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## **Standing Committee on Finance**

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**EVIDENCE**

**Wednesday, September 28, 2016**

—  
**Chair**

**The Honourable Wayne Easter**



## Standing Committee on Finance

Wednesday, September 28, 2016

• (1530)

[English]

**The Chair (Hon. Wayne Easter (Malpeque, Lib.)):** We'll call the meeting to order. This afternoon we're continuing our pre-budget consultations in advance of the 2017 budget. We have seven witnesses before us.

Before we start, we have a vote tonight at six o'clock, which means that we'll have to stop at 5:45. I believe there are four votes. It doesn't seem right to ask people to sit around for 45 minutes or an hour to wait for us. What I suggest we do is tighten up this panel until 4:45 and the next panel from 4:45 to 5:45. We'll limit questions to four minutes. We'll limit the presentations and hold them tight to five minutes. I think we can get everybody through without creating undue difficulties. I'm sorry we have to do that, but this is the way this place works from time to time.

To get everybody through as fast as we can and hear all the good information they have for us on growing the economy and on the budget, we'll start with the Canadian Chamber of Commerce, Mr. Brakel.

**Mr. Hendrik Brakel (Senior Director, Economic, Financial and Tax Policy, Canadian Chamber of Commerce):** Thank you so much, Mr. Chair, and honourable members.

[Translation]

It's a pleasure to be here with you today.

[English]

The year 2016 has been tough for the economy so far. Zeroing in on exports, if you take the first seven months of this year compared to the first seven months of last year, exports have fallen 3%. We think that by the end of this year we'll get back to about zero growth in exports, but that would be our second consecutive year of zero growth in exports, so we're a little alarmed. Canada's GDP overall will grow about 1% this year. Hopefully, we'll get it up to 2%. That's why the Canadian Chamber of Commerce continues to bang on about competitiveness and how to improve Canadian competitiveness.

There are three main messages. You have a written submission, which is more detailed, but there are three key messages.

First, on infrastructure, we want to emphasize the trade-enabling infrastructure with the export corridors. That's the kind of stuff that will improve Canadian productivity and help us to generate wealth so that we can pay for all of those other things that are so important.

The second point is on innovation. We think it's absolutely critical to have Canadian competitiveness. The Canadian economy is not going to succeed by being low cost. We have to be more innovative and more successful, and that's why we're recommending an innovation box regime. If you produce a patent here in Canada, the revenues deriving from that product would be taxed at a much lower rate.

We would love to improve the venture capital environment in Canada with an investment tax credit similar to what they have in B. C. Maybe we could have more government investment in venture capital along the lines of the VCAP.

Finally, skills are absolutely the most important competitive advantage we have in Canada. We would appreciate any improvements to the express entry program to make it move more quickly and to get employers the skills they need. We welcome the findings of the HUMA report last week about easing temporary foreign workers, because those highly skilled people and those highly skilled jobs make Canadian business more competitive.

I'll stop there. Those are the three things we want on infrastructure, on innovation, and on skills.

• (1535)

**The Chair:** Thank you very much for those points and for your brief.

We will go now to the Canadian Home Builders' Association, Kevin Lee, CEO, and Bob Finnigan, president.

Bob.

**Mr. Bob Finnigan (President, Canadian Home Builders' Association):** Good afternoon. I am the president of the association, and a builder and developer from Toronto. I'll lead off and then pass the mic over to Kevin.

Our industry has been a major source of stability for Canada's economy over the last decade, and this needs to continue. Residential construction supported over one million jobs, paid \$58 billion in wages, and generated over \$128 billion in economic activity in 2015, including over \$41 billion in government revenues.

Home building and renovation is a vital part of every community, large and small, and coast to coast. An effective housing policy is key to supporting Canadian businesses and communities, and to achieving inclusive economic growth. To do this, we need to address a number of challenges. We must improve housing affordability for those in the middle class and those who aspire to join it. We must reduce greenhouse gas emissions through energy retrofits, while curbing the underground economy. We must encourage and support those pursuing skilled jobs in our industry and the R and D that will bring innovation and increase productivity. We must ensure that federal infrastructure and transit investment support housing affordability and the development of complete and inclusive communities.

Today I want to focus on the most pressing issue facing our industry, facing Canadians, and facing the government, and that's housing affordability. I see the real impact of this every day in my business, as young families realize that the modest home they dream of owning is simply beyond their financial reach. Hard-working Canadians, especially our young people, must have the same opportunity to fulfill their dreams of home ownership as previous generations. While our homes provide shelter and connect us with our communities, they also account for more than \$4 trillion of Canadian equity, and \$3 trillion of that is owned outright.

CHB is pleased that the Minister of Finance, and the Minister of Families, Children and Social Development are looking closely at housing markets to determine the true causes of house price escalation in our largest cities. Understanding the complexities involved is essential for smart and effective policy that avoids destabilizing markets.

It is critical to recognize that, in the face of growing demand for housing, many current government policies limit supply and drive up prices in other ways. It is encouraging that the federal ministers are seeking the collaboration and involvement of municipal and provincial governments, and such three-way collaboration is the only route to real solutions in the country.

Kevin will now outline the specific actions.

**Mr. Kevin Lee (Chief Executive Officer, Canadian Home Builders' Association):** In terms of those specific actions, the federal government can take immediate steps to improve affordability and contribute to the prosperity of middle-class Canadians.

First, Canadians must get the maximum benefit from infrastructure and transit investment. To this end, the federal government should encourage its government partners to mandate appropriate densities along transit corridors and nodes. The federal government needs to offer land writedowns for family-oriented housing and mixed-income/mixed-use complete communities.

Second, to assist first-time homebuyers, federal housing policy should support both stability for housing markets and access to home ownership. Macroprudential rules that guard against financial system risks must not lock out well-qualified first-time homebuyers. Specific measures include support via the home buyers' plan, the continued availability of 5% down payment mortgages, and provision of 30-year amortization periods for well-qualified first-time homebuyers for homes priced under \$500,000. Shared appreciation mortgages are another tool that should be explored to

increase access to home ownership. Supporting first-time homebuyers is the key to healthy housing markets and a growing, inclusive economy.

Third, market rental housing is an important part of the housing spectrum. Modest revisions to how GST is applied would remove barriers to new market rental production. GST on new purpose-built rental developments is based on final value, as if they were for-sale condominiums, but should be based on actual project costs plus profit.

Also, the current arbitrary application of GST on secondary suites discriminates between attached and detached units and favours renters who have a family tied to the owner. This doesn't make sense. Secondary suites are an innovative form of affordable infill rental housing favoured by many municipalities, and they shouldn't be stymied by a federal tax policy glitch.

My final comment concerns the need for a renewed home energy retrofit program to benefit the environment, improve existing homes, and help Canadians save money.

In terms of climate change, housing is a Canadian success story. We have 38% more houses in Canada today than we did in 1990. Even with this, total residential emissions are down 11%. This has not come through codes, but from ongoing innovation and voluntary improvement supported by industry and government R and D collaboration.

Moving forward, we will continue to build homes that are even more efficient, but more stringent codes that reduce affordability are not the answer because new housing is not the problem. The largest GHG opportunity lies in retrofitting existing homes and a dollar invested in an existing home will yield four to seven times more GHG reductions than the same level of investment in a new home. A permanent refundable energy retrofit tax credit, using the EnerGuide rating system will most effectively address the government's climate change goals related to housing. By requiring homeowners to get receipts to qualify, our research suggests reduced underground economy activity can make such a program cost-neutral to government.

I'll leave it there. Bob and I will be happy to answer questions about these or other recommendations from our more detailed pre-budget submission.

● (1540)

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

Mr. Alexander, with the Conference Board of Canada, welcome. The floor is yours.

**Mr. Craig Alexander (Senior Vice-President and Chief Economist, The Conference Board of Canada):** Thank you for the opportunity to participate in your consultations.

After contracting in the second quarter, Canadian economic growth is reviving; however, the pace of economic growth will remain modest, and it will take considerable time for the slack in the economy to be absorbed. This reflects the fact that Canada has a small open economy. It is importing the weakness from the global economy through the channel of soft global demand and sustained lower commodity prices. While the Canadian economy weathers the cyclical forces, there are structural factors weighing down the trend rate of economic growth. The pace of growth in the long run is determined by either having more workers or using workers more productively. Canada's population is aging. The labour force is slowing. At the same time, labour productivity is weak.

If Canada stays on its current track, the potential pace of annual growth in the economy will drop to well below 2% in the coming decade. This has far-reaching implications. It means Canadians will be frustrated by the fact that their standard of living is rising extremely slowly. It means businesses will be frustrated by the limited domestic growth opportunities. For governments, it means that national income growth will only be about 3.5% per annum. This will constrain tax revenue growth and limit fiscal capacity for economic and social imperatives.

At the same time, the Canadian economy is being shaped by powerful forces of globalization and technical change that are fundamentally altering demand for workers in the labour market. Specifically, job creation for high-skilled workers will be strong, while employment opportunities for middle- and low-skilled workers are likely to be poor.

What can policy-makers do to help foster stronger economic growth? Well, monetary policy is extremely and appropriately accommodative, but low interest rates will not be sufficient to propel robust economic growth. Further monetary stimulus through exceptional policies like quantitative easing or negative interest rates carry significant risk, and in my opinion should be avoided.

If monetary policy is stretched to the limit, this naturally leads the question, can fiscal policy play a role in providing stimulus to the economy?

Targeted timely and temporary fiscal measures such as investment in key infrastructure have the potential to lift productivity and economic activity. At this point in time there is little risk of crowding out private investment, which remains weak. The cost of debt financing is cheap. It should also be highlighted that investment in public infrastructure can not only boost economic activity directly, but it can also act as a catalyst for private sector investment. The key is to invest in the right projects that will have the greatest economic payoff over the long haul.

I also feel fiscal policy can be used to address some of the social and economic implications of the slow growth and changing job environment. For example, displaced and temporary workers need better support. Canada needs to build the skilled workforce of the future. This means greater investment in education, including early childhood education and adult skills training.

Canada has large pools of underutilized labour, including aboriginals, immigrants, and youths. While there is slack in the labour market, it is remarkable that close to a quarter of employers report having shortages of high-skilled labour. These shortages need to be addressed with immigration, education, and skills policy. Older workers should also be incented to stay attached to the labour market for longer. Weak private sector investment has become a serial disappointment that is limiting capital per worker and may weaken productivity growth. The latest Conference Board business confidence survey showed that one-third of businesses felt that government policy was hampering investment. Reducing the regulatory burden and improving regulatory approval times for new investments could be advantageous.

One measure that might improve business confidence is clear guidance on how and when the federal government will return its finances to balance. Without such information, Canadian businesses will worry about future tax increases. I would stress that Canada needs to maintain its currently competitive corporate tax rates. Canada is a trading nation, and it needs to lean against the rising protectionist sentiment that we see abroad. Policies to facilitate and expand trade are obviously critical.

The bottom line is that there is scope for fiscal policy to improve Canada's economic and productivity performance. I believe many of these themes were present in the last budget and align well with the comments I made. Key investments in infrastructure and people can make a difference, but I also would stress that you have to keep your expectations realistic.

