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The Honourable Wayne Easter

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● (1535)

[*English*]

The Chair (Hon. Wayne Easter (Malpeque, Lib.)): We'll call the meeting to order and welcome our witnesses. Pursuant to Standing Order 108(2), these are the pre-budget consultations for the 2016 budget.

I welcome the witnesses here this afternoon. Thank you for coming on relatively short notice. As you're well aware, it's a pretty tight time frame, and we're doing our best to hear a number of witnesses.

We'll start with Andrew Jackson from the Broadbent Institute. You have the floor.

Mr. Andrew Jackson (Senior Policy Advisor, National Office, Broadbent Institute): Thank you, Chair.

The Broadbent Institute is an independent, non-partisan organization that promotes progressive change based upon social democratic values and ideas. We've advocated for strong action by the federal government to counter growing economic and social inequality, and for a planned transition to a more innovative economy and sustainable environment.

The government plans to introduce some progressive social spending measures that we support, including the proposed Canada child benefit, which will deliver high benefits to all but the most affluent families with children, and increases to the guaranteed income supplement to deal with rising rates of seniors poverty. However, these proposed changes to the GIS exclude couples, and would leave 634,000 seniors living in poverty. A recent study released yesterday underlines the importance of both expanding the CPP and increasing the GIS.

We think that the government's agenda is inadequate or insufficiently ambitious when it comes to such important areas as child care, EI reform, and funding for first nations communities. In our view, there's a contradiction between furthering a progressive social agenda and the new government's promised fiscal plan to continue to reduce public debt as a share of GDP. This will significantly constrain new spending, especially at a time of very sluggish economic growth.

While welcoming the new tax rate for the top 1% and the elimination of family income splitting, the key problem is that the government does not propose to increase overall federal fiscal capacity. Indeed, the so-called middle-class tax cut will cost $3 billion per year, while primarily benefiting higher income earners and providing only very limited economic stimulus.

Sustainable increases to social spending and public services require new sources of revenue. We urge the government to consider modest increases to the corporate income tax and to close tax loopholes for the top 1%, such as excessively favourable treatment of stock options. The government should modify or reverse the ill-advised tax cut for the so-called middle class. Targeted programs are much more effective than tax breaks for the wealthy in building a more innovative and productive economy. Influential economist Mariana Mazzucato argues that strategic government leadership, public investments and research well in advance of immediate commercial opportunities, and direct support for strategic corporate investments are critical to building innovative economies.

We believe that there's also a vital federal government leadership role in building a more environmentally sustainable economy. A recent joint report with the Mowat Centre called for a green Bank of Canada and concrete measures to promote greater energy efficiency and greater use of renewable energy.

We support the government's proposal to increase investments in physical and environmental infrastructure, such as public transit and basic transportation. This will give a badly needed short-term boost to growth and job creation, and it will help to raise long-term business investment and productivity.

An independent study commissioned by the Broadbent Institute last year by the well-respected Centre For Spatial Economics shows that there are overall benefits to Canadians from investments in basic infrastructure in the order of $2.46 to $3.83 per dollar spent. The study further found that the long-term impact on government finances would be, at worst, marginally negative, or even positive, due to increased revenues from a larger and more productive economy.

The economic outlook for 2016 is dismal, with growth expected to fall well below 2%, and unemployment expected to remain above 7%, but growth and job creation could be significantly boosted by a well-designed public investment stimulus twinned with major increases in income transfers to lower income Canadians, such as through enhanced unemployment benefits.

We hope that the government will consider more progressive tax changes to fund a larger and more sustainable increase to social programs.

Thank you.

The Chair: Thank you very much. We have your full brief here, Mr. Jackson.

Turning to the Canadian Federation of Agriculture, we have Scott Ross. Mr. Bonnett must be tied up in a snowbank.

Mr. Scott Ross (Director of Business Risk Management and Farm Policy, Canadian Federation of Agriculture): He is. I want to extend his regrets. He tried to get in from the Soo today and was caught up due to the weather.

I'd first like to introduce the Canadian Federation of Agriculture. We're an umbrella organization comprising provincial farm organizations and national commodity organizations representing over 200,000 farmers from coast to coast to coast. As an industry, Canadian agriculture is at the heart of an agriculture and agrifood sector that contributes over 6.7% to Canada's GDP, one in eight Canadian jobs, and well over $50 billion in wages and salaries across over 200,000 businesses.

I'd like to speak to four key areas today, which we've laid out in the brief which we provided you with in advance. These four areas are key to creating a policy environment conducive to continued success and growth in Canadian agriculture.

The first item I'd like to speak to is the issue of industry succession. With the average age of farmers now over 54 years and many looking to retire in the next decade, we're looking at approximately $70 billion in farm assets changing hands over the next 10 years. Estimates suggest that 75% of Canadian farmers look to retire over this period. This poses a significant potential for disruption to the industry.

At CFA over the past few years, what we have done is to work in collaboration with accounting firms across the country that have agricultural interests on developing a suite of low-cost and cost-neutral proposals that would focus on facilitating the intergenerational transfer of family farms while creating opportunities for new entrants to the industry. Family farms still represent 98% of all Canadian farms, and there are a number of positive aspects to this operating model that we would like to see continued in the agriculture industry.

Our requests can be broadly categorized under two main pillars, the first being broadening the definition of family “member” within the Income Tax Act, recognizing that farm families are comprised of a broad set of relations, more so than just parent and child.

The second point to note is the issue of “anti-avoidance” legislation, which we continue to see causing unintended consequences for agricultural operations due to structural changes in the industry. We have seen an increase in farming corporations—larger farms, due to consolidation and economies of scale, that now support multiple families—and because of this, we continue to see new barriers in place preventing flexible transfers from one generation to the next for family farms.

In particular, subsection 55(2) and section 84.1 of the Income Tax Act pose problems for joint sibling ownership as well as the use of holding companies when farm families look to transfer from one generation to the next. We were encouraged last year to see a private member's bill, Bill C-691, introduced by Emmanuel Dubourg, now the parliamentary secretary for the national treasury. It was looking at this issue of section 84.1 and addressing the use of holding companies for small and medium-sized enterprises. We encourage the reintroduction of that draft legislation.

These measures aren't meant to introduce new benefits or new provisions to the Income Tax Act, but rather to recognize that structural changes in the industry have left existing provisions with reduced utility for farm families looking to transfer from one generation to the next. Farm family children are no longer necessarily expected to stay on the farm. With multiple families supported by larger operations, we continue to see the broader subset of family relations looked at as the potential next best manager for the farm operation in the next generation.

The second issue I'd like to speak to are the chronic labour shortages that continue to plague the agriculture industry. The agriculture industry is full of high-quality job opportunities and career options with competitive wages and benefits. The industry also offers many lifestyle benefits and a flexibility not available in other industries. Agricultural employers expend extensive efforts to recruit and retain Canadian workers; however, the industry continues to identify pervasive and critical labour shortages as a major constraint and one of the biggest risks facing farm businesses.

To address this issue, we've identified three key requests, the first being increased funding for the collection of regional agricultural labour supply and demand information, both through the labour wage survey as well as the Canadian Agricultural Human Resource Council's ongoing work to develop labour market information forecast models for supply and demand.

● (1540)

The third point is that we would like to see a partnership between industry and government struck to implement CAHRC's agriculture and agrifood workforce action plan by creating a dedicated agriculture and agrifood international worker program and promoting channels to permanent residency for agriculture and agrifood workers.

The Chair: Scott, could you sum up in 30 seconds or so. I said I'd give you a warning at five minutes.

Mr. Scott Ross: Thank you.

The last two items I'd briefly like to speak to involve agricultural investments. This is speaking to the continued increase of requirements placed on producers because of climate change and trends in retail food markets that have posed increased investment requirements on farm operations without an associated premium in the market.

On this note we'd like to see changes to the AgriInvest program, which are laid out in your brief, that would facilitate more on-farm investment, as well as an increased emphasis on rural infrastructure spending in the new government's commitments.

The final piece I'd like to briefly touch on is the duty relief program. The duty relief and drawbacks program administered by CBSA was not designed for agricultural goods and does not provide adequate safeguards to address the potential diversion into the domestic market when dairy, poultry, and egg products are imported into Canada for further processing and subsequent re-exportation.

What we would like to ask is that dairy, poultry, and egg products be excluded from the duty relief and drawbacks program by making an exception similar to the one that exists for fuel and plant equipment. This exclusion should be included in the budget to ensure its timely implementation. It would solve inconsistencies where participants evicted from Global Affairs Canada's import to re-export program for not respecting the rules are allowed to apply under the duty relief and drawbacks program.

Thank you.

The Chair: Thank you, Mr. Ross.

We'll turn to the Canadian Federation of Students.

Ms. Arte, welcome. The floor is yours. Please see whether you can keep to five minutes.

Ms. Bilan Arte (National Chairperson, Canadian Federation of Students): Good evening. My name is Bilan Arte, and I am the national chairperson for the Canadian Federation of Students.

The Canadian Federation of Students is Canada's largest and oldest national student organization, representing more than 650,000 students across the country. Our organization advocates for an accessible, affordable, high-quality, and public system of post-secondary education for our country.

Our budget recommendations focus on how to make education more affordable for students and address mounting student debt in Canada. Ensuring that all people in this country are able to pursue higher education and training must be part of any significant, stable, long-term recovery for our economy. The OECD has highlighted that participation rates will have to grow significantly, if Canada is going to address our changing labour market demands and an aging workforce.

In its most recent Global Economic Competitiveness Report, the World Economic Forum ranked Canada 13th in ability to compete economically with other countries around the world, a decline from 10th place in 2009. In its explanation, the forum noted that Canada's disjointed and inefficient post-secondary education system was one of the main reasons for the slide. Over that same period, Canada's ranking for higher education and training had dropped from 9th to 19th.

Unfortunately, the cost of post-secondary education continues to be downloaded to students and their families, despite the significant public rate of return on investments in post-secondary education. In 2013 economist Hugh Mackenzie found that real return on current public investments in education ranged from an annual rate of 3.6% in Saskatchewan to 6.2% in Ontario.

As a result of high tuition fees, student debt has increased substantially. Average public student debt is now estimated to be over $29,000 after an undergraduate degree alone. When that debt is paired with rising tuition fees, it's easy to understand how we've arrived at a situation in which young people in Canada today collectively owe $19 billion to the federal government alone, not including the billions more that they owe for provincial and private loans. In fact, the amount owed to the Canada student loans program is increasing by nearly $1 million every day.

The long-term impacts of carrying such debt include delayed participation in the economy, inability to invest or save for retirement, starting a family later in life, and aversion to taking on further financial risks, such as starting a business.

Credit agencies and major banks are now warning that student debt has reached unstable levels. As of September 2014 more than 200,000 Canadians were unable to make any payments on their government student loans.

We also recognize that the realities of skyrocketing tuition fees and crushing student debt disproportionately affect communities that are already significantly marginalized because of their socio-economic background in today's society, including indigenous and racialized communities. These are communities that feel the pressure of financial barriers most acutely and are often so debt averse that they may choose to not even attend post-secondary.

In conditions such as these, how could we possibly expect students and graduates to participate fully in the economy?

Students are putting forward a vision that would work to address the root cause of student debt.

First, the government should implement a federal post-secondary education act modelled on the Canada Health Act and create a dedicated cash transfer of $3.3 billion for post-secondary education, primarily by redirecting existing government funding for inefficient post-secondary education-related tax credits and savings schemes.

The lack of a national vision has resulted in a significant disparity in tuition fee levels and per student funding across the country, with students in Ontario paying almost three times more than students in Newfoundland and Labrador. Canada's students are calling on the government to ensure that merit and not geography determines whether someone can go to college or university.

This act would be accompanied by a fifty-fifty cost-sharing model to eliminate undergraduate tuition fees, making sure that provincial governments are also held to account, not only to ensure that the transfers they receive from the federal government for post-secondary education are spent on just that, but also to reward provinces that come to the table with adequate funding to support universal access to post-secondary education.

We're also recommending that in order to stop the federal student loan debt from increasing, government should act immediately to increase the accessibility of post-secondary education by redirecting the $750 million currently allocated in ineffective education-related tax credits and savings schemes into the Canada student grants program. This simple solution would double the already limited funds for the Canada student grants program. Such a change would have a significant impact on students' ability to both get an education in the short term and contribute meaningfully to Canada's economy and society in the long term.

We believe access to post-secondary education is the greatest social equalizer at this government's disposal, helping to address cycles of poverty in already impoverished communities that don't have the funds today to start saving for the next generation of Canadians.

● (1545)

Furthermore, for indigenous communities in Canada, access to post-secondary education must be recognized as a treaty right. Funding for the post-secondary student support program must be immediately increased and matched with enrolment.

By implementing these recommendations, this government can increase the ability of young Canadians to obtain financial security and reach life milestones. Allowing more people of all ages to obtain additional training or retrain in emerging fields will allow Canadians to drive our economy forward.

Public education is a public good and needs to be funded as such.

I certainly have appreciated the opportunity to address this committee today. I'm more than happy to answer any questions on any of the items that I've mentioned or any of the items that are included in the full submission before you.

Thank you.

● (1550)

The Chair: Thank you.

Turning to the Institute for Research on Public Policy, Mr. Tapp, the floor is yours.

Mr. Stephen Tapp (Research Director, Institute for Research on Public Policy): Thank you very much, Mr. Chair. Thanks as well to the committee for extending the invitation to be here today.

I would like to focus my remarks on three key messages. These are that the new government's first budget should first, establish its fiscal credibility; second, provide short-term support for the economy; and third, build Canada's longer-term economic potential in a way that's fiscally sustainable. But first, let's back up for some context.

In the slow recovery from the financial crisis, growth in Canada and abroad has been disappointing. The falling commodity prices since mid-2014 have been the latest setback. This is a major shock for Canada. It's primarily felt through weaker terms of trade, a lower Canadian dollar, reduced domestic income, and less resource sector activity. Canada's economy already had some excess capacity before this shock, and this is going to delay its return to its full potential.

In other words, without new policy measures over the next few years, the Canadian economy will not perform as well as it could.

As this painful and slow adjustment unfolds, policy-makers are looking for the right response to support the economy. This is going to require carefully weighing the benefits and risks of additional actions against the status quo.

Accommodative monetary policy has already helped out, but lowering interest rates further will provide little economic stimulus and risks overheating housing markets, excessive household borrowing, and broader financial stability concerns. Instead of cutting rates again or expecting the economy to quickly self-correct, well-crafted fiscal measures are a better option for several reasons. First, the federal government has fiscal room available. Second, it seems that monetary policy would accommodate new fiscal measures. Third, the opportunity cost of long-term government borrowing is near historic lows. Finally, the ongoing restraint on spending at the federal level over the past five years means that there are likely spending needs built up in some areas.

While these fiscal actions admittedly carry several risks, which include the fact that programs and budget deficits are easier to start than to end, the evidence of robust short-term fiscal multipliers is mixed, and larger deficits will inevitably raise debt charges, I think these risks can be managed. But this involves managing expectations.

Canada's economy and economic performance depend on global developments that we don't fully control. Therefore, budget 2016 should be upfront about what fiscal policy can deliver in the near term, particularly on cost-shared infrastructure spending. The last round of fiscal stimulus showed that we shouldn't overestimate how quickly these projects can get going. New announcements will mostly hit the ground after the 2016 construction season, and that's okay. In this regard, shovel-worthy should take precedence over shovel-ready. After all, the main rationale for infrastructure is not short-term economic stimulus, but improving Canada's longer-term economic potential, and that takes time.

Six of the last seven budgets have revised down the consensus GDP forecast. This budget in 2016 would be prudent to explore these prevailing downside risks in detail. For example, consider a scenario where oil prices stay flat at about $30 a barrel over the government's mandate. What would that look like for the government's finances and for the economy? Reporting such a scenario could illustrate the challenges that we face, how oil prices impact the federal finances, and alternative policy scenarios.

It's also important to be transparent in this first budget. Including more internal analysis and technical details will help build fiscal credibility. Finance Canada's analytical capacity could be augmented by publishing staff working papers and encouraging researchers to present their findings externally.

The government has stated two fiscal policy targets. An important one is to reduce the federal debt-to-GDP ratio each year. This rightly shifts the focus away from the annual nominal budget balance. However, rather than requiring yearly reductions, it may be more manageable to establish a medium-term target range for the debt ratio—similar to how we do inflation targeting, try to stay within a band over the next five years.

Whichever medium-term target is used, it should be complemented with a longer-term fiscal target that would rely on sustainability analysis and look ahead several decades.

Looking beyond budget 2016, there are many complex issues that will require attention. Allow me to highlight just one. Eventually the Canadian federation will probably need to raise revenue as a share of GDP. If so, this will need to be done carefully to avoid unduly restraining growth. The government has already expressed interest in intending to review tax expenditures. This is a worthwhile exercise, but I think the scope should be broadened to review the entire tax system to make it more efficient and more equitable.

To conclude, after several disappointments, Canada's economy is adjusting to a major shock. The outlook is weak and highly uncertain. Downside risks prevail, and the economy will probably operate below its productive capacity over the next few years.

To manage these risks, expectations should be tempered, and the macro policy approach should be adjusted in Canada. Fiscal policy needs to be more active, with well-designed fiscal measures that would help cushion the adjustment and ease the burden on monetary policy.

In the short term, timely and targeted automatic stabilizers, which would include unemployment benefits and federal stabilization transfers to resource-rich provinces, should be allowed to work, and some should be temporarily strengthened.

● (1555)

Any new discretionary measures should aim to improve Canada's economic potential over the medium term. They should be funded as part of a longer-term plan that preserves fiscal sustainability.

Thank you very much, Mr. Chair.

The Chair: Thank you, Mr. Tapp.

“Shovel-worthy” is a word I never heard until yesterday, but now I've heard it half a dozen times, and it makes sense.

We'll now turn to Mr. Wright from the RBC Financial Group.

Welcome.

Mr. Craig Wright (Senior Vice-President and Chief Economist, RBC Financial Group): Thank you.

Thank you, everyone, for your time today and for your time generally. I appreciate the work you do.

In the context of pre-budget discussions, we were involved in pre-budget meetings with the minister last Friday—Chatham House Rule, so I can tell you what I said but not what anybody else said—and in fairness and for consistency, I thought I'd repeat the message I delivered to the minister on Friday of last week.

Our view on the Canadian economic outlook is a theme we've been on for some time and it looks like it will be with us for a while: an uncertain, uneven, and underwhelming recovery.

The uncertainty we're reminded of on a daily basis. We're seeing movements in markets, that used to be big moves for a month or a quarter, taking place almost on a daily basis. I do think fear is overtaking fundamentals. We think the fundamentals will eventually carry the day, but obviously there are risks that fear will eventually become a fundamental that contains growth prospects.

We are looking at some of the bigger worries like China, like oil prices, and the U.S. recovery, a little less worrisome than what we're seeing priced in for market. We do think China will manage to contain the crisis. Global growth will be in that 3% to 3.5% range. It should support global trade and should also support global commodity prices.

The U.S. we see as a decent growth story. We have 2.5% growth in the U.S. Importantly for Canada, we don't export to U.S. GDP; we export to sectors of the U.S. economy, and those sectors are the ones that are performing well: autos, housing, and equipment and software. We're seeing the strength in our major trading partner, and that's taking place in the context of a more competitive Canadian dollar. We think we're past the lows in the Canadian dollar, but we do see it still remaining in that 70¢ to 75¢ range as we move through the year. That will provide ongoing support for exports.

When you look at the shock to the economy, the shock is obviously in the energy sector. The energy-dependent provinces are moving down the growth rankings, and in those that are export dependent, U.S. and currency helping the way, we do see that transition taking place. Exports are nearly 10% up on a year-over-year basis. That transition is taking hold. The consumer will grow, we think, in line with income. We'll get the added lift from debt, because the debt-to-income ratio is at elevated levels, and we do have a placeholder. When you look at our growth forecast for Canada this year, we're at 1.8% and the Bank of Canada is at 1.4%. I think consensus is probably a bit below that, but we have put in a placeholder for fiscal stimulus now. Not all deficits are created equally. We are aware, and we're holding a spot. We'll reassess the growth outlook when we get the budget details later, probably in March, I guess.

When we look at the fiscal stimulus, as Stephen has suggested, monetary policy has done a lot of the work. Monetary policy is aimed at smoothing out the cycles. It won't reverse the cycles. We're at the point where we need more economic policy, fiscal policy more generally, and that will raise the speed limit for the economy over the long term, which is growing the economic pie we all share.

In terms of focus, everything we see should be looked at through the lens of productivity-enhancing investment. Infrastructure fills the gap short term, but also bodes well long term for productivity. It does tend to have a higher multiplier, so the more bang for your buck than you get from some other programs. Shovel-worthy is obviously an issue. When do you get it into the economy? We'd rather see a good decision rather than a rushed decision. We will see, we think, fiscal stimulus. We do hope it's focused on the infrastructure side.

With respect to the fiscal plan, we've become accustomed to a medium-term plan of fiscal consolidation with a zero out there at some point. It sounds like that zero is looking less likely, but the hope is that it's still part of the plan.

Targeting a debt-to-GDP ratio is less than ideal. You have some control over debt; you have no control over GDP. It isn't ideal, but it does seem to be what we're hearing as the new commitment or the new anchor for fiscal policy. When you have a debt-to-GDP ratio at 31%, and to keep it moving lower, if you have 4% nominal growth, that suggests you can run deficits in the $25-billion to $30-billion range and still manage to keep that debt-to-GDP ratio drifting lower. We would push for something less than that. As Stephen suggested, successful fiscal policy is timely, targeted, and temporary. I'd focus on the temporary component.

Thank you.

● (1600)

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

Via video conference, we'll turn now to Mr. Slomp from the National Farmers Union.

Welcome.

Mr. Jan Slomp (President, National Farmers Union): Thank you.

The National Farmers Union would like to thank you for the opportunity for this pre-budget consultation.

The NFU is a voluntary, direct membership, non-partisan national farm organization made up of thousands of farm families from across Canada who produce a wide variety of commodities. The NFU works toward the development of economic and social policies that will maintain small and medium-sized family farms as the primary food producers in Canada. Based on the situation left by our previous government, we want to echo the Prime Minister words that it is time for real change.

