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Chair

The Honourable Wayne Easter

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• (0845)

[English]

The Chair (Hon. Wayne Easter (Malpeque, Lib.)): I call to order the meeting for pre-budget consultations for the 2018 budget.

I know there are some witnesses before the committee starts at nine o'clock. We also have an open-mike session 15 minutes prior to nine and 30 minutes after our last witnesses on the second panel. That open-mike session gives the public an opportunity to present a one-minute statement with no questions from committee members. It gives the opportunity for the public to get their issues on the record to be considered as part of the pre-budget consultations.

Welcome, all. Thank you for coming.

I'll start the first open-mike session with Shawn McGuirk. Welcome, Shawn. The floor is yours.

Mr. Shawn McGuirk (As an Individual): My name is Shawn McGuirk. I represent the non-profit science policy exchange and I'm a Ph.D. student in cancer research at McGill University. I'm also representing over 1,000 students who have signed a petition to support the findings of the fundamental science review, which has shown that Canada is the only country in the G7 that has seen a decrease in the funding for fundamental research over the last 10 years.

We support the findings of the review. We support their recommendation to increase funding by \$1.3 billion over the next four years, which will return funding to 2007 levels. This is important not just for covering research and maintaining our competitiveness on an international scale, but it will permit the training of hundreds of thousands of skilled workers across Canada in every field. We have also been endorsed by organizations representing over 300,000 graduate students across Canada.

Thank you for your time.

The Chair: Thank you very much, Shawn.

Now we have Nathalie Lemay. Welcome, Nathalie.

[Translation]

Ms. Nathalie Lemay (As an Individual): Good morning.

My name is Nathalie Lemay, and I represent ONE Canada.

Ladies and gentlemen, members of Parliament, today, 130 million girls are not going to school. At this time, Canada is allocating about 2¢ per Canadian, per day, to education throughout

the world. According to the Education Commission, it is imperative that we double our contributions to education if we want to give every one of these 130 million girls the opportunity of going to school. Doubling our contributions would mean that with only 2¢ more per Canadian, Canada could lead the way.

Today, we are asking Canada to contribute to the Global Partnership for Education in 2018, in order to allow millions of girls from the poorest countries to get the education they deserve.

In closing, allow me to quote the words our new Governor General, Ms. Julie Payette, spoke in her inauguration speech. She said that "Education for all is the key to all societies".

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

Thank you very much.

• (0850)

[English]

The Chair: Thank you very much, Nathalie. I believe we've heard from the ONE group at every location, including Yellowknife.

Now we have Bridget Doherty. Welcome.

Sister Bridget Doherty (As an Individual): Thank you. I'm here on behalf of the prison farm campaign. Investing in the revitalization of Canada's prison farms is an opportunity to reduce recidivism rates, create safer communities, and offer much-needed programming in our correctional institutions.

As a stepping stone toward release into communities across Canada, these minimum-security farms offer an opportunity to bridge the gap between incarceration and freedom, and an opportunity to develop specific programming for offenders with special needs, such as inmates with mental health issues, indigenous offenders, as well as youth. Revitalizing the farms offers an opportunity to introduce new and improved programming. Farms offer multipronged rehabilitation programs that include skills training leading to trade certificates, anger management, and soft skills such as communication and teamwork to prepare offenders for the workforce upon release.

Investing in the revitalization of Canada's prison farms is an opportunity to stop the revolving door of the justice system, corrections, community, and back to the justice system, a very costly cycle for taxpayers, and most importantly, for victims. I urge the finance committee to seize the opportunity and support the revitalization of the prison farms. Thank you.

The Chair: Thank you, Bridget.

Now I'd like to welcome Nathalie Michaud.

[*Translation*]

Ms. Nathalie Michaud (As an Individual): Thank you.

Good morning, ladies and gentlemen of the committee.

My name is Nathalie Michaud, and I am a psychosociologist who specializes in the settlement and integration of newcomers.

I am here to share with you my lack of understanding as to the low percentage of our national wealth that is devoted to official development assistance. Our level of official development assistance in Canada is at its lowest in 10 years. It's disgraceful.

I have lived in African villages that benefited from Canada's help for the construction of schools. When I meet some of the children who have newly arrived here, in Canada, and are behind in their schooling, I can only conclude that the percentage of our aid budget is insufficient to allow, among other things, access to quality education for all.

Why does our level of assistance not reflect the values of equality and compassion we are known for, and why does it not honour our promise to devote 0.7% of our national wealth to the development of the poorest and most vulnerable populations of the world? We have to increase the percentage we allocate to official development assistance, if we are to have the concrete means to have an important and sustainable effect.

I implore you, dear members of the committee, to recommend an increase to the international assistance we provide in Budget 2018.

I am a citizen who is impatient to see that Canada really is back in the international arena.

Thank you for listening.

[*English*]

The Chair: Thank you, Nathalie.

Next we have Julie Poupart.

Ms. Julie Poupart (As an Individual): Good morning. Thank you for this opportunity to talk to you. I am here to represent the Canadian Association for Neuroscience. We have over 1,000 members. We're all scientists from across Canada.

I'm here to urge the government to act on the recommendation of Canada's fundamental science review, which was chaired by David Naylor and launched by the science minister, Kirsty Duncan.

The number one recommendation of this report was that the federal government should rapidly increase its investments in independent, investigator-led research. This would be one of the best investments for Canada. First, it's good for the economy. Fundamental research leads to discoveries that fuel the innovation and knowledge economy that generates jobs for Canadians. Second, it's good for our health. Fundamental research is the way to find cures and treatments for diseases that affect all Canadians.

After years of declining funding in science, it is time to really show that science is back in Canada. The situation is currently critical. Canadian scientists are struggling to keep their labs open and to continue to do the work that benefits all Canadians.

Canada used to be a leader in supporting investigator-driven research, but this has changed. In 2003, Canada invested 2% of the GDP in this. This was down to 1.7% in 2016. According to the OECD, Canada is now second to last in the G7. We are behind the U.S.A., behind the average of all European countries, and behind even small countries like Iceland and Slovenia.

I want to finish with a quote from David Naylor, from the report. This is found on the www.sciencereview.ca website:

This report sets out a multi-year agenda that, if implemented, could transform Canadian research capacity and have enormous long-term impacts across the nation.

Supporting the full implementation of the Naylor report would be one of the best investments we could make today for Canadians.

Thank you again for this opportunity.

● (0855)

The Chair: Thank you, Julie.

Next is Daniel Morin. Welcome.

[*Translation*]

Mr. Daniel Morin (As an Individual): Good morning.

I represent the Montreal chapter of the National Association of Federal Retirees.

Today, I would like to highlight the three best ways of helping seniors and their families: ensure retirement security, provide judicious health care, and adopt a national seniors' strategy.

Regarding retirement security, I urge the government to withdraw Bill C-27. This bill would introduce a new type of pension plan, that is to say the target benefit plan, while diminishing pension security and eliminating defined benefit plans that are valid, for which people have worked, and which provide benefits to local and national economies. Let's not forget that seniors, who are increasingly numerous, actively participate in the country's economy.

As for Budget 2018, I think that the federal government should establish a national strategy for seniors based on investment in home care and seniors' housing. That strategy should include national measures on palliative and end-of-life care, as well as better pharmacare for seniors. We must continue to invest in infrastructure with an eye to senior-friendly communities.

Finally, the government should appoint a minister responsible for seniors, in order to ensure that public policy decisions always take seniors' viewpoints into account. These measures would contribute to improving productivity and strengthening the economy, not only for seniors, but also for their families and for Canadian communities as a whole.

Thank you.

[*English*]

The Chair: Thank you very much, Daniel.

Now I'd like to welcome Ms. Casey Ferriter.

Ms. Catherine Ferriter (As an Individual): My name is Casey Ferriter and I'm a volunteer on behalf of Engineers Without Borders.

In budget 2018, we ask that Canada commit to a timetable of predictable annual increases to its international assistance envelope that would bring Canada's development assistance to 0.31% of the gross national income within this government's first mandate. Canada's current level of development assistance is 0.26% of GNI, and it's the lowest in recent history.

While development assistance globally has increased 9% in the past year, according to the OECD, it's disappointing that Canada's own contributions have declined by 4%. Increasing aid will help Canada achieve the 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 that 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 very much, Casey.

We've heard from Engineers Without Borders in every location as well, except Yellowknife, and that was our fault because the individual had to leave early and we were running behind time.

I want to thank each and every one of you who came to the open microphone. That information is important to us.

We'll start, then, with panel one. Before we do, I would ask the members here to introduce themselves so that you have an overview of where we're from in the country. It gives you a bit of an idea of where the MPs are from and what they represent.

We'll start with our two Quebec representatives first, Mr. Fergus and Mr. Boulerice.

[*Translation*]

Mr. Greg Fergus (Hull—Aylmer, Lib.): Good morning everyone.

My name is Greg Fergus and I am the Liberal member for the riding of Hull—Aylmer, which is in the Outaouais, in Quebec, just opposite Parliament.

I am a native of Montreal. It's a great pleasure to be back home where my roots are.

[*English*]

The Chair: Go ahead, Mr. Boulerice.

[*Translation*]

Mr. Alexandre Boulerice (Rosemont—La Petite-Patrie, NDP): Good morning everyone. Thank you for being here with us today.

My name is Alexandre Boulerice and I am the member for Rosemont—La Petite-Patrie, which is not far from here.

[*English*]

The Chair: Next we have Raj.

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

My name is Raj Grewal. I'm the member of Parliament for Brampton East, just 15 minutes outside of Toronto. I was not born in Montreal, but I love coming here every time. It's great to be here.

The Chair: Go ahead, Ms. O'Connell.

Ms. Jennifer O'Connell (Pickering—Uxbridge, Lib.): My name is Jennifer O'Connell. I'm the member of Parliament for Pickering—Uxbridge, which is just on the east side of Toronto.

• (0900)

The Chair: Next is Mr. Kmiec.

[*Translation*]

Mr. Tom Kmiec (Calgary Shepard, CPC): Good morning everyone.

I am the member for Calgary Shepard, which is a region of Calgary. My riding has the second largest population of all of the ridings in Canada. It has around 170,000 residents.

Thank you for coming to testify here today.

[*English*]

The Chair: Over to you, Dan.

[*Translation*]

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

I am the member for Central Okanagan—Similkameen—Nicola, in BC.

[*English*]

I'm very happy to be with all of you today. I'm looking forward to your testimony.

[*Translation*]

The Chair: My turn to greet you; good morning, everyone.

[*English*]

I'm Wayne Easter, the member of Parliament for the riding of Malpeque in Prince Edward Island. If you get any of those good Malpeque oysters, that's where they come from. They keep everybody happy.

With that, welcome. We'll start with the first witnesses from the industrial research association of Quebec, with Mr. Monette and Mr. De Luca.

Go ahead.

[*Translation*]

Mr. Pascal Monette (President and Chief Executive Officer, Association pour le développement de la recherche et de l'innovation du Québec): Good morning. Thank you for the invitation.

My name is Pascal Monette. I am the President and Chief Executive Officer of the Association pour le développement de la recherche et de l'innovation du Québec or ADRIQ. In fact, "Association de la recherche industrielle du Québec" is not the right name. Forty years ago it was known as the Association des directeurs de recherche industrielle du Québec, but it evolved.

I am here with Albert De Luca, who is the president of the board of directors.

I am pleased to be here.

I will say a few words about ADRIQ.

The association has existed for 40 years. Its goal is to advance research and innovation for the benefit of enterprises and also to improve competitiveness. In short, as I often say, we sow the seeds of innovation. We know that the innovation vector is a very important aspect in the development of our enterprises, particularly in the context of global competition.

Our employees and our board of directors are very representative of the research and innovation ecosystem. We have representatives from academia, colleges, research centres, small and large businesses, manufacturing and IT. As you can see, we are very representative.

We act on two fronts. First, we try to have a positive influence on research and innovation policies. With the Government of Quebec, in fact, we participated at a great deal in the development of the recent Quebec strategy on research and innovation, which was released last May. We also provide services to businesses to help them to be more innovative. Over the past years, we met with close to 2,000 businesses and spent several thousands of hours in discussions with them to help them become more innovative.

In the course of our work with the Government of Quebec, we published a brief which we will provide to the committee. It was entitled "Quatrième révolution industrielle: l'urgence de collaborer pour innover". The title of the brief already gives you some indication of the themes we wish to discuss.

The brief contains 20 recommendations. I will review the four pillars that form the basis of those recommendations, and then I will give the floor to Mr. De Luca for his presentation on the Industry 4.0 concept.

The first of the four themes broached in the brief is the commercialization of innovation. We know that Canada and Quebec are hotbeds of university research, but given the investments that are made, we feel that the research outcomes that can be commercialized are not yet significant enough.

The second theme is the necessary collaboration between those who do research and the enterprises. Some good things are already being done, but we need to see more. At our annual gala, we highlight the best partnership projects, but there should be more of them.

The third theme is the culture of innovation and the development of scientific careers. I am more familiar with the situation in Quebec. In our province, there is a debate on the scarcity of labour, particularly in the information technologies. Businesses practically fight to figure out who should get tax credits. The problem persists; there has to be some pipeline to encourage young people to choose scientific and technological careers.

For instance, in Industry 4.0, the manufacture of the future provides jobs in highly computerized, clean, stimulating environments. We are no longer in greasy, noisy, soul-destroying plants; we have evolved.

So that is the fourth theme. The Government of Quebec gave us a mandate to develop a network of 4.0 centres of expertise in order to

help Quebec manufacturing businesses get to the 4.0 transformation, because they have gotten behind considerably.

I will stop here.

Mr. De Luca, I yield the floor to you.

Mr. Albert De Luca (President of the Board of Directors, Association de la recherche industrielle du Québec): Mr. Chair, first I would like to say that it is always very stimulating to see the variety of sectors that are represented in these consultations. It's refreshing to see to what extent we are able to discuss things in Canada without getting agitated. This is not always the case in other countries. It's good to live in Canada.

To follow up on what my colleague was saying, I want to point out that Quebec took an initiative several years ago by investing a lot in innovation and research. I am convinced that basic research is not sufficient. That is a challenge.

Since we are more concerned with the commercialization of innovation and research, we look at the outcomes of knowledge, if you will. For these reasons, we encourage more co-operation between businesses and equity. I see that there are people here from the Fonds de solidarité des travailleurs du Québec, and they are an important player when it comes to investing in business.

In addition, we want to encourage the democratization of research in business. As to the means to do that, we believe that the existing programs that encourage research and development make it possible to have a broader and more democratic platform, so that all businesses can invest and decide on the projects that interest them. Consequently, we believe in maintaining the current program, even if the Innovation Superclusters Initiative and the Strategic Innovation Fund are effective in that they allow people to choose certain sectors deemed a priority for Canada, which can lead to more investments.

Essentially, we believe that there is a balance to find between a platform of incentive measures for research and development that apply to everyone on the one hand, and more targeted measures on the other.

As for co-operation among businesses, allow me to take Quebec as an example. That province has programs that encourage cooperation between large enterprises and SMEs. It's important to understand the advantages of such programs. Just imagine the risk sharing that is made possible thanks to the co-operation between large and small businesses. It also means that SMEs can find new clients. There are commercial advantages to such collaboration. It also leads to an exchange of knowledge.

We also think that Canada should look at measures to encourage co-operation among businesses, as Quebec does. The models already exist and don't need to be reinvented. Basically, it means encouraging big business to work more with SMEs.

To conclude, I want to express appreciation for the superclusters initiative. We read the initial conclusions and the choice of the nine superclusters, one of which concerns the innovative manufacturing sector. I am not sure that that was the word that was used, but let's call it that. I think that that particular supercluster is in the Waterloo area close to Toronto.

Quebec is working with that initiative, with the Industry 4.0 concept Mr. Monette referred to earlier. In defining the superclusters, it is important to understand what is happening everywhere in Canada, including in Quebec, in order to see if there could be more co-operation with regard to the superclusters that will finally be chosen.

● (0905)

Finally, the \$1.3 billion Strategic Innovation Fund is very important. It stimulates research in the automotive sector and the aeronautics sector, through the Strategic Aerospace and Defence Initiative, as well as the Automotive Innovation Fund. In the last budget, these two funds and others were consolidated to create the Strategic Innovation Fund. The \$1.3 billion fund has already been spent, which means that the big projects that would be eligible for funding through that program cannot receive any, because there are no more funds, basically.

Thank you.

[*English*]

The Chair: Thank you very much, Albert and Pascal.

I should mention as well that we received quite a number of submissions, 423, I believe, before August 10. Those are on people's iPads, so you'll see members looking at their iPads from time to time, and it's not to see if you're saying the same thing today because you can add to it. We do have those submissions and they're part of the consultations.

Next we have the Canadian Association of Student Financial Aid Administrators, Ms. Piperni and Mr. Levac.

● (0910)

Ms. Cara Piperni (Past President, Canadian Association of Student Financial Aid Administrators): Thank you, Mr. Chair and members of the committee, for the opportunity to appear today on behalf of CASFAA, the Canadian Association of Student Financial Aid Administrators.

My name is Cara Piperni, and I'm the director of the scholarships and student aid office at McGill University here in Montreal and past president of CASFAA. My fellow board member joining me is Josh Levac, who's my counterpart at Lakehead University in Thunder Bay, Ontario. CASFAA represents the financial aid offices of 94 universities, colleges, and institutes across Canada. We are uniquely positioned in the trenches to provide a national perspective on both the opportunities and issues of student financial assistance.