Much of the economic weakness is being imported from abroad, and domestic policy cannot change that. Stimulative monetary and fiscal policy can help support growth by adding a few tenths of a percentage point to the national growth rate, but I would stress that in the current environment even a few tenths of a point matter. Running temporary deficits at a time when the economy is struggling and adjusting to lower commodity prices is acceptable, but sound policy also includes returning to a fiscal balance over a reasonable time frame.

With respect to budget 2017, I would like to suggest that the debt-to-GDP ratio is a poor fiscal anchor. While the government may have some control on the numerator, it has very little control on the denominator.

I've covered a lot of ground in a short period of time. I look forward to your questions.

• (1545)

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

Turning to Canada's Building Trades Union, we have Mr. Blakely.

**Mr. Robert Blakely (Canadian Operating Officer, Canada's Building Trades Unions):** Thank you very much.

Chris Smillie from my office is here to make sure that I don't undo any of his good work. I'm getting graded for this.

I'd like to thank the committee. The last time we appeared, you made a recommendation to support worker mobility from place to place. I would suggest, with respect, that what was vital before is more vital now.

As well, you recommended \$85 million for skills training for some of the stuff we do in the building trades. Thank you very much for that. We won't let you down.

The building trades represents 500,000 men and women who make their living in the construction business. It's half of the construction workforce. We're a group that works in politics but isn't partisan. We hopefully are here to represent ideas and not things.

We build everything, from the greatest plants being built anywhere in the world through to your garden shed. Our workforce is in a pool. That is because every construction job comes to an end. Our work is transitory for workers and it's transitory for employers. When the work ends, people move on to another job.

One of our issues is that workers and workplaces aren't always co-located. In Alberta and Saskatchewan, over the course of the last few years, we've seen a significant number of fly-in, fly-out jobs. They're still there; there are a lot fewer of them. Where some of the work is going to be won't necessarily be in those locations.

The infrastructure spend that the Government of Canada recommended in the last budget will be the construction marketplace in a number of places. You need to make sure that we get a workforce to build the bridge over the Saint John River or to build the hospital in Brampton. We need to be able to move that workforce.

You have invested in skills training. The last Government of Canada invested in skills training. Skills training is something we can deliver. Tie skills training to the infrastructure spend.

The fact is that we did a bunch of research in the days of the Construction Sector Council. Not having the money to travel is a major factor in people not moving towards the work. The current relocation tax doesn't work for construction workers, and no one is going to uproot their family to take a two-month job at the other end of the country. It has worked, and it is useful, that the communities across the country have been able to stay in existence with people who work away.

We're here asking for help. I said before that now is more important than any other time. We do get some help from owners occasionally moving across the country. However, the truth is that the people we represent, the welder who doesn't get to deduct anything for travelling...if he were the welding rod salesman selling the product that he's burning, he would be able to write it off. The person doing the work can't.

We don't care how we get there, whether it's an EI pilot—and maybe that is the easiest way—or whether it's a tax deduction or a tax credit, we will ease unemployment levels in hard-hit regions and support local communities and take skilled people to where the work is.

You heard the chamber talk about skills. You heard the Conference Board talk about skills. To be a dentist, you need a Doctor of Dental Surgery. To be a lawyer, you need an LL.B. To be an apprentice, you need a J-O-B. If you don't have a job, you're not an apprentice. We need to find a way to make sure that the young people coming into our business have a place to learn on the job. No job, no apprenticeship.

According to the studies done by BuildForce Canada, we are going to lose 25% of the construction industry, and somewhere in the range of 35% of superintendents and supervisors, as the baby boom generation fools people and actually retires. That's over the next five to six years.

In an industry that's highly competitive, and in fact combative, on the idea of support for a mobility program, the National Construction Labour Relations Alliance, Progressive Contractors, the Christian Labour Association, and the Canadian Construction Association will all support the idea of mobility. Mobility equals jobs. Jobs equals paying taxes, not being on pokey.

On a program to defer the cost of travel, a pilot program—however we get there—the payback according to the professionals we've consulted is five to one. The Government of Canada does five times better than having someone on pokey at home. We would support any monitoring or compliance programs that might be developed.

Those are my submissions.

● (1550)

Thank you very much.

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

With the Canadian Taxpayers Federation, Mr. Wudrick, welcome.

**Mr. Aaron Wudrick (Federal Director, Canadian Taxpayers Federation):** Good afternoon.

[*Translation*]

Thank you, Mr. Chair. Thank you for the invitation to appear before the committee today.

My name is Aaron Wudrick, and I'm the federal director of the Canadian Taxpayers Federation. For those of you who aren't familiar with it, the CTF is a federally incorporated, not-for-profit citizen's group that has over 429,000 supporters nationwide.

The CTF is dedicated to three main principles, namely, lower taxes, less waste and accountable government.

[English]

We were pleased to make a set of recommendations before this committee in February prior to the last federal budget. For the sake of the record, I will recount those recommendations briefly. We recommend government balance the budget, create a legislated debt reduction schedule or budget line item, end the double taxation of gasoline, reduce the political party donation tax credit, resist demands for any new sugar or fat taxes, pass truth in budgeting legislation, undertake a core review of all government spending, put an end to corporate welfare, control public sector pay and benefits, and finally, and it's a small one, overhaul the employment insurance system. Those are just a few small items to chew on.

Turning to this year's budget, the questions put to witnesses on how to best move Canada forward by maximizing economic growth is, of course, a proper and commendable goal for any government to have. The debate is about just how well placed governments are to steer that growth. This government, like its predecessor, is fond of taking an activist approach of selecting preferred companies or industries, and then subsidizing them with tax dollars. I cannot stress enough that it does not matter whether it is General Motors, or Bombardier, or a small green technology startup, this approach is fraught with perverse incentives and unintended consequences. I understand that the intent of such subsidies is to help businesses, and more specifically to protect private sector jobs, but an unfortunate hard reality of private sector jobs is that they either exist because they make economic sense, or they no longer exist.

Throwing tax dollars at a company to save private sector jobs means they cease to be private sector jobs. There is no getting around this. This is not to say that government should stand idly by when people are thrown out of work. There is a role for governments to assist people who are affected by economic change, but helping the people affected is not the same as simply throwing public money at companies that are no longer sustainable in the marketplace.

The finance minister has asked Canadians to think big. I should point out this need not always mean spend more. I appreciate that the government does not share the Taxpayers Federation's view on balanced budgets, but the government must still be mindful of the fact it is already running a deficit three times the size it promised during the election. It has also abandoned its timeline to return to balanced budgets, as well as its commitment to reduce the debt-to-GDP ratio.

Earlier this week, the minister also seemed to be foreshadowing that the forthcoming fall economic update will not bring good news. I would caution the government against drawing the conclusion that even more stimulus spending is the solution, and remind him of Einstein's wise adage that the definition of insanity is doing the same thing over and over again and expecting different results.

Perhaps the single biggest way the federal government can create new opportunities for Canadians is to expand access to new markets and remove the barriers to entry that exist in many industries. Some protected industries may not like this and will no doubt protest, but the government's responsibility must be to the broader economic well-being of all Canadians and not just industry incumbents that are afraid of healthy market competition. In particular, trade agreements should include provisions that seek to reduce or eliminate harmful

subsidies that end up costing taxpayers of all countries, and yet ultimately only serve to cancel each other out.

In closing, we would like to reiterate our basic message to the government that it is important to balance the understandable desire to help with the recognition of the limits of government intervention and the finite resources at your disposal.

Thank you.

• (1555)

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

With the Canadian Nurses Association, Ms. Pullen.

**Dr. Carolyn Pullen (Director, Policy, Advocacy and Strategy, Canadian Nurses Association):** Thank you for this invitation to present on behalf of the Canadian Nurses Association, which represents 139,000 registered nurses and nurse practitioners in Canada.

Like Mr. Blakely, I'd like to thank the committee for previous recommendations related to home care and to an accountability framework around the proposed new health accord.

Our recommendations for budget 2017 align with the federal government's priorities related to a multi-year health accord and to home care. Today I offer four recommendations to address equitable and improved access to high quality integrated health services for all Canadians.

First, we are calling for the new health accord or related provincial-territorial bilateral agreements to include a robust accountability framework or reporting system. Such a framework, which this committee supported in 2016, will benefit patients and taxpayers by showing causal relationships among inputs, activities, and population health outcomes. The framework would include reporting on health and social outcome measures derived from existing national data sources.

Provincial and territorial governments would report to the federal Minister of Health annually. Plain-language reports could be made available to the public via Health Canada's website and social media platforms.

Our second recommendation builds on the proposed investment of \$3 billion in home care. Such an investment is urgently needed as there is persistent inequality in access to high-quality, publicly funded home care across Canada, while the demand for home care continues to increase.

It is well known that home care is the preferred and cost-effective option for patients and families, costing a fraction of what hospital care costs. In 2013, over 1.8 million Canadians received publicly funded home care services. The majority of these services, over 70%, were provided to seniors over the age of 65.

We recommend home care funding be allocated on a needs-based formula that accounts for demographics and population health. This approach will address the inequalities in regions such as Atlantic Canada, where currently one in five Atlantic Canadians are senior citizens. Economists at the Savoie institute at the University of Moncton have studied the aging crisis specifically in Atlantic Canada, where they estimate the number of senior citizens will be one in three within the next 20 years. They predict the rising number of seniors, many with complex care needs, will lead to economic consequences for regions that already allocate upwards of 40% of their budgets to health care.

Next month, CNA, along with our partners in the Canadian Home Care Association and The College of Family Physicians of Canada, will release a national report outlining specific actions for the federal government that build on those I am describing today. These actions, focusing on scaling and spreading promising practices, on recognizing caregivers in a variety of manners, and advanced care planning, were generated through extensive pan-Canadian consultations.

Third, CNA calls for a national caregiver strategy to provide Canadians with flexible respite care and workplace options that afford job protection for working citizens. More than 8.1 million Canadians perform caregiving duties. Over six million concurrently balance this role with employment. The cost to replace unpaid caregivers with paid care providers would exceed \$25 billion annually. In 2017-18 the federal government can take a first step in implementing a caregiver strategy by engaging with employer stakeholders to develop a federal tax measure to protect workers' incomes while providing supports and guarantees for workplace leave protection.

Our final recommendation calls for the creation of a commission for integrated health care. The commission, which would have a 10-year mandate, would support the federal government's various interconnected, health-related initiatives ranging from home care, palliative care, seniors' care, indigenous health, mental health, and others. As part of its mandate, the commission could establish guiding principles to achieve better health care for all and lower per-capita costs. The commission, which would complement the new accord, could be modelled along the lines of the Mental Health Commission of Canada.

With that, I thank you, and I look forward to any questions.

• (1600)

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

With the Childcare Resource and Research Unit, we have Ms. Friendly.

**Ms. Martha Friendly (Executive Director, Childcare Resource and Research Unit (CRRU)):** Thank you very much for having me here today.

I'm going to keep this as brief as I can. You already have my brief.

I think the main point I want to make is that the government has already made some commitments to a national policy framework for early childhood education and care. I want to argue that it should be done in concert with the right architecture in order to get the best results for children and families, for the economy, and for Canada.

I'm going to talk about a Canada-wide early childhood education and care system that has programs that are designed and managed by provincial-territorial governments and indigenous communities, and how this could play a number of key roles for Canadian families in society.