For budget 2016, we would like to present the following recommendations. We should set the stage for growing forward 3. We recommend a real change from past policy, particularly by aligning the vision of agriculture with the principles of food sovereignty and supporting agriculture's efforts to mitigate and adapt to climate change. The budget should support the next generation of family farmers by establishing universal pharmacare.

The 2016 budget should redirect all agriculture research funding toward public and independent third party research in the public interest and reinstate funding to the public agricultural research institutions to allow them to recover and rebuild their capacity with a new generation of scientists.

Funds should be allocated to public plant breeding to develop varieties that are adapted to Canadian regional climates. We need to help Canadian farmers adapt to climate change in order to do well under low-input, organic, and ecological production practices. The budget should support participatory breeding initiatives and enable new varieties to be released without royalties.

The budget should also fund research and assessment of pesticides, including field crop trials on yields, monitoring of soil quality and surface water contamination, and impacts on pollinator populations. Funds should go toward assessment and implementation of farming practices to increase biodiversity and integrated pest management to benefit farmers, and both natural and agricultural ecosystems.

Budget 2016 should take concrete steps to correct the damage caused by the previous government of ending the Canadian Wheat Board single desk. It should establish and fund mechanisms to regulate the grain system to ensure all farmers have an equal opportunity to ship grain, to counteract the power of major grain companies, and to give priority in shipping to small grain companies, producer railcars, and short-line railways.

We ask that the upcoming budget establish a mechanism to develop additional producer car loading sites when requested by farmers, and ensure that the Canadian Transportation Agency has the funding and the resources it needs to enforce the statutory common carrier obligations of Canadian railways under the Canada Transportation Act.

The NFU recommends that the upcoming budget provide support for new and young farmers by lowering the cap on the government's support programs; making effective, affordable financing programs available to new farmers, including micro loans and small grants; providing funding for farm apprenticeship programs and training; and using tax penalties to effectively prohibit foreign investor and absentee farmland ownership.

Supply management provides Canadian farmers with a stable income based on cost of production. Therefore, the government should reject both CETA's and TPP's allocation of parts of Canada's supply-managed commodities' markets to imports and should address the loopholes to stop the dumping of dairy protein products into Canadian markets.

● (1605)

The focus on globalization and trade means that more of the food Canadians eat every day is imported, thus subject to currency exchange rate fluctuations, external political events, and transportation issues.

Today we see food price inflation because grocers must buy imported products using expensive U.S. dollars. Canadian farmers, farm workers, food processors, companies, and consumers would all benefit from reinvestment in Canadian fruit, vegetables, livestock and meat production, and processing capacity that is distributed all across the country.

If you would like the upcoming budget to include measures to safeguard the space for domestic food production for the long term, the budget should—

The Chair: Jan, I'm going to have to get you to sum up in 20 to 30 seconds, if you can.

Mr. Jan Slomp: The budget should help Canadian agriculture to contribute to future success of the Paris agreement on climate change. Your budget should provide funding and support to farmers for adapting to climate change, and to contribute to the reduction of greenhouse gases through climate-friendly technology and practices.

The budget should reinstate federal funding for community pastures, and for the prairie farm rehabilitation administration. It should restore funding to the Prairie Shelterbelt Program tree nursery, and re-establish the prison farms. It is very important that we help the farmers weather the financial risks that come with unpredictable weather due to climate change.

I thank you very much.

The Chair: Thank you, Mr. Slomp, and thank you, all.

Turning to questions, in the first round of seven minutes, Mr. MacKinnon.

[*Translation*]

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

I want to welcome all the witnesses and thank them for their presentations. They have sparked a great deal of thought, both by colleagues from my party and those from the opposition.

I was very happy to see how much they supported the idea of stimulating the economy and establishing key stimulus policies, especially when it comes to post-secondary and agricultural education.

My question is for Mr. Tapp and Mr. Wright.

You alluded to some projects considered to be shovel-ready. How would you define those projects? How do you distinguish them from others? You were talking about temporary or one-time investments. Could you tell us what you mean by that?

[*English*]

Mr. Craig Wright: I can start. Thank you.

I had mentioned that to me shovel-ready has taken on a negative connotation. When we think of infrastructure, as I suggested at the outset, we want to think in a context of long-term productivity enhancement. The challenge of fiscal policy stimulus on the infrastructure side is getting it in place when the economy needs it rather than later when the recovery takes hold.

I think that given our growth outlook we're not terribly worried about that sort of longer-term pressure on the private sector.

I don't think there'll be a challenge with shovel-ready. We've had such an infrastructure deficit built up over decades that I think there are a lot of projects in waiting that are shovel-right, rather than shovel-ready. These are good projects that are ready to go. They'll still take some time to get in place.

I worry about shovel-ready because ready-to-go may not be what's right for the economy and that's the negative connotation of shovel-ready. But I do think we probably have some good projects ready and willing to be funded and put the work in. I'm sure the minister is getting more advice than he needs.

● (1610)

The Chair: He's getting a lot of requests for money, that's for sure.

Go ahead, Mr. Tapp.

Mr. Stephen Tapp: To pick up on Craig's point on shovel-worthy versus shovel-ready, one of the things I would caution you guys about in general as a committee would be that when we got infrastructure bundled up with fiscal stimulus, I think that was generally a mistake.

There are two types of infrastructure projects that can take place. There are things that can happen in the 2016 construction season. Those are things like routine maintenance projects. But there are also things that need to be done over the longer term, say, in 2017 or 2018, over the mandate of the government. We can call those shovel-worthy.

The point I would make is that because a project is ready does not make it a top-of-the-list priority. I think we should be looking at building growth, and I think we should be setting expectations such that people are not thinking.... For example, when I look back at the economic action plan, I see that the initial allocation in budget 2009 was that half the spending would be in year one and half in year two. That's in the expectation that in the first construction season there's going to be a lot of activity. I'm just looking at the cost-shared projects, the projects that include municipal, territorial, and federal governments, and in fact, 17% of the stimulus spending came out in year one, 69% in year two, and then it was 14%, because we extended it into year three.

My point would be that we learned something from that episode. I'm not saying that the stimulus program that happened was not done well, but it was not done as quickly as people had expected. Expectations were such that it was going to be boom-boom. I think that as long as expectations are set with the public that some projects need to be done quickly—and they can be, and those will support the economy—most of the focus should be on supporting economic growth. I think that's the safe way to play it.

The Chair: Mr. MacKinnon.

[*Translation*]

Mr. Steven MacKinnon: Thank you, Mr. Chair.

Mr. Tapp, you talked about an increase in government revenues as a share of the gross domestic product. Mr. Jackson talked about a possible increase in government revenues. You, and especially Mr. Jackson, even discussed measures that were taken in past years, but that did not have the desired effect.

Could you both share your thoughts on increasing government revenues for the sake of fiscal stimulus, strategic economy and the growth of our economy?

Mr. Jackson, you can go first.

[*English*]

Mr. Andrew Jackson: I should say that I agree with my two colleagues about the importance of public infrastructure investments. The study that was done for us by the Centre for Spatial Economics was interesting. What it showed over the medium term was that the increase in business productivity that results from a well-designed program does generate GDP growth, and thus higher revenues down the road. At least in an optimistic scenario, even if you are deficit financing that to begin with, you would be taking care of that deficit you were building up through revenues down the road. I think that's a really important point.

I guess the argument I'm trying to make, and my concern, is that concerns about deficits are going to derail some of the social spending commitments that the government has made, or put them under pressure. I think that if we're going to have sustained spending on social programs, ultimately that has to be financed out of the federal fiscal tax base. Growth alone won't take care of a significant improvement on a social program such as child benefits.

I think the government has said that there would be a review of tax expenditures. I would certainly encourage that. I guess I'd go on the record as being sceptical about the middle-class tax cut. I suspect that's not going to be quickly reversed. The problem with those permanent tax cuts is that they become very difficult to ratchet back once they're in place. I still think there's a case for a corporate tax increase, with the proviso, I would say, that I think there are more effective ways of stimulating business investment than just cutting the corporate tax rate. I would use that to finance other business assistance procedures.

I hope I've answered your question. I missed a bit of it in translation.

● (1615)

The Chair: Thank you both.

We'll turn to Ms. Raitt.

Hon. Lisa Raitt (Milton, CPC): Thank you very much, Mr. Chair.

Mr. Wright, I guess you'll be getting a lot of my questions today since you talked about some of the matters that I'm very interested in.

One of the things you talked about was the debt-to-GDP ratio, and my colleague on the other side of the table mentioned it as well. I think the part that causes me a bit of concern on using this as a fiscal anchor is that part of the equation is missing, and that's the provincial debt. We don't tend to talk about that, but the reality is that provincial debt is an important piece of the overall economic sustainability of the country. I'll give you an example. If Ontario right now is spending $5 billion a year to service interest payments, that's $5 billion they don't have for the social services and it's $5 billion that goes into the equalization framework and category.

I guess my question is along the lines of how much do the provinces matter, do you think, in terms of the debt-to-GDP ratio. I mentioned some of these numbers yesterday; you may not have them. The reality is, these are a little dated but they're still in the same framework. I don't think they've got particularly better. That's what I'm trying to say from the numbers I'm going to give you.

Alberta has a debt-to-GDP ratio of about 35%. Saskatchewan is 42%; B.C. is 54%; Ontario is 76%; and Quebec is 87%. These are significant numbers that impact what happens on the federal side.

I guess I'd like to get your thoughts about fiscal policy—you're talking about that—the anchor debt-to-GDP, and what role the provinces have. I would submit that the provinces actually do matter when you're talking about debt-to-GDP ratio, and it's something missing from the conversation so far.

Mr. Craig Wright: Thank you.

The Alberta debt-to-GDP numbers don't square with what I've looked at, and given that they're starting from—

Hon. Lisa Raitt: And if you had it more updated, that would be great. If it's higher, you can let me know.

Mr. Craig Wright: It's gross debt, maybe, not net debt. Just in clarity, I was speaking net debt to GDP.

I mentioned that my preference for a fiscal anchor is the balanced budget; over the fiscal plan or slightly beyond the fiscal plan would be the ideal. I think the reality of what we're hearing more recently is that fiscal anchor has been altered and that now the preference is debt-to-GDP, which I suggested is not my preference, but that seems to be where we're headed. Then when you look at the debt-to-GDP ratio, there are some who would suggest not to even bother and let it run higher rather than let it run lower. My preference would be to continue to see it move lower for some of the reasons you've mentioned, that we do look just at federal government debt-to-GDP at 31% and hopefully declining. The federal government with their debt situation is in a better position on a net debt basis than most of the provinces, and the ability to stimulate the economy at a time when we need it.... Alberta, given their relative net asset position, is well positioned, and they seem to be going down that path as well, but most provinces Ontario and east have fiscal constraints upon them. Maybe Manitoba is on that list as well, but not quite as much, though.

I think the feds see that the debt-to-GDP ratio going down would be a preference. The first preference would be a balanced budget. But as for the debt-to-GDP, as I suggested, they have some control over the debt but no control over the GDP.

Hon. Lisa Raitt: Or interest rates.

Mr. Craig Wright: That's why a preference would be for a balanced budget, which you have more control over.

If the commitments keep moving lower, if you have 4% nominal growth, you can run a deficit in the $25-billion to $30-billion range. That doesn't leave much leeway for any slip in the GDP numbers, so I wouldn't want to see it push our luck or our limits with a new target.

The other side of it is longer term I'd like to see these debt-to-GDP ratios move lower, because of the aging demographics, which means a slower speed for the economy and a slower revenue base at a time when health care costs are going higher. With the fiscal situation federally as well as in many of the provinces where health care spending is already at 40%, we will see that debt dynamic change.

So with an eye on the fiscal challenges in the provinces, if they do go debt-to-GDP as the new anchor, I think that they should target it lower, not higher.

Hon. Lisa Raitt: Okay, I appreciate that.

On economic growth, my point of view is that our problem with economic growth from the country—the commodities growth—just isn't there. We're getting hammered in oil, in gas, and in minerals.

Do you think, though, that we're going to have a situation where we can outpace the status quo on commodities? I don't see it bouncing back right now. Are we going to be able to outpace that reduction with our other sectors? I see B.C. and Ontario doing better, but is it enough to push us into positive growth?

Mr. Craig Wright: Yes.

The commodity shock—the known and now—is taking place in the investment side, and we're seeing a collapse in energy investment. Last year it was 35%, and this year most forecasters have it kind of pegged at another 25%. So it's a big hit. The hope is that the offset comes from the other side. When you get the negative commodity price shock, there are some offsets, and one is the currency. The currency has weakened alongside the commodity and at the same time, it's an effective tax cut to any importing nation or importing province. Effectively, it should be net positive for global growth, and we should see that particularly in the U.S. They have seen some of that tax cut effective in lower gas prices. Their savings rates are up on a year-to-year basis about $100 billion. So they're saving it. I think that's the uncertainty, and it will eventually get spent. But the U. S. growth is, as I've suggested in my comments, at 2.5%. It's taking place in the sectors we export to with a competitive currency. We're starting to see those export numbers turn around. They finished the year on a solid foundation. I think that will carry the support.

You still need consumer spending. It's 60% of the economy, so you can't have growth without a consumer sector. I just think that consumer spending is more moderate than in the past because you're not getting the extra kick from data accumulation, we hope.

● (1620)

Hon. Lisa Raitt: Is business investment picking up in the country?

Mr. Craig Wright: Well, no. The negative is showing up through the energy side and the rest—

Hon. Lisa Raitt: And the rest as well?

Mr. Craig Wright: —the business side is still weak and that's something we hope will.... The corporate balance sheets are in a fairly healthy position. We've seen that globally, and that money has to get to work some day. In fits and starts it shows up in M and A, and share buyback dividend payouts, but on a sustained basis we want investment. Andrew, Stephen, and I all made comments about the multiplier, the bang for your fiscal buck. In infrastructure what you tend to see is that once public sector infrastructure picks up, with a lag private sector infrastructure picks up. If we can restructure this infrastructure build-out to get more of the public sector money, whether it's with corporates or pension plans, I think that would give a huge lift relative to the government's balance sheet.

The Chair: A very quick one.

Hon. Lisa Raitt: That's it, I'm good.

The Chair: Mr. Caron.

[*Translation*]

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

I hope to have at least three minutes at the end because I have many questions to ask.

I will first turn to the Canadian Federation of Agriculture representative.

We have not yet discussed the Canadian Food Inspection Agency. We know that significant cuts have been made that have led to reductions in terms of inspections. During the election campaign, the Liberals promised an additional $80 million over four years.

Do you think that amount is sufficient? Will it ensure greater food safety? Should that absolutely be part of this budget, or could it perhaps be pushed to future years?

[*English*]

Mr. Scott Ross: Thank you.

I'd like to put out there that this is not a subject matter that I'm an expert in. I know from speaking with my colleagues and our members that the role of the CFIA in food safety has gained prominence in recent years, largely because of an increased level of attention on where our food comes from for the Canadian consumer and from the expert side. Our members have certainly seen impacts of cuts to the CFIA, and that has put constraints on the system's ability to continue to meet the increasing demands being placed on it from this increased interest from consumers.

We haven't highlighted it as a priority for this budget, but we do wish to see continued investment placed into the Canadian Food Inspection Agency and the role they play in maintaining Canada's current position as a high-quality provider of food to the world and as a safe and effective system. We do not believe there's any reason that the current decline in investments has posed any questions as to the capacity of our system as it stands, in terms of its ability to ensure safe food for Canadians and for export. At the same time, we believe that with the increased prominence of social licence and food safety issues in the consumers' attention there will be a need for increased investment moving forward.

[*Translation*]

Mr. Guy Caron: I would like to put the same question to Mr. Slomp.

Is the $80 million over four years sufficient to address the shortcomings we have noted within the Canadian Food Inspection Agency?

[*English*]

Mr. Jan Slomp: Well, I would like to answer that in general terms.

I think our regulatory agencies are depending too much on the selective science that is submitted for approval of drugs and additives. I think we need to be partly re-funding the CFIA, as well as re-funding Health Canada, to obtain independent research around health and safety of products. I think we need to flag importation of food a bit more drastically than we have been doing.

Yes, I think we need to reinvest in food safety, partly by funding CFIA better and also asking Health Canada to step up and provide independent studies.

● (1625)

[*Translation*]

Mr. Guy Caron: Thank you very much.

My next question is for you, Mr. Jackson.

In your presentation, you briefly talked about pensions. The Liberals' platform during the election campaign contained two main elements: an immediate 10% increase to the guaranteed income supplement, as well as improvements to the Canada Pension Plan and, by extension, to the Quebec pension plan.

I am currently a bit concerned about not seeing any firm commitment in that respect in the next budget. We will see what the situation is in the budget. It seems that they are refusing to answer the question on whether those measures will be included in the next budget.

As for the Canada Pension Plan, the conference of finance ministers was held, which ultimately postponed the decision again for a year in order to carry out more research, even though the issue has been under consideration for 10 or 12 years.

What do you think is the urgency of taking action when it comes to pensions?

[*English*]

Mr. Andrew Jackson: On the Canada pension plan, I'm optimistic. We may be able to move forward here, but there clearly needs to be a concrete proposal put on the table by the federal government, perhaps in co-operation with Ontario.

I do note there was an announcement yesterday that the matter will be discussed at the June meeting of finance ministers. I would have thought it possible, given the work that was done by the federal government and the provinces earlier, for a concrete proposal to come out of that meeting in June, rather than punting it off until next December.

The study we released yesterday really underlines the fact that the RRSP retirement savings of Canadians who don't have pension plans are, for many, grossly inadequate. There's an increased risk of poverty as a result of that. I think the government's commitment to increase the OAS is welcome, and it should be in this budget. The big flaw in that proposal, the way I understand it, is that the way it is set out it applies only to single seniors. At least one in three seniors living at a low income is actually in a couple. There's always a question of whether a 10% increase is adequate. It still leaves a lot of seniors living in poverty, but it's certainly a step in the right direction.

I think you start running into problems just in terms of technical design on the GIS. It's expensive to increase it for everybody, but the risk of targeting it too narrowly is that you end up with a super GIS and not-so-super, plain-old GIS at the end. There are some real design issues there that are a problem.

[*Translation*]

Mr. Guy Caron: Thank you.

[*English*]

The Chair: Keep it tight.

[*Translation*]

Mr. Guy Caron: As I have very little time left, Ms. Arte, I would like to talk to you quickly about something you did not cover in your brief—in particular, university research and development. We have seen a drop in the importance of basic research compared with applied research. Do you have any recommendations for the committee in that respect?

[*English*]

Ms. Bilan Arte: Yes, absolutely. We know that in previous governments there were significant investments in what is called the SR and ED tax credit system. It is our recommendation that monies from that tax credit be redirected into the tri-council system for research, particularly targeting graduate research that would be done in the public interest. I think that's been highlighted.

There has been a sharp decline in public funds available for publicly directed research, so it would be our position that existing funds that are currently directed toward the SR and ED tax credit system be redirected toward tri-council funding to provide more opportunities for graduate research to be targeted toward public research.

The Chair: Mr. Sorbara.

Mr. Francesco Sorbara (Vaughan—Woodbridge, Lib.): Thank you, Mr. Chair. Thanks to the panellists for your kind and thoughtful comments.

I'll try to make my questions as direct as possible so that I can ask as many as possible.

This question is for Mr. Ross.

Yesterday I asked one of the presenters from the Cattlemen's Association about labour shortages in their sector on a scale of zero to ten. The individual gave me a score of eight. Even though we have excess slack in the economy, we see certain sectors facing labour shortages. What would you put your number at?

Mr. Scott Ross: I think it's hard to put one definitive number on it. As a group that represents so many diverse commodity groups and different structures of farms, that number probably varies from commodity to commodity.

We did a study about two years ago looking at some of the major residual risks facing Canadian agriculture, and labour came out at the very top of that list in terms of an upcoming constraint that is going to limit our ability to capitalize on some of the emerging trade opportunities that we're seeing. At the same time, I think it places constraints on our ability to identify succession and really move forward as an industry.

For certain sectors, I think that an eight is very much warranted. In others, across the board, I think it's very much a concern for our entire membership.

● (1630)

Mr. Francesco Sorbara: Thank you.

You identified a bill that had been proposed in the past. What was that bill number again?

Mr. Scott Ross: It was Bill C-691.

Mr. Francesco Sorbara: Thank you.

It was nice to see three economists, and a fourth here, in a room all agreeing that we need strategic investment in infrastructure to get our economy growing again.

Mr. Jackson, I think we need to point out that in our platform we've proposed the Canada child tax benefit that will provide higher or increased benefits to nine out of ten families in Canada, tax free, means tested, or income tested, and according to the Caledon Institute, will lift 300,000 children out of poverty. I think we need to point that out. It's a major step forward on the equality issue and generally helping middle-income and low-income families.

On the guaranteed income supplement issue and how the clawbacks work and the levels, in our platform we've put in a major billion-dollar proposal of roughly $920 for single seniors on the guaranteed income supplement, a 10% increase that will benefit 1.3 million retired Canadians, one million of whom are female, and lift 85,000 to 100,000 out of poverty.

I think we need to identify those two major steps that our government is undertaking to improve the lot of many Canadians. I think that's a great first step.

I see you've identified some other arguments in the tax cuts that you may or may not like. What would you review on the tax expenditure side with regard to the $100 billion of tax expenditures that are out there?

Mr. Andrew Jackson: I'd draw your attention to a study that was just put out by Michael Wolfson, former assistant chief statistician, noting that the government had promised to review tax expenditures benefiting those at the very high end of the income spectrum. The two that would leap out would be the special treatment of stock options and the amount of capital gains that is not subject to tax.

I think on the stock options we all know it's a little tricky in how you limit it without completely obliterating it for tech start-ups and so on. A massive amount of the stock options deduction benefits senior corporate executives who are compensated through options as opposed to regular salary. I think there's a significant amount of money to be made there.