We first wish to acknowledge the much needed boost in the Canada student loan and grant programs in the past two federal budgets, the redistribution of resources toward consideration of financial need, the relief in loan repayment, fixed-rate student contribution, and expanding the net for part-time students to qualify for loans and grants. It absolutely makes a difference. On-site job

opportunities and experiential learning, the youth employment strategy, absolutely resonate with us, as did the recent announcement creating 60,000 student work placements over five years.

Unfortunately, there are still many students disadvantaged in the current system who require additional forms of government assistance. We are witness every day to the lived experiences of students who struggle to enter or stay in post-secondary education or to fully enter the job market upon graduation, due to financial constraint and a host of other barriers.

The key to a productive economy is a well-educated and prepared workforce regardless of identity, background, and financial capacity. Our proposal of a needs-based national work study program serves to bring the youth employment strategy, as well as many recommendations from the expert panel on youth employment, into finer focus for post-secondary education students from lower socio-economic backgrounds and other under-represented and vulnerable identities, such as indigenous students, first-generation students, new immigrant students, and students with disabilities.

The idea is to give priority access to on-campus jobs to students who rely on Canada's student loans program for their studies. That is nearly 500,000 students annually, according to the last published statistics. Why? With increased costs, both tuition and living, the reluctance to enter PSE is often about the debt they need to assume when the certainty of good-paying work is not assured.

Also, retention and graduation rates often suffer without engagement in the campus community. Extras, such as clubs, field experiences, and volunteering for non-profits are out of reach for low-income students because they are barely making ends meet simply covering the basic cost of attendance.

Good-quality part-time work, especially in an understanding environment that respects that school comes first, helps students address their budget shortfalls after government aid and other resources are exhausted and without incurring more debt.

Finally, it's tough to enter the labour market for the first time when you don't have the networks, the soft skills development, or experience to draw from because you come from a disadvantaged background. We see this as a federal grant administered by post-secondary educational institutions on the basis of the number of their students on federal student financial assistance. Schools are in the best position to identify the most vulnerable low-income students who have a host of other barriers, provide some wrap-around support services such as career reflections and financial literacy, and use the power of work to build the confidence and skills that can be parlayed into future employability.

We envision 100% of federal monies going into the pockets of students for work performed. Schools would also contribute to this funding from their research grants, offering budget and other sources to enhance the impact and reach of a national work study program. There are examples of successful programs we can draw upon. The U.S. federal work study program promotes college access and persistence. It covers up to 75% of wages for student employees to work on campus 10 to 15 hours a week. It has a proven positive impact on retention and graduation, and has had a strong effect on post-graduation employment. These results were magnified for the lowest-income students.

The province of Quebec has a long-standing work study program that is co-funded in equal parts between the ministry of education and participating educational institutions. It is dedicated to students on Quebec's loan and bursary program, including those who've reached their debt limit in their program of study.

• (0915)

On my campus, researchers love the work study program because it stretches their research grants to either pay more, or give more students hours in their labs. That's just one example. We see it providing the dignity of work and increasing persistence by providing practical opportunities to enhance the education experience and be connected with activities on campus.

Thank you for your time and consideration. We look forward to your questions.

The Chair: Thank you, Cara and Josh.

Turning to the Confédération des syndicats nationaux, we have Mr. Patry, president, and Mr. Bélanger, union adviser.

Welcome, and thank you for coming.

[Translation]

Mr. Pierre Patry (Treasurer, Confédération des syndicats nationaux): Thank you, Mr. Chair and members of the committee.

The Confédération des syndicats nationaux, or CSN, is a trade union organization with nearly 2,000 member unions who together represent 300,000 working women and men, primarily within Quebec.

The CSN welcomed the changes made to ensure that personal taxation is more progressive by introducing a marginal tax rate of 33% for taxpayers earning more than \$200,000, and reducing the rate for the second tax bracket from 22% to 20.5%.

The CSN believes that the government must limit the many tax benefits that disproportionately benefit high-income earners. In our brief, we suggested a few measures to protect the tax base. The CSN welcomes the recent government initiative to correct unfairness due to the increased recourse to tax planning based on private companies under Canadian control.

We think it is unfair to allow income splitting between an owner-shareholder and his or her spouse and adult children when they do not actively participate in running the business. It is also unfair to allow the conversion of surpluses into capital gains that are taxed at a lower rate, when they should be taxed as salary or dividends.

Finally, it is not normal that the tax treatment of passive investments held by a private company provide a financial advantage to the owner-shareholder that is far superior to what is available to the middle-class taxpayer who invests in a registered retirement savings plan, an RRSP, or a tax-free savings account.

Wealth accumulated by Canadian individuals in tax havens is estimated to be \$300 billion, which results in annual losses of tax revenues of approximately \$6 billion. After the United States and Germany, Canada is the country most affected by the transfer of multinationals' profits. By rejecting motion M-42 introduced by Bloc Québécois MP Gabriel Ste-Marie, the Trudeau government and Conservatives gave their approval to the use of tax havens by businesses.

In its election platform, the Liberal Party of Canada promised collaborative leadership. However, with regard to the Canada Health Transfer, or CHT, the Trudeau government instead imposed on the provinces an annual increase based on Canada's nominal gross domestic product, GDP, that has a cap of 3%. The federal government is encroaching on the provinces' jurisdiction in health care by making access to certain funds conditional on provincial investments in mental health and home care.

The agreement that the Government of Quebec reluctantly signed is insufficient, since according to Conference Board of Canada forecasts, health care costs will increase on average by 5.2% every year from 2015 to 2035, far beyond what is to be found in the CHT agreement.

CSN is pleased that the federal government intends to make more investments in infrastructure to improve the competitiveness of Canada's economy, even though this will result in higher budget deficits. However, the new element of the federal public infrastructure investment strategy is the large-scale use of public private partnerships, or PPPs, through the new Infrastructure Bank of Canada. According to the Fall Economic Statement 2016, the federal government estimates that the private sector could finance up to 80% of the cost of certain infrastructures.

The CSN believes that a change of this magnitude should have been subject to public debate. The approach proposed by the federal government raises several problems.

The Trudeau government continues to focus on the development of the oil sands, which is absurd given the challenges of climate change. That said, Budget 2017-2018 includes some measures that could accelerate the modernization of Canada's and Quebec's industrial fabric and are compatible with the industrial policies promoted by the CSN.

With respect to the renegotiation of the North American Free Trade Agreement, NAFTA, the CSN believes that this is an opportunity to correct the deficiencies in the current accord. In order to do so, major changes must be introduced. First of all, a new NAFTA agreement should fully take into account the protection of citizens' and workers' rights. In addition, the new accord should fully integrate issues related to the protection of the environment. The new agreement should not prevent the Canadian and provincial governments from implementing public and economic policies needed for socioeconomic development. Also, the new accord should allow us to protect certain strategic sectors such as supply management, which we hear a lot about in the news, as well as public procurement, the telecommunications sector, and cultural industries. Finally, the CSN urges Canada to take advantage of the renegotiation of NAFTA to eliminate the right of multinationals to sue countries, which implies the elimination of the dispute settlement mechanism between investors and states, that is to say the famous chapter 11 of the agreement.

● (0920)

In the area of labour training, the government intends to undertake a major reform of labour market transfer agreements. In particular, it plans to amend the Employment Insurance Act in order to broaden the eligibility criteria for training programs and the services provided under these agreements. The CSN supports making these training programs available to groups that are underrepresented in the labour market, provided that the government continues to improve the employment insurance program. There is much work to be done to make this program responsive to the realities of the working world, even though we must acknowledge that the current government did act on this matter.

Finally, Budget 2017-2018 announced the creation of an entity that will identify the skills that Canadian employers are looking for and require, while proposing innovative approaches to procurement and skills training. The creation of this federal body calls into question the labour institutions that Quebec has created over the years. In addition, the CSN believes that skills acquired through this training must be transferable in order to further the independence of working men and women.

Thank you, Mr. Chair.

[English]

The Chair: Thank you very much, Mr. Patry and Mr. Bélanger.

We now turn to the Quebec workers' solidarity fund. Mr. Morin and Mr. Tremblay, welcome.

[Translation]

Mr. Gaétan Morin (President and Chief Executive Officer, Fonds de solidarité des travailleurs du Québec): Thank you, Mr. Chair.

Good morning to all of the members of the House of Commons Standing Committee on Finance.

The Fonds de solidarité FTQ is very pleased to participate in the pre-budget consultation launched in advance of the 2018 budget.

The Fonds is thrilled that the questions proposed by the committee are very much aligned with the Fonds' mission. Indeed, the

economic growth of businesses and communities is at the very heart of our organization's priorities. Furthermore, the Fonds' mission espouses the model of inclusive growth, a concept that your government has also put forward.

The Government of Canada has committed to investing in inclusive growth that seeks to strengthen the middle class and stimulate growth to enable the Canadian economy to prosper in a sustainable fashion. We share that wish and want to contribute to the realization of that government priority.

Since its establishment in 1983, the Fonds has embraced the concept that large institutions describe as inclusive growth, first by making it easier for Quebec's middle class to save, even with more modest income, thanks to tax credits offered by both levels of government, but more importantly, by channelling those savings from the middle class toward businesses. These savings provide patient capital to businesses, which is hard to come by these days, to support their growth and enable them to provide quality jobs.

Thanks to the return of the funds from the federal tax credit to our shareholders in 2016, the Fonds played a leadership role in promoting inclusive growth. Several aspects of our organization's strategic planning have a positive effect on businesses and communities.

Firstly, the Fonds stimulates economic growth and job creation. With net assets of \$13.2 billion, the Fonds is present in all sectors of economic activity in Quebec, and all phases of companies' development. Our network finances more than 2,700 partner companies and helps to create, maintain or protect more than half a million jobs.

Over the past ten years, the Fonds directly invested close to \$6 billion in companies and specialized private funds. A recent KPMG study concluded that while the Fonds' investments were mainly aimed at supporting small- and medium-sized enterprises located in Quebec, the activities of these enterprises also stimulate the rest of the Canadian economy. The impact on the economic fabric outside Quebec is substantial, representing an additional 16% over the value of the impact measured in Quebec alone.

In addition, through its presence in all regions of Quebec, the Fonds has the desire and the capacity to stimulate local and regional economies. The same KPMG study showed that the Fonds' partner companies are proportionally more present in less economically favoured regions, and that they help increase the employment rate and reduce income gaps in the regions. In a territory like Quebec, it is not reasonable to pit regions against each other; prosperity should encompass the development of all territories and foster the well-being of everyone, everywhere. In deploying its network of experts supporting regional and local economies across Quebec, the Fonds is attempting to meet that challenge.

Our organization also wishes to strengthen the middle class and stimulate growth by encouraging savings, by providing communities with socioeconomically structuring infrastructure, and finally, by tackling the employability challenge. We discuss the other aspects of our strategic planning in our brief.

In short, the Fonds de solidarité FTQ is already taking concrete action to promote the growth of a robust middle class. These measures are generating and will generate benefits for communities.

These consultations are normally used to make demands on your committee. However, the Fonds would rather use this platform to demonstrate its ability and willingness to play a role in addressing the issues that have been identified as priorities in inclusive growth. We can and we want to work with your government to help meet its objectives in terms of retirement savings, tax reductions for the middle class, job creation, innovation and economic development.

• (0925)

Thank you for your attention.

We will be pleased to answer your questions.

[English]

The Chair: Thank you very much, Mr. Morin and Mr. Tremblay.

We have Mr. Gagnon with Imperial Tobacco Canada Limited.

[Translation]

Mr. Eric Gagnon (Head, Corporate and Regulatory Affairs, Imperial Tobacco Canada Limited): Thank you Mr. Chair.

Good morning everyone.

Thank you for giving me the opportunity to make a presentation before the committee.

[English]

My name is Eric Gagnon, and I am the head of corporate and regulatory affairs for Imperial Tobacco Canada, the largest legal tobacco manufacturer in Canada. I stress the word “legal” because there is a thriving illegal market in Canada today.

I will start by saying that there are important health risks associated with smoking. You may agree or disagree with tobacco consumption. However, cigarettes are still legal in Canada, and I think we can all agree that, if adult consumers choose to smoke, we are all better off if they buy their products legally.

Unfortunately, over the last half of this year, industry data suggests that there has been a major spike in illegal tobacco activity in Canada and in Ontario in particular. That should concern this committee because illegal tobacco is already costing governments \$2 billion in lost tax revenue annually.

Let me remind you of some of the basics of the size and the scope of illegal tobacco in Canada. According to the RCMP, there are over 50 illegal cigarette manufacturers in Canada and more than 300 smoke shacks manufacturing and selling tobacco outside existing legal, regulatory, and tax frameworks. There are over 175 organized crime groups that are dealing contraband tobacco across the country. Illegal tobacco rates are in the 15% to 20% range in Atlantic Canada, in the 30% to 40% range in Ontario, and in the 12% to 15% range in the west. To put things in perspective, if Ontario were a country, it would have the third-largest illegal tobacco market in the world.

You should be very concerned about policy decisions in Ontario that are making this situation much worse, including a reckless move

earlier this year to increase tobacco taxes by \$10 per carton over the next three years. As the biggest market in the country, when illegal tobacco rates rise in Ontario, it means even more lost tax revenue for the federal government. The only province making significant inroads in this is Quebec, where aggressive enforcement actions have reduced the illegal tobacco rate from 40% to less than 15%.

With that in mind, we offer three recommendations to fight illegal tobacco. In so doing, I will draw parallels for each of the government's approaches to marijuana legalization.

First, Canada needs a predictable framework for tobacco taxation. International experience shows that a moderate, annual increase that's tied to a variable like inflation is the best approach, like the model that was put in place last year for alcohol.

There is also a need for federal-provincial coordination on tobacco taxation like the finance minister has proposed for marijuana. While the tax framework proposed for marijuana is designed to match the black market price and kill the illegal market, with tobacco it seems to be the exact opposite, with repeated tax increases pushing legal prices to well over \$100 per carton in most provinces compared to as little as \$15 for the illegal equivalent.

Second, a whole-of-government approach is needed for tobacco in which taxation, regulation, and enforcement are considered in the context of a thriving illegal trade. The government is designing a marijuana framework to drive organized crime out of that business, but it is ignoring the illegal tobacco trade. However, the same organized crime groups are behind illegal tobacco and marijuana, so you really need to ask whether Canada is better off if you drive organized crime out of marijuana but then they gain an even stronger footing in tobacco.

Third, the government needs to reconsider its plan for plain and standardized packaging of tobacco and the standardization of cigarettes themselves. In Bill S-5, which is before the House, Health Canada has given itself the regulatory authority to mandate that every tobacco package and every single cigarette must look exactly the same. If that happens, it will be impossible for consumers, retailers, and law enforcement to tell a legal product from an illegal product, and the contraband problem you have now will be exacerbated by a flood of counterfeits.

Health Canada claims that excise stamps and health warnings will distinguish legal products from illegal products; however, those are already appearing on clear, illegal products, including baggies of cigarettes. The stamping system is something this committee needs to look at. It is completely broken. There are products being produced by unlicensed manufacturers that are sold with a federal excise stamp. Since no one will explain to us how this is happening, perhaps you can ask for answers, because it undermines the integrity of the whole tax and regulatory regime for tobacco in Canada. In the meantime, it is reckless to continue down the path of plain and standardized packaging when there are already no controls over the means to differentiate the existing products.

● (0930)

The government seems to recognize the risk of plain packaging. The parliamentary secretary to the ministers of health and justice, Bill Blair, said in August that some level of branding will be allowed on marijuana to help fight the illegal market, yet when we made the same argument for tobacco, we were ignored. There is a need for consistency between marijuana and tobacco on taxation, packaging, and the focus on getting organized crime out of the business.

If you are willing to invest in fighting illegal tobacco, as Quebec has done, there is billions in lost revenue that can be recouped.

Thank you for your time. I look forward to your questions.

The Chair: Thank you very much, Eric.

We now turn to the last panellist, Mr. Bédard, an economist at the Montreal Economic Institute.

Welcome.

Mr. Mathieu Bédard (Economist, Montreal Economic Institute): Thank you for the opportunity to be here.

For its part, the Montreal Economic Institute will focus on tax policy, an issue that is central to productivity. Canada has long trailed the United States in terms of wealth, largely as a result of lower productivity. One of the factors that contribute to this discrepancy is corporate taxation, which limits the ability to make productivity-boosting investments. While the government has very recently announced that it will reduce the rate for small business, which is welcome news, the basic rate that applies to larger businesses, which still remains at 15%, is the one that is the most significant in terms of productivity.

When thinking about corporate taxation and its effect on productivity, it is worth keeping in mind the current context in which U.S. President Donald Trump has just reiterated his intention to reduce the top federal corporate income tax from 35% to 20%. Such an abrupt reduction would have serious repercussions for the productivity of Canadian workers through a loss of fiscal competitiveness.

The consequences would be borne in large part by workers. This is because workers are less mobile than capital, a difference that has become even more significant in recent decades as the mobility of capital has increased. In terms of how easy it is to conduct business in Canada, Canada tends to fare poorly compared with the United States. However, it does outshine the United States in one of the key subcomponents of these indexes, and that is with regard to taxes. This advantage has been very important in attracting investments to Canada. The proposed U.S. reform, however, would make Canada much less competitive in terms of taxation.