I'm just going to shorten my brief and conclude with a couple of proposals we're making regarding the budget and the national policy framework.

I don't think I'm going to go into descriptions of how dire the child care situation is for families across Canada. You can read that in the brief. I write this all the time and speak about it to the media. I think we know there are shortages. People can't afford it, the quality isn't good enough to be educational, and so on. This is a real pressure on young families.

This government made a number of commitments that were quite encouraging on the issue of child care. It was framed under the rubric of hope for the middle class, and the government, in coming in, committed to developing a national early learning and child care framework, noting that "every Canadian child deserves the best possible start in life", which many of us agree with. The funding is under the social infrastructure fund that includes a number of other important social issues such as housing.

The other important commitment that I really want to flag is the government's commitment to the policy framework being developed based on research- and evidence-based policy-making. This is very consistent with other directions of the federal government, including those of the finance minister.

I want to talk about what child care could do if the architecture were right. It could be an opportunity for Canada. It could play a role in combatting inequality between men and women, in increasing productivity in the long term, and in combatting tension between social classes and between generations. Few people would disagree that Canada's support for families, women, and children is inadequate and has negative implication for today's young adults—like my daughter now—and in the future, as Generation Squeeze struggles with employment, debt, housing, and family time.

A national child care program would be a key piece in remedying Canada's women's equality record. As many have noted, the right answer to why Canada should have a universal child care program is because it's 2015, or it's 2016. I also should remind you that early childhood education and care is considered to be a human right, not only for women but for children.

I just want to talk a little bit about the first steps and what a policy framework could look at, and then I'll come to the recommendations.



Currently, the government is working with provinces and territories—not yet with indigenous communities—taking what could be the first steps toward transforming the current child care patchwork into an early childhood education system and has included funds for 2017 in the 2016 budget.

Last year a number of us who work in this area joined together to develop a shared framework and presented it to the federal government and to provincial and territorial governments, trying to show what an evidence-based policy framework could actually look like. We framed it with three key, long-term aspirational principles, and I think these are really important.

The first one, universality, sounds a lot like health care. The second one is high quality. The third one is comprehensiveness, which means it is not one-size-fits-all; it has to be varied to fit the needs of different families and different communities.

I guess the second thing this shared framework calls for is a plan for long-term sustained funding so that policy and system development could be shared by federal, provincial-territorial, and local governments, and indigenous communities, with the participation of key stakeholder groups such as myself.

•(1605)

With all this in mind, I'm pleased to put forward the following recommendations for consideration, and this is in the context of the negotiations that are already going on.

First of all, we want to recommend treating the funds that have already been allocated for 2017 in the last budget as the first step toward an evidence-based comprehensive system. We propose transferring these funds to those provinces and territories that have developed plans consistent with the kind of shared framework that we are proposing, that can be achieved over time so as to meet the objective.

Second, and this is where I'll wrap up—using the 2017 budget process to commit to the long-term sustained approach to federal funding that needs to happen over about a decade to develop the kind of child care system that we need to support all families and children. I think it needs consideration of earmarked funding; the money needs to ramp up over time. It can start out small but over time it is an expensive program, I won't deny that, if you do it right and make it affordable.

I think it's important to recognize that this could really bring Canada a lot of benefits economically, socially, in terms of what happens in our society.

I just want to put those recommendations forward, and I look forward to your deliberations.

Thank you.

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

We're going to four-minute rounds.

Mr. MacKinnon.

[*Translation*]

**Mr. Steven MacKinnon (Gatineau, Lib.):** Thank you, Mr. Chair.

Four minutes is not enough time to explore with the witnesses all the topics they generously shared with us today.

Since it's the first issue in our pre-budget consultations with the stakeholders, I will address what I consider a key aspect of the next budget.

We heard from Mr. Brakel, Mr. Alexander and Mr. Blakely. There is the dilemma of people without jobs and jobs without people. Growth is slow and national productivity is lagging. The government is facing a historically low labour market participation rate. People in my constituency and across the country are unemployed, and there is also the challenge of training the future workforce.

Mr. Brakel, Mr. Alexander and Mr. Blakely, can you share your views on the subject? Please be brief because we have only four minutes.

•(1610)

**Mr. Hendrik Brakel:** Thank you for the question.

That's Canada's biggest challenge. There are 1.3 million unemployed people. How can we help them enter the labour market?

[*English*]

I think a very important component of it is certainly in the training. One of the things that we'd really like to emphasize is work-integrated learning, and having those co-op jobs to pull people from training programs, colleges, and universities, and give them those temporary positions working in government. We would like some sort of incentives to create more of those intern and temporary positions to give people that experience.

**Mr. Steven MacKinnon:** It's a version of apprenticeship.

**Mr. Hendrik Brakel:** Back to the apprenticeships and working and learning, as we talked about.

**Mr. Craig Alexander:** I would concur. Apprenticeships and training programs are absolutely critical to developing the skills that workers need. I would also highlight the fact that we need better labour market information. We are making some progress on this file, but we haven't reached a point where we have the labour market information that businesses need. If we had superior labour market information, we might be able to better address the skills mismatch that you mentioned in your opening comment.

I would also stress that we need to understand the nature of the changes in the labour market. For example, when it comes to temporary workers, there's a knee-jerk reaction that all temporary jobs must be poor jobs; there's a negative connotation. Many temporary jobs are jobs being taken by older workers who are choosing to work in a temporary position. Sometimes apprenticeship positions can get classified as temporary jobs because you're only going to be in that position for a period of time.

We need to understand the vulnerability and the weaknesses in the labour market. In my mind there are two issues. Number one, we need to help displaced workers, who aren't working today, re-engage in the labour market. Number two, we need to help put in place the measures to support workers who are vulnerable like temporary workers, even if they're doing it voluntarily. Number three, we have to get the skills and education system right.

**Mr. Robert Blakely:** The Government of Canada is a significant employer. It employs a few tradespeople. It employs no apprentices except in the dockyards where the navy has decided they're going to try to grow their workforce, and we happen to be the union.

There are huge opportunities to promote the skilled trades in this country. The Government of Canada is going to spend \$125 billion. Tell the people who are going to do the work, you can have this job, but you will guarantee us you'll train apprentices on the work. A number of sophisticated owners—Shell, Nalcor, Syncrude, Suncor—don't have a problem doing that, and if you don't want to train people, take a hike.

**The Chair:** You are at time; we're a little over time, but it's been a good discussion.

Mr. McColeman.

**Mr. Phil McColeman (Brantford—Brant, CPC):** Thank you, Chair, and thank you, witnesses.

If you could answer very concisely, I'd truly appreciate it, only having four minutes.

Mr. Alexander, you commented the following on weak private investment: we've had reports that most companies have chosen to invest elsewhere other than Canada, the ones that are located here are thinking of expansion, government policy is a hindrance, lack of confidence, returning budgets to fiscal balance is key to keeping the investments in Canada because that ultimately leaves the fear of rising taxes.

Did I hear you correctly in saying all those points?

**Mr. Craig Alexander:** Yes.

**Mr. Phil McColeman:** On to the Home Builders', you talk about affordability. Can you share with us the load of taxation and regulation from the time an individual, or a company, has a raw piece of land until the time you hand the keys to the owner? Mr. Finnigan you'd probably be good at this because you operate in the GTA. How much of a tax and regulatory load of cost is part of the purchase price of a home in Toronto today?

• (1615)

**Mr. Bob Finnigan:** In Toronto today it would be in excess of 20%. To start with, it would be made up mostly of development charges and levy taxes, which in most municipalities today would make up between \$60,000 and \$70,000 directly paid by the builder. That's added to the price of the house. On top of that would be the permit fees and charges made during the development process, adding probably another \$15,000 to \$20,000 and then on top of that there's the final HST figure, which is tax on the tax. In those cases that could be upwards of \$100,000.

**Mr. Phil McColeman:** I had one builder tell me recently in the Toronto area it was somewhere between 20% and 50%.

**Mr. Bob Finnigan:** That depends on the final price of the house.

**Mr. Phil McColeman:** That depends on the jurisdiction?

**Mr. Bob Finnigan:** It's regressive. The smaller and less expensive the house, the larger the amount.

**Mr. Phil McColeman:** Exactly. It's not the builders and the developers who are paying that. Who's paying it?

**Mr. Bob Finnigan:** The homebuyer is paying.

**Mr. Phil McColeman:** When we talk about affordability, one of the things governments should do at all three levels, I think, is to get a handle on the fact that the cash cow they believe housing is, is stopping the young family from getting their first house.

Would you agree with that comment?

**Mr. Bob Finnigan:** I would agree with that, yes.

**Mr. Phil McColeman:** In your presentation, you also alluded to at the end, I believe, although you didn't use these words...but I will because our government went down this road of a renovation tax credit. I believe you tied it to energy efficiency projects, things that would reduce greenhouse gases and things like that. Am I correct in interpreting that as what we had done previously, which provided a renovation tax credit?

**Mr. Kevin Lee:** Yes, the previous government did put in the home accessibility tax credit and we would propose that for addressing climate change. Exactly the same thing can be done for energy efficiency.

**Mr. Phil McColeman:** That's excellent.

Mr. Alexander, on the fact that we hear statistics of Canadians being at record levels of personal debt, 170% was the most recent number I heard. How does this have a larger effect going forward on economic well-being, and what can governments do about that?

**Mr. Craig Alexander:** The high level of household indebtedness poses an economic risk in that if you had any sort of economic shock that would result in either higher unemployment or higher interest rates in particular, it would create a vulnerability on the household sector.

My understanding and my analysis of the real estate market in Canada suggests that even if you were to have an economic shock, the big risk isn't that Canadians would lose their homes as they did in the United States. I think the greater economic risk is that if you have rising interest rates, a greater share of personal disposable income will go toward servicing the debt and that's money that isn't going into expenditure. Consumer spending is 60% of the economy. The risk from the high level of household debt is that down the road, when we ultimately see a rebalancing of interest rates, it could take a very significant toll on the economy in the sense that even small changes in interest rates will have a bigger impact on household finances than they have had in the past.

This is why I think it's appropriate that the Bank of Canada has been flagging this risk.

**The Chair:** Sorry, Phil, you're a minute over.

Mr. Caron.

[Translation]

**Mr. Guy Caron (Rimouski-Neigette—Témiscouata—Les Basques, NDP):** Thank you, Mr. Chair.

Thank you to the witnesses for being here today.

I have four minutes, and they will go by quickly. Please keep it short.

Ms. Friendly, I want to talk about your third recommendation.

As you know, child care falls under provincial jurisdiction. However, you're asking the federal government to take the initiative to align the different systems. Some systems, such as Quebec's system, are more elaborate. Other systems are more of a patchwork of child care services.

How can the federal government play this role while ensuring the provinces maintain control and jurisdiction over child care services?

[English]

**Ms. Martha Friendly:** I think the easiest way to think about that is to think about health care.

The federal government played a role, successively, in ultimately bringing in the Canada Health Act. The federal government plays a major role, although with setting the broad brush strokes, wielding the principles, and essentially providing the glue amongst the provinces and territories and the indigenous communities in the case of early childhood education and care.

There is a patchwork province by province, but there's also enormous patchwork by community and within communities. It's a market.