Mr. Francesco Sorbara: Mr. Tapp and Mr. Wright, I think we get involved in using terms like "GDP ratio" and "strategic investment in infrastructure", but I think it comes down to getting Canadians working again and getting our economy growing again. We're growing at a real rate of 1% and change. Mr. Wright, I think the nominal rate you've pegged is around 4%.

Mr. Craig Wright: On a long-run basis.

Mr. Francesco Sorbara: If there was not a time to undertake public investment with the fiscal capacity of the Canadian government where interest rates are—I think the 10-year yield is at 1% and the long bond is maybe at 2%—I don't know when you would do it, because now is the time: the multiplier, every $1 of infrastructure investment gets you about $1.50 back.

Should we limit the length of time we undertake such an investment to three years? Should we go further out?

You've identified a $25-billion deficit, not on that topic but just to the degree to which we should invest in public infrastructure. Because we all know the Bank of Canada governor has noted that investments in infrastructure enable long-term economic growth.

Mr. Stephen Tapp: Is the question then to encourage infrastructure over which horizon?

● (1635)

Mr. Francesco Sorbara: Yes.

Mr. Stephen Tapp: Something I've noted is a bit of a disconnect between....You say there's excess capacity in the economy; that's certainly true. We're getting different signals through the labour market and through product markets, so it seems as if the unemployment rate is around 7% and that there may be room to get more Canadians back to work, as you say, and then on the product market, we might be 1% below potential, that type of thing.

Certainly at the aggregate level, it doesn't seem as if there's lots of room in the labour market, although certainly we could be doing better things there. It depends on whether the unemployment rate in Canada could be 6% rather than 7%. In that case, there's certainly a lot of excess capacity there that could be used.

In terms of the planning horizon that should be used for infrastructure projects, as I said earlier in my remarks, there's the short term and the long term. I think it would be a mistake to look at most of these infrastructure projects on a short-term horizon. I think we had done infrastructure over two years in the economic action plan, which provided a lot of stimulus, a lot of good jobs, but I think there's a difference between filling potholes and building roads and bridges. If you're looking across what can be done in two years, I think people have to see that it takes a while to work with multiple levels of government, and the horizon of five years may not be long enough; a horizon of 20 years may not be long enough for some projects that need to get done. I think it just depends on which project it is and looking to get the most important ones first on the priority list and pushing them out the door when they're ready.

The Chair: Thank you, Mr. Sorbara.

Mr. McColeman.

Mr. Phil McColeman (Brantford—Brant, CPC): Thank you, Chair, and thank you to the witnesses for being here.

I'd like to ask each of the organizations here that have presented requests for this budget to include things you'd like to see—I think there are four, as I don't believe these other gentlemen had fiscal money asks—have you quantified what they are? Can you give me an estimation? Has your organization asked for specific amounts of money in this budget?

May we start with Mr. Jackson?

Mr. Andrew Jackson: Our brief is really addressing, I think, the priorities that the government set out in being elected. We see those as very much guiding. We really try to allocate priorities to their priorities, rather than come with a whole new set of issues.

Mr. Phil McColeman: Okay. So you have no specific fiscal ask.

Mr. Ross.

Mr. Scott Ross: I think on each ask it varies. A number of the tax provisions we speak to are cost neutral. They're more about addressing red tape that exists in the system and some of the unintended accounting difficulties that arise.

For example, the changes on labour policy are more about changing the policy environment and some of the incentives, I guess, that are being sent to producers currently, or rather, the amount of information available to them. There's not really a dollar ask associated with those.

Mr. Phil McColeman: Thank you.

Madam Arte.

Ms. Bilan Arte: If you look through pages 4 onward in the submission that we provided, there are costings for each of our recommendations.

Mr. Phil McColeman: Okay.

Ms. Bilan Arte: Many of them are actually cost neutral. It's about reinvestment of existing funds that the federal government is spending in and around post-secondary education into policies and programs that we find would be more efficient actually increasing accessibility.

Mr. Phil McColeman: Okay; that's very good.

Mr. Slomp.

Mr. Jan Slomp: We have nothing specific, but in general, following the dismissal of the elected board members of the Canadian Wheat Board and the Wheat Board's being privatized, we now have an increased part of the total revenue of the exports of grain going to multinational corporations, and farmers will get a reduced amount. We basically have taxes going offshore and eliminating taxable incomes in Canada. That should all be part of an accounting of net fiscal capacity—

Mr. Phil McColeman: Okay, thank you—

Mr. Jan Slomp: —and those decisions are negative.

Mr. Phil McColeman: Thank you. I don't mean to cut you off, but the chair has given me only five minutes, so let me just continue.

Mr. Tapp, your organization is one, I believe, that along with the C.D. Howe Institute did some fiscal tests on the middle-class tax cut that the government enacted at the start of this year, on the claim, when they were elected, that it was going to be revenue neutral. Your organization came out saying that it was far from revenue neutral.

I think your organization said, and correct me if I'm wrong, that there would be around a billion-dollar shortfall from the revenue received from the upper-income level to the middle class. Is that correct?

● (1640)

Mr. Stephen Tapp: I should clarify there.

At IRPP, the Institute for Research on Public Policy, we have a policy options blog. People have been commenting on the website about the cost of various measures, but the institute has not undertaken a thorough review of these.

Mr. Phil McColeman: No.

Mr. Stephen Tapp: But I think it was Kevin Milligan and Michael Smart who had a paper that looked at the elasticity, if you increase tax on the top 1%. In the context of that discussion, it was suggested that the revenue estimates of the government might be optimistic, unless enforcement were stronger.

Mr. Phil McColeman: Right. And the C.D. Howe Institute ended up saying that it was about $1.4 billion short of what it was supposed to be, revenue neutral. I just bring that up in the context of your comment about fiscal credibility.

Another term has not been mentioned here that I'd like to get your views on, and perhaps, if we have time, Mr. Wright's.

I don't think anybody disagrees that well-targeted infrastructure spending is a positive thing, and especially if you have room and interest rates are low. We get that; we understand it. But structural deficits are our concern.

So when there are shortfalls in taxation levels for benefits that the government decided to proceed on, even though they broke the promise they had made to Canadians, when do structural deficits come into play in your mind, when the government goes down that road? We've had organizations here for the last number of panels that have put in requests for $3.3 billion, $4 billion, $7 billion, on regular spending programs, not infrastructure programs. When does it become a concern in your mind?

Mr. Stephen Tapp: Mr. Chair, I think the question, as always in fiscal policy, is about setting priorities. People are coming with asks with specific costing estimates associated with them, and some not.

When the parliamentary budget officer did a longer-term, 75-year look ahead, which I think Ms. Raitt was talking about, the provincial part of the equation mattered. Federally, in general you could argue we're doing pretty well and are quite fine; fiscally, the structure that was left in place by the previous government is sustainable. However, the challenges are equal in size for the provincial level.

What you need to do is look at the entire Canadian government as a whole, including the pension plans, including municipalities. You could have a structural deficit at one level and a surplus at another. The issue is really the fiscal balance there and whether the math makes sense.

The Chair: Thank you.

Okay, Mr. Wright, respond quickly. He stretched his five minutes to seven quite easily.

Mr. Craig Wright: I'll keep my answer very short.

The challenge on the structural side is the reason that fiscal policy, as I suggested, needs to be timely, targeted, and temporary. You don't want to get off on the fiscal trajectory whereby a debt-to-GDP ratio is turning higher forever. That's the temporary component to successful fiscal policy.

The Chair: Thank you.

Mr. Grewal.

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

Thank you to the panellists for your excellent submissions. I thoroughly enjoyed them and I learned a lot.

I'm going to start off with Madam Arte. Yours is an excellent submission. I have a quick question.

You're saying that it's going to be revenue neutral. Somebody who recently graduated from school carries student loans. I empathize with your organization and understand the importance of ensuring that all young Canadians have access to education.

You said that tax cuts, which a lot of us still benefit from going forward, once we are employed—you get to use your tuition tax credits.... Are you saying that these aren't used a great deal and that we should scrap that program and invest in the Canada student grants program?

Ms. Bilan Arte: What we're saying is that current tax credits and various savings schemes—for example, tax credits that exist around tuition programs, textbook programs, or in addition to that the RESP program, as one that many might be familiar with as well—are oftentimes programs that benefit middle-income to especially high-income Canadian families.

What we're looking for is government spending ensuring accessibility for all Canadians. I think it is incredibly important for us, when we're speaking of a $3.3-billion dedicated transfer coupled with the national act, that it is going to include a vision that provides for an accessible system of post-secondary education for all Canadian families, not only those who can afford to pay up front today or who can afford to save today in order to have access to that education tomorrow.

Mr. Raj Grewal: To follow up, let's say hypothetically that we get $3.3 billion and that post-secondary education becomes free across our country. Don't you think the cost is actually unpredictable, because there would be such a higher adoption if it were free?

● (1645)

Ms. Bilan Arte: I think we would see more and more Canadians being able to access post-secondary education. As a result, we would also see more and more young people being able to gain access to the skills and training they need in order to be successful in today's workforce.

It's no secret that about 70% of new jobs today require some form of post-secondary education. I think that largely speaking, if we have a more educated population, we'll have more young Canadians in this upcoming generation who have access to the skills they need to find gainful employment and as a result be able to contribute to our progressive tax system. Those are the returns we were speaking of during my presentation.

When we look at a 6.2% return in Ontario on post-secondary education, this isn't a cost any more; it's an investment in the future of this country.

Mr. Raj Grewal: Excellent. Thank you.

Mr. Wright, you spoke about infrastructure spending being basically a short-term solution to stimulate the economy.

Our government has made a commitment to finance public infrastructure projects across the country, to ensure that we have investments in infrastructure. The requirements in the first year have been outlined as retrofit projects, such as repairing affordable housing, stuff that hasn't happened for the last 10 years, and working with the provinces and the municipalities to identify these projects and get them going.

My question goes a step further. Won't there be an impact at the provincial level? We've been speaking a lot about the debt-to-GDP ratio federally and then the debt-to-GDP ratio provincially. With the federal government being able to stimulate the economy through these infrastructure projects, won't we see an improvement in that debt-to-GDP ratio at the provincial level?

Mr. Craig Wright: Sure. I suggested that the infrastructure spending is short-term positive, because it fills the gap in the economy that we need. As everybody has suggested, with low interest rates and not competing for labour and capital, it's the right time to do it to increase the odds of return on investment and the like. But I suggested that it's also long-term gains in productivity that grow the living standards we all share; it's accelerating the speed limit for the Canadian economy. So I think there is long-term benefit.

In terms of what it does for the provinces, we have to keep in mind that if we just look at the federal government infrastructure, if it gets $20 billion, that's 1% of GDP, and there's going to be some leakage in that. You're not going to get a full lift of 1%.

Will it help some of the provinces? Probably it will, as long as they don't do anything different with their deficit situation. But it is 1% spread across the country. It's not going to change the direction for some of the more fiscally challenged provinces, but it's probably a step in the right direction.

Mr. Raj Grewal: So the trickle-down effect is very minimal is what you're saying.

The Chair: Mr. Liepert.

Mr. Ron Liepert (Calgary Signal Hill, CPC): I will ask a couple of quick questions.

Mr. Ross, I was interested that 98% of farm families are still family owned. Do you have any numbers? I'm assuming that 98% is 98% of all farm operators. I would assume that the percentage of land, in the case of grain farmers, farmed by non-family farms would be considerably less than that. Is that fair?

Mr. Scott Ross: I can't say that we have accurate statistics on that, but from our measure a lot of what you'd characterize as larger grain operations in the west are still owned by farm families. The acreage that they manage is still managed by a farm family. I don't think it's a fair characterization to suggest that larger operations are necessarily no longer managed by family farms.

Mr. Ron Liepert: Certainly, Hutterite colonies have continued to buy up farmland. I was wondering if there was a number on that.

There used to be a time when agriculture survived to a large degree on off-farm income, in other words, going to work on the oil rigs in the wintertime. We have, certainly in western Canada, a situation where it might be reversed now.

What would the average farm wage rate be in western Canada these days?

Mr. Scott Ross: Are you suggesting just from the farm, the income they would generate from the farm itself?

Mr. Ron Liepert: Yes. If you were employed on a farming operation full-time today, what would the average wage rate be?

Mr. Scott Ross: It varies considerably depending on the region. You'd find some farmers, for example, in northern Alberta near the oil patch, would be making.... For a typical farm, not operator, but someone to work on the farm would be paid wage rates upward of $25 to $30 an hour. This is a wage paid just to find people to bring onto the farm. When you come out east, that number declines, depending on the region and the type of work involved.

● (1650)

Mr. Ron Liepert: When Dennis Laycraft from the Cattlemen's Association was here yesterday, and this goes to Mr. Sorbara's question, a lot of what he was referring to was not so much the inability to find workers on the farm, but it was an inability to find workers in places like packing plants and things like that, which are less desirable positions, even though the rate of pay might be pretty decent.

Would that be fair?

Mr. Scott Ross: Yes. We see the major drivers of many of the labour gaps in agriculture, the shortages, are the remote locations involved often for many of the operations. There's not a local labour force available to really meet that need regardless of the wage rates offered.

There are jobs that are less desired by Canadians for which you can spend months and months recruiting and bump up your wage rates. I know, for example, in packing plants they offer very competitive benefits packages and they're still struggling to find people to bring in.

Mr. Ron Liepert: Mr. Wright, I was told the other day that one of the things that's starting to happen with the U.S. economy is.... Of course, the U.S. economy relies largely on a lot of corporate earnings that are outside the U.S. and because of the high U.S. dollar, companies are starting to report fourth quarter earnings and their outlook for going forward is much less optimistic.

Therefore, there's an expectation that maybe other currencies, such as the Canadian dollar, will actually start to increase because the U.S. dollar will start to come down and therefore, the response here in our country would be an increased Canadian dollar.

Do you have any comment on that?

Mr. Craig Wright: When you look at the U.S. dollar, it has turned the corner, but that's after a 10-year trend of depreciation. It has bounced back from very undervalued levels and that is translating on a quarterly basis into some foreign currency losses as they report back in U.S. dollar terms. That's one of the components in terms of a recent weakness in quarterly earnings results.

For Canada, we saw the flip side of the U.S. dollar weakness when the Canadian dollar went up to parity and beyond. We're now seeing part of the weakness in the Canadian dollar reflecting U.S. dollar strength.

If the U.S. dollar were to turn lower, we'd probably see some upward pressure on the Canadian dollar. Our view is that the U.S. story is stronger growth relative to anywhere else in the major economies. It's the only central bank that's actually raising rates, while others are still cutting and some into negative territory. It's in a better fiscal position and better current account position. It suggests to us that the trend should be predominantly upward over the next couple of years.

The Chair: Ms. O'Connell.

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

Thank you for your presentations.

My first question is for you, Mr. Tapp. The issue of shovel-worthy versus shovel-ready has me somewhat concerned, given my municipal background. I did financing budgets for my region, which had an annual operating budget of about $1 billion. It's not the largest, but it's certainly not insignificant.

For municipalities, the true meaning of shovel-ready is that it's ready to go to tender. I think we all agree that on infrastructure funding and building smart infrastructure, long-term investment is a great thing. But if a municipality has to spend $200,000 to $1 million on environmental assessments, design, and engineering for a bridge only to then have that project sit on a shelf if they don't get the funding, what municipal councillor is going to make that investment for a project that never sees the light of day?

Part of the problem with the former government's infrastructure investment was that you actually couldn't use any of that funding on making a project shovel-ready, so you were filling potholes or doing sidewalk repairs or a park repair because you could do the engineering and the studies in-house.

To your point about managing expectations in the first year, wouldn't it actually be opening up the investment for these big transit projects, rail projects, or whatever the case may be to get those engineering drawings and the environmental assessments and all of that and to actually make a project shovel-ready? Wouldn't that be a better investment in, say, year one?

Mr. Stephen Tapp: Yes. I think the only caution I was offering to the committee was, as I said, based on the experience when I looked back at the 2009 package. The argument that economists almost always make is that it should be timely, targeted, and temporary, and on this idea of temporary infrastructure, I think that's a problem. This is the reason people argue that we shouldn't use fiscal stimulus to micromanage the economy and the cycles, because it takes so long to get things going. Infrastructure is an area where I think that in general it takes things quite a while to get going.

If your point is that the municipal, provincial, and territorial levels need to do some work before things go to tender and go out, I think that's certainly the case. As I cited before in some of the data, when the government allocates money, that's conditional if it's going to be a third, a third, and a third. Not all that money is necessarily going to be spent because of cost considerations, timing, or that type of thing. It's possible, in terms of ratcheting down expectations—again, as I said—just to make sure that the money that's allocated is allocated not necessarily in a time-sensitive window, but in a flexible manner so that municipalities can access it. If it takes two or three years, so be it.

I think there are certainly detailed issues, and this is the reason it takes things a while to get going.

● (1655)

Ms. Jennifer O'Connell: Thank you.

Certainly, municipalities would advocate for long-term stable funding anyway, not temporary infrastructure funding. In fact, you could probably go to any municipality.... I know that in mine we have a 15-year infrastructure plan, but you're not going to spend the money on studies if you're not actually going to spend the money in that fiscal year.

Just quickly, because I don't have a lot of time, I'll move to Mr. Ross.

I have an urban-rural riding outside of the GTA, the Toronto area, in Ontario.

One of the biggest issues with agriculture is the fact that land values are so high that most farmers, even when we protect the land, actually sell it to developers because they make so much more money that way, to the point where the province sometimes has to step in and create greenbelt legislation, for example. How do we actually make farming profitable so that families or farmers stay on the land? That's my first question.

Second, for a lot of the land, through greenbelt legislation in Ontario, for example, they now lease the land to farmers so that they can't actually then sell it to developers. What's the length of lease that actually makes it worthwhile for a farmer to invest in the property? Has your organization looked at length of lease? That's the biggest issue. When you have one-year or two-year leases, they're not willing to invest in the land, and it therefore becomes crop farms and does not really produce for food production.

Mr. Scott Ross: Right, this is a topical subject for our organization.

We're currently getting started on a comprehensive study looking at land use policy, land use planning, and some of the provincial regulations around farmland ownership to try to understand exactly the kind of questions you're asking.

In terms of the profitability of farming, I think it's a complex picture for what drives that. Certainly the amounts of money going through from development pressures are always going to be a concern for farming. Length of tenure, as you suggested, is an issue for farmers.

For ownership and leasing arrangements, having a mix is always optimal in terms of risk management in planning for farming operations. Certainly long lease tenures would be critical. We don't have a number to place on that, but I think it's an important aspect to the long-term viability of operations and the ability to invest.

When it comes to profitability, we've done a lot of work looking at the structure of agricultural research and what can be done on that front. I would echo some of the sentiments of Mr. Slomp in terms of investing in varietal research for Canadian products and also looking at bolstering the next agricultural policy framework to provide access to capital for new entrants.

I think it is a critical piece of the picture to try to keep farms in operation and farming, not just for the profitability of the operation, but so the capital and the flexible intergenerational transfer policy context is there to make sure, where there is a desire to keep it in farming and a committed farm family, they can make that work.

The Chair: I'll have to cut you off there. We'll come to you, Mr. Caron, in one second.

I do have a question for both farm organizations. It is not about budgetary expense. It's on the importation of milk proteins, the biofiltered milk issue, where products are coming in and companies have found a way to get around the border rules on milk ingredients. How much is that costing domestic producers? Do you have a handle on that? How would it benefit the economy if Canada Border Services Agency defined those ingredients as they're supposed to be? It's not a budgetary measure, but it is an important measure for domestic producers.

I'll start with you, Mr. Slomp, and then Mr. Ross.

● (1700)

Mr. Jan Slomp: To my understanding there is still a border control for milk protein coming into the country.

After the TPP is signed, over a number of years that border control on protein supplements will disappear. That is an open door for processors in Canada to use components elsewhere in the world and get higher yields from Canadian milk. That will mean they either have to grow the market to that level of higher yielding cultured products, or they will have to reduce the amount of milk received from Canadian farms.

I think that is the dangerous part of the TPP. In a few years we will have the door wide open for milk components to be imported without any tariffs. That's the danger there.

The Chair: I'll stop you there.

Mr. Jan Slomp: I think right now we have a good handle on the importation.

The Chair: Mr. Ross.

Mr. Scott Ross: Any compositional standards for dairy are certainly a major issue, and I know there are significant costs associated with that. An analog to that same issue is what I was speaking to earlier with the program on duty release and drawback. This is broader than just dairy. It also affects the poultry industry and the egg industry, but I know the costs of the kind of loophole that's being exploited at the CBSA front is costing them. It went from two million kilograms in 2011, through this loophole, to upwards of 96 million kilograms by 2015.

It's about 10% of the market share of the poultry industry.

The Chair: Mr. Caron, I'll give you two minutes.

Mr. Guy Caron: It's a short question for both Mr. Tapp and Mr. Wright.

I've been sitting on this committee for three years, and this question comes up often. I don't see much development.

Mr. Tapp, in your testimony you said that what's needed now is a more comprehensive examination of Canada's tax system to make it more efficient and equitable. You have about a minute each to explain why and how we go about it, if at all.

Mr. Stephen Tapp: One minute for tax reform in Canada. I don't know how we could do much justice to that.

I think the argument I was making to the committee was that simply looking at the tax expenditure review that's planned is not ambitious enough. There are certain tax preferences that we have in the system, for example the children’s fitness tax credit, and then we have preferences ranging from pensions and stock options to these other issues.

I think that's part of the tax system in looking more comprehensively at personal income taxation, and looking at whether the system is progressive enough, and whether it's taking enough revenue in.

On the business side, the same question is there in terms of the rates and whether we get the system to have lower rates and broader bases. I think that is what most economists would argue for.

The pitch I would make would be to not limit ourselves to looking at particular tax preferences, but look at the system as a whole, look at how the federal and provincial levels of government work together, and try to make it more efficient and more equitable.

The Chair: Mr. Wright, could you take 30 seconds, and that's even.

