were incorporated in 2016. For decades, farmers have been encouraged by provincial agricultural departments and tax officials to incorporate, because the tax system then makes it easier to transfer the farm within the family. The proposed changes would threaten the transfers of farms and would make it easier for foreign buyers and non-family members to purchase land.

Rural Saskatchewan is proud of the family farm. This past June, the Information Services Corporation honoured 182 Saskatchewan families with the ISC Century Family Farm Award, an award that recognizes families that have continuously maintained the same farm or ranch operation for 100 years or more. Saskatchewan's history has been shaped by the legacy of farms and land passed along through several generations.

Rural Saskatchewan's productivity may be improved and supported through the following priorities.

Broadband access has become so prevalent in our daily lives that if we don't have access to reliable service or we don't have any service at all, we suffer through the inability to be integrated in the economy and society. Reliable and good service has become extremely important and critical for all businesses in communities across Canada. The need for this service is no less in rural areas than in urban areas.

SARM thanks the federal government for its investments in rural broadband through the connect to innovate program. This program will help to improve broadband services in rural areas across the country. The program is focused primarily on bringing new

backbone infrastructure to communities that lack a connection of one gigabit per second. Bringing service to communities that lack a connection has always been a part of SARM's advocacy efforts. Providing funding to put these connections in place is very much appreciated, and SARM recommends that an important measurement moving forward will be the reliability of a connection.

Constructing new connections to underserved rural areas should remain a focus, but upgrading the reliability of existing rural connections is also important. Minimum available download and upload speeds provide an indication of an aggregate service level, but reliability should also be taken into account. A good question to ask is if that level of service is consistently available throughout the day during peak times.

SARM also recommends that the federal government work with the provincial government when determining the threshold when defining a rural community. Often a definition of "rural" in federal programs and funding does not align with provincial realities. The reality in Saskatchewan is that there is great variation in the populations of rural municipalities, from the smallest at 73 to the largest of almost 9,000. Lowering the 100,000 population threshold for the small communities fund and other federal infrastructure programs would significantly improve the benefits that rural communities receive.

SARM's board of directors has taken Saskatchewan's demographics into consideration and, after some deliberations, SARM truly believes that the definition of "rural" for Saskatchewan should be populations of less than 4,999. In Saskatchewan there are only two cities with populations of over 100,000. As a result of this criterion, rural communities must compete with all the cities across the province for infrastructure funding. By adopting this new threshold, the federal government could immediately ensure improvement of the environment, support stronger and safer communities, and support the economic prosperity of the middle class.

Training and education is also a crucial part of increasing productivity. Since municipalities are important employers in rural areas and since these employers have training and education needs, SARM recommends that the Canada-Saskatchewan job grant be expanded to include rural municipalities.

● (1115)

Improving the skills and knowledge of municipal employees leads to more productivity, healthier communities, and prosperity for all. Communities and the middle class rely on municipal services, such as local fire departments. The services offered by fire departments save lives and property and enhance the overall public safety of communities. The provision of these services relies heavily on resources and a sustainable model. Local fire departments in Saskatchewan have experienced sustainability issues when providing fire services to provincial and crown infrastructure and/or first nations land.

Recouping the cost of services rendered does not always occur due to stringent crown policies or the absence of servicing agreements between municipalities and first nations, so we believe that the creation of an emergency response fund would greatly enhance the sustainability of municipal fire departments and increase public safety. The emergency response fund would have some cost criteria developed that would determine what costs are eligible and under what circumstances compensation would be received. The idea is to deal with fire incidents on crown infrastructure and first nations land. This initiative would serve to increase productivity of municipal fire departments by ensuring that they continue operating, knowing that they will receive compensation for services rendered and spend less time fundraising. SARM recommends that the federal government work with the municipal sector, the Government of Saskatchewan, and first nations to assist with initiating this conversation and the development of a response fund.

In closing, I would like again to urge the federal government to reconsider the tax proposal changes that would impact farmers. Farmers take on significant risk when they invest their time, resources, and assets into a business that makes them price takers. The prices for the goods are dictated by the market. The changing climate is a constant variable that can greatly enhance or destroy crops, and changing market conditions such as new tax systems create an uncertainty for the agriculture sector. The ability for farmers to access the capital gains exemption will be significantly harmed by these proposals. It will not increase fairness or productivity for middle-class farmers. Therefore, we are urging the federal government to exclude the agriculture sector from these proposals.

By working together we can improve productivity and fairness for all.

Thank you for the opportunity to speak today. I would be pleased to answer questions.

• (1120)

**The Chair:** Thank you, Ray.

Now we'll turn to Mr. Zahavich, from the Southern Alberta Institute of Technology.

**Dr. Alex Zahavich (Vice-President of Corporate Development and Applied Research, Education, Southern Alberta Institute of Technology):** Good morning, and thank you very much. I'm Alex Zahavich. I'm the vice-president of corporate development and applied research at SAIT.

SAIT is the oldest technical vocational institute in North America. We just celebrated our 101st birthday. We are in the business of applied education. We are members of CICan, Colleges and Institutes Canada, and Polytechnics Canada. We are the largest college in Alberta. We service 45,000 students annually, and have alumni in 160 countries, 220,000 strong around the world. The average age of our student is 25 years. Of our students, 25% come to us already with a post-secondary education and credentials. Today, we have 200 Ph.D. students enrolled at SAIT.

Our collaborative relationship with industry is our strength, and that's part of our brand, because we graduate into jobs. Some 85% of our graduating class last year, 5,000 students, graduated into jobs

they were trained for. While education is the jurisdiction of the provinces, we have benefited and collaborated very closely with the federal government on a number of initiatives, both financially and through policy.

Last year, we were recognized by our peers as the top research college in Canada. One of the initiatives of the federal government is the creation of the applied research network among the college sector. Our applied research and innovation services department works closely with industry to develop new products, increase productivity, and commercialize new markets for industry. Our students directly work with those companies, and graduate through those projects into jobs with the companies with which they do the projects.