In order to bring this together, there has to be some kind of glue. There are different opinions about the way the Canadian federation works, but it is definitely within the possibility that a federal government that makes certain commitments to its population... I mean, children in Quebec are developmentally very much like children in Newfoundland, and so forth and so on.

• (1620)

[Translation]

**Mr. Guy Caron:** That leads me to a question for you, Ms. Pullen, since your statement on the federal government's role as a leader in integrated health care raises the same issue.

Health care falls under provincial jurisdiction. However, I'm completely in favour of implementing a national strategy and making concrete efforts to address integrated health care. How can the federal government do so effectively while, of course, respecting provincial jurisdictions?

[English]

**Dr. Carolyn Pullen:** I mentioned that the CNA has entered national consultations with the Canadian Home Care Association and The College of Family Physicians of Canada. Our specific question was on our recommendations to the federal government around home care and integrated care. We were able, through input in one form or another from over 500 expert Canadians, to come up with specific recommendations in a number of areas.

To be very succinct, the first is that the federal government could have a role, through having an accountability framework or some kind of reporting mechanism around home care, to make sure that the health outcomes we're seeking to achieve are actually achieved. They could be very high-level population health and social outcomes, but nonetheless we'd be ensuring that the money is spent for the intended purpose.

[Translation]

**Mr. Guy Caron:** Do you see the provinces being open to such an approach?

[English]

**Dr. Carolyn Pullen:** I think it depends on how these things are couched, but I can reference similar accountability frameworks being put in place, for instance, in previous budgets around housing, and to our knowledge that was accepted and effective.

I think that since we all have the same goals and taxpayers and patients are looking for these services, they would be supportive of that approach.

**The Chair:** A very short question.

**Mr. Guy Caron:** Mr. Alexander, you were talking about investments and infrastructure.

I don't have your presentation in front of me, but you said basically that we need to invest in those projects that bring the highest rate of return to the economy.

I think we all agree on that, but where we might disagree is on identifying those projects. Which are the ones that bring the most bang for your buck?

**Mr. Craig Alexander:** I agree. It can be problematic, but at the same time there is a lot of expertise in the country and we can identify where bottlenecks are taking place. For example, it is obvious that gridlock in the greater Toronto area actually comes with an enormous fiscal cost. Improved transportation infrastructure in the GTA can have a positive impact both in terms of the short term and creating economic activity, and also helping to facilitate private sector behaviour. We see the same thing in terms of capacity at borders.

For example, the additional bridge at Windsor is a key piece of infrastructure to help facilitate trade. I'm discouraged when I hear about Canadian businesses shipping product in B.C. to ports in the United States in order to then ship abroad because there's limited capacity at Canadian ports.

As a consequence, I agree that the challenge is finding the right projects. Given that the profile laid out in the last budget showed much of the infrastructure spending coming down the road, and that part of the delay was actually to help provide time to identify those right projects, my hope is that... Only time will tell. The bigger the economic multiplier we get from the infrastructure investment, the better that will inform us as to whether the right projects were done.

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

Ms. O'Connell.

**Ms. Jennifer O'Connell (Pickering—Uxbridge, Lib.):** Thank you, Mr. Chair.

Thank you all for your presentations.

Mr. Blakely, apprenticeships are important to me. I've toured different trades in terms of their training facilities, and that's all well and good, but then they really can't complete their licences until they have that on-the-job experience.

I appreciate your comments about the federal government showing leadership and leading by example, but what are you hearing from employers in the trades? What incentives do they need to actually start hiring? It's one thing for them to see the government acting in a certain way, but I suspect they would want more than that, because if it were really about doing the right thing and bringing up the next generation, I'm sure many of them would do it, knowing their own experiences.

• (1625)

**Mr. Robert Blakely:** Given the crass nature of humanity, things like the apprenticeship incentive grant, brought in by the prior government, the apprenticeship completion grant, those sorts of things go a long way to making people understand that apprenticeship is actually a valuable commodity.

The other part of it is the Government of Canada could easily role-model the advantages to consumers and the advantages to employers in having apprentices. There have been a number of studies done by groups like the Canadian Apprenticeship Forum, which say that for every dollar spent on an apprentice, the return to an employer is \$1.67.

We shouldn't be limited by what we perceive to be the facts. We should actually have a chance to look at what the facts really are for apprenticeship. The fact is, it's older than universities. It is a 1,200-year training system that has continued with the contract of indenture being roughly the same as it was in the year 800. We must be doing something right.

**Ms. Jennifer O'Connell:** Thank you very much.

Mr. Lee, Mr. Finnigan, of course I'm going to ask a question of the Home Builders' Association, given my former background. On my colleague's questions about affordability, it's somewhat interesting and ironic that you talk about municipal levies. Ontario, for example, is the only province where municipalities actually pay for housing. Levies are collected for building applications, as part of the municipal tax roll...and then have to go and pay when the Harris government downloaded social programs like housing.

We actually have to pay for social housing through property taxes as well as things like municipal levies. It's the same with transit, the same with child care. It would be my assumption that you can't do one without the other. You can't reduce levies for home builders without providing funding for the services that are needed. I would think the home builders' associations would see the investments that the federal government has announced in terms of transit and sanitary waste water facilities as a major plus. If you have these services to land, that's only going to increase value and help take the burden off so the levies don't continue to increase.

**Mr. Kevin Lee:** We've certainly have been hugely supportive of investments by government in core infrastructure to address affordability and alleviate the need for development charges and taxes. Our concern with development taxes is when they start funding things in the rest of the community that go far beyond the needs of those immediate units, which would typically be something that ought to be paid for by the more broad tax base so that everybody benefits from it.

The same would hold true for social housing units. You really don't want to just force new homebuyers, buyers of new homes, to be

the ones who are financing social housing units. Ideally, society is financing social housing units and you're not still saddling homebuyers, particularly those who are first-time buyers, with having to pay for social housing. That's where we would look for a different approach to things.

**The Chair:** Thank you.

Mr. Liepert.

**Mr. Ron Liepert (Calgary Signal Hill, CPC):** Mr. Alexander, I don't think there would be a lot of arguing around the table relative to the Conference Board and your ability and history, in terms of recognizing where the country is headed and being non-partisan.

There's a lot of concern being expressed today about the debt load, not only of individuals in Canada, but also of the provincial and federal governments. There's some speculation that after the federal election in the United States there could very well be an increase in the federal interest rate.

Where do you see all of this coming to a head? Among our presenters, we probably get 10 people asking for more expenditures and none who say how we could actually reduce expenditures. I'd be interested in your summary of what kind of a mess we really are in.

• (1630)

**Mr. Craig Alexander:** And you want it very succinctly.

**Voices:** Oh, oh!

**Mr. Ron Liepert:** Yes.

**Mr. Craig Alexander:** The outlook for the Canadian economy is one of very weak economic growth at a time where there is slack in the economy. I think you can make a case that when private sector demand is weak, some targeted fiscal stimulus can have a beneficial impact. At the same time, you have to be fiscally responsible. In my mind, fiscal responsibility in this context means charting a path as to how you will eventually return to balance.

When I think about Canada in the longer term and I look at long-term projections, I am concerned about where Canada is headed fiscally. Primarily, my concern is at the provincial level. When I look at projections of economic growth and income growth in the economy, what I can see is that health care expenditures are going to far outstrip fiscal capacity. While some provinces today have fiscal challenges and others have fewer, any long-term projection of the provincial fiscal situation basically leads you to a conclusion that you're going to see very large deficits at the provincial level for quite a long period of time.

This raises the question of how we are going to deliver health, education, and other social programs at the provincial level and have them be affordable. Obviously, one approach would be to look at the fiscal capacity of the federal government in terms of the ability to transfer tax points to the provinces.

When the question comes up about education and health care being provincial responsibilities, one of the observations would be that perhaps the federal government should be looking for ways to transfer fiscal capacity to the provinces or, alternatively, looking for ways of channelling fiscal room. At the same time, as I said, these are long-term pressures, so if we run up a lot of debt now, we are going to lose scope and the room to manoeuvre to meet the fiscal pressures that are going to come down the road.

**Mr. Ron Liepert:** Then I'm sure your colleague to the left would say that there's only one taxpayer.

**Mr. Aaron Wudrick:** Yes, I echo some of his comments. I would disagree with some of them. I think that when we talk about stimulus, we do have to be conscious of the fact that the impact of fiscal stimulus is greatly mitigated in small, open economies with a flexible exchange rate.

The other thing to bear in mind is that we have seen this movie before, and it's usually in instances, as with the previous government, where there is, in fact, a recession. We were not fans of the last plunge into deficit, and we're not fans of this one, but at least last time you could argue that there was in fact a recession.

**Mr. Ron Liepert:** And there was stimulus versus a significant increase in expenditures on social programs versus stimulus infrastructure spending, which happened in this last budget.

**Mr. Aaron Wudrick:** Yes, whether it is temporary or not is obviously going to have an impact. As hard as we were on the last government for going into deficit, we gave them credit for getting out. That is our concern with the new government: they have signalled they're going into deficit, but we have yet to see a plan to get out.

**The Chair:** I have to cut you off there.

I do have one question I want to ask the home builders', and anybody else for that matter, on something that was mentioned in somebody's presentation, the renovation black market. There are lost revenues for government, there's the undermining of the construction industry itself, and there's a loss of guarantee for those people who use payment in cash to those people doing their renovations. How do you kill that black market?

**Mr. Kevin Lee:** We're doing a lot of work in this area, actually, on information for Canadians. We have a "get it in writing" campaign right now, which we're collaborating on with Revenue Canada. It's been on for many years, but it's been reinvigorated over the past couple. It's to educate Canadians about making a smart choice when it comes to renovation, because, as you've said, everybody loses, frankly, including the homeowners who are choosing to go this route in many instances.

It's one reason why, when we look to activities like what you're trying to achieve from a public policy perspective—for example, climate change, aging in place, helping first-time homebuyers through a renovation tax credit—it doesn't take much. As long as you have a program that requires a homeowner to get a receipt, you in turn then attack the underground economy. We saw it through the home renovation tax credit in 2009. We saw it through the ecoENERGY retrofit program for energy efficiency. When you get a homeowner to take a receipt—and it doesn't have to be a receipt for much—as soon as you get the receipt, the underground economy

dries up. Tying social or other policy to things like the renovation side of things to achieve those dual benefits is a great way, and as we've calculated, this can practically be cash-neutral for the government. Tax credits, grant programs, are often looked at as a straight expense. That's not the case when you are bringing underground economy activity above board in the process.

● (1635)

**The Chair:** Thanks very much.

Mr. Grewal.

**Mr. Raj Grewal (Brampton East, Lib.):** Thank you, Mr. Chair. You took my question on the cash-only deals, so thank you for that.

Thank you, Mr. Lee, for going into more depth on that.

My question is going to focus on Hendrik's testimony. You mentioned the importance of the express entry program and immigration. Can you please give us a real-life example, of somebody, a business you're dealing with, is struggling because of this program, because Immigration is holding up their workers?

**Mr. Hendrik Brakel:** Frankly, it's the biggest issue for our members. It's a little bit difficult to cite specific ones.