Mr. Craig Wright: I agree with much of what Stephen said. The only point I would add is while there may be no such thing as a good tax, at least a bad tax could launch a consumption tax, so I'd like to see more balancing toward consumption taxes at the expense of income taxes. You can do it revenue neutral or revenue positive, but I do think consumption tax is a better path to go down. Any regressivity you can correct.

The Chair: Thank you very much to all our witnesses for your presentations, as I said earlier, on short notice. A lot of good information has been provided here, so thank you.

The committee will suspend for five minutes while we bring other witnesses forward.

● (1700)

(Pause)

● (1710)

The Chair: Could members please come back to the table. The witnesses are here.

When we get to the other end and there's no time for questions, members will be asking, “Why didn't we start on time?”

Mr. Raj Grewal: I'd like to say it on the record.

The Chair: We'll come back to order for the second round of hearings this afternoon. As I indicated at the beginning, pursuant to Standing Order 108(2) we're doing pre-budget consultations for budget 2016.

I welcome the witnesses here, and thank you for coming on short notice. I would also indicate that we hope you can limit your presentations to five minutes. If you go much beyond that, I will have to cut you off. Also, the translators have given us an indication that some people are talking too fast in order to get their words in within five minutes, so you'll have to talk at a pace that they can translate.

Starting with the Canadian Association of Petroleum Producers, Mr. Ferguson, welcome, and thank you.

Mr. Alex Ferguson (Vice-President, Policy and Performance, Canadian Association of Petroleum Producers): Thank you for the opportunity to present today.

As a representative of the upstream oil and natural gas sector in Canada, I want to focus some of our comments today broadly on matters of the investment environment in Canada.

Simply put, we believe that to create wealth for Canadians, significant and ongoing investment is required in the various sectors of our economy, ours included, of course. This includes investments in manufacturing production as well as technology development, people, and communities. We look at it broadly speaking as an investment, as a key criterion for creating wealth for Canadians across the economy.

There's no question that the current economic environment in our sector has been devastating to many individuals and families, not just in Alberta but across Canada. We're feeling the effects of the current commodities cycle across Canada, and we certainly appreciate governments'—plural—recognition of the devastating effects and the willingness to find solutions and ways of mitigating some of those negative effects.

I will also point out a bit of doom and gloom. The situation is not going to be corrected any time soon. We see clearly that things will get worse before they get any better.

There's one thing I do want to talk about in terms of the investment environment for our sector in particular. It's a notable fact that for the last eight to ten years every dollar of cash flow that our industry, our sector, has realized in Canada has been reinvested in Canada. This is a pretty important record. Also, a really important point I will add onto that is that on top of that reinvestment, that cycle that's been pretty steady for the last eight to ten years, there's been a significant direct investment from outside Canada into the Canadian economy through our sector. We'd like to continue that cycle and be ready to come back when the commodity prices come back so that we can be better prepared to function well in a different world.

We believe that government should proceed with a strong sense of urgency on a variety of initiatives that will help create an environment that ensures continued investments in Canada. I'll give you some specific examples and then certainly I'm open to questions afterward.

One area we're most interested in right now is addressing underemployed capital within Canada. I'll give you a few examples that we are looking at and doing some research on, and look forward to engaging with government on this through the budget process.

We believe there's an opportunity to modernize the large corporation tax rule to more effectively deploy what appears to be billions of dollars in capital across the economy. I would point out that this is important for our sector, but it's also very important for many other sectors in the economy. There's an opportunity here that we believe Canada should explore.

We also believe that it's time, given our current environment, or change in environment, to modernize the capital cost treatment for tax purposes for the unconventional oil and natural gas resource wealth that we have in this country. The current rules for capital treatment were devised and implemented many years before we thought of the new technologies and the unconventional nature of some of our resources. It is time to look again at that to see if we can't find better ways to allocate capital to make sure that we get the maximum benefit out of our resources.

I will point out to you another area within the broad bucket of underemployed capital. I think last week a CIBC report came out that identified in the order of $75 billion that we Canadians are holding onto in cash because of our fear of the volatility in the equity markets. The notable thing in that report is that they've indicated that through previous down cycles, Canadians were late getting back into the game and lost significant opportunities for investment returns. So we think, broadly speaking, that there's a pool of underutilized capital in Canada. Within Canada, with our current foreign exchange environment, we believe there's a window of opportunity to strengthen the confidence of those investors and get that money working within Canada for Canadians. Certainly we'd be happy to look at increased investment in any areas of our business.

● (1715)

Certainly, we also believe—and maybe you're surprised I didn't lead with this—in increasing investment attraction for Canadian resource development. That's another way for me to highlight the need for market access, diversifying our access. I will say that this is an issue for the oil and gas business in Canada, but it's also, broadly speaking, about natural resources in Canada, getting them to as many diverse markets as we can so that we maximize the opportunities of that wealth.

I do know from my past experience that the current forest sector is looking at market access issues as well. That hasn't changed, hasn't gone away. We need to address that, broadly speaking, within Canada.

We also believe in and are encouraged by the government's intent to invest directly in Canada. Certainly in areas related to indigenous peoples and community investments which are very important to our sector, those investments are critical for long-term growth in our businesses. We appreciate the economic infrastructure opportunities that are there for Canada, whether strengthening the marine infrastructure, or any of the safety or environmental agencies or issues in Canada. We do believe strongly in the technology and innovation investment opportunities within our sector. We have some pretty stellar examples in our sector to share around Canada's Oil Sands Innovation Alliance and the partnership they recently created with the technology fund in Alberta, as well as the federal SDTC organization.

The Chair: Alex, could you sum up.

Mr. Alex Ferguson: I'm just closing right now.

I will finish by saying that we certainly support investment in cleaner technology, and our sector has many examples of opportunities for developing cleaner technologies for our sector and others. We look forward to the opportunity to continue to engage with governments, indigenous peoples, communities, and other sectors, to ensure Canada is prepared for a future that is a lot different from today.

Thank you.

● (1720)

The Chair: Thank you very much.

Turning to Dr. Forbes, the president of the Canadian Medical Association, the floor is yours.

Dr. Cindy Forbes (President, Canadian Medical Association): Thank you, Mr. Chair.

On behalf of the Canadian Medical Association, I appreciate the opportunity to appear before the committee as part of its pre-budget consultations. As the national organization representing Canada's doctors, let me commence by highlighting the CMA's strong support for the federal government's commitments to health and health care. The CMA's recommendations for the federal budget are based on tangible and meaningful actions that support the advancement of the government's commitments.

I'll briefly outline our core recommendations. Taken together, these measures will go a long way to addressing the major challenges facing Canadians as well as the provinces and territories in meeting the needs of our aging population.

As our first area of focus, the CMA recommends new funding to the provinces and territories to support seniors care by means of a demographic-based top-up to the Canada health transfer. This needs-based funding would be delivered in addition to the CHT, which currently leaves provinces with older populations at a disadvantage. Rather than opening up the funding formula, the federal government can deliver this much needed funding immediately.

Our second area of focus is on expanding the availability of home care and long-term care. The CMA recommends that the government establish a new targeted home care innovation fund. In addition to incenting innovations, this fund would support scaling up best practices.

To support access to long-term care, where wait times range up to hundreds of days across Canada, the CMA recommends including capital investment in the continuing care sector as part of the commitment to social infrastructure.

Our third area of focus is on delivering support to Canada's informal caregivers. There are 8.1 million Canadians currently giving informal care to family and loved ones, and only a fraction are receiving any assistance. As an initial step to expanding support to caregivers, the CMA recommends that the federal government amend the caregiver and family caregiver tax credits to make them refundable.

Our fourth area of focus is on improving access to prescription medicine. The CMA was pleased to hear last month that Ottawa will be joining the pan-Canadian pharmaceutical alliance in negotiating savings for all publicly funded drug plans. In addition to this important step, the federal government can reduce costs further by establishing a new funding program for catastrophic coverage of prescription medication. As we know, far too many Canadians simply cannot afford to buy their prescription medications, and this is unacceptable. We must and can do better.

A final matter I'd like to raise as part of the pre-budget consultations is that while the CMA strongly supports the federal government's commitment to reducing the small business tax rate, we have been concerned by statements regarding Canadian-controlled private corporations. This may be unknown to some, given our public system, but the majority of Canada's doctors are self-employed small business owners.

Physicians are highly skilled contributors to the knowledge economy. They invest in our communities, and provide hundreds of thousands of jobs. For a significant portion of physicians, incorporation is a key component of the practice model. Changes to this framework could introduce unintended consequences for the health sector. In light of the critical role of this framework, the CMA is calling on the federal government to affirm its commitment to the existing framework governing Canadian-controlled private corporations. I would be pleased to provide more information on this issue.

In summary, the CMA's pre-budget recommendations offer tangible and practical means of implementing many of the federal government's health sector commitments. Each of these recommendations has been designed to deliver an immediate impact in areas where Canadians are struggling the most.

Thank you.

The Chair: Thank you very much, Dr. Forbes.

With the Canadian Nurses Association, we have Ms. Sutherland Boal.

Ms. Anne Sutherland Boal (Chief Executive Officer, Canadian Nurses Association): Good afternoon. I'd like to thank the House of Commons Standing Committee on Finance for this opportunity to bring to you recommendations from the Canadian Nurses Association, the national professional association for nurses and nurse practitioners, representing 139,000 individuals across the country.

As nurses, we see first hand how Canadians can be better supported by more accessible, community-based care approaches and a shift from current policies and funding models that drive acute, episodic, and hospital-based care. New models for more integrated community-based care would emphasize health promotion, chronic-disease prevention and management, client-centred accessible care, and the use of a range of technologies.

Our official submission to the 2016 federal budget highlights three recommendations for your consideration.

First, deliver federal health dollars through a needs-based top-up in addition to the CHT to each province and territory based on demographics and population health priorities. This new formula would take into account the concerns that several provinces and territories have raised about the demographic differences and unique requirements of their respective populations, especially those living in rural and remote areas.

Furthermore, to increase transparency for taxpayer dollars, we recommend that every bilateral agreement must include a robust accountability framework. Such a framework would take into consideration the relationship between federal funding and the measurable outcomes that need to be achieved for the benefit of Canadians, include reporting on a comprehensive set of indicators and outcome measures derived from existing national data sources, and provide outcome measures calculated using publicly accessible data to report on federal heath funding and the associated measurable health and social outcomes that we seek to achieve for all Canadians.

Our second recommendation is to improve access to equitable, national, publicly funded home and community-based care that includes telehealth, mental health, and palliative care. We applaud the federal government's commitment of $3 billion over four years for home care. This funding will encourage a shift toward client-centred, cost-effective care that supports patients and caregivers and promotes the health and well-being of Canadians. CNA will work with the federal government and stakeholders to support policy development, implementation, and scaling up of existing and new and promising models for community-based care.

Our final recommendation is to invest in early, secondary, and post-secondary education for indigenous students and in professional development for health care providers who serve Canada's rural and remote communities. We are ready to work with the federal government in acting to implement recommendations of the Truth and Reconciliation Commission and strongly support the government's commitment to make significant new investments in indigenous education, improve essential physical infrastructure for indigenous communities, and create jobs for indigenous peoples.

This can be achieved by providing a four-year annual investment of $100 million to improve infrastructure in rural and remote communities, specifically in the form of construction of educational facilities and satellite learning centres and expanded broadband to promote distance education.

We also encourage a four-year annual investment of $25 million for initiatives to create more locally accessible infrastructure and learning opportunities for students enrolled in health care training programs and health care professionals already serving in rural and remote communities. Access to high-quality post-secondary health care education and professional development programs for health providers has been shown to lead to a more stable and skilled health care workforce to serve rural and remote communities.

Thank you very much for your attention.

● (1725)

The Chair: Thank you very much.

We'll now turn to Mr. Sanger of the Canadian Union of Public Employees.

Mr. Toby Sanger (Senior Economist, Canadian Union of Public Employees): Thank you very much. I'm the economist for the Canadian Union of Public Employees. Our new national president, Mark Hancock, is out of town and sends his regrets.

CUPE is Canada's largest union, with 635,000 members. We deliver front-line services for municipalities, health care, social services, education, and many other sectors in communities across Canada. Our members take pride in delivering quality public services, and with incomes close to the Canadian average of $40,000 to $50,000 a year, they depend crucially on quality public services to maintain their standard of living, as do all Canadians.

As we all know, Ottawa experienced a record snowfall yesterday. I and many others spent hours shovelling snow for neighbours and pushing cars stuck on the road. I was happy to help, but I was also happy to see the snowplows arrive, operated by CUPE members. That's what we Canadians do. We shovel snow, but we also help each other. We help each other in our communities and as a country. We help each other out because it's in our nature, and if there's a car stuck on the road, or someone in poverty, in sickness, or without decent education, it holds us all back as a nation.

As a nation, our progress has been held back by inequality and an increasingly unbalanced economy. We need increased stimulus and infrastructure investment, but we also need more fundamental changes. We won't achieve sustained economic growth unless we work together to diversify and grow our economy, improve public services, generate good quality jobs, reduce inequality, and make the transition to a more sustainable economy.

To these ends, our recommendations for this budget are that the federal government increase infrastructure spending, particularly in public transit, green and social infrastructure, and particularly for those most in need, including through affordable housing, transition homes, child care centres, seniors facilities, and community and cultural facilities.

Federal infrastructure funding should support a long-term plan to reduce our emissions and generate good quality jobs. The federal government and other levels of government should demonstrate leadership by ensuring that all public buildings and facilities are constructed or retrofitted to high environmental standards.

All federal infrastructure funding should be tied to environmental, climate change, and social requirements. In the short term, we support the government providing more than a third share of the funding for these investments, tied to achieving environmental and broader social objectives, including decent wages, labour rights, pay equity, and opportunities for apprentices and equity-seeking groups.

The federal government should establish a dedicated fund to support public waste-water infrastructure investments required to meet the new national waste-water regulations. It should also increase funding for first nations water and waste water.

We commend the government for removing requirements that recipients of federal funding use or consider P3s, but urge it to go further and eliminate PPP Canada, and redirect the P3 fund to public infrastructure projects. It should also introduce comprehensive P3 accountability and transparency legislation.

The Canada infrastructure bank shouldn't be another vehicle to subsidize high cost private finance.

With unemployment rising rapidly, we urge the government to accelerate planned changes to EI in this budget.

In training and labour force development, funding should be restored with an emphasis put on literacy and essential skills development. As a priority, we agree that the federal government should work with the provinces and territories to establish and fund a national, affordable, and public non-profit early childhood care and education system with a distinct system for indigenous communities. We also support reducing and ultimately eliminating undergraduate university and college tuition fees.

We welcome the commitment to enhance the Canada pension plan, and urge the federal government to demonstrate leadership in achieving a universal expansion of the CPP, instead of deferring to piecemeal and provincial measures.

A new health accord should provide significant annual funding increases strictly tied to enforcement of the Canada Health Act, as well as improvements and expansion of the public health care system, including a national pharmacare plan.

We urge the federal government to commit to a 10-year timetable to increase our international development assistance budget and to dedicate at least half to the least developed countries. We're opposed to the ratification of the Trans-Pacific Partnership, CETA, and other deals that expand corporate power at the expense of jobs, wages, the environment, and our democratic sovereignty.

● (1730)

Finally, we need increased tax fairness. Priorities in this budget should be to broaden the base by eliminating regressive tax loopholes, such as the stock option deduction, to tackle tax evasion, and to move toward higher taxation of both corporate and capital income. After many lost years, we look forward to working with the new government and parliamentarians to rebuild a more prosperous, diversified, equitable, and sustainable Canada.

Thank you.

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

We've heard a lot about yesterday's snow in Ottawa. Those of us from Atlantic Canada think it was just a little flurry.

Voices: Oh, oh!

The Chair: It wasn't very much of a storm.

We'll now turn to Ms. Decter from YWCA Canada.

Ms. Ann Decter (Director, Advocacy and Public Policy, YWCA Canada): Good afternoon. Thank you for the invitation to appear today on behalf of YWCA Canada.

For almost 150 years, YWCA Canada has worked to improve the lives of the tens of thousands of women and girls who use our services annually. My remarks today respond directly to their life experiences.

YWCA Canada and our 32 member associations across the country in nine provinces and two territories are committed to building a country that works for all women and girls. That includes first nation, Métis, and Inuit women, young women, and newcomer, refugee, and immigrant women. We welcome the quick initiation of the development of a national inquiry into missing and murdered indigenous women, and look forward to the government honouring its funding commitment to this in federal budgets 2016 and 2017.

Gender-based analysis is essential across government departments and should already be incorporated in the development of this federal budget. It is particularly important for allocation of infrastructure funds to affordable housing and early learning and child care to ensure that this spending responds equitably to the needs of women and girls. The Auditor General reported that in the 20 years since the government committed to applying gender-based analysis, it has been implemented in only some departments and agencies. Correcting this will require ensuring that Status of Women Canada has sufficient staff capacity.

YWCA Canada welcomes the government's support of the motion on pay equity earlier this month. Women working full-time year-round earn 20% less than men in comparable work, feeding poverty and inequality. We look forward to funding in federal budget 2016 to support recognition of pay equity as a right, implementation of the 2004 pay equity task force report, and restoration of the right to pay equity in the public service.

The new Canada child benefit, or CCB, is a potential life-changer for single mothers and all families living in poverty if the federal government can ensure that provincial and territorial governments refrain from deducting it from social assistance payments, or counting the CCB as income for access to means-tested benefits. If it is to lift 300,000 children out of poverty, women and children living on social assistance must retain the entire benefit.

The Minister of Status of Women is responsible for ensuring that no one fleeing domestic violence is left without a place to turn. Often violence survivors are unable to leave women's shelters because they can't afford housing. This leaves shelters full to capacity and turning away women in need. The CCB would provide a single mother with one child under six with $580 a month. With two children under six, she'd receive $1,160 a month. These payments could be enough for women to secure housing in the community and reduce the system bottleneck if they remain fully in women's hands.

As Canada's largest single provider of shelter for women and children fleeing violence, we work to end the interconnected issues of violence against women and women's homelessness. Federal budget 2016 needs to provide a minimum of $5 million to Status of Women Canada to support participation of the violence against women sector in the development of a national action plan on violence against women. Federal budget 2016 should restore the shelter enhancement program at $10 million per year to achieve the promise of no one turned away.

The promised national housing strategy requires a gender lens and gender-based analysis. Male bias pervades perceptions of who is homeless, despite women and girls comprising almost half of the estimated 235,000 homeless people in Canada. Homelessness is gender differentiated. Violence and poverty are the major drivers for women. Forty per cent of women leaving shelters don't know where they will live. Women and girls hide their homelessness because the streets aren't safe.

For women, housing first is not a panacea. The shift of funding from the homelessness partnering secretariat to the housing first model was not accompanied by gender-based analysis. This is absolutely critical before expansion. Transitional housing is an essential service for survivors of violence. It doesn't fit the federal government's current housing first model. Actual housing first for women and children living with violence would leave them in the home, remove the perpetrator, and secure their safety.

The national housing strategy must address housing for women and families in the northern territories. Women with children trying to escape violence are profoundly impacted by the northern housing crisis and seriously disadvantaged by the lack of federal social housing funding that has continued for years.

● (1735)

YWCA Canada welcomes Minister Duclos' statements indicating quick progress by federal, provincial, and territorial governments under a framework for a national early learning and child care program. Federal budget 2016 should dedicate social infrastructure funds to a short-term emergency-style fund for transfer payments to provinces, territories, and indigenous communities for early learning and child care during funding negotiations.

● (1740)

The Chair: Could you sum up fairly quickly?

Ms. Ann Decter: Yes.

Federal budget 2016 should close the discriminatory funding gap for first nations child and family services determined in the January 26, 2016 ruling of the Canadian Human Rights Tribunal.

We would also suggest that the development of a poverty reduction strategy needs a gender lens, a gender-based analysis, and grounding in the realities of women's poverty. Women account for 70% of part-time employees and two-thirds of Canadians working for minimum wage. The median income of single-mother-led families is one-third lower than that of father-led single parent families. The strategy needs to include all women living in poverty. Some of the most vulnerable of women are homeless young women escaping sexual abuse and abused adult women coping with trauma, mental health issues, and addictions who have lost their children to the depths of the child welfare system.

Thank you.

The Chair: Thank you very much.

We will turn by video conference to Calgary and to Mr. Bloomer, who is with the Canadian Energy Pipeline Association.

Welcome, Mr. Bloomer. The floor is yours.

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

I want to thank the standing committee for the opportunity to speak on behalf of the Canadian Energy Pipeline Association and to provide the submission and speak today with respect to the upcoming budget.

I will summarize our submission comments with respect to Canada's investment climate for major pipeline development, the NEB processes, and NEB modernization.

CEPA represents Canada's 12 major mainline transmission pipeline companies, which operate approximately 117,000 kilometres of pipeline in Canada, moving annually approximately 1.2 billion barrels of oil and almost three trillion cubic feet of gas.

For more than 60 years, our pipelines have operated across the country, delivering energy safely, reliably, and efficiently. Over the past decade, CEPA members have had a 99.999%—almost 100%—safe delivery record. In 2015 there was a 100% safety record, with zero incidents along the mainline transmission system.

Our industry is undoubtedly a pillar of the Canadian economy, but recently we have seen difficult challenges. The collapse in the price of oil has resulted in delayed or cancelled energy projects and enormous job losses. In 2015 alone, over 100,000 direct and indirect jobs have been lost, and more are expected.

The situation is made much worse by our dependence on the United States as our only major customer from an exporting perspective. This forces us to sell our oil at a severely discounted price because of the lack of pipeline infrastructure to access global markets, and this results in billions of dollars of lost revenue for Canada.

CEPA members have over $68 billion of proposed investments in pipeline projects forecast over the next five years, projects that will open new markets and provide greater access to existing markets. All of these projects will be built with private capital. To build these important projects, we need to have a competitive investment climate. Companies will choose to invest their capital in other jurisdictions if they see the Canadian regulatory and fiscal system imposing process uncertainty, additional risks, costs, and delays that are not inherent to more competitive jurisdictions.

We recognize that the responsibility to create investment confidence comes hand in hand with building public confidence. To build public trust and confidence, we believe that decisions on whether new pipelines will be built must be placed and based on predictable and rigorous quasi-judicial processes based on evidence, science and fact, and appropriate consultation.