A reduction in the corporate tax rate in the U.S. would attract more capital there in search of a higher relative return. This would mean two things for workers. The first is that, since capital is a complement to labour, there would be a reduction in the demand for labour in Canada, which in turn would depress wage growth. The second is that lower levels of investment reduce productivity growth, which would again restrict wage growth. As such, workers would bear a large share of the effect of Canada's relatively higher corporate taxes. It is worth keeping in mind that research shows that workers

bear about 50% of the burden of the corporate tax. Canadian workers, through lost productivity, would therefore likely be the first to suffer the consequences of the American tax cuts, were Ottawa to leave the Canadian rates unchanged.

The maintenance of our current tax system in the event of an American reform would entail a loss of productivity when business investment crosses the border. The Government of Canada, therefore, has an interest in reforming its own corporate tax system without delay. It is our contention that introducing a proportional taxation based on the 10% rate that will apply to small business as of January 1, 2018—so that one single federal rate remains for all Canadian businesses—would counter the American reform.

By acting now, the Canadian government would be sending an unequivocal signal to companies that Canada is a good place to do business and will continue to be a good place to do business regardless of American reforms. This would maintain and possibly improve Canadian workers' productivity, in addition to being a great indirect help to them.

Another federal measure that would unambiguously improve Canadian productivity is to either substantially reduce the capital gains tax, or simply abolish it. Just as sin taxes reduce the behaviour that is being targeted, the capital gains tax hinders capital formation, which is one of the basic foundations of all economic growth. In fact, most government policies that intend to boost economic growth are geared towards increasing the supply of capital. This would also affect job creation and wages throughout the economy, as less capital can be matched with workers to make them more productive through technological and other improvements, which is a prerequisite for wage increases.

Taxing away capital is not the only detrimental effect of this tax. Capital gains taxation also encourages people to lock in their investments. Unlike most other types of income, realizing capital gains is largely a matter of choice, in the sense that you can simply choose not to sell and not to pay your capital gains tax. This makes it much more sensitive to taxation than other types of income. When rates are high, individuals who own assets become more reluctant to sell them, requiring greater benefits to outweigh the tax burden. For them, the capital gains tax thus reduces the probability that a given stock will be sold.

● (0935)

This hurts economic growth because it discourages the reallocation of assets to their most productive uses. Research pursued in the U.S. has suggested that for every 1% drop in the tax rate, capital gains realization increases by 1%. So we're on a 1:1 ratio.

The capital gains tax does not only reduce overall investment, it also affects which businesses venture capital invests in. Venture capital tends to go to firms that offer unproven but potentially revolutionary technologies, services, or products. These are things that naturally boost productivity.

The capital gains tax, however, reduces the willingness of venture capitalists to finance these riskier business start-ups. As a result of the deterrent effect of this tax, they prefer less innovative forms of entrepreneurship. These effects of the capital gains tax represent one of the biggest fiscal burdens on economic performance and productivity in Canada. In a study of the macroeconomic effects of the different taxes that governments can use to raise revenues, the federal Department of Finance found that taxes that affect capital goods are the most detrimental to economic activity and productivity.

If governments were to reduce taxes on capital income by \$1, the economic gains would be approximately \$1.30. The elimination of this tax would bring about the most economic gains.

Moreover, the tax cannot be justified by the meagre revenue it generates for government. The reduction in federal government tax revenues would not be significant, approximately \$4.3 billion or just 1.5% of its total revenues. Taxation of capital gains is particularly pernicious because it is the kind of income that is derived from the efforts of investors and entrepreneurs to grow the economic pie, which is the basis of our productivity and ultimately the prosperity of all Canadians.

Thank you.

• (0940)

The Chair: Okay, and your recommendations are after that in your brief. Thank you very much, Mr. Bédard.

We will go to a little bit of flexibility on the seven-minute rounds.

Mr. Fergus.

[*Translation*]

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

First, I'd like to thank everyone for being here this morning to take part in this meeting.

Frankly, I don't know where to start.

The contribution made by the Association pour le développement de la recherche et de l'innovation du Québec is very interesting. I have seen the results with my own eyes.

I also had the pleasure of meeting the representatives of the Canadian Association of Student Financial Aid Administrators on several occasions in my current life as a member, and previously when I worked for Canadian universities.

I certainly commend the work of the CSN and of the Fonds de solidarité FTQ. I will have questions for their representatives a bit later.

I will begin with Mr. Bédard.

I must respond to some of the comments you made before the committee. You said that income tax was a good measure of

Canadian productivity. I am very preoccupied by productivity. I adore the work your organization does, and I have attended several of its annual conferences. That said, I must say that in the United States, the corporate tax rate is 35%, whereas it is 15% in Canada, and yet we have not seen an improvement in the productivity rate of Canadian workers.

Explain to me why you say that changing income tax rates will necessarily bring about changes. For many years, the corporate income tax rate in Canada has been lower than in the United States, and yet we have not seen an improvement.

I would like a brief answer to my question, because I have another one for the Fonds de solidarité FTQ representatives.

Mr. Mathieu Bédard: Briefly, I would answer that the United States has many other things to offer companies. Among the World Bank Doing Business indicators, income tax is the only point on which Canada leads the United States. They have other assets to offer.

The corporate tax rate is something we can control relatively easily. It's something we can act on fairly quickly, as compared to other things that are much more complex and depend on other levels of government, among other things. I think it can be one of the levers we can use to make Canadian businesses, Canadian workers and all Canadians much more productive.

Mr. Greg Fergus: I apologize, perhaps I misunderstood the comments you made earlier. You said that it is a major factor that has an impact. Now you are saying that there are other factors.

• (0945)

Mr. Mathieu Bédard: It has a major impact.

If we look at economic history and what has happened since 2000, the answer is more complicated and will depend on certain facts. The effects of any given situation sometimes take some time before they are felt. Businesses have to have time to adjust and move their investments around. If you look at what has been done since we started reducing the corporate tax rate, you have to take into account the fact that it can take some time before investments are actually made.

Mr. Greg Fergus: I hope this isn't a situation where reality is not aligned with theory.

Thank you very much.

Mr. Morin and Mr. Tremblay, thank you very much for the work you do.

I know that the Fonds de solidarité FTQ really supports Canadian businesses and has done so for years. The Fonds has had a remarkable effect on the vitality of our businesses. The investments you make give Quebec businesses a chance to boost their returns.

Can you talk to us about the importance of returning the tax credit in facilitating investment by Quebecers in their businesses, through your fund?

Mr. Gaétan Morin: As I said at the outset, the Fonds de solidarité FTQ provides patient capital. Obviously, without the return of the tax credit we could not have continued to do this long term. Our entrepreneurs and businesses in Canada and Quebec need long term patient capital. So this allowed us to think long term again.

We did some strategic planning to see how we could do more for Canadian and Quebec businesses. We continue to invest in all sectors of the economy, but this allowed us to emphasize certain sectors that create more jobs, significant value, or export a great deal, for instance companies in the aerospace, agrifood, forestry and life sciences sectors. We were both present last year at the launching of Sterinova, a life sciences and biotechnology sector enterprise.

So this allows us to continue to support our entrepreneurs over the long term. To develop businesses you need a lot of resilience, a lot of time, and patient capital.

Mr. Greg Fergus: Even though you make patient investments, your profitability rate has remained excellent, if I remember correctly.

Mr. Gaétan Morin: We have been doing this for 34 years. Performance always has to be assessed over a long period. The return for our shareholders since the creation of the Fonds has been 4.2%.

We have 34 years of experience, expertise and development in our economic sectors. And so we have specialized teams and we can target entrepreneurs who want to go further, that is to say the best Canadian and Quebec companies. Our good knowledge of the economic fabric allows us to bet on the best horses, those who will help us to produce a good return for our shareholders. That is the balance we create.

As for the tax credit, obviously, since we provide patient capital, the shareholder who invests with us has to be patient to. He has to wait for retirement before we can buy back his shares. This allows us to have access to those funds over a period of 15, 20 or 25 years. The tax credit also allows our shareholders to be patient.

[English]

The Chair: You have time for just a very quick question, Greg.
[Translation]

Mr. Greg Fergus: What can we do to further encourage patient investments?

Mr. Gaétan Morin: I think that the challenge for many Canadian businesses is innovation. In fact, I was listening to the ADRIQ representatives, with whom we have just concluded a partnership. People often think that the concept of innovation means that you make a discovery or invent something, but that is not the case. Innovation is analyzing the activities of a business and seeing what can be improved on the assembly line or in the management of human resources. That is innovation.

One of the investment focuses we set up through our strategic planning consists in guiding, with ADRIQ and Inno-centre, for example, dozens of businesses who are our partners in this innovation challenge, in all sectors. This does not only concern the life sciences sector, where there is long term research. We have to innovate in daily activities. It's a big challenge, it takes patient capital, and we are there to provide it.

● (0950)

[English]

The Chair: Thank you all.

Mr. Kmiec.

[Translation]

Mr. Tom Kmiec: Thank you, Mr. Chair.

You must forgive me; I am a member from the west, and sometimes I have trouble expressing myself in French.

My first questions will be for Mr. Gagnon, and then for Mr. Bédard.

Mr. Gagnon, this is not the first time I have heard about a difference in the proposed act regarding cannabis and cigarettes.

My question is about the intellectual property rights your business benefits from, as do as others in the same sector, with specific reference to packaging. I have heard that Health Canada wants Canada to use its own packaging, and that it would be unique in the world. This would facilitate contraband, since traffickers use the same machines to produce the cigarettes and the packaging.

You referred to a sum of \$2 billion, but the contraband market would generate eight times what the government says if the fiscal planning system were to be handed over to private companies. Can you tell us more about the packaging issue?

Mr. Eric Gagnon: You have to understand that today, the only way for consumers or law enforcement to compare products is the packaging. Traffickers use old technologies and they cannot copy existing packaging. Health Canada wants to impose two things. It wants to standardize the packages; the market will have to use the same package format, and it cannot mention a brand. For instance, the text will use an Arial 10-point font, and all the brands, for instance du Maurier or Player's, will have to use it.

So there will be no way of distinguishing one product from another. This will become a blueprint for traffickers who will only have to copy that package. The government says there is no danger because we have a stamp that allows us to tell legal packages apart from those that are not legal. However, illegal packages all have that stamp on them today, and traffickers have access to it. They are not counterfeit stamps, they are the real stamp from Health Canada.

We feel that the plain packaging will not reduce cigarette consumption. A cigarette package already has a message pertaining to health that covers 75% of the package and sets out the risks related to smoking. All that is left is a 25% space at the bottom of the package where the brand is mentioned. Rather than reducing the rate of smoking in Canada, this measure will increase contraband and create a counterfeiting problem in Canada that we do not have currently. That is one of the big issues we have to face.

Australia is one of the countries that introduced plain packaging. However, since 2015, when the Australian government introduced this practice, it has had to continually invest large sums to fight the trafficking that has exploded in that country.

Mr. Tom Kmiec: Fine.

Mr. Bédard, you are with the Montreal Economic Institute, the MEI. I consulted their website and I see that you have published many articles. I also saw that the Apple site offers an MEI app. I am going to download it.

Last September 27, you published an article in which you said that Canada had to lower the corporate tax rate and adopt proportional income tax, a topic you touched on in your presentation. You also spoke about the tax reform that the Trump administration is trying to get Congress to adopt. Can you give us some details on the risk Canada runs by only focusing on income tax rates, in the context of negotiations on the free trade agreement, NAFTA? Should the reforms being contemplated by the Trump administration not also rank among Canada's priorities?

I have another question about physicians and professionals, with regard to the changes the government is proposing pertaining to private companies owned by doctors.

You may answer the first question, and I will continue with physicians afterwards.

Mr. Mathieu Bédard: Thank you for your question.

A lower tax rate in the United States will simply make large mergers easier, similar to when Burger King merged with Tim Hortons in Canada. That was partly thanks to our slightly lower corporate tax rate. If the United States was to drop its rate, transactions like these wouldn't be possible, and doing business with Canada would hold no appeal. Mergers of this type would no longer happen.

The NAFTA negotiations reinforce the need to make the corporate tax rate a higher priority. If businesses set up shop in the U.S. after the proposed tax reforms are passed, they will have even less reason to do business with Canada and find it harder to come back.

• (0955)

Mr. Tom Kmiec: No one brought this up today, but I'd like to discuss the cancellation of the energy east project. I'm from Calgary, and it had the potential to be a major driver of job creation. It would have meant thousands of jobs for Alberta, Quebec, and regions across the country. I find the mayor of Montreal's remarks absolutely shameful. He celebrated the death of thousands of Canadian jobs that could've been created.

On September 8, the MEI put out a press release on the subject. How would it have affected taxes? According to a survey, 65% of

Quebecers would prefer to have Quebec's oil supply come from western Canada than from outside the country. This project had the potential to create thousands of jobs, not just during the construction of the pipeline, but also once it was in operation.

Do you have any comments on that?

Mr. Mathieu Bédard: It's really too bad. After all, a pipeline is nothing more than liquid travelling through a pipe. People need to stop fearing pipelines. They rely on sophisticated and, yet, very simple technology. We already have numerous pipes carrying liquid in numerous locations. People need to stop being afraid and believing all the myths.

Mr. Tom Kmiec: The project was cancelled because of the federal government, which changed the National Energy Board's system. The government kept moving the finish line in terms of the criteria TransCanada had to meet to convince the review committee of the merits of its pipeline project.

How will the cancellation of this project affect other major construction projects in the energy sector, as well as other sectors?

Mr. Mathieu Bédard: It raises all kinds of questions around investment in infrastructure projects. Investment in infrastructure is important in the long term. In Canada, we tend to think only in terms of the initial investment and, for the most part, in terms of the federal investment, but there are private companies that are willing to take on major infrastructure development projects. The energy east pipeline was one such project.

As far as infrastructure goes, I think it's time to move beyond the thinking that those investments should always come from government. We should further open the door to private investments, which would raise productivity—our theme today—and cost taxpayers less than the infrastructure projects we have currently.

[English]

The Chair: I believe Mr. Patry wanted in on this as well.

Go ahead, Pierre.

[Translation]

Mr. Pierre Patry: I'd like to respond to a few of the comments.

First of all, I completely agree with what Mr. Fergus said about corporate taxes. At the beginning of the 21st century, the federal corporate tax rate was 29%. Today, it sits at 15%, and we are still bemoaning the lack of investment. We were told that reducing the corporate tax rate would lead to investment, but that didn't happen. Even when the late Mr. Flaherty was finance minister, he said that companies were not investing enough. That's my first point.

Second of all, on the matter of the energy east pipeline, the statistics we looked at showed that barely any jobs would have been created in Quebec. We would've had a few during the construction phase, but not many, and once the pipeline had been built, almost no jobs would've been created in Quebec.

What's more, the pipeline, which would have crossed multiple bodies of water, posed enormous risks. The project wasn't rejected because the federal government wasn't willing to promote infrastructure, quite the contrary. We talked about it in our presentation. In its first budget, the federal government signalled its intentions in a certain number of areas. In its second budget, it reiterated its desire for more infrastructure projects.

The pipeline, however, was not a sound investment for the future. Of course, we will continue to use oil and need an oil supply in the short term. What we really need to do, however, is put a lot more effort into developing alternative fuel sources, in order to reduce greenhouse gases. Canada signed on to the Paris accord in 2015, so we need to work a lot harder on achieving those goals, rather than developing pipelines to transport oil.

• (1000)

[English]

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

Mr. Boulerice.

Mr. De Luca, we'll let you in, in the next round.

[Translation]

Mr. Alexandre Boulerice: Thank you, Mr. Chair.

Before I get to my questions, I'd like to say something. It's perhaps a detail, but not one I can overlook.

Mr. Bédard, we don't necessarily agree on the idea that an oil pipeline is merely liquid moving through a pipe. The Montreal Economic Institute provided an English-only presentation, even though we are in Quebec. I can't believe it. I want you to know for the next time that we have interpreters who provide simultaneous translation. Therefore, we can conduct our discussions in both official languages.

Mr. Patry, turning back to you, I'd like to talk about tax havens. In the House, the NDP put forward a motion that was supported by our friends in the Liberal Party. We are still waiting to see what measures the government is going to take.

You are absolutely right about the fact that Quebec and Canada are losing huge amounts of tax revenue because of tax havens. I believe that, thanks to the agreement with Barbados, which came into force in 1980, some \$83 billion is invested there. There is more Canadian foreign direct investment in tax havens than in the BRIC countries, in other words, Brazil, Russia, India, and China. That's pretty staggering.

You put Canada's tax revenue losses at \$6 billion, but some say the figure is even higher. Statistics Canada, for instance, estimates the losses in tax revenues to be somewhere between \$5 billion and \$8 billion a year.

You also talked about the Canada health transfer, saying that the increase cap was too low. The new government is more or less sticking to the same rules, in other words, increasing the transfer by about 3% a year, even though health care cost forecasts show that an annual increase of 5% to 6% is needed. As a result, the strain on our public health care system will grow even further over the next few years.

Numerous researchers, including Alain Deneault, Marwah Rizqy, Brigitte Alepin and Alain Dumas in Trois-Rivières, have shown that the government could raise revenues by going after the outflow of capital into tax havens.

How could going after tax havens give our health care system a boost?

Mr. Pierre Patry: I'll speak to that first, and Mr. Bélanger may want to round out my answer.

Indeed, estimating the losses of tax revenues for the various levels of government is extremely tough. Tax havens are, by definition, opaque jurisdictions. That's the first thing I would say. For our part, we've always tended to use the most conservative figures, so as not to magnify the problem, while making sure our estimates are credible.