We're not encumbered by publishing. We don't get hung up on intellectual property. That belongs with industry to commercialize. Because of that relationship, we need to see that reinforced through some recommendations we'd like to put forward today. I know I'm speaking on behalf of my colleagues across the country in the college and polytechnic sector.

From a competitive standpoint, we need to see the tri-council funding expanded. Currently, out of \$3.1 billion spent on post-secondary research, the college sector gets 1.7%, \$53 million. It wouldn't take much to double that to support more project activity, and to provide indirect cost funding. We have to support our infrastructure through our operating grants. The universities don't have to do that. It is not a we-they. We partner very closely with the University of Calgary and other universities in Canada. In fact, they named us, and we are very grateful to be part of the award on the CFREF grant that came forward. We will be part of the supercluster applications that are coming forward as well.

The second element of competitiveness is an odd one, because people don't realize that the post-secondary education sector is a form of economic diversification, and that form can come through international students. The multiplier on a \$15,000 tuition from a student coming from Mexico or China is four times the contribution to the local economy. Global Affairs Canada has a digital strategy that is worth \$5 million. That doesn't get you very much in a competitive world. Australia has a minister of international education and tourism. It is serious about what it does. While it is a provincial jurisdiction, there's no reason why Canada cannot have a common front when we go for international students. That will help diversify our economy.

Third, we have worked very closely with the regional funding agencies, in our case, Western Economic Diversification Canada, which is a very strong body here, but we need some predictability, and it needs some predictability in the funding. Annual funding is a very difficult thing with which to work. The industry benefits from western diversification, but there is uncertainty annually about what it has to work with, so we need that stabilized. We are able to leverage that by bringing industry partners to the table to support those funds.

• (1125)

Finally, every once in a while, what comes across our desk is something called a strategic infrastructure fund or knowledge infrastructure program. That should be done annually. There is a capital deficit in the post-secondary system. There are job creation opportunities, but there are also competitiveness and productivity opportunities. We need those facilities to be annually upgraded to meet the needs of industry across the country.

Thank you very much. I welcome your questions.

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

A number of us went to the University of Saskatchewan the other afternoon when we had a couple of hours before our flight. It was rather enlightening to see the Canadian Light Source and a number of initiatives which I imagine you would be familiar with.

I'll turn to the last panellist, Mr. Ogbogu with the Stem Cell Network.

**Mr. Ubaka Ogbogu (Assistant Professor, Faculties of Law and Pharmacy and Pharmaceutical Sciences, University of Alberta, Stem Cell Network):** Thank you for inviting me to appear today. My name is Ubaka Ogbogu and I'm an assistant professor in the faculties of law, and pharmacy and pharmaceutical sciences at the University of Alberta. I'm also the Katz research fellow in health law and science policy. I'm here to represent the Stem Cell Network. I have long been a member of this organization, first as a student trainee, and now as a legal and policy researcher and scholar investigating the ethical, legal, and social issues associated with stem cell research.

Since its inception in 2001, the Stem Cell Network has been leading and building Canada's stem cell research community. Over the past 16 years, the Stem Cell Network has built a national community that has transformed stem cell research in Canada, and has pushed the boundaries of what was a basic research area towards translational outcomes for the clinic and the marketplace. This has been achieved in areas such as cancer, diabetes, heart failure, and multiple sclerosis.

From 2002 to date, the Stem Cell Network has supported 160 world-class research groups across Canada with approximately 5,000 full-time employees working on Stem Cell Network-supported stem cell research projects. As of 2016, the Stem Cell Network has provided over \$90 million for innovative translational research, resulting in partner contributions of \$100 million. I'm proud to say that the Stem Cell Network is the main driver behind the emergence of Canada's regenerative medicine sector.

Regenerative medicine, as you may know, uses stem cell-based therapies and technologies to regrow, repair, or replace damaged or

diseased cells, organs, or tissues. Just this past spring, the "Global Regenerative Medicine Market Analysis & Forecast to 2021" indicated that the global regenerative medicine market was worth \$18.9 billion in 2016, and will grow to \$53.7 billion by 2021. This is a market that Canada is well positioned to actively participate in, especially with strategic investments in growth areas such as biomanufacturing, technology scale-up, clinical trials, and translational research.

Countries around the world such as the U.S., Japan, Germany, and the U.K. are making strategic investments in stem cell research because they understand the major health and economic benefits that will result from this research. Canada is well positioned to be part of this global picture. However, it is not just pure economics that will drive our investments in research. There's also a health imperative for being involved in regenerative medicine.

Chronic illness is costing the Canadian economy approximately \$190 billion per year in health care costs, not to mention income and productivity losses. Health care expenditures are expected to outpace economic growth by 2020. Regenerative medicine powered by stem cells has the potential to change the narrative in the years to come. That said, new therapies, technologies, and treatments must be proven safe and efficacious before they enter the marketplace. This means that it takes time, patience, and an unwavering commitment by all of us if we are going to succeed in getting novel regenerative medicine to our loved ones.

When you are talking about the health of your mother, your daughter, your husband, or your neighbour, we must ensure the risks have all been accounted for while balancing this timely access to new therapies.

On a personal note, my involvement in the Stem Cell Network, along with my colleagues who work in the health law and science policy fields, has been to provide evidence-based advice to regulators, including Health Canada, on how to address the regulatory and policy issues in this field. We also provide advice to government that would help to ensure that our regulatory system is effective and permits research to move from bench to bedside as efficiently as possible.

I know the government is most interested in how to support productivity in this country. It is a complex question but also a straightforward one. Invest in innovative sectors like regenerative medicine. It is the field that is the future of health care. It is also an area where investors are paying greater attention and putting their money where their mouths are.