Unfortunately, the recent government announcements that extended the review of two proposed pipeline projects, together with the requirement of additional reports and processes at the back end of an extensive NEB process, are leading to increased ambiguity, delays, duplication of work, and growing potential politicization. Building public confidence requires industry, regulators, and governments to work together.

To that end, CEPA recommends the following:

We need to avoid politicizing the NEB. We are concerned with the potential politicization of the review process and believe that an evidence-based process serves better than a cabinet decision for Canada, which may be based on politics.

The National Energy Board was established in 1959 to depoliticize energy infrastructure decisions. More recently, we find ourselves in a similar situation. The legislative changes brought about by Bill C-38 in 2012 changed the role of the NEB from making a decision to making a recommendation to cabinet, leaving cabinet with the final decision. The change has now led to politicization of the decision-making process.

CEPA recommends that this 2012 amendment be reversed, restoring balance and decision-making towards the NEB, a quasi-judicial regulator whose decisions are based on science, fact, and evidence, rather than with cabinet.

On modernizing the NEB, the government has also committed to moving forward with that; however, we need to recognize that not everything is broken. Ensuring the board composition reflects regional views and has sufficient expertise is a good step, particularly greater indigenous representation. Taking a look at governance and the practices and overhauling the information management systems should be part of modernization.

The NEB's role in regulating existing operations spans the life cycle of a pipeline from design approval to construction, operation, and ultimately abandonment. It has done this for 60 years, mostly quietly.

• (1745)

Continuous improvement is always welcome, but we do this at the same time as recognizing that the NEB is recognized globally as a leader in life-cycle pipeline regulation.

As we modernize the NEB, we believe that public confidence can be improved by getting the right balance, building on what works well, improving what doesn't, and providing the regulator with the tools and resources for oversight through the entire life cycle of pipelines.

CEPA believes that a strong, credible regulator needs to be well resourced to provide the tools it needs to fulfill its mandate. This was recently confirmed by the Commissioner of the Environment and Sustainable Development's report. To better address these issues, CEPA recommends that the Treasury Board grant the NEB greater flexibility with the cost recovery model, allowing the NEB to better attract and retain highly skilled employees and to continue to fulfill its strategic priorities.

In summary, by improving public confidence and trust we're better able to make progress on necessary pipeline approvals and infrastructure development.

Thank you for the opportunity.

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

We'll now go to round one of questioning, and I'm going to take a minute off each person in order to get everybody in.

Mr. Ouellette, go ahead.

Mr. Robert-Falcon Ouellette (Winnipeg Centre, Lib.): Thank you very much, Chair. I really appreciate the opportunity.

My question is for Mr. Ferguson of the Canadian Association of Petroleum Producers.

Why should liquefied natural gas companies get capital cost depreciation tax benefits and be classified as manufacturing companies?

Most businesses get 8%, but on February 9, 2015, in the last federal budget, you got a tax break amounting to billions of dollars. It's 30% now. Professor Kin Lo at the UBC's Sauder School of Business predicts it could mean a tax break of $1.5 billion to $2 billion over seven years for only around 800 permanent jobs. Is that fair?

Mr. Alex Ferguson: Well, first I'd like to comment that our association represents the upstream, and the LNG industry is the downstream part of the sector, so it's not really—

Mr. Robert-Falcon Ouellette: Oh, I'm sorry to point that out. But actually it's in your annual report here—

Mr. Alex Ferguson: Yes. We have supported that, as we've supported all market access opportunities for our products. The request for the capital cost allowance was to bring it into some measure of parity with the rest of the manufacturing sector in Canada. Our perspective, when we looked at it and did some analysis of our own, was that we could support that given that it does add value to British Columbia, adds value to our resources, and diversifies our market.

Mr. Robert-Falcon Ouellette: Okay.

How many indigenous people work as engineers within the oil and gas industry?

Mr. Alex Ferguson: I don't have the number offhand, and—

Mr. Robert-Falcon Ouellette: Sorry, because I think it's probably almost none.

Mr. Alex Ferguson: It probably is.

Mr. Robert-Falcon Ouellette: I know a lot of indigenous people who work as cleaners, and they do a lot of food services.

But I think a lot of the decisions are made at higher levels, and I think the industry needs to spend more time getting different types of people into this industry and making sure more different types of Canadians can benefit and have the same level of opportunity.

I have a quick question. Ten years from now, how many jobs will be created in Alberta, Saskatchewan, Manitoba, or B.C. for the refinement of bitumen oil?

• (1750)

Mr. Alex Ferguson: Well, at this point we don't know how much bitumen is going to be produced, much less refined.

Mr. Robert-Falcon Ouellette: Well, most of the bitumen is actually sent overseas.

The Chair: Mr. Ouellette, let Mr. Ferguson complete his answers.

Mr. Alex Ferguson: There's a big initiative in Alberta that you may be aware of. The government is promoting and supporting increased bitumen refining and upgrading. We haven't really looked at that as an issue for us other than that we believe there's an opportunity. If there's an opportunity for value-added for the Province of Alberta, we'd be interested in pursuing it. That's no different from refinery upgrades or refinery production.

There are some proposals out there to refine more petroleum products in Canada. We have supported them, but at the end of the day it's not our business to promote them. It's a product out-take for us. It's part of the market access opportunity. So if a refinery were economical and were to be built somewhere in Canada, we would certainly support that as an opportunity to market our products.

Mr. Robert-Falcon Ouellette: Great.

I have just a couple of questions more, and they'll be very short.

This one is actually for everyone. Do you believe in climate change? Does everyone here believe in climate change?

Mr. Alex Ferguson: Absolutely.

The Chair: With committees, if it isn't said in the record, it doesn't exist, so putting up your hand won't work.

Ms. Ann Decter: That's probably a personal answer. We don't have a policy on climate change for a women's services organization.

The Chair: Does anyone else want to add?

Go ahead, Dr. Forbes.

Dr. Cindy Forbes: I was just going to add that at our annual meeting this year in Vancouver, we're having a keynote speaker on the effects of climate change on the health of Canadians. So Canadian physicians are certainly aware of climate change.

Mr. Alex Ferguson: I would say on behalf of our members, yes, absolutely, given the amount of effort and focus we have put on that issue.

Mr. Robert-Falcon Ouellette: I have one final thing I'd like to add—

The Chair: I'm sorry about that, Mr. Bloomer. We missed you on the video conference. Go ahead.

Mr. Chris Bloomer: I'm sorry. It was cutting out a bit.

I was just going to say with respect to the climate change question that yes, we believe in climate change, and I think we are supportive of the greenhouse gas initiatives in Alberta and the focus on that federally.

The Chair: Mr. Ouellette, go ahead.

Mr. Robert-Falcon Ouellette: This is a comment directed at the Canadian Energy Pipeline Association.

I really believe that most Canadians did not have confidence in the National Energy Board and the processes that were put in place. I think this is why we had a change in government in this country. It's partly due to that, but there are many other reasons as well. At the end of the day, I think these decisions are going to have to be made right across this country. I think the process has to be improved to hear different voices and to ensure that a diversity of people are involved in that entire process.

I hope that the Canadian Energy Pipeline Association will be supportive of looking at getting different people involved, especially indigenous people, and you indicated that you believe in working with and consulting them, and having a more scientific and data-approved process where you get all those different voices.

The Chair: Mr. Bloomer, do you want to respond?

Mr. Chris Bloomer: That's correct. I mean, we support the deepening of consultation with first nations, and we do say, with respect to the modernization of the NEB, that those voices at the board level should be included.

The Chair: Okay, thank you.

Mr. Liepert.

Mr. Ron Liepert: Well, thank you, Mr. Chairman.

I will resist the temptation that I was starting to build there, Mr. Chairman. I think that in this whole process that we've been going through for the last two days, that particular line of questioning was the most inappropriate I've seen and heard. As the Alberta representative, if I wanted to take the next five minutes to give my two representatives from Alberta the chance to repudiate some of the stuff that's just been said, I could do that, but I'm not going to lower myself to that standard. I'm going to ask some questions that I think are relevant to our discussions and why we are here today.

The Chair: You have the floor. Go ahead.

Mr. Ron Liepert: Thank you.

On the presentation by the Canadian Medical Association, I want to get a little bit more information about your third proposal on tax breaks for caregivers. Could you elaborate a bit more on that? I'm not familiar with what the situation is today and I probably should be. Give us a couple of examples of how this would be applied in real life.

● (1755)

Dr. Cindy Forbes: Yes. Currently, there is a caregiver tax credit that people can apply for, which would cover expenses that might be incurred in giving care to their loved ones or family members. It's not refundable, so there is nothing that they would receive back at the end of day from that actual tax credit. We're suggesting that they actually have money back in their pocket. I think they are allowed to claim about 15 per cent the way the current caregiver tax credit works. It would be a somewhat small measure, not touching the 8.1 million Canadians who are giving this type of care, but it would likely reach the ones who are giving the most care or are in the most need, in some way, by giving them some money back at the end of the day.

Mr. Ron Liepert: This might also be a question for the nurses association.

I don't think there's anybody around the table who would disagree that this is an issue which I think is going to be a challenge for us going forward. It's not just the fact that there are going to be more requirements for caregiving. I think we're a society today that would just as soon pay someone else to give care. Would this also refer to workers who are...because I don't know if you're referring to in-home care or care that's in facilities. I'm just trying to get a better sense of what....

Dr. Cindy Forbes: This is care being provided in the home.

Mr. Ron Liepert: In the home.

Dr. Cindy Forbes: Some people have left their jobs. Many people are working full-time and providing care either to their parents or a neighbour's friend. Often it's an elderly parent. They're not receiving any support for any of the costs associated with that. This is really just one measure. There are many other things we could be doing to support them in terms of respite, supplies, and other physical support home care. This is just one measure that is easily implementable.

It can be done immediately and it would provide some relief for people who are spending a lot of money. It is expensive in the sense of different forms of care that you're providing and giving up your income as well at the same time. It's just one measure.

Mr. Ron Liepert: I'm glad you highlighted the issue around small business.

Dr. Cindy Forbes: Yes.

Mr. Ron Liepert: We did have someone during the election campaign make a statement that I thought was unfair relative to the fact that we have something to the effect that many small businesses were nothing but a tax dodge. We raised that issue yesterday with the Canadian Federation of Independent Business. That's something that we need to continue to hammer home on.

Dr. Cindy Forbes: Thank you.

Mr. Ron Liepert: I am curious on the CUPE presentation around PPP Canada. It's been well-proven that having competitive bids, if you might, has always worked best for Canadians. I'd like to challenge your comments about doing away with the funding for the public-private partnerships and ask if you have any concrete data that would show that these projects are better spent being funded solely through the public system.

Mr. Toby Sanger: I would love to have concrete data, but unfortunately it's all kept secret. We have to rely on auditors general to review this. The office of the Ontario auditor general reviewed 74 public-private partnerships that were through Infrastructure Ontario and found that they cost $8 billion more than if they had been publicly financed and operated. That works out to about 29% more and the auditor general found absolutely no evidence of risk transfer.

The previous government passed the Federal Accountability Act which actually reduced the transparency for public-private partnerships.

● (1800)

Mr. Ron Liepert: May I ask one question on it? Did that take into account—

The Chair: Sorry, Mr. Liepert, we're over time.

Mr. Caron.

[*Translation*]

Mr. Guy Caron: Strangely enough, I will continue in the same vein with Mr. Sanger.

In your brief, you said that privatization compromises those shared values in communities. Subcontracting and public-private partnerships are risky and expensive for municipalities and Canadians. Costs increase, quality decreases and local management is weakened. Services are less accessible and project time frames continue to increase. Public funds are diverted from essential services to the benefit of large corporations.

Moreover, my colleagues, several MPs and business people often repeat that PPPs are a great way to help the government save money and share the risk. However, you are basically telling us that this is not the case. It seems a bit counterintuitive. Do you have anything else to bring to our attention?

Ontario's example was striking, but do you have other examples to explain why it may seem that PPPs help governments, while they actually negatively impact the ability to provide services at a lower cost?

[*English*]

Mr. Toby Sanger: In terms of the risk transfer, one thing that the Ontario auditor general found was that $6 billion of that $8 billion was actually double-counting of risk and was inappropriate. That's a significant amount and the auditor general found absolutely no evidence, no empirical evidence, for that risk transfer.

I also want to go to the point that Mr. Liepert made that it's better to have some more competition. I would absolutely agree. The problem is that in that whole P3 world.... This is another thing that came out in the auditor general's report. There are a few big firms and they basically carve up the business themselves. Smaller businesses, the Canadian Construction Association, engineers, architects, and others have been critical of P3s because they don't open up competition. We have a few big firms that compete and basically carve up the business themselves. That's a factor there.

In many small communities, those benefits don't trickle down. In fact, some of the companies are basically tax havens. They don't even get the benefit from corporate income tax.

[*Translation*]

Mr. Guy Caron: Thank you very much.

Mr. Bloomer, your presentation was very thought-provoking. For a time, I was the official opposition critic for natural resources. So I am quite familiar with the pipeline issue. I was also a member of the Standing Committee on Finance when changes were made to the way the National Energy Board operated. I agree with you. We need to have renewed confidence in a regulatory body like the National Energy Board. Unfortunately, that won't happen just because we wish it to. The changes made in 2012 and 2013 have resulted in the National Energy Board having only 15 months to study very complex projects that can often involve tens of thousands of pages of documents.

With the TransCanada project, we are already talking about more than 30,000 pages and consultations that have so far excluded many people. In the case of the Energy East Pipeline, in Quebec, about 90% of those who wanted to attend the hearings were denied the opportunity.

There is also a more problematic element when it comes to environmental assessment. In the past, environment departments would take care of environmental assessments for those projects. Now, the National Energy Board is responsible for conducting the environmental assessment, as if it was not enough for the board to study the project itself.

We want those projects to be socially acceptable and we want confidence in the National Energy Board to be renewed. I think that the changes made in 2012 and 2013 were detrimental in that regard. You are talking about reconsidering a part of the legislation that gives the government the right to make a decision that could go against the National Energy Board's recommendations. That change was proposed by the Conservative government. I think that if we back off when it comes to this, we should back off when it comes to all changes that have been made and perhaps review the National Energy Board's role to give it to the necessary tools to do a good job in order to give the government all the information it needs to make a well-informed decision.

● (1805)

[*English*]

The Chair: Mr. Bloomer.

Mr. Chris Bloomer: Is that a question?

The Chair: Well, yes. It was more a statement than a question, but I think it should be responded to from your perspective.

Mr. Chris Bloomer: I'm happy to respond; I'm just checking.

One of the key things on both sides of the fence to restoring confidence and trust in the system.... The changes in CEAA 2012 I think were grown out of the Liberals' smart regulation proposals. Making the process longer doesn't make it better. Changing the consultation requirement, the federal government taking on the role of consulting with first nations directly, I think that's the role of the federal government.

The technical and process evaluation that the NEB undergoes is rigorous, and I think that within those time frames they can get it done. It is fair to say these pipeline projects have been going well beyond the initial time frames for analysis. You're right in that there are tens of thousands of pages of documentation on consultation, on communication, on the technical aspects.

I think that a lot of the changes in 2012 were appropriate. I think that we need to have clarity of process. Right now, I think the overarching thing is that we don't. We don't know how the greenhouse gas issue is going to be rolled into decision-making. We don't know how the consultation process is going to work through this interim process. We need clarity on that side too. We need some certainty overall in the process going forward.

I think that tweaks on the NEB in terms of the infrastructure that it has to do things is important. I think that should be funded, but we should look at it from the perspective that the regulator has been doing its job, especially on the existing pipeline systems, very well and is well regarded internationally. I don't think we need to roll everything back, but I do think we need to do some things, and governance is one of them. Including indigenous people on the NEB is an important thing to do also.

I hope that is helpful.

The Chair: Thank you.

I'll turn to Mr. MacKinnon. I hope we can get back to budgetary issues.

[*Translation*]

Mr. Steven MacKinnon: Thank you, Mr. Chair.

I too would like to think that we can reach that objective.

First of all, I want to thank all of you for being here with us today.

I would like to raise another topic, but first, I want to thank Mr. Ferguson and Mr. Bloomer for their constructive contribution. I know the drop in oil prices has greatly impacted the industry. Please be assured that we are fully aware that the government needs to act, not only in the interest of all Canadians, but also in the interest of those who work in the energy sector.

The Canadian health care sector is well represented here today, both its employees and practitioners. In 2005, when the health accord was negotiated by Prime Minister Martin, there was a great demand on the part of the provinces for the federal government to exercise leadership, not only by investing in the health sector, but also by playing a coordination role and by showing greater leadership in the health area, while respecting provincial jurisdictions.

Given the time I have at my disposal, I would like to ask you, Ms. Forbes, Ms. Sutherland Boal and Mr. Sanger, what recommendations you would like to make to the committee with regard to federal government leadership in the health sector, in addition to the investments you have recommended.

● (1810)

[*English*]

Ms. Anne Sutherland Boal: Thank you very much for your question.

In terms of the Canadian Nurses Association, we believe that one of the recommendations where the federal government can make a real contribution is in bringing groups together to develop principles and standards for home care for Canadians across the country. We have standards for many other processes, but we do not have standards for home care across this country.

Often people would say that the home care you get is based on your postal code. What we would suggest is that we have an opportunity with the federal government to provide leadership to develop standards related to access, governance, degree of services, types of services, etc., and that would be a huge contribution to health care.

Mr. Steven MacKinnon: Sorry to interject, but do you mean like a Canada Health Act type assurance?

Ms. Anne Sutherland Boal: No. A series of standards related to types of services, governance, access, etc.

Mr. Steven MacKinnon: Thank you.

Dr. Cindy Forbes: I'm hoping I understand your question correctly. You're asking for the one ask that we feel will have the most benefit from a provincial-territorial point of view. I think we—

Mr. Steven MacKinnon: Where do you think the federal government could play a leadership role in health care?

Dr. Cindy Forbes: Certainly with the Canada health transfer, and we've made that point very clearly, first of all because it would affect every province. It would be additional money to every province. Some obviously have older populations than others. Atlantic Canada, Quebec, and British Columbia certainly have the oldest populations. We do know that with older populations, we have increased costs. For instance, 15% of the population of Ontario are seniors, and they account for 50% of the health care spending. That would be a benefit to all provinces and territories, and it's definitely something the federal government has the ability to do.

Mr. Toby Sanger: In our submission we talked about a new health accord, but that funding needs to be tied to enforcement of the Canada Health Act, a pharmacare program, and a number of other areas. We need strong enforcement in that area while ensuring it remains public, and expansion in different areas, for instance community and primary health care, continuing care, and a mental health strategy. That's one, but with a lot of different things inside.

Mr. Steven MacKinnon: Do I still have some time?

The Chair: Yes. You still have time. You have a full minute.

Mr. Steven MacKinnon: Perhaps I'll just go a little deeper on my question.

Some of the things that were discussed, I believe, in 2005 were things like e-health or electronic health records. Some of you alluded to prescription drug procurement and other things where the federal government, by playing a role, either a coordination role nationally or some sort of other leadership role nationally, could help assist the provinces.

Some people called it uploading, and obviously we always want to be careful about provincial jurisdictions here, but other than what you have just outlined, some of which are increased investments, is there a more affirmative leadership role the federal government could play?

Dr. Cindy Forbes: There is certainly in the area of home care. That was really the purpose of our recommendation for having a home care innovation fund. Across this country we know there are great things happening, but they're in small pockets. There have been pilot projects that have been successful but have not been scaled up.

It is one of the things the federal government can do, by bringing the provinces and territories together, identifying best practices and supporting them. That's the purpose of an innovation fund, not just to support the concept of innovating, but actually to invest in the best practices that are working. We don't have that ability across this country right now, and that is something the federal government can certainly do.

The Chair: For the second round of questioning, we will start with Mr. McColeman, for five minutes.

Mr. Phil McColeman: Thank you, Mr. Chair.

This is a simple question. I'd like all the organizations to answer, if they can, and just keep the answer to the number, because my time is limited.

He only gives me five minutes. I don't know why he gives me that, but he does.

For those of you who are making requests of the government to spend more on programs, have you quantified what number your ask is?

We'll start with you, sir.

Mr. Alex Ferguson: No, we haven't done the final detail. It's more conceptual.

Mr. Phil McColeman: Okay, thank you.

Dr. Forbes.

● (1815)

Dr. Cindy Forbes: Yes, we have a Conference Board report that has quantified three of those items: the Canada health transfer, the caregiver tax credit, and home care innovation was another. I can give you those numbers.

Mr. Phil McColeman: What is the total?

Dr. Cindy Forbes: It was $1.6 billion, $1.6 billion and $91 million. Those were the three.

Mr. Phil McColeman: It was $1.6 billion, $1.6 billion.... Okay.

May I have the nurses' number?

Ms. Anne Sutherland Boal: We talked about investments in home care in support of the $3 billion that the government has committed to home care. We know that by investing in that.... Home care costs $55 a day and in-hospital care costs $1,000 a day, so it's good use of—

Mr. Phil McColeman: Okay, so $3 billion was the ask.

Ms. Anne Sutherland Boal: Yes.

Mr. Phil McColeman: Okay.

Mr. Toby Sanger: I didn't include the numbers in the submission, but I'm part of the alternative federal budget process, and we have quantified the numbers there. I also prepared the fair tax chapter on it, and so—

Mr. Phil McColeman: What's the number?

Mr. Toby Sanger: Well, I said I didn't quantify them in this, but—

Mr. Phil McColeman: Can you give me an estimate?

Mr. Toby Sanger: I'll show it to you when we get the alternative federal budget out. They're affordable.

Mr. Phil McColeman: You will supply it at a later date. Okay.

Ms. Decter.

Ms. Ann Decter: I made two quantified requests. One was for $5 million to Status of Women Canada to support sector engagement in the violence against women national action plan. The other was for $10 million for the shelter enhancement program.

Mr. Phil McColeman: Thank you very much.

Is there anything from the petroleum pipeline people?