However, when we compare a minimum annual loss in tax revenues of \$6 billion and the health transfer cuts imposed on the provinces through the new agreement, that \$6 billion would represent a shortfall, proportionally speaking, in Quebec, of just over a billion dollars, around \$1.2 billion.

The provinces adopted austerity policies, not just because of the shortfall, but also because of the cuts to health and education transfers that began in the mid-1990s. If we were able to go after that revenue being withheld from us, to some extent, unlawfully, our quality of life would go up.

Incidentally, the CSN has done studies on quality of life. Investments in public services and social programs rank among the leading factors, but in order to make those investments, you need to have the money and you need to go after it where it is.

Mr. Alexandre Boulerice: Thank you.

Since I have only six minutes, I'm going to try to ask other witnesses questions. Sorry, Mr. Bélanger.

Mr. Morin, I have a question for you stemming from the fact that previous governments probably did not have as detailed an understanding of the crucial role that the Fonds de solidarité FTQ and Fondation CSN play. They are unique organizations with few, if any, counterparts in the rest of Canada. Therefore, I want to make sure that everyone here understands just how vital these funds are to job creation and retention and to Quebec's economic fabric and development. They play an absolutely essential role and represent a major success story. I want to make that clear.

No matter where we go, job training is on everyone's mind. In fact, we touched on that earlier. Finding skilled employees seems to be a challenge all over the country and in every region of Quebec. You referred to your role as the provider of patient capital. That's very important, although you don't necessarily have to go over it again. You also talked about the fund's role vis-à-vis employability. I'd like you to elaborate on that, because it's a challenge we are hearing about all over the country.

•(1005)

Mr. Gaétan Morin: Indeed, the economy is changing significantly, and the types of jobs we see will continue to change tremendously over the next decade. Artificial intelligence and automation are often cited as ways to enhance productivity. I think that we, as a society, need to make sure that people can continue to participate fully and work in that society.

Just recently, for example, we took the initiative of joining forces with the Literacy Foundation, establishing an agreement. Nearly 40% of Quebecers experience some difficulty reading or writing, such as reading the instructions for a prescription drug. In an increasingly automated world, there is no denying the fact that people will eventually be talking to machines, and that means that they will have to be able to converse and read, in terms of essential workplace skills. We therefore decided to conduct a study to assess the impact of literacy issues in the workplace. There's nothing like measuring something to know its impact.

A few years ago, we measured the impact of entrepreneurial succession issues, including the lack of succession. Now, we have decided to measure how those challenges faced by Quebecers impact GDP. Next, we will look at what we can do to fix the situation and help those workers transition to the new economy as well.

Mr. Alexandre Boulerice: Thank you very much.

I have just a few seconds left, and I'd like to ask Ms. Piperni a question.

I'm keenly aware of the student debt problem. It's something I'm concerned about. We are trying to build a knowledge economy, and we want people who are educated, and yet, we have students leaving university with tremendous amounts of debt. You talked about creating more on-campus jobs to help students earn some income. I think that's a good idea.

Does that, on its own, solve the problem? Do tuition fees merit some focus as well?

[English]

Ms. Cara Piperni: The rise in tuition is certainly a concern. Our organization is concerned about access over affordability so that students with low financial capacity can have equal access to post-secondary education. I think it's both. We certainly want to see more non-repayable aid going to needy students, but we also see that those needy students don't have the same types of access when there is a parent with a degree. Networking and job opportunities can be derived when mom and dad pay for a degree. The student can participate in a multitude of extracurricular activities to be able to create that relevant experience and set them up for the job market. The most vulnerable low-income students need both: they need the aid to cover their cost of attendance and they need the richness in experience to be able to create that foundation for employability.

The Chair: Thank you, all.

Mr. De Luca, you wanted in earlier, so we'll let you in now. Earlier in your presentation you talked about collaboration on research and you said "like Quebec did". Can you give us a little further information on what Quebec did?

Mr. Albert De Luca: I'll do this part in English if I may, Mr. Boulerice, since the question was asked in English.

Collaboration in general between enterprises is very important because it creates cross-pollination and so on. Innovation is an area where risk sharing, acquiring knowledge, and so on become some of the benefits.

Many years ago Quebec introduced a collaborative research program. I think the French name is Programme bilatéral de recherche collaborative Québec. "Précompétitive"—that's what you should look for, precompetitive research. It allows companies from Quebec that collaborate with companies either from Quebec or from outside of Quebec, anywhere in the world, not just in the rest of Canada, if they take the risk of collaborating, to be entitled to a more generous credit for their research expenditures. The standard SR and ED is increased to reflect the additional risk taken. We've made recommendations recently to the Quebec government to model that slightly differently to incent large companies to work with small companies. We ask large companies to take more risk by working with smaller companies. It's always a little more complicated, a little more risky, a little more everything. For that reason, we will incent them by giving them a similar incentive to what the small business would receive. As you know, small businesses are entitled to higher credits. In this case, we would tell the larger business that it was entitled to an equivalent credit to reflect the risk it would be taking. That's the general notion of it.

•(1010)

The Chair: Thank you.

We'll now turn to Ms. O'Connell.

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

Mr. Morin and Mr. Tremblay, in your brief—and it was touched on here during the questioning—you talk about literacy. At first I thought it was financial literacy that you wanted to improve, but based on some of the questions, maybe it was overall literacy you wanted to improve in terms of dealing with the new economy or changing economy. Could you elaborate? It is one or the other or both? What would you like us to consider for the upcoming budget?

[Translation]

Mr. Gaétan Morin: Financial literacy is very important to us. In fact, it's part of our mission, which is twofold. We invest in businesses and we educate Quebecers on the importance of having adequate savings.

Unfortunately, Canadians and Quebecers are among the worst savers in the world, so we focus a lot on young people. You haven't had a chance to see them, but many of our ads, for example, target young people, to get them thinking about opening up an RRSP by the age of 30 or 35.

Beyond financial literacy, training is a major consideration. Every time we invest in a company, we provide what we call economic training. A Fonds de solidarité FTQ employee with teaching experience meets with employees of the companies we invest in to demystify certain concepts, such as profit. Showing a business the importance of making a profit is key, because that is what enables the business to reinvest and ensure its longevity.

At the end of the two-day training course, employees realize how important profit is, and that triggers another movement. With this newfound awareness, they then suggest ideas to the company president or entrepreneur with a view to improving gross margins or profitability.

We close the loop, so to speak, by making sure employees also understand the importance of saving. It extends well beyond the idea of profitability. We teach the employees of our partner companies about the economic environment, export challenges, and the changing economy. It's really about educating the employees.

In the past 25 to 30 years, the number of strike days in Quebec has dropped significantly. I'm not saying all the credit goes to the Fonds de solidarité FTQ, but initiatives such as ours help make workers aware of the importance of saving.

• (1015)

[English]

Ms. Jennifer O'Connell: Thank you.

The Chair: Mr. Monette wanted to speak, and it will not take away from your time, Jennifer.

Go ahead, Mr. Monette.

[Translation]

Mr. Pascal Monette: Forgive me, but we have to leave soon to head back to Montreal; as you know, you always have to build in an extra 15 minutes for the traffic cones. I'd just like to say one last thing, though.

We debated the merits of the east-west oil pipeline, but I think we are forgetting a crucial piece of infrastructure for Quebec and Canada: digital infrastructure. The CRTC ruled that, in the next five or 10 years, all fixed broadband Internet access had to meet the universal download speed objective of 50 Mbps, or megabits per second. In some Scandinavian countries, that standard currently sits at 100 Mbps or 110 Mbps. That means our small businesses in the regions lacking telecommunications infrastructure don't have access to that crucial ingredient, possibly jeopardizing their growth.

We encourage our businesses to enter into global value chains, with a German company, for instance. When the system goes down, though, because of a spike in tourists, as one region in Quebec experienced in the summer, it shows just how much work we have to do.

The government has to get involved. It can look to northern Ontario for models. There, the private sector and governments have joined forces to set up telecommunications infrastructure. I think we need to be mindful of the importance of that infrastructure.

Thank you.

[English]

The Chair: Thank you.

We'll go back to you now, Ms. O'Connell.

Ms. Jennifer O'Connell: Thank you.

Mr. Bélanger or Mr. Patry, I don't know if you want in, but I was curious about the conversation among our colleagues in terms of the question around investment and reducing taxes for corporations, and

the economic theory that it will, then, trickle down. It was pointed out that even the late Jim Flaherty had concerns that this money was not actually trickling down.

Mr. Bélanger, I got the sense you wanted in on this question. If that's incorrect, that's fine, but perhaps you could comment, from your perspective representing workers, on that economic theory and on Mr. Fergus' point on whether that theory is actually based on economic realities.

[Translation]

Mr. François Bélanger (Union Advisor, Confédération des syndicats nationaux): Yes, we at the Confédération des syndicats nationaux, or CSN for short, are of the view that the corporate tax burden is not the only factor that determines a business's capacity to invest or the economy's ability to grow productivity. As Mr. Patry mentioned, we went from a corporate tax rate of 29% in the early 2000s to a rate of 15%—and that isn't the reduced rate.

Although the corporate tax rate is important, we've seen that other factors do come into play. Even before the great recession of 2008-09, it was clear that challenges already existed around accessing sufficient investment in a number of industries, investment required to upgrade plants and provide economic stimulus to developing high-tech sectors.

Against the backdrop of globalization, we nevertheless believe that our corporate tax rate should be competitive internationally, particularly when it comes to the U.S., where the competition is something else altogether. We are keeping a close eye on the tax reform package, but, according to published analyses, the U.S. is moving towards lowering its tax rate and adopting territorial taxation. The Americans are trying to expand their tax base to fund the tax cuts they want to give businesses, whose rate would go from 35% to 20%, depending on what Congress decides. The rate could be higher if Donald Trump succeeds in going ahead with his plan.

Economists are saying that the move would actually hurt U.S. small businesses, who would have to pay more for their exports. The increase in the value of the U.S. dollar is expected to offset that but likely won't be enough to really create a more competitive tax environment.

Furthermore, with the U.S. depriving itself of certain imports, including Canadian imports, it will put upward pressure on U.S. costs because the Americans won't easily be able to build the production capacity they need to fill the resulting void in the medium and long terms, thus driving costs up. What they gain fiscally, they will lose in production and import costs.

• (1020)

[English]

Ms. Jennifer O'Connell: Thank you.

I have one more question.

Ms. Piperni, my question is with regard to your brief. I know time is short, so you don't always get to say everything that's in your brief. You talked about the importance of transparency and accountability. I assume that's not just for the funds specifically but also to ensure that if these jobs are created for students, they're not grunt work or jobs that really are not producing skills, and that these students aren't also, then, taken advantage of. Am I reading into that correctly? If so, could you elaborate on what you mean by the transparency and accountability of the program and why they are so necessary?

Ms. Cara Piperni: We were also addressing the way the funding would be administered. Whether it's a clerical job or a job in a lab, there are soft skills that can be developed—professionalism, time management, and all of those things—but absolutely we want it to be high-quality, part-time jobs where either it's discipline-related or there are learning outcomes, as well as retention and on-time completion outcomes to demonstrate that this means of financial support outside of the traditional government aid systems is really making a difference for those most vulnerable students.

If I may also address a little bit the question of debt versus work—and I think this does relate to your question as well—while debt is not preferred, we do see it as an investment. With the employability skills and non-precarious work opportunities, it should be possible to repay that debt successfully.

Work, in some cases, is the only option for needy students who have hit the maximum amounts of government aid available to them. I'm talking about grants as well as loans. We see the reality that there is still unmet need, which is causing a tremendous amount of financial stress for students.

There also are inherent penalties across all government aid systems, whether it's Quebec's l'Aide financière aux études or the Canada student loan program. Institutions identify students in need. We want to use our institutional bursaries to support students. However, there are penalties. In Quebec, if we provide a student with more than \$5,000, our dollar replaces the government aid dollar. Under the Canada student loan program, the student is penalized for anything over \$1,800, so we cannot add to our government aid. We're replacing government aid dollars, and that doesn't work. Work, employment, becomes the solution.

The Chair: We'll have to cut it there, and we'll split the last 10 minutes between Mr. Albas and Mr. Grewal.

Go ahead, Mr. Albas.

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

Thank you again to all our witnesses for your testimony here today.

I'd like to go to the Montreal Economic Institute.

Sir, you sounded as if you wanted to jump in on the question by the previous member.

[*Translation*]

Mr. Mathieu Bédard: It's widely accepted that, when you tax a certain behaviour, the frequency of that behaviour decreases.

For instance, my colleagues in the CSN are calling for inequalities to be taxed in order to reduce inequalities. It would make more sense

to acknowledge that taxing investment reduces investment, as is the case with all taxes. Consider the tax on tobacco and just about every other tax.

That isn't a matter of theory or some formula on a university chalkboard; unfortunately, it's a fact. We can lament it all we want, but it doesn't change the fact that investment decreases when it is taxed.

[*English*]

Mr. Dan Albas: Thank you.

With regard to the economy, I like to look at things in a way that we can understand. I think as politicians, we all have to level up with our communications. With issues like free trade and the competitiveness of the economy, we have to find solutions and, obviously, I like to use sport analogies. You have two basketball teams on the same court. Each team has different qualities—heights, speeds, and whatnot—but then you have structural differences.

For example, you've mentioned lack of labour mobility. We know that the government, whether the previous government or the current government, has placed an emphasis on infrastructure, but now we see the other team, so to speak—and I'm going to describe our friends the Americans as the other team—looking at making large structural changes as well. When you talk about business investment being at such record lows, Solow theory says that eventually developing economies get to a state where they're only replacing old capital—whether it be machinery or whatnot—and there's not as much investment placed in new productive capacity, whether we're talking about infrastructure publicly or privately allocated capital. Are you concerned that the business community in Canada is only replacing—or perhaps they're not even replacing—old capital as they play wait and see with regard to whether or not they want to invest in the United States versus in Canada?

• (1025)

Mr. Mathieu Bédard: I think it is definitely the case; there's no question. In some industries, the oil industry, for example, especially out in western Canada, it's important to remember that if the U.S. goes through with its corporate tax reduction, the new rate of 20% will apply in most economically significant states and will make theirs lower than ours, whereas ours has been lower than theirs up until now. That means that Texas and Ohio will be down to 20%. States like Michigan and New York will be down to 26%. This will definitely affect investments, and projects will definitely be invested in in the U.S. rather than in Canada. We are definitely seeing this type of behaviour in some industries, especially the capital-intensive industries such as oil.

Mr. Dan Albas: Again, I'm a firm believer that ultimately the government can only consume and redistribute what the productive economy—the private sector, so to speak—creates, and if the private sector is finding it more profitable to move its operations or to even dial down operations because the people it collaborates with or supplies services to are investing in the United States, is there a concern, given our demographics, that we will see a real loss of not just productivity but also investment? The changes by our American friends put us even further behind. Is that correct?

Mr. Mathieu Bédard: They put us further behind in terms of wages. They put us further behind in terms of growth. They also put us further behind in terms of revenues for the government. They will definitely have a big effect, and I think it's important to keep in mind that this is coming. While I understand that politically it's not always easy to reduce taxes on companies, it will become very quickly inevitable if this goes through in the U.S. If it doesn't go through in the U.S., there are reasons for wanting to lower corporate taxes in Canada, and it would still be advantageous to the workers and to investment here.

The Chair: I'm sorry. We're out of time. I know Mr. Patry wants in.

Can you do it fairly quickly, Mr. Patry?

[*Translation*]

Mr. Pierre Patry: There's no denying that everyone is worried about what's happening in the U.S. for all sorts of reasons. Just the reopening of NAFTA and the countervailing duties—another issue that didn't work out as hoped—are enough to cause concern.

That said, in Canada and Quebec, we have values, and we must stand up for them. We cannot simply take our cues from the U.S. To that end, Ms. Freeland set out a certain number of objectives she wanted to achieve with the renegotiation of NAFTA. We can only support that. I think we need to find a balance. Obviously, we need to be worried about what is happening in the U.S. and, to some extent, adjust accordingly, but we are who we are, and we have to be able to assert that, even in the face of the American giant.

[*English*]

The Chair: Mr. Grewal, you have the last questions to this panel, and you have five minutes.

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

Thank you to the witnesses for coming here and testifying.

My first question is for the Canadian Association of Student Financial Aid Administrators. I spent a great deal of time in post-secondary education, and I'm a huge proponent that education can really change a child's life. The reason I am an MP is in large part because I had access to post-secondary education. At the same time, I also had access to government grants and loans, but I still have student debt as an MP, and that gives me a unique perspective.

We're really proud of the government doubling the Canada student jobs initiative, the summer grants, and trying to make them more accessible for Canadian students. There is one thing I see as inherently unfair, and this is obviously a jurisdictional issue. I want to get your opinion on the fact that tuition varies across the country. If you're sitting in Quebec, tuition is drastically cheaper than if you're

a child born in Ontario. That just seems a little bit unfair for a country the size of Canada with its wealth.

What are your comments on how we can solve this problem?

• (1030)

Ms. Cara Piperni: Yes, tuition does vary, but so too does the level of generosity of each of the government aid jurisdictions. If you are a Quebecer, while you pay lower tuition fees, there are still cost-of-living considerations and you are typically from a lower-income-profile family on *aide financière* than you are if you're an Ontario student paying higher fees, where your parental income is much higher, and you're still gaining access into a government aid system. We really do like to see it as costs minus government aid contributions in the forms of grants as well as loans. In that sense there is some equalization. Again, it's not about affordability; it's about access. The rate of tuition, I think, is connected to the kinds of funding supports available to colleges and institutions. That's not my area of expertise.