In the video game industry in Montreal, where they're trying to bring in highly skilled workers, they have to prove a labour market impact assessment to say there is nobody in Canada who has the specific skills and programming to do this thing. At Ubisoft, for some of the higher level stuff that they're doing, there are only even 15 or 20 people in the world who are really good at this stuff, so they have to bring in that specific person and then they hire a team around them. The biggest challenge, I think, is the LMIA, the labour market impact assessment, proving that you can't find any other Canadian who could do the specific job.

**Mr. Raj Grewal:** I couldn't agree with you more. I think the Minister of Immigration now understands this. A lot of it has been because of the feedback that MPs have been getting on the ground. Immigration is a big issue in my riding, and the labour market impact assessment is something that all employers, permanent residents, and people here on work permits and student visas who are trying to get jobs are complaining about. The process is very flawed and very bureaucratic. We've passed that information along to the minister. We're very hopeful to get some positive results on that, to ensure that we can get these talented people into Canada, helping Canadian businesses grow the economy. Thank you for your testimony on that. I really appreciate it.

Going to housing and home building, one of your recommendations was to support increased access for the home buyers' plan. Housing's a big concern, whether you're in Vancouver, whether you're in Toronto, or whether you're in Montreal. I come from Brampton East, which is a high-growth area right now. The price of houses in my riding, from last year to this year, has gone up by 25%. That is just putting them out of reach. I'm 31 years old. All my friends are now getting into good jobs. They're finished their master's degrees, and they have upper middle-class incomes, in my opinion, but they can't afford a house where they grew up. This is a massive challenge, I believe, not only for the federal government, but the provincial government and the municipal governments.

Do you have some further insight on one thing you would like to see in this budget that would help address that problem?

**Mr. Kevin Lee:** The first thing to understand, especially in the GTA and in Vancouver, is the number one thing driving the problem right now is lack of supply. Just before coming over here, Bob and I were looking at the latest stats, and there are 70% fewer low-rise houses on the market in the GTA at this time this year than there were last year.

**Mr. Bob Finnigan:** New.

**Mr. Kevin Lee:** When you want to talk about simple economics and supply and demand, the reason why low-rise houses, in particular in the GTA and Vancouver, are so expensive is supply and demand. There is the federal, provincial, and municipal action right now to study housing markets. I'm really glad for that because there's been a lot of misinterpretation of what the problem is. So some really collaborative effort on addressing that is required.

Bob has also talked about the level of taxation and development charges in the GTA. When you're talking about \$150,000 of tax on \$500,000 home, that's an exorbitant level of tax. Therefore, some collaboration between all three levels of government to deal with supply issues is required. This would make sure taxation is appropriate and the investments in infrastructure that can help offset that...and create transit corridors that will enable people to move more efficiently. It's about productivity, it's about quality of life, all these things. Those are some areas that could make a big difference.

• (1640)

**Mr. Raj Grewal:** Thank you, Mr. Lee. I totally agree with you.

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

Go ahead, Mr. Aboultaif.

**Mr. Ziad Aboultaif (Edmonton Manning, CPC):** Thank you very much.

I've got a couple of questions to Mr. Brakel.

I'm going to focus a little bit on productivity versus your proposal to increase investment in skills and education. In the absence of jobs, the unemployment rate is increasing. We seem to have problems picking up the economy because of job creation. As we've seen so far, there is no job creation policy or strategy that you have in place right now. Asking for investment in skills and education has to do with a complete strategy of job creation. How do you see that's going to work together...and also in the lack of productivity, which is a known problem in Canada, probably for the longest time?

**Mr. Hendrik Brakel:** I think the challenge is that we'd be looking at how to improve productivity and growth of Canada. As Craig alluded to, it's not just a Canadian problem. The OECD is looking at all the rich countries and saying we're sort of stuck in a low-growth trap. How do we get out of that? They have a specific menu of investments and things that have a high multiplier. We could look at specific education programs and specific infrastructure spending, which does create those higher productivity investments. I think the investments in skills and innovation is the stuff that's going to have the long-term benefits for the Canadian economy. It's a whole lot of things.

**Mr. Craig Alexander:** When we look at the labour market, we see an interesting dynamic. We have businesses that say they're not really willing to invest in the current market, and about half of them are saying they're not willing to invest because demand is weak. You can certainly understand that from a micro level. If you're an individual company, you don't have orders coming in, you're not going to invest in a lot of additional capacity, you're not going to expand your labour force.

The lack of demand is a functional challenge. It's very difficult to deal with because, as I tried to emphasize, a lot of the weakness that we have in Canada is actually because we're a small, open economy and the world economy is having a difficult time. However, you then get some interesting observations about some of the things that are taking place. For example, we are seeing more industries that are actually bumping up into capacity constraints. Surely businesses that are running into capacity constraints should be investing more in capital, and also hiring more workers to expand their business, but they're not doing it.

Last week, we had a speech from Bank of Canada Governor Poloz, who emphasized that maybe businesses need to lower the rate of return that they expect on investment in a low-rate environment. I think there's an element of truth to that. However, we shouldn't put the onus just on businesses because there are barriers to investment and growth.

One of the examples that I tried to highlight was the fact that we have about a quarter of employers that are actually saying they can't find the skilled workers they need. There are two ways of addressing that. In the short run, you can bring in foreign talent in order to fill those roles to allow the growth. At the end of the day, though, what you really want from a long-term perspective is you want the education system and the skills system to actually create workers with the skills that the businesses need. I think the productivity story is all connected to this because your economy is not going to be productive if businesses aren't investing, and your economy is not going to be productive if businesses can't find the workers with the skills they need.

**Mr. Ziad Abouttaif:** I think bringing investment on board into the country... I mean, you can't ask business to lower their expectation of profit, because if they lose money, they can lose big, and that's a risky road for them to take.

What can the government do? Instead of investing its own money and having the private sector do so, what can we do?

I guess lowering the tax on business is one of the solutions in that case.

**Mr. Craig Alexander:** I think Canada has very competitive business tax rates. I think there are other barriers, though, to investment and growth. The regulatory environment is a good example.

I'm going to give a provincial example. One of the things I was a little surprised by was to find that Ontario has twice as many regulations as B.C. I actually think B.C. is a well-regulated economy, so why does Ontario need twice as many regulations?

To me, this illustrates an impediment to growth.

•(1645)

**The Chair:** I'll cut it there.

Mr. Sorbara, you have five minutes.

**Mr. Francesco Sorbara (Vaughan—Woodbridge, Lib.):** Okay, let's use it efficiently.

We'll go to the chamber of commerce first.

On productivity in Canada, we know where we're at. Job growth has not been strong. We need to get this inertia out of our system and get us going again.

On the innovation side—and innovation is a cliché word—would you recommend just two policies or programs that you think with innovation we could hit a double, a triple, or even a home run?

**Mr. Hendrik Brakel:** Canada is very good at research and development. We have incredible universities. We're really good at R and D. Our challenge is that we don't commercialize enough products, so it's to have those incentives to have big businesses creating products here in Canada. That's why we recommend the innovation box. If you build or create a product here in Canada—some sort of patent—the taxes on the revenues coming from that patent would be taxed at a much lower rate.

The other thing we think about are incentives in venture capital, in order to create that group of investors who reward new companies and start-ups. We think the investment tax credit in B.C. would be really helpful. We also think maybe an exemption on certain capital gains, like the exempt capital gains on TFSAs... Why not exempt the capital gains if you're investing in a high-risk start-up?

**Mr. Francesco Sorbara:** This is to the Canadian Home Builders' Association.

I live in an oasis. I'm from York region. It's busy. The builders are very busy there. The problem is that there are not enough tradespeople. This is like that catch-22 situation. We don't have enough tradespeople, but we have people who aren't working. Even with the folks in Alberta who unfortunately have lost their jobs, the folks who are returning to Ontario aren't even sufficient. You're not

just going to move from Alberta to Ontario and resettle, because there's a little discrepancy there. It's very expensive to move into York region and some places in Toronto.

I've been pushing in terms of how we get more people, more young people into the trades. The term I once heard was “parity of esteem”, if I can use that.

Are there any pilot projects that we can advocate for or latch on to? I think in the next 10 years, maybe even less... I have great relationships with both the builders and the unions, and I hear it from both sides, that in the next years we're going to lose a wealth of experience. It's like losing that senior management but you have no middle managers coming up the ranks who are learning. We need to do something about it.

I know this is provincial-federal combined, but there has to be something we can do.

Could you spend 20 seconds on that?

**Mr. Kevin Lee:** You're absolutely right.

We're going to lose 118,000 workers over the next decade in residential construction. Some of them are in apprenticeable trades and some of them are not. A lot of them are just skilled workers, and that's common in every industry. What we need to do is encourage people to get into skilled work and skilled trades.

We're doing work with Colleges and Institutes Canada. There is a role for the federal government to promote that kind of thing and guide people, and not as a second choice. You don't go to college to study a trade and get into skilled work because you couldn't get into university; you go there because it's just as good as going to university.

**Mr. Francesco Sorbara:** The remuneration for a welder or carpenter foreman is actually a lot better than a lot of the other occupations that people may think about.

Mr. Blakely, I will continue to advocate for that mobility.

**Mr. Robert Blakely:** Thank you very much.

**Mr. Francesco Sorbara:** I think it's something worthy we need to look at.

**Mr. Robert Blakely:** The thing you said about parity of esteem—I have four university degrees and three journeyman's tickets. The journeyman's tickets mean I can do something. The others are nice to have.

**Mr. Francesco Sorbara:** My father was a sheet-metal worker and a carpenter, and he's retired now, so I understand where you're coming from.

Mr. Alexander, I do disagree with you in terms of the fiscal anchor being debt to GDP. As an economist and someone who has worked in finance for 25 years I look at debt to GDP as a ratio for financial flexibility across the board, whether it's G7, G20, or whatever measure.

I agree with your comment on labour productivity being weak. I would love to hear your comment on the investment climate and how we can make sure that's going in the right trajectory. I think it is, but it always can be better.

•(1650)

**The Chair:** If you can sum that up in about 30 seconds, that would be great.

**Mr. Craig Alexander:** I strongly believe that a road map as to how the federal government is going to balance the books would be helpful from a business confidence point of view. I think there are concerns on the part of businesses when governments are running deficits. They aren't concerned about the fact a government runs deficits, if it's financially sound. They worry about the potential that down the road it could ultimately lead to higher taxes.

I still would argue that one way of improving business confidence is to lay out a road map, as to how to balance over a sensible length of time.

On the debt to GDP, very quickly, I think it tells you about fiscal capacity. As I said, in the current environment I support targeted fiscal stimulus. I just think the debt-to-GDP ratio is a poor fiscal anchor. It's the language and the focus that's used. That's why I think it's really important to lay out a plan and a trajectory that will get us back to balance over the medium term.

**The Chair:** Thank you very much. My apologies for tightening it up a little.

I think we had a lot of information put on the table. Thank you for your submissions that you sent in as well. They are being read and analysis is being done on them.

Thank you very much for coming. We'll suspend for a few minutes, and the next group can come forward.