•(1130)

A clear example of this is the 2016 announcement of BlueRock Therapeutics, a joint venture between Bayer and Versant Ventures, valued at \$225 million U.S. It is one of the largest ever series A financing for a regenerative medicine biotech company. This company has offices and labs in Toronto, Kyoto, and Boston. BlueRock is looking to bring some of these therapies to the market. Its first area of focus is to develop therapies that address heart attacks and chronic heart failure. These are conditions that cost more than \$2.8 billion per year to treat, and 50,000 Canadians are diagnosed with them annually.

The two scientist founders of BlueRock are Canadians: Michael LaFlamme and Gordon Keller. Dr. Keller is a member of the Stem Cell Network and has benefited from the Stem Cell Network's support over the years. Dr. Michael LaFlamme is globally respected as a cardiac cell therapy pioneer.

Many impressive scientific minds reside across the country, too many to name. If it were not for strategic investment in stem cell research, they may have chosen to move elsewhere to pursue their careers and their passion. However, because Dr. Keller and Dr. LaFlamme were able to pursue their research in Canada, we can declare BlueRock to be a homegrown success. As Michael Rudnicki, the scientific director and CEO of the Stem Cell Network, likes to say, Canada is at a tipping point and now is the time to double down and invest in regenerative medicine. I agree with this statement and would add that without this support, we run the risk of losing the next generation of young researchers, biologists, engineers, ethicists, and lawyers like me. These are the people that this government understands will drive Canada's knowledge economy.

In conclusion, if you want to provide incentives that will spur productivity and create high-quality jobs, you don't need to look very hard. I encourage the government to invest in this sector that is ready to make a difference for Canada and Canadians.

Thank you very much for the opportunity to speak with this committee. I look forward to your questions.

•(1135)

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

We'll turn to questions, and we'll have to go to six-minute rounds.

Mr. Fergus is first.

[Translation]

**Mr. Greg Fergus:** First of all, I would encourage everyone to wear their earpiece.

I might have two or three questions to ask. I'll try to be brief.

I will start with you, Mr. Holden. I found your presentation very interesting. We have a productivity problem in Canada. Before being elected, I worked for the federal government, in Ottawa, for quite a while. Since the end of the 1980s, this issue has really been a concern for us.

I know that when Mr. John Manley was minister of industry, Canada's productivity rate always lagged behind and was lower than that of the United States. It seems that the only time it went up was when we signed the Free Trade Agreement with the US. In your

presentation, you mentioned that we had a problem and that the manufacturing sector was not investing in new equipment. In your opinion, what can we do differently from what we've been trying to do for the past 25 years in order to increase our productivity rate in Canada?

[English]

**The Chair:** Mr. Holden.

[Translation]

**Mr. Michael Holden:** Thank you for your question. When I lived in Ottawa, a few years ago, I spoke my second language a lot, but after living here for six years now, I need to practice it more. So I will answer in my first language.

[English]

Obviously, the issue of productivity isn't one that has an easy answer, otherwise people would have come up with it already. It's something that Canada has struggled with over a number of years. There are a number of specific challenges, and I think this government has put forward a few good ideas to help out. I mentioned in my presentation the strategic innovation fund being a step in the right direction. Some work on the innovation clusters and the Canada job grant were a step in the right direction because, as I said, we need to have the right people in place to make use of the manufacturing technologies that are available.

In terms of why it is, there are a few challenges which I think we need to overcome. One is that in the manufacturing sector specifically, if you look at the size of the average company in Canada, we skew to the small end. We have a lot of branch plants of large American companies or European companies, and the domestic manufacturing base is smaller than it is in other countries. I think that, in some ways, the smaller organizations have a more difficult time with financing, with understanding what new technologies are, and the costs, both in terms of the dollar-value costs and the costs of potentially getting it wrong, are much higher for smaller companies. I think there are some challenges there that we need to overcome.

One of the others related to the size issue is that.... Excuse me for a second here. I'll have to come back to the size issue in a second. I apologize for that.

You mentioned that Canada only made progress during NAFTA, during that period of time, and I think that is true. The big gap that we saw with productivity growth between Canada and the U.S. in particular took place in the aftermath of the NAFTA period. We had good productivity growth then, but the gap opened up in the late 1990s and early 2000s. I think part of the reason for that was the relative lack of adoption of the new digital technology that took place in the United States, and so we saw a large, widening productivity gap. Since that time it has not really gotten worse, not in the last five or six years at least. Canada has been kind of running parallel to the U.S. In recent years the growth levels have not been as bad, but we're not closing the gap that existed before.

As I said when I started my response, there aren't any easy answers to these questions, but I think that business size.... The other point that I forgot before, and I just remember now, is that I think there's a role for the tax system to play in fixing this problem. Specifically, from the corporate perspective, simply speaking, you have the general corporate tax rate and the small business tax rate. Nobody's arguing against a small business tax rate, but the problem we have is that we effectively encourage companies to be small. We don't encourage them to grow. I think that one of the things that we would like to see as part of the tax reform that I mentioned before is exploring innovative new ways to reward companies for growing and for investing in their labour force and their capital.

● (1140)

**Mr. Greg Fergus:** I know.

[Translation]

Thank you very much.

[English]

**The Chair:** You have time for one very quick question.

[Translation]

**Mr. Greg Fergus:** Actually, it's not a question.

I'd simply like to recognize the work of the Southern Alberta Institute of Technology.

Doctor Zahavic, I had the opportunity to visit your institution on a few occasions with David Ross. I was really impressed with the work that is performed there. I hope that we can always support your work and that of your colleagues in post-secondary institutions.

[English]

**The Chair:** Thank you.

Mr. Kelly.

**Mr. Pat Kelly:** Thank you.

Again, those were great presentations.

We've heard a lot about regulatory systems and how they impact competitiveness in the Canadian economy. Competitiveness is one of the things that we're here to talk about, and it was a theme that contributors were asked to address.