Mr. Chris Bloomer: Yes. I would say that from our perspective it's less of an ask; it's more of a give.

If we have an appropriate regulatory system that allows us to have access to new markets, that's a plus of billions of dollars, and if we're investing in building these pipelines, that's plus tens of billions of dollars.

Mr. Phil McColeman: Okay, I have to cut you off, I'm sorry. So it's zero.

The Chair: Mr. McColeman, I'll not take time from you, but it's fair for Ms. Sutherland Boal....

She said $3 billion was the ask, but what's the saving from going to home care? Let's balance this out.

Ms. Anne Sutherland Boal: We haven't made that assessment.

The Chair: Okay, but it's $1,000 a day I think you said, versus $55.

Ms. Anne Sutherland Boal: What we support is the federal commitment to home care.

The Chair: Okay, I will add 30 more seconds to your time, Mr. McColeman.

Mr. Phil McColeman: Thank you. I was just going to ask you to add some more time. A minute and a half would be more appropriate.

This question is for the CUPE representative.

Sir, you mentioned in your submission to us that you're against TPP and you're against the CETA agreement. Is your position on free trade agreements in general that you're against them?

Mr. Toby Sanger: I said that we are opposed to agreements that expand corporate power at the expense of jobs and wages and that undermine local—

Mr. Phil McColeman: You mentioned TPP and CETA—

Mr. Toby Sanger: Yes, we are opposed to ratification of the TPP.

Mr. Phil McColeman: Are you opposed to ratification of both of those free trade agreements?

Mr. Toby Sanger: As long as.... For instance, TPP includes investor-state dispute settlement, and I read in the newspaper that right now, there is a company suing the Canadian government for $600 million for environmental mitigation.

Mr. Phil McColeman: Okay, and I believe your organization, if my memory serves me right, was against NAFTA as well.

Let's move on to the next question, which was with regard to home care. I'm very familiar with that. I worked 29 years with some of the most vulnerable people in society, disabled people.

Often, in some of the most gut-wrenching circumstances, parents have to tend to their children's needs when they're diagnosed with cancer. That was my situation when my son was two years old. My wife and I have a small business. One of us left our job, and we stayed with our child.

Through those years, we found that the support of civic organizations—civil society, if you want to call it that—such as the Canadian Cancer Society and others was quite adequate. In fact, it was a bit overly generous at times for our situation. There were other families on the oncology floor—about 16 of us—at McMaster Hospital. There were other people in different socio-economic circumstances who were given additional resources from civil society organizations, such as church groups and others who support that.

Is there any place in Canadian society for that to be a model to go forward? We survived it and we came out stronger. We weren't eating Kraft Dinner every night; we were living, not a rich lifestyle, but.... I'm not going to go there, but do you know what I'm trying to say here?

I hear all of this, and I think it's admirable, but I'm a conservative and I say the government can't do everything for everybody.

● (1820)

Dr. Cindy Forbes: I'd like to respond to that. I'm certainly familiar with many of the community resources, as a family physician, and they're an important part of our system. One problem is that they're somewhat fragmented. Very often, one agency doesn't speak to another, or it's very difficult for caregivers to actually find out what's available in the communities. So the coordination of it is not optimal in many cases, certainly in the community where I work.

However, there's still a role for the public system. The way I see the community agencies is that they are a supplement, an addition, but the public system is still the core of our health care system.

One of the issues we have with the lack of home care is that right now about 15% of the hospital beds in Canada are taken up by seniors waiting to be placed in a nursing home or to go home with home care—home care that is not available. We really do feel that it is money wasted, at $1,000 a day for those beds versus $50 a day for home care. We estimate that it's about $2.3 billion. That's one of the issues.

But I hear what you're saying: that is an important part of our system. But it can't replace the role of the public system.

Mr. Phil McColeman: Thank you for acknowledging that there is a role.

The Chair: Thank you very much.

We'll turn to Mr. Sorbara.

Mr. Francesco Sorbara: Is it for 10 minutes?

The Chair: It's for five minutes.

Mr. Francesco Sorbara: I have a question for CAPP and those from the energy portfolio.

WTI is at $31 a barrel; WCS is at—what?—half of that, I think. Has either of your organizations estimated the lost revenue from the discount between WTI and WCS to the Canadian economy?

Mr. Alex Ferguson: There's a fairly dynamic relationship between them, so it really depends upon which time period you want to pick. It's significant enough at any given time that you don't want to lose that opportunity—

Mr. Francesco Sorbara: But we're talking in the billions, probably.

Mr. Alex Ferguson: Yes, probably. Chris, do you want to...?

Mr. Chris Bloomer: What's important to point out, If I may.... I would say that the differential between WTI and WCS today is a function of our having to discount our heavy crude going into the U. S. market. With access to offshore markets and so on, that differential would collapse substantially.

Mr. Francesco Sorbara: The reason I ask that question is that we have introduced legislation to review the NEB process. We need a National Energy Board process that has the confidence of Canadians and of stakeholders. It is the right measure to take. Whether it takes two or three extra months or two or three months fewer, we have to get it right, and we have to get the approval system in place correctly.

I've actually worked with NEB employees, and they are very good; I completely agree. But we need to get the process correct to get that discount down, to narrow it and eliminate it and get those tax revenues. The Canadian economy is losing money from this discount. That's why it's so important, in my view and in our government's view, that the NEB process have the confidence of all Canadians.

For my second question.... We're experiencing a supply shock on the oil side. Demand is actually still increasing. You don't see that written as much, but demand is still going up. But we've hit a supply shock, in terms of shale oil and gas in the Middle East...well, Saudi Arabia, Iran, and Iraq. Do your organizations see this as a temporary phenomenon or a permanent phenomenon?

Mr. Alex Ferguson: I'll comment first and then let Chris jump in.

Mr. Francesco Sorbara: Could you answer quickly, please.

Mr. Alex Ferguson: The one thing that's important to note is that Saudi Arabia did not create this problem. This problem was created primarily in the United States and Canada with our technology development and our inability to get beyond Canada's borders with our product. A little bit of South America has created some of that supply problem that we have, but it is not a Saudi Arabian or Iranian problem on the supply side. They have not increased their supply substantially. We just can't get out to other markets.

● (1825)

The Chair: Does Mr. Bloomer want in here as well? Okay.

Go ahead, Mr. Sorbara.

Mr. Francesco Sorbara: If you'd like to add to that for 10 or 15 seconds....

The Chair: Go ahead, Mr. Bloomer.

Mr. Chris Bloomer: I would concur. Things are going to improve over time but—broken record—we need to have access to markets.

Mr. Francesco Sorbara: Thank you.

Switching gears to home care and prescription drugs, we have a health care system in Canada that's great. We all know its merits, but it's missing one last piece of the journey in terms of prescription drug costs.

There's a cost here of a billion and change for the program you've outlined. Have you estimated the benefits of going to this? There are families who can't afford prescription drugs and who end up going to emergency afterwards.

A voice: That's right.

Mr. Francesco Sorbara: Also, I want to get your general comment on refundable versus non-refundable tax credits. It's shameful that the system is structured as such, because if you are in the lower income brackets and you don't have taxes payable, you don't benefit from it. It's a shame, and it's actually a tragedy.

More on the prescription drug side, could you add some comments there, please?

Dr. Cindy Forbes: If I understand your question, you're asking me if we have some sort of cost analysis of what is being saved by funding the.... I think the answer to that is no, but there is definitely a cost to patients not filling their prescriptions and not treating their diseases, whether it be diabetes or heart disease.

As for whether we can actually cost out the patients who didn't fill their prescriptions and ended up in emergency or having heart attacks, I don't have that number for you, but we know there's a human cost—along with a system cost—of not filling the medications. Our suggestion was that, at the very least, a catastrophic coverage of no one having to pay more than $1,500 a year would certainly be a start in working towards making sure that all Canadians who need their medications can obtain them.

Mr. Toby Sanger: I want to follow up on that. Analysis by some professors at the University of Ottawa has found that overall savings from a national pharmacare program would amount to about $10 billion. There are other savings, in the fact that if you have common social programs like that, it increases mobility. It's the same thing with the Canada pension plan. If you expand that, it increases mobility between jobs as well.

The Chair: Mr. Genuis, you have five minutes.

Mr. Garnett Genuis (Sherwood Park—Fort Saskatchewan, CPC): Thank you, Mr. Chair.

I want to direct my questions to Mr. Ferguson and Mr. Bloomer.

I have the pleasure of representing the riding of Sherwood Park—Fort Saskatchewan, which is really Canada's hub for energy-related manufacturing. We have the industrial heartland, and I'm very proud of our region and the jobs that are created there, but also across the country.

I did want to pick up on the issue of accelerated capital cost allowance, because I was a bit concerned by some of the comments made by the Liberal member. I think this is a good opportunity for us to talk further about just what accelerated capital cost allowance is and how important it is for creating jobs in my region and across the country. So many of the products we use on a regular basis come from energy development. Even the election signs that we use are a derivative of a petroleum product that is in plastic. Even Liberal and NDP election signs come from the energy sector in some sense.

Accelerated capital cost allowance is not a cost to government. In fact, it's an economic incentive that creates opportunities for the government to generate revenue, because it allows companies that make major investments in energy-related manufacturing to write off the cost of that capital earlier on. It creates jobs, but it also creates an opportunity for revenue.

Given the situation right now in Alberta, with relatively higher unemployment than we've seen in the past, it just seems to me that now is a very good time to create incentives for these kinds of projects. Now is a very good time for more activity in the downstream sector. I know that we have you gentlemen here representing the upstream sector and the transportation part of our energy resource sector, but I wonder if you could talk a little more about the importance of accelerated capital cost allowance and maybe the kinds of things that we could include in the budget that would create incentives for the downstream sector for energy-related manufacturing.

Mr. Alex Ferguson: Sure. Maybe I'll start by quickly.... The capital cost treatment, or the depreciation schedule, is a means for an operator or business to manage risk in a project. They're more prepared to take a riskier project if they can write off that risk sooner so that they gain more confidence in a shorter time window. Large, significant capital projects, given the time that's required to actually deploy them and see some kind of return, inherently have a lot of risk through construction and the upcycle of getting started. It's not a loss on government revenue; it's a timing process for government revenue through the depreciation schedule that you would front-end load. But it's more an opportunity for those riskier projects that we think are important for Canada and for the economy, and moving our product, whether it's an LNG plant, or whether it's a refinery, an upgrader, or any significant resource development. Having the ability to write off those riskier projects sooner is a way of freeing up capital that can be deployed elsewhere.

● (1830)

The Chair: Chris.

Mr. Chris Bloomer: Yes, I would agree with Alex's comments. I think on the large pipeline side there is a rate-based component to it, but it does figure into the economics and it does figure into the de-risking of capital investments.

Mr. Garnett Genuis: Thank you very much. I think you make the point very well. But this isn't a cost to government. It's like a pipeline. These things are cost-free economic stimuli that create economic activity through an economic incentive, but they don't cost the government, at least not in the long term.

There's another point I want to ask you to comment on. I'm from Alberta. We hear so much about the importance of the energy sector. It's something that through friends and people in my constituency I'm hearing about every day. I wonder if you could talk specifically about the benefit for jobs and opportunity in other parts of the country. What are the ways in which jobs are created through energy development and through pipelines in Ontario, in Quebec, in the Maritimes, in B.C., in all regions of the country?

Mr. Alex Ferguson: I will give a good example to frame that. Just from an oil sands perspective, our members that operate in the oil sands sector track the number of businesses that they purchase products from elsewhere in Canada. I did have some numbers here. For example, in Ontario there are approximately 1,100 to 1,200 suppliers that are supported by oil sands development. I think in Quebec the number is approximately 800 for the different companies that supply products to the oil sands. Just from a supply perspective, there is a lot of movement of economic benefits across the country that you may not know about. I'll give you a very specific one. Around the greater Toronto area there are approximately 40 to 50 pallet manufacturers. These people provide a good opportunity for jobs, especially for new Canadians, in that kind of sector where almost every product, other than huge equipment, moves on a pallet. When we buy a product from a supplier in Ontario, it has to be loaded onto a pallet that needs to be manufactured in Ontario and moved to Alberta. We do have the numbers; I'd be happy to share them more specifically if anybody's interested. We do have a pretty wide breadth in the economy.

The Chair: We're well over time, Mr. Genuis.

Mr. Bloomer, do you have anything you want to add to what Alex had to say?

Mr. Chris Bloomer: Yes, please, just a short comment. I think the nature of pipeline infrastructure is that those benefits are translated right across Canada, and the scale of investments we're talking about are significant and are spread across Canada. I will say that on maintenance alone in the existing system, there's also probably $3 billion a year that's spread across Canada. Those benefits are transnational and they're long term.

The Chair: Okay. Thank you very much, Mr. Bloomer.

Thank you to all the witnesses who appeared. There has been a lot of information, a couple of testy moments, but that's what happens at committees from time to time. I appreciate everyone's presentation.

We will suspend for five minutes while the next witnesses come forward.

● (1830)

(Pause)

● (1840)

The Chair: Pursuant to Standing Order 108(2), we'll reconvene our hearing on pre-budget consultations for budget 2016.

Welcome to all the witnesses. Thank you for coming on relatively short notice.

We'll start with Mr. Scholten from the Canadian Convenience Stores Association.

Welcome. The floor is yours. Try to keep your remarks to five minutes, please.

● (1845)

Mr. Alex Scholten (President, Canadian Convenience Stores Association): Sure.

Good evening, ladies and gentlemen. My name is Alex Scholten, and I'm president of the Canadian Convenience Stores Association. Thank you for giving me the opportunity to speak with you tonight on behalf of the convenience store industry in Canada.

Our trade association represents the 26,000-plus convenience store operators in Canada and the 230,000 employees we employ in this industry in rural and urban communities from coast to coast to coast. Many of these stores may be small businesses, but together we contribute significantly to the economic well-being of Canada. We serve at the centres of many communities.

To give you an idea of the economic footprint of our industry, Canadians purchased from our stores, last year alone, in excess of $51 billion in goods and services. Those sales also resulted in $18 billion in taxes being collected on behalf of federal and provincial governments.

We're also significant employers of new Canadians, providing these entrepreneurs with an opportunity to own and operate their businesses.

Our association is encouraged by a number of small business measures announced in the recent election platform, particularly around lowering small business taxes by two percentage points. As this committee will likely hear through consultations, small businesses are the first to be positively impacted by these types of initiatives, so we are appreciative of them.

Two of our biggest priorities in working with the Department of Finance are the impact of excessive merchant credit card fees and the persistence of illegal, untaxed tobacco that is sold in Canada.

On the first issue, merchant credit card fees, the Canadian Convenience Stores Association works with a coalition of 24 other trade associations, the Small Business Matters coalition. This coalition came together to provide government with the concerns and direction of over 98,000 small businesses operating in Canada. It's no secret that merchant swipe fees in Canada are among the highest in the world, and have risen sharply over the past number of years.

Last year saw the introduction of an average credit card merchant fee rate of 1.5% under a voluntary agreement between the Canadian government and credit card providers. Unfortunately, this was not enough to create any real difference to Canada's small businesses. In an effort to support their small business merchants, several other countries have lowered their rates to 0.3% to 0.5%, or one-fifth or one-third of the average rate imposed under the voluntary code of conduct. We think these examples from other countries would serve as an excellent model for Canada.

We need to do more for small businesses so that expense savings can be used for hiring more staff, making capital investments in our businesses, and lowering consumer prices. We also would like to see this committee put forward a recommendation to implement greater enforcement behind what currently remains a voluntary code of conduct on swipe fees.

With respect to the issue of illegal and untaxed tobacco, the Canadian Convenience Stores Association and our four regional counterparts regularly engage government to advocate against additional tax increases on tobacco products. We do this because of the impacts such increases have on illegal tobacco activity in Canada. The issue of contraband tobacco has consistently affected our sector, as we view ourselves as being a partner with government in the controlled sale of legal tobacco products. Not only do our members keep tobacco out of the hands of youth, but we also collect taxes on behalf of federal and provincial governments. In 2014 that amounted to in excess of $4.7 billion.

Tobacco tax increases are often advocated as a way to reduce smoking rates, particularly youth smoking rates. The reality, however, is that once taxes become too high and prices skyrocket, consumers simply purchase their products elsewhere, that is, in the illegal and uncontrolled environment.

In December of last year, Prime Minister Trudeau himself acknowledged, when discussing the potential of taxation on marijuana products, the potential for illegal market activity if taxes rise too high. He stated that by taxing a product too much, it inadvertently creates or fuels a black market. An increase in the illegal market also diminishes the impact of tobacco control measures.

● (1850)

Our association has long advocated for greater deterrence measures against the illicit market, including additional resources for the RCMP, Canadian Border Services Agency, and other investigative bodies.

Additionally, it is important to note that fines levied against illegal tobacco traffickers are very often not collected. This is an incredible source of lost revenue that this committee should strongly pursue as a means of deterring criminality while also recouping lost government revenue.

The Chair: Thank you very much.

Turning to the Canadian Renewable Fuels Association, we have Ms. Kent.

Go ahead. The floor is yours.

Ms. Andrea Kent (President, Canadian Renewable Fuels Association): Thank you very much.

Thank you to the members of the committee.

It's a pleasure to be here today to talk about the diverse and real opportunities presented both from an economic standpoint as well as an environmental standpoint that a diverse energy mix in Canada can provide, including what we think is essential, and that is the expanded use of biofuels.

For over 30 years, the Canadian Renewable Fuels Association has been the country's leading advocate for the biofuels industry. It is also an industry that generates $3.5 billion in yearly economic activity, has created over 14,000 quality Canadian jobs, and returns over $3.7 billion in investments back to government every year. Biofuels, like ethanol and biodiesel, reduce greenhouse gases by up to 99% compared to fossil fuels and on a life-cycle basis, biofuels are already reducing carbon emissions by 4.2 megatonnes annually, which is the equivalent of removing one million cars from the road every year.

With this committee's work in mind, to look for strategic ways to invest in our economy, as well as the government's stated ambitious targets for reducing greenhouse gas emissions in Canada in combatting climate change, we'd like to briefly offer some ideas that our industry has on how to leverage the successful biofuels mandates that we already have in place in Canada to strengthen the economy, while at the same time helping reach those ambitious greenhouse gas reduction targets.

First is increasing the already successful biodiesel mandate from 2% to 5% by the year 2020. The transportation sector of course accounts for 23% of Canada's greenhouse gas emissions. You hear about this quite a bit. That works out to about one-third of Canada's overall greenhouse gas emissions. Every year Canada's 2% biodiesel mandate reduces those annual emission levels by 910,000 tonnes. Increasing the mandate incrementally year by year by 1% or so would more than double those reductions. Blending more biofuels is also consistent with what consumers have told us they want and what they are looking for in their fuels. We did a recent survey of 17,000 Canadians from across the country. When asked, 88% of them said they wanted to see more renewable fuels products and that they felt that government should be doing more to promote Canada's renewable fuels industry.

In terms of increasing the federal mandate that I just talked about, the majority of Canadians, over 65%, are already in support of seeing more biodiesel in the fuel mix. Interestingly enough, less than 10% really seemed opposed to it.

Second is placing a fair value on GHG reductions. Many provinces have, or are working on, some sort of design for a carbon price system. We support this work and we're fully engaged with the provinces in their leadership on this issue. However, complementary measures from the federal government cannot be ignored and really are needed to be a winning part of the overall equation for battling climate change in this country. These can include a variety of things, such as vehicle efficiency standards, increases to the federal mandate, as well as looking at GHG requirements layered on top of those mandates.

Finally, we think there needs to be increased support for clean technology and the bioeconomy in Canada. We should all be very proud of the fact that we have one of the strongest economies in the G-8, but our long-term economic prosperity is going to be determined by the priority we place on sustainability, innovation, and clean technology. Be it through government programs, tax incentives, or the creation of a national bioeconomy framework similar to what already exists in countries like the United States, the European Union, and Croatia, Canada's public policy must continue to find ways to keep up with the needs and the pace of business.

Those are our ideas. We've kept it intentionally short with the ambitious agenda of this group in mind, but of course, I'd be happy to answer any questions that you have later.

Thank you very much.

● (1855)

The Chair: Thank you very much, Ms. Kent.

Turning to the Canadian Wireless Telecommunications Association, Mr. Eby, welcome. The floor is yours.

Mr. Kurt Eby (Director, Regulatory Affairs and Government Relations, Canadian Wireless Telecommunications Association): Thank you, Mr. Chair. I'm pleased to be here.

The CWTA represents wireless service providers as well as companies that develop and produce products and services for the industry, including handset and equipment manufacturers, content and application creators, and business-to-business service providers.

My remarks this evening will focus primarily on the pre-budget consultation question that asks: what infrastructure needs can best help grow the economy?

Wireless technology contributes to virtually every aspect of the Canadian economy, as wireless devices are now indispensable business and consumer tools, and Canadians' preference for wireless is clear. In only seven countries in the world does the average mobile user consume more than one gigabyte of data per month. Canada is one of those countries, and Canadians currently rank as the fourth-highest consumers of wireless data in the world, at more than 1.5 gigs per month.

The cumulative effect of more Canadians using smart phones and connected devices to do more is a massive growth in overall data usage. The latest projections indicate that Canadian mobile data traffic will increase 600% by the year 2020. No other sector of the economy must consistently meet levels of demand growth similar to those experienced by the wireless industry every year.

Demand is met by significant infrastructure investment. The Canadian wireless industry has invested more than $2.5 billion in capital expenditures each year since 2009. The doubling of total data usage every two years keeps the industry in a perpetual investment cycle. The industry has also invested an additional $8 billion since 2014 to acquire the spectrum needed to expand and enhance wireless networks to meet current and projected traffic volumes. As a result, the government currently records more than $830 million per year in spectrum auction revenue. These investments create jobs directly related to network expansion and enhancement and the ongoing delivery of advanced wireless services from Canada's service providers.

In 2014 Canada's wireless industry generated 134,000 full-time jobs and an overall economic benefit of $23.5 billion. Canada's service providers will continue to make record investments to meet the exploding demand for data use and ensure a consistent level of service for all Canadians.