•(1650)

\_\_\_\_\_ (Pause) \_\_\_\_\_

•(1655)

**The Chair:** We'll reconvene. As folks know, we're doing the pre-budget consultations in advance of the 2017 budget.

Thank you for coming a little early, there will be one more to come, I believe. We are tightening up the afternoon schedule a fair bit because there are votes in the House at about six o'clock. Rather than have you wait for us to come back for questions, we're trying to fit everybody in, go to little shorter, more concise questions, and get everything we can on the record that way. If you could hold your remarks to five minutes that would be helpful.

My apologies, I have to leave at about 5:15 as well for a debate in the House.

We'll start with Polytechnics Canada, Ms. Robinson. Welcome.

**Ms. Nobina Robinson (Chief Executive Officer, Polytechnics Canada):** Thank you.

Low economic growth does not have to be Canada's fate despite the rapid changes around us, but low growth is our destiny unless we change with the times.

Technology has changed the global economy, our demographics; our workforce has changed; yet our policies for data, talent, and

innovation largely remain the same. We need data that can tell us not where we were five years ago, but where we are now and where we are going tomorrow.

We need fewer programs for Canadians to get a general education when they want a specific job, and more programs that give the specific knowledge and know-how they need to get the jobs they seek. We need an innovation strategy that doesn't tell firms that they need to work to commercialize more ideas, but listens to the ideas on how commercialization actually works. It's time to do things differently.

A polytechnic institution does do things differently. It combines the practical, hands-on approach of a college education with the in-depth study usually associated with university programs. Our graduates have seamless transitions from education to employment fostered by experiential learning opportunities. Polytechnic-applied research is driven by solving industry-identified problems with industry-friendly IP policies.

My association represents leading, research-intensive, publicly funded polytechnics, colleges, and institutes of technology. So we offer our thanks, Mr. Chairman and committee members, for having us here.

While our written submission and recommendations in front of you are specific, I will now speak to the higher order challenges they address: our call for action on data, talent, and innovation. Let's start with data.

Economics 101 tells us that successful markets need good information; however, we are failing to successfully produce the necessary data to match people to skills, to jobs. We see stalled start-ups that think they have to look abroad for expensive talent, and cohorts of young people trained in Canada's best institutions working jobs far below their skill sets. In short, poor information results in poor public policy and in market failures.

To solve this problem, we need to better leverage and share existing data about the labour market and invest in gathering data to fill the glaring gaps all Canadians face when forecasting the jobs and the job market of the future.

Canada urgently needs an inclusive talent strategy that moves past elitist and hierarchal notions of what education and training should be. The best and brightest must now apply to all types of graduates in all professions and locations.



Much of our innovation gap is an education gap. The lack of alignment between the employer demand for skills and the supply of graduates in the labour market is a long-standing challenge. Today it takes longer for young people to launch careers or existing workers to launch second careers, even while firms struggle to find the talent to compete and innovate. Our submission recommends several measures to begin to fix our talent ecosystem.

Finally, innovation is a topic that is getting much attention today, as it almost always has when discussing Canada's productivity and aspirations for growth. Yet we continue to erroneously conflate innovation with breakthrough science, and thus we have failed to develop distinct strategies for either. This is the recipe for underperformance. We have invested heavily, but failed to get the desired results for business, for research, or workers.

Canada's innovation performance is subpar because we lack policies and programs that respond to industry demand for innovation. Instead we push ideas, graduates, and programs on industry that aren't aligned to their needs and won't help them grow.

In particular, many small and mid-sized firms want to innovate, but lack the supports they need. Others require time-sensitive solutions to their innovative ideas. Polytechnics excel at providing these kinds of supports, yet they receive only 1.7% of total federal support for higher education R and D.

It's time to ramp up the supports to business by utilizing the innovation capacity of polytechnics and colleges.

• (1700)

A polytechnic education builds a resilient and resourceful workforce, to quote the Prime Minister. Our recommendations go against long-held Canadian orthodoxy but different approaches to data, talent and innovation are needed to avoid a destiny of low growth.

Thank you.

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

We're now turning to the Canadian Urban Transit Association, Mr. Leclerc.

[*Translation*]

**Mr. Patrick Leclerc (President and Chief Executive Officer, Canadian Urban Transit Association):** Mr. Chair and members of the committee, thank you for the invitation to appear before the House of Commons Standing Committee on Finance.

My name is Patrick Leclerc, and I'm the president and chief executive officer of the Canadian Urban Transit Association, or CUTA.

[*English*]

The Canadian Urban Transit Association, CUTA, is a collective and influential voice of public transit and integrated urban mobility in Canada. Our members include transit systems, manufacturers and suppliers, and government agencies from coast to coast. CUTA members represent over 95% of total transit ridership across the country. The Canadian transit industry is a \$14-billion industry that employs about 75,000 people.

I'd like to recognize and thank the Government of Canada for the increased role it has played in public transit over the last 15 years. The investment generated a number of spinoff benefits such as greater access to high-quality jobs, social inclusion, a cleaner environment, and healthier and more sustainable communities.

It's through long-term and dedicated investment that local governments can build dynamic and vibrant communities. The recent public transit infrastructure fund, worth \$20 billion over the next 10 years, as well as the permanent \$1-billion transit fund announced in budget 2015, are exactly the kinds of funding that we need to face the challenges of urban growth and an aging population.

In order to leverage this unique opportunity to build sustainable communities for the next generation, CUTA recommends that the government convene an expert advisory panel to help establish program parameters of these new funds. This panel would work hand in hand with the government to find the right balance between flexibility and industry best practices, in order to ensure greater transparency and accountability in the way these funds are invested.

One of the key concepts that should be at the heart of the new transit infrastructure program is transit-oriented development. By building transit-oriented communities, active transportation and public transit play a greater role in connecting people, including the most vulnerable ones, to employment opportunities, educational institutions, and health care facilities.

The economic case for investing in transit has been demonstrated time and time again. For instance, in a study conducted by the University of Toronto, Steven Farber found that people living outside of the downtown core of Toronto can access only 5% to 10% of the jobs to which car owners have access and fewer than 5% outside the city of Toronto. According to Farber, the key to closing the gap in accessibility to jobs is in beefing up public transportation.

In addition to providing greater access to good quality jobs, public transit helps the middle class save money that can then be reinvested in other areas of the economy.

Transportation is the second-largest expense of Canadian households. While transit alone may not be a suitable option for many Canadians, it offers the opportunity to millions of Canadian families to own only one car instead of two, which helps them save about \$10,000 annually.

Another economic benefit of investing in public transit is to reduce traffic congestion and increase productivity. It's estimated that traffic congestion costs the country over \$10 billion annually in lost productivity. This is why the government should include measures as part of its transit infrastructure program, in collaboration with provinces and municipalities, that will favour a modal shift from single-occupancy vehicles to active transportation, public transit, car sharing, and car pooling. Effective measures that have been implemented in other countries include fiscal incentives and programs for employees to use transit for their commute to work, as well as mobility pricing.

On this last point, we believe that the time is right to initiate a serious and evidence-based discussion with all stakeholders on that overall approach to mobility pricing.

• (1705)

[*Translation*]

Public transit also helps the Canadian manufacturing sector advance. Investments in research and development in the public transit industry are essential to maintain our competitive advantage.

Despite a difficult economic environment, our members have maintained high levels of investments in research, development and innovation. They have increased their North American market share and created industrial clusters in Quebec, Ontario, Manitoba and British Columbia.

The CUTA is encouraging the government to support the development of advanced technology in the public transit industry through an innovation budget aimed at collaborative research, development and demonstration projects.

[*English*]

Together we have the opportunity to make Canada a world leader in transit research and innovation.

Thank you again for this opportunity. I look forward to answering your questions.

**The Vice-Chair (Mr. Ron Liepert):** Thank you.

Ms. Blackstock.

**Dr. Cindy Blackstock (Executive Director, First Nations Child and Family Caring Society of Canada):** Good afternoon, members. It's an honour to be here on the unceded territory of the Algonquin Nation and in the presence of the national chief and the other delegates at the table.

In 2007 I stood with the Assembly of First Nations and we had to file a human rights complaint against the federal government to get them to treat little children on reserves equally because the federal government was so substantially and so consciously underfunding these services with dire results, resulting in another generation of first nations children being unnecessarily separated from their families. It was a repetition of the dark chapter of residential schools.

I would have never anticipated that the federal government would have fought that case so vigorously for nine years. They fought it when its own documents showed that it was providing significantly less to first nations children than all other children in the country received, despite its documents showing the perils of the deprivation

of breathing equipment to four-year-old kids because they were from first nations.

On January 26 of this year the Canadian Human Rights Tribunal issued a landmark decision, the only decision we know about in the western industrialized world, that found a federal government racially discriminating against 163,000 first nations children. The tribunal ordered it to stop. Like many of you around the table when the ministers of justice and indigenous affairs welcomed the decision, I breathed a sigh of relief. Here we are now, in September, and the tribunal held jurisdiction over the federal government, concerned as it was about the repeated pattern of the federal government not acting on recommendations that were clearly before it to reform.

In April, unsatisfied with the federal government's progress in implementing the decision to stop this racial discrimination against children, the Canadian Human Rights Tribunal issued a further compliance order against the federal government and ordered it to implement something called Jordan's principle immediately, so that first nations children can access government services on the same terms. The timing of April is important because that means that the tribunal had at its disposal budget 2016. You will remember, members, that I was here at that time, and I said that it fell sufficiently short of what was needed.

Once more, I hoped the federal government would move with dispatch to ensure that they followed the law and they remediated racial discrimination against children. That failed to happen, and on September 16 a second compliance order was issued by the Canadian Human Rights Tribunal for the federal government's failure to remediate the discrimination. I think we can all agree around this table that it's unconscionable that a nation such as ours that promotes human rights and that values human decency would racially discriminate against children. It's also illegal that the government has failed to comply with three legal orders. What I'm suggesting to you is not discretionary funding. It is something that the government is under court order to do. The burden is with the federal government to prove that the racial discrimination has stopped. It's not enough to make an announcement. You have to prove that it has remediated the discrimination at the level of children.

I have two quick points here. I've included a substantial brief citing the decisions and the relevant sections of those decisions, and on the final page of the brief the action needed. To put it briefly, the Canadian government needs to follow the law. It needs to stop racially discriminating against children. It needs to release—in our estimation for this year alone—the shortfall of \$155 million. It also needs to deliver training to senior staff and to members of Parliament on the Truth and Reconciliation Commission, and on these tribunal decisions, so people are in a position to act differently in the spirit of the Prime Minister's commitments toward the calls to action. Remember, this is the number one call to action for the Truth and Reconciliation Commission.

The other is that the Government of Canada must fully comply with this definition of Jordan's principle. Currently the federal government is using a definition of Jordan's principle by limiting equitable access for children's services only to children with disabilities and critical short-term illnesses. Who in Canada would be willing to have their child only treated equitably if they were so disadvantaged that they had a critical illness and a disability? It makes no sense.

● (1710)

The other piece is the compliance with the release of the data. The tribunal has found it so difficult to get the data to support the federal government's contention that it has taken adequate action. It has actually had to order the federal government to provide that data. The first deadline is this Friday; the second one, October 31.

In summary, I think we're better than this as a country. We are better than leaving children behind. At this committee your task is to balance the priorities, but if you choose not to treat children equally, then I want you to consider heartily, what are the children losing to? What's more important than them?

Thank you very much.