I want to talk very specifically about the news yesterday that was quite devastating to much of the business community as well as employees and people who are looking for work and struggling in Calgary, and that is the withdrawal of the energy east pipeline. The applicant was very clear that they withdrew because of regulatory changes to the process. Yesterday in the House of Commons, the minister, in response to a number of questions about the changes that were made to the regulatory process, insisted that this was not, in fact, the case. He said, "...nothing has changed in the regulatory process. The same rules that applied and that led to the approval of billions of dollars of investment in the energy sector, as well as tens of thousands of jobs, still existed and would have to the energy east pipeline." He went on to say, "The rules did not change, not at the beginning, not in mid-stream, and not at the end."

Mr. Bloomer, I'd like you to comment on what had changed and how this project managed to be withdrawn.

**Mr. Chris Bloomer:** Thank you, Mr. Kelly.

Yes, that was a blow yesterday for Canada on many fronts—jobs, investment, and so on. It is instructive to look at the letter that TransCanada sent to the NEB with their notice of withdrawal from the project. They're pretty clear about what drove their decision.

The narrative that energy east was treated exactly the same as the other projects in the review process is not quite true. I think it was a big surprise when the panel came out and spoke about upstream and downstream emissions in a way that was really outside their jurisdiction. That was not the narrative that was put forward during the other pipeline reviews, and I think it's wrong to say that there was a total equivalency there.

The decision by TransCanada is just one example of this regulatory uncertainty that is impacting the industry negatively. This is an industry that drives a lot of the Canadian economy, and this uncertainty is driving investment away. Yesterday was just another example. We lost 15 billion dollars' worth of investment in this country yesterday. That's a problem. I think we really need to come to grips with that. Rather than trying to parse what the cause was, let's look at solutions.

● (1145)

**Mr. Pat Kelly:** We've heard today in this committee about the devastating effect that the downturn has had on this city, but this project was about much more than jobs in Calgary. This is about jobs in Atlantic Canada. This is a nation-building exercise. Perhaps you could comment further on the benefits of the project and the damage that mixed signals on regulation and mixed signals about how we feel as Canadians about these important projects have to our economy across Canada.

**Mr. Chris Bloomer:** It's pretty obvious that we've lost this investment. It is across Canada. It's not just Calgary. It has a ripple effect across the country, in the pipeline industry and also in the trades. It will affect middle-class folks who are welders, service providers, inspectors, arborists who maintain the rights of way, and so on; there's a whole slew. There's a very deep impact across the country.

It's been said many times that these are the engines of growth. When the Prime Minister went out and approved the two projects, he stated that these projects are in the national interest, that they are necessary to access markets. It's important to understand that these are national impacts.

**Mr. Pat Kelly:** I would agree that a bold statement needs to be made in the budget that we support energy projects in Canada. The signalling, the mixed messages going out, all of this is having a devastating effect on the investment climate because, as was said in your presentation, policy-makers, economists, and decision-makers on financing projects do not decide to invest in uncertain jurisdictions.

Thank you.

**The Chair:** Thank you.

Mr. Bloomer, you said we should look at solutions. I have circled in your presentation the same part that Mr. Kelly referred to. What are some of the solutions that would allow us to bring certainty to the regulatory regime? Industry needs to know where it's at, for sure. In a very quick statement, I would like to hear what you think some of those solutions are, because I think we have to address this issue in the report.

**Mr. Chris Bloomer:** Thank you for the opportunity. Very directly, we need to get this next phase of regulatory reform right. It is still unclear, both on the NEB modernization piece and the environmental review piece where those things are going to come down. There's a lot of direction that they're giving, but there's not a lot of specifics.

We have an opportunity now, and it's the moment, because the government is forming its opinions. The government needs to listen to what industry is saying and what the country is saying now, in terms of developing their policies going forward. They want to implement new changes by 2019, which is ambitious, and they are determined to do that, but we need to get this right.

This is not an election cycle issue. This is a long-term national issue that we have to get right. We can't be changing these things every four years, and then moving the goalposts within that. It is a very serious issue. Clarity is really needed.

**The Chair:** Thank you, Mr. Bloomer.

Mr. Dusseault.

[Translation]

**Mr. Pierre-Luc Dusseault:** Thanks to all our witnesses for being here today.

I'd like to get back to the Hotel Association of Canada and the issue of Airbnb.

Inasmuch as we'll try to make recommendations to the minister of finance, I know that many people were happy, last year, to see that the federal government had targeted Uber in the Budget Implementation Bill. As a result, some people might be hopeful that Airbnb will find itself the focus of the minister of finance. This being said, I would like to get a better idea of the situation and to know who would pay the GST in this case.

We saw that the province of Quebec will impose an accommodation tax, which is not the QST. I wonder who will end up paying in the case of a sales tax like the GST. Will it be the property owner or the Airbnb multinational? In your opinion, how will taxes be paid?

• (1150)

[English]

**Mr. David Kaiser:** Thank you for the question.

In terms of who would pay the tax, our specific recommendations are around Airbnb collecting the HST on the commissions that they charge for the host. We also believe that hosts who are above that \$30,000 threshold—and that's a growing segment. We have many what we call commercial operators, those being hosts who rent out entire homes, and probably the fastest growing segment, multi-unit owners that are really operating like hotels. They should obviously

be paying GST as well. Again, there's a big gap in tax revenue that's not currently being collected there, and it's growing exponentially.

We applaud what's happened in Quebec. We have a similar tourism levy here in Alberta. We also believe that platforms like Airbnb should be collecting on that. Those types of fees and taxes are invested in tourism and help to drive visitation to our country. The beneficiaries of that visitation are in fact the hosts of some of these short-term rental sharing operations.

Again, we're not asking for special treatment; we're just asking for a fair, level playing field for operators who compete directly with our business.

[Translation]

**Mr. Pierre-Luc Dusseault:** This thoroughly answers my question. In fact, I hadn't thought of the commission, which is actually paid back to the company. I was going to ask another question regarding the \$30,000 threshold to have to remit taxes to the government.

I will now turn to Mr. Ogbogu to ask him a question regarding stem cells.

I'm lucky that neither my closest and dearest nor I have needed to really access the health system to this day. As a result, I don't know much about regenerative medicine. Could you give us an example of a more specific application? You were talking about chronic diseases, with which you obviously associate economic costs. People who suffer from them stay at home instead of being in the labour force, sometimes for extended periods of time.