Strategic government policies can facilitate additional investment in wireless network infrastructure and support innovation and economic development across Canada. To further enable investment in wireless network infrastructure, CWTA submits that budget 2016 include an accelerated capital cost allowance from current rates to 50% for classes of depreciable assets that relate to telecom network equipment, including broadband networks. These classes include 8, 42 and 46.

Such a change to the income tax system would return significant benefits to Canadians and the national economy. It is projected that increasing the CCA rate for class 46 to 50% would increase telecom investment by $122 million per year in the near term. If the rate is increased permanently to 50%, the increased investment would total as much as $225 million per year, would create an additional 1,660 full-time jobs, and would add $163 million to the GDP.

CWTA has also consistently submitted that additional capital would be available for infrastructure investment if spectrum licence fees, which are currently 37 times greater than those paid by American service providers on a per-subscriber basis, were reduced.

Finally, CWTA submits that the government review the scientific research and experimental development program with the goal of reinstituting competitive tax credits that were reduced or eliminated through the 2012 federal budget.

Wireless technology innovation and R and D is evolving rapidly as companies compete to pioneer 5G network technology and move the digital economy forward. Much of this innovation will happen in Canada if it provides a competitive environment for facilitating telecommunications innovation and investment.

Wireless network infrastructure expansion and enhancement deliver unmatched commercial and social benefits to Canadians, including job creation, contributing to the GDP, and enabling the mobile and virtual workforce, thereby removing geographical barriers for rural businesses and communities to participate fully in the Canadian economy.

Wireless service also connects all Canadians, allowing for collective participation in society and contributing to our shared national identity.

The government, therefore, can directly contribute to innovation and economic development across Canada by facilitating additional investment in wireless network infrastructure.

Thank you.

I'm happy to answer any questions you may have.

● (1900)

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

We will turn to Donald Angers from the Centre of Excellence in Energy Efficiency. Welcome.

[*Translation*]

Mr. Donald Angers (Chief Executive Officer, Centre of Excellence in Energy Efficiency): Good evening, everyone. Thank you for the invitation to appear before you.

The Centre of Excellence in Energy Efficiency, or C3E, is a fund that focuses mainly on investing to help Canadian companies get through what is referred to in marketing as the “valley of death”. We invest a lot of money in research and development and in expending plants to obtain contracts, but between the two lies the “valley of death”. That is where C3E wants to position itself and further what it has been doing since 2009. The Centre of Excellence in Energy Efficiency feels that the only way to make money is to export products and import money.

We note that in the wake of COP21, the Government of Canada has shown a strong interest in decarbonizing the country's economy and in investing more to reduce our carbon footprint. The transport sector is responsible for more than 23% of greenhouse gases in our country. In certain provinces, like Quebec, that figure is 45%. Globally, the figure is 13%. Consequently, we must focus our attention on this matter, but not only on the “transportation” aspect. If certain provinces want to eliminate oil from their plans, and purchase BMS, vehicles and batteries offshore, the loss of trade will simply be transferred to another sector. Consequently, it is important to invest in Canadian innovations so that we can export our products and import currency. That is how we will create wealth here.

Let's look at another issue. We've been discussing transportation. Did anyone come here today without using some means of transportation? Some of you took a plane and others took the train. Personally, I came by car. What can Canadians do to encourage homegrown innovations and help businesses get through the first steps in commercialization? That is exactly where the problem lies. We invest in research and development, but there is nothing left for commercialization. That is where businesses need a hand up to get the first sales and raise their profiles.

Currently, projects are funded in silos. There are budgets for transportation, industry, natural resources, the environment, and there is a desire to invest in all of those sectors. For our part, we invest in the energy efficiency of rail, sea, road and air transportation. We know that the majority of projects concern the road sector, but there are also many applications for the lightening of materials, as well as for managing power, energy and engine power.

According to a study by the International Energy Agency, in 2035 oil will still be used for certain mobile applications. We think it is still possible to improve and increase the energy efficiency of traditional internal combustion engines. Consequently we must invest in our innovations. When it comes to lightening, hydrogen, and electric vehicles, I am convinced that Canada as a whole would benefit if the Department of Transport, the Department of Environment and Climate Change, the Department of Innovation, Science and Economic Development and the Department of Natural Resources were grouped together so as to invest in a program to advance the commercialization of our spinoffs.

For instance, SDTC, Sustainable Development Technology Canada, has quite an impressive budget for technological demonstrations. They show Canadians that things are working. That is were C3E would like to intervene and have a fund to help commercialize the best ideas, the best positionings and these innovations. Once again, the idea is to export products, import money and create wealth here. That is what we want to do.

We need to see initiatives from government as well as policies on industrial technological spinoffs. The Department of National Defence, for instance, buys technology abroad. It is used here to reduce our carbon footprint. Imagine how good the financial picture could be if we did the same thing with our Canadian innovations.

Thank you.

● (1905)

[*English*]

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

Next is Ms. Bell with the Tourism Industry Association of Canada. Welcome.

Ms. Charlotte Bell (President and Chief Executive Officer, Tourism Industry Association of Canada): Thank you very much.

Mr. Chair, members of the committee, good evening.

[*Translation*]

Good evening, everyone. Thank you for having invited me to take part in this consultation.

[*English*]

TIAC really appreciates the opportunity to participate in this important dialogue.

Travel and tourism is an $88.5-billion industry. It's Canada's largest service export sector and it generates $17 billion of annual export revenue. It's an economic driver and significant job creator in every riding across this country. We employ more than 600,000 people and we are the largest employers of Canadians under the age of 25.

There are a number of factors that undermine our international competitiveness. We've circulated a brief underscoring the factors that contribute to tourism's underperformance.

Tonight I want to focus my remarks on the need to increase international tourism marketing through Destination Canada..

You may be thinking to yourselves that tourism is one of those industries that's doing just fine and that the low dollar is taking care of this sector, so nothing needs to be done. What the low dollar is doing is keeping Canadians at home this summer. While domestic tourism is vitally important to the economy, we've grown overreliant on this segment. Currently, 80% of travel revenue in this country is derived from Canadians travelling within Canada. This is up from 65% just a decade ago.

While a low Canadian dollar is good for exports, we operate in a global marketplace where we compete with countries which invest significantly more in marketing than we do, and it shows. Globally, travel and tourism is one of the fastest growing economic sectors, surpassing $1.5 trillion in revenues. Our share is only 1.5% of that growing pie.

We need to grow international visitation. That's what generates the export revenue that drives investment, economic stimulation, and job growth in this sector.

Our largest key market is the U.S., so we're going to focus on that for a moment. Canadians are very conscious of the value of their currency. It's the topic of almost as many conversations at Tim Hortons as the weather is. But the vast majority of Americans are unaware of currency exchange. They base their travel decisions on value. Travel options are advertised to Americans in U.S. dollars. The effectiveness of the advertising campaign and the value proposition is really what's attracting them.

Canada has not had a significant marketing presence in the U.S. for at least five years. Last year TIAC requested $35 million annually to re-enter the U.S. leisure market and we received $10 million a year over three years. We're very grateful for the investment, but it does fall far short of the request. It's further compounded by the fact that we're experiencing a 30% loss in buying power in the U.S. because of the currency exchange.

Since 2002 Canada has fallen from eighth to seventeenth in the world in terms of visitation. Our marketing budget has dropped from $98 million to $58 million and we've shed four million international visitors a year.

Market conditions are now optimal to drive demand.

National tourism brand advertising is not only an effective way of promoting tourism but it's a powerful vehicle to communicate a country's values, including quality of life, cultural diversity, and environmental stewardship. Advertisements depicting Canada's magnificent geography, cultural diversity, and modern cities will not only drive visitation to Canada but will go a long way to setting straight the global impression of Canada as a leading progressive nation.

The travel and tourism sector is experiencing optimal market conditions when other sectors are struggling with global commodity prices. Increased advertising in key source markets would generate significant return within the same fiscal year at a time when government revenues and cash flow are vitally important.

TIAC is therefore asking for Destination Canada's marketing budget to be increased to $150 million. In 2001 the budget was $98 million, when Canada's visitation levels were at their highest. That converts to $127 million in today's dollars. We believe this amount should be increased to $150 million to compensate for the loss in buying power in key markets attributed to currency exchange.

Mr. Chair, members of the committee, the low dollar should not be seen as a solution to the tourism industry. It's an investment opportunity that really shouldn't be missed.

On behalf of Canada's travel and tourism businesses, I want to thank you for the opportunity to participate in the pre-budget consultations and look forward to your questions.

Thank you.

● (1910)

The Chair: Thank you very much, Ms. Bell.

Turning to the video conference from Roberval, Quebec, we have the Agence interrégionale de développement des technologies de l'information et des communications.

Mr. Nepton.

[*Translation*]

Mr. André Nepton (Coordinator, Agence interrégionale de développement des technologies de l'information et des communications): Thank you, Mr. Chair.

I thank the committee for inviting our group, a non-profit organization dedicated to the development of information technologies in rural Quebec.

We are here today to speak on behalf of the communities affected by this problematic situation. We are talking about half a million Canadian men and women who, in 2016, still do not have access to cellular telephone technology or mobile Internet. And yet we know that by 2018 this technology, through smart phones and tablets, will dominate the Internet sector worldwide.

Satellite coverage is already rather good in Canada. However, in terms of performance and cost, we believe that this technology will soon become obsolete. Because of this, development in the North, in Canada in particular, will be adversely impacted. By 2019, average speeds will quickly reach 20 to 43 megabits, which is beyond current capacity.

As you know, Canada's topography and its vastness hamper the development of affordable wireless Internet. Infrastructure sharing has brought down costs for users. However, this had an adverse effect on rural communities deprived of services by discouraging, to some degree, telecommunications carriers from developing new sites.

We want to see dynamic services in all of Canada so as to ensure the security, retention and development of resources, in addition to maintaining the competitiveness of businesses. Elected representatives say, and have confirmed to us verbally, that they favour a technology that will be able to keep pace with upcoming developments. This will have to be wireless telephony, because it is and remains the only sustainable technology that can provide fixed and mobile broadband internet, and, collaterally, cellular telephony, which is a very important factor in some communities.

We cannot overemphasize the importance of developing a fibre optic backbone and alternative networks in the North. They will become the support structure of all future telecommunications in the Canadian North.

Today, telecommunications infrastructure has become just as strategic as our roads and bridges, particularly for our rural municipalities, located far from large centres, devitalized, often mono-industrial, and having rather undiversified economies.

Consequently, to support the initiatives of our municipalities and their citizens, who are willing, in co-operation with telecommunications carriers, to develop innovative solutions, and even to contribute financially to the cost of the services they need, AIDE-TIC believes that the current government could, in its next budget, include the following three measures to support these local initiatives.

First, the definition of broadband infrastructures should be amended in the Building Canada Fund to incorporate fixed, mobile and voice Internet. The objective is to allow our municipalities to have access to development projects. I am referring here to cellular technology.

Next, given the vastness of Canada and limited municipal means, we suggest increasing the federal share from 33% to 50%, thus reducing municipal participation and encouraging the creation of such initiatives.

Finally, despite the low volume of users, we must ensure that our roads remain safe and usable. In rural areas and the Canadian North, that is important. We believe that a tax incentive or a capital cost allowance rate of 55% should be provided to telecommunications carriers willing to service interregional access roads. This would enable the geolocation of users in danger on our roads, as well as 911 emergency services.

Mr. Chair, thank you once again for having invited us.

If members of the committee have any questions to complete the brief we tabled, we will be pleased to answer them.

● (1915)

[*English*]

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

We'll turn to the first round of questions. Mr. Grewal, for six minutes.

Mr. Raj Grewal: Thank you to all the panellists for coming to testify today.

I'll be splitting my time with the parliamentary secretary, if that's okay.

My first question is for Alex Scholten.

There are few things that all three parties actually agree on. One is a small business tax reduction from 11% to 9%. I'm sure your association is happy about that.

You mentioned a few things on which I wanted a little bit more clarification. On the merchant fees, you said we pay some of the highest merchant fees in the G-8. I've been to a lot of convenience stores; there's a lot of them in my riding. They also charge us an additional fee if we're paying by credit card. Doesn't that offset whatever the merchants are charging them?

Mr. Alex Scholten: I'd be very surprised if they're charging you a surcharge, because their contracts with the credit card companies do not allow them in Canada to charge that.

Mr. Raj Grewal: Okay. Maybe I have to do some private investigation.

Mr. Alex Scholten: I would say though that the taxis in Ottawa do have the ability to surcharge.

Mr. Raj Grewal: Okay.

Mr. Alex Scholten: If you use your credit card, it's an additional $1.50. That was a decision of the municipal government here in Ottawa.

Mr. Raj Grewal: Is that to offset the merchant fee basically?

Mr. Alex Scholten: Exactly.

Mr. Raj Grewal: Also, there is a workaround. Rather than getting the merchant to reduce it, it could be industry imposed.

Mr. Alex Scholten: Yes, and that's been introduced in Australia, for example, but not very effectively. What happened there, and it's one of the downfalls of that proposal, was that merchants use that as a means to generate additional revenues and they charge more than the cost of the credit card fees.

Mr. Raj Grewal: Okay.

Is there any study on what happens if a convenience store stops taking credit cards and the impact it would have on that business?

Mr. Alex Scholten: It would certainly have an impact, because the convenience store across the street is going to be accepting those, so it will take business away.

We do know to what extent credit cards are used in various categories. In the gasoline category, for example, up until about six months ago about 55% of transactions were made with credit cards. If a store were to stop accepting those, a good majority of those customers would probably go elsewhere.

Mr. Raj Grewal: Yes, that makes a lot of sense.

The second question is on tax on tobacco and on the underground black market on tobacco.

Is there any study on the lost revenue in terms of what the convenience stores specifically are losing to that market?

Mr. Alex Scholten: Yes, from a convenience store perspective, it would impact sales of tobacco products certainly, but also secondary products within the store, because tobacco customers will typically buy other products.

The amount that our industry has looked at was about $2.5 billion. The last time we looked at that was about four years ago when the amount of lost revenue that governments across Canada were experiencing as a result of contraband tobacco was in the range of about $2 billion.

Mr. Raj Grewal: Thank you very much.

My next question is for Kurt.

You said that usage in Canada is one of the highest in the world in terms of data, which is good to know. Around this table I'm sure everybody has one or two phones. One of your suggestions was about the depreciation rates on the capital cost allowance on infrastructure equipment. You said the benefit from that would be reinvested into the wireless infrastructure.

Is there any component of that suggestion that could be transferred to customers? We may use a lot of data, but we also pay a lot more in Canada than in other countries for it.

Mr. Kurt Eby: To answer that question, we don't typically pay a lot more than other countries that use a similar amount of data. You'll see these countries that use similar amounts of data on similar quality networks pay about the same, especially on an affordability basis.

The request is that this change would free up more capital to invest, and that's what we're here pursuing.

Mr. Raj Grewal: Is it strictly from an infrastructure perspective?

Mr. Kurt Eby: Yes, exactly.

Mr. Raj Grewal: I have had interactions with people in your industry. I used to be a co-op student at Bell Canada back in the day...well not too far back in the day. We used to get scolded for the fact that it was so much more expensive to operate a cellphone here than it was with our partner in the south, the United States. I still hold that to be true. When I speak to my family members down south, and the infrastructure is about the same, they say they have a great network. We have a great network here, yet our Canadian customers pay a lot more.

This industry is heavily regulated by the CRTC, and it's basically all the big major players making a lot of money.

You're asking for additional funds here, and you're saying you're going to invest it in infrastructure. I get the economic argument, but is there any realization to say that customers should be saving from this as well?

● (1920)

Mr. Kurt Eby: Again, it's about infrastructure.

To go back to what you said about the U.S., the World Bank just released data this week on the affordability of wireless. Looking at what people pay on average as a percentage of their monthly income, wireless is more affordable in Canada than in the U.S.

A recent study showed that the slowest LTE network in Canada is faster than the fastest LTE network in the U.S. I think on that level we do quite well.

I don't talk to my members about pricing or what they charge consumers at all. We're not allowed to do that as a trade association, so I can't comment on that.

Mr. Raj Grewal: Fair enough.

Thank you very much.

The Chair: I'll have to cut you off right there, Mr. Grewal. You didn't leave much time to share with the parliamentary secretary.

Mr. Raj Grewal: My apologies.

Mr. François-Philippe Champagne (Saint-Maurice—Champlain, Lib.): Mr. Chair, I have 30 seconds to do justice to five great submissions.

The Chair: We'll turn to Mr. Richards. I believe Mr. Richards was the chair of the all-party tourism caucus last Parliament.

Mr. Richards, the floor is yours.

Mr. Blake Richards (Banff—Airdrie, CPC): Correct. You can probably guess where a lot of my questions will go as the official opposition critic for tourism.

My riding has our beautiful Rocky Mountains in it, with Banff and all it has to offer, and Canmore, so tourism is obviously a prime focus of mine. I do have some questions for you, Ms. Bell, but never fear to the other panellists. I do have some colleagues here who I'm sure will have some great questions for you as well.

There are a couple of areas that I want to ask about. You mentioned in your remarks about what we call the connecting America campaign. I'm going to quickly read from the press release that you put out after last year's budget. The quote from you says, “Today's federal budget promises to improve Canada's global competitiveness in attracting U.S. visitors, and strengthen the travel industry's ability to create jobs and wealth for Canadians in every region.” It goes on to say, “The federal budget includes important measures for the Canadian travel and tourism industry, specifically a commitment to invest in TIAC's Connecting America marketing proposal.”

With that context in mind, I'm really glad to hear at the recent federal-provincial tourism ministers' council that it sounds like the current government which is still in its infancy is looking to continue with that investment that we had announced in our budget last year. I certainly hope we can see them follow our lead on a few more things like fiscal responsibility and balanced budgets, but that's another story.

I want to get a sense from you, though. Obviously there is a lot of opportunity there right now. The low dollar you mentioned is a small part of that, but obviously, a lot of other factors come into play as well, including the fact that we're investing in marketing. You mentioned the desire to see an even greater investment for marketing through Destination Canada. Are there a couple of other suggestions you might have on ways the government could build on the increased visitation that we're seeing from the United States? I've heard it from the tourism operations in my riding, from people all across the country. In fact, just before I came here, I was talking on the phone to an operator on one of the ski hills and he was saying that they've seen about a 15% increase in business this year over last year, and about half of that was coming from the U.S.

Could you give us a couple of other specific ideas or suggestions on ways that we could build on the opportunities that there are from the U.S. right now?

Ms. Charlotte Bell: There's no question that building awareness in the U.S. through marketing is clearly the primary way of doing that. You can see there's a direct correlation between the amount of money that was invested in the past and visitation. You can see when Destination Canada or the Canadian Tourism Commission stepped away from U.S. marketing. Those numbers reduced significantly. There were other factors that you have to take into account. There was 9/11, SARS, the economic downturn. There are a number of other factors that played into that, but the reality is that in order to really build those numbers, we really need to capitalize on the opportunity that we have now. There's an economic recovery that's happening in the U.S. Now 40% of Americans have passports, which was not the case 10 years ago, and the loonie is low. While we have this opportunity it is time to take advantage of it. If we wait too long. what will happen invariably is we will go back to the levels we've seen in the past.

Year to date, U.S. visitation is up 8%, and to some extent I think that's related to the low dollar. We just want to make sure that we're capitalizing on that.

● (1925)

Mr. Blake Richards: Thanks.

I have just a little bit of time left and I want to ask about parks.

The Chair: You have one minute, and that includes the answer.

Mr. Blake Richards: I want to ask about parks, because in the Liberals' platform, they talk about wanting to limit development in parks. That's really a contrast, I think, to what you saw with us. Obviously, just last year there was $2.8 billion in investment in parks infrastructure. I think it's so important to provide good products and good visitor experiences for people in our national parks. I wonder if you could give us your thoughts on that. Do you think it's important that we continue to invest in great new visitor experiences and products in our parks?

Ms. Charlotte Bell: We absolutely wholeheartedly agree with the position that we need to ensure our parks actually are providing opportunities and great experiences for people. Also, our members are working with Parks Canada to do that in an environmentally responsible and sustainable way. We will continue to do that.

Yes, it's very important for us.

Mr. Blake Richards: Thank you.

The Chair: Thank you both.

Mr. Caron.

[*Translation*]

Mr. Guy Caron: Thank you very much, Mr. Chair.

I found it interesting that both Mr. Nepton and Mr. Eby said the same thing during their presentations. We had seen Mr. Nepton's presentation beforehand, but not Mr. Eby's. The difference is that Mr. Nepton, of the AIDE-TIC, suggests that the accelerated capital cost allowance—

Is the interpretation coming through?

An hon. member: Yes.

Mr. Guy Caron: I wasn't sure if it was working.

I was saying that you are both of the same mind regarding the accelerated capital cost allowance. But Mr. Nepton said that it should be conditional upon companies providing service to rural and more remote areas.

Looking around, I see that four of the five members around the table represent rural areas: Mr. Richards, who represents a more or less rural riding; Mr. Champagne; Mr. Easter; and myself. This is probably also the case in Mr. Champagne's riding, since I'm somewhat familiar with his region, but at least 8 or 9 of the 39 municipalities in my riding do not have access to cellular services. They can rely only on satellite reception. The problem is that the companies wanting to set up in these areas can't be competitive because high-speed services aren't available through satellite.

I understand why you don't invest in rural areas. It makes sense. The last 5% is the most costly, and I get that.

But back when land lines were the norm, Bell Canada had a monopoly in exchange for meeting the obligation of providing everyone with service. Since then, the market was opened up to competition in an effort to bring down prices. Unfortunately, that has happened at the expense of the regions, which are not being served and will receive no better access. The more networks improve, the more marginalized remote areas become because they don't have access to the services that would allow them to participate fully in the economy.

Mr. Nepton, my first question is for you, since I had a look at your model. At the end of the day, you work with the regions, the RCMs, the municipalities, to obtain the necessary capital to build cellular towers, which you in turn make available to the various companies who could then provide services through the network. Is that right?

Mr. André Nepton: Yes, that's correct.