Mr. Raj Grewal: From your research, is there any data to show how many students forgo post-secondary opportunities because of the cost of post-secondary education?

Ms. Cara Piperni: Yes. We just had that conversation with some provincial program experts. That is the hundred-thousand-dollar question. We don't know who is not coming. We know once they're in the system if they are not persisting, or if because of financial struggles they're working excessively or extending their time at post-secondary education, which means incurring more debt and more cost as a consequence. Unfortunately, as a nation we do not have good tracking mechanisms and longitudinal analysis in order to track who is self-identifying out to begin with.

Mr. Raj Grewal: Thank you. I like your recommendation on increasing campus jobs and having more campus jobs particularly for kids who have financial need. We'll definitely try to champion that issue.

Moving right along, I want to talk to Imperial Tobacco Limited. I thought the way you framed the issue was really good. Whether you agree or disagree with smoking is irrelevant. You have to follow the law of the nation. I was a corporate lawyer at a big Bay Street firm that did a lot of work for Imperial Tobacco, so I actually studied the illegal tobacco market. It's not something I generally discuss during coffee conversations.

I'm really interested to know how you guys get to the \$2 billion in lost revenue number.

Mr. Eric Gagnon: First of all, it's hard to evaluate the illegal market, because it's illegal. When you look at the level of taxation in Canada, though.... This number is not coming from us. It's coming from third party groups, and it's public-domain information. I'll give the concrete example of Alberta. In 2015, Alberta increased the price of cigarettes by \$10. In 2016, they missed their projections by \$150 million, so you are able to evaluate, because of the level of taxation, how much governments are losing. This is how you come up to \$2 billion. Some other groups have mentioned it's potentially up to \$3 billion, so it is a lot of money.

To be fair, it's very easy to eliminate the problem. Tomorrow morning—and this has been done in the past—if you want to eliminate contraband, just decrease taxes on tobacco. That's not going to happen, because there is no political will. But then go and shut the illegal manufacturing operations. Everybody knows—and the RCMP knows—exactly where they are, but there's no political will to do that. This is where it becomes complicated. I've been advocating for this for 10 years and, to be fair, we haven't seen concrete measures yet. I'm hearing all the discussions today about—

Mr. Raj Grewal: Sorry, I'm going to have to cut you off, because I'm going to get cut off by the chair really soon.

You said that Quebec was doing something right. What is Quebec doing right?

• (1035)

Mr. Eric Gagnon: Very shortly, three things.

The first one is that they have a bill, Bill 44. We have been advocating for Ontario to do the same thing. Every police officer in Quebec has the right to impose the Tobacco Control Act. That's one.

Two, Ontario has introduced a task force and invested \$1 million in it. It has five officers. In Quebec they invested \$18 million and have 55 officers. There's no way Ontario is going to succeed.

The last one is that Quebec has been very good at managing excise on tobacco. They have recognized the problem and they don't shock the market, whereas Ontario—as I said earlier—has shocked the market. Also, they have announced another \$4 tax increase next year, which is going to create a magnificent problem in Ontario next year.

Mr. Raj Grewal: I have one more question, Mr. Chair.

The Chair: You had better be quick.

Mr. Raj Grewal: Thank you.

My colleagues talked about this as well, but the Montreal Economic Institute said that if our neighbours down south reduced corporate tax rates, there would be a risk to productivity in Canada. I respectfully disagree. I don't think that businesses make their decisions solely based on tax policy. Canada has a lot of advantages compared to down south, and one thing I will say with a great deal of confidence is that we have political stability. Whether it's in politics or economics, making assumptions without factual data is always tough. We can take this offline, because you are an expert, but I don't think that because they propose to reduce their tax rate by 15 points, it's going to result in a huge flight of capital to outside of Canada.

Thank you, Mr. Chair.

The Chair: The last comment goes to you, Mr. Bédard.

Mr. Mathieu Bédard: You're right that many things influence business decisions, but how can the federal government influence the stability of the U.S. government? You can't, but you can control corporate taxation at the federal level. Yes, it does affect productivity a lot. The science behind it is nearly unequivocal among economists.

Mr. Raj Grewal: But the growth rate in Canada is at 4% this year, which is the highest in the G7.

The Chair: Raj, you'll have to take it offline.

I want to make one comment to Mr. Gagnon on the tobacco issue.

Having been Solicitor General and having seen this activity at one time in my life, I can say there are two bigger issues besides taxation. I know we're a finance committee, so you could expect we'd argue that there was a taxation issue. However, there is also the issue of extreme criminal activity and involvement, and there's the bigger issue around health. Nobody knows what's in this illegal tobacco, and that is a huge problem. I share your worries on the new Health Canada proposal. I don't mind saying that at all. However, on the enforcement side, based on my experience, there's a real fear of challenging the locations where this criminal activity is taking place because—and this is not going to sound politically correct—doing so will be seen as race-based. That worries me.

I'll leave it at that, but I think that's the reality of the world on the enforcement side. If criminal activity is taking place, I don't care where it's taking place. If it's criminal activity, it needs to be addressed. The enforcement community on the policing side needs to address it because it's becoming more and more of a health issue related to the impurities that are in the tobacco, rather than a tax issue. As far as the tax issue goes, it's lost revenue, but the real issue is health, young people smoking, impurities in the tobacco, and so on. It's going to lead to many more problems, I believe.

Do you want to add anything?

Mr. Eric Gagnon: No, I will leave it at that.

The Chair: Thank you.

Thank you to all the panellists for their presentations. We will suspend until the next panel in about 10 minutes.

•(1035) _____ (Pause) _____

•(1050)

The Chair: We'll reconvene. Welcome to the second panel for the pre-budget hearings in advance of the 2018 budget. Before we start, we'd just like to give you an overview of where everyone comes from. We basically represent the everywhere across the country. This is a subcommittee of the finance committee. We have more members when we meet in Ottawa, but we travel with fewer.

We'll go with a round of introductions.

Mr. Boulerice, could you start this time, please?

[Translation]

Mr. Alexandre Boulerice: Thank you, Mr. Chair.

My name is Alexandre Boulerice, and I am the member of Parliament for Rosemont—La Petite-Patrie. That means I'm a member from the Montreal region.

[English]

The Chair: Then we have our other member from Quebec, Mr. Fergus.

[Translation]

Mr. Greg Fergus: Good morning. My name is Greg Fergus, and I am the member for Hull—Aylmer, in the Outaouais region, just across the river from Parliament Hill.

[English]

The Chair: Ms. O'Connell.

Ms. Jennifer O'Connell: Hello. Welcome, everyone.

I'm Jennifer O'Connell. I'm the member for Pickering—Uxbridge, which is just on the east side of Toronto.

•(1055)

The Chair: Mr. Grewal.

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

My name is Raj Grewal. I'm the member of Parliament from Brampton East, just outside of Pearson International Airport. It's great to be in Montreal, but I'm still a Leafs fan.

The Chair: Oh, my. Them's fightin' words.

Mr. Albas.

[Translation]

Mr. Dan Albas: Good morning everyone. My name is Dan Albas, and I am the member for Central Okanagan—Similkameen—Nicola.

I'm very glad to be here with you today. I look forward to learning about your views. Thank you.

[English]

The Chair: Mr. Kmiec.

[Translation]

Mr. Tom Kmiec: Good morning. My name is Tom Kmiec, and I represent the riding of Calgary Shepard, in western Canada. I'm happy you're here to meet with the committee today.

[English]

The Chair: And *bonjour aussi*. I'm Wayne Easter, member of Parliament for Malpeque, Prince Edward Island.

With that, we will turn to the first presentation from the Association francophone pour le savoir, and Mr. Bouchard.

The floor is yours. We'll try to keep it if we could to about five minutes.

Mr. Frédéric Bouchard (President, Association francophone pour le savoir): Thank you. I'm happy to answer questions in French or English on any issues on research and innovation, but I'll do my presentation in French.

[Translation]

Honourable members of the committee, thank you for the opportunity to speak to you about the importance of research funding for our collective future. I am the president of the Association francophone pour le savoir, or ACFAS for short. Established in 1923, the ACFAS has more than 5,000 members across the country in every sector of research—primarily in colleges and universities, but also beyond that realm. We are the largest multidisciplinary association in the country and the largest in the Francophonie, representing all fields. From art history to quantum physics, researchers in all fields are welcome in our association.

Since 1923, the ACFAS has been working to help the public understand the importance of research and its impact on our lives. Does research affect our lives? The answer is simple. From the moment we get up in the morning to the moment we go to bed at night, every object we use and every way in which we do things was discovered or made better by researchers. The urgent need to support research becomes clearer when we think about cancer treatments, climate change, or major technological breakthroughs that lead to explosive economic development. Research entails all of those things, but also, much more.

We enjoy better and richer lives thanks to students and professors in multiple disciplines who are building and sharing new knowledge and identifying the challenges of tomorrow. How are we able to do something as simple as get a glass of drinking water, like the one here in front of me? Obviously, we just pour it from a pitcher and drink, but we are actually able to do that thanks to years of chemistry, biology, public health, and engineering research.

How are we able to devise stay-in-school strategies? It is possible thanks to years of research in the fields of psychology, psychoeducation, education, sociology, and economics.

How are we able to adapt society to accommodate our aging population? It is only through years of research in demography, anthropology, labour relations, social work, psychology, and medicine.

How are we able to identify computer hackers trying to influence the outcome of our elections? It is thanks to years of studying cybercrime and operations research.

I could go on for ages. The ways in which research affects our lives and raises our quality of life collectively are infinite or, at least, indeterminate—if I were in the presence of mathematicians, they would demand precision.

Beyond all that, though, research helps us to understand and enrich the human experience. How is our cultural heritage similar to or different than that of our neighbours? How do we define justice or equity? How do social media change the nature of our friendships and social interactions? From literature, art history and linguistics to communications, political science and law, research gives us the tools to not only live better lives, but also flourish as individuals and as a society.

What can we do, then, to better support research in the country? It is important to note that Canada lags behind the OECD average when it comes to investments in research and innovation. Canada invests approximately 1.6% of GDP in research and development, even though the OECD target is 3% of GDP, on average. Some countries, including South Korea and Israel, spend nearly 5% of GDP on research and development.

We need to take immediate action in order to maintain Canadians' quality of life in the coming years. The ACFAS endorses the key recommendation set out by the expert panel on Canada's Fundamental Science Review in the Naylor report. The panel recommended a substantial increase of \$485 million, over four years, in the base funding provided to the three granting councils that award research funding to colleges and universities. The granting councils are the Social Sciences and Humanities Research Council, the Natural Sciences and Engineering Research Council, and the Canadian Institutes of Health Research. The recommended increase also applies to the Canada Foundation for Innovation, which provides our researchers with the tools they need to make research and innovation breakthroughs. This funding increase would give us the resources to make up much of the ground we have lost. If the funding is to be effective, however, it must be distributed to the various councils and agencies in a diverse and balanced way, to encourage greater diversity in research and innovation.

In conclusion, I would remind you that it is thanks to thousands of brilliant minds working across the country that small miracles, like drinking this water, are possible. I know that, when I drink it, I will be fine because thousands of researchers have worked to bring us this safe drinking water, and that applies to every sector of society. My example illustrates something very important. Funding is a practical response to a philosophical question. How do we improve the lives of our fellow citizens? I am here today to tell you that the answer is simpler than you might think. Investment in research is the best way to improve all facets of life for all Canadians across the country. I urge you to support a major and immediate reinvestment in research, because it is research that enables us to build our future, not just endure it.

Thank you.

• (1100)

[English]

The Chair: Thanks very much, Frédéric. We've heard a lot about the Naylor report in our travels across the country, at, I think, pretty well every stop.

We'll turn now to the Board of Trade of Metropolitan Montreal and Ms. Huot.

Ms. Céline Huot (Vice-President, Strategy and Public Affairs, Board of Trade of Metropolitan Montreal): Thank you. I'll be pleased to answer questions in both languages after my presentation, but I will do my presentation in French.

[Translation]

Thank you very much for inviting the Chamber of Commerce of Metropolitan Montreal to share its recommendations as part of the pre-budget consultations in advance of the federal budget.

We represent all of Montreal's business community, which, alone, accounts for 50% of Quebec's economy. It is our view that the next federal budget should address these five priorities: supporting private investment and innovation; expediting infrastructure projects through swifter distribution of funding; encouraging the internationalization of our companies; promoting tax fairness and competitiveness; and setting out a plan to balance the budget. I will spend the next five minutes discussing each of these points.

Montreal's business community sees the economic climate as favourable and the outlook for growth as extremely positive. That view also applies to job growth, especially in Montreal, where we are nearing virtual full employment. I can come back to that later.

Regarding the first priority, we would like to see very strong support for private investment and innovation. We applaud the government on its creation of the innovation superclusters initiative. We have seen that the private sector is on board and ready to invest, so it would be a shame to miss out on promising projects. We realize that the government wants to support a maximum of five projects, but it is our view that the next budget should identify ways to expedite the projects that have been submitted. Otherwise, we will miss out on opportunities for growth.

As I mentioned, Montreal is nearing full employment, and the new economy will also impact workforce availability. Therefore, the budget should set out measures to make the hiring of foreign workers easier. Temporary work permits go a long way towards meeting labour needs in all technological realms, including the booming video game and animation sectors, delivering tremendous value added to our economy.

The government should also focus attention on the requalification of workers in order to maintain the country's productivity. That means partnering with the provinces, having foresight, and laying the groundwork. If the government does nothing to address the issue, a portion of the population will be left behind, and we can't afford to let that happen.

Furthermore, the government should ensure that the personal income tax system is aligned with a return to work, meaning that the system must be competitive. Canada is one of the most heavily taxed countries in the OECD. It is important that all the measures in place allow the maximum number of people to participate in the job market.

Our second priority concerns the timelines for infrastructure projects. The House supported infrastructure spending because the business community relies on infrastructure, in the transportation and digital sectors alike. However, releasing and disbursing funds for major projects sooner is key. VIA Rail's high-frequency train project is one example that comes to mind. The distribution of funding has to allow for a timely analysis leading to the project's implementation.

We have a number of different infrastructure projects at the Montreal port, such as the renewal of the icebreaker fleet operating on the St. Lawrence River. That's a crucial project. The port is a veritable economic gateway, not just for Quebec and Montreal, but also for the entire northwest of North America. With the Canada-European Union Comprehensive Economic and Trade Agreement coming into force, capitalizing on these infrastructure projects is paramount.

Our third priority is the internationalization of companies. There is no use in telling you that NAFTA is a huge concern for the business community. I think the budget should include a plan B, in case the NAFTA negotiations don't work out. Companies will face immediate consequences in the short term, so the government should plan for that in the budget. We also need to adopt measures that encourage market diversification, to open up markets with other trading partners, such as Japan, China, and India. That said, the measures in place to support businesses in the international market must be consistent. From time to time, the government organizes missions, but companies can't access risk guarantees through Export Development Canada. Therefore, program consistency is key in order to speed up the pace of market diversification.

Our fourth priority is tax fairness and competitiveness. Tax fairness is an issue that merits review. The government seems to be open to that, and we are very glad. Nevertheless, we would like to know the specifics and have the assurance of predictability. We are indeed supportive of fairness, but any strategy must allow businesses to make investments and take risks. For that reason, we'll be paying special attention to the changes the government comes out with.

We are extremely pleased with the reduction in the tax rate for small and medium-sized businesses. Ensuring our businesses are competitive from a tax standpoint is even more important given the aggressive tax reforms the U.S. is considering.

● (1105)

We cannot ignore those reforms completely, and we absolutely have to maintain our competitiveness. Moreover, sales taxes are often preferred to payroll or income taxes, since they do far less harm to the economy.

As for the complex issue of e-taxation, we feel that Canada must encourage deep reflection on the issue as a matter of urgency, so that we do not end up with a two-tier system. We want those of our companies that invest in e-commerce to be treated in the same way as foreign companies. We need to embrace fairness in this respect, as other countries in the world are doing.

The last point is about the need to have a plan to return to balanced budgets. The international economic situation is still the source of a number of uncertainties. We have to be ready for all eventualities, whether in the price of natural resources, the risks

around the NAFTA negotiations, or even the rise of protectionism in certain countries.

We therefore recommend that the government should remain prudent and should give itself a cushion of from \$3 billion to \$6 billion in order to be ready for all eventualities. Spending must also be rigorously managed and there must be a plan to return to balance, with intermediate targets for annual deficits so that we can see them coming.

Thank you very much for your attention; I will gladly answer your questions.

[*English*]

The Chair: Thank you very much, Céline.

We'll turn to the Quebec Coalition on Weight-Related Problems, with Corinne Voyer and Clara Couturier.

[*Translation*]

Ms. Corinne Voyer (Director, Coalition québécoise sur la problématique du poids): Thank you.

Good morning, Mr. Chair and members of the committee.

Thank you for inviting the Coalition québécoise sur la problématique du poids, the Weight Coalition, to be part of today's meeting.

I am accompanied by my colleague Clara Couturier, the research analyst in public policy at the Weight Coalition.

The Weight Coalition brings together more than 400 partners, organizations, health professionals, and Quebecers to demand government action in order to reduce and prevent obesity.

The latest data in the Canadian Community Health Survey are extremely troubling. Almost two out of every three adults and one of three children are either obese or overweight. Obesity increases the risks associated with 13 types of cancer; I repeat, not one type, but 13. It is also a major factor in a number of chronic illnesses, like Type 2 diabetes or cardiovascular disease. Today, it is really distressing to observe how common it is to see children suffering from high blood pressure or Type 2 diabetes.