Can you give us a specific example of what this regenerative medicine could do in the case of chronic diseases, which are more and more frequent in the population?

[English]

**Mr. Ubaka Ogbogu:** Thank you very much for that question.

Stem cells work in two ways, really. The goal of the research has resolved into two main avenues. The first is to actually understand human biology and through that to understand how the cells in our bodies act and how they become damaged or diseased. That understanding then allows researchers to develop therapies and create models to study diseases and understand the diseases better.

Then there's the other really exciting avenue, which is that you can use stem cells to develop treatments to regenerate tissues, organs, and cells in the body. You can grow the cells outside of the human body in labs and use them to regenerate organs or tissues or cells that have become diseased or damaged in our bodies. These two avenues really deal with basic biology. Developing treatments is what researchers are working on. The target for these two avenues is to address diseases that currently have no cure, diseases that we spend money on managing in the health care system and for which there is no cure, things like cancer, Parkinson's, MS, heart disease, things that cost the Canadian health care system billions of dollars. That's the hope.

Canada is well positioned to actually be a leader in this field. Stem cells were discovered in Canada. We have a very enviable research community in Canada, made up of the top experts in the world. The government has actually in fact been very supportive of the area, and our hope is that the government will continue to be supportive as we're moving now very steadily towards the clinics. The research is getting to the point now where we're beginning to see translation, and the hope is that the government will support that in this regard.

● (1155)

**The Chair:** Mr. Sorbara.

**Mr. Francesco Sorbara:** Thank you, Mr. Chair. *Bienvenue à tous et toutes.*

These have been great presentations by everyone. It's been a very informative day. I've seen sort of a theme among some of our presenters even going back to when we had pre-budget meetings in Ottawa.

This one is for the CME, and it deals with accelerated capital cost depreciation.

A few presenters, I think almost half a dozen, have requested that we look at enhanced depreciation rates, that we extend accelerated capital cost depreciation, or that we introduce tax credits on that front. We've heard it from a number of organizations. Is this the magic pill that we're looking for on productivity? Is it a step in the right direction? This is a theme I've seen to date.

Can you please comment on that, Mr. Holden?

**Mr. Michael Holden:** I would definitely not say that it's been a magic bullet solution. I think this is something that is a necessary step along the way, and it's one of the pieces of the puzzle to unlock the productivity problem, to mix my metaphors.

In this case here, what we're specifically looking for is... If you think about the technology we use every day, especially the advanced manufacturing technologies that businesses use, the shelf life of those can be short. They're valuable, and I think this kind of a process, in which we encourage business to invest in these potentially risky but also rewarding technologies, is part of the solution.

**Mr. Francesco Sorbara:** I have a lot of respect for manufacturers. They compete globally; they don't compete domestically. I have one firm in my area that recently completed an investment of over \$150 million, creating 400 good middle-class jobs in my riding. He's an entrepreneur who's done very well, and I'm proud to have his firm in my riding doing great things. It employs over 2,000 people and 90% of what it produces is exported to the U.S.

I want to end it there, because I want to move on to the hotel association.

We are seeing a lot of disruptive technology coming onto the market, whether it's Uber or whether it's apps in general. I'm 45, and 12 or 15 years ago if you said "apps", well, what was that? I still remember going to university and wondering what an email account was. I don't think I'm that old, or at least I don't feel that old.

I do believe in having a level playing field when you look at safety regulations and at employees' rights, protections, and so on. I read

your presentation. What can be the main take-aways from that presentation in terms of levelling the playing field while still recognizing the fact that technology is bringing change? We no longer use typewriters and we no longer use the horse and carriage, and we have to recognize that fact.

**Mr. David Kaiser:** In terms of the finance committee and the federal role, we feel strongly that the government needs to take leadership.

On the GST/HST issue, those taxes should be collected at the platform level from these digital operators. We think that's important, and we'll signal to the provinces that also have other fees.... Through that mechanism, I think the collection of those taxes would be very efficient.

**Mr. Francesco Sorbara:** We've done that with Uber. That was in our budget last year, the budget implementation act.

**Mr. David Kaiser:** We applaud that direction and we think a similar solution could easily be applied to the sharing economy for short-term rentals as well.

● (1200)

**Mr. Francesco Sorbara:** I have a general comment. We've had a lot of discussion on the consultation paper that was released. I met with literally half a dozen tax experts to go through it and provide feedback and comments. We are listening. I think we need to be optimistic. I do believe we're listening. We need to get rid of the uncertainty. I think that's the biggest thing for businesses, in the businesses I deal with.

Moving on to the Canadian Energy Pipeline Association, I really appreciated the comment you made about our recognition that there is a low-carbon economy out there and that there's a transition. Also, I believe there is a very large role for the Canadian oil and gas sector and the global gas sector.

I preface this by saying I've covered many of these companies, whether it was Inter Pipeline or Pembina Pipeline on the bond desk, for many years. How can we still develop fields like Montney and Duvernay in this environment that we're in, and do it profitably and with proper regulation?

**The Chair:** That's a big question.

**Mr. Chris Bloomer:** It is a big question.

I'll try to be focused. The first step is to say that this is a massive resource. The second step is to say that we are moving beyond the oil sands. This new resource is natural gas. It's light oil. It's NGLs. Natural gas is a transition fuel, and if you want to look in the very long term, it's going to be key to the Canadian economy. It is a strong export potential in LNG. The light crude is what eastern Canada uses and needs, and that would displace foreign imports.

We have innovated and we have understood this resource at a very rapid pace. We are competitive with the U.S. in terms of our costs of production and so on, but we're going to need infrastructure to make it happen.

**Mr. Francesco Sorbara:** Thank you, sir.

**The Chair:** Thank you, both.

Mr. Albas.

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

I thank all of our panellists here today. We appreciate your coming and sharing your expertise with us.