Mr. Guy Caron: To date, how many municipalities and areas that were not previously served by one of the big telecoms, or any telecom, have you provided services to?

Mr. André Nepton: In Quebec, we are already present in the Haute-Côte-Nord, Saguenay and Lac-Saint-Jean regions. And now, in the communities of Villebois and Beaucanton, for the Eeyou Istchee James Bay regional government. In all, 16 cellular telecommunication sites have been built in collaboration with the communities, who provided financial contributions. The AIDE-TIC provides expertise as a developer and advisor. It struggled to pull together the necessary funding and was involved in the day-to-day construction. We were then able to bring service to 18 communities at a fairly reasonable cost, especially given that they meet the specifications of the big companies.

● (1930)

Mr. Guy Caron: Can you say with certainty that, without your involvement, without the communities building the towers themselves, those areas would not have cellular or high-speed Internet services?

Mr. André Nepton: That's true, except, perhaps, in one or two municipalities, where efforts were in the works. All the other municipalities, however, are quite tiny. The AIDE-TIC model does not necessarily satisfy everyone's expectations. Nevertheless, we are able to facilitate construction and, above all, reduce construction time frames. We help communities succeed in situations where the critical mass isn't normally strong enough for self-funded projects.

Mr. Guy Caron: I'd like to point out that, according to your building Canada fund recommendation, there is currently a way for municipalities and regions to obtain federal funding for high-speed Internet, which, very often transforms into satellite reception because it's just about the only way to get funding. That's not the case for cellular towers.

Is that correct?

Mr. André Nepton: The problem lies in the mismatch between supply and demand. More and more, the demand is for mobile Internet services, whereas infrastructure programs are intended more for fixed Internet services. The desperate need that elected representatives often draw attention to concerns cellular service primarily. As soon as a community wants to set up cellular infrastructure, the realization sets in that a lack of Internet capacity or service exists while satellite reception is available. If I give communities a choice between satellite technology and cellular infrastructure, where Internet and voice services are provided as collateral, the answer is clear: the local priority is always the sustainable technology.

Mr. Guy Caron: I have a quick question.

[*English*]

The Chair: We'll have to cut you off. We're well over time.

Ms. O'Connell.

Ms. Jennifer O'Connell: Mr. Chair, I feel so bad for the parliamentary secretary, I'm actually going to give my time to him, if he'd like.

The Chair: All right.

Mr. Champagne, you're going to get your chance.

[*Translation*]

Mr. François-Philippe Champagne: Thank you. I appreciate that.

[*English*]

It's difficult to do justice to all your submissions. Obviously, as we went from, I would say in my case, Moncton to Yellowknife, a lot of the issues you brought to the table we've heard.

[*Translation*]

I'd like to pick up on the issue you brought up, Mr. Nepton, and that is connectivity.

What I called digital infrastructure is an issue we've heard about in every region of the country. I can assure you that, together with our partners and various colleagues, we are looking into the matter.

When we talk about infrastructure programs in an urban area, we are referring to bridges and roads. In a rural area, however, we are referring to digital infrastructure. You will definitely find people on our end who are very aware of that. As Mr. Caron said, a number of our fellow members are from the regions.

I can tell you that high-speed Internet and cellular phone service provide people with opportunities to participate in today's economy. What is often proposed revolves around investing in productivity, innovation and exports. But, in order to do that, most of the regions need to have access to cell phone or Internet service.

My question is for Mr. Scholten, specifically.

[*English*]

We've heard from credit card companies and a number of banks, and I'm very curious to know, where is the 1.5% going? I've heard different things from different industries on exactly who's charging the 1.5% and where it is going. Could you shed some light for the members of the committee on where the 1.5% is going?

Mr. Alex Scholten: Sure. The 1.5% goes to the credit card network or credit card system, so the credit card providers, the banks, and the intermediary parties that provide the POS equipment, point of sale equipment. Among all of them, that 1.5% is divided up in accordance with their agreements.

Mr. François-Philippe Champagne: So, what would be our best strategy, if you were in our shoes, to address that particular issue that you mentioned? We've heard it in a number of submissions. But clearly, as I understood, and you just confirmed, the 1.5% is split among different, I would say, partners in the industry. How would you tackle that issue in a very proactive way?

● (1935)

Mr. Alex Scholten: In a proactive way, what we've been promoting for some time is the approach that the Australian government took to determine a reasonable rate.

We understand as merchants the importance of having a vibrant credit card system and we want to make sure that's ensured. The Australian government, when they looked at this as well, studied the issue, studied how much the costs were for all of those components of the credit card system to understand what was necessary and what was too much in terms of costs.

The recommendation that we would make is that a very fulsome study be conducted on all aspects of the credit card network system to understand where there is overcharging being done and where there's a situation where reductions should be passed along to merchants. With that in mind, the Australian government came back and initially created a rate of 0.55%. What we're talking about in Canada right now is 1.5%. They've since reduced that to 0.5%. From what I understand, they're looking at reducing that further to 0.3%.

In their review of the system in Australia, they have found that 0.5%, or an even lower rate, is sufficient to ensure that members of the credit card industry are making enough money, and compare that to 1.5% in Canada. We don't have a different system; it's exactly the same. What we're saying is it's too much. Studying that first, understanding and making sure that it's a reasonable rate is what we would suggest.

The other point that we've made, which we've seen in the United States, for example, is that some states in the U.S. have looked at the possibility of actually not charging credit card fees on the tax portion of purchases made. In our industry, for example, as I mentioned earlier, we collect $18-billion worth of taxes for federal-provincial governments. The thanks we get for that is when those purchases are made by credit cards, it costs us 1.5% to 4.5%.

What we suggest is if finance is looking at this, if this is something that you want to study, I would suggest that this would be a very good avenue to look at as well.

The Chair: You have about 30 seconds.

Mr. François-Philippe Champagne: Does that apply as well to debit cards or is this just a credit card issue?

Mr. Alex Scholten: It's just a credit card issue.

In the code of conduct that's under the FinPay committee, debit cards have been capped at a certain rate now. Merchants in Canada are quite happy with that rate.

Mr. François-Philippe Champagne: How much are we paying?

Mr. Alex Scholten: Between 5¢ and 10¢ a transaction.

Mr. François-Philippe Champagne: It's not percentages. It's a fixed amount?

Mr. Alex Scholten: It's based on a fixed amount.

Mr. François-Philippe Champagne: Okay.

Thank you, Mr. Chair.

The Chair: Thank you very much.

Mr. McColeman, you have five minutes.

Mr. Phil McColeman: Thank you, Chair.

Mr. Scholten, I go back with you to my early days as a member of Parliament.

I'd like to discuss this quickly. I represent an area that is the largest first nation in Canada, the Six Nations of the Grand River, and they have the largest cigarette manufacturer in Canada on Six Nations ground. It's called Grand River Enterprises, or GRE. I'm sure you're familiar with them.

Are you the organization that did the butt count on school grounds and street corners and things to find out how large the usage of contraband cigarettes is?

Mr. Alex Scholten: We are.

Mr. Phil McColeman: What were those numbers? Do you recall?

Mr. Alex Scholten: I do. Which province would you like?

Mr. Phil McColeman: I'll take Ontario. I'm from Ontario.

Mr. Alex Scholten: For Ontario, our most recent studies indicated a 22% rate of contraband.

Mr. Phil McColeman: Twenty-two per cent of all the consumed product is contraband?

Mr. Alex Scholten: For discarded cigarette butts that were collected on various locations around the province—

Mr. Phil McColeman: Right.

Mr. Alex Scholten: —the percentage of those cigarette butts that were identified as contraband was 22%.

Mr. Phil McColeman: This is a huge issue. It's an issue that poses all kinds of dilemmas and unfortunately, a politicization of things. That particular manufacturer, by the way, pays the excise tax. They pay no other taxes, no property taxes, no income taxes, and no corporate taxes, just the excise tax, so they have a huge advantage.

The other interesting fact is there are 11 known illegal manufacturers on the Six Nations territory that GRE told me about when I visited them six years ago, so my information is dated.

The issue is one that is so difficult to tackle. In fact, some of the richest people in Canada live on Six Nations as a result of this business.

I appreciate your encouraging the new government to tackle this issue in a meaningful way, but it's a very difficult issue to tackle. I just wanted to put it in context, because you've been fighting this battle for a long time.

Your business people, the people who own the stores, have lost the revenue numbers you mentioned: $2.5 billion, estimated four years ago, in lost revenue for them, and $2 billion, estimated four years ago, in lost revenue for the government. Are those numbers correct?

● (1940)

Mr. Alex Scholten: That's correct.

Mr. Phil McColeman: Thanks.

I'll end it there on that issue, and go to Mr. Eby.

In your presentation, you mentioned the accelerated capital cost allowance, and you requested the government to move it to what number?

Mr. Kurt Eby: Fifty per cent.

Mr. Phil McColeman: Do you know that's a huge advantage over other business categories in this country?

Mr. Kurt Eby: I believe it would be over some, but there would be some that would have a similar rate.

Mr. Phil McColeman: We just had petroleum upstream people here, and they were getting accelerated capital cost allowance as well. It was portrayed as a huge advantage.

I'd like you to review again the numbers of what it would mean to your industry should that happen.

Mr. Kurt Eby: These are from the Conference Board of Canada. They did a study on this. They said that in the long term, if it were a permanent change, it would result in an additional $225 million in infrastructure investment annually and 1,660 jobs.

Mr. Phil McColeman: How much tax revenue for the government?

Mr. Kurt Eby: From that, it was a $163-million increase in GDP. They didn't have a tax revenue.

Mr. Phil McColeman: Thank you very much.

That's it.

The Chair: Thank you very much.

We'll turn to Mr. Ouellette.

[*Translation*]

Mr. Robert-Falcon Ouellette: Thank you very much, Mr. Chair.

My next question is for you, Mr. Angers.

I'd just like to understand what you said about commercializing Canadian products. Would you mind elaborating on how that can help manufacturers of energy products?

Mr. Donald Angers: Thank you for the question.

The Liberal Party said that it wanted to deal with the carbon issue. It's a fact that the transportation industry is responsible for 23% of the country's greenhouse gas emissions. Our goal, then, is to invest in the commercialization of energy-efficient innovations in the transportation industry. For instance, there is a hydrogen company in British Columbia, and Quebec has a hydrogen research institute. And both of them have developed wonderful applications that could find takers throughout Canada's north.

The Germans, however, hold patents and their products may cost buyers less because our companies don't have the resources to commercialize and sell their products. It's hard for them to compete with companies that have the upper hand over Canadians in the country. We want to invest that money in those Canadian companies. We want to help them commercialize their products outside the country, and their profits will generate our return on investment.

That's what C3E does. As a non-profit organization, we pass on the profits to the next company to create the wheel that will allow Canadians to engage in more commercialization all over the country.

We'd like to put in place a strategy, in other words, create a Canada-wide efficient transportation community. All the projects that universities are working on would be part of that platform, as would all of our promotional endeavours. Large entities would see Canadian innovations on that platform and be able to acquire them. Canadian companies would be in a position to export their products and import money.

Mr. Robert-Falcon Ouellette: You talked about university researchers. Often, although they are able to design a product well, they don't have the expertise to commercialize it.

Mr. Donald Angers: That's right.

We provide the financing. A lot of research is being done. We make it available on the platform so that all the investors see it. The investors will help them commercialize the products.

Mr. Robert-Falcon Ouellette: Thank you very much.

My next question is for Ms. Kent.

I will also ask it in French.

Could you tell me what the impact of the current drop in oil prices is on the biofuels industry? Is that also affecting your industry?

● (1945)

[*English*]

Ms. Andrea Kent: Thank you for the question. If you don't mind, I'll respond in English though.

There's absolutely an impact in our industry. It's not unlike other commodity-based industries. We are witnessing here exceptionally low oil prices combined with a falling Canadian dollar. It creates instability and ripple effects for us as it would really any other segment of the economy at this price when you look at the low price combination in this environment.

What is important to realize is that for us, oil isn't the only commodity that we're linked to. It's also gasoline. When you look at the demand for gasoline, there's always a flip side to something. Low prices mean higher demand in this instance.

Because gasoline demand has remained relatively very strong and increasing, ethanol demand as a result of that has also done fairly well comparatively over this period. Biodiesel isn't combined with oil in quite the same way. So we're doing well. That isn't to say things like the mandates aren't still important. A lot of the reason that we're able to weather these price fluctuations is policy certainty.

[*Translation*]

Mr. Robert-Falcon Ouellette: Thank you very much, Mr. Chair.

I will ask my last question in French.

In terms of this type of energy, I have often heard that it can sometimes have a negative impact on the environment. Actually, we hear that a lot of farmland is being converted for biofuel production. Instead of feeding people, we are feeding cars.

Is that correct?

[*English*]

Ms. Andrea Kent: The short answer is that it's not true. When the industry started—you'd have to go back 30 or 35 years, really—there would have been more concerns in terms of the impacts on agriculture. Ethanol comes from corn. We use soybeans too.

Look at traditional platforms and where they started. Certainly you wanted to make sure, as with any resource industry, that the environmental and agricultural components were worked out responsibly.

We've come so far, but the information about our industry hasn't really kept pace. There are still some people who think there is a correlation between the biofuels industry and the price of food, or that maybe we're taking up too much land. But in fact, if you look at some of our plants in Ontario as an example, GreenField ethanol and IGPC Ethanol, the latter of which is a farmer-owned co-operative, they have actually reinvested in agriculture to make it more efficient. We are not using any resources that would otherwise be going into the feed market. As a result of making ethanol, other by-products are made that actually enter the animal feed market.

It really is an issue that has gone from food versus fuel to food and fuel, because both are being produced. The innovation part of it is really important. There have been so many strides in the industry, but we still get people who haven't quite kept pace with our advancements.

Our polling done in April showed that about 10% to 12% of Canadians still thought there was a correlation between the biofuels industry in Canada and food prices. By comparison, that same polling group thought there was a correlation between climate change and higher food prices: that was 37% of people. It's a vocal minority, but more people now think that climate change is having more of an impact than us on food prices and agriculture.

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

Mr. Liepert.

Mr. Ron Liepert: Thank you.

My question is for you, Ms. Bell. If someone travels from the United States to Canada, when they land in Canada and rent a car, they pay generally a fairly stiff tax at the airport to rent a car. They go to the hotel and they pay a hotel tax. They fill up the car and they pay a gas tax. Then they pay GST, HST, PST. Then, when they go to leave, they pay twice as much taxes in user fees out of Canada than coming in the other direction.

Have you done any studies on how much of a negative impact the tax burden has on our tourism industry and on how we compare with other countries? These are the only taxes I could think of just off the top of my head. I'm sure there is a whole bunch more, a variety of municipal, provincial, and federal taxes.

● (1950)

Ms. Charlotte Bell: I think the one area that definitely has a direct impact on our industry is the cost of air travel and the taxes and levies that are imposed on flights. Right now, because of the low dollar, it's serving to actually offset some of that, so it's not as noticeable. The cost of air travel is actually about 40% higher than it is in many other places. That's why you've also seen about six million Canadians every year going across the border to fly out of border communities.

I'm not aware of any research that directly addresses all of the different other taxes that people would be paying if they were coming here. It would be interesting to take a look, but I haven't seen anything particularly related to that.

Mr. Ron Liepert: Just as a follow-up question, Ms. Kent, can your industry stand on its own today?

Ms. Andrea Kent: Absolutely. Look at where we've come; from initially putting the mandates in place, we're looking at 1.8 billion litres of ethanol produced every year. For biodiesel it's about 500 million litres. All of the ethanol mandate is being filled with domestic production, as is the majority of the biodiesel one. The other product that's coming in is natural North American market product flow. It goes both ways for us.

So yes, we are a sustainable industry, but you have to look at how the market operates in a bit of a broader scope. There are still investments that went into the traditional fuels platform, built out 100 years ago, that have contributed to its ability to diversify. We're a third of that, a lot younger in a lot of ways. For us, that policy certainty that's been embedded in the Canadian system is critical, because it complements other systems like that of the U.S., which has a renewable fuels standard as well. It keeps us on pace with what's happening globally with all the countries that also have mandates.

It's not about sustaining or propping up an industry so much as it is about creating a floor that we can build off of, compete more aggressively, and continue to grow and diversify.

Mr. Ron Liepert: Good.

The Chair: Thank you, Mr. Liepert.

Mr. MacKinnon.

[*Translation*]

Mr. Steven MacKinnon: Thank you, Mr. Chair.

My thanks to all the witnesses for coming to meet with us this evening despite such short notice.

Ms. Bell, you talked about the growing investment in advertising and in marketing in the tourism industry. Have you studied the benefits that come with increased investment in marketing?

Ms. Charlotte Bell: That is a very, very good question.

Over the years, we have tried to determine what the return on investment is. I heard that, for every dollar spent, $34 went back into the economy. However, I'm not sure whether that is the exact figure. I know that Destination Canada's research unit is studying the issue in order to gather more accurate data.

Clearly, there is an obvious correlation between investment in marketing and international arrivals. There are no two ways about it. We must realize that there is a direct link to marketing.

Mr. Steven MacKinnon: Perhaps we can make a suggestion to the tourism commission in Vancouver that is actually studying the issue.

Ms. Charlotte Bell: Actually, the tourism commission is now Destination Canada.

Mr. Steven MacKinnon: I'm sorry.

Ms. Charlotte Bell: I just wanted to make sure that we are talking about the same organization.

Mr. Steven MacKinnon: On Canada's 150th anniversary in 2017, do you intend to have a big stake in the event? Will you encourage any sort of investment from the federal government? Do you have any suggestions on that?

Ms. Charlotte Bell: That event is very important for Canada and it is not to be missed. I think that it would be really important to invest in Canada's 150th anniversary. I know that there have been consultations and we are waiting to see the results. We feel that it is important that the government continue to invest in special events. Whenever there are special events, be they in sports, culture or arts, we also see an increase in international tourist arrivals. The 150th anniversary will encourage Canadians to visit Canada even more. That is very important and we fully support this initiative.

Mr. Steven MacKinnon: Thank you very much.

Since I have a bit of time left, I would like to address Mr. Nepton and Mr. Eby. I will continue along the same lines as Mr. Caron, talking about service in rural regions.

Telecommunications companies are trying to recoup their capital costs more quickly. As I understand what Mr. Nepton was saying, he mentioned, just like Mr. Caron, that there was a shortage of services in rural regions.

Mr. Eby, would you be in favour of a type of tradeoff if the government were able to provide you with a more accelerated depreciation? Would the companies you are representing then be willing to invest more in rural regions?

Mr. Nepton, would you welcome something like that?

The question is for Mr. Eby first.

● (1955)

[*English*]

Mr. Kurt Eby: What we've requested would result in increased investment in urban areas, obviously, to meet demand, extend networks into areas that don't currently have service, and improve poor or substandard service in rural areas.

I don't know exactly how a trade-off would work in a situation like this, where it's a tax writeoff. I don't know how it would be structured.

The other issue is, I represent a variety of members, some of whom are still building networks in urban areas to catch up to the companies they are competing with that have had networks for a lot longer. Certainly they want to be able benefit in urban areas. But as you've seen from the data, all our members need to enhance these networks to meet the demand everywhere.

From what we've heard today, a rural strategy is certainly very appealing and makes a lot of sense. We've heard from other members that are doing similar things: bringing people together, identifying the gaps, and trying to work with the industry to build out.

I think that what we've requested, the accelerated capital cost allowance, will certainly help. It will free up capital for that. I don't know if it is the solution to a rural issue.

The Chair: Mr. Caron, you have two minutes.

Mr. Steven MacKinnon: Could we just ask Mr. Nepton to—

The Chair: Oh, sorry, Mr. Nepton. It will cut back on Mr. Caron's time, but go ahead.

[*Translation*]

Mr. André Nepton: I understand that the needs in terms of capacity in urban areas are great. We must continue to address those needs because the demand is quite significant, but the idea of being able to share the amounts related to an accelerated CCA to stimulate development in rural regions might please the municipalities. In addition, they could have access to more money to support the development of infrastructure through the building Canada fund.

[*English*]

The Chair: Thank you.

Mr. Caron.

[*Translation*]

Mr. Guy Caron: Thank you very much.

I was going to ask pretty much the same question.

Our recommendation is the same: an accelerated capital cost allowance. However, there is some discussion that it should be contingent on the presence of your members. I understand that the small members of your association are still setting up shop in urban areas, which is more profitable, but there are bigger members. I am thinking in particular of the three big companies that have the ability to go to rural regions and sign an agreement with the members so that those regions are served.

I only have one minute left to ask you one last question. Are you familiar with the AIDE-TIC model? The towers are built by the communities and the telecommunications companies then come to set up the network and serve the region. What do you think about that model? Would you be able to promote that model of co-operation within your organization?

[*English*]

Mr. Kurt Eby: I'm familiar with a lot of collaborative models. We've seen that with various regions and municipalities. The Eastern Ontario Regional Network has done something very similar. I'm not really familiar with the model where the municipality owns the towers. They help facilitate. They also help facilitate the investment and help share the cost. Typically our members own the towers, but we're certainly familiar with and support this type of model, this collaborative model of working together and finding the money or capital in areas where it's not economical to deliver service.

● (2000)

The Chair: Thank you very much.

Ms. Bell, if you do find the number for the return on investment for a dollar of advertising for international tourism, could you forward it to the clerk?

Ms. Charlotte Bell: [*Inaudible—Editor*]

The Chair: We can't continue to fall behind in terms of international tourism as we've been doing.

I come from Prince Edward Island and I know how much the Japanese tourists mean to us as a result of *Anne of Green Gables*.

I have just one comment before we close.

Tomorrow the meeting will be here at 11 a.m., rather than what was on the original schedule. It will be in C-110 because we have to do a video conference, and this is the only place we can both do video and have it be televised.

One organization can't come tomorrow, so another organization will be added to tomorrow's 11 a.m. meeting and that will be the Canadian Pharmacists Association.

With that, I want to thank the witnesses for their presentations. There has been a lot of information provided here this afternoon and evening.

Thank you very much. We'll adjourn the meeting and see you at 11:00 tomorrow.