Since the 1980s, obesity has been constantly on the rise. It is an epidemic that is really out of control and that has a major effect on our economy and on society as a whole. In 2012, it was estimated that obesity and excess weight cost \$19 billion in health care, in disability, and in premature mortality in Canada. Given the progression of the problem of excess weight in the country, there is even reason to believe that the financial burden is greater still at the moment.

Up to now, this public health problem has not been taken seriously enough. It is really urgent, really necessary, for all government departments at all levels to invest in prevention and to take action to tackle the various factors that contribute to obesity. One of those factors, and it is undeniable, is the overconsumption of sugary drinks. These non-nutritional products also represents the principal source of added sugar in the diet of Canadians. Sugary drinks are clearly recognized by many scientific researchers and many health experts as a major contributing factor to obesity, to Type 2 diabetes, to cardiovascular disease, and to tooth decay and erosion. These are all major public health problems in the country.

Sugary drinks stand out from other products because the speed with which the sugar enters the system is really harmful to health. They are not essential and they occupy too great a place in the diet of Canadians, especially the young. In Canada, an average teenager drinks half a litre of sugary drinks per day, the equivalent of 10 to 13 teaspoons of sugar, in addition to the sugar in their daily diet.

It is important to point out that the term sugary drinks does not mean carbonated drinks only. It includes the so-called energy drinks, sport drinks, vitamin waters, iced tea, punches, cocktails, lemonade and flavoured coffee. The range is far from limited.

Drink consumption has moved from carbonated drinks to these other products, which, because of the marketing strategies used, are often made to appear more healthy to consumers. However, in fact, they are still simply water with sugar added.

Sugary drinks are available everywhere, in groceries, convenience stores, pharmacies, big box stores, entertainment centres, or restaurants. They are constantly sold at cut prices and they are among the least expensive products on the market. They are promoted on many different platforms. When we are thirsty, it is often easier to find a sugary drink than a water fountain.

In addition to their impact on health, their ecological footprint is devastating in terms of water consumption, transportation, and garbage.

For a number of years, the Weight Coalition has been recommending a special tax on these products and the reinvestment of that money into prevention, especially for healthy nutrition. Moreover, the Organization for Economic Cooperation and Development has recognized this tax measure as having the most potential in cost and effectiveness. The World Health Organization is also recommending that all countries enact a measure of this kind. Currently, a number of international experiments, such as in France, Mexico and Berkeley, California, are demonstrating the effectiveness of a tax on the consumption of sugary drinks. As with tobacco, this strategy that must be used in conjunction with other measures in order to improve the health of Canadians.

The desire to stimulate the Canadian economy, in which the bio-food industry is playing a role, must not come at the expense of ignoring the fact that food is not a product like any other.

• (1110)

Because of the economic burden attributed to obesity and to the chronic diseases that it causes, the external costs of the industry's commercial activities must be considered and recognized. The federal government is therefore responsible for overseeing the bio-

food sector more closely and for making sure that the food system is used, first and foremost, so that Canadians have access to healthy and high-quality nutrition.

Thank you.

• (1115)

[*English*]

The Chair: Thank you very much, Corinne.

We turn now to Electric Mobility Canada.

Welcome, Ms. Guimont. The floor is yours.

Ms. Chantal Guimont (President and Chief Executive Officer, Electric Mobility Canada): Honourable Wayne Easter,

[*Translation*]

committee members, I will give my presentation in both official languages and I will gladly answer questions in English or French.

[*English*]

On behalf of our board of directors, I thank you for this opportunity to share with you our recommendations for the upcoming budget. Our chair could not be here today as she is out of the country.

EMC is the only national not-for-profit association dedicated exclusively to the acceleration of transportation electrification in all modes of transportation. We count on a diversified membership of more than 150 members representing the complete value chain from manufacturers to end-users, and we have good discussions on how to move this industry forward. Together, EMC members bring an integrated point of view and solutions to the emerging industry.

Last May Canada's zero-emissions vehicle strategy was announced for 2018, under the responsibility of the Ministry of Transport and the Ministry of Innovation, Science and Economic Development Canada. EMC is part of the advisory committee, and many of our members have been active in the five expert groups in the rigorous and large scope of work under way. The advisory committee had the chance to discuss the successful strategies in the short, medium, and long term and the level of ambition associated with those.

While we count on the announcement in 2018 of the strategy, EMC is definitely convinced that the 2018 budget should include measures that are recognized as priorities.

[*Translation*]

One of the first principal steps is public awareness. As a major barrier to increasing the adoption of electric vehicles, a unanimous consensus exists on the lack of awareness by Canadians, and the necessity to act now.

We have the following recommendations. A national outreach campaign must be funded. A web portal where all the information can be found must be established. Electric vehicle showcases must be developed. Training must be delivered to dealers and sales staff. Mentorship and ambassadors programs must be created, and test drive programs launched.

The second aspect deals with purchase incentives.

In addition to this public awareness campaign, sales incentives have been shown, all around the world, to be a major factor in reducing the cost of owning electric vehicles. Today, three provinces offer measures of that kind: Quebec, Ontario and British Columbia.

In the United States, a strong federal incentive, combined with further incentives offered in a number of states, has significantly increased the number of electric vehicles sold. These measures combined provide for more than \$16,700 (Canadian) in incentives to purchase a vehicle in the United States. In Europe, a number of countries, such as Norway and France, also provide incentives of that kind, but, at the moment, Canada has none that cover all provinces. That is why, as a way of reducing the cost of ownership, we recommend eliminating the goods and services tax from sales of the vehicles. In parallel, we recommend creating a finance company that would offer sales and leases of electric vehicles for an all-inclusive monthly fee.

We have not forgotten fleets. Having governments and institutions setting an example is essential in moving things forward. For corporate fleets, we are recommending a reduction in the taxable benefit cost to employees for using a car. For federal government fleets, we are recommending additional budgets for the purchase of electric vehicles in order to set an example.

In summary, our recommendations for the federal budget are to set aside amounts of \$100 million annually for the next two years, including \$50 million for the tax reduction and \$25 million for awareness. This additional allocation of funds, combined with the ongoing federal investment of \$120 million for infrastructure over the next four years, would be the basic budget in preparation for the transition period up to 2020.

[English]

With the arrival of more EVs with longer ranges from all car manufacturers, Canada can decide to seize the opportunity to become a more strategic market for electric vehicles right now. We are convinced that it's not too late for Canada, but it's now time to share a vision, one supported by short-term pragmatic actions.

We are convinced that the adoption of EVs is a key mobility measure helping Canadians to be more productive by using clean and very efficient electricity, and by procuring energy savings that will be spent on other goods and services.

As for Canadian businesses, transportation electrification does present a challenge, but also an important opportunity to seize.

● (1120)

The Canadian ZEV strategy will evaluate those options in order to create the conditions to take advantage of growing global markets on clean technology, but definitely one of the unavoidable conditions is to support a strong EV market here in Canada.

I thank you for your attention. I'm available for your comments and questions later.

The Chair: Thank you very much, Chantal.

Now we'll turn to the Federal Fleet Services Inc.

Mr. Schmidt and Ms. McMillan, welcome.

Ms. Sarah McMillan (Executive Vice-President, Project Administration, Federal Fleet Services Inc.): Thank you, Mr. Chair.

We'll do the presentation together, and it will be bilingual. We can answer any questions afterwards in both languages.

[Translation]

Thank you, Mr. Chair.

My name is Sarah McMillan. I am the executive vice-president of Federal Fleet Services Inc. I am accompanied by my colleague John Schmidt, who is its vice-president, commercial.

Federal Fleet Services Inc. is the government contracting arm of Chantier Davie Canada Inc., which is the biggest and most specialized ship builder in Canada with the greatest production capacity.

I am the mother of three daughters, respectively 15, 12 and 6 years of age. I retired from the Royal Canadian Navy after 25 years of service. It began in the Collège Collège militaire Royal de Saint-Jean in Saint-Jean-sur-Richelieu. I have had a number of exciting adventures, including a mission to Afghanistan in 2013, when my youngest daughter was only two.

Mr. Schmidt has worked in the field of Canadian shipbuilding for 42 years, including 25 years in procurement at Public Services and Procurement Canada, or PSPC. He was one of the initiators of Davie's military support ship program and is considered an expert in marine procurement.

I will begin by giving you an overview of Davie Shipbuilding, located in Lévis, Quebec.

In 2012, the government approved a change in ownership of the largest and oldest naval shipyard in Canada. Over the last five years, Davie's contribution to the Canadian economy has been in the order of \$2.74 billion. It provides 3,000 direct and indirect jobs in Canada, with an average salary in 2016 of \$69,000. Of Davie's employees, 96.4% are the main source of income for their families. I am proud to state that Davie employs 114 apprentices.

Our employees are part of the middle class that the Prime Minister considers so important. Under its new owners, Davie has completed many commercial projects, including ship repair. We delivered Hull 717, our 717th vessel, the Cecon Pride, which was not only Canada's largest export product of 2014, but also the most complex commercial vessel delivered in North America in that year. In 2016, we delivered Hull 718, the Cecon Excellence, the Cecon Pride's sister ship.

Davie has also conducted five vessel life extension projects for the Canadian Coast Guard, on time and on budget. Soon, we will also be delivering the MS ASTERIX on time and on budget. This is the first military supply ship built for the Canadian navy in 50 years.

This vessel will be built at 25% of the budget allocated for joint support ships. In other words, we are saving middle-class Canadians 75% of the per-vessel cost. It will be built according to the existing naval construction strategy, representing an immediate saving for taxpayers of \$1.5 billion.

If that is applied to the entire federal fleet renewal program, the potential savings for taxpayers will be in excess of \$10 billion, considerably reducing the financial requirements in Canada's future budgets.

I will now pass the floor to my colleague.

• (1125)

Mr. John Schmidt (Vice-President, Commercial, Federal Fleet Services Inc.): Thank you, Ms. McMillan,

[English]

As we look to the future, we have one specific ask of this committee, Parliament, and the Government of Canada. In keeping with the Emerson report tabled in February 2016, the Senate report of May 2017, and the House of Commons report of June 2017, Davie shipyard and Federal Fleet Services are calling for a revision of the national shipbuilding strategy in order to add more Canadian shipbuilding capacity and reduce the federal fleet renewal costs to taxpayers. The policy as it currently stands, which was implemented in 2010 to renew the federal fleet, has been a failure, with not one ship delivered, program delivery dates continually slipping, and budgets escalating to the point of unaffordability. This all spells disaster for middle-class taxpayers, as the program is destined to become a national boondoggle without reform today.

The impact of such a reform will be immediate and will result in the following three points.

One, the fleet would be renewed faster, reducing the cost of inflation and the increasing cost to maintain an aging federal fleet beyond its economic life. For example, the Canadian Coast Guard fleet average age is over 35 years old, and many ships are beyond safe repair.

Two, it would ensure that the regional economic benefit of Canada's shipbuilding programs were shared fairly across Canada. For example, Quebec represents over 23% of the tax base, has over 50% of the shipbuilding capacity in Canada, and yet has received less than 1% of the shipbuilding work.

Three, it would protect middle-class taxpayers by demanding best price for capability. Continuing to pay four times the price is an insult to the middle-class taxpayers, and our delivery of MV *Asterix* proves that we can significantly reduce the cost of shipbuilding to affordable and world-class levels.

There is plenty of shipbuilding work for all shipyards to prosper in Canada and to become competitive in niche markets. Continuing to build ships under a virtual monopoly will be a detriment to taxpayers and will continue to reward mediocrity. No ships in eight years is not

a record to be proud of, and we can do better by involving all capable shipyards in the fleet renewal program and by adding the renewal of our Transport Canada subsidized ferries to the current federal program.

We at Davie and Federal Fleet Services have submitted more than a dozen proposals to the government, which would significantly reduce the burden on middle-class taxpayers while maintaining significant high-skilled jobs across Canada and delivering the needed capabilities to the Royal Canadian Navy, the Canadian Coast Guard, and Transport Canada. These projects include building a second naval support ship over the next 24 months and converting four icebreakers to meet the urgent capability gap faced by the Canadian Coast Guard as it tries to fulfill its mandate of keeping the St. Lawrence Seaway open and Arctic waters safe for navigation.

With these projects and others, Davie shipbuilding and its 996 suppliers in Canada will be in a strong position to maintain more than 1,400 high-skilled jobs, middle-class jobs, in Quebec and Canada for the next 20 years. We request that Canada move forward now to ensure Davie has the opportunity to participate as an equal player in the renewal of our aging federal fleet and provide Canada a way to significantly reduce costs and demands on the middle-class taxpayer.

Thank you. We'd be pleased to take your questions.

The Chair: Thank you, both.

We now turn to Ms. Baugh from Ovarian Cancer Canada.

Welcome.

Ms. Elisabeth Baugh (Chief Executive Officer, Ovarian Cancer Canada): Thank you very much for the opportunity to be here today.

[Translation]

Good morning.

Thank you for inviting me. My presentation will be in English.

[English]

I want to tell you about ovarian cancer today, which affects thousands of Canadians, and illustrate how a small investment by the Canadian government can make a significant impact on the health of the economy. Your leadership is needed to address both the health and economic impacts of this disease.

Ovarian cancer is the most fatal women's cancer in Canada. Thousands of Canadian women are living with ovarian cancer now, and five women die every day because of it. There is no screening test, no vaccine, and all Canadian women are at risk. It is too often diagnosed in its latest stages.

For those with ovarian cancer, there are few treatment options. Surgery and chemotherapy—the primary treatments—are rarely effective over time. New publicly available treatments have been few since the 1990s. Up to 75% of women will have a recurrence of their disease, and when that happens, the treatments are focused on symptom management, not a cure.

While there have been slight shifts in disease outcomes, overall outcomes have not changed significantly for this disease in 50 years. Of all women diagnosed today, 56% will not be living in five years. To give you a sense of comparison, the five-year mortality rate for breast cancer is 13%. For prostate cancer, it's 5%. Ovarian cancer sits stubbornly at 56%, four times the mortality rate of breast cancer.

Why has ovarian cancer not seen the advances that cancers like breast and prostate cancer have seen? We simply haven't invested in fighting ovarian cancer the way we have with breast and prostate cancers. Not that long ago, those cancers too had very high mortality rates. However, they've seen significant investments in research and corresponding improvements in outcomes. The investment in breast cancer research between 2010 and 2014 was almost five times the investment in ovarian cancer.

Why has ovarian cancer research not seen this investment? There are unique elements of the disease that haven't allowed it to fit into the existing research funding framework. For instance, the low incidence of ovarian cancer cannot demonstrate the needed economic benefit, and it also impacts the ability to accrue for clinical trials. The disease has not been fatal enough or rare enough to align with the funding available. Research models for ovarian cancer are needed, and funding for models in general is very scarce. Funding for targeted drugs that have proven effective is low.

The assumption is often made that a general investment in ovarian cancer research will impact progress in ovarian cancer. Sadly, this is not the case. There are unique features of this disease. For example, ovarian cancer metastasises completely differently from other cancers, so general investments have not translated into real progress in ovarian cancer.

Ovarian Cancer Canada has taken a leadership role, helping to build capacity and increase funds available for research, and also to increase the number of ovarian cancer researchers in Canada. In 20 years, our organization has invested over \$6 million, played a key role in establishing Canada's national research conference, partnered with CIHR and others to increase grant availability, established national tissue banks, and funded capacity grants for new scientists. However, the investment needed to advance knowledge of ovarian cancer is beyond the capacity of our organization.

Unlike other organizations in cancer that turn to their survivors for support, we cannot rely on our survivor community for funding because, sadly, so many do not survive. This is where the government can step in and help to change the lives of women in Canada. Ovarian Cancer Canada has worked closely with the research community, which has identified priority areas for investment to make a difference in this disease within 10 to 15 years. The research community is ready and poised to deliver on these priorities.

The investment required from the federal government to advance this research framework is \$10 million. Ovarian Cancer Canada will work in partnership with Canadian research funding partners who are committed to working with us to implement the research funding quickly. With this limited investment, the Canadian government can impact a healthy Canadian economy and women's health. We know the cost of cancer care places a heavy burden on the health care system and the economy, costing the Canadian economy an estimated \$626.5 billion in direct health care costs, corporate profits, and taxation revenues, and \$543 billion in wage-based productivity.

This investment is completely consistent with “Investing in Canada's future: strengthening the foundations of Canadian research”, which was a report completed last spring for the federal Minister of Science. This will position Canada as a world leader in addressing this orphan cancer, bringing innovation and capacity that will have an impact on women around the globe.

• (1130)

Thank you for your time.

The Chair: Thank you very much, Elisabeth.

We now turn to the last panel. From the Quebec Employers' Council, we have Ms. Kozhaya.

Ms. Norma Kozhaya (Vice-President of Research and Chief Economist, Quebec Employers Council): Thank you.

[*Translation*]

Good morning.

My thanks to the Standing Committee on Finance for inviting us to provide our comments on the upcoming budget.

In its comments, the Quebec Employers Council, or CPQ, is basically trying to answer the questions the committee asked about measures that would increase the productivity of Canadians and the productivity and competitiveness of Canadian companies.

Those two questions are intrinsically linked. The productivity of companies is a result of the productivity of the workers, and the productivity of the workers depends largely on the investments made and the processes put in place by employers.

Let me start by providing some points by way of background.