I'm going to start with Mr. Bloomer. Mr. Bloomer, in your comments, you mentioned that the National Energy Board had overstepped its mandate in applying upstream as well as downstream greenhouse gas emissions as part of the process for energy east.

Perhaps you could clarify that, because the NEB is a creature of statute and should be following what Parliament has allowed it to do. Can you explain that?

**Mr. Chris Bloomer:** The inclusion of upstream and downstream emissions in the first instance, in the interim rules, was not put in the same way as the new committee did. They said that they were going to do a very rigorous analysis of that. That's not really within the NEB's purview. Their purview was not to go and analyze upstream and downstream greenhouse gas emissions. It is outside what they would normally do.

**Mr. Dan Albas:** When you have a regulator that is supposed to be charged by statute under law to do a particular job, and it starts adding things in, does that create a sense of certainty in your industry?

**Mr. Chris Bloomer:** I think it's the opposite.

**Mr. Dan Albas:** You would think that the government would address that directly and either put it in statute.... I don't think I would like that, but at least it would then be democratically sanctioned by Parliament and we could have that debate. However, to have a regulator go outside its mandate is very concerning to me as a parliamentarian.

**Mr. Chris Bloomer:** If I could make a comment on that, what happened with the NEB was that an independent panel was set up. It was the independent panel that made that call. They said that this was what they were going to do within the panel. That's another step removed from what you are talking about. The independent panel made that decision.

**Mr. Dan Albas:** Did this panel give a reason for why they were going to step into this terrain? From my understanding of it, just from what you've said, that's outside the mandate of the NEB. Who put them in charge of that?

• (1205)

**Mr. Chris Bloomer:** That is correct. As an association, when that first came out, our statement was exactly as you have outlined, that it was outside their purview.

**Mr. Dan Albas:** Ever since I first started in politics, I've always said that business needs two things: opportunity—and this country has so much opportunity—and certainty. I am very unhappy, Mr. Chair, to hear, first of all, that the government has given so much leeway to the regulator and that the regulator has given so much leeway to this panel, because ultimately we have so much that is being piled on—as we have heard from the cattle feeders—that this is now a question of whether or not we can stay competitive.

I'm going to go to the cattle feeders now, if you don't mind.

In regard to your industry, at least in British Columbia, I know many cattlemen. I've been to a couple of cattlemen's association meetings, and the demographics are getting older. There are succession issues around retaining the talent that will be able to move operations forward.

You mentioned as a concern these changes to the Canadian-controlled private corporations. However, I am also concerned about other areas that are not tax-based, like water. For example, many people in my area have said that ongoing regulation issues with the modernization of water acts and whatnot are causing all sorts of issues in the industry. Do you have any issues? They could be tax-based, but they could also be on other fronts that you think governments of all levels need to take a look at.

**Mr. Casey Vander Ploeg:** I thought I was going to slide under the radar this morning, but apparently not.

Our provincial members in British Columbia have certainly alerted the national association to—again, it falls into that uncertainty gap—changes to environmental regulations respecting intensive livestock operations.

For a solution on that front, at least what we have suggested to B. C., is that they take the lead from Alberta. Alberta has in place what they call the Agricultural Operation Practices Act, AOPA, which definitively sets down what the environmental standards are for confined feeding operations, whether that be dairy, beef feedlots, poultry, etc. As well, industry has been quite successful in working with government on that front. I would say that if they don't have something similar in British Columbia, then they should get to that point.

I think that feeds off what Mr. Bloomer was saying, too. You know exactly what the regulations are going to be; you come to an agreement on that, and then you work under that. In Alberta they were going to review AOPA this year, but industry and government said, "It's working well so let's leave it as it is and continue operating under it that way."

The key challenge for cattle feeders are threefold. I mentioned them in the presentation. The first is labour, not just on the farm but in our beef processing plants. The second is local infrastructure for roads and bridges to move our agricultural product into those major pipelines and gateways to market. Third is this piling on of different tax changes that are, frankly, worrisome for agricultural producers.

**Mr. Dan Albas:** Briefly, I would like to go to the Southern Alberta Institute of Technology. To your point on the international student retention and recruitment, one of the things I see in my area is that there is a lot of contention from local populations who say that foreign students are somehow taking away from existing schools that were built to serve the local population. I think it's really important to say that actually the opposite is true. The capacity is increased, and as we build our international standings in the world, we also draw more money that can support increasing services to local populations.

Could you make a few points? I think the chair is going to cut both of us off.

**Dr. Alex Zahavich:** I appreciate the opportunity to speak to that.

There is a myth about Canadian seats being lost to international students. We've done the calculation, and it's been verified by the Auditor General of Alberta. In terms of the work that SAIT does—I manage about a \$75-million level of activity out of a \$300-million budget—it provides 1,000 seats for Albertans, bottom line. It's a pretty straightforward calculation. We acknowledge that we do run a relatively expensive model in terms of how we operate things. In applied education, there's a little bit of time on the board and a lot of time in the lab. It's a hands-on type of thing. It's a costly model. But that's 30 cohorts for SAIT, and roughly 10% of our staff as well, who would be at risk if we didn't have that.

It is important to recognize, too, that industry is asking us to globalize our education and our curriculum. We have a very strong inclusivity and diversity program at SAIT. Our students now get exposed to international cultures as part of their curriculum. That's what industry is demanding, and that's why we have the success that we do with our job placements.

I appreciate the question on that.

• (1210)

**The Chair:** Thanks, both of you.

Mr. McLeod.

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

Thank you to all the presenters today.

I have a couple of questions but not a whole lot of time. I'll start with a short question for the Saskatchewan Association of Rural Municipalities.

I want to point out that I share your pain with regard to definitions. When people try to fall under the definition of “rural”, that's one thing, but when people start describing themselves as “north” because they live north of Toronto, I don't accept that.