**The Vice-Chair (Mr. Ron Liepert):** Thank you.

Mr. Roberts.

**Mr. Chris Roberts (National Director, Social and Economic Policy, Canadian Labour Congress):** Committee and Chair, good afternoon. Thank you for the opportunity to appear in front of you today. I bring you greetings from CLC president Hassan Yussuff, who wanted to attend but was unable to.

The CLC, as you may know, is Canada's largest labour central. It's the voice on national issues for 3.3 million working people in Canada.

In July, the CLC made a detailed, written submission to the committee's pre-budget consultation. I'm not going to attempt to speak to the full range of issues in that brief but rather restrict my remarks to three areas in the time I have available.

The first is green jobs. As you've heard from other witnesses, undoubtedly, the end of the global commodity boom continues to weigh heavily on business investment and hiring in Canada, and Canada's job market has evidently stalled over the past year. At the same time, Canada is not on track to meet its greenhouse gas emissions reduction targets of 30% below 2005 levels by 2030.

In the view of the congress, the Government of Canada has an opportunity to undertake strategic investments to stimulate private investment and employment growth, while advancing Canada's effort to meet its GHG reduction targets.

Along with its partners in the green economy network, the CLC has proposed a plan to create one million climate jobs through strategic investments in public transit, renewable energy, and green building retrofits, ensuring a fair and just transition for workers affected by climate change, and reducing greenhouse gas emissions by one third over 10 years. An ambitious strategy promoting investment in home and building retrofits, energy efficiency, and conservation will generate good jobs.

The federal government should work with the provinces and territories to reach agreement on national energy efficiency standards. In our view, the Government of Canada should coordinate an ambitious program of targeted investments over the next five years for renewable energy development and infrastructure, with job creation and GHG reduction targets, in order to boost electricity generated from solar, wind, and geothermal energy sources.

The federal government should also work with indigenous, rural, and remote communities to increase access to renewable energy.

The CLC calls on the government to collaborate with provincial and municipal governments to form a national commuter and intercity public transportation strategy with predictable long-term funding. We hope the federal government will soon develop a national framework for pricing carbon and coordinating provincial approaches for reducing emissions.

Finally, the government must establish a framework for a fair and just transition for workers and their communities affected by climate change and industrial restructuring accompanying the transition to a low-carbon economy.

I will turn to the employment insurance program. The CLC welcomed the fact that budget 2016 eliminated the higher entrance requirement for new and returning workers, but far too many Canadians continue to be unable to access regular and special benefits when they need them. The CLC has consistently supported a single lower national eligibility standard for EI regular benefits, with a 360-hour threshold, and it supports the reduction in the 600-hour threshold for access to special benefits. We recommend that the federal government look at the Quebec parental leave benefit program in this respect.

In the last election the Liberal Party committed to improved access to compassionate care benefits and an additional \$500 million annually in funding under the labour market development agreements with the provinces. Instead of allowing the EI premium rate to fall, we believe the surplus in the EI account should be directed toward these measures and to support badly needed improvements in access to benefits and in the level of benefits.

In my last point I want to turn to child care. The CLC supports expanded public investment in affordable, universal, and quality child care as a way of stimulating economic growth and raising private sector labour productivity growth while improving child development and labour market outcomes for mothers. High quality, universal, affordable child care delivered and managed by public authorities or not-for-profit programs requires stable, predictable funding, and solid long-term planning.

The federal government should provide long-term, stable federal financing in order to establish a common policy framework. Predictable operational funding provided directly to services will allow provinces to move off parental-fee-based systems and ensure that professional, qualified staff are hired and retained.

With that, I'll end my remarks and welcome any questions the committee might have.

Thank you.

• (1715)

**The Vice-Chair (Mr. Ron Liepert):** Thank you.

Mr. Ross.

**Mr. Scott Ross (Director of Business Risk Management and Farm Policy, Canadian Federation of Agriculture):** Thank you.

Good afternoon, committee members.

Thank you for the opportunity to appear before you and speak about CFA's recommendations for the 2017 federal budget.

The Canadian Federation of Agriculture and its members greatly appreciate the opportunity to highlight how budget 2017 can help government and industry achieve agriculture's considerable potential.

For those who aren't familiar with the CFA, we are an umbrella organization representing more than 200 farm families who operate small businesses and work hard to benefit all Canadians by contributing significantly to the Canadian economy, and providing safe and affordable food and a clean and sustainable environment.

Canada's agrifood sector employs one in eight Canadians, with more than 275,000 jobs in primary agriculture alone. Agriculture has proven itself to be a resilient source of growth, contributing over \$108 billion to Canada's GDP in 2014. With Canada's small population, vast natural resources and highly competitive producers, the industry is uniquely positioned to meet the opportunities presented by a global population of nine billion in 2050 and a domestic consumer base looking for increasingly diverse agrifood products.

Canadian farmers are eager to seize the opportunities through an ongoing industry-wide commitment to continuous improvement. In working toward these goals, CFA has identified a series of proposals for the 2017 budget in its written brief, but I'll just touch upon a few key areas today.

First, I'll outline the need to modernize provisions within the Income Tax Act to address new pressures facing family farm transfers.

Canadian agriculture is in the midst of a major transition, with the average farmer now over 54 years old and an estimated \$50 billion in increasingly capital-intensive farms likely to change hands over the next decade. This poses new challenges to the continuation of family farming in Canada, a model recognized for sustainable growth, environmental stewardship, and spending within local communities.

Effective tax planning is essential to the viability of the next generation of farms, as well as to those retiring. As part of this planning, family farms continue to incorporate, while changing

demographics mean farmers are unable to necessarily rely on their children to stay on the farm. These pressures also reduce the efficacy of existing provisions within the Income Tax Act that were established to enable family farm transfers.

To ensure the industry is well positioned to continue its growth, CFA recommends that the rollover provisions be amended to recognize the full breadth of family relations relied upon to maintain family farms across Canada and that family farm corporations be provided with a level playing field when transferring their businesses to the next generation, including access to the capital gains exemption, and ensuring that siblings can access the same provisions as other farm family members.

Second, I'll touch on the significant opportunities that clean technologies and innovation present for Canadian agriculture, and the support that industry requires to capitalize on them.

Canadian agriculture is already focused on building resiliency and adapting to climate change. At the same time, Canadian farms are focused on sustainability, and farmers are busy building the reporting systems to show it. As a result, Canadian producers are a target market for clean technology. Producers continue to make investments to reduce greenhouse gas emissions, improve water quality, and reduce the use of inputs through precision agriculture. However, further investment in beneficial management practices and tools to illustrate their benefits is needed, such as through environmental farm plans.

At the same time, many proven technologies are capital-intensive, and without government-backed incentives they often struggle to be seen as a profitable investment. Investments in clean technology, including tax or rebate-based incentives, are needed to make technology more accessible to farmers, capture greenhouse gases, feed the energy back into the grid, and improve other environmental outcomes.

Canadian farmers are similarly motivated to advance the national bio-economy using farm waste in order to produce renewable high-quality products. Canada has the potential to be an innovator and global leader in this area, but a national strategy, coupled with federal investments in research, commercialization, and incentives, is needed.

Finally, I'd like to discuss the considerable opportunities agriculture sees in improved international and domestic market development.

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

One example would be labour. CFA believes that long-term plans such those as laid out in the “Agriculture and Agri-food Workforce Action Plan” are essential to addressing significant labour shortages that constrain our ability to meet long-term trade objectives. By strategically identifying how we can meet these opportunities, we can align efforts through clearly defined roles and timelines for all involved. The investments required to develop such a vision pale in comparison to the long-term benefits that would accrue from the increases in tangible market access. On that note, I'd like to highlight CFA's support for the modernization of Canada's internal trade system, and to emphasize the need for continued investment and federal leadership in continuing its momentum.

Once again, I'd like to thank the chair and the committee members for your time and I look forward to answering any questions you might have.

• (1720)

Thank you.

**The Vice-Chair (Mr. Ron Liepert):** Thank you.

Mr. Bellegarde, we'll conclude with your presentation.

**National Chief Perry Bellegarde (National Chief, Assembly of First Nations):** Thank you, Mr. Chair.

*[Witness speaks in Cree]*

I'm very happy to be here. I acknowledge the creator for this beautiful day. I acknowledge the Algonquin peoples, the Anishinaabeg peoples for hosting us here, and all the men and women here.

My name is Perry Bellegarde, National Chief of the Assembly of First Nations. I greet you all in a humble, respectful way.

Much of Canada's wealth comes from the resources of this land, wealth that has not been equitably shared despite the sacred promises of treaty and our inherent rights, title, and jurisdiction. Resource development alone is expected to pump \$650 billion into Canada's economy over this decade. It's time to rebuild trust with first nations and foster partnerships with this country, including new fiscal transfer and revenue-sharing arrangements.

Each federal budget must signal Canada's commitment to a new relationship and to closing the socio-economic gap that exists between indigenous peoples and the rest of Canada. The significant investments made in budget 2016 for first nations people are important commitments. They represent the first instalment towards closing the gap after decades of underfunding and neglect over 20 years.

We all know there's much work to do, and closing that gap will not be done in one fiscal year. It won't be done in two fiscal years. You need 5-, 10-, and 15-year strategies in order to close this socio-economic gap that exists. You know the gap that I use, 6th versus 63rd, and if you don't know, I'll explain it. Canada is rated sixth according to the United Nations human development index. If you apply the index to indigenous peoples, we're at 63rd.

This gap represents everything we talk about: the overcrowded housing, the cap on education, the 1,200 missing and murdered indigenous women and girls, high youth suicide rates, disproportionate number of our people in jails, 132 boil water advisories, all

the lists. That has to be closed. Maintaining the status quo is not in the best interest of this country at all.

Having said that, investing in Canada's fastest-growing demographic, young first nations, indigenous men and women, the message and theme we continually put out is to start investing in human capital. You're going to reap huge returns on investment if that happens.

In fact, studies have shown that if investments were to have been made back in 2001, by 2026, \$400 billion in positive growth in GDP would have been added to Canada's economy, and \$115 billion of cost savings would have happened. That is, if investments would have been made back in 2001. That's from 2001 up until 2026. Studies have shown that. Investing the wealth that has come from our lands back into our first nations benefits everyone in Canada. The numbers in the submission should be seen as basements, not ceilings on investment.

There are regions, such as north of 60, those in the northern regions of the provinces, that require particular attention because of the unique challenges they face. Costs of doing business in the north are huge. They're different than in the south. You always have to keep that in mind.

There are priorities in this budget coming up, 2017-18. There has to be housing and water, no question. Post-secondary education has to be there. First nations policing has to be there. What Cindy spoke about, ending discrimination, has to be in there. With the child welfare issue, funding still falls short. There is still discrimination. That has to end.

New fiscal arrangements and budget decisions must reflect the needs-based approach to closing the gap. We're going to continue to review and revise numbers in light of our growing understanding of the needs, and we'll keep this committee and the finance minister informed as well. We call him *[Witness speaks in Cree]*, the big money chief, so we have to talk to him.

• (1725)

At the AFN, we're going to continue to assist first nations in working together on common areas of concern to advance common priorities. We also expect that the important work under the MOU, the memorandum of understanding, working towards a new fiscal relationship with the crown that was signed this summer between myself and Minister Bennett is going to breathe life.