The first point is the digital and technological revolution, the fourth industrial revolution, as it has been called. Then there are the changes that will be necessary in the fight against climate change; they require investment, innovation and an urgent need to adapt the skills of the workforce.

Then there is the situation in America. Access to the American market is likely to be more difficult in the coming years. America's likely reform of the taxes on companies and individuals will doubtless have significant effects on the competitiveness of our companies. Finally, we must not forget the demographics of our aging society.

To meet the challenges posed by these structural and cyclical changes, Canada has to maintain a most favourable business environment in terms of taxation and regulation. It will also require much more agility in government decision-making in order to provide answers more quickly, departing from a rigid structure in order to reduce delays in approving and authorizing projects.

The pillars needed to boost the Canadian economy in a sustainable way are innovation, human capital, and private and public investment.

In terms of help for companies, the government should invest in programs that have a structural leverage effect on productivity, innovation and commercialization, as well as on exports and on reducing the companies' environmental footprint. For example, it would be appropriate to equip Canadian companies with the goal of profiting from the new opportunities provided by the Comprehensive Economic and Trade Agreement, CETA, or, for large companies, to make research and development tax credits refundable.

We must not forget the importance of regulating online commerce and the distribution of digital content more fairly in order to maintain the competitiveness of Canadian companies. This problem with online sales also deprives governments of significant tax revenues.

We applaud the government's openness in amending some aspects of the proposed tax reforms affecting small or medium businesses, SMEs. We reiterate the importance of taking the time to thoroughly analyze the economic consequences of the proposals, especially those possible consequences on entrepreneurship, business transfers, and risk taking.

The reduction of taxes on SMEs is certainly good news. But attention must be paid so that the growing gap thereby created with the rate for large companies should not become a disincentive to growth. Large companies must also be competitive, of course.

The CPQ would like to stress the importance of investing in infrastructure. But it has to be done in the most strategic and effective way possible, specifically by investing in Quebec ports and airports, as well as in transportation hubs. Let us also not forget rail transportation, or key projects in mass transportation, as governments did with the Caisse de dépôt et placement du Québec for the metropolitan electric network.

With our population currently aging, the government must speed up the procedures surrounding economic immigration, temporary workers, seasonal workers, and investor and entrepreneurial immigrants.

•(1135)

Finally, the CPQ stresses the importance of not becoming mired in structural deficits and of the need to prepare a clear plan to return to balanced budgets in a few years, because the financial security of generations to come is involved. This is also why the CPQ would

like to see initiatives targeted more on increasing private investment than simply on public sector spending.

You will find other comments in the brief we have submitted.

I will gladly answer your questions in either official language. Thank you very much.

•(1140)

[English]

The Chair: Thank you, Norma.

I thank every one of you for your presentations. As you can imagine, with some 170 presentations we've had across the country, the variety of requests makes the job a little tougher.

Mr. Fergus, we'll have to drop back to five minutes because of the time.

[Translation]

Mr. Greg Fergus: That is going to be impossible for me, Mr. Chair. As you know, I generally take a lot of time. But I will try to be brief.

Thank you all for your presentations. They were very interesting.

Ms. Huot, thank you very much for your presentations. I have read your document and I find it very interesting. Just one point drew my attention. If I understood correctly, your organization prefers using sales taxes to income taxes. If you had the choice of individual or corporate income taxes and sales taxes, you would like to see us opt for sales taxes. Is that correct?

Ms. Céline Huot: Most studies indeed show that the effects on the economy are more detrimental when income taxes are increased than with an equivalent increase in sales taxes. If you are looking for a strategy that will encourage investment, returning to work and savings, an increase in income taxes, either corporate or personal, individual tax will constitute an obstacle to investment and to a return to work. That is not the case with an increase in sales tax. That has more influence on the use consumers make of the goods.

So, yes, it is a strategy that we would like to advocate.

Mr. Greg Fergus: Okay. Here is my second question. I appreciate your suggestion to encourage consistency in the policies we use to globalize our economy. We have to seek out free trade agreements with other countries and encourage consistency between all government organizations.

Just before that, you mentioned that we should have a plan B for NAFTA. Do you have any suggestions for us? Are your members ready to invest in China, or in Europe, in order to take advantage of the agreement that we have just signed with Europe. Are they really ready to make the effort and to take advantage of those doors that are now wide open?

Ms. Céline Huot: Clearly, our physical and cultural proximity with the United States means that our companies turn more easily to that market. Going to China or to Europe brings them a genuinely additional complexity. They are less familiar with the market or the language. Procedures in China take much longer and political guidance is required.

That last point brings us to the need to have a strategy. We see it in the missions to China that we organize: if our missions come with that guidance, doors open much more easily because that is part of the culture of the country. Without that guidance, the obstacles are bigger.

Similar constraints do not exist when we are doing business in the United States. The context is completely different, meaning that the funding needed to support the companies will not be the same. The guidance will be different, as will the assurances and guarantees that we will provide to companies because we will be focusing on markets that are a little riskier, such as Latin America or elsewhere.

That is where the plan B becomes important, in my opinion. We cannot just base ourselves on what we are doing at the moment and tell companies that we are going to change our markets. We are going to have to open more doors, to negotiate and to have more of a presence in the other markets we have neglected in previous years.

We are also going to have to make sure that programs are coherent. The plan B will be essential here. We will also have to pay attention to what happens in the very short term. SMEs may perhaps have problems with liquidity, or may not be in a strong enough position financially. We will have to be flexible and to provide a degree of latitude for some things.

We will certainly be able to look at those issues in more detail.

Mr. Greg Fergus: Thank you very much.

My thanks also to Mr. Bouchard and Ms. Baugh for their support with regard to investing in basic research. I agree with them 100%.

I have just one more question. I do not have much time left.

Ms. Voyer, thank you for your presentation. I know that I should have been a little more aware of the place sugar occupies in our products. I am in the process of looking at it. Forty-seven grams of sugar, that must be a lot, correct?

• (1145)

Ms. Corinne Voyer: In fact, four grams of sugar is the equivalent of a teaspoon. If you divide 47 by four, you get almost 12 teaspoons of sugar in a drink of that size.

Mr. Greg Fergus: My colleague here has a drink with “no added sugar” written on it. Still, there are 53 grams of sugar, which perhaps means 12, 13 or 14 teaspoons.

When it says “no added sugar”, does that mean natural sugar?

Ms. Corinne Voyer: I would have to check, but I think so.

For us, sugary drinks are water with sugar added. After that, you are getting into the juice category, which is perhaps the product you are talking about. That is why the label says “no added sugar”.

Currently, the problem with juices is that they are not good for one's health when they are consumed in large quantities, because the

sugar they contain gets into the system quickly. Up until now, the Canada Food Guide has seen one juice as one serving of fruit. Science has shown that this is false, because juice has lost all its fibre, which serves to slow digestion.

That is about to change, but, at the moment, Canadians are not aware of it. A lot of awareness still needs to be done in terms of juices. For us, the tax is limited to water with added sugar, though it may eventually apply to juices.

We have to think about disadvantaged communities, for example, that really believe that they will get the vitamins they need from drinking juice. They are not able to get healthy fruits and vegetables. Before taxing juice, we have to raise awareness.

Diet drinks—this is somewhat related to your question—do not contain sugar; they contain sweeteners. They are just as harmful for the teeth as normal sugary drinks, because they are just as acidic. The science on this is not clear, and more research on the subject is needed. Our diet contains a lot of sweeteners and we do not know whether, in the long term, quantities like that can be harmful to the health. As a result, we just have to be careful for the moment.

[English]

The Chair: We're well over the five minutes.

Mr. Kmiec.

[Translation]

Mr. Tom Kmiec: Thank you, Mr. Chair.

Thanks to all who have come to testify.

I am from the west, and I am going to take time to choose my words properly.

I will start with the representatives of Federal Fleet, Inc.

I know the Davie shipyard well. My father worked in shipyards for almost 40 years. He worked for one yard in Poland that built 70 vessels per year. That is a big shipyard compared to what we have in Canada today.

I would like to ask you some questions on the cost to Canadian taxpayers.

When you were talking about innovation and entrepreneurship, you proposed a project to the government that would allow it to save a lot of money.

On June 1, 2017, the Parliamentary Budget Officer produced a report entitled “The Cost of Canada's Surface Combatants”. The report shows that, because of inflation, it is costing Canadian taxpayers about \$250 million for each month that the federal government delays building those vessels.

I knew that the government is looking for revenue, but, when you are spending money, I feel that this is an important item to consider.

You made a proposal that appeared to save money for taxpayers. What would those savings be and how would it work?

[English]

Mr. John Schmidt: I'll respond in English because, unfortunately, my French is not quite as good as Sarah's.

We appreciate your interest in Davie. In the case of the CSC project you were referring to, Tom, what we're saying is that, in order to beat inflation on a project, as you know, you have to speed up production or you have to spread production across many suppliers.

Recently there was a report issued by the U.K. government called the "National Shipbuilding Strategy"—the same title as ours. For that they hired a world expert to study their program, which is very similar to our current program, in which we have created two monopolies. They found that in order to bring the cost of their ships down, they had to spread the work around to other shipyards such that they were building mega blocks in different shipyards.

That's what we've done in our programs. We believe it can bring the cost down by as much as 75%, to 25% of the current value, and, as a case in point, we're currently bidding on a frigate program with a foreign navy, on a design similar to the one being put forward for the CSC program, and we'll be bidding that at about 25% of the current budgetary cost given by the PBO of \$4 billion per ship, which is a huge number for a frigate. That is well beyond what it should be. From my 42 years in this business, I think that is way beyond what we should be paying for a ship like that when we can produce it at one-quarter of the cost. But we're not at the dance; that's the problem.

• (1150)

[Translation]

Mr. Tom Kmiec: Okay.

My next question goes to Ms. McMillan, whom I thank for her service to our country.

As a former naval officer, you know those ships better than anyone. I would also like to mention that my father worked as a contractor for National Defence for 30 years, here in Canada. He has worked on all Canada's ships at one time or another.

The Resolve project is about converting a container ship into an auxiliary oiler replenishment ship.

[English]

Would it meet the requirements?

[Translation]

Will that help the Royal Canadian Navy in its future missions? Is it the kind of ship we need?

[English]

Ms. Sarah McMillan: I'll answer this one in English to make sure I get the terms right, just because all my training in the navy was in English.

Do we believe that we'll meet the navy's requirements? Yes, we believe that we'll actually meet and exceed the navy's requirements, not just from a capability perspective but also from a quality-of-life perspective for sailors. I think the product the navy will be getting from us at this stage will be world-class. I would be proud to sail in it myself. My friends will be sailing in it.

Mr. Tom Kmiec: That's what I wanted to know, whether you would serve on it.

[Translation]

Ms. Guimont, you mentioned that it is important for Canada to move towards electric vehicles in order to reduce greenhouse gas emissions.

I would like to ask about the supply of the elements needed to build the batteries for those vehicles. I have some concerns about that issue. I would like to go through the world's biggest producers of these various elements. For example, for batteries, we need cobalt and 65% of cobalt mines are located in the Congo. China produces 65% of the graphite we also need. Lithium is produced in Chile, Argentina and Bolivia, but two of those three countries are not known as places where business can be conducted normally. Indonesia produces 50% of the nickel. Nickel is actually the only element Canada can produce because we have a number of nickel mines.

How will Canada be able to supply itself with all the elements needed while developing Canadian industries?

I am also concerned about re-charging those batteries. Normally, the lowest level of use in each province's electricity grid is during the night. But that is going to change. For example, if each house has an electric vehicle, everyone will charge it at night.

Are our communities ready for that nighttime use of electricity?

Ms. Chantal Guimont: Let me start by answering your first question, which is very broad and deals with the world's ability to produce all the components. That is certainly an issue. However, it will work itself out with time. With more and more vehicles, technological evolution will also come into play with the batteries. I feel that it will be a consideration that will be planned for as a result.

You are right to say that, aside from lithium and Canada's nickel mines, the components come from outside the country. However, the world market will evolve and we need to pay attention to it. The Canadian strategy will encompass all the components and will certainly have implications for Canada.

Your second question was about the capacity of electricity distribution grids to meet the demand. That is certainly a concern. All electric companies are members of Electric Mobility Canada. The conclusion is that we have the capacity to charge millions of vehicles. However, we must bear local considerations in mind when it comes to the transformation. But that too can be planned for. Electric companies welcome the need to respond to additional loads and are capable of building that into their planning.

You are right about re-charging at night, which is a big advantage. Take the market in Ontario, as an example. The Ontario government is ready to implement pricing conditions for electricity, even at no cost, to encourage nighttime charging. So pricing in terms of the time of consumption is in our favour and, overall, the availability of electricity in the grid is not an issue. It will have to be well managed, but it is not an issue. There are also a number of possibilities with chargers that can control the charge. So smart devices are available to spread things out over time in order to optimize the costs and the impact on the grid. The evolution of modern technologies allows that to be done. It is about smart management in real time.

•(1155)

[English]

The Chair: Thank you.

Mr. Boulerice.

[Translation]

Mr. Alexandre Boulerice: Thank you very much, Mr. Chair.

My thanks to all the witnesses for joining us today. Your presentations were very interesting. I would like to be able to ask everyone questions, but unfortunately, I do not even have 15 minutes in order to do so.

Ms. Couturier and Ms. Voyer, thank you very much for your presentation. I would like to emphasize that taxing sugary drinks is also a recommendation of the World Health Organization. I think it is important to point out the international consensus on this.

Mr. Bouchard, thank you for your presentation. I also thank you for sounding the alarm that Canada is lagging behind in research. I think we all have to be aware of that situation and we must come up with some action about it. Not only are we in danger of lagging behind other countries and being less competitive, we are also in danger of seeing our young minds going to work in other countries because they are no longer able to do so here. Thank you very much; I say well done to ACFAS for all the work it has been doing for years.

Ms. Guimont, I am going to continue along the same lines as the questions you have been asked previously.

In Quebec, we spend about \$15 billion on petroleum per year, though the province is a major producer of electricity, clean energy that belongs to us and that makes us all a profit. It is absurd to continue along the same lines, not only because it goes against the objectives of the Paris accord, but also because it is making us poor.

Your movement interests me a great deal. We produce electricity in Quebec and they produce automobiles in Ontario. You talked about a number of things: federal government communications, incentives for consumers, and accessibility. In the foreseeable future, is there any hope that we can successfully produce an electric car here at home?

Ms. Chantal Guimont: It's a very good question that everyone is asking.

It would require major investments because electric vehicles aren't currently manufactured in Canada. So a business plan needs to be established but, first and foremost, we have to ensure that our market

would support electric vehicles. That's the purpose of our recommendation today. If we want manufacturers to consider moving to Canada, we need to see this market grow significantly. At present, electric vehicles account for less than 1% of automobile sales. If we compare that result with 3% in California and 50% in Norway, there is much more fertile ground, and we need to take the lead required to interest manufacturers. So we're talking about a complete vehicle assembled here.

Many niche markets are experiencing incredible growth. Delivery trucks come to mind, for example, and all the components of an electric vehicle: the batteries, engines—we need only think of TM4, which exports electric motors to China—the software, the artificial intelligence that will be developed with self-driving vehicles, and more and more technologies. There are a lot of possibilities for components that can be added. All these industries are trying to export more because there are no manufacturers here at the moment.

The question is on the table and comes up often. I think the Canadian strategy will look at it from a future perspective. There would be huge benefits in doing so.

•(1200)

Mr. Alexandre Boulerice: I have questions for the other witnesses as well. Time is passing quickly. Thank you for your answer and your work.

I would now like to address Mr. Schmidt and Ms. McMillan.

I'm quite amazed by the table on page 2 of your document. I am also disappointed to see that Quebec's share of the national shipbuilding industry is less than 1%. In terms of getting our fair share of federal contracts, I appeal to my fellow MPs from Quebec to insist that there is a problem in this regard. We can see that you have the experience, capacity and expertise to fulfill the contracts, as you indicate on your cover page.

I think it would be worthwhile for everyone to have the people in the Quebec City and Lévis area able to build future ships through federal contracts.

In concrete terms, what do you expect from the 2018 federal budget that would open this door?

Mr. John Schmidt: Thank you for your question.

[English]

We have proposed a second ship, a *ravitailleur*.

We're officially asking the government today to open up the shipbuilding strategy to allow Davie in to build ships, or to build portions of ships, so it's really an adjustment in the strategy. The budget is there. The government has already indicated that they want to build the ships, that they want to replace the ships, but it's all in the implementation of the strategy.

As you know, with any large program, it takes 30 years. The success of any program is in how you manage change. Now that Davie is on the scene, with twice the capacity that was there when the country selected the two existing shipyards, we need to take that into account and have Quebec also contribute, and make the national shipbuilding strategy truly national.

[Translation]

Mr. Alexandre Boulerice: Thank you very much. I fully agree.

Ms. Huot, you covered a lot of things in 10 minutes. You did a good job. Thank you.

One term caught my attention. You spoke about equity in terms of the digital or electronic infrastructure. For the people you represent, what does such equity mean, in concrete terms? Could you tell me more about it?

Ms. Céline Huot: I talked about equity with regard to digital taxation.

Mr. Alexandre Boulerice: Digital taxation. Right.

Ms. Céline Huot: Take the example of Netflix or Airbnb. These new models have completely upset the economy. There's also Uber, which has arrived in most cities. It won't stop there. We can continue to pretend that we can manage this on a piecemeal basis, or we can do what other countries have done, in other words, ensure that there is equity between Canadian and foreign companies. Otherwise, there will be inequity.

[English]

The Chair: Thank you.