**Voices:** Oh, oh!

**Mr. Michael McLeod:** We have the same challenges in the north on services for first nations. Ours is a little more serious, I think, because we don't have reserves. We have aboriginal communities, but they're public communities, so INAC or Indian Affairs doesn't really play a very big role. The aboriginal communities are not tax-based, but there are regional centres that are tax-based. They have the ambulances and they have the fire trucks, yet all of the surrounding communities don't have anything. The call-outs to the other communities are growing and growing, to the point where they're servicing the aboriginal communities more than they are the community they're based in, and nobody's paying for that.

You flagged that in your presentation, and I'm really curious to know how serious that issue is. What percentage of call-outs do you think may be going to fire response and ambulance?

**Mr. Ray Orb:** I'm not exactly sure of the stats on that. We know it's serious. It was actually precipitated by a real serious issue in the North Battleford area not too many years ago. If you recall, there was a town that was looking after the fire coverage. They didn't have an agreement with the first nation, so they didn't go to put out the fire. Unfortunately, a couple of young girls died in the fire. It prompted us and SUMA, our sister organization, the urban

association, to sit down. We meet probably three or four times a year. We meet with INAC and we meet with the provincial public safety minister as well.

We've come up with an idea, and we've met with several people in Ottawa. We've been trying to get this fund.... Maybe Mr. Easter can help us with this, and some of the other MPs. We've met with Senator Lillian Dyck. Actually, two days ago I was in Ottawa, and we met with her again to reinforce this idea. Another one is Georgina Jolibois. We met with her. She meets with us in Saskatoon.

It's a serious issue. We need to get the federal government, and I think each province, to put in some funding to create some protection.

**Mr. Michael McLeod:** Maybe that's something we can raise with the indigenous caucus, too, as something that needs some attention.

Broadband access is an interesting one. I represent a riding where we have a lot of communities that are isolated. The definition of “isolation” is starting to include the lack of broadband. Many youths are pointing to that as real isolation: if you can't use your cellphone, or do text messaging, then you really are isolated. I think we need to do a lot more in that area.

Most of the presenters who've represented municipalities have talked about a shortage of housing. Is that something you're experiencing in the areas you represent?

**Mr. Ray Orb:** To tell you the truth, it's not as much of an issue for us as it is in the urban centres—I represent the rural—but in my region it is an issue.

If the federal government can develop some programs with the provinces in creating a national housing strategy, we really believe that, in effect, we can keep a lot of our seniors, a lot of people who can't afford...from moving into the cities. Maybe it has to be subsidized housing in some cases. You heard Mayor Nenshi a while ago talk about the seriousness of this in the cities of Calgary, Vancouver, and all the big cities across the country. We think we need to help in that way.

• (1215)

**Mr. Michael McLeod:** We're certainly experiencing outmigration from all our small communities, to the point where we may have to start turning off the lights and closing the doors on some of these small communities.

I have a quick question for SAIT.

I listened to your presentation, and I really like what you're doing. I agree that the foreign student focus is good. I didn't hear you say a whole lot about an indigenous focus or indigenous student enrolment.

As an aboriginal person, I have to look at everything through an indigenous lens. There are crisis situations in our populations, addictions, and everything else, but education is the key for us. It's our way forward. We really have to work hard to make sure that our students are able and prepared to go into post-secondary education, but we also need the institutions to reach out a little bit. We've heard from institutions that are doing that. Maybe I could get you to say a little bit on what you guys are doing.

**Dr. Alex Zahavich:** Absolutely. I appreciate the question because that is one of the strengths of SAIT today. One of the most daunting things for the aboriginal community is coming into the big city. We have set up a very deliberate strategy. We actually have on campus, built into our facility, something called the Chinook Lodge. It is a gathering place for aboriginal students to come to, respecting some of the challenges that they bring, both in coming from a rural to an urban centre but also from some of the family support that may be lacking. We provide that family support through the community we create with our...and we do have an aboriginal coordinator on staff full time as part of that.

At the same time, in the specific area that I represent, we do training outside of SAIT, outside of Calgary, with the Samson Cree Nation, as well as with the Tsuut'ina Nation, especially as they are growing their hospitality programs and things like that. We actually go out into the community and train with them. It's supported by the federal government through federal government funding, so we do have both outreach and support internally.

**The Chair:** Do you want one more quick question?

**Mr. Michael McLeod:** I just wanted to ask Mr. Bloomer a quick question.

The pipeline discussions have been going on. The challenges around building pipelines and trying to get them permitted, and the regulatory process have been around for a long time.

Several years ago, the premier of the Northwest Territories stood up and said that if you want to look into building a pipeline, why don't you look north? We have a pipeline that has been permanent for several years, but I don't think the market conditions will allow it to happen. At the same time—and I think maybe you've answered my question to a point—supporting infrastructure will allow it to happen.

Now in the north, do you think it's realistic for us to think that we're going to get a pipeline at some point without a road, without a rail system, unless we get a subsidy?

**Mr. Chris Bloomer:** Well, I don't know about the subsidy part, but I know that ongoing development, certainly in Montney, Duvernay, northeast B.C., and so on, will lay the groundwork for the long-term ability to bring infrastructure up to the north.

This is a long-term game. One thing that we would like to see Canada commit to is that this is the business we're in. These resources will get developed over time. I think that in the long term, as that footprint moves, that's certainly a possibility, and it would be supported by markets, not subsidies.

**The Chair:** Thank you, all.

I have just a quick question for you, Casey, and maybe Ray, as well.

You mentioned temporary foreign workers. I know there are real problems with the beef plants getting labour and getting in temporary foreign workers, to the extent that I think some of the plants were actually moving cattle to the U.S. for slaughter through their plant structures there.

Where is that situation now, and are the changes in Growing Forward 3 enough on agri-stability and agri-invest? What's the situation there?

**Mr. Casey Vander Ploeg:** On the labour front, I had a set of meetings in Ottawa last week with the parliamentary secretary for labour, and we delved into this issue in quite a bit of detail. You're right that there are upwards of 1,500 vacancies in beef plants across Canada. Of course, that means those plants aren't running efficiently. We all know what happens to plants that aren't efficient: there is always the threat of a closure. This is top of mind for the industry. I think there is some worry, some risk, in this area.