We're going to advance what the Prime Minister said: long-term, sustainable, predictable funding. We have a long road to go. We're going to close the gap and achieve rights, implementation, and reconciliation, and we trust great progress can be made in budget 2017.

*Ekosi.*

**The Vice-Chair (Mr. Ron Liepert):** Thank you.

Unfortunately, we only have about 20 minutes for questions and answers. Again, I would ask everyone to try and be as succinct as you can, including witnesses for your answers.

We're going to start with Mr. Falcon Ouellette.

**Mr. Robert-Falcon Ouellette (Winnipeg Centre, Lib.):** Thank you very much, Mr. Chair. I really appreciate each and every one of you for coming here today to give your testimony in this hearing.

My comments and questions are going to be directed towards Perry, as well as Cindy. I'm very proud that the government did not continue to fight the Human Rights Tribunal and the First Nations Child and Caring Society. It's fun to see that when you advocate behind the scenes, sometimes governments can take a step back. Sometimes we'd like the road to be very short, though sometimes it's still long.

I often think about our children. How our indigenous children have become a form of a natural resource in the child and families services systems in this country. There are 11,000 kids in care in Manitoba and some not for the right reasons. Some 87% are not there because of abuse, but negligence, the inability of parents to provide food and housing for their children. I think these are telling statistics.

Sometimes we think it's easier to take the children from the families and give them to someone else to raise, while we provide funds and monies to those children, either off-reserve or on-reserve. This is still the present, but it's also the past. I hope it can become the past.

I was wondering, Cindy, if you had solutions. What should the federal government be doing with the money that we're spending? Do you have programs that we could be implementing in order to make this something really in the past?

• (1730)

**Dr. Cindy Blackstock:** We're very proactive with the minister. We identified the flaws in each of the funding formulas and recommendations from prior reports that would have remediated the most egregious effects of the discrimination. We also provided the minister and the departmental staff with examples of programs that have been used with indigenous peoples, in Canada and around the world, that have resulted in real safety for families and a decrease in children in care.

We don't have time to articulate those now, but I can provide the committee with examples of those information sheets. I certainly would welcome any offline conversations.

In terms of the work there, I would just say that it's important. I appreciate that the government didn't appeal those decisions, but they haven't complied with them either. I'm looking forward to that happening very quickly.

**National Chief Perry Bellegarde:** Just quickly Chair, as well, on what Cindy said.

There are two processes going on. There is the FPTI process, the federal, provincial, territorial and indigenous forum. Carolyn Bennett chairs that forum with the other chair from Ontario, trying to find ways to fix the on-reserve child and family service system. You're going to need fiscal resources. That one that is on-reserve.

The other one is the Council of the Federation, where we meet the premiers. We got them to agree because there's 40,000 first nations children in foster care in the provincial systems. That has to be fixed as well, on-reserve, off-reserve, so now we have processes going on.

You have to look at the fiscal resource piece on-reserve, but as well, you have to look at the jurisdictional pieces and look at how you extend first nations jurisdiction into the provincial systems.

It's almost supporting 10 or 13 provincial-federal-first nations systems going right across Canada. You can't just deal with the on-reserve system. You've got to look at the provincial systems. We got buy-in last year in July at the Council of the Federation and we've got to keep getting those systems working. It's not just on-reserve, but off-reserve too.

**Mr. Robert-Falcon Ouellette:** From what I hear, and having talked to Minister Bennett, I think it would be appropriate for her not to just simply go to the indigenous and northern affairs standing committee, but I think because we are dealing with such an important issue—Cindy was here last year talking about this—she should come at some point to testify and answer questions here. I think she would be amenable to that.

I hope my fellow committee members would be willing to eventually call the Minister of Indigenous and Northern Affairs to answer for the amounts of money and the future programming that's going on because I think it's such an important issue. It's worthy of greater insight for people who perhaps don't have that expertise, but who, I'm sure, are very interested in this as well.

**The Vice-Chair (Mr. Ron Liepert):** Thanks, Robert.

We move to Mr. McColeman.

**Mr. Phil McColeman:** Thank you, witnesses, for being here.

**The Vice-Chair (Mr. Ron Liepert):** Excuse me, I'm sorry, Phil. Before we continue, the bells are going, so I need unanimous consent from the committee to carry on. Do I have that?

Thank you.

**An hon. member:** What time are we sitting to?

**The Vice-Chair (Mr. Ron Liepert):** Roughly, 5:45.

**Mr. Phil McColeman:** Okay, I'll try to be brief and give some time to my colleague to my left here, Mr. Angus.

**Mr. Charlie Angus (Timmins—James Bay, NDP):** Far left.

**Voices:** Oh, oh!

**Mr. Phil McColeman:** You and I know that, Charles.

Education is transformative. There's no question. I happen to represent the largest first nation in Canada, Six Nations of the Grand River, and I've watched the growth of Six Nations Polytechnic and the work that they've been doing to take their youth and build strong individuals through education. I want to concentrate on that focus.

Ms. Robinson, I think your proposals to the government have a lot of merit, for both indigenous communities and non-native communities. There's one question I have, and you have it in your bullet points. You never did get to your recommendations, but it says, "To fund a centre of excellence for vocational training". Do you have any conceptual work done on that, on what the cost is, and where that might be located?

• (1735)

**Ms. Nobina Robinson:** I'm sort of agnostic as to who is doing the learning. We all need to be learning. The part that I'm passionate about is that we need applied learning. Polytechnics deliver that. When you think of the word "apprenticeship", which is work-based learning, it has so much more promise. It is funded at one-fifth of what we support a post-secondary student with. In Canada, with our terrible jurisdictional challenges that we've had for 150 years, apprenticeship is delivered in disparate ways by trade across the provinces. It is an old system.

What we're proposing is to consolidate a lot of the learnings, as well as the best practices, and bring employers closer to apprentices through a centre of excellence that is focused on apprenticeship and vocational training. We have a brief, which I would happily submit. The idea is one from the Canadian Apprenticeship Forum. It's their idea, but we are a patron member of that institution, and we think the federal government can scale up, consolidate, and show across jurisdictions improvement in the delivery of skills training.

**Mr. Phil McColeman:** I will pass this question along to Chief Bellegarde. When you weigh the generational change that needs to happen with all of the things for indigenous people, how important is that education transformation for you?

**National Chief Perry Bellegarde:** It's huge. What's the best way out of poverty? Good education. We say, as indigenous peoples, that we walk in both worlds. We need to be strong on literacy and numeracy, and science and math, and all the above, but equally important on the other hand are our languages, our ceremonies, our traditions, and our customs. We're balancing by walking in both worlds. We need investments from K-12, but we also need investments in post-secondary education. We have 10,000 students on the wait list, and that has to be addressed in this upcoming budget. We need to find that balance by walking in both worlds. That's why we support the Six Nations Polytechnic and the First Nations University of Canada, because again it's indigenous learning and indigenous knowledge. It's walking both worlds, so it's key. It's a way out of poverty.

**Mr. Phil McColeman:** Thank you.

**The Vice-Chair (Mr. Ron Liepert):** We're going to move, then, to the far left with Mr. Angus.

**Mr. Charlie Angus:** Thank you, Mr. Chair.

Thank you for being here, and the National Chief.

We've lost three young people in Pikangikum this week, the youngest being 13. We've lost a lot of young people falling through the cracks. We had Health Canada at our committee, and I asked them about the denial rates of children needing mental health services. I asked them if they tracked how many times they deny children, and they said, of course they do. Then when we went and tried to find that data, they admitted that they don't track how many times they deny children or young people needing mental health services.

I raise that, Ms. Blackstock, because we have a government that's ignored two compliance orders and is refusing to turn over data to the tribunal. How can a government make a financial claim that it's

responding to indigenous children in need, if they don't track the data or they're refusing to turn it over?

**Dr. Cindy Blackstock:** They cannot. As I said, the burden is on the federal government to prove to the tribunal that it has mitigated the discrimination. Without data, they cannot make that case.

**Mr. Charlie Angus:** Thank you.

This summer the government announced that \$7 billion was spent on projects that included tennis courts, flagpoles, and a \$30-billion deficit. It sounds like money's flying out the door. I notice, Madam Blackstock, you said that we're \$155 million short for indigenous children. Chief Bellegarde, you say that the feds have only spent 1% of the budget so far on indigenous needs. The year is chugging along. What is that gap that could put so much money out the door and yet leave indigenous communities behind?

• (1740)

**National Chief Perry Bellegarde:** As a quick comment, on the \$8.4 billion, we are happy with the start. It's better than Kelowna. When I go to our communities across Canada, what I hear from our chiefs is, "you can't jump up on a pedestal, Bellegarde, for that \$8.4 billion, and neither can they, because we're not seeing it out in the communities". We're already into the second quarter. We are trying to work with government and put as much pressure as we can to get the dollars flowing so that they have an impact on the ground for housing, education, and water. That's the big push we have to do. We have to push INAC to find more effective ways internally. A lot of it comes down to the bureaucracy. We have to find ways to improve the bureaucracy and to get decisions made more quickly. That's one point.

On the bigger piece, there has to be a policy change between Finance and the Treasury Board so that monies don't lapse, and so that stupid decisions aren't made in February and March, like "spend, spend, spend before the end of the fiscal year". You should change the policy so there's no fear of losing it and you can carry it over into the next fiscal year. If it's there for water or housing, then it's still there for the next fiscal year and you don't make silly decisions before it's terminated. Change the policy.

**Mr. Charlie Angus:** Ms. Blackstock, what about the \$155-million shortfall to indigenous children when we have a \$30-billion deficit that's been raised?

**Dr. Cindy Blackstock:** I think I ended my remarks by saying if you choose not to comply with the law, and if you choose not to eliminate the racial discrimination, then what are the children losing to? According to that report, it's flagpoles and tennis courts. I think we owe children much more than that.

**Mr. Charlie Angus:** I have one final question. We've see that the government is still fighting indigenous children's health care. They've spent enormous amounts of money on previous cases to deny children with severe needs and to keep their families from getting it. We have a case now of a young Cree girl.

Can you talk about the difficulties of families taking the federal government to court and getting their rights respected?

**Dr. Cindy Blackstock:** In that particular case, a girl required medical treatment so that she could eat and talk without chronic pain. She was assessed by two pediatric specialists who said that it was required. It would have cost \$8,000. The Government of Canada refused to pay that, and they've now spent \$32,000 in litigation against that teenager. I spoke to the mom yesterday. She's relying on volunteer legal counsel, and I used my own personal air miles to fly her lawyer out so that she can meet with her. That's the balance of injustice.

I don't understand, as a taxpayer, why we didn't spend \$8,000 for kids to be able to talk and eat properly without chronic pain. I understand the floodgates argument, but if there are other children out there who can't eat or talk properly without chronic pain, they're welcome to all my tax dollars.

**Mr. Charlie Angus:** Thank you very much.

**The Vice-Chair (Mr. Ron Liepert):** With that, unfortunately, I'm going to have to conclude the discussion.

Mr. Ross, Mr. Roberts, and Mr. Leclerc, I want you to know that your presentations were no less important just because we ran out of time and didn't get to asking you questions.

Thank you, all of you, for being here.

The meeting is adjourned.

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