I just want to come back to the shipbuilding for a minute. One of the difficulties here is that the national shipbuilding strategy is already in place. How do you get around the fact that agreements have already been entered into and investments have been made by other shipyards? What's the cost of that if you change that strategy?

Also, for the shipyards that are already building, the Government of Canada—and this is too often typical—changed its funding approach as they started down the road in the system they'd agreed to provide funding for. How do you get around that?

Mr. John Schmidt: That's a very good question, Wayne.

I was part of Public Works during the initial stages of development of the shipbuilding strategy. What is commonly misunderstood is that they're not guarantees of contracts. By signing the umbrella agreements with the two shipyards, they are essentially first right of refusal. In other words, if you cannot negotiate a fair contract on commercial terms, then you can seek alternatives. What we're saying is that under the current plan for the government—under annex A—which was to give the east coast shipyard the CSC to build an AOPS and the west coast shipyards the Diefenbaker and the JSS, these have already been discussed but no contracts have been awarded, for example, for the JSS other than for a definition phase.

There is room to make adjustments in those programs, or to realign them. For example, if we were to build a second *ravitailleur* Resolve class vessel, that would allow Seaspan to start building the icebreakers, which are very urgently needed. Under the current plan, Seaspan will not, in reality, be building those until close to 2030. That'll make the *Louis S. St-Laurent* 70 years old. We can't continue to sell vessels that are single-hulled vessels in the Arctic, and at the same time make and implement the Arctic protection plan and insist that all commercial vessels be double-hulled.

The problem is that the Coast Guard and navy fleets are rusting out faster than they can be replaced, and the program needs to be adjusted to allow additional capacity to bring forward all of our capabilities but also to replace those vessels, and all within the terms of the current agreement.

There would still be plenty of work for Irving and plenty of work for Seaspan, but now you're adding capacity to allow Quebec to participate and to fill those gaps, because what we proposed, the *Asterix*, which we're delivering to the navy next month, is actually considered an interim solution, and it's a lease, so that's how we've gotten around the issue with the NSS. The government is leasing that vessel with the option to buy, but there's no reason why the government cannot implement the other needs by including Davie, simply by amending the NSS.

● (1205)

The Chair: Yes, and I know there have been substantial changes to Davie since the original negotiation. I understand that.

Mr. Grewal.

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

My first question is for the Board of Trade of Metropolitan Montreal.

You commented in your testimony about the importance of international workers and highly skilled workers from abroad. You'll be pleased to know that we've announced a new program that allows certain highly skilled workers to come here within two weeks.

Do you have any data on how many employers in Montreal are taking advantage of such programs?

Ms. Céline Huot: I do not have the exact data, but I would be pleased to ask the members. I know that it's mainly the gaming and animation sectors that need these talents, and they have sometimes two issues.

Mr. Raj Grewal: Yes, I know. That program is imperfect and there's been feedback from a lot of high-tech firms that are now actually starting to recruit a lot of top-notch engineers from across the globe because of what's happening down south and their closing their borders and our having an opportunity to recruit high-level talent to come to this country.

You also spoke about a real emphasis on productivity. Can you elaborate on that a little bit more?

Ms. Céline Huot: On the productivity of companies or individuals?

Mr. Raj Grewal: Individuals are productive and companies are productive.

Ms. Céline Huot: But you want me to add—

Mr. Raj Grewal: On companies, yes.

Ms. Céline Huot: Companies, okay, for the productivity.

It's something that we have to reinforce, and for that the taxes are something very important to let them invest and to let them go in their project. We know that companies have lots of money to invest, but sometimes they just keep it because of the situation in the United States, so we have to encourage them to invest faster and really invest in technology. That is linked to talent. If they do not have the talent to implement the technology, if they do not have the talent to manage the change, because sometimes it's very transformational change for the organization, they would keep that money. This is something that we really have to focus on.

Mr. Raj Grewal: Thank you very much.

The Chair: Mr. Bouchard wants to comment.

Mr. Frédéric Bouchard: I just wanted to add an example, which is there was a meeting last week in Montreal between the gaming industry, the Quebec government and universities to talk about similar issues and the kind of incentives to bring in more talent. Talent came up earlier.

We must not forget that the reasons universities were funded throughout Canada in the 20th century was to train talent, so there's a recruitment of talent on the global stage, but we must make sure that we train the talent, as well, and that is done.... I'm piggybacking so I won't use too much time, but we must understand that research environments are training environments. When we talk about top-notch engineers or top-notch programmers, or top-notch doctors or whatever, most of them can only be trained in research environments. That's how they become top-notch for economic development, for societal change, for cultural contributions. They're tied, and one must not forget if we're really concerned about economic development that talent is a big issue and we must make sure that we have the right environments to train talent. And we know what they're called: they're called universities and research environments.

• (1210)

Mr. Raj Grewal: Thank you, sir.

My next question is for Corinne.

You spoke about about childhood obesity. I think everybody on the panel agrees that more should be done to target childhood obesity, but you had a specific emphasis on the sugar tax.

I've studied this issue more than most MPs. I used to work at Pepsi as my first job after I graduated as a financial analyst. I get more passionate than most people on why I don't believe a sugar tax is a good idea, but I'd like to have a conversation on it with you.

The WHO and the Heart and Stroke Foundation recommend a sugar tax. They believe if we have a sugar tax we will consume less sugar, which will add more benefits to our society: people will live longer, will be healthier, etc.

However, wherever there's been a sugar tax implemented, there hasn't been a direct correlation in a reduction in childhood obesity. In Canada, there's actually a reduction in the consumption of sugary drinks already without a sugar tax and then we don't even get to the notional argument, which I brought up with the Heart and Stroke Foundation last year when they testified in front of this committee recommending a sugar tax, which is that nobody has done an economic analysis on the job losses that would be created with the implementation of a sugar tax. The economic reality is that if you tax

a Coca-Cola or a Pepsi, they're going to have to meet their bottom line somehow, and that generally means a reduction in labour force.

I'm also biased because Coca-Cola's biggest plant is in Brampton, and this would have a negative impact on their business.

The Chair: Raj, we have to give Corinne time to challenge your argument.

Mr. Raj Grewal: Yes, absolutely. That's the best part of democracy.

The Chair: Go ahead, Corinne

Ms. Corinne Voyer:

First, it's not a sugar tax. It's a sugary drink tax. We're only focused on sugary drinks.

The other thing about the reduction of obesity, for sure it's a new measure, so it's too soon to know the impact on obesity, but sugary drinks are linked to obesity, diabetes, cardiovascular disease, and tooth decay. This is proven by science. We know that taxation in other countries reduces the consumption, so we are expecting a diminution of obesity for sure. But obesity is very complex. It has many causes so we have to measure all the variables around it.

That's my point on obesity, but we are expecting some changes for sure if the reductions are reduced.

About the reduction of sugary drinks, it's not sugary drinks; it's soda pop. Yes, Pepsi and Coca-Cola reduced their sale of soda pop, but they've been replaced by energy drinks, vitamin waters, iced tea, *café aromatisé*, fruit cocktails. An explosion of a variety of products on the market now have replaced these traditional drinks.

The other thing about the job loss, let me be clear about the lack of productivity also linked to obesity and cardiovascular disease and cancer and other problems that society has right now. This all has a cost, and the cost is much higher and bigger than the job loss. This hasn't quite been demonstrated. Some work has been done in Quebec by Yann Le Bodo. He's a researcher who did some work on that.

• (1215)

The Chair: Quickly, Clara.

[*Translation*]

Ms. Clara Couturier (Research Analyst, Public Policy, Coalition québécoise sur la problématique du poids): It's important to understand that industries in Canada enjoy a number of benefits, particularly in terms of production and distribution. These are companies that transport significant volumes of weight, which costs money. They also have access to drinking water at a very low cost. As Ms. Voyer said so well, it hasn't been shown that a tax has a direct impact on jobs, but several other factors do.

There is drinking water here, too. They pump it here and give it back to us in a format that contains colour, fizz and added sugar. This also has an impact on the environment.

[English]

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

Mr. Albas will be the last questioner. Ms. O'Connell is willing to give up her time because we're over time.

Mr. Albas.

[Translation]

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

[English]

I'm going to start with Elizabeth from Ovarian Cancer Canada.

First, I want to commend your organization. You have some of the most committed volunteers. Cathy Farrow and her team in Kelowna have been tremendous, not just in raising awareness and raising funds, but also in giving grieving families a positive outlet for them to show their concern and to raise awareness themselves. Thank you for that.

Ms. Elisabeth Baugh: Thank you.

Mr. Dan Albas: I would like to ask a little more about your proposal.

To many people in my riding, \$10 million is a lot of money. You've pointed out 50% of all women diagnosed today will no longer be with us within five years, so there's a tremendous opportunity there. Can you explain what that \$10 million will go toward so this committee can thoughtfully consider your proposal?

Ms. Elisabeth Baugh: Thank you so much for that question.

It does sound like a number we might have pulled out of a hat, but that's not so. There have recently been a number of international assessments on where the greatest gaps lie and how the unmet needs could quickly be addressed. Three areas have been identified and we've had those areas reviewed and validated by our partners, the Canadian Ovarian Cancer Research Consortium. We would create a national steering committee, of course, and the money would be managed with partners CIHR, 3CTN, CRS, etc. The money would be focused on research in three specific areas.

The first is novel treatment strategies, \$2.25 million. I mentioned that with most patients ovarian cancer recurs, and this is where treatment falls off very very quickly. Interestingly, there have been a number of research teams in Canada that have been very successful in identifying novel treatments, but there's a gap between validating them and getting them to clinical trials. That would be the first area, novel treatment strategies.

Second, another \$2.25 million would go to research into better experimental treatment models. I mentioned that funding for models overall is scarce, and it's very important because the models allow us to test the safety and efficacy of the treatment. Creating and improving experimental models can help uncover more information about the disease, which frankly, until even 10 years ago, was poorly understood. We know much more about it now. It is not one disease. It's many diseases with subtypes. It's very important that we have better models to bridge the gap between the discovery and the validation of new treatments.

Finally, the bigger piece, \$5.5 million, would go to personalized medicine, the right medicine for the right person. We know that many of these treatments will not work in some of the subtypes of ovarian cancer, and yet women will receive treatment that doesn't make them feel better, doesn't stop their cancer, and costs the economy an enormous amount of burden in health. Treatments that are targeted for their cancer at the right time would really help change the outcome of this disease.

The Chair: Ms. Huot.

Ms. Céline Huot: Yes, I just wanted to add that I talked about the superclusters, and of the 10 superclusters that were chosen by the government none was on life sciences or health, and that's something that is very important. That's why we said that we can't just ignore the project that was presented, because there are lots of projects, on personalized medicine and everything, and that's why we need the government in the next budget to show amounts for those projects, which are very important to an aging population.

• (1220)

Mr. Dan Albas: Madame Voyer, I certainly appreciate your presentation today. Obviously we are concerned about childhood obesity. It's really matching and diagnosing the problem and then asking what the best solution is.

You mentioned Mexico. According to the National Institute of Public Health of Mexico, which keenly supports this tax, annual sales of sugary drinks averaged 18.2 million litres between 2007 and 2013. In 2014 this rose to 19.4 million litres and then it rose again in 2015 to 19.5 million.

When you factor in and adjust for population growth, you have, from 2007 to 2013, 160 litres per capita, in Mexico. In 2014, when it was adopted, the per capita rate went to 162 litres, and even with adjustments for population in 2015 as well, it was 161 litres.

Obviously, the evidence does suggest that work is needed here. How do you explain that where this has been enacted it has not accomplished its purpose of reducing consumption?

Ms. Corinne Voyer: Sorry, my English is not.... You're all mixed up with the numbers. But the numbers that I have for Mexico from the health is that after the first year of implementation there was a reduction of 6% in the consumption of sugary drinks by the whole population. During the holidays, Christmas and other specific periods, the reduction went almost to 12%, and in the *communautés défavorisées*, the poor population, they reduced the consumption by 9% during the year.

What we know about obesity during that period...the taxation was implemented in 2014 and the data that we have on obesity are from 2012 to 2016.

[Translation]

As for the numbers, we will need another measurement period to determine the impact on obesity, because the tax was implemented in the middle of a four-year period, after two years.

Specifically, consumption has really decreased in Mexico. It's very well explained in our brief. We even have a fact sheet that will give you more information about the data for Mexico.

Obesity will be measured, but there is always a delay, as in the case of the Canadian community surveys. In 2018, we will have access to the 2016 Canadian data, in 2020 we will have the 2018 data, and so on. So we are at the same level as Mexico.

[*English*]

The Chair: It wouldn't be the first time we had a difference in terms of numbers.

Did you have a quick supplementary?

Mr. Dan Albas: Those are the National Institute of Public Health of Mexico's numbers. When you factor in a per capita approach, Mexican people are drinking actually more than they did before. My suggestion is to maybe look at those numbers because these are the questions that any government has to responsibly answer.

Mr. Grewal has mentioned his own riding. Particularly now, when we are very sensitive to more production being established in the United States, I think we should always bear in mind that if there are going to be economic consequences, we should know what they are. We should also make sure, before we do anything, that we know it's the right vehicle. Personally, I think food labelling, I think further education.... We have one of the most educated populations in the world. I think there's a lot that needs to be done there.

The Chair: We'll let Clara in, and then Mr. Bouchard has a final point.

[*Translation*]

Ms. Clara Couturier: Once again, he understands that if sales figures increase, it means that if there had been no taxation, the sales figures might be higher. It is important to consider all the factors since the implementation of the tax in 2014. After that, we can see if there is an impact. If there had been no tax, the sales might be even higher. What Corinne said was going in this direction.

• (1225)

Ms. Corinne Voyer: I would like to add that the recent data from the Mexican National Institute of Public Health showed a decrease in obesity. We could have a battle of figures on this. In fact, I had access to the recent health data, and it isn't the same thing.

[*English*]

The Chair: We'll have to agree to disagree on the data at the moment.

Mr. Bouchard.

Mr. Frédéric Bouchard: I'm the last obstacle between you and your lunch, so I'll make this short.

A common denominator of a lot of these discussions is that we can spend taxpayer dollars better with better knowledge. That knowledge doesn't come from digging a hole. It comes from smart people doing important work, and they need your support. It's done in various places. If we do this right, we can better spend every single dollar that the government has the responsibility of. That demands more people doing better research.

I want to thank all of you. Frankly, just hearing a battle of numbers—and reducing it to a battle of numbers, I think, does it a disservice—shows that we don't know everything and that we still need to investigate these things because they impact lives. I was happy to hear people invoking the NIH, invoking other studies. It's not a reproach on the argument. I was happy to hear people using research to make better-informed decisions. If we did that more often, I think we would spend our taxpayer dollars better.

The Chair: Ms. Guimont, I think you had one final comment.

Ms. Chantal Guimont: Yes. I really appreciate the work, the studies, and the information.

Our recommendations in another set of the world are very documented. They are pragmatic. They would make a huge difference. All the evidence is there. I invite you to look into them and to call on me if you have any other questions, but these are our clear recommendations with proven results.

The Chair: With that, I'd like to thank each and every one of you for your presentation. There was quite a mix of presentations here. It's much appreciated.

We will suspend for a few minutes. Then I believe we have two presentations in the open-mike session.

Thank you again very much.

• (1225)

(Pause)

• (1230)

• (1235)

The Chair: We will reconvene and invite Ms. Kristen Kiggen to come to the table, and Ms. Nathalie Blais.

We'll start with Kristen. Welcome.

Ms. Kristen Kiggen (As an Individual): Hello, ladies and gentlemen.

[*Translation*]

One hundred and thirty million girls don't go to school. If these girls represented the inhabitants of a country, it would be the 10th most populated in the world.

Let's take a moment to think about it. Canada spends about 2¢ per Canadian per day on education in the world. According to the Committee on Culture and Education, it is essential to double our contributions to education if we want to give each of these girls the chance to attend school. This means that, with only 2¢ more, Canada can pave the way.

Today, we are asking Canada to contribute to funding the Global Partnership in Education in 2018 as part of the solution to help millions of girls from the poorest countries to get the education they deserve.

I want to close by asking the honourable members and the public what they would have become if they hadn't received an education.

Thank you.

[*English*]

The Chair: Thank you very much, Kristen.

Turning to Ms. Nathalie Blais, the floor is yours.

[*Translation*]

Ms. Nathalie Blais (As an Individual): Good afternoon.

Thank you for allowing me to speak this morning.

I'm a resident of Montreal, but also a union advisor. I work at the Research Service of the Canadian Union of Public Employees. We represent about 7,500 members in the communications and telecommunications sector, mainly in Quebec. These people work for newspapers, television, radio, Internet service providers, and cable and telephone service providers.

I'm here this morning because I wanted to talk to you about the taxation of foreign companies that do business here, in Quebec and Canada, through the Internet. I'm talking about companies like Netflix, Airbnb and Spotify, which do not collect all the consumption taxes. This poses a problem of inequity to companies hiring our members. We have already started losing members, and

we believe that we will continue to lose them in the future if equity isn't re-established.

In the next budget, we want to see clear provisions to force these foreign companies that sell their digital products and services here in Canada to collect the taxes, and that we can tax them as well. In this regard, we would like to have a timetable. I know it's more complex in terms of taxation, but it would be nice to know where the government is going.

Thank you very much.

[*English*]

The Chair: Thank you both for your presentations. That is part of the pre-budget consultations that will go into the record and be considered as well.

With that, thank you all.

We'll reconvene in Windsor.

The meeting is adjourned.

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