We are hopeful. The ESDC has struck out on the review process on aspects of the temporary foreign worker program. We're working closely with the Canadian Agricultural Human Resource Council to provide input into that. I am strongly encouraged that on the beef-plant side we may be able to get a resolution of this issue sooner rather than later. That certainly is good news.

With respect to on-farm workers, the amount of red tape and administrivia associated with the temporary foreign worker program makes it difficult. We continue to hear reports that there is definitely a need to reduce red tape in program administration. We believe temporary foreign workers can serve as a gateway for immigration into this country. Those who are successful should be transitioned into permanent residents, and it acts as a good screening process for those who could succeed in Canada. Certainly, that's what our industry needs. We don't want temporary workers; we want permanent workers.

With respect to agri-stability and business risk initiatives, I'm unfortunately less verbose in that area. It's not a particular area in which I work. The president and CEO typically has more of a direct role in that. As an association, however, we're quite proud of the work we've done in that area, particularly at Lethbridge College. We've partnered with the college and the university to create a new program in business risk management in agriculture and to provide certification for people in that program. It continues to be an ongoing topic of discussion, because we all know the risks inherent in agriculture, and government needs to provide the essential backstop to ensure that investment continues in this field.

•(1220)

**The Chair:** We heard it not just from this panel, but we also heard it in Ottawa, and we heard it in some of the other locations that we went to, and I expect we'll continue to hear about issues beyond budget dollars, if I could put it that way, that really impact the economy and the ability to invest. We've increasingly heard, more than I've ever heard in the last two budget rounds, about issues beyond budget dollars. I'm not exactly sure how we'll handle that in our report, but I think we must handle it. It's on regulatory reform, certainty, corporate tax issues. It's critical that we somehow get that message through to the government as a whole. I don't know how we'll do it, but we're going to have to try.

With that, I want to thank each and every panellist for their presentation. We had a good round of discussions.

We do have a couple of people here, I believe, for the open-mike session, so thank you, panellists.

We'll suspend for a couple of minutes and bring up the open-mike presenters.

The meeting is suspended.

•(1220)

(Pause)

•(1225)

**The Chair:** We have a couple of people here for the open-mike session, Kenneth Goodall and Gillian Eloh.

Kenneth and Gillian, we only have the two of you, so come up and take a chair at the table.

We'll start with you, Kenneth. Welcome.

**Mr. Kenneth Goodall (As an Individual):** Thank you, Mr. Easter. I'm here on behalf of the National Association of Federal Retirees.

Secure retirements, strong health care, and a national seniors strategy are the best ways to help seniors and their families.

On retirement security, I urge the government to scrap Bill C-27. This bill would introduce a new type of pension plan, known as target benefit pensions, while taking away retirement security, and killing off good, defined benefit plans that people have worked for, paid for, and that bring benefits back to local and national economies.

For budget 2018, I believe the federal government should lead a national seniors strategy that includes a national plan for palliative and end-of-life care, better pharmacare for seniors, and a plan for continuing to tackle infrastructure investments for age-friendly communities and universal design standards.

The government should appoint a minister responsible for seniors to make sure public policy decisions are always viewed through a seniors lens.

Thank you.

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

Gillian.

**Ms. Gillian Eloh (As an Individual):** Honourable members, where would you be without your education? Today, 130 million girls are not in school, not because they don't want to go, but because they are denied the right to do so.

Canada has the opportunity to put a stop to this crisis. With just 2¢ per Canadian per day, we can lead the way to providing every child with a quality education. Every dollar invested in an additional year of schooling generates earnings and health benefits of approximately \$10 in low-income countries. It is also estimated that about one-third of the decrease in adult mortality since 1970 can be attributed to gains in the education of women and girls, and an additional year of schooling for girls generates an almost 12% increase in wages.

Let's invest in quality education for every girl in budget 2018.

•(1230)

**The Chair:** Thank you.

Did you want to introduce yourself too, Madam?

**Ms. Mary Keizer (As an Individual):** Sure. I'm here with Gillian this morning. We're representing that number in front of you, Mr. Easter, ONE.

We've come to support the mission of educating all women and girls because we know—and Mr. McLeod said it earlier—that education is the key for everyone. We'd be darn, rip-roaring mad if our daughters and granddaughters were denied the right to be educated.

Currently the government is contributing 2¢ a day for education. We're asking that that amount be per Canadian for education, and we're asking that it be doubled to 4¢ a day so that these women and girls can be educated.

We know that women educate their own families, and everybody needs an ideal to work for. If we don't educate people and get their minds busy on learning valuable things that they can put to use for society, they're going to find something. Somebody is going to educate them, and it might be a radicalization group like ISIS. Really, education is the key.

**The Chair:** Okay, thank you very much.

Yes, Mr. Sorbara.

**Mr. Francesco Sorbara:** I just want to say thank you. We've had a number of people from ONE come to our committee meetings, but also I've been visited in my riding by one of the representatives there, and we had a long discussion about it. I thank you for raising the issue of the 130 million girls, specifically, who are not in school. As the father of two young girls who are in grade 1 and senior kindergarten, I appreciate your awareness campaign.

**The Chair:** Before I adjourn—Pat has a much quicker ride home than the rest of us following this panel—I do want, on behalf of the committee as a whole, to thank all the other people and the members as well for this week of hearings in the west. There is the clerk, who works very hard on getting all the witnesses in, sometimes late into the night. Then there are cancellations and more additions, so I thank the clerk. I thank the analyst, Brett, for all the work that he does. There are the logistics people outside doing everything from arranging flights to organizing people to come to the panels. There

are the translators in the translation booth who make sure that we follow the bilingualism policies of the country and that everything is translated. There is a full series of thank yous to go around.

With that we will adjourn this meeting, and we'll be on the eastern trip in a little over a week.

Thank you all. The meeting is adjourned.

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