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## **Standing Committee on Finance**

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**EVIDENCE**

**Monday, October 17, 2016**

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**Chair**

**The Honourable Wayne Easter**



## Standing Committee on Finance

Monday, October 17, 2016

• (0905)

[English]

**The Chair (Hon. Wayne Easter (Malpeque, Lib.)):** I call the meeting to order. As most witnesses know, this is the Standing Committee on Finance. Pursuant to Standing Order 83.1, we are holding pre-budget consultations in advance of the 2017 budget.

When we're on the road we usually ask members to introduce themselves so witnesses know who they're talking to and where they come from. I might mention as well that Mr. Albas had a funeral yesterday. I think he took the red-eye flight, but he will be late getting here. He may not get here until after the first panel.

My name is Wayne Easter. I am a member of Parliament from the riding of Malpeque in the neighbouring province.

**Mr. Francesco Sorbara (Vaughan—Woodbridge, Lib.):** Good morning, everyone. My name is Francesco Sorbara, and I represent the riding of Vaughan—Woodbridge, which is basically attached to the beautiful city of Toronto. We're known as “the city above Toronto”.

**Mr. Steven MacKinnon (Gatineau, Lib.):** I'm Steve MacKinnon, a transplanted New Brunswicker who is now the Liberal MP for Gatineau, Quebec.

**Mr. Ziad Aboultaif (Edmonton Manning, CPC):** I am Ziad Aboultaif, the member of Parliament from Edmonton Manning, the northeast side of Edmonton.

**Mr. Pierre-Luc Dusseault (Sherbrooke, NDP):** Good morning. I am Pierre-Luc Dusseault, the member of Parliament for Sherbrooke, Quebec, in the Eastern Townships.

**Mr. Raj Grewal (Brampton East, Lib.):** Good morning. My name is Raj Grewal. I am the member of Parliament for Brampton East, just outside of Toronto.

**The Chair:** Thanks to all of you.

I might mention as well—because sometimes it's distracting—that you'll see people looking at their iPads now and again. Now that we're a paperless society, what's usually going on is that we're trying to find the briefs on these iPads. We're not playing games on the iPads. We're just trying to find the information.

Thank you for coming.

Starting with the Dairy Farmers of New Brunswick, we'll hear from Mr. Gaunce.

**Mr. Paul Gaunce (Chairman, Dairy Farmers of New Brunswick):** Thank you to the committee for inviting us to speak today. You have a copy of my presentation, and I'm going to go through it

quite quickly, because I'm sure you've been talked to by Dairy Farmers of Canada before. I represent the Dairy Farmers of New Brunswick. I'm the chairman. I also have a small dairy farm. My son and daughter work with me.

We have about 200 dairy farmers in New Brunswick. In New Brunswick dairy runs neck and neck with potatoes for the largest revenue producer in the province. We're one of seven provinces in the country in which dairy has the largest revenues among agricultural producers. We're showing phenomenal growth in Canada in the dairy industry now. That's amazing because people think of us as supply-management systems that are closed with no growth, but the growth in the domestic market has been huge in the last few years. There has been a big change in the mindset of doctors and the heart foundation who no longer think that butter will kill you, and butter growth has just been crazy.

I don't have to tell you I'm a converted person, but butter makes everything taste better. Now, that growth is great but it also brings with it some issues. One is the fact that our processing plants are getting close to capacity; they're getting old. We need a lot of infrastructure upgrades, and the technology around the world is also changing. We have an issue with diafiltered milk being imported. It's imported because the cheese processors find it an easier product in their cheese, and I don't blame them, but we need to get that technology into the new plants and allow for more capacity in this country. There was a promise of processing money for infrastructure upgrades in the CETA and TPP deals. That's been discussed with the new government, but there's been no decision yet. The CETA and TPP deals are going to take approximately 6% of our market away. That's money we're going to lose forever, and that's certainly going to create a hard time for us. There was a \$4.3 billion income compensation package available that hasn't been discussed or agreed to yet either.

Now, we know there are issues with CETA and TPP. When they'll be ratified and put into place, we have no idea, but they've all been signed. They're going to be put in place sooner or later. We hope that compensation package comes through, because we can use it on the farms to be more innovative and to upgrade our technology to help become more efficient and hopefully to create more growth and more jobs.

I'm just saying this off the cuff now. As a small-business person and someone who is probably at the tail end of the baby boomers, I'd like to address your other questions about how we could help the whole society do a better job for the country. I'm a firm believer that if people are allowed to make a decent living, they'll spend money and help create growth in any part of the country. So what's the cost of living? I have no idea; it's different from province to province, but let's say it's \$25,000 a year. Why would you tax anybody who makes \$25,000 a year? So make your basic personal exemption \$25,000. The person with an income of \$25,000 is going to spend all that money just to live, which in turn creates growth in dollar rollover.

The other thing is that all of us baby boomers are getting to an age at which we are going to require more health care. Why not increase the capital gains tax exemption so all of us baby boomers can save enough money to look after ourselves? At our age we're going to need a lot of health care, but if we have that disposable income, we're not going to be a burden on society or the rest of the taxpayers since we'll be able to cover our own costs. If we get that magic number for the clawback on Canada Pension and old age security, then that's great; that's money we get back and we can spend on the rest of society.

These are just a couple of thoughts from my brain.

Thank you very much.

• (0910)

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

We will now turn to the Fredericton Chamber of Commerce.

Ms. Ross, welcome. The floor is yours.

**Ms. Krista Ross (Chief Executive Officer, Fredericton Chamber of Commerce):** Good morning, and thanks so much for including the Fredericton Chamber of Commerce in this process.

I would like to welcome all of you here. I know that probably many of you have visited Fredericton before and that Mr. MacKinnon lived here many years ago. Thanks for visiting our community. I hope you enjoy your stay.

Our chamber of commerce has 950 members. We're the largest chamber of commerce in New Brunswick and are second only to Halifax in the Atlantic provinces. We are very representative of our business community. Our mission statement is "community prosperity through business". I wanted to give you a bit of background about who we are.

I want to address question two, which is about federal actions that would help Canada's businesses. I draw your attention to the Canadian Chamber of Commerce's "Top 10 Barriers to Competitiveness" report, which they released earlier this year. That helped me form our response to this.

First of all, there are the corporate tax rates. Companies are penalized when incomes reach \$500,000; they jump from the 11% small business rate to the 15% corporate rate. In the provincial tax rates, the jump is from 15% to 27%. It's a very large jump at that threshold. This is one area that we are concerned about.

Second, a huge and time-consuming hindrance for business is the cost and complexity of complying with Canadian tax law. It's a

necessary hindrance, I guess, but it is a hindrance to business. For small and medium-sized enterprises, dealing with the CRA can be a complicated process. Between the GST, the HST, payroll tax, income tax, and CPP, many businesses are required to make 30 or more remittances each year. There are provincial ones as well, but many are federal. Businesses tell us that if they make a small error in their remittances, in fact, they're faced with unforgiving penalties of the same proportion as those for large businesses and with an appeal process that is complicated and costly.

Third, on the certain tax breaks that only help SMEs, the federal SR and ED program, scientific research and experimental development, offers a 35% credit for the first \$3 million in expenditures for small firms, but only a 15% credit for expenditures exceeding \$3 million. In a time when we're trying to push and enhance innovation, research, and growth in that area, we think this could be adjusted to reflect that.

As Mr. Gaunce has mentioned, Canada's tax system treats the transfer of family-owned businesses in farming and fishing favourably, but that is not always so in other sectors, where family members face the capital gains tax. This can discourage the transfer of family-owned businesses to the next generation, whereby they can remain profitable and continue to provide employment, as well as paying taxes, of course. We feel that should be looked at in terms of the inheritance taxes and capital gains taxes relating to the transfer of businesses.

The fifth item I want to mention is the small business deduction. The taxable capital threshold has remained at \$10 million, which we feel disadvantages our larger members as well. Also, we did make a submission to the committee requesting that New Brunswick's Small Business Investor Tax Credit Act be added to the list of acts under which a corporation may be registered to qualify as a prescribed venture capital corporation. We need more private investment here in New Brunswick. Likely that's true across the country, but here in New Brunswick we are finding that specifically. We want to encourage private money in the economy. I did bring a copy of our submission that was done on August 5, 2016, if you would like to have that for your records as well.

The other question I want to address is question three in regard to "[w]hat...measures would ensure that urban, rural and remote communities enable residents to make their desired contribution to the country's economic growth and"—more specifically for us—"businesses to expand, prosper and serve...?"

Our response is that trade-enabling regulations and legislation, agreements, and infrastructure are what we need. We are a trade-dependent country, and this province most specifically is trade dependent. Increasing our exports should be a top economic development priority. We feel that the federal government plays a very important role in this regard, of course, in investing in appropriate trade-enabling infrastructure, both digital and physical. Natural resource development, we feel, is being hindered by Canada's inability to get products to market.

Another of the Canadian Chamber of Commerce's top 10 barriers to competitiveness isn't just a rural issue: roads and bridges, pipelines, railways, airports, and seaports. Having the right infrastructure in the right place at the right time can make all the difference in a global economy. We need the government to allow business to compete. One of the best ways to do that is to support projects that help us do that.

Specifically, I would like to share an example with you that's been a thorn in our side for several years. We are very strongly supportive of an expansion of the Fredericton International Airport. Our airport is one of 26 airports that form the national airport system.

- (0915)

These airports have been identified as being strategically important to the country's air travel system; however, NAS airports are excluded from ACAP funding. It was specifically established to assist airports with fewer than 525,000 passengers annually, so they were considered to be not self-sustaining.

Fredericton is one of six NAS airports that are small enough to otherwise need and receive ACAP funding, but because of this policy they're ineligible. Our airport is operating at 75% over capacity right now, and I'm sure you may have experienced that when you arrived here yesterday. You will most certainly experience it when you leave here, because the lineups to get through our security and even the holding areas for the gates are absolutely unacceptable. If you have baggage to drop off, you might want to consider pre-boarding tickets before you go to the airport. It's a considerable challenge being 75% over capacity.

Our airport was designed for 200,000 passengers and we're now serving 350,000. By 2030 we know that the numbers will be up to about 500,000. We understand that the only factor that's holding the expansion back is the exclusion from this funding.

Representatives at all three levels of government support the project, and the airport itself already has its one-third of funding in place. It has been frustrating that there has been so much talk of infrastructure renewal at the federal level, but we haven't been able to find a solution to this problem.

This is exactly the type of infrastructure project that the government should be focused on. It will have a long-term positive impact on economic development, and it will pay back the government's contribution through increased taxes in just six years.

That is all I have to say at this time, but I would welcome questions if there are any.

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

We have all of the briefs that came in in August.

Mr. Mike Legere is with Forest NB.

**Mr. Mike Legere (Executive Director, Forest NB):** Thank you, Mr. Chair.

Good morning, committee members.

Forest New Brunswick is an industry association representing the majority of forest product manufacturers in the province of New Brunswick. Our mission is to be the voice of forests and forestry.

The significance of the forestry sector in New Brunswick is often understated, but it's very obvious. We contribute the most to the provincial GDP, at 5%, which represents about \$1.5 billion in economic activity directly, and roughly \$2 billion if you include indirect contributions. We have revenues of \$3 billion in export and domestic sales.

The association identified several issues that are constraining the sector's global competitiveness. As for our relevance nationally, if we look at our forest industry throughout the country, with 600,000 people directly and indirectly employed, we can see that it is of course extremely significant. We contribute roughly \$20 billion to the economy, so it's significant on regional, provincial, and national levels.

What we're looking to bring forward to the committee today is recommendations around three agencies and areas of financial engagement with our sector.

One is that we're looking for continued funding and also an enhanced and more strategic consideration of how and where this funding is spent with regard to the Atlantic Canada Opportunities Agency and, in particular, the Atlantic innovation fund.

The second is Climate Change Canada, with their low carbon economy trust fund. I'll expand a bit on how this is applicable to our situation here in New Brunswick and nationally.

The third is phase two of the Infrastructure Canada program.

Looking first at the ACOA AIF, in New Brunswick we have a pending spruce budworm epidemic that's knocking at our doorstep. We have outbreaks that occur in roughly 25-year cycles. We're at the start of a new cycle here. The last one ended in approximately 1990. That resulted in 50 million hectares of deforestation and impacts across the country.

Currently, across the border in Matapédia, Quebec, we have about seven million hectares being affected by the spruce budworm. To put that into context, New Brunswick has roughly 6.1 million hectares of forest, so the entire deforestation that's happening in Quebec now would completely engulf New Brunswick's forests. It's fairly urgent that we deal with this. The economic loss is significant as well. Over the course of the outbreak, we're looking at \$4.7 billion, with a worst-case scenario of \$6.7 billion in lost economic activity for the province. You can imagine this on a national scale over 50 million hectares. There would be a considerable negative impact.

It's not all bad news. Out of necessity, I guess, which is the mother of invention, in New Brunswick we've taken on a five-year research project that was generously funded by ACOA through the Atlantic innovation fund. It was a five-year project that started in 2014 with \$18 million in funding jointly shared between the federal and provincial governments and the industry. We had academia on board with that. The University of New Brunswick was a primary researcher, and the Canadian Forest Service provided in-kind support on the research as well.

The funding is due to expire in 2017. Because we're in the early stage of a potential outbreak, it's very important for us at this stage that the funding continue and the research proceed. We have three treatments that we're testing now, with very positive results early on. Within weeks, we're expecting to have a new proposal submitted to ACOA for funding. Also, we're making presentations to your colleagues in government.

Second is silviculture investment. This pertains to the low carbon economy trust fund. We feel that this is an excellent way to deal with your climate change obligations. In New Brunswick, we're looking at more intensive silviculture on crown and private lands. We believe that we have the ability to capture two million tonnes of CO<sub>2</sub> annually, and this will contribute to our national obligations under the Paris accord. The economic impact here, especially in rural communities, is significant. These are immediate jobs, with boots on the ground. Roughly 95¢ of every dollar spent on silviculture goes into wages. It's labour intensive. We are looking for federal investment through the climate change agenda to deal with this.

Third, to reiterate comments that were made by the preceding presenters here on infrastructure, we think that infrastructure investment, especially as we look to the phase two engagement through Infrastructure Canada, has to be more strategic. From the forestry perspective, a large portion of our costs comes from the transportation of wood from forest to mill. In New Brunswick, 40% of our harvested timber has to travel on roads that are only rated to 43,500 kilograms, and that increases our transportation costs considerably.

• (0920)

After wood fibre costs, transportation is the biggest cost that we have. It makes us uncompetitive compared to other jurisdictions. In fact, it is 42% higher compared to the weighted average of other eastern forestry-dependent provinces.

The potential here a reduction of 54,000 loads if we can get those rates increased, but it requires investment in bridges and culverts. These are not the bridges and culverts that we see on our primary roads. They tend to be on secondary roads. Now why is this

significant? This is a problem faced by many jurisdictions, but in New Brunswick it's been quite pronounced, because there's been a lack of resources to put into improving this infrastructure. I guess I can liken it to this: You are in this hotel. The elevators that you go up and down in to get to the meeting are very nice, but if it weren't for the service elevators in the back, a lot of the nice services, such as the nice rooms with the linens, wouldn't happen. That infrastructure is like the service elevator: it has to be there; it's very important.

That concludes my comments.

• (0925)

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

We now turn to Mr. Brun of the Maritime Fishermen's Union.

[*Translation*]

**Mr. Christian Brun (Director General, Maritime Fishermen's Union):** Good morning, ladies and gentlemen.

I'd like to begin by thanking the members of the committee and extending my greetings to them, especially Mr. Easter, from the Atlantic region, and Mr. MacKinnon, whom I have not seen for some time.

My comments will be in reply to question 3, essentially. I will begin by explaining the nature of the UPM, the Union des pêcheurs maritimes.

The union is made up of around 1,300 New Brunswick fishers. They are captains and owner-operators of enterprises in New Brunswick and Nova Scotia.

We are also part of the most important fishery sector in the Atlantic region, the independent group. In other words, these are independent fishers who operate and manage vessels.

Our organization brings together approximately 10,000 fishers like that who hold permits and are present in hundreds of communities in the Atlantic region. In addition, we account for 75% of the value of Atlantic fishery landings, which are worth over \$2 billion a year.

Independent fishers fish lobster, crab, shrimp, ground fish, scallops, herring, capelin, etc. They are all, as I said, owner-operators, business managers, and their businesses are mostly family-owned. The important thing is that they live, hire, spend and reside in hundreds of fishing communities from Gaspé to Labrador.

These communities depend on access to the adjacent marine resources for their socio-economic well-being. Hence the dynamic in these communities essentially rests on the occupation of the Atlantic territory. If that were not possible, many Atlantic communities would not exist, or very little would be happening there, as I am sure you understand.

In addition, our industry also exports. More than 80% of our landings are exported offshore.

Our sector is also one of the only ones in the Atlantic region that is experiencing considerable growth. There have been impressive increases, year after year, in the volume and value of the landings. In any other sector, we would really be the flagship of the economy, and yet we often get the feeling that we go unnoticed. Often, the Government of Canada does not seem to value or even be conscious of the contribution we make to the economy and rural well-being of our region. This is especially manifest in the lack of political attention for our fleets, which are very precious to us and have done incredible work in the last generation by maintaining these benefits in our communities in order to keep them alive.

If there are independent fishers in Quebec and the Atlantic region today, it is thanks to federal government policies like the owner-operator and fleet separation policies that were put in place by the Honourable Romeo Leblanc some 40 years ago. Those policies gradually took fishermen out of poverty and dependence and brought them comfortably into the middle class. By allowing them to become independent of the fish processors and buyers, these policies created a balance between the harvest, fishers, and other sectors that often have a lot of capital and a strong say about the delivery of the product to market.

The Government of Canada understands the repercussions wide income disparity can have on society. We have experienced such situations. The wider the income disparities in a society, the greater the social problems, the weaker the economic growth, the lower the educational level, and the higher the crime and incarceration rate. I am explaining this because we need balance and a strong middle class. Moreover, we have to invest in these industries if these benefits are to stay in our communities. That is very important.

Despite the success of policies that protect the independence of fishers and the economy of coastal areas, the policies have been neglected by Fisheries and Oceans Canada and by the Government of Canada over the past 20 years.

• (0930)

Little by little, those who should not have access to fishing licences have deviously taken control of our coastal fisheries; they are encroaching on them, and it is urgent. We are headed for a system like the one in British Columbia where a fishing licence has become a privilege for the well-off, who simply collect fees from the fishers. In other words, fishers have become employees. Little by little, despite the protests of our fleets, we are headed toward the same situation in the Atlantic region, and we are very alarmed by this.

[English]

If not dealt with effectively and quickly, the situation will result in a massive shift in the distribution of wealth away from fishermen and coastal fisheries towards corporations and urban areas; create an intergenerational crisis in terms of employment opportunities in fishing communities; permanently reverse the social and economic achievements of past Government of Canada policies in the fisheries and undermine the economies of isolated rural areas of the coast; and, finally, create the perfect storm for a foreign takeover of our industry. We're already seeing some aspects of that taking place.

[Translation]

The Government of Canada has to act; it has to act fast, in our opinion, with consistency and conviction, to preserve the middle class in our fishery. We'd like to see three things. First, we'd like to see amendments to the Fisheries Act and its regulations to protect the independence of fishers by including in the law the major principles that have proven their value over more than a generation, the owner-operator and fleet separation policies. Those policies are there, essentially, to protect the middle class and the equitable and sustainable development of our rural maritime regions.

[English]

Second, we want to see a new public policy instrument in the fishery to provide loans and loan guarantees to new entrants to the independent fisheries. It's very important, because our harvesters, on average, are nearing that age of retirement, and we know what can happen. We want to prevent a crisis from happening. We also want this to stay in the families for those who want to do it and to make sure we have a smooth intergenerational transfer. That's coming up in approximately five to seven years. We have to rush this and make sure we have the proper tools to have that generation come in.

Third, we want to see federal funding for collaborative research on lobster sustainability, in the context of climate change, among our independent fleets, Canadian universities, and the Department of Fisheries scientists, under the national centres of excellence program. Lobster is Canada's most important fishery by any measure. It sustains rural communities across Atlantic Canada, and yet we invest next to nothing on its research. We would like the Government of Canada to announce funds in the next budget for the creation of an NCE on applied lobster research, which would include a network of Canada research chairs on coastal fisheries in universities in B.C., eastern Quebec, and Atlantic Canada.

I'd be open for questions if there are any.

[Translation]

Thank you very much.

[English]

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

Mr. Fudge, with Opportunities New Brunswick, welcome. The floor is yours.

**Mr. Paul Fudge (Chief Financial Officer, Vice President, Finance, Opportunities NB):** Thank you, Chair and committee members.

I am Paul Fudge, representing Opportunities New Brunswick. We are the provincial crown corporation responsible for trade and export, investment attraction, and business development within the province.

Specifically this morning, I've been asked to speak on access to capital as it affects New Brunswick, Atlantic Canada, and rural areas. First I'll talk about two reports just four years apart that have some commonalities, and similar reports in the past that have not changed to today.

In 2012 the board of the FutureNB initiative, led by Francis McGuire, released its access to capital report. Four key observations from the report were as follows.

First, New Brunswick entrepreneurs prefer debt to equity. They prefer to retain full ownership of a company, but is debt the best option for early-stage companies?

Second, capital is available for good projects and companies, and seemingly more so for companies early in their life cycle. Statistics show that in New Brunswick, about 200 companies per annum are helped by assistance from different government agencies. However, having traversed the valley of debt, start-ups must still jump over the major hurdles of commercialization and growth to get that next \$1 million once they have a proven product.

Third, rural firms face additional challenges no matter what the industry or type of product. To raise capital, they have three issues. They are remote from most financial centres and large banks or areas where decisions are made. The general types of business usually started in rural areas are quite different from those in urban areas and are harder to finance in some cases. Access to reliable infrastructure for businesses outside major centres is an issue as well.

Finally, the report indicated that entrepreneurs had an issue with providers, including investors and creditors, being financially understanding regarding key items when discussing capital issues. Investors would rather back a great management team with a good idea than a good management team with a great idea. How do you raise the quality of financial understanding in entrepreneurs, not only in New Brunswick but across Canada?

In January of this year, an access to capital opportunities summit was held in Fredericton, right here in New Brunswick. Four of the main items that came out of that conference were as follows.

First, again there was the issue of financial literacy. Business owners must better understand accounting, finance, cash flow, business plans, and accountability to shareholders and lenders in order to better understand and present their cases.

Second, the appetite for equity is low. Entrepreneurs usually lack personal funds to finance a start-up. They tend to prefer debt when equity is the correct financing tool, but they still want to retain control of their company.

Third, there is the financing of soft assets. New Brunswick in the past few years has seen dramatic growth in information technology start-ups. However, financial institutions find it very difficult to finance soft assets and intangibles. How do we step in and fill the gap?

Finally, as mentioned earlier, there is the matter of succession. The transfer of family businesses to the next generation can usually be achieved with internal family financing techniques. However with the baby boomer generation about to retire over the new few years,

who will finance their equity portion as you move forward and how will that be taxed?

How do we increase access to capital for entrepreneurs in rural Canada, Atlantic Canada, and specifically New Brunswick? We would like to put forward the following five ideas for the committee.

First is a coordinated effort. All levels of government—federal, provincial, and municipal—need to work together with all types of capital providers to ensure coverage of all types of businesses in all areas. Joint funding programs or matching fund initiatives could be implemented to encourage lenders and investors to extend capital to businesses.

Second is financial literacy. Entrepreneurs need training, guidance, and mentorship regarding financial institutions. Understanding how to pitch a project to capital providers in the language of the capital provider is just as important as the project itself. How many great ideas and great entrepreneurs never had a chance because they were frightened by the financial side of their business, just as a lot of people are afraid to do their own taxes?

Third is owners' equity. How do we assist start-ups or succession planning with their portion of the equity infusion for business? As noted, entrepreneurs tend to prefer debt when equity is the correct choice for early stages of the business life cycle. Entrepreneurs tend to prefer debt because they do not want to sell any portion of their business and would like to retain control. Finally, most of them prefer debt, because they understand aspects of debt more so than equity. Most of them have bought a car or have a mortgage, and they understand the debt cycle.

● (0935)

Fourth, I want to turn to urban versus rural. Great ideas and projects come from all corners of Canada. Access to most elements of running a business are generally more accessible in urban areas. How do we bring the elements of running a business, like marketing, mentorship, training, and access to capital, to rural Canadians?



Fifth, let's look at limited private capital in Atlantic Canada. In larger urban areas, the concentration of businesses, government programs, and wealth is more prevalent. In Atlantic Canada, there is not the same distribution of successful entrepreneurs who become angel investors or small-capital providers. There is not the concentration of medium and large venture capital firms with staff searching for deal flow. Banks have regulators and shareholders to answer to in their investment portfolios. Government needs to fill the gap where angel investors, venture capital, and financial institutions cannot go, either directly or with programs to incent other capital providers to join in with the funds provided by government.

There is no easy answer, no one-size-fits-all approach. Unfortunately, for a lot of entrepreneurs, their ability to raise appropriate and sufficient capital is limited by their proximity to capital providers and their financial literacy. We believe a coordinated effort by all levels of government should help businesses, and this would increase the wealth of Canadians.

Thank you.

• (0940)

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

I will turn to Mr. Walker, with the Agricultural Alliance of New Brunswick.

Welcome, Eric.

**Mr. Eric Walker (Director, Agricultural Alliance of New Brunswick):** Thank you.

I'm with the Agricultural Alliance. As well, I sit on the Canadian Federation of Agriculture as a representative.

I was asked to come here today to focus on taxation regarding intergenerational farm transfers. Sons and daughters are at a disadvantage when purchasing a family farm, in comparison with a neighbour or a stranger.

I'll use an example. If I were to purchase Paul Gaunce's dairy farm for approximately \$2 million, I would be at a tax advantage of approximately \$680,000 in comparison with Paul's son. The way the tax law is currently interpreted, if you're one of fewer than six individuals in an arm's-length transaction, then you are required to borrow the money personally.

I was asked to come here today to suggest that the committee take into consideration changing this tax law.

Thank you very much.

**The Chair:** Thank you, Mr. Walker, and thank you all for your presentations.

We'll turn to the first round of questions and to Mr. MacKinnon.

[*Translation*]

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

It is a great pleasure to be in Fredericton again. I spent many good years in this city.

[*English*]

Thank you all, by the way, for these very interesting presentations, some of which are very familiar to me in my role as a Quebec member of Parliament. In fact, it was just on Friday that I visited the local BDC office in Gatineau, where the very theme you spoke about, Monsieur Brun, intergenerational transfers, was brought up. I know that is a huge issue and one that I think we will have to consider as we move toward a report.

Overlaying that is the theme of venture capital. Mr. Fudge and Ms. Ross, you spoke about access to capital in New Brunswick, and we're hearing that as a common refrain across the country. Ms. Ross and Mr. Fudge, are you seeing pent-up demand? Are there venture capital pools? Are there opportunities to invest? Are there businesses to invest in where the rules are an impediment to getting successful ventures off the ground, either in Fredericton or in New Brunswick generally?

**Ms. Krista Ross:** We have an active and vibrant start-up community, as has been mentioned, and a lot is in the IT sector. It is recognized that there is not enough angel investor, not enough venture capital, and there is difficulty accessing loans, particularly for some projects that are intellectual when the person has absolutely no track record in managing a business.

It certainly is something we're seeing. We have a start-up incubator here, called Planet Hatch. We're putting through cohorts on a regular basis and those companies are having.... We think they're world famous. Maybe you've heard of companies like Resson Aerospace that have certainly received some great venture capital and investment. Others have equally great ideas and just can't access the funds.

We also have a business incubator for newcomer businesses and their challenges are even greater because they have other barriers to overcome as well.

• (0945)

**The Chair:** Mr. Fudge.

**Mr. Paul Fudge:** There are opportunities for more investment for certain types of businesses, as Ms. Ross has indicated. There are educational programs for entrepreneurs in the major cities in New Brunswick.

We find that some of the programs that are available from the federal or provincial side don't do enough and are not funded enough to help those entrepreneurs with the good ideas. I'm not saying that we need to finance everything that comes out of all the incubators in Canada, but there are a lot of good ideas.

One of the issues we know specifically is that because of the lack of funds companies tend not to raise enough, so as soon as they raise a certain amount of money—what they think is correct—they're having to start again. Rather than raising \$200,000, should they be raising \$500,000 so they get time to work on their projects?

That's predominantly what we're seeing in New Brunswick right now, that the runway is too short because the money is not there, so rather than asking for \$500,000 and everything saying no, companies are going for \$200,000 or \$250,000 and not raising enough to give them time to build their products.

[Translation]

**Mr. Steven MacKinnon:** Thank you.

I would now like to speak about the resource sector in New Brunswick.

Mr. Brun, thank you for your eloquent description of the fishing industry. I think that my colleagues could benefit from a better knowledge of the fishing industry and of the agriculture and forestry sectors in New Brunswick, as these are the primary industries that sustain the communities and towns of Atlantic Canada.

[English]

I will start with Mr. Brun, but Mr. Legere and Mr. Walker and Mr. Gaunce, you may want to add something.

You went through a number of items in your briefs, but if there were one single thing that a Minister of Finance could do to wave his wand and put in place a measure that would favour growth in your sector, what would that be?

[Translation]

**Mr. Christian Brun:** The Minister of Finance would probably not have great influence, despite the influence he may exert on extremely important policies aimed at creating and maintaining growth such as we have experienced. I also think this will be absolutely crucial for the next generation. He may not be the best choice, in the sense that that is probably not his role, but all the influence he could have...

In my opinion, the biggest problem we will face over the next 10 years will involve funding, government or other. It will be crucial to ensure that we have the necessary tools to allow all the young fishers, who are often fishermen's helpers and family members—although that is not always the case—to make their way into the industry.

Without wanting to offend the dairy producers of New Brunswick in any way, I would say that the resource industries are often perceived as cash cows rather than as industries that are made up of business people, or as innovative growth industries. And yet the perception is wrong; my brief experience in this industry, of some 12 or 13 years, has allowed me to understand that our sector offers enormous growth potential, but that we have to be innovative.

From 2000 to 2015 in the fisheries industry in Canada, we managed to increase our exports by 50%. I challenge you to show me one other industry in Canada that has grown like that. Nevertheless, we are still not offered the necessary support, because this field of activity is perceived as a primary industry. It would probably be interesting to ask people in the Canadian financial sector to try to look at these primary industries in a whole new way and to understand that they too can experience considerable growth.

● (0950)

[English]

**The Chair:** Do you want to add a comment, Mr. Legere?

**Mr. Mike Legere:** I think when you try to identify one unique approach or answer as to what could improve our stake in the world, especially in the resource sector, for us it's a drum we've been beating for a long time: competitiveness. There are several measures that can be taken at the federal level to help enhance our competitive position, not only here in New Brunswick but across the country. Wood supply is one of the major things. In my presentation, I alluded to investment in silviculture. It ensures wood supply, and that, in turn, will protect existing jobs. Also, it incentivizes investment to improve our productivity and help us remain competitive.

Again, on the subject of wood supply, it's a case of budworm, as I mentioned. We have a threat here that's not unique to New Brunswick. This particular pest is found throughout eastern and central Canada as well. If there's one thing we can look at, it's to make sure measures are in place, when you're considering budgetary considerations for programs, that will help improve our competitiveness in terms of wood supply and the cost of that wood supply. That's a complicated equation when you look at cost, because there are many factors that influence cost. We have to have an ability to transport our product not only from forest to facility but also from facility to markets. Anything that can help improve those cost structures is of great benefit to us.

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

We will now turn to Mr. Aboultaif for seven minutes.

**Mr. Ziad Aboultaif:** Thank you all for the great presentations. I'm happy to hear them, and in the meantime, I'm just thinking, business-wise, how can we improve the situation? Anytime we hear about the Maritimes, we hear about these places. We know that forestry, fishing, and agriculture are the main resource industries.

I found common threads in your presentations, about competitiveness, investment, and government's role in helping the industries to improve their position by enhancing productivity and cost-effectiveness, and becoming more competitive on the world stage. It seems the threads come from many different places, such as intergenerational transfers. You are asking the government to facilitate the taxation issues there, and I do add my voice to you. I would like to see the budget consider that, for sure.

On the other side, there are short-term and long-term issues, but the common thread is that you are asking the government to basically invest some money on the taxation front and on the investment and innovation fronts.

How long has this problem been sitting around in your area, and where is the private sector? Where's your role as a private sector to push that? I believe that the private sector is the main element in being able to bring investment on board. If the federal government or the governments find that there is industry in a place and there is a business community in a place that can encourage such activity, I believe those combined efforts will definitely bring prosperity to the region.

So the question to all—and whoever wants to contribute, please do so—is how do you see the private sector role in this overall picture, in order to improve the overall situation once and for all, because we cannot keep going back and forth like that?

**Ms. Krista Ross:** It's challenging for business to be innovative and to grow in an environment that is not conducive to that. One of the challenges we face and that I mentioned is the overall tax burden and the complication of the tax system.

In addition to what's happening federally, we've just been told that we have a 30% plus increase in our WorkSafe costs that will be coming in November. We're having minimum wage increases. We have the highest level of personal taxation for high-income earners here in the province of New Brunswick. It's a challenge to incentivize people to want to do business here when you're facing these extreme costs. Our economy is sluggish and it is a difficult time for businesses to have the confidence to invest.

That being said, we've recently done a survey with Corporate Research Associates, CRA, and they're telling us that the business confidence here in Fredericton is doing a little better but we need to create that environment where businesses can succeed. I think businesses are willing, businesses are excited. We have people who are coming up with innovative and creative ideas, and businesses they want to launch. We have a new growth plan that the Province of New Brunswick has put forward. There are certainly areas, such as cybersecurity, that our business community wants to grow, but we need to have that environment in which they can grow and prosper, and taxation is an issue, for sure.

● (0955)

**Mr. Ziad Aboultaif:** Thanks.

Would anyone else like to comment?

**Mr. Mike Legere:** That's a very fair question and I think, speaking from my sector, since 2014 we've earmarked \$750 million in investment in our facilities, based on secure wood supply. We can't raise capital without that security. We've addressed that on a provincial level, but there are factors that are affecting our industry that are beyond the province's capability to deal with, and for us to fully contribute to provincial and federal economies, those factors need to be addressed. I agree, we have cost-shared on the early intervention strategy for budworm. That was a cost-share effort there, and the subsequent request for further funding for that will be a cost-share as well.

I think it's incumbent upon us as an industry to make sure we communicate that we want to partner with the federal government on that.

So that was a good question, a fair question.

**Mr. Paul Gauce:** We don't expect the government to throw money at business in the Maritimes. We expect it to be a shared opportunity. If a producer—a forester, fisherman, or whatever—comes with a sound business plan, and it looks like it's worth investing in, what we're asking is that the money is there. If it's going to be good for the economy everywhere, then it should be easy to finance.

Every facet of agriculture has all kinds of innovation and opportunities, but is sadly lacking the funding to get there. Approximately 20% of our producers in the Maritimes now are milking their cows with robots. It's an expensive technology, but one that has come, and it has been in Europe for quite a while. It's a huge step, and it's an innovation we're moving down the road with.

Where we're probably behind the most in this part of the country—and we're seeing it now so much with the CETA and TPP deals coming—is export opportunities, because we don't have the market expertise.

I'm all for export, but I'm not for export while losing my shirt. If we can get into good niche cheese markets in the European Union with 400 million people, then we don't need much of that market to be very successful in growth in the dairy industry in Canada.

Yes, we want you to finance, but we want you to finance the right...having the money there and not throwing it, but having it there for the people who have a good business plan.

**The Chair:** Mr. Brun.

**Mr. Christian Brun:** What we are trying to prevent is a unique demographics crisis that could happen in the next five to 10 years. I don't think we're the only industry that will be going through this. I think this is also Canada-wide.

The reason why it might be unique for Atlantic Canada is that we don't have an enormous pool, especially in the fishing industry, of people who are ready, or would have the know-how, or want to learn how to head out with 25 knots on the water in the morning to harvest sticky herring from 4 o'clock in the morning to approximately 4 o'clock in the afternoon. There is going to be a unique crisis in this area if we don't deal with it properly.

Our industry, our sector, is ready to take full responsibility in putting the fair share of investment into getting through this. As my colleague mentioned, this might be just a little bigger because it's such a unique crisis we're heading into, and I think other industries will also be facing the wave.

● (1000)

**The Chair:** Mr. Fudge.

**Mr. Paul Fudge:** To reiterate, there is always access to capital. The problem New Brunswick specifically has is that there's just not enough. For good projects, what we're seeing now is that our companies are heading outside the region. Venture capital firms in Boston, California, and Toronto are not coming very often to Atlantic Canada to find their investments.

The private sector is involved. There was an increase in the New Brunswick small business investor tax credit recently, and that has helped, but programs to attract investment from other parts of Canada to coincide with government funding would be a great help.

**The Chair:** Mr. Walker.

**Mr. Eric Walker:** I would say we need access to capital delivered in a timely fashion. I'm currently building one of those robot barns, and I have six innovation applications currently in, which the timeliness of the application.... Maybe there is an abundance of applications in the system. My feedback was that I'm approved for all six applications, but they're not coming until April. I would like to have my animals in the barn from December 1 to December 15.

The timeliness of that application process versus how the delivery happens is...maybe if the funding could be in a pod available for the full four years. Maybe in 2017 there's going to be an abundance of people doing innovative projects, and then in 2018 and 2019 in that four-year term maybe there's not going to be an abundance of projects. You're going to get that 10% of slippage on projects either way, so maybe the way that's broken out would be a pretty good solution.

Thank you very much.

**The Chair:** Thank you all, but we're well over time.

Mr. Dusseault, you have seven minutes.

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

[*Translation*]

My first question is for you, Mr. Gaunce.

I did not hear you say anything about the diafiltered milk problem. All of my colleagues are already aware of the issue. Is this also a problem here, in New Brunswick? What solution should the federal government be looking at to resolve that problem?

[*English*]

**Mr. Paul Gaunce:** It's a problem we have nationally. We see it more in Quebec and Ontario because that's where most of the market is, but the issue becomes that we do not have the processing technology in this country to make diafiltered milk. Cheese processors use it because it helps their bottom line big time. Their cheese yield is about 20% greater when they use diafiltered milk.

For the people who don't understand what diafiltered milk is: they skim the cream off the milk to make butter, and then they run the skim milk through a filter to concentrate the protein, in layman's terms. We need that technology in the processing plants built in this country, so they'll use Canadian protein rather than import it. It displaces approximately 80 million litres of our milk.

[*Translation*]

**Mr. Pierre-Luc Dusseault:** So, the solution would be to...

[*English*]

**Mr. Paul Gaunce:** Just to add to that, we are working on an ingredient strategy with the Canadian processors. We've come up with a deal to make our protein price more competitive, so hopefully they'll get that infrastructure built and use our protein.

**The Chair:** Mr. Gaunce or Mr. Dusseault, could one of you explain the impact of diafiltered milk being imported from the United States on the domestic industry? We don't produce the product in Canada, but if either one of you could explain that for the benefit of the record, it would be helpful.

Go ahead, Mr. Dusseault.

[*Translation*]

**Mr. Pierre-Luc Dusseault:** In Quebec, half of the dairy producers are seeing their income diminish because diafiltered milk is considered an ingredient at the border, and consequently it is not considered in the supply management system. It's a big problem.

As a solution, you suggest that the federal government invest more in dairy production enterprises so as to allow them to innovate and do the same thing as the United States. Did I understand that correctly?

• (1005)

[*English*]

**Mr. Paul Gaunce:** The first issue deals with dairy processing.

The other issue is the Canada Border Services Agency, as you're talking about the border. It comes in as an ingredient and that's fine, since it's tariff-free. That's not an issue. However, when it gets added to the cheese vat, it becomes a milk and that becomes an issue for us. If the thing were put in the right tariff line, it wouldn't be an issue. It would be stopped at the border because it wouldn't be economical for them to import it.

[*Translation*]

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

Ms. Ross, I would like to ask you a question about small and medium businesses.

The government committed to reducing taxes for small and medium businesses. Are you disappointed that that commitment has not been kept yet? Would you recommend to the government that it keep this commitment in the next budget and reduce corporate taxes on SMEs from 11% to 9% as it promised to do?

[*English*]

**Ms. Krista Ross:** Certainly anything that can help businesses be more competitive is welcome and yes, we would hope that would happen in the next budget. Our businesses cannot continue to operate at a higher tax threshold than they're paying in other jurisdictions. Here in New Brunswick, we're finding it even more challenging because of our aging demographic since we have fewer people to purchase those businesses. We've talked about business transition. We need a tax situation that makes them more competitive.

We learned last week that 75% of businesses in Canada will transition. The owners of 75% of small and medium-sized enterprises will retire within the next 10 years. That's a huge challenge that our business community must face. We understand that fewer than half of those businesses have a transition plan in place, and fewer than 10% of those businesses, if they do have some type of a plan, have it in writing. This is a big challenge that we're facing across the country, but particularly here in our region, as we have a greater aging population here than elsewhere.

The Canadian Chamber of Commerce, at a recent conference in Regina, passed a resolution to support this issue of the import of diafiltered milk product. That's something that the business community across the country has supported in the agricultural field. I'm not sure if you were aware of that, but I wanted to share that with you.

[Translation]

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

My next question is for Mr. Brun.

You did not mention the employment insurance program, and I wondered if it was still problematic.

In your opinion, is it adapted to the seasonal aspect of the work fishers do?

Would you have any recommendations to make to the government in this regard for the next budget?

Would you like to see some changes made to the employment insurance program so that it is better adapted to the seasonal work fishers do?

**Mr. Christian Brun:** I must admit that at this time, we are quite satisfied with existing programs. They really do act as a security net in extremely difficult times, for instance like the ones our industry experienced recently. The programs were really useful at that time. We are more concerned with the medium term. Our priorities have more to do with the demographic problems I mentioned earlier and which we are going to have to deal with.

In reality, the Canadian government will be able to reduce its expenditures on those programs. If we can benefit from some very solid policies and help a new generation take over, those jobs will be maintained in a sustainable way and it will be possible to avoid an increase in expenditures in the Atlantic region, as well as employment insurance problems.

The issue is that if we can't manage it, a whole slew of problems will follow, since we employ a lot of people in these rural areas where other types of jobs are quite rare. In a lot of cases, fishery is an integral part of the lives of these people. Leaving the rural areas is the only other possibility. These people often become employment insurance recipients, but not as fishers.

In short, we now have some very important priorities which will ultimately be positive with regard to employment insurance. In any case, the programs are well adapted at this time.

• (1010)

**Mr. Pierre-Luc Dusseault:** You mentioned...

[English]

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

Go ahead, Mr. Sorbara.

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

Good morning, everyone. It's great to be here in New Brunswick.

A number of common themes emerged from everyone's comments this morning: intergenerational issues, demographics, taxation. Some of these issues are fixable within maybe a short period of time, and some of them are structural, and we can look at them. One thing I wanted to zero in on was from Krista from the Fredericton Chamber of Commerce.

With regard to your brief that was submitted, you put a lot of emphasis on the New Brunswick Small Business Investor Tax Credit Act being added to the list of acts under which a corporation may be registered in order to qualify as a prescribed VCC under regulation 6700. Can you talk about the potential of this, if this did come to fruition, and the benefit to New Brunswick of this recommendation?

**Ms. Krista Ross:** This would allow more businesses to take advantage of the small business investor tax credit. Mr. Fudge has mentioned that the amounts and the regulations related to the SBITC have increased certainly, but the uptake hasn't been as great as we would hope. If it could be federally included, then I think the participation would be greater, for sure.

**Mr. Francesco Sorbara:** Mr. Fudge, do you have any comments on that?

**Mr. Paul Fudge:** Certainly. We agree that, if there were a federal component matched to our provincial component.... As I mentioned earlier, one of the issues is attracting venture capital from other regions of Canada to New Brunswick. If there were an incentive for investors to come to New Brunswick and take advantage of both the provincial and a federal tax credit, that would certainly enhance the ability to fund projects and companies.

**Mr. Francesco Sorbara:** Turning to Mr. Walker, you commented this morning on the tax advantage of an arm's-length transaction occurring, where a son or daughter wanted to purchase the farm versus an outsider, if I can use that term. I was surprised to hear that. I didn't realize that the tax disadvantage, or advantage depending on which side you're on, was that significant. If you had to rank the issues facing farmers, is that a larger issue, or is it more a demographic issue in succession planning, where children or others are just not interested in becoming farmers? I use that term loosely, but is that the larger issue, or is the issue just about getting people to remain within the farming industry?

**Mr. Eric Walker:** I would say if you're going to buy a Tim Hortons franchise, you're going to pay. If you're going to buy a farm, you're also going to pay. Most intergenerational transfers happen with a son or a daughter; one will purchase the family farm. But if they have to borrow that money personally and pay the 52% tax.... It was, among the agricultural community members within the alliance, ranked the most important, and then it was unanimously passed, and then it went to the Canadian Federation of Agriculture. There it was unanimously passed as well. It was one of the most important strategic things that needed to change because, like the aging demographics in New Brunswick, we're also faced with the aging demographics of agriculture itself. I would say that, yes, it's a huge deterring factor.

In all fairness, compared to when I purchased the family farm, the transaction isn't a small amount anymore. When the tax laws were set up, family farms used to transfer for \$200,000, \$300,000, or \$400,000. Now you're looking at a \$2-million, \$3-million, \$4-million, \$10-million transfer, so the impact has greatly changed.

• (1015)

**Mr. Francesco Sorbara:** Christian, did you want to add to this?

Also, you made two comments about changes to, one, the Fisheries Act, and then providing loans and loan guarantees in terms of the generational-age issue. Can you provide some more colour on both of those comments?

**Mr. Christian Brun:** I just wanted to start by echoing my colleague's situation. I have to show support for what he's saying. This is an issue that's also going to be happening in the fisheries sector. We're seeing a change in our natural resources, at the base. Fishermen were perceived as not very serious businessmen at one point. They were out there to go and harvest their fish. It was a smaller scale of fishing. This has all become something quite different in the last generation. We are going to be seeing the same issue happening exactly that was described.

When we talk about all these demographic challenges, I think one of the most important solutions to this is the family, and keeping the business in the family. If we can facilitate that transfer, that will be the solution to 50% of the problem. It's going to be the same thing in the fisheries sector. The taxation issues my colleague talked about are going to be the same in other sectors, including the fishery.

I mentioned some changes to the Fisheries Act, and it was a request for more description. Basically, for that aspect, we want to reinforce the 40-year-old policy that has been there, that Roméo LeBlanc enacted, and all the following governments, by the way. The Conservative government, and also the NDP as the opposition, at some point supported this policy; but it's only policy. What we're saying is we have to recognize Supreme Court decisions of the past 20 to 30 years, and include these decisions and these really quite clear policies in the act to reinforce the fact that this is an owner-operator type of industry. It is extremely crucial to this industry to be able to face those challenges that are also coming, and also to maintain the benefits in these communities.

We have an example with western Canada where they haven't adopted these types of policies, where you have communities that are no longer populated because the fishery is gone. We'd like to avoid

these problems and not have our harvesters becoming employees in the sector.

The final question was on what aspect again, Mr. Sorbara?

**Mr. Francesco Sorbara:** You had mentioned something about loans.

How much time do I have left?

**The Chair:** You're out of time, but go ahead.

**Mr. Christian Brun:** Oh, the loan guarantees, basically, we have a system, and again it's part of that demographics problem, where we don't have sufficient capital for our young harvesters who are in the boat. They don't have any options to really take on the investment that is necessary today. The older fellows in the industry bought their lobster licences for 25¢, believe it or not, in the sixties, or fifties, or forties. Now if you want to purchase a licence, you're talking about close to the half-a-million-dollar mark.

These young harvesters don't necessarily have a huge financial background, but they're learning the ropes and are especially good at what they do. They need to have that capital to be able to come into the industry, to make sure we have that transfer.

**The Chair:** Paul, did you want to quickly on this one?

**Mr. Paul Gaunce:** Yes, thank you.

I think it's well known that we are coming to a crux of intergenerational transfer. It's not only dairy farming. Every small business is a way of life. You put in the hours. You never get paid for them, but you do it because you love that job. God bless you, if you can go to work every day and love it, because that makes your life a lot easier. The ones who have the most chance to succeed are going to be the families who were brought up working in that job. They understand it, and they are the ones who are willing to move it forward and make it grow. We have to facilitate that somehow. Every facet of industry in this province is coming to that stage where they have about as much hair as I do.

• (1020)

**The Chair:** And me....

Ziad has more hair, so we'll give him the next question, as he'll replace Mr. Albas.

Go ahead, Ziad.

**Mr. Ziad Aboultaif:** Thank you.

I am a small-business owner. I came from the private sector, from international business, so I understand exactly how you feel and what the industry is suffering from. Definitely taxation seems to be on both ends, on the provincial and on the federal.

Now on the provincial end, it's scary to hear that it jumped from 15% to 27%, as you mentioned, Krista. Taxation is an environment that we have to be able to control somehow in order to encourage investment and business continuation. I am 100% on board, too, with generations carrying on the business. I am a big fan of small business. Family business is the core, demographically and socially. It is something that we really need to continue to encourage and continue to have in Canada.

Speaking of taxation on the federal side, especially to put in a recommendation in the new budget, what would you say to the government and to the finance minister on small business tax reduction, as well as on the expansion of CPP and the EI increase? All these are payroll taxes, basically. What would you like to see?

I would like to hear from all of you, if we have enough time. Thanks.

**The Chair:** Go ahead, Ms. Ross.

**Ms. Krista Ross:** It's not just each individual tax that's an issue; it is the overall tax burden. It's what you are talking about: CPP, on top of EI, on top of—here in New Brunswick—WorkSafe, increased minimum wage, personal taxation, corporate tax, small business tax

**Mr. Ziad Aboultaif:** Carbon tax, too....

**Ms. Krista Ross:** Exactly. That's a new one that's coming.

It's just that overall burden. We are not only trying to support the businesses that are here already. How can we encourage other businesses to come and set up in our jurisdictions when this is the case—when it seems as if it is not a level playing field with other places? Just last week, we launched a new program with regard to succession. It is called succession connect. This program is actually supported by federal dollars, as well as provincial and municipal. This is a program where businesses that do not have a transition plan—businesses that do not have a second generation interested in purchasing the business—will be matched with newcomer business people, people who are coming here and looking to set up a business. Often, they have a short window of opportunity to start a business. Many newcomers, particularly our friends who have come here most recently from Syria, have a background in agriculture. There may be some opportunities there as well. This program is to assist them in connecting with a business that is looking to transition so that perhaps they can be mentored and assisted. However, as has been mentioned, if a fishing licence is half a million dollars—I don't know what a dairy farm goes for these days, but I'm thinking it's quite a bit when I hear that robots are milking the cows—it's going to take more than our matching someone with a business they are interested in. It's going to take a fair taxation situation and the ability to access money to buy those businesses.

**The Chair:** Does anybody else want in on that question?

Mr. Legere, go ahead.

**Mr. Mike Legere:** I think my colleague Ms. Ross has hit the nail on the head: it's the aggregate effect of increasing taxation. When we look through a forestry lens, we are at \$1.5 billion in economic activity. We were once at \$4.2 billion, in 2004. We think we can get back up to the \$4-billion mark, but I already have companies that are starting to hedge on making investment because of the uncertainty

with taxation. Our sector, in particular, is faced not only with those taxes, but with pending trade issues on softwood lumber, super-calendered paper, and dissolving pulp with China. You add that potential burden on top, and investment is just going to look elsewhere. That situation is untenable for our industry. To add anything more to the burden and the uncertainty would certainly not be conducive to investment.

• (1025)

**The Chair:** Thank you. We're out of time, Ziad.

I have one question before I go to Raj.

Ms. Ross, Mr. Legere, and Mr. Fudge, you mentioned access to capital. We met with ACOA, the regional development agency for here, and one of the shocking things in terms of their presentation from my perspective was when we asked them if they needed more money for programming. The answer we got from one of them—not in New Brunswick, they didn't answer that question—was no. What new policy initiatives should be fostered by the regional development agencies? And we didn't get any answers to that question either. That kind of shocked me. Where are you folks in that area? Because in all honesty, if ACOA's not pulling up its socks and doing what it should, then they should be told that. And if they need new programming, we should be recommending it.

Do you have any thoughts in that area, Mr. Brun?

**Mr. Christian Brun:** What we were told approximately five to seven years ago was that the fishery was a sunset industry and ACOA was closed for business. We managed to get a few programs through but we were very creative, to say the least, and they brought some fantastic results. It was more of a structural issue on how to organize the fishery, etc., but we are at a point where we've demonstrated what we can do in terms of export results. I believe that we need to have a very strong conversation with ACOA explaining that this has become an important industry. It always has been. The fishing industry has been one of those consistent industries, even though it runs through some problems. We're dealing with an ocean, we don't see what's underneath. You can't just plug in some seed and see it grow and take care of it. You basically don't know what's going on until you get some problems sometimes, climate change or whatever else.

I think that ACOA has to come around and understand that this has been an industry that has kept on becoming more important and at this point in time it needs some innovation investment, it needs some R and D, some thinking, and we're ready to meet those challenges, or to take them on.

**The Chair:** Anyone else?

Ms. Ross and then Mr. Gaunce.

**Ms. Krista Ross:** I certainly think if ACOA is suggesting that there's no opportunity to provide ACOA funding here in our region, they're mistaken. I think there are lots of opportunities. I sit on a board that provides seed loans to small businesses that are just getting started, and these are basically micro-loans, \$20,000 or less. And each year we run out of money to loan to these businesses, and here in Fredericton we have, I believe, a 95% payback rate. We've done very well in making sure that we're loaning this money to companies that become successful. Oftentimes the small amount of seed money is used to leverage other funding, other investment, even from other levels of government, but private investment as well. To suggest there's no need for extra money here from ACOA...I beg to differ.

**The Chair:** Mr. Gaunce.

**Mr. Paul Gaunce:** I'd echo your comments.

I'm shocked and disappointed that they gave you that kind of reception when you asked them if we needed more money, or there were people looking for money.

I think the issue is that ACOA has not sold itself well in the Maritimes as a lending agency for innovation and growth. A lot of people don't have a clue what they do, and I've heard from more than Mr. Brun about them being a closed shop, "Oh well, you don't fit in to what we want to lend money to". Well, excuse me. If I have a business that's going to innovate and grow, then I see it.

• (1030)

**The Chair:** Mr. Fudge.

**Paul Fudge:** Thank you, Chair.

I am surprised to hear that comment; on the other hand, I'm not surprised. What we find, from our point of view, is that there are different agencies in the federal government, and the teams don't like to play in the same sandbox. If there is innovation money for business development and things like that, I can find a lot of places where ACOA can help.

In the last few years, there was an Atlantic Canada program for regional development offices, but the funding was withdrawn and the offices were closed. That goes right to my point about access for business people in rural areas. That money was withdrawn and those items closed.

As for the new policies, there is the Department of Fisheries, there is agriculture, and there is the Business Development Bank Canada, but if ACOA had funding and could get into the smaller areas, like maybe a fisheries loan board for the province, that could help with the financing of business transitions for fishers and farmers.

However, what about the technology enhancements they have? ACOA has money for those, but they're not allowed to play, or they do so only rarely. Their having the expertise and the extra money would certainly go a long way.

**The Chair:** Thank you.

Mr. Grewal, go ahead.

**Mr. Raj Grewal:** Thank you, Mr. Chair, and my thanks to all the witnesses for this testimony today.

It's my first time out east so I'm pretty excited to be here.

I did my research before I got to New Brunswick. On the immigration question, you're having trouble sustaining your population in the province. There are more people who pass away in New Brunswick than are born each year. As to the bleak economic outlook, one of the growing sectors is seniors care, which isn't ideal for a future economy.

Can you quickly comment on how we give the kids born in New Brunswick an incentive to stay and build here? You have 10 seconds each, because my time is very limited.

**Mr. Paul Gaunce:** The good news is that my son just built a new house on our farm, so he's staying. The point is, you have to have a job that makes them want to stay. I don't think any kid wants to leave New Brunswick. A few do want to leave, but a lot of them are forced to leave just to get a better job. I don't mean a McDonald's or a Tim Hortons job; I mean a job that will allow them to support a family and maybe start a business and have a home.

I think our whole country has an issue with taxation, and the reason is that we're supporting an infrastructure for a land base the size of the United States with a population only 10% of what the United States has. The whole country needs immigration. We need it big time to make this country more lucrative. Job creation is exactly the way you get those kids to stay in the province.

**Mr. Raj Grewal:** Ms. Ross.

**Ms. Krista Ross:** Certainly we are facing demographic and economic challenges here. Your colleague MP Alaina Lockhart is very supportive of the Atlantic immigration strategy, which will see more people coming to our region. With that and with programs like our succession connect program, we hope to be able to attract and retain more newcomers to our region. We have about a 63% retention rate for newcomers who come here, and we'd like to see that increased. It would be great to see it at over 75%.

One area is negative, but it does have a right side. Currently we face a nearly 10% unemployment rate, which means we have an available workforce. We simply need to get people skilled up to the right skills. We also have a skills gap. There are 3,600 jobs right now on the NB job board, and many of those are IT-focused. We need to make sure we are training people in the right sectors and looking at supporting people with credential recognition, such as newcomers who are qualified in their home countries. To be able to recognize their credentials when they come here is a really important thing, and we need to do it quickly so they can hit the ground running and become part of our economy.

• (1035)

**Mr. Raj Grewal:** Thank you.

Are there any other comments?



**Mr. Mike Legere:** Just quickly on that, there's not a lot to comment in addition to what's been said, but for us in particular, in the forestry sector, there are jobs pending, whether in silviculture, up to highly technical jobs, mechanized forestry operators. It's the ability to match the immigrant skills with the requirement that we have. Running a piece of mechanized forestry equipment today is not like a chainsaw, there's a skill set there to operate a half-million-dollar piece of equipment. Our challenge is to find that match, that good match.

**Mr. Raj Grewal:** Yes. The Dairy Farmers of New Brunswick, and the Agricultural Alliance, and anybody in that sector always talk about the family inheritance tax when a son or daughter is purchasing a farm. One of the suggestions I had for anybody was to give us the numbers on the impact on treasury. How much is it going to cost the government to change that tax policy? It's a suggestion, because that will really help us grasp the cost of the policy. Saying at a macro level that this policy is unfair is one thing, but the government and all businesses work on dollars and cents. That's just a suggestion.

On licences for fishermen, they're controlled by the federal crown, from my understanding. Are new ones issued every year? Or are they just a secondary market that's been established, and they sell on a private market? Is that what's happening?

**Mr. Christian Brun:** This is a limited entry industry. It's mostly because you need a specific type of knowledge to be able to get into this industry. We basically realized 15 or 20 years ago, especially for security reasons, that you want to be careful about the experience you need to have to be on the water. That's one of the reasons.

It's also a sustainability question.

**Mr. Raj Grewal:** Are the licences transferable upon death or do they go back to...?

**Mr. Christian Brun:** They're basically going back to the state. The state transferred the licences to them. This is a common resource. It's very important for us, and that's why this policy is extremely important. This is not a private industry, this is a common resource, which, basically, harvesters set out to generate the most that we can from.

**Mr. Raj Grewal:** I need another 30 seconds, Mr. Chair.

**The Chair:** Okay

**Mr. Raj Grewal:** I'd like to thank Mr. Chair for his leniency.

To the Chamber of Commerce, you mentioned the tax rate, and that's a debate that will go on in the House of Commons. On compliance with the Tax Act and dealing with CRA, your point is duly noted. I think colleagues across the board understand the frustrations that everybody has dealing with the CRA, especially even at a constituency level when we deal with people who come into our office. So that's something we're working on. This committee has studied it, and we will continue to put pressure on the CRA and the Ministry of National Revenue to make sure that tax is simple, understandable, accountable, and transparent.

Thank you so much for all your testimony.

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

With that I'd like to thank each and every witness for their presentation and response to questions.

With that, we'll suspend for 10 minutes and go to the next panel.

• (1035)

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

• (1045)

**The Chair:** We'll reconvene and thank you to all the witnesses for coming.

As you know, the finance committee is on the road in eastern Canada this week. We're doing pre-budget consultations in advance of the 2017 budget. We'd appreciate it if people could hold their opening remarks to about five minutes, so that we get more time for questions. While we're on the road, we ask, as a benefit to the witnesses, for members to introduce themselves and say where they're from.

I'm Wayne Easter. I'm a member of Parliament from Malpeque, Prince Edward Island.

• (1050)

**Mr. Raj Grewal:** I'm Raj Grewal, the member of Parliament from Brampton East, just outside of Toronto.

**Mr. Steven MacKinnon:** I'm Steve MacKinnon, the MP for Gatineau, just across the river in Quebec.

**Mr. Ziad Aboultaif:** I'm Ziad Aboultaif, from Edmonton Manning, the northeast side of Edmonton.

**Mr. Pierre-Luc Dusseault:** I'm Pierre-Luc Dusseault, the member of Parliament for Sherbrooke in Quebec, in the Eastern Townships.

**The Chair:** I should say as well that Mr. Albas will likely arrive some time while the panel is on. He had a funeral in his riding yesterday and I know he took the red-eye to try to get here, but isn't here yet.

Mr. Goetz, with the Canadian Beverage Association, the floor is yours.

**Mr. Jim Goetz (President, Canadian Beverage Association):** Thank you, Mr. Chair.

I appreciate the opportunity to be in front of the committee today to make my presentation on behalf of Canada's beverage industry.

The Canadian Beverage Association represents the manufacturers and distributors of the majority of the non-alcoholic, non-dairy beverages consumed in Canada. We are the national voice for more than 60 brands of juice, bottled water, sports drinks, ready-to-serve iced teas and coffees, enhanced beverages, carbonated soft drinks, energy drinks, and other non-alcoholic beverages.

The beverage industry, directly and indirectly, employs nearly 60,000 Canadians in 220 production facilities, offices, and distribution centres across the country. We generate \$6.7 billion of economic activity and contribute over \$500 million of federal tax revenue.

Given our location today, I would also like to take a moment to talk about our industry's footprint in Atlantic Canada. Our members are a significant economic driver in this region, providing over 3,000 people with well-paying jobs. Beverage industry employees earn more than the regional average in the manufacturing sector, and we have 31 facilities across the Atlantic provinces, including distribution centres for our largest members, Coca-Cola Canada and PepsiCo beverages. In fact, if you were to google "Coca-Cola or Pepsi employment" and "Moncton" or "Fredericton", you'd see job offerings coming up that are available right now in the region.

It is in that context that I am here to talk to you today. The food and beverage sector is highly regulated by the Government of Canada, which we appreciate. We support and work collaboratively with the government. The safety of Canadians through their consumption of food and beverages is our paramount responsibility.

That being said, our industry is highly susceptible to changes in federal regulation. Assuring a supportive and stable environment is critical for providing businesses with the opportunity to succeed and expand. There are multiple ways in which the Government of Canada can help us maintain this environment.

First, we recommend refraining from product-specific taxation. Our industry is under increased threat of product-specific taxes on sugar-sweetened beverages that are not based on evidence.

The consumption of sugar-sweetened beverages in Canada is declining. In fact, beverage calories overall have declined 20% in the last decade. At the same time, unfortunately, the incidence of obesity in Canada continues to rise. A tax on sugar-sweetened beverages is not a solution that reflects the reality of consumption patterns or the causes of obesity in Canada.

This type of taxation has been tried in multiple jurisdictions and the results have not been good. Mexico, which recently implemented a tax, saw an average reduction of only 4.7 calories in a diet of over 3,000 calories per capita. However, the instability the tax has created up and down the industry's value chain has led to a loss of 10,000 jobs.

Denmark implemented a much broader tax on sugar in the 1930s, and more recently on fat in 2014, and actually repealed both of those taxes due to how ineffectual they were.

Make no mistake, our members are committed to working with the government and the public to combat obesity, and we've been doing that by introducing new products with less sugar and fewer calories in them, but the reality is there is no magic bullet solution.

Experts, including those at Health Canada, agree that the factors associated with obesity are multi-faceted and complex and cannot be pinpointed to one single ingredient or action.

Beyond regulations or taxation around sugar, our industry also encourages the government to look at other methods that would help create a stable environment through regulatory modernization and removal of red tape. For example, our industry has spent more than two decades working with the government to remove the regulation requiring mandatory front-of-pack labelling for