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CANADA

## Standing Committee on Finance

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EVIDENCE

**Tuesday, February 4, 2020**



**Chair**

The Honourable Wayne Easter



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• (1530)

[English]

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

Everyone knows this, but just for the record, pursuant to Standing Order 108(2), the finance committee is continuing its work on a study of pre-budget consultations for 2020.

I want to welcome all of the witnesses here. Some put together their presentation in fairly short order. I also want to thank those who put in their submissions prior to the August deadline. The committee has brought them forward, and they'll be considered part of the record as well.

**Mr. Michael Cooper (St. Albert—Edmonton, CPC):** I have a point of order.

**The Chair:** One second, Mr. Cooper.

Thank you all for coming.

Mr. Cooper, I believe you have a point of order. Go ahead.

**Mr. Michael Cooper:** I think you anticipate what's coming, Mr. Chair. Thank you very much.

We had inquired about the Minister of Finance's availability. It was suggested by you, Mr. Chair, that the minister appear this week. Apparently, due to scheduling issues, that is not going to happen. As a result, I would like to move the following:

That the committee invite the Minister of Finance, Bill Morneau, to appear before the committee for a two-hour televised meeting regarding pre-budget consultations and that he appear no later than Thursday, February 6, 2020.

**The Chair:** The motion is on the floor. It's a legal motion and it's open for discussion.

Who wants to speak?

Mr. Fraser.

**Mr. Sean Fraser (Central Nova, Lib.):** I have just a little bit of information. I've spoken to the minister and the associate minister of finance. The Minister of Finance isn't able to make it this week, given the tight timelines. The associate minister said she would make herself available. Our chairperson during the last segment indicated the hours. I think it was at eight o'clock tomorrow.

**The Chair:** From eight until nine tomorrow night.

**Mr. Sean Fraser:** If we want, I'm happy to inquire with the minister to see if there's another day he can make himself available, but I'll foreshadow what I think the response will be. He has commitments that were pre-existing to the work of this committee. If we

want to, for show, put a deadline on it...and maybe that's the will of the committee. If we want to be reasonable with full information, I think we now get a clearer picture.

With that, it's the will of the committee to craft whatever invitation they want, but I figured that information would be useful.

**The Chair:** Mr. Poilievre will be next, but first, the clerk did make a request to the minister and to Finance. As I informed you at the end of the last meeting, we've had discussions over trying to find a day. Minister Fortier had said she would be able to come. We tried to find a time. We looked at tomorrow. We looked at a week from next Tuesday, I believe the 18th. The only time slot we could find was from eight to nine tomorrow evening.

That's just for your information. The motion is on the floor.

Mr. Poilievre.

**Hon. Pierre Poilievre (Carleton, CPC):** Thank you very much, Mr. Chair.

It is standard practice during the pre-budget consultations to hear from the minister who is presenting the budget. I don't think this should be any different. In terms of having an associate minister come, that minister is not responsible for introducing the budget, presenting it to the House of Commons, or, for that matter, crafting it in the first place. We are the committee through which the budget will ultimately have to pass. This is the body that the House of Commons has delegated to examine budget matters. The man or woman putting together the budget should be the one to testify and hear directly from this committee on that matter.

I think Mr. Cooper has put forward a motion that is entirely reasonable. It is in keeping with conventional practice. It's not like we're flexing our minority Parliament muscles here by pressuring the government to offer up something that isn't typically done. It is typical for ministers to testify in person, themselves, without a delegate coming in their place. Let's just keep to the standard practice and bring the minister.

Thank you.

• (1535)

**The Chair:** I have Mr. Fragiskatos, Mr. Masse and then Mr. Fraser.

**Mr. Peter Fragiskatos (London North Centre, Lib.):** I would only add, Mr. Chair, that since we have seven organizations and witnesses, who have come from quite a distance in a few cases, we could take up this matter after the meeting and hear from the witnesses, who I know are anxious to offer input on budget 2020 and what it should look like.

**The Chair:** Unless there's agreement to table the motion—I think that would be the procedure—it's still on the floor.

**Mr. Peter Fragiskatos:** Can I put forward a motion to that effect?

I'm doing just that.

**The Chair:** Okay.

I understand there's no discussion on a tabling motion.

(Motion negatived [*See Minutes of Proceedings*])

**The Chair:** We have Mr. Masse, and then we'll go back to Mr. Fraser.

**Mr. Brian Masse (Windsor West, NDP):** Since you do have guests here, I was going to ask you to call the question. I think we should go ahead. The minister should be here and the Liberals can amend the date if they need to later on. This way it guarantees that the minister has to come, so it's serious. He can show up at a time that's convenient. If they have an alternate date, they can come back to the committee with that alternate date to amend the actual time.

I would ask you to call the question so we can hear from our witnesses.

**The Chair:** Okay.

The question has been called.

(Motion agreed to)

**The Chair:** As I understand it, there is basic agreement to try to juggle the time frame, but the committee is basically saying the minister should appear before the end of this week, I gather.

**Mr. Brian Masse:** I would encourage us to agree to bring him back at a specific time, and I'll certainly talk to my colleague if I'm not here.

**The Chair:** All right.

We'll ask the clerk to get that information to the finance minister.

Mr. Fraser, maybe in your capacity you could also see if there's a time frame in which things can be worked out.

**Mr. Sean Fraser:** Sure.

**The Chair:** All right.

Thank you, witnesses, for your indulgence.

We'll start with the Canadian Association for Retired Persons. Jana Ray is the chief membership and benefits officer.

You have about five minutes.

**Ms. Jana Ray (Chief Membership and Benefits Officer, Canadian Association for Retired Persons):** My name is Jana Ray. Good afternoon. Thank you for inviting us to speak today.

In the fall of 2018, we released our FACES platform. Some of you may be familiar with this document. It was our pre-election platform at that time. Within this document, 19 asks of government were made. I'm bringing forward an update that is a part of the notes I've provided to the committee as well. I'll be highlighting some of the items here that perhaps are still outstanding, as well as the things to which we are now turning our gaze.

First and foremost, we wanted to call out pension protection. This has long been on our docket of items to advocate for. We would like to see the creation of a federal pension insurance program that insures 100% of the pension liability in cases of insolvency. We believe this can be fully funded by plan sponsors, and while this will only really impact federally regulated pensions, we think it could create a similar model for plans at the provincial level as well.

We are also looking for amending insolvency legislation to extend superpriority to unfunded pension liability. We know this doesn't guarantee pensioners that they would receive 100% of their pensions, but we believe this is important to provide increased pension security to all pensioners of companies that are entering insolvency.

Last, this was not in our FACES document, but we're asking the government to commission a third party study to explore alternative legislative and regulatory solutions that will ensure pensioners receive 100% of their pensions in the event of corporate insolvency. The research we're asking for obviously would involve all stakeholders and important individuals within the sector, as well as academics, actuaries, employee representatives and defined benefit pensioners.

We are also looking for the federal government to implement its promise to boost old age security by 10% for people 75 and older. We are looking for the implementation of the promise to increase the Canada pension plan survivor benefit by 25% for people 65 and older, from 60% to 75%.

I'm going to skip a couple of items here.

We're also looking specifically for attention to be given to caregivers. A recent study in the province of Alberta showed that \$66 billion was saved through family caregiving. It was saved, obviously, in health care dollars. It saves the government a lot in terms of the care that's provided in-home by many of our caregivers. We're that hoping the government will consider giving a Canada caregiver tax credit.

We're also hoping that they will look, for example, at caregivers and family caregivers in the same sort of spirit that they look at young families and families that deal with individuals who are disabled. There are a lot of supports and credits that come to those families.

We see family caregivers giving up their jobs. I am someone with lived experience. I work full time. My spouse does not work. He is a full-time caregiver to my mother, who had a stroke in 2013. This is obviously very near and dear to me, but also to many of our caregivers. Two-thirds of our particular membership surveyed indicated that they have at one time been a caregiver or expect that they will be in short order.

In recommendations on health care, we also would be looking for adopting and implementing a universal, comprehensive, sustainable and evidence-based national pharmacare program. That should probably come as no shock to many of you. We are looking for that commitment of dollars, \$3.5 billion needed by 2022 to roll out national pharmacare.

We would ask that funding of vaccines also be a part of the pharmacare program. We had a national conversation on preventive health and aging last year. I personally attended six events that were held across Canada. We had members of the general public there, as well as CARP members and subject matter experts. That was really well received. We know there's a lot of room to grow as far as vaccines go in making sure that older adults have access to vaccines.

We're also looking for funded innovation and modernization initiatives to ensure that dollars spent on health care are achieving the best possible outcomes. We want to make sure that any transfers of dollars made by the federal government, especially around strategic initiatives—for instance, innovative dementia care or vaccines and this sort of thing—are not simply absorbed into provincial health care budgets. That's critically important to us as well.

• (1540)

Those are the highlights of the items that are on our list.

**The Chair:** Thank you very much, Ms. Ray.

We'll turn to the Canadian Automobile Dealers Association, but first I'll just tell Mr. Goodridge from Manitoba that we do have him on camera.

I hope you can hear what everybody else is saying.

**Mr. Ken Goodridge (Senior Tax Manager, Lazer Grant LLP):** I certainly can, and I'm really sorry that you all have to look at my face.

**Voices:** Oh, oh!

**The Chair:** That's not a problem at all. At least you have hair. I haven't.

Turning to the Canadian Automobile Dealers Association, we have Mr. Reuss, president and CEO, and Mr. Williams, director.

Welcome.

**Mr. Tim Reuss (President and Chief Executive Officer, Canadian Automobile Dealers Association):** Thank you very much, Mr. Chair.

Good afternoon. Thank you for inviting us here today. My name is Tim Reuss. I'm the president and CEO of the Canadian Automobile Dealers Association. Appearing with me is Huw Williams, CADA's director of public affairs.

I'm here today on behalf of Canada's 3,200 independent franchise new car dealers and our over 160,000 dealership employees, who are concerned about the 10% federal luxury tax on cars that was announced during the recent election and included in the Minister of Finance's mandate letter.

On the surface, a luxury tax sounds like a simple policy tool that will help generate additional government revenue to help reduce the deficit or perhaps to reinvest in services or programs that Canadians rely on. However, examples from both history and the present have shown that luxury and other sin taxes do not work. In fact, they end up punishing consumers, small business owners and employees, and government pocketbooks all at the same time.

In my remarks today, I would like to highlight three areas that would be negatively affected by the luxury tax: jobs in the retail auto sector, reduced government revenues and potential trade impacts.

Let's talk about the one we are most concerned about: jobs in the auto retail sector. To see the evident negative real-life impact that this tax might have on jobs in our sector, you do not have to look far. In 2018, British Columbia raised the provincial sales tax on luxury cars, adding 20% on top of the existing sales tax. The results were that the total luxury auto sales in B.C. reversed gears sharply, decreasing by over 5% in 2018. The luxury segment priced above \$100,000 decreased by 16%. This has already had a significant negative impact on jobs, with 43% of our members in that province reporting lower dealer staffing as a consequence.

Second is reduced government revenues. With an introduction of a federal luxury tax, CADA is concerned that consumers will buy around the tax. This includes everything from purchasing a lower-priced vehicle, thereby reducing the amount of HST or GST collected; importing vehicles from other markets; purchasing used vehicles that may have outdated technology with lower fuel economy; or simply forgoing buying a vehicle at all. This is exactly what happened in B.C., with the sales registered in that province negatively affected, as mentioned before, and the foreseen taxation revenues therefore not materializing.

Third is potential trade impacts. The overwhelming majority of all cars sold in Canada over the \$100,000 threshold being proposed are European, with nearly 90% comprising German and U.K. brands. The luxury tax may therefore violate the spirit of the recently signed CETA, jeopardize its ratification and lead to retaliation against Canadian products exported to the EU. I would like to remind the committee that the repeal of Australia's luxury tax has been one of the key demands of the EU as it negotiates a free trade agreement with Australia, so this concern is not without precedent.

If the government nevertheless is unequivocally committed to the implementation of the luxury tax, we urge the consideration of the following implementation measures to help alleviate the challenges facing our industry. First is a sequenced introduction approach for the three industries mentioned in the tax proposal, thus granting sufficient time for the automotive sector to adapt its long and complex international supply chains on a more equitable basis. This would also allow our members adequate time to adjust their planning, ordering and inventory levels.

Second is to align with the Canadian income tax bracket logic and assess it as a progressive tax, wherein only the marginal amount over \$100,000 is taxed at 10%. In addition to increasing the chances of actually generating additional revenue from this tax, this measure would also eliminate unintended pricing decisions around the proposed threshold.

Third, exempt any electrified vehicles irrespective of price. The latest safety, emissions and battery technologies are expensive and often deployed on the most expensive vehicles first. This allows manufacturers to recoup significant investments for those technologies, which can then be deployed on mainstream vehicles. These more expensive vehicles are already excluded from Canada's iZEV rebate program and would be further penalized if captured by the luxury tax.

Fourth is to support a dialogue with British Columbia to avoid a redundant tax-on-tax-on-tax situation. A further 10% federal luxury tax on top of the existing 20% B.C. luxury tax, in addition to federal and provincial sales tax, will amount to a nearly 40% tax on luxury cars sold in British Columbia.

• (1545)

Thank you for your attention this afternoon.

We'd be happy to take any questions you might have.

**The Chair:** Thank you very much, Mr. Reuss.

From the Canadian Chamber of Commerce, we have Mr. Henry, senior director, and Mr. Stratton, chief economist.

Welcome.

• (1550)

**Dr. Trevin Stratton (Chief Economist and Vice-President, Policy, Canadian Chamber of Commerce):** Thank you, Mr. Chair and members of the committee. It's a pleasure to be here today.

The Canadian Chamber of Commerce, representing a network of over 200,000 businesses of all sizes from every sector and region of the country, has a simple message when it comes to the theme of

these pre-budget consultations. There is no sustainable growth without growth.

Without a strong economy, our country will not be able to meet the serious challenges Canada faces as a result of climate change and an aging population. Without a focus on growth, we will not be able to foster the innovation and sustain the vital public services needed to address the challenges of a sustainable economy.

To ensure a better future for all Canadians, we encourage the government to embrace a comprehensive plan for economic growth in this year's federal budget. This involves focusing on priority areas that will help enhance competitiveness and productivity to grow our economy.

Canada should be more ambitious in its approach to improving our costly, burdensome regulatory environment. We should aim to become the world's most efficiently regulated jurisdiction, thereby strengthening the country's ability to attract jobs, boost business confidence and encourage badly needed investment.

The government must also focus its infrastructure spending on projects that will increase Canada's long-term competitiveness. A greater focus on trade-enabling infrastructure and climate-resilient infrastructure would benefit communities of all sizes, including indigenous, rural and remote communities. It would also help position Canada as the world's most reliable and sustainable source of food, energy and other resources.

Now is also the time for government and business to work together to equip Canadians with the skills that can align and adapt to the evolving economy. We need to fill the hundreds of thousands of current and future job vacancies across the country, and immigration should play a critical role.

Canadian business has always had a positive social impact throughout our great nation's history. Businesses create jobs and provide opportunities to all Canadians. They foster innovation and provide essential goods and services like food, health care and defence.

Core business issues like a competitive tax system, agile regulation, skills attraction and retention, and infrastructure promote the investment in Canadians that underpins our economic growth.

The Canadian business community has taken on another important role in recent years. Companies take their corporate social responsibilities seriously and have adapted environmental, social and government criteria in their operations. Triple bottom line accounting frameworks now take people, planet and profit into account, while the quadruple bottom line adds a future orientation with inter-generational equity.

We recognize that climate change is one of the defining issues of our time and that Canadian businesses have a role in combatting it. While climate change is not the only challenge our companies face, the transition to a low-carbon economy, if done correctly, can help businesses mitigate climate-related risks and enhance Canada's competitiveness.

We understand that long-term investors and Canadians alike see value in companies that are sustainable. Our recommendations in this area include recycling carbon pricing revenue to drive innovations, energy efficiency and clean technologies. We recommend that Canada create a national circular economy strategy that will support efforts made by industry to capture waste products, create inputs for other industries and divert plastic waste, and we encourage the government to review the regulatory inefficiencies that slow the adoption of new technologies in the utilities sector and make grid modernization costly.

Growing the Canadian economy in pursuit of a better society is the key to addressing many of the challenges we are facing. Governments cannot address these issues alone, and in many cases significant business investment will be required. This is why it is so important to implement economic policies that enhance Canada's competitiveness, reduce the cost of doing business and improve the investment environment.

There is no sustainable growth without growth, in short.

Thank you for the opportunity to meet with you this afternoon. I look forward to our discussion.

**The Chair:** Thank you very much, Mr. Stratton.

We now turn to Mr. Goodridge, from Lazer Grant LLP, all the way from Winnipeg.

Welcome.

**Mr. Ken Goodridge:** Thank you very much, Mr. Chairman.

My name is Ken Goodridge. I am the senior tax manager at Lazer Grant, a local CPA firm in Winnipeg, a position I have held for the last seven years. Prior to that, I spent 30 years in the audit division of the Canada Revenue Agency. I have a lengthy history both enforcing compliance with tax legislation and assisting taxpayers with complying with it.

What I'd like to briefly talk about today are certain recent amendments to the Income Tax Act and the effect of these amendments on taxpayers and tax professionals. I am referring primarily to the legislation that is designed to stop abusive schemes regarding the small business deduction, in particular the legislation that deals with specified corporate income, as well as the changes to subsection 55(2). Some other significant changes include the tax on split income, or TOSI, and the legislation that reduces the small business deduction as investment income increases. Sadly, or mercifully, we

will not have time to discuss these, and I'll try to keep this from getting very technical at all.

The problem with the recent amendments is that they are very complex and they can have inadvertent consequences. They are also expensive for the taxpayer, because more time must be spent by practitioners researching the law and preparing tax documents. I'd like to point out that most of our clients qualify for the small business deduction.

It is my understanding that the small business deduction was originally intended to benefit small businesses by allowing them to retain capital that may be reinvested to help them grow and succeed. The small business deduction remains an extremely important incentive to small business, hence the large number of schemes designed to take advantage of it. The small business deduction reduces the federal tax rate to 9% on the first \$500,000 of active business income. In Manitoba, the provincial small business tax rate is zero, while the normal corporate rate is 12%, so in total it reduces the combined federal and provincial income tax rate from 27% to 9%. There is a large incentive to take advantage of it.

In terms of federal tax, the small business deduction has much less impact than it used to have, given that the highest federal rate is now 15%, rather than 28%, as in the past. Nonetheless, it still represents a total federal tax saving of \$30,000 on the first \$500,000 of active business income earned by a corporation. However, given the additional restrictions that have now been placed on the small business deduction, one questions whether the government still considers small businesses to be a really important part of the economy. Schemes that allowed corporate groups to acquire access to more than one small business deduction were formerly governed primarily by the association rules. The association rules were substantially revised over 30 years ago to limit access to the small business deduction. The recent amendments extend well beyond the scope of the association rules.

Let me give you an example. Let's assume we have a corporation that provides services to another corporation. Twenty per cent of the first corporation's income comes from these sales. The first corporation has a 1% shareholder who is related to a 1% shareholder of the second corporation. In the olden days this would not be a problem at all. However, under new legislation this 20% income would be eligible for the small business deduction only if the second corporation transfers some of its business limit to the first, thereby reducing its own small business deduction. It's not hard to imagine that the second corporation may be reluctant to do so since they're not related.

The problem here for the taxpayer and the tax practitioner is that, in order to stay onside of the rules, a person needs to know the shareholdings of all his or her related persons, which would be parents, grandparents, children, grandchildren, spouse, brother-in-law and sister-in-law. In smaller communities, it may not be possible to avoid doing business with corporations that have related persons as shareholders, which to them brings these rules into effect. The new legislation is a radical departure from the old rules, which were primarily covered through the association rules, which really don't have the concept of control. The expanded rules deal with other things.

Another problem is subsection 55(2), which was enacted for the purpose of preventing taxable capital gains from being converted into tax-free intercorporate dividends. This is very old legislation, but it's only recently been re-updated. The changes to subsection 55(2) have had a significant effect on legitimate business transactions. The amount of work that now goes into paying a corporate dividend or doing a simple restructuring has become onerous, in part because you now have to do a very lengthy calculation of something called "safe income". The rules in subsection 55(2) must now be considered when paying intercorporate dividends for the purpose of asset protection, purifying a corporation so that the shares qualify for the capital gains deduction, and for various other transactions that were previously all considered to be onside.

The rules I have just described not only cast the net very wide, potentially capturing non-abusive transactions, but also significantly increase the cost of compliance. A colleague recently told me that he has clients who question why a simple corporate tax return used to take three hours and now takes 10. The problem is that more time is needed to gather information, make calculations, and prepare tax returns and schedules. Unfortunately for the taxpayer, tax practitioners are not able to do this for free.

• (1555)

Finance used to draft legislation to fix a particular problem. Recent amendments seem to indicate that legislation is now being drafted to fix problems that have not yet been thought of. I'm not advocating a return to the old system, which often seemed to be closing the barn door after the horse was gone. I do think it might be possible to draft legislation that falls in between the two extremes.

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

• (1600)

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

Turning to Imagine Canada, we now have Mr. MacDonald.

**Mr. Bruce MacDonald (President and Chief Executive Officer, Imagine Canada):** Thank you, Mr. Chair. Let me start by congratulating all the members of this committee on their election or re-election, as the case may be, to the House of Commons, and you on your re-election as chair of the finance committee.

[*Translation*]

I would like to introduce our organization to all the new members of the committee who are not yet familiar with Imagine Canada. We are a nationally registered charitable organization, and we represent some 86,000 charitable and not-for-profit organizations, as well as social enterprises set up for the common good.

In terms of public policy, our priority is to work together with political decision-makers to make sure that the environment in which charitable, not-for-profit organizations work allows them to develop their social and economic contributions to the fullest.

[*English*]

You're all no doubt familiar with the work done by specific organizations in your constituencies and communities, but I'd be remiss if I didn't remind you that, according to the most recent data published by Statistics Canada, charities and non-profits employ 2.4 million people across the country and contribute some 8.5% to the GDP.

As a registered charity, Imagine Canada is limited to speaking about issues that relate to our charitable purpose as governed by the Canada Revenue Agency. We're not experts on climate change or environmental issues, nor is it within our remit to speak to those issues directly.

That being said, when the committee launched its pre-budget consultations last summer, we saw an opportunity to speak more broadly to the relationship between the federal government and sector organizations. As our brief points out, too often in the past governments have designed and implemented new initiatives in ways that preclude charities and non-profits from fully participating.

This may be as simple as language, referring to small business rather than small employers when designing a program that charities and non-profits are otherwise completely eligible to participate in. It may be design elements. Even when there is no conscious attempt to exclude charities and non-profits, the way in which a program is designed or a benefit is delivered may have that result.



Essentially, our appeal to you, and through the committee to the government, is simple. If there are going to be new initiatives to help businesses and organizations take steps to reduce their climate impact, please ensure that charities and non-profits are eligible, that communications efforts don't imply exclusion of charities and non-profits, and that program design doesn't inadvertently make those initiatives irrelevant to sector organizations.

[*Translation*]

We can work together, for example, to ensure an ongoing understanding of our sector's impact on the economy and on employment. I have just mentioned the most recent figures from Statistics Canada. They provide the first data gathered on the sector for 10 years; hence our next recommendation to give Statistics Canada the resources and the necessary mandate to compile and publish data on our sector, as the agency already does for all other sectors of the Canadian economy.

We have had long discussions with Statistics Canada officials. They are ready and willing to do the work. Moreover, the costs are minimal, less than \$1 million per year in their view. That seems a small price to pay for the government and the sector to have the tools needed to improve our understanding of the sector and to make fact-based decisions and policies.

[*English*]

Of course, while data would be a start, it's not the be-all and end-all of what we hope would be a modernized relationship between the sector and government. We've already seen encouraging developments in recent years under governments of different political stripes. Measures have been implemented to encourage more charitable giving. The possibilities presented by new ways of achieving good, such as social finance and social enterprise, have been explored and encouraged.

Most recently, the permanent advisory committee on the charitable sector has come together, providing a forum for sector leaders and regulators to identify and propose solutions to long-standing issues. While the committee's mandate is relatively narrow, this is a very encouraging first step toward an improved partnership with government.

We're also very excited by the recommendations made by the Senate Special Committee on the Charitable Sector. Members of this committee were understandably occupied by other matters when the special committee reported in June, but I'd encourage you all to read at least the executive summary and recommendations. They lay out a road map for renewed relationship between the charitable sector and the government, and we look forward to discussing this with you and your colleagues over the life of this Parliament and finding practical and doable solutions to the challenges we all face.

• (1605)

[*Translation*]

Thank you once more for inviting me to have this discussion with you today. I will be pleased to answer your questions.

[*English*]

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

Turning now to Fanshawe College, we'll hear from Mr. Wright.

**Mr. Jeff Wright (Vice-President, Corporate Strategy and Business Development, Fanshawe College):** Chair Easter and members of the finance committee, thank you so much for the opportunity to appear before you today.

My name is Jeff Wright. I'm vice-president of corporate strategy and business development at Fanshawe College in London, Ontario. I am pleased to have the opportunity to speak on behalf of the college's 43,000 students. My comments will be focused largely on the critical role of colleges, and in particular how Fanshawe prepares people for jobs.

Before I do that, just by way of background, Fanshawe's total impact to the southwestern Ontario region in added income is \$1.7 billion annually. Students' spending impact is estimated to be \$38.5 million. Fanshawe is also a comprehensive college, with a regional reach across southwestern Ontario. In the most recent 2019 key performance indicators for the public colleges in Ontario, Fanshawe ranked number one for students finding jobs after graduating.

From a recent survey, 98% of the respondents believe that access to lifelong learning is important at all ages. Recent federal investments in such programs as the Canadian training credit and employment insurance training support benefit, as well as funding for work-integrated learning through the student workplace program, are all welcome forms of support. We thank the government for those. However, the EKOS survey suggests that Canadians are still not sure they have adequate resources at their disposal to change careers. The survey results also suggest that the government can do more to promote and streamline programs that support learners of all ages.

We also encourage the government to support a national campaign to promote skilled trades as first-choice careers. While we appreciate that each province has developed its own skills trade and pre-apprentice training programs, the Government of Canada could invest in skills training to ensure that there are enough qualified workers to support energy audits, retrofits and net-zero home construction, and to create the Canadian apprentice service, including new initiatives, so that Red Seal apprentices have sufficient work experience opportunities, including the provision of up to \$10,000 per apprentice over four years for every new position created.

In Ontario, Fanshawe acknowledges and supports the government's comprehensive look at apprentice training and investment in pre-apprenticeship. Fanshawe is the largest training delivery agent in Ontario and is operating in, at best, a break-even funding model. Fanshawe supports Colleges Ontario's four-year plan calling for the expansion of the number of apprentices by 40%. While the provincial government has already taken a number of steps to advance the agenda, any steps at the federal level to support these model deliveries would be very important. We agree with the Government of Canada's innovation and skills plan, which continues to play a significant role in helping Canadian businesses grow, scale up, innovate and export so they can create good-quality jobs and wealth for Canadians.

Fanshawe plays an important part in this agenda. We applaud all efforts by the government to support innovation ecosystems, particularly those based on partnership between businesses and post-secondary institutions that support job creation, technology adoption, investment and scale-up. More directly, Canada needs innovation intermediaries that support process improvement, commercialization activities, technology adoption and business planning, with spaces dedicated to experimentation, cutting-edge technology and industry-leading expertise.

Canadian colleges like Fanshawe are well positioned to support the innovation needs of Canada's small business, yet funding mechanisms currently limit the degree to which colleges are practically able to reach out to small business communities. As a result, many do not know about the services and supports available to them. Fanshawe supports the recent requests by CI Canada and Polytechnics Canada to the federal government to invest \$40 million per year in Canada's network of college-based service providers to double the number of small and medium-sized enterprises engaged in innovation activity.

We also thank the government for continued investments in FedDev Ontario. It has provided funding opportunities to strengthen the ecosystem of innovation. Fanshawe has been successful in the past receiving support from this fund. In fact, the college is currently embarking on a \$58-million investment to create Innovation Village, hopefully with the support of all levels of government, including the federal government through FedDev Ontario.

- (1610)

Innovation Village is a physical and virtual hub that brings business, industry and not-for-profit sectors to the front door of Fanshawe. It's designed to foster student experiential learning, business growth, scale-up and innovation to support wealth generation and job growth within the region. Its total annual project impact by 2030 will be \$64 million, generating \$137 million annually in increased economic activity. This is just one example of how the federal government and colleges can work hand in hand with industry to ensure that students are prepared to meet the needs of employers.

Finally, we'd support the government's enhancement to the youth employment and skills strategy and the Canada summer jobs program, and we support progress on eliminating interprovincial trade barriers by harmonizing rules and regulatory requirements to better facilitate the mobility of labour across Canada. Fanshawe joins other colleges across the country in developing micro credentials for

short-term skills training programs. The definitions and principles are part of a national strategy being created by the college sector's regional associations as governments explore opportunities to re-train people for new careers.

The college sector is aiming to have its national strategy completed by late spring and to use the strategy to drive their discussions with provincial governments and employers about new policies for micro credentials. The federal government can play a role in supporting a consistent approach province to province, where appropriate.

Thank you again to the committee for including Fanshawe College. I'm open to any questions.

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

We'll move to Western University, with Ms. Bryson, executive director, and Mr. Shepard, president and vice-chancellor.

**Mr. Alan Shepard (President and Vice-Chancellor, Western University):** Good afternoon, Mr. Chair and distinguished members of the Standing Committee on Finance. Thank you for the opportunity.

From the perspective of Western University in London, I want to start by stating that we appreciated yesterday's presentation to this committee by the Honourable Ed Holder, London's mayor, and especially his focus on improving transportation to southwest Ontario. I thank my colleagues at Universities Canada and the U15 Group of Canadian Research Universities, whose briefs have informed my remarks.

We all know that Canada's universities continue to be key drivers of national prosperity. As a proud immigrant to Canada myself, I would say we have one of the most envied university systems in the world.

This afternoon I want to highlight three opportunities for budget 2020 to support key priorities in partnership with Canada's universities. First of all, we must acknowledge the significant investments in our sector, and these continue to be significant.

A first priority for budget 2020 could be to further the return on the R and D investment by Canadians to make Canada as competitive as possible on the world stage. Universities Canada has proposed a new fund to move ideas and intellectual property from our campuses toward the public, private and not-for-profit sectors, as some other nations already do. The fund might particularly support partnerships with local and regional industries in which universities are especially active.

A second priority for universities would be helping Canada and the world with climate change. Universities have a large role to play in mitigating climate change. We do new research, and we make available our ideas and our technologies. On our campuses, it's believed that at least half of the shovel-ready projects we have would also focus on green infrastructure and energy efficiency. Further investment in this broad area of green tech and clean tech would enable researchers to develop better ways to reduce our own carbon footprint, and it would position Canada further as a seller of climate change solutions in the global marketplace. The U15 has put forth two compelling proposals: a green campus infrastructure fund and a clean future research and innovation fund.

Helping Canada strengthen its role as a partner for international research collaborations would be a third priority. Solutions to the world's most urgent and complex problems are unlikely to be found in isolation. In a post-Brexit world, there will be new opportunities to engage in global research initiatives as the boundaries among global research institutions and national and international funding agencies are redrawn. These opportunities would provide new initiatives for our students as well as our faculty. They would provide jobs as well.

Thank you again for the opportunity to point to areas of investment that would make a difference: getting new knowledge out the door, grappling with climate change and playing on an equal basis with universities around the world.

It's a pleasure to be here.

• (1615)

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

If we go with roughly five minutes per questioner, we can probably get eight members. We'll set it at five minutes.

You're on first, Mr. Cooper.

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

Mr. Reuss and Mr. Williams, with respect to the luxury tax, you noted that it would have a detrimental impact on jobs and reduce government revenues and trade. The PBO estimates that this tax will generate approximately half a billion dollars in new revenue by 2020. However, in that report it was noted to be highly uncertain. I was wondering if you could speak about the impact on tax remittances in British Columbia following the imposition of the tax.

**Mr. Tim Reuss:** I'd be glad to.

Actually, the Office of the Parliamentary Budget Officer, which you were referring to, says that the estimate has a high degree of uncertainty, and one of the things it alludes to is that behavioural responses to a tax of this nature are to be expected.

Our remarks are based on, first, the example that we saw in B.C., right here. The second example we can allude to is from the beginning of the 1990s. The U.S. implemented exactly the same tax, which they then repealed two years later, under the Clinton administration, because it was not having the revenue effect it was intended to have and was actually devastating part of the manufacturing piece of the equation.

In B.C. itself, what we have seen is that clients in that segment will either have a residence in the U.S. and buy the vehicle there and register it there, or buy a used vehicle and have it there, or actually, in quite a number of cases, they will find a way to buy and register the vehicle in Alberta. When you look at the numbers we alluded to, you will see a decrease in the number of sales. Therefore, the foreseen revenues didn't materialize and actually went in a different direction.

**Mr. Michael Cooper:** Right, and I would note that a November Scotiabank report stated that the economic argument for the tax is "dubious".

In terms of the impact on sales, you cited a decline in British Columbia, but what would you say to those who say there has been a national decline in the last year or so in the sale of luxury vehicles? Then you couldn't necessarily attribute it to the tax or single out the tax as the basis for that.

**Mr. Tim Reuss:** When you look at the specific impact in British Columbia, for the segment above \$100,000, the sales decreased by 16%, which is three times what the overall provincial sales decrease was in that same period of time. You can see that this segment of the market was especially impacted and that, especially in that segment in the case of B.C., clients did find a way around it—as we like to call it, shop around the tax or buy around the tax.

**Mr. Michael Cooper:** Yes, in fact, the Scotiabank report noted that although there had been a decline in British Columbia, it went from a 10% increase in 2017 to a 5% contraction the following year, whereas Ontario, which did not impose a tax, had a 10% growth in 2017, similar to that of British Columbia, but instead of a decline, it still maintained a growth rate of 3% in 2018.

Mr. Morantz, do you want to jump in?

**Mr. Marty Morantz (Charleswood—St. James—Assiniboia—Headingley, CPC):** Yes, I have a couple of questions for CADA as well.

**The Chair:** You have a minute and a half. Go ahead.

**Mr. Marty Morantz:** In terms of potential for job losses in the automobile manufacturing industry, which is primarily in Ontario, based on the B.C. experience in terms of the reduction in sales, how much pressure do you think that might put on jobs in the automobile industry in Ontario?

**Mr. Tim Reuss:** Regarding the manufacturing sector itself, I would pose that question to the manufacturing sector. However, on the employment impact we have seen in our sector, which is on the retail side of the business, in B.C. we have already felt it, with 43% of our members experiencing a direct impact on their staffing of anywhere from five to 10 employees per sector.

In Ontario, there are a lot of suppliers, a base that is also producing parts for the international luxury manufacturers, so that would be a question to pose to them also.

• (1620)

**Mr. Marty Morantz:** I probably have 15 seconds left.

Could you also comment on the effect of losing those sales on the finance industry and the banking industry?

**Mr. Huw Williams (Director, Public Affairs, Canadian Automobile Dealers Association):** It's no accident, and I congratulate Mr. Cooper on having the documents in front of him that are so relevant to the Scotiabank report. We'll share those with the rest of the committee members.

In the finance industry, luxury vehicles are financed, and they're quite concerned in those sales. Clearly it's going to have an economic impact. Again, the U.S. example of the Clinton administration repealing it was a live-world experience of how these things really have unintended consequences and don't work.

**Mr. Marty Morantz:** Thank you.

**The Chair:** Mr. Fragiskatos.

**Mr. Peter Fragiskatos:** Thank you, Chair.

Thank you to the witnesses.

Unfortunately, having only five minutes leaves us with not a lot of opportunity to really get into the details, but there have been a number of interesting things raised here today.

I'll go to President Shepard from Western University first.

In your presentation, you talked about the way climate change can be addressed by government working with universities. Is there an optimal way you would advise? Obviously, we've made a lot of investment in research over the past four years, much of which has focused on climate change and the need to address it. Across campuses, at Western University but also right across the U15, is there a view as to how we can work together in a better way—government, universities, and even the private sector—to really advance this issue?

**Mr. Alan Shepard:** First, I would say that across Canada the students were actually on this before the faculty and staff were, and they have often been the leaders in this work.

Second, basic fundamental research on climate change has been going on for a long time. It is funded federally, as well as in other fashions such as private sector companies and whatnot. We ought to be looking for ways to ensure that the technology we're developing, whether it's solar or whatever it may be in terms of what's happening in the labs, can get out the door as quickly as possible so that we can transmit the materials we're developing out into the marketplace.

In terms of making a more optimal model, we still need help getting our products to market, and that's the focus of both the U15 and the Universities Canada briefs this time.

**Mr. Peter Fragiskatos:** Is there a particular change or a particular challenge right now that holds us back, that acts as an impediment to getting things out the door? Whether it's along the lines of commercialization and challenges that exist, are there things that we could help with there? Do you have any thoughts on that?

**Mr. Alan Shepard:** It's more about the ways, the strategies and incentives we have to get things out the door. We need incentives to move people from the research they're doing in their labs to the marketplace. That has always been a gulf that needs to be closed.

**Mr. Peter Fragiskatos:** Thank you very much.

Alan, I know we'll certainly follow up. I'll be seeing you over the next few years in London, so we'll follow up and have more of a discussion.

**Mr. Alan Shepard:** Thank you.

**Mr. Peter Fragiskatos:** I'm going to turn my attention to Mr. Wright from Fanshawe College.

Jeff, you talked about the need here, too, for government to collaborate with colleges and make businesses aware of the fact that there are opportunities that exist in colleges that would add to their bottom line. You gave the example of Innovation Village.

Of course, there's the CCPV test centre at Fanshawe College, which secured a federal investment a few years back, which has really helped our local and regional economy, and in fact, beyond.

Could you talk about Innovation Village and how it could possibly act to galvanize even more of a partnership among government, colleges and businesses, particularly as we try to address issues around climate change and build an innovation economy?

**Mr. Jeff Wright:** Sure. Innovation Village is something that we're very excited about at the college. With it, we've introduced a new embedding into our curriculum of skills of the future, which was very thoroughly researched in terms of what skills, alongside the technical training you provide students, every student ought to have in order to get that additional leg up in terms of post-graduate employment.

In our curriculum, we've gone through the trouble of embedding skills of the future alongside the typical learning outcomes. We are also looking to invest in Innovation Village, which allows students to actually operationalize those new skills and to develop confidence and mastery of those new skills through all sorts of different media and methods. The Innovation Village envisions different sorts of experiential labs, virtual reality experiences, makerspaces, and so on, where industry can literally come through the front door and be engaged with students in collaborative opportunities to generate new and exciting processes and products, and to commercialize and introduce better tech adoption in business planning, and so forth.

For us, it's really the new, contemporary way of bringing industry and students together in a very meaningful and explosive way to do precisely those sorts of things, and as I say, for our students to be able to operationalize those additional skills that students in other colleges otherwise might not be getting.

• (1625)

**Mr. Peter Fragiskatos:** Thank you very much.

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

If witnesses have a point to add on a question that a member asks, even though the question wasn't directed at you, raise your hand and I'll catch you, because it's important that we get your input at this committee.

We'll turn to Mr. Ste-Marie for five minutes, and then to Mr. Masse for five minutes.

[Translation]

**Mr. Gabriel Ste-Marie (Joliette, BQ):** Thank you, Mr. Chair.

I would like to welcome all the witnesses and to thank them for joining us.

My questions are for you, Ms. Ray.

You mentioned the importance of family caregivers. People can lose some independence as they get older. In that respect, family caregivers play an essential role. They even reduce the state's social costs by taking on the care they willingly provide.

Could you tell us again about the caregivers' role and what the government can do to support them? As has been mentioned, there is a tax credit, but, in many cases, those providing the care do not pay taxes, because of their low income. If I understand correctly, you are asking for the tax credit to be refundable. Could you tell us more about that?

[English]

**Ms. Jana Ray:** Could you repeat the first part? I do understand French, but—

[Translation]

**Mr. Gabriel Ste-Marie:** Okay.

What can the government do to support caregivers? As I understand it, you are asking for the tax credit to be refundable. Is that correct?

[English]

**Ms. Jana Ray:** This was in the case of the caregiver tax credit. This was in the case, for example, of adults who would be in their working years and unable to work. That sort of thing.

In the case of my spouse, someone has to be at home and caring for this older adult. The challenge is that we have an older adult who has very high needs and who would otherwise be in long-term care and a burden to the system in other ways, and we have an individual who is able to care for that individual. We're just looking at modest ways, so there could be a different perspective on income splitting, or there could be a number of different ways that we could be looking at this.

We're asking the government to consider that the refundable caregiver tax credit is a very small amount, actually, when we've modelled it. We're looking at innovative ways to respect and appreciate that there are individuals who are giving up that time. We have to respect and understand that there's a loss of work hours. This is going to have long-term impacts on their Canada pension benefits at some point, and these kinds of things. We really need to look at this from that perspective.

• (1630)

[Translation]

**Mr. Gabriel Ste-Marie:** So it is about giving greater recognition to the role of these natural caregivers and doing what is required to achieve that.

I believe that you also asked the government to increase its health care spending. Let us not forget that, originally, half the funding came from the federal government. That amount has fallen rapidly to one quarter, and it continues to decrease, year after year.

Could you tell us about the role that the federal government should play in funding health, whether your organization feels that the government should account for the aging population when it makes its health transfers?

[English]

**Ms. Jana Ray:** We believe 100% that it should be taken into account.

The fact that we're living longer is no surprise to anyone. According to Statistics Canada, centenarians are actually the fastest-growing population, so that is really telling for all of us, and certainly what it looks like for future generations of Canadians. We need to look at this a little bit differently.

We believe the federal government can actually take a different approach. We know that traditionally this is left to the provinces, and we appreciate that. We are also very aware of the province's recent ask for increased funding across the board to fund more initiatives within the health care space. We're concerned that if we make comparisons to OECD countries, and we look directly at this, we know that Canada is in the top four in terms of spending, but in terms of outcomes, it is actually in the bottom four of the top 10. We're looking at other international models as well. It doesn't necessarily mean it has to always be increased spending.

We're really challenging the government to look at other ways we can improve innovation and look at modernization of systems. We could even grab a handful of international examples here today. Estonia has a seamless EMR for medical records and that sort of thing. We're a real laggard when it comes to having this continuity of information, and passing health information between doctors and hospitals and other ancillary services. We are looking at these kinds of things, and making sure that the necessary investments are made in order to prepare us for the future.

**The Chair:** That will end that round.

We'll go to Mr. Masse and then to Mr. Cumming.

**Mr. Brian Masse:** Thank you, Mr. Chair.

Thanks to all the delegates for being here. There have been a lot of interesting topics discussed.

It won't be a surprise that I will go to auto. With regard to the dealers association, I thought it was interesting, and to your credit, that you're advocating for a special consideration for electric vehicles. What people forget is that electric vehicles don't require the same type of maintenance and service as other vehicles because they don't have a lot of liquids and other types of moving parts that are often repaired in your shops. I'm sure that you'd see a decline in business in some general direction for service fees and service maintenance because of these vehicles entering our market. That is an interesting point.

Also, an interesting point you had was about the unintended consequences. When the ecoAuto feebate came into play about 10 years ago, the Toyota Motor Corporation took the side airbags out of the Yaris to make it eligible to get the subsidy, which it got the lion's share of, and then dumped the cars into the market here with a reduction in safety.

Then most recently, we had to fight to get the Pacifica, my locally built Chrysler hybrid, an electric vehicle, onto the \$5,000 list. It was left off because of the threshold. It was actually too expensive.

I would like to open the floor to you to expand upon what potential and unintended consequences there might be if we have a luxury tax.

**Mr. Tim Reuss:** One other example of an unintended consequence of the iZEV program was one manufacturer despecking the battery of the vehicle to bring it under the threshold and therefore make it eligible for the federal rebate.

Here you have a customer who then buys a vehicle and has a suboptimal electric vehicle experience, which is not what you want to achieve at the end of the day with a rebate. This is what we call

unintended pricing consequences. They could happen, which is why we're specifically proposing that you align with the Canadian income tax bracket and assess it as a progressive tax. Tax the 10% on the amount above \$100,000. With that, you get rid of some of those unintended consequences we were just discussing. It happens way too often.

By the way, you would also increase the chances of actually generating some revenue from this tax.

**Mr. Brian Masse:** With vehicles changing so much, we're going to have some legacy costs and also disposable electrical batteries and so forth. If we get into a mug's game about what the components are, that would also include different types of environmental issues. Am I not correct on that, with regard to potentially where the supply could come from on these things?

**Mr. Tim Reuss:** That's correct, and you alluded to the fact that our dealer members will be dealing with reduced revenues on the service and parts side of their businesses, but they might also have an opportunity from electric vehicles, for example selling not just the charging station but also the installation of the charging station. Anybody who buys an electric vehicle is going to need a charging station.

While there are risks, there are also opportunities in that. Our members are entrepreneurs and they recognize there are also business opportunities in those things.

• (1635)

**Mr. Brian Masse:** Thank you.

I'm going to move over to the Chamber of Commerce. One of the things I've been able to get support from the Chamber of Commerce on, and even the Canadian Labour Congress, is my attempt to reform single-event sports betting in Canada. The Criminal Code needs basically one line added and one paragraph taken out.

We have about \$10 billion in organized crime, in unaccounted-for revenues for overseas betting on our phones, and a series of things. We're trying to get that changed because a lot of the casino and other infrastructure across the country is at risk. With New York coming online already, and Michigan next, it's estimated that we're going to see a continued revenue slip.

One of the things I'd ask the chamber is this. What's also happening is that, in border communities, the de minimis is being changed under the new U.S.-Mexico-Canada agreement. Do you anticipate there might be additional stress there? The de minimis, for people who are unaware, is the exemption, and there's also a tax change collection of up to \$150. It was one of the things that the U.S. demanded we increase.

Coupled with that, for example, I've been in Niagara Falls, where they're losing customers over to New York, and we also have other border communities and Woodbine in Toronto and so forth. Do you think a double whammy could take place in border communities here with retailers?

**Dr. Trevin Stratton:** The de minimis issue, when it came to the negotiation of USMCA, was certainly a concern for the chamber. We are at a point right now where, in terms of a lot of the uncertainty it has created in the national economy, getting rid of that cost and the negative impact on our economy is something we really need to move forward with.

That's why we are encouraging the government to move forward with a swift ratification and implementation of USMCA. Certainly it's not perfect. We have come out and said that it's NAFTA 0.8. It's not necessarily 2.0, but when it comes to the uncertainty it's created in our economy and what will help enhance our growth and actually help us get to growth potential looking forward to 2020, the timely ratification and implementation of that act is going to be very important.

**The Chair:** We're out of time, Brian.

We're turning to Mr. Cumming and then going back to Mr. McLeod.

Keep in mind that we have one witness on video conference here, in case you have questions for him as well.

**Mr. James Cumming (Edmonton Centre, CPC):** Thank you.

Mr. Stratton, often we will hear from chambers that are talking about debt levels. I'd just like to see what the chamber's position is on current debt levels and this anchor of debt-to-GDP. Are there any concerns that with current spending practices Canada could render itself uncompetitive because of our tax levels?

**Dr. Trevin Stratton:** Absolutely. We've been advocating for a plan with concrete timelines to get the federal books back to balance.

I certainly understand the argument of debt-to-GDP as a fiscal anchor; I think it's often misunderstood. A lot of the arguments come from a fellow economist, Olivier Blanchard, who used to be the chief economist of the IMF. When it comes to the argument that deficits are not always a concern, I think his argument is that cyclical deficits are okay, and that if there's a downturn, engaging in counter-cyclical spending and running a deficit can be useful in stopping downturns from becoming as bad as they used to be in the Great Depression and in the panics in the 19th century.

But one of the issues with our current fiscal situation is that we have a structural deficit, which will impact our ability to run a cyclical deficit in the event of a downturn. I certainly understand the argument that when interest rates are low, it's a good time to

borrow, but the economy doesn't exist in a vacuum, and interest rates aren't always low.

Similarly, if there's a downturn, then it's likely that governments will probably spend more, particularly since we don't have that much monetary policy room to cut interest rates even further, which can produce inflation. To get inflation under control, you need to raise interest rates. When that happens, what happens to our public sector debt? What happens to household debt? I think it's very important when we're talking about the fiscal situation and debt-to-GDP to think of it in a temporal context.

• (1640)

**Mr. James Cumming:** You've talked a bit about competitiveness in the regulatory environment. How aggressive do you think we should be on reducing regulations? Often, you hear "one for one". Should it be two for one? Also, along with that, with this compliance regulation, with the variety of things with CRA, can you say how big a burden that is for business right now?

**Dr. Trevin Stratton:** It's a huge burden. Once again, there's an IMF study that says it's a 4% hit on GDP per capita in Canada.

It's also potentially even a low-cost or no-cost way to improve productivity and generate economic growth in this country. The business community was generally receptive of the initiative taken in the fall economic statement in 2018, but the issue is that the number of regulations that pose an undue burden on Canadian business still has increased since that point.

One of the promises made at that point was to include economic mandates and regulator mandates to look at the competitiveness of the different regulations and the impact on the economy. The Canadian business community would certainly welcome that. A two-for-one rule is certainly what we're looking at, too. Considering that the number of regulations that place a burden on business has even increased since some of those promises were made, implementing a two-for-one rule would help reduce those massive regulations.

**The Chair:** Mr. Morantz, I believe you had a supplementary.

**Mr. Marty Morantz:** Yes. I see Mr. Goodridge, from my hometown of Winnipeg, sitting there.

How are things?

**Mr. Ken Goodridge:** A little cold right now.

**Mr. Marty Morantz:** Are you going to the Jets game tonight?

**Mr. Ken Goodridge:** No, I'm going next week.

**Mr. Marty Morantz:** By the way, thank you for your presentation.

In the last session of Parliament, a number of different tax changes took place that were fairly fundamental in terms of how our tax system operates vis-à-vis small business. I'm referring to the restrictions on what was called "dividend sprinkling", or splitting income through the use of dividends, and the new rules on passive income. I want to get what your experience is on the ground there with your firm's clientele in terms of how they're coping with that burden.

**Mr. Ken Goodridge:** We're still trying to cope with it. We have a number of clients who are affected by this. As you're probably aware, a great many taxpayers set up family trusts for the purpose of dividend sprinkling, which was considered legitimate at the time. It's often part of an estate freeze. What's happened is that we've simply wound up a lot of those trusts, because they're not required anymore.

The tax on split income, which is really what this is all about, has created a lot of extra work, mostly just trying to get a handle on all of it and trying to figure out everything that it affects, because it was such a comprehensive change.

We have trusts that are being wound down. We're working on making sure that we can still take advantage of the capital gains exemption, and things like that. It's hard to really describe all of it because it has had a major effect on a number of clients. Our clientele is primarily small business owners, Canadian-controlled private corporations, professionals. Many of our clients have been affected by this.

As I said, we're still struggling to cope with all of it. It affects almost all of our clients in one form or another.

**The Chair:** Thank you both.

Mr. McLeod.

**Mr. Michael McLeod (Northwest Territories, Lib.):** Thank you, Mr. Chairman. Thank you to all the presenters, and thank you for the submissions you've made.

I wanted to talk a little about the Chamber of Commerce submission that was made to our committee, in particular the attention that was paid to the infrastructure needs of northerners. I think everybody knows that the north is on the front lines of climate change. There's a very urgent need for infrastructure that meets both our current and future landscape.

Your recommendation proposes a new northern infrastructure fund, in addition to both a pan-territorial infrastructure strategy and an all-season road network strategy, all of which I would love to see in budget 2020. I want to ask a couple of questions, just to get some more detail on what your thinking is.

First of all, how do you envision the structure of these new funds and strategies? What role does the federal government need to play?

• (1645)

**Mr. Aaron Henry (Senior Director, Natural Resources and Sustainability, Canadian Chamber of Commerce):** Overall, when we're looking at a strategy, we would like to see something similar, probably, to the way the Canada Infrastructure Bank would be guided. That is something we're also looking for, a strategy that would be comprehensive, that would look towards opportunities to actually create more trade-enabling infrastructure. As a caveat to that, we would probably also be looking more towards resiliency infrastructure as well.

When we think about northern development, we see a lot of opportunities. There's an opportunity in terms of climate change mitigation, well in advance. As we try to respond to the transition to a global economy, sort of transition to a lower-carbon economy,

there's certainly also an opportunity to pair that infrastructure development with further support of mining in minerals, especially when it comes to the minerals and resources that are going to be key to the transition to a lower-carbon economy, from precious metals and onward.

Increasingly, as well, there are opportunities for those linkages to be used to get those communities off diesel, which is often their primary power source. In terms of net emissions reductions for Canada's overall emissions, that isn't huge, but what is huge is bringing down the costs for businesses to operate in northern communities, as well as creating the conditions for more stable fibre optic infrastructure. That would be part of that infrastructure process, to make sure that our northern and remote communities are digitally connected. That is going to be key to participating in the global economy as it matures.

**Mr. Michael McLeod:** Thank you. I think you'll hear the Northwest Territories Chamber of Commerce and NWT & Nunavut Chamber of Mines both echo what you're talking about.

When we talk about the north and the barriers for development, infrastructure is the biggest one. It costs a lot of money to do business in the north.

What kinds of projects do you think the northern infrastructure fund should support? You mentioned a few of them. Should it be strictly transportation, energy, housing, telecommunications? Maybe you could narrow it down a little.

**Mr. Aaron Henry:** Of course. I think we could probably focus on three key buckets. On the one hand, the infrastructure to make sure that those communities are connected, both physically and digitally, should be a key investment strategy. At the same time, we could think about long-term investments in greater resiliency.

I think we could think about that in two parts. On the one hand, there is the concern of ensuring that communities are well equipped for climate change resiliency, but the other side is to actually to make them energy-resilient. I think that is the key portion of investment, because in many respects when we talk about, for instance, greater connected communities, when we talk about making those communities drivers of economic growth, the key ingredient is in fact reliable, cheap and clean energy.

That is something that these infrastructure projects certainly could support, especially when it comes to longer-term strategic investments, from decisions around transmission infrastructure to SMRs. There's a whole series of options on the table that we could grab at, so I think that should probably be the overall focus that knits things together.

**The Chair:** We'll go over to Mr. Poilievre, and then we'll close with Ms. Dzerowicz.

**Hon. Pierre Poilievre:** Thank you very much. My question is for Mr. Stratton with the Chamber of Commerce.



The government has increased a number of input taxes on businesses, most notably the carbon and payroll tax increases. Let's start with the carbon tax. The government is fond of saying that the tax won't drive industry out of the country because there is an output-based pricing system, which was meant to largely exempt price-taking internationally competitive industries from the carbon tax and replace it with a regulatory regime.

The problem with that is that there are many businesses that do not qualify for the output-based pricing system; in other words, they have to pay the tax. Many of those same businesses cannot pass the price on to their customers because the price is internationally set.

I think, for example, of our farmers. They have to pay the tax on drying their grains. They don't pay it on their tractors and other on-farm equipment, which is exempt through purple fuels, but for example, drying and off-farm transportation is taxed. Now the commodities that they are delivering are internationally priced, so they can't simply pass the price of a higher commodity on to the consumer. There are countless other industries that are in the same position: no exemption, no ability to pass the price on to customers and therefore a competitive disadvantage.

There has been no compensating tax relief for those businesses. Can you comment on the impact of the tax on those specific industries and businesses that can neither get an exemption nor pass the extra costs on to their consumers?

• (1650)

**Dr. Trevin Stratton:** Maybe what I'll do is answer that in broader strokes, and my colleague, Mr. Henry, can respond more specifically to what you're asking about.

I will start by saying that the Canadian Chamber of Commerce has supported a carbon pricing regime for almost a decade now, but it has to be properly implemented. One of the reasons why the business community has favoured this is that it's a market mechanism that provides flexibility for businesses to meet their emissions targets with whatever works with their business model.

When we are layering some of these other regulatory aspects on top of carbon pricing, that reduces that flexibility, and businesses, no matter what sector—in this instance, agriculture or farming—might not be able to target exactly what will work best with their business model. We have been talking about the increased costs of doing business in pursuing both of these avenues, and also the necessity to recycle the revenue that's gained from carbon pricing for businesses to be able to transform.

I'm not sure if you have anything to add to that.

**Hon. Pierre Poilievre:** You'll have to be quick, because we're very short on time.

**Mr. Aaron Henry:** Very quickly, I think that, yes, we have recognized this and we have actually kind of proposed here what we think is a solution. It's a solution that received 90% support from our AGM, and it's ultimately to ensure that there are better mechanisms in place with carbon pricing that allow that revenue to be recycled, which ultimately means that your exposure to the carbon tax needs to be proportional to the actual resources you have to

avoid that tax. That is something we'd like to see the government work on.

**Hon. Pierre Poilievre:** Okay.

Next, I'll go over to the Automobile Dealers Association.

In my constituency, I have a marina that sells luxury vessels, and they say that this tax will not reduce sales of those vessels; it will just shift the sales out of Canada. In some cases, vessels like these can be purchased out of the country and kept out of the country, for wealthy individuals who can afford these kinds of things. I'm not familiar with it myself. They can simply purchase a fancy boat in a foreign jurisdiction and leave it there. When they go on vacation, they have access to it and therefore they won't be taxed on it. They'll avoid it, but the domestic vendor, in this case my marina, will lose millions of dollars in business.

Do you think there's a chance that this will simply shift business outside of the country for luxury items like pleasure craft and other items that will be taxed in the proposal?

**Mr. Tim Reuss:** In our industry, we've seen exactly that happen in B.C., with customers buying and registering in their secondary residence in Arizona, Florida, California or wherever that might be and/or finding a way to buy and register the vehicle in the next province over, which is Alberta, or buying used vehicles. We definitely have seen that effect in our sector with the B.C. example.

I would refer you to the example in the U.S. in 1990 and 1992. You saw the exact same thing happening there, with people either delaying purchasing decisions or taking other avenues. What we're most concerned about are the jobs that would be affected in our sector. If you're a luxury dealer who has specialized in that segment, all of a sudden 100% of your vehicle sales are affected by this luxury tax. If they're based in B.C., quite a few of our members would be facing the decision of whether to close down the dealership that they have invested millions of dollars in over the last years to get up and running and get imaged the way the brands want it. For them, this tax affects 100% of their business.

Even though the overall market might not be as large for some of our members, it's 100% of their business.

• (1655)

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

Ms. Dzerowicz will have the last five-minute round.

**Ms. Julie Dzerowicz (Davenport, Lib.):** Good afternoon, everyone.

I wish I had enough time to ask all of you questions, because all of you made excellent presentations.

I will start with an issue that I am starting to hear quite a bit about in my riding. I've been hearing a lot of my colleagues talk about it as well.

I'll start with the Canadian Chamber of Commerce.

Mr. Stratton, you mentioned labour shortage, and then immigration. One of the things I've heard quite a bit about from small and medium-sized businesses is that there's a severe labour shortage. It's not a new thing, but it's something they're having a lot of trouble with. I also hear from a number of industries that are particularly prevalent in my riding—mostly hospitality and construction—that they are having a hard time filling in labour. This isn't a new problem; it has been an ongoing issue.

First, is there a labour shortage? Second, what did you mean when you were pointing to immigration as a possible solution?

**Dr. Trevin Stratton:** It's a very tight labour market right now in Canada for sure.

There are a couple of different aspects to this. There is a skills gap, at least in terms of what's being demanded in the market versus what's in the labour supply. Particularly in certain areas of the country, maybe some underserved areas when it comes to the labour market, there is a shortage of labour in those areas, too.

What we have been proposing, first of all, is a pathway to permanent residency for a number of immigrants—whether they're international students or just people who are working here on temporary foreign worker permits—to have those decisions made at the local level, as opposed to having some national overarching strategy. What's going to be key for that is having the proper local labour market information to be able to match the skills of the people who are available through permanent residency or otherwise.

**Ms. Julie Dzerowicz:** I'd like to just interject for a second, and this might be a little unfair to you.

I was talking to someone else within the Canadian Chamber of Commerce over the last couple of days, and I did get on to the data shortage. I was told that there is some general national data, but what's lacking is local and regional data. That's become highly problematic in terms of clearly identifying labour shortages, skill shortages and even skills mismatch, which might be happening.

Can you validate that this is true?

**Dr. Trevin Stratton:** Yes, we can certainly improve on having granular data at the local level. It's very important, too, to be able to match those skills to where they're demanded. The skills that are needed in rural Newfoundland are going to be very different from what's needed in downtown Calgary, so it's important to have that information to be able to have that pipeline.

**Ms. Julie Dzerowicz:** While employment and labour tend to be under the jurisdiction of the provinces, do you see that the federal government might have a role in terms of creating a framework for gathering that information or providing resources to get it?

**Dr. Trevin Stratton:** Yes, absolutely. There are definitely federal departments that are very much involved in data collection.

There are two ways to collect data—through surveys or through a footprint that's left. I know the federal government is experimenting with some of these new methods to be able to gather that. We'd be happy to help out through our local chambers of commerce as well.

**Ms. Julie Dzerowicz:** I appreciate that.

I'm going to turn my attention to Fanshawe College and Mr. Wright. You talked about federal government support for more funding to promote trades. I also took a note down in terms of what I call integration support with small businesses, providing more support that will help to facilitate that.

I spent a couple of days in Berlin before Christmas. They do such a wonderful job in bringing together their educational facilities, their unions, the government and businesses to try to figure this all out.

Could you explain the role you might see for the federal government in helping to address this issue that seems to be percolating?

• (1700)

**Mr. Jeff Wright:** This may be more under the provincial purview, but there is a funding gap between what we receive in seat plan versus what it actually costs us to deliver. That's something that needs to be remediated for sure.

With apprenticeship, generally speaking, there's much that can be done that's of no cost or low cost with just better coordination. There's a lot of disparate information for young people and older people alike about apprenticeship, generally speaking. There's much we can do, I think. The federal government could support a strategy for better navigating and wayfinding around this information. There's much we can do to support younger people to become really engaged and excited about this as a future career, and to provide opportunities for them to actually sandbox it out with a number of the partner organizations you described.

I think the German model is illustrative of what we should be doing in terms of bringing those parties together to create a solution together.

**The Chair:** We've run out of time, and Mr. MacDonald with Imagine Canada didn't get any questions.

Is there anything you want to add to the discussion that's been going on around you?

**Mr. Bruce MacDonald:** Oh, there's a lot.

**Voices:** Oh, oh!

**The Chair:** You have a minute or less.

**Mr. Bruce MacDonald:** Actually, one point that I thought was interesting sort of connected a couple of the conversations. Our colleagues from the chamber mentioned the link that companies are having to incorporate social responsibility.

To your comments about labour market shortages, we put out a report just before Christmas that talks about the fact that upwards of 50% of employees are now considering the corporate behaviour of companies when seeking their next place to work. They want to work for companies that are environmentally responsible, have ethical supply chains, are connected to community and have employee engagement programs.

While organizations like Imagine Canada deal with the registered charitable sector, I think what we're seeing now is a blurring of sectors. Where social conscience, social good, is actually moving into mainstream business, this conversation is no longer about altruism. It's about profit. As we think about the future of the labour market, I think we're going to see welcoming immigrants and looking at the future of business align more.

**The Chair:** Thank you.

To the Canadian Automobile Dealers Association, I went back through the brief that was forwarded in August. I don't think there was information in it on the luxury tax, or I couldn't find it. Could you send us a note, through the clerk, on your experience with the luxury tax in B.C.? It might be helpful for our thoughts.

**Mr. Huw Williams:** Absolutely, Mr. Chairman.

I would just note that it hadn't been proposed at that point in time, so we weren't—

**Voices:** Oh, oh!

**The Chair:** Okay. That would be helpful to us.

Jana.

**Ms. Jana Ray:** I have just one quick thing to say, since I'm surrounded by such a diverse group of witnesses here: Don't underestimate the value an older workforce can bring. Certainly that's something we hear all the time. We hear that, unfortunately, ageist practices in employment are alive and well today. A lot of our older adults are looking to upscale or change, and they would be open to a number of opportunities. Please don't underestimate that.

**The Chair:** With that, thank you to all the witnesses.

We'll suspend for five minutes while the next witnesses come forward. Thank you.

The meeting is suspended.

• (1700) \_\_\_\_\_ (Pause) \_\_\_\_\_

• (1715)

**The Chair:** We'll reconvene and call the meeting to order. We're starting just a wee bit late.

We are here to further our study on the pre-budget consultations for 2020. I want to thank the witnesses for coming, putting together presentations on very short notice and making it here. We're under a very tight deadline. We have to table our report on February 28. Also, thank you to those who did earlier briefs in August. We have those. They'll go into the record as well.

We'll start with Advanced Biofuels Canada and Mr. Roberts, president and CEO. Welcome.

**Mr. Don Roberts (President and Chief Executive Officer, Nawitka Capital Advisors Ltd., Advanced Biofuels Canada):** Thank you.

[*Translation*]

Good afternoon, ladies and gentlemen.

[*English*]

Thank you for the opportunity to speak to you today. As the chairman said, my name is Don Roberts, the president and CEO of Nawitka Capital Advisors. I appear before you today to speak on behalf of Advanced Biofuels Canada, also known as ABFC.

Nawitka Capital Advisors is an investment bank focusing on the renewable energy and clean-tech sector, with the specialty emphasis on clean fuels. Prior to starting Nawitka in 2013, I was vice-chair of investment banking at CIBC, where I founded the renewable energy and clean technology group.

Advanced Biofuels Canada is the national voice for producers, distributors and technology developers of advanced biofuels in Canada. Based on a November 2019 survey, the ABFC members are collectively working on projects representing just over \$12 billion on new capital investment projects in Canada. I'm here today to speak to ABFC's analysis of how to stimulate private sector investment in clean fuels production capacity and support clean fuel use in Canada.

In 2019, Canada's national clean fuel industry sectors conducted a review of investment conditions to identify measures to increase investment in the domestic production of clean fuel and support electric vehicle adoption, with two key objectives. One is meeting climate action commitments, and the second is supporting successful implementation of the federal clean fuel standard.

The review concluded with several overarching recommendations for budget 2020. I'll summarize those in a moment, but just before doing that, I want to note that on any recommendations that are coming out of this, to be truly effective, it's important that government really execute TLC. While we all love tender, loving care, what I'm really talking about are transparency, longevity and certainty with regard to the government's actions, and to harness market forces instead of working against them.

The ABFC, as I said, has three key overarching objectives. The first one is that Canada start by establishing a comprehensive, long-term Canadian clean fuels strategy to address the climate emergency, support sustainable growth, and ensure competitiveness of the production and use of clean fuels in Canada. It's important to note that Canada's clean fuels strategy is not a bottom-up approach that requires us to start from scratch. A lot of work has already been done. We do need, however, to connect the various disparate parts.

ABFC is recommending that the clean fuels strategy start by establishing a clean fuel signal. That's by, first of all, setting clear emissions reduction and economic development goals for the non-fossil clean fuels through 2020. Second is setting differentiated targets for clean fuel production and use in Canada, covering a series of products, including renewable fuels and other non-fossil, low-carbon liquid fuels; renewable gases like biogas, renewable natural gas and renewable hydrogen; renewable solid fuels like wood pellets and torrefied biomass; and lastly, electric vehicles. The third issue is having a strategy that would actually enact the clean fuel standard regulations to meet the clean fuel goals and targets. This will only be achieved by actually increasing the 2030 target and setting a minimum requirement for clean fuel use. That's the first recommendation.

The second one is that Canada commit core funding through 2030 to directed initiatives to attract private capital to build clean fuel production capacity and infrastructure. Specifically, the brief on Canada's clean fuel strategy identifies a number of specific measures to support private sector investment in this space, but a key one is to establish a \$2.5-billion clean liquid fuel capacity-building fund through the strategic innovation fund.

The third recommendation is that Canada commit support to expanding Canada's clean fuel technology and innovation systems through targeted measures. By this we mean things like refundable tax credits, accelerated capital cost allowance, clean growth capital grants and core applied research funding.

Advanced Biofuels Canada has taken the initiative to develop the core of a Canadian clean fuel strategy, which includes more detailed recommendations for the committee's consideration for budget 2020 measures. As translation of the full brief is still in progress, ABFC asks for your leave to submit its brief to you in the coming days.

In conclusion, capital will not flow without TLC and public policy. Private investors can mobilize capital to the clean fuel space, but they need a clear and stable signal, from government, that's meaningful. With proper implementation, Canada's clean fuel strategy will get the job done. The good thing is that the benefits transcend the politics of climate action.

- (1720)

Before concluding, I would like to highlight five of these key benefits in particular.

First, the economic benefits we've identified will manifest themselves throughout Canada. Second, Canada has established commercial supplies of sustainable crops, forestry, and agricultural residues, as well as clean, renewable power for electric vehicles. We already have a robust, globally competitive platform to stand on. Third, clean fuels support farmers, foresters and rural communities, those often left behind. Fourth, advanced biofuel technologies will help remote communities, especially in the north, get off diesel power, reduce industrial pollution, and capitalize on economic opportunities from waste management. Lastly, clean fuel investments will create long-term, clean energy jobs and support sustainable growth.

Now is indeed the time for some bold action in budget 2020.

Thanks for the opportunity to appear today. I am happy to entertain your questions.

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

Turning to the Aluminium Association of Canada, we have Mr. Simard, president and CEO.

Welcome and thank you for coming.

[Translation]

**Mr. Jean Simard (President and Chief Executive Officer, Aluminium Association of Canada):** Thank you, Mr. Chair.

Thank you for this opportunity, as part of these pre-budget consultations, to talk to you about the situation in which the primary

aluminum production industry in Canada finds itself. I will also be talking to you about the measures we invite you to take in order to promote our industry's competitiveness in a market that is, as you will see, ever more competitive.

With the exceptions of a few blips, our industry has been experiencing historically low prices for ten years now. Yet our costs are steadily increasing and our business environment is deteriorating because of the geopolitical risk, right here in America, from trade conflicts and tariff wars, which destabilize our traditional markets.

Meanwhile, our plants are aging and require new investments in order to reach the level needed to meet the challenges of the next 25 years and to remain at the head of the pack in an industrial world based on 4G, meaning advanced production using big data, robotics and automation. We therefore see the need for major, not to say massive, investment.

Let us be clear, however. This is not a matter of expansion phases or major projects requiring capital investment. It is a matter of once more modernizing the existing capacity in order to meet the challenges of the next 25 years.

The 2018 reform of the American tax system considerably changed the investment climate in the United States. In addition, some automotive plants moved to Mexico to take advantage of the access to cheaper metal. This sometimes became illegitimate because of the measures taken by one or both of the other signatories of the CUSMA.

Despite the renewed free-trade accord, which we continue to support, our business environment remains very unstable. It is also subject to political decisions made elsewhere, decisions that considerably affect the dynamics of the market for our goods.

I cannot emphasize strongly enough that, while we get the same price for our metal today as we did 30 years ago, we pay 2020 costs. Our profit margins are therefore 44% lower than they were 30 years ago.

Our industry also has to face increasing competition from sovereign capacity, almost 70% of the world's capacity. This is held by states or sovereign funds in countries like China, the United Arab Emirates, or India, which is technologically advanced and very competitive, even in the American market. You can see this in the figures we have included in the presentation to help with the understanding.

Chinese production is heavily subsidized, as demonstrated in a report by the OECD, the Organization for Economic Cooperation and Development. The report came out in January 2019 and contains a study on the aluminum market. The production continues to have a detrimental effect on our markets because of the export of processed products that are highly subsidized. One Chinese company alone, SPIC, has received \$35 billion (US) in subsidies from the government of China.

Our industry has invested billions of dollars in plant modernization over the last 20 years, which has enabled us to increase our capacity and reduce our emissions of greenhouse gases, or GHG. We have doubled our capacity and reduced our GHG emissions by 34% in absolute terms. That is by far the greatest contribution to reduced greenhouse gas emissions in Canada's history.

Our industry must now move to 4G production, with automation, robotics and big data. That move must accelerate over time in order to maintain the global competitiveness of our plants. This at a time when our competitors enjoy a business environment that is highly supported by sovereign funds and permissive regulation, which adds capacity at a greatly reduced cost.

Against that background, we submit to you the following recommendations.

First, in order to improve our competitiveness, and in conjunction with the provinces of Quebec and British Columbia, the tax measure known as the accelerated capital cost allowance on capital expenses must be updated, in order to redress the unfair treatment and allow the aluminum industry to take advantage of it. Unlike the steel industry, our sector has no access to category 53, which was established in the budget statement of 2018.

• (1725)

The parameters of the Strategic Innovation Fund (SIF) program must be reviewed in order to address the need to modernize our plants and maintain our competitiveness in the future. The administrative burden in navigating existing incentive programs must be eliminated in order to lighten the load of processing files and reduce delays in payment or reimbursement.

With the goal of maintaining and protecting our access to the CUSMA market, government purchasing, in government-funded projects, must attach value to low carbon-footprint solutions using materials produced right here in Canada. That goes not only for aluminum, but also for other materials. The government was quick to fly the flag by indicating that it was going to finance major infrastructure projects from coast to coast in Canada. I repeat that, for infrastructure projects to be green, we should above all use low carbon-footprint materials produced here in Canada.

There is also a need to modernize the services supporting the Canada Border Services Agency's oversight mechanism for imports. We congratulate the government for establishing, as of last September 1, an oversight system for aluminum imports similar to the one for steel. The computer systems and the supporting infrastructure need investment in order to operate with the new parameters that have been established. Investments must be made in order to strengthen the system.

We must also make sure that Mexico implements a domestic oversight system for aluminum imports that is as robust as the one we have in Canada. Together with the governments of the United States and Mexico, we must establish a process to harmonize the mechanisms that monitor aluminum shipments in CUSMA territory. In order for the three signatories to reach an agreement on a designated trading area, we have to give ourselves the means to jointly define the metal shipments that we want to monitor, using the same parameters.

Finally, we have to implement tracking systems for metal in Canada. Seeing what comes in is one thing, but following what we produce to make sure that it is what actually goes out, is something else. So that step must be added to the process.

Thank you.

• (1730)

[*English*]

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

Turning to the Association of Home Appliance Manufacturers Canada, we have Ms. Hatch.

**Ms. Meagan Hatch (Director, Government Relations, Association of Home Appliance Manufacturers Canada):** Good afternoon.

The Association of Home Appliance Manufacturers represents manufacturers of major, portable and floor care appliances in Canada and the United States. Our membership includes over 150 companies. The industry supports 40,000 jobs in Canada, including those in manufacturing, sales, distribution and retail.

In Canada, the factory shipment value of these products is \$5 billion annually. Home appliances are very energy-efficient. A modern refrigerator uses half the energy it did a few decades ago and less energy than a 60-watt lightbulb does.

Clothes washers can save households 19,000 litres of water and more than \$150 in utility costs compared to what they were 10 years ago. Today, washers are 70% more efficient yet hold up to 20% more laundry.

Both NRCan and the U.S. Department of Energy set mandatory minimum energy efficiency standards that appliances must meet. Canada has historically been slow to adopt the stricter energy efficiency standards introduced in the United States. Since 2016, the two countries have made significant strides toward harmonization and alignment. Regulatory alignment is critical to avoid unnecessary double testing and barriers to trade, and it maximizes consumer product choice.

This is why AHAM was disappointed to see the Liberal commitment to make Energy Star certification mandatory for all home appliances by 2022. Although the true meaning of this commitment is still unclear and implementation has not yet started, it has created great uncertainty in the market. Some retailers are rethinking their purchasing decisions because they do not want to be left with inventory that can no longer be sold in two years.

The commitment also contravenes CUSMA. The government sets energy-efficiency levels that all regulated appliances must meet, and these have become stricter over time. Energy Star is a voluntary program that is separate from this process. The Energy Star label makes it easy for consumers to identify energy-efficient products. It is intended to highlight the top 25% to 30%, or best in class of energy efficiency. This competition motivates manufacturers to find new innovation, and manufacturers in turn make significant investments to qualify for the program.

If the Canadian market is limited to Energy Star products, this competition ends and the mark loses meaning. The Energy Star brand is owned and trademarked by the U.S. Environmental Protection Agency. It is highly praised by both NRCan and industry alike. The brand is recognized by 85% of the public, and the logo is used around the world.

Canada is a net importer of home appliances, with the U.S. and Mexico being the predominant trading partners. Manufacturers design appliances for a single North American market. This larger market increases consumer choices, drives down costs and maximizes economies of scale. This is why CUSMA has an energy efficiency annex that promotes the harmonization of test procedures and energy performance standards.

Article 12.D.5 in annex 12-D also clearly states the support for voluntary programs such as the Energy Star to promote energy efficiency. This is in direct contrast to the government's proposal to make the Energy Star program mandatory. If the government moves forward with making Energy Star mandatory, not only will Canada be contravening CUSMA but, more importantly, Canadians will experience a significant reduction in products that are available on the market and prices are likely to go up, especially for entry-level models that are more likely to be purchased by low-income Canadians.

In fact, a staggering 41% of what is currently sold in Canada will no longer meet these requirements. More specifically, 71% of top-load washers and 50% of top-freezer refrigerators will be non-compliant and removed from the Canadian marketplace. Low-income Canadians will be disproportionately impacted. Consumer research says that 74% of consumers with incomes under \$25,000 purchase top-freezer refrigerators. As noted previously, half of those would no longer be available to consumers if Energy Star were to be the new minimum standard.

Instead of making Energy Star mandatory, the government should create a regulatory framework that can more quickly update its standards. This can be done in two ways. One, the government can enact the proposed energy efficiency regulations that were announced in budget 2017. This would give the minister the power to modify standards and tests more quickly to maintain harmoniza-

tion. Two, the government could also update the Energy Efficiency Act to streamline this process.

• (1735)

AHAM has been a strong advocate for advancements in energy efficiency standards, but making Energy Star mandatory would have negative consequences for middle-class Canadians.

Thank you.

**The Chair:** Thank you very much, Ms. Hatch.

On what date did you say Energy Star will become mandatory ?

**Ms. Meagan Hatch:** It's less than two years, in 2022.

**The Chair:** Thank you.

Turning to ARC Financial Corporation, we have Mr. Van Wielingen.

**Mr. Mac Van Wielingen (Founder and Partner, ARC Financial Corp.):** Thank you very much.

I presume I am coming through here.

**The Chair:** You are coming through, and you have 40 people watching you, so you are on the spot.

**Mr. Mac Van Wielingen:** Okay, that's fantastic. Thank you so much. I wish I were there in person. I was, in fact, in Ottawa just three or four days ago, meeting with a number of people within government.

I am the founder of ARC Financial, which is the largest private equity investment manager in the energy sector in Canada. I'm also the former chairman of the Alberta Investment Management Corporation, which today is managing about \$110 billion.

My background is primarily in capital markets, investment management with a specific focus and understanding of the energy sector globally and in Canada.

Policy and politics in Canada relating to our energy sector, I would expect most of us would agree, have been discordant and dysfunctional. There is a search under way, and I'm very much part of that, for what I think of as a unifying vision. That's happening at the Business Council of Alberta. It's happening at the Business Council of Canada. It's also happening at the Public Policy Forum. I'm participating in all of that.

What I wanted to do is a bit different, I think, and it is very important. What I want to do is very quickly outline the emerging trends in these policy discussions, for your benefit. Then there's a point I want to make that's specifically relevant to the 2020 budget.

The first theme that is clearly emerging is a shift in the mindset, to speak bluntly, among energy sector leaders, where they are clearly embracing a customer-first mindset. Basically, the view is that our customers want low-carbon, high-ESG products, and we can deliver. We have been delivering, but we really need to step it up and come through.

We've been reducing emissions significantly over at least the last 10 years, and this is accelerating. Most of you will be aware that in new oil sands projects, for example, the emission levels per barrel are coming in now roughly equivalent to what you see in the U.S. market for crude oil being refined in that market. We have now about 50% of Canada's oil supplies being produced within corporations that have committed to net-zero targets. That is extraordinary, and I'm not sure that a lot of Canadians appreciate that fact.

We also have an electricity sector that is the cleanest in the world, with 80% of our electricity being from non-emitting sources. We are a global leader in methane and methane regulations and reductions. We're a global leader in carbon capture and storage, and the oil and gas sector, very importantly, is the largest investor in energy clean tech in Canada, and it's exceptionally well positioned.

All of what I just said is one point, and it's probably my most important point, but there are a few other perspectives I want to quickly touch on. One is the realization that we are not solving for one variable. We can't simply solve for lower greenhouse gas emissions as a single variable. All these policy groups understand that, and they're reaching that conclusion.

There are environmental goals, but there are also economic aspirations, and that links to the funding of our social aspirations in this country. Very importantly, the other factor that is coming up repeatedly is what I'm calling governance excellence, and that is making decisions in a way where we're really able to preserve a high level of trust in our Canadian decision-making processes and maintain our social fabric, our sense of national union.

One perspective I want to mention, one choice of words, one set of words that is being used quite frequently is that, in a long-term transition to decarbonize, the last barrel to be phased out should be the best barrel, and the best barrel should be Canada's barrel. I specifically want to make you aware of that. A lot of different groups are rallying around that view.

• (1740)

There's another view about being global first and Canada first. We have to be very careful with strict compliance to international agreements that may well be incomplete and inadequate in areas that are of critical importance to Canada's interests and notably trade.

The last point is around clean energy and clean energy technology. Canadian industry aspires to be a global leader in clean energy technology. The industry and many industry leaders were extremely discouraged when the federal government rejected their proposal to create a supercluster around clean energy technology, and many people are still mystified by it. There already is a de facto supercluster in substance, and the discussion that's now occurring is around recommending, in a sense, what's been described as a mega-

cluster, putting all this together and aligning it with Canada's national policy and emissions goals.

Thank you very much.

**The Chair:** Thank you very much. From many of the presentations we've had between environment and energy, we do need to bridge the divide, for sure.

Turning to the Association des groupes de ressources techniques du Québec, we have Mr. Cimon and Ms. Macé.

[*Translation*]

**Mr. Éric Cimon (Director General, Association des groupes de ressources techniques du Québec):** Good afternoon, everyone.

Thank you for welcoming us to the work of the committee and allowing us to highlight the importance of housing in the budget planning exercise.

[*English*]

I will make my presentation in French but will happily answer questions in English or French.

[*Translation*]

Let me start by introducing ourselves. My name is Éric Cimon. I am the Director General of the association. I am joined by Aurélie Macé, who is in charge of training.

The Association des groupes de ressources techniques du Québec, or AGRTQ, brings together 25 technical resources groups that serve all of Quebec. Technical resources groups are businesses in the social economy that have grown up as more than 83,000 cooperative or not-for-profit housing units have been established. This represents more than half of Quebec's entire supply of social housing. They are also involved in many community real estate projects, including multi-use community centres and early childhood centres, CPES, or daycares.

The AGRTQ is also the trustee for two funds, a Quebec acquisition fund, valued at \$20 million, providing bridge loans for the purchase of land and property, and a social housing fund, with \$20 million in patient capital, which is used to buy and renovate properties in order to transform them into community housing. Those funds are capitalized by the Fonds immobilier de solidarité FTQ and the Lucie and André Chagnon Foundation, among others.

Technical resources groups have been the key to the development of housing projects for more than 40 years. We are at the table through all the stages of bringing a housing project to fruition, from identifying the needs as the projects move forward, through the completion and financial strategies, overseeing the site and forming groups, to the financial and property management.

Technical resources groups are the key to projects because they bring together all those involved locally: municipalities, elected representatives, working groups, health networks, housing committees, organizations and institutions. Technical resources groups act as catalysts in completing housing projects to meet the varied needs of the most vulnerable.

We are proud that we have helped to provide a unique development model that has inspired other areas of the social economy and that has been exported to other parts of the world.

We would first like to stress how significant it is that the federal government is funding housing once more. It was absent for 20 years, but establishing the National Housing Strategy was warmly welcomed. This is first because of the very principle that the government is contributing leadership, and investing in order to solve a major problem, but it is also because it is developing a strategy with long-term thinking and planning.

It takes time to develop housing and to involve communities, especially the more vulnerable ones. The National Housing Strategy is most welcome because it has set objectives and mobilized people to attain them. To that end, it is providing funding over a very long time.

Housing is becoming an important, not to say urgent, issue all over the country. For some years, cities and municipalities have been systematically adding housing to their priorities. Let us not forget that shelter is at the base of Maslow's pyramid, just like food and clothing. When families are in good housing at an affordable price, their food and clothing gets better. While we see the increase in food banks, we unfortunately do not make the direct connection with community housing as a permanent solution to the problem.

Budgets for housing are not only a cost item, they are also a long-term investment. They also result in savings in the areas of health, education and public safety, to name but three. Let us not forget that a lack of affordable housing puts a brake on economic development and that community housing is an amazing solution to the labour problem, especially in the regions.

The National Housing Strategy calls for major investments in housing, reaching \$55 billion over 10 years. While this is a lot of money, and a clear indication of the importance of housing, it is my sad task to tell you that it is not enough, for two main reasons.

The first is because of the need. According to the last census, in 2016, Canada had 1.2 million households with pressing housing needs, including 309,000 in Quebec alone. So 1.2 million Canadian families are living in housing that is too expensive, too small, too unfit, or that simply does not meet their needs. In addition to that number, there are all those who uproot themselves from their villages to search for the answer to their housing needs in larger centres. This has become a real issue in land occupancy all over the country.

● (1745)

They are also human tragedies, especially for the seniors who are uprooted from their environment, which they have built with passion and enthusiasm, to be brought to the major centres. None of you, as a member of Parliament or as an individual, can accept that

your fellow citizens cannot obtain health services. None of you can accept that your fellow citizens cannot have access to an education system.

So why would we accept that in 2020 in Canada, over one million families will be without adequate housing? This is a very important basic need. The national housing strategy calls for the creation of 125,000 new housing units over 10 years. You will understand that, without massive additional investments, it will take several decades to successfully meet current needs. And the needs are growing.

There is a second reason why the strategy is not enough, and it is that our programs, whose conditions are legitimate, are unfortunately not supported by the money needed to meet them. Let me explain. The government is showing leadership and consistency in its housing programs by asking for legitimate and laudable conditions to be met, namely universal accessibility, energy efficiency measures and greener construction. We fully support these measures. However, their application increases the cost of projects and, by the same token, jeopardizes their completion or increases the price of rents.

The government requirements—

● (1750)

[*English*]

**The Chair:** Can you fairly quickly wrap up? We're going to rapidly run out of time. We're trying to hold people to close to five minutes. I don't want to interrupt, but if you can, please quickly get through to your recommendations.

[*Translation*]

**Mr. Éric Cimon:** It is therefore important that the government's additional requirements, apart from the rules of the National Building Code, be accompanied by subsidies so that these conditions do not impede the development of the housing so eagerly awaited by the vulnerable population.

In Quebec, we have a special ecosystem that, for the past 40 years, has worked in a complementary way with federations of co-operatives and housing NPOs, municipal housing authorities, cities, the health sector and housing committees. The success of *Accès logis Québec*, which is the major program in this province, is due to the fact that the programs are established in collaboration with local partners.

I'll now move on to the important part of my presentation, which is what we are requesting. The *Front d'action populaire en réaménagement urbain* has done an important exercise to determine the needs and to put a number on them. For the maintenance of the current housing stock in the country, the demands amount to \$1.7 billion. An additional \$2 billion per year is needed to build new housing. We would also need a quick agreement between the federal and provincial governments to invest \$70 million in Quebec. That would be a major boost for development. Finally, an investment is needed to maintain and renovate the existing rental and social housing stock.



It's here in this committee that you will determine, through the budget, how much tolerance we will need to maintain our families in inadequate housing. Housing is expensive, but not taking care of it is much more expensive, and the situation lingers much longer.

Thank you for listening.

[English]

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

Ms. Hanson, from Diabetes Canada, welcome again.

**Ms. Kimberley Hanson (Executive Director, Federal Affairs, Diabetes Canada):** Thank you, Mr. Easter.

Ninety-nine years ago, in a Toronto hospital, a ward full of children who were dying of type 1 diabetes lay in comas. A group of doctors, led by Frederick Banting, moved through the room, injecting the children one by one with a new extract they had discovered and called “insulin”. By the time they were injecting the last child, the first one was waking from his coma. These children were among the first of the countless millions whose lives have been saved by the momentous discovery of insulin in Canada in 1921, which gave Canada its first Nobel Prize in medicine.

In less than a year, the world will celebrate the 100th anniversary of that discovery, and all eyes will once again be on Canada, but when the world looks to Canada to see how we are faring at treating diabetes, they will be disappointed.

Canada is in the worst third of developed countries for prevalence and costs of treating the disease. The problem of diabetes is very bad and rapidly getting worse. People are highly concerned right now with the coronavirus, despite the fact that by all reports it is less deadly than SARS. For context, a total of 44 people died of SARS in Canada. That many die of diabetes every two days.

Diabetes is growing in prevalence at a rate of more than 40% per decade. Every three minutes, a Canadian receives a diagnosis of diabetes, joining the ranks of the 11 million Canadians who already live with diabetes or prediabetes.

Vulnerable Canadians are particularly at risk. Seniors, Canadians with lower incomes and people of Asian, Latin, African and indigenous ethnic backgrounds are more likely to develop diabetes and its complications, so much so that whereas a 20-year-old in Canada today now faces a 50% lifetime chance of developing diabetes, if that 20-year-old is first nations, that risk is 80% or greater.

This year, more than 5,000 Canadians will receive a lower-limb amputation due to diabetes. More than 7,500 will die of it. Our health care system will spend \$30 billion this year on the direct costs of treating the disease. Diabetes is a runaway train.

The solution to this growing epidemic is diabetes 360°, an action plan developed by the whole diabetes community that will result in greater prevention, screening, treatment and management, leading to better health for all those affected by diabetes. It is an evidence-based strategy to achieve measurable patient health outcomes, which will be assured by a data dashboard that will help us all monitor the diabetes burden in Canada and assess our progress in reducing it.

We expect that we can reduce the number of Canadians diagnosed with diabetes by 110,000 per year once diabetes 360° is implemented. I should note that those benefits begin to accrue from year one. At a cost of only \$150 million total over seven years, diabetes 360° would only need to prevent 12,000 cases of type 2 diabetes to pay for itself. Put another way, the payback period for this program is less than a month and a half.

Diabetes 360° would not only save the health care system \$11 billion in the seven years that it would take to implement, but it would also save employers a further \$9 billion. At an average corporate tax rate of 26.5%, that represents an additional \$2.4 billion in corporate tax revenue for our government over those seven years.

The Standing Committee on Health studied diabetes 360° and the need for a diabetes strategy in Canada in depth during the last session of Parliament, and their recommendation was that diabetes 360° should be implemented.

The diabetes community is united behind diabetes 360°. It was developed by more than 120 stakeholders, including academia, NGOs and private industry. Canadians fully support this strategy. Tens of thousands of them have been emailing their MPs, signing petitions and speaking out on social media in support of diabetes 360°. An Ipsos Public Affairs poll conducted last fall showed that 87% of Canadians feel that the federal government needs to do more to help the provinces and territories address diabetes.

Provinces want diabetes 360°. Three have already publicly committed to implementing provincial versions of it—British Columbia, P.E.I. and Manitoba—and many others are actively exploring it. More than 100 health care providers from the provinces sent letters to Minister Hajdu and their provincial health ministers just yesterday, asking for the leadership of the federal government in implementing the diabetes 360° strategy.

● (1755)

In closing, faced with an epidemic of staggering human and financial costs, and with the 100th anniversary of one of Canada's greatest discoveries right around the corner, the time for action is now. Fund diabetes 360° in budget 2020.

Thank you.

**The Chair:** Thank you very much, Ms. Hanson.

The last witness on this panel, with the Hotel Association of Canada, is Ms. Grynol, president.

Welcome.

**Ms. Susie Grynol (President, Hotel Association of Canada):** Thank you for having me.

My name is Susie Grynol and I am the president of the Hotel Association of Canada.

[*Translation*]

Thank you for inviting me to appear before you today.

[*English*]

The Hotel Association of Canada is proud to represent more than 8,200 hotels, motels and resorts, which encompass the \$21.9-billion Canadian hotel industry in Canada. Our country's hotel sector directly and indirectly employs over 300,000 people in almost every riding in Canada. Hotels are a significant contributor to the Canadian economy, generating tax revenues estimated at \$9.5 billion for all three levels of government.

I am here today to discuss the impact of short-term rental companies like Airbnb on the hotel industry and communities. Our message today is about fairness. Our ask is that you amend your tax laws to level the playing field for all accommodation players.

Nightly rentals on platforms like Airbnb have exploded across cities and communities in Canada. At issue is the fact that there are big developers and landlords hiding behind these rental platforms, running a comparably sized business to a hotel, but they don't have to comply with any of the same business responsibilities: taxation, health and safety standards, accessibility and zoning, to name a few. The impact of this rapid growth has delivered unexpected and quite serious consequences in communities, such as housing availability and crime rates, and we are now seeing cities like Toronto, Ottawa and Vancouver enact regulations to rein in the commercial use of rental platforms and put strict enforcement in place.

Recognizing that cities across Canada are grappling with this, we have developed a best practice guideline for municipalities and would be happy to share it with any of the members if the issue is of interest in your riding.

I want to make one thing clear. Competition is a good thing and the hotel industry welcomes it, but there needs to be a level playing field. To achieve this, all levels of government need to take action, but the tax fairness component requires leadership by the federal government.

Our sector was very pleased that during the recent federal election there was a consensus among all major political parties to take action to equitably tax digital companies like Airbnb in Canada. We have extensively researched this matter and can assure you that our three key recommendations, if adopted, will be effective, simple to administer and difficult to avoid.

Number one is a quick and easy win. Close the information gap. Our laws today already include a requirement for Airbnb hosts to

pay income tax on their revenue, but Airbnb refuses to issue T4A slips that would promote voluntary compliance and also provide CRA with an audit tool.

Number two, we recommend that GST be charged at the platform level from dollar one, with much of the tax remitted to the government and the balance of it going back to the hosts in order to offset their GST-related business costs. This approach recognizes that hosts are running a business and should be getting a GST offset for their business expenses. Because it would be calculated as a fixed percentage of total revenue, there is no need to track the GST they pay, or to keep receipts. It is called "quick method" and it has been used by thousands of small businesses across many industries since the GST was introduced in 1991.

Charging tax from dollar one is another feature that is being used in the Canadian taxicab industry and it now applies to the ride-sharing industry. Here HST is charged through platform companies like Uber. We believe it should be applied through online platforms like Airbnb in the accommodations space as well.

Number three is that we recommend the government follow the example of France and Great Britain and impose a tax on the Canadian revenue of major international operators at the rate of 3% in lieu of corporate income tax. This solves the problem of trying to track down digital companies with no physical presence in Canada, and the issue of shifting profits to low or no-tax jurisdictions. It is simple to administer and hard to avoid.

This was the essence of the consensus of all major political parties in the last federal election. The implementation date could be pushed to allow the OECD the current calendar year to conclude a broader framework, but failing that, Canada should proceed with its own revenue tax.

These three recommendations are about fairness. Canadian hotel operators pay corporate income tax and must charge and remit HST at the point of sale, but digital players today get a tax holiday.

• (1800)

A 2017 research study revealed that Canada's Airbnb sector alone has the potential to contribute almost \$100 million in consumer taxes and fees. That number is much likely higher today.

We are asking the federal parties to move on their election commitments in this next budget. Implemented together, we are confident that our three simple solutions can ensure fairness for all Canadians.

Thank you for your time.

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

We'll now go to five-minute questions. We can probably only get six in.

Mr. Martel.

[*Translation*]

**Mr. Richard Martel (Chicoutimi—Le Fjord, CPC):** Thank you.

My questions are all for Mr. Simard.

Is it true that \$6 billion worth of projects are at risk because of the new NAFTA?

**Mr. Jean Simard:** First of all, I'm wondering about the amount. I don't think that as many projects have been studied or planned. In any case, there are three fundamental factors that make it impossible today to consider major investment projects, because that is what we're talking about here, be it expansion phases or something else.

The first factor is the market price. At the beginning of my presentation, a table was handed out showing that we are working on the basis of a price that is 30 years old, while our costs are at 2020 rates, which drastically reduces our profit margins. So, when we have to make a decision on an investment worth billions of dollars, this fundamental element is not in our favour.

The second factor is the instability of the U.S. market, where we export 90% of what we produce. This instability is due to the tariffs imposed on other producing countries. Tomorrow morning, Mr. Trump could get up and announce that he is ending the tariffs imposed on India and the Middle East, which would affect the whole price dynamic. That is unpredictability.

The third factor is what we call capital expenditures, that is, the construction costs of major industrial projects in Quebec and Canada. Building an aluminum smelter tomorrow or carrying out an expansion project would cost \$8,000 per tonne. So, a 500,000-tonne aluminum smelter project would require a \$4 billion investment. It would take 36 months to put it in place. In China, it costs \$1,800 a tonne, and it is done in 14 months. So, before such a \$4 billion project was completed, China would have had time to complete three in half the time.

Because of these three fundamental factors, we are unable, today, to design investment projects.

• (1805)

**Mr. Richard Martel:** In your introduction, you said that we need to make a shift to production 4.0, which includes robotization, megadata, and automation, and that these are not expansion phases or large capital investment projects.

Does that mean that you are questioning investment projects like phase 2 of AP60 in Arvida?

**Mr. Jean Simard:** These projects have certainly been put on hold and are not on the table right now for the reasons I have just outlined. We must continue the modernization process while maintaining current capacity. These are two different types of invest-

ment. One seeks to maintain operational efficiency, and therefore to integrate technologies that are more extensive and advanced in order to improve competitiveness, while the other is to proceed with expansion phases as such, which is a whole other ball game.

For the three fundamental reasons that I've expressed, the tariffs that are being imposed on other parts of the world and that are being maintained, the capital expenditures, and the market price, which is very low—we're certainly going to see more closures in 2020, with costs approaching \$1,600 a tonne—we're forced to put these projects on hold.

**Mr. Richard Martel:** I want to make sure I can ask my question. How much time do I have left? Three minutes, perhaps?

**The Acting Chair (Hon. Pierre Poilievre):** You have 30 seconds.

**Mr. Richard Martel:** Seriously?

**The Acting Chair (Hon. Pierre Poilievre):** Yes, and now you only have 20!

**Mr. Richard Martel:** Okay.

Mr. Simard, do you think that the three partners—Mexico, the United States and Canada—are capable of agreeing on a low-carbon purchasing policy? Do you think it is possible that those three countries could come to an agreement in that respect?

**Mr. Jean Simard:** I think Canada is best placed to claim that position because it produces different materials with a very low carbon footprint. The United States has buy-local policies like Buy America and so on. They have a different carbon footprint from ours because they use a lot of natural gas and coal. Mexico is completely different.

**Mr. Richard Martel:** Would we be able to establish a purchasing policy by talking to each other? The environment is still a topical issue. This would benefit the Canadian aluminum industry.

**Mr. Jean Simard:** I think it will be difficult to impose this on the Americans. They're very protective of their government procurement market—they've demonstrated that. As for Mexico, I doubt it very much, because it has a completely different carbon footprint. In that country, the notion of the environment is not at all as important as it is here.

The example must come from the Canadian government and the way it makes its funds available to the provinces to finance major infrastructure projects. For example, Quebec buys \$30 billion worth of goods and services annually. There is a lot of room to use that purchasing power to reduce its carbon footprint.

• (1810)

**The Acting Chair (Hon. Pierre Poilievre):** Thank you very much.

Mr. Fraser, you have the floor.

**Mr. Sean Fraser:** Thank you, Mr. Chair. I would also like to thank the witnesses for being here today.

Mr. Simard, I hope you won't mind if I ask my questions in English. It would be difficult for me to ask them in French.

[English]

I'll pick up where we left off, just on the carbon intensity of the aluminum industry.

Is there a key area where you think we can make a strategic investment to get the biggest bang for the buck in terms of helping reduce emissions within the Canadian aluminum sector?

**Mr. Jean Simard:** The Government of Canada has already committed, through the Elysis project, jointly with the Province of Quebec, to develop a game-changer, literally. This is a new way of producing aluminum that will set us apart from a hundred years of an electrolysis process using carbon anodes. Elysis will use a different material, the result of which will be emissions of oxygen instead of GHG, so we will go from a low-carbon footprint to a no-carbon footprint. That's about 10 years down the road.

As I mentioned earlier, we have invested about \$13 billion over the past 20 years in our plants in order to ramp up capacity to where we are now, and at the same time reduce our carbon footprint all the way down. We are at the threshold of emissions. We cannot produce aluminum in Canada in any of those plants without emitting what we are emitting right now, which is about 1.93 tonnes of CO<sub>2</sub> equivalent per tonne of aluminum, while China is emitting anywhere from 17 to 21 tonnes.

**Mr. Sean Fraser:** You mentioned during your remarks that 80% to 90% of our exports are destined for American markets, is that right?

**Mr. Jean Simard:** Yes.

**Mr. Sean Fraser:** What was the actual economic impact of the tariffs from the United States on the industry in Canada?

**Mr. Jean Simard:** It seems obvious, but it's a tricky question.

We are part of a continental value chain. We're working from a comparative natural advantage of access to large volumes of hydroelectricity. We've developed primary capacity and we ship to a market that has a critical mass to justify the processing of the metal all the way down to products.

The key impact that we feel more and more is the dysfunctionality of the market. Imports coming from China or from other areas that are discounted to access the U.S. market are eroding our market shares slowly but surely, pricing out our clients that are replaced by imports from Mexico or other areas. We're losing market share; we're not losing jobs. We're not putting people out. It's just that we have to strive continually to the shifts in the market. There are no assurances of keeping your shares in the automotive market, let's say.

The U.S. has become the highest netback market in the world, which means that everybody around the world wants their metal to get there, be it from the Middle East, Russia or somewhere else. Prices are kept very low, and competition is very strong.

**Mr. Sean Fraser:** Okay. I do have a question for Mr. Roberts, but to conclude this issue, I take it that it's obvious that the elimination of the tariffs and the conclusion of the new agreement are good things from your perspective.

My understanding is that when the tariffs were eliminated there was a side agreement to monitor the import with Canada and Mexico. Is that a top priority, to finalize that monitoring?

**Mr. Jean Simard:** To us, it's fundamental. We have to...

Aluminum is like water. It seeks the path of least resistance to access the highest-paying market. Mexico is that entrance to the market. We have to close the gate there in order to protect the privilege of being a party to this agreement.

• (1815)

**Mr. Sean Fraser:** Mr. Chair, do I have any time remaining?

**The Acting Chair (Hon. Pierre Poilievre):** You do, yes, but not a lot.

**Mr. Sean Fraser:** I'll go very quickly then.

Mr. Roberts, you mentioned opportunities for biofuels that can support the forestry sector. I've met with a number of folks who are looking at residual forestry products—chips, essentially—where there may be a supply glut from sustainably harvested woodlots. They can be used to produce biodiesel, usually, but not necessarily exclusively.

What is the role of the federal government to pour gas on the fire, so to speak, to create the best economic opportunity from that industry?

**Mr. Don Roberts:** Probably the best thing is following through on the actual implementation of the clean fuel standard, and not making the mistake we've made in other jurisdictions where we've often allocated too many credits to folks. That's what they did in Europe and in other jurisdictions where the value of the low-carbon fuel standard credits is low.

You're absolutely right. This is a promising lifeline for a lot of the forest sector, whether it's in B.C., Quebec, northern Ontario or Pictou County, where you're from, where you have a problem at Northern Pulp.

The technology is there, but you need a market. The creation of the market has to be helped by the clean fuel standard.

**The Acting Chair (Hon. Pierre Poilievre):** Mr. Ste-Marie.

[Translation]

**Mr. Gabriel Ste-Marie:** Thank you, Mr. Chair.

My first question is for Mr. Simard.

I want to make sure I understand. In the new NAFTA, it states that 70% of aluminum components used in automobile manufacturing must be produced in North America, but I understood from the answers you gave that these parts could be made from aluminum from China. It's a protection that aluminum manufacturers don't have, but that the steel industry does. Is that correct?

**Mr. Jean Simard:** Indeed, our understanding of the negotiated protocol is that the rule applies to purchases that are to be made in North America, but the metal that is included in those purchases can come from just about anywhere in the world. It becomes local once it is processed again.

**Mr. Gabriel Ste-Marie:** Of course, you would have preferred the agreement to offer protection for aluminum equivalent to what exists for steel.

**Mr. Jean Simard:** That's what we asked for. We were on the verge of getting it through the negotiations of Ms. Freeland and her team until, at the end of the negotiations, Mexico said yes to steel and no to aluminum, for its own strategic reasons.

**Mr. Gabriel Ste-Marie:** Thank you, Mr. Simard.

My other questions are for the representatives of the AGRTQ.

Thank you for your presentation. From the outset, you have established that you are the key group in terms of social housing in Quebec. You know the issue, and you are involved in the projects.

At the end of your presentation, you were a little pressed for time to formulate your requests to the government for the next budget. I'd like to hear them again.

I also have a sub-question. You talked about the importance of having a quick agreement between the Government of Quebec and the Government of Canada. How long have you been waiting for this agreement?

**Mr. Éric Cimon:** Your second question is easy to answer. Since the federal government made the money available, if I am not mistaken, Quebec is the only province that has not signed an agreement, so we are losing out on \$70 million a year.

We understand that parliamentarians are responsible to their constituents for the proper management of money, but the Quebec government and the municipalities involved in the projects have the same reaction. So there is no reason not to have an agreement and deprive people of affordable housing. This agreement must be ratified very quickly, because the needs are desperate.

I'll now present our requests.

We are asking that the \$1.7 billion for the current agreements be maintained. The current social and community housing agreements that are expiring must be maintained.

We are asking for an additional \$2 billion to increase construction to meet the needs. We were talking about the federal-provincial agreement.

We want investments to be made to keep the rental housing stock in good condition. We have to be able to maintain the entire stock in order to meet the needs.

We know that there are budget constraints and that we need to get to an adequate budget, but it is very clear that we need to accelerate the pace. The demands of the entire housing community in Quebec are to create 5,000 housing units per year. Last year, there were no new ones. The money allocated in the federal budget would help create momentum in this regard.

Prior to the 1990s, the federal government spearheaded funding, but since its withdrawal in the 1990s, there has been a shift from co-housing to affordable housing. There has been a 20-year gap. Now we have to look at the bigger picture to meet our needs.

● (1820)

**Mr. Gabriel Ste-Marie:** There was a 20-year gap, and now the government is coming back with its strategy.

Earlier, when you gave the amount that was announced, you said that it was unfortunately insufficient. How much should be spent each year on social housing? As you said, this expenditure is an upstream investment.

**Mr. Éric Cimon:** It is an investment because it reduces costs in the areas of health, education, public safety and many other things.

We are saying that an additional \$2 billion is needed to catch up. The amount depends on the regions. It is a bit like the complexity that we have to deal with when it comes to housing. We have to be able to build community and social housing where it is needed. It costs more in Vancouver, in the regions and in the downtown areas, but we have to keep up the pace. We cannot uproot people, and occupancy of the land is paramount. We have to spend the money needed so that people can be housed in their communities. We have to ensure that low-income people and the most vulnerable can stay in their communities.

We are talking about a substantial increase in budgets, but this must go hand in hand with leadership in terms of regulation and decentralization of powers in order to respect the needs of the communities.

In previous meetings, you have had First Nations people. This is a good example of how the primary need for adequate housing must be met while respecting communities. It is the same thing in housing throughout the territory. It concerns everyone, whether they are seniors, families, people with mental health problems or people with disabilities. These are vulnerable people who must have housing that is adequate for their condition; it is essential in our society. That is our challenge.

**Mr. Gabriel Ste-Marie:** Thank you very much.

[English]

**The Chair:** Mr. Julian.

[Translation]

**Mr. Peter Julian (New Westminster—Burnaby, NDP):** Thank you very much to our witnesses.

I would have liked to ask you each some questions, because you have all presented some interesting things. Unfortunately, I don't have enough time.

Let me start with Mr. Cimon and Ms. Macé.

You have fully explained all the benefits of having social and affordable housing, including the effects on the health and quality of life of the people who need it.

How much does it cost to provide services to someone who is homeless? That is the choice we are dealing with. If we provide funding to build affordable housing, we will not have money to pay for such services.

**Mr. Éric Cimon:** I don't have the exact figure on the connection between a person's health and investment. It varies. However, clearly, the benefits are huge in the long term.

Let's take the example of a family living in a housing unit that is too expensive, inadequate and substandard. Parents often have to work two jobs to pay the rent, which prevents them from helping their children with school, and their children's education takes a hit. In addition, poor quality housing can cause health problems, because of mould, for example. The children's ability to learn is therefore compromised.

Furthermore, it has been proven that these people are twice as likely to be homeless and to have a poor education, which leads to lower quality jobs. They are prevented from reaching their potential. Instead of becoming taxpayers who participate in our country to their full potential, they end up becoming burdens because the problem has not been addressed.

If we want to be successful in solving our labour problems and our technological challenges, we must ensure that everyone can participate fully. At the grassroots level, they must be able to keep a roof over their heads, to feed and clothe themselves. If we let them have proper housing, the rest will follow.

**Mr. Peter Julian:** Thank you very much.

[English]

I'll now turn to Madame Hanson and Madame Grynol.

Thank you very much for your presentations.

Madame Hanson, I had no idea of the extent of diabetes in this country. I would like to ask you what the cost is of not acting. If we don't put in place adequate financing for diabetes 360°, how many lives will be lost in a given year? What is the impact on our health care system? What is the impact of not acting?

Madame Grynol, I'll ask you the same thing. You have very eloquently spelled out the impacts right now of the web giants basically having a free-for-all. They can get around an income tax system and not have to pay all of the obligations that we pay as Canadians. What is the cost of not acting, if the budget does not respond to the needs of putting in place a tax system for the web giants? They have gotten off for free.

Perhaps each of you could answer those questions.

• (1825)

**The Chair:** You have only two minutes to do it. We have a number of other questioners here, and we have to get them on. Be as quick as you can.

**Ms. Kimberley Hanson:** The cost is significant. It would mean that 110,000 people every single year would develop type 2 diabetes, who otherwise don't need to. They would have emergency hospitalizations. They would have amputations, and 7,500 of them a year would die. They would leave the workforce early. They would have higher costs of benefits for their employers. They would not pay the same amount of tax.

Very simply, I don't see how we can sustain the current levels of expenditures. As I mentioned, we'll spend \$30 billion in direct health care costs associated with diabetes in Canada this year, and that rate is growing at 40% per decade. Within another decade, we'll be paying well over \$40 billion, which I think is pretty close to the full federal transfer payments. It's absolutely not tenable.

**Ms. Susie Grynol:** We would not have a strong climate for people to continue to build hotels in Canada, not to mention the impacts on the 300,000 people in our country employed by hotels. If you look at the revenue that would be generated for the government with the example of Airbnb alone, you'll see it's \$100 million.

The social services that we enjoy in Canada shouldn't be on the backs of the very Canadians who are investing in our country and choosing to build infrastructure here and to invest in jobs and job creation. I would say that the cost is significant.

**The Chair:** We'll run about 10 minutes over, if we can, to get our questioners on.

I'll go to Mr. Cumming first and then over to Ms. Koutrakis.

**Mr. James Cumming:** Thank you, Mr. Chair.

My question is for Mr. Van Wielingen. Thank you for taking the time to be here today. I know you're very busy.

I appreciate your framing the tremendous work the energy sector has done to focus on cleaner energy, to be competitive and to lower its carbon footprint. All that being said, despite the great work they've been doing, there's been a large exodus of capital out of the country. I'd like you to comment a bit on what federal policy could be changed or introduced to not only stem the flow but see a reinvestment into this very important industry for Canada.

**Mr. Mac Van Wielingen:** Thank you very much.

I'll just speak very openly. First and foremost, what we need is a relaxation of the very intense and often quite hostile rhetoric across this country on the part of certain provinces towards the western producing region in Canada and, indeed, from the leaders of the national parties. That in itself has created a real problem.

Our investors are saying to us that they believe Canada's energy sector faces a unique structural risk, which is that it's under-represented in national policy and related decision-making. They can invest elsewhere. They can invest into companies within the oil and gas sector that are in the same business and don't have that kind of risk. That's a point we've heard over and over, unfortunately. Eighty per cent of our investors are in fact international and are some of the largest and highest-quality investors in the world, and they are incredibly discouraged.

One other point I'm going to make, which few people are really aware of, is that the entrepreneurial and independent sector in Canada has been crushed. In 2014, there were 139 listed public Canadian independent oil and gas and energy companies, and about one half of them are going through some form of insolvency event. Another 20% are getting close to that. There has been a \$100-billion loss of value just in those companies alone. These are companies that are run by Canadians, and many of the investors in fact are Canadians. There really has been a wipeout.

Your question is a fantastic one. Quite frankly, I wish I had my five very specific recommendations to really turn around the oil and gas sector in Canada. There are a number of things, but we have to let go of the hostility. We need to find a unifying vision. We need to understand that the energy transition we're in is long-term, over multiple decades. We need to see the importance of Canada's energy sector to all of Canada, and we need to preserve it in a competitive position, which means, as some of the other witnesses have been saying, that our regulatory decision-making needs to be fair and efficient.

● (1830)

**Mr. James Cumming:** Do I have more time?

**The Chair:** Yes, go ahead.

**Mr. James Cumming:** Ms. Grynol, on the program you're talking about, with Airbnb and others, what's going on in other jurisdictions? Are the recommendations you're making consistent with what we would see in other jurisdictions?

Second, we've heard from some groups about the competitiveness of tour groups coming into Canada and the expense of the GST with outside tour groups. Is that a major issue for your hotel groups?

**Ms. Susie Grynol:** On the first issue, of what other jurisdictions are doing, I'll break it down. On the revenue side, the corporate income tax side, this is a world conversation. We certainly have seen movement on this from other countries. Most recently, France and Great Britain have been looking at this and have made commitments to move forward on the taxation on the revenue piece. Canada also signalled its commitment to use the same approach.

Now, there are international dynamics at play that need to be considered, but certainly there needs to be leadership from the federal government in Canada, and we're well poised to take that leadership. We would not be out of lockstep with other countries. We would be leading the charge.

On the GST piece and other jurisdictions, with the way our tax system is structured, I can merely compare us to other jurisdictions

in Canada. We have provinces that are moving on this already in the absence of the federal government applying it.

On having GST applied at the platform level, there is a precedent in the Uber industry, in the taxicab industry. We know it works; people woke up and took Uber the next day. Governments got the revenue they needed and it levelled the playing field, so there is already a precedent for it. It works, and we are seeing that same type of tax application on the GST side in other countries as well.

**The Chair:** Thank you.

We'll go to Ms. Koutrakis. Then I will have a quick question, and we'll close.

**Ms. Annie Koutrakis (Vimy, Lib.):** Mr. Chair, I will be sharing my time with my colleague Stéphane Lauzon. I'll go first.

Thank you all for being here today.

My question is for Ms. Hanson. Like many of us here, I have heard from my constituents regarding the diabetes situation in our country. Thank you for sharing those statistics. I have some statistics as well. Over 90% of Canadians living with diabetes have type 2 diabetes, and over 45% of those individuals are seniors. That population is increasing as time goes by.

Health Canada cites diet and exercise as the biggest preventive measures against type 2 diabetes. What recommendations can you provide our government on addressing type 2 diabetes among Canadian seniors?

**Ms. Kimberley Hanson:** Thank you very much for your question.

I think that prevention is a very strong opportunity and a big part of where we see a lot of the benefit of diabetes 360°. It contains a number of recommended actions to improve the environment in which we all live, so that fewer of us are likely to develop type 2 diabetes. That goes from things like ensuring food and income security—because we know that those are key risk factors—to helping build more walkable communities and helping to ensure regular physical activity. All of these things, when implemented, would help to support seniors in Canada who are either at risk of or already living with type 2 diabetes.

We need to make sure that healthy choices for foods and beverages are always available, and that people are able to walk, even when they live in a more remote area, etc. There are a number of measures that we can take to ensure that's possible.

● (1835)

**Ms. Annie Koutrakis:** Can you quickly speak to the provincial buy-in and the provincial nature of treatment and disease management on a doctor-to-patient level?

**Ms. Kimberley Hanson:** There's a lot of support from the provinces for diabetes 360°. The provinces recognize that they would all benefit from the ability to better share best practices, from better measurement of the burden of the disease and from the ability to have some extra help to improve the patient care pathways in the provinces.

The provinces are working valiantly to address the burden of diabetes, but it's really just a tsunami coming at them. They're struggling mightily to meet the needs of the people who are increasingly being diagnosed, to have them treated by the right health care provider and to cover the costs of both their care and their medications.

There are a lot of challenges that each of the provinces is facing. Some are facing more challenges than others, based on the demographics of their province or other things. Diabetes 360° could really be a framework to help all of them and to make the system more efficient.

**Ms. Annie Koutrakis:** Thank you.

**The Chair:** Mr. Lauzon.

[Translation]

**Mr. Stéphane Lauzon (Argenteuil—La Petite-Nation, Lib.):** Thank you all for being here.

My question is for you, Mr. Simard. I would like to come back to NAFTA. You got my attention especially when you said that market price instability had an impact. You also talked about unpredictability. These are terms that come up a lot in the industry when we talk about free trade. As you know, it all depends on the cost of production.

Is the agreement we have now better than the one we had before, with a 70% North American share? Could you explain the benefit we get from that?

**Mr. Jean Simard:** Thank you for the question.

An agreement like this is always complex. Taken as a whole, it certainly represents a gain at different levels. First, it terminates an agreement at the end of its life, and where we were negotiating with the threat of tariffs hanging over our heads. It is certainly beneficial in that respect.

It is also beneficial insofar as it provides a framework for trade in our industry and trade between Canada and the United States. In fact, we are at the heart of that industrial fabric.

Once we have made sure that we have a framework for trade, it is up to us, Canadians, the government and the industry, to seek greater certainty through the representations that Ms. Freeland or Mr. Trudeau will make to the U.S. to strengthen the perimeter.

The problem we have—

**Mr. Stéphane Lauzon:** Let me stop you there, Mr. Simard. This is where I wanted to take you. You are aware that the signature is not the end. That is what I would like to hear you talk about.

**Mr. Jean Simard:** Yes, and that's what I was going to talk about.

**Mr. Stéphane Lauzon:** We are listening.

**Mr. Jean Simard:** I think that signing is a way to limit the discussion to the three main players, who have agreed on a perimeter within which the three economies can work. We have a lot of work to do. We have a full agenda for our industry and probably for others. We need to clarify situations and modernize the way in which trade takes place. I have given some examples. They include traceability, as well as oversight and surveillance mechanisms. We have negotiated agreements based on what we wanted to change in the previous agreement and considering the current situation of each of our economies. The next step is to determine how to ensure that we take advantage of modern technology and modern ways of doing things to govern those agreements.

**Mr. Stéphane Lauzon:** Okay.

[English]

**The Chair:** We have to stop there.

I do have one question for Mr. Van Wielingen. I talked earlier about the great divide that we have between the environment and the energy industry, and I made note of your three points.

We had the Green Budget Coalition in here earlier this morning, and I had a good talk with the gentleman afterwards. I think there is a real willingness to try to find some solutions here.

From your perspective, how can we get past these two sides basically talking past each other and utilize our natural resources and our energy industry in such a way that, over time, we move toward an environmental solution?

• (1840)

**Mr. Mac Van Wielingen:** I really appreciate the question. For me, that arguably is the most important question that we have with respect to energy and creating a more unified view of our interests in energy and with western Canada.

I want to speak openly and candidly. I'm saying this to everybody publicly, so this is not the first time.

Going into the next national election campaign, my greatest fear is that the rhetoric heats up again and that it might even become worse. The polarization increases and the anger increases. This time there is something different. I don't mind saying this, because it's factual. The Wexit party is now a registered national party and has committed itself to having a candidate in every federal riding in western Canada. I'm worried about it. I'm worried that people are going to go into those voting booths and they're going to be angry.

What, then, if we have a surprise outcome and have a separatist party representing a large number of Canadians in the west? I know that political strategists looked at all that and lots of calculations are being made. As a Canadian, I worry about it.



I'm extremely concerned about our national unity. I am very exposed to a lot of those kinds of discussions. With respect to the Canada pension plan, and Alberta's participation in the Canada pension plan, I think the probability is very high that Alberta is going to launch a formal process to withdraw. That's about \$3 billion of transfers that, in a sense, would be left within Alberta, but it means that Canadians have to pay more. I think that is a big issue. There are a number of actions like that under way, and it's unfortunate.

**The Chair:** We have your three points. Thank you for those, because we do have to find some solutions there.

With that, I thank all the witnesses for their presentations and their answers to questions, and I thank committee members for their indulgence as well.

We'll adjourn until tomorrow.

The meeting is adjourned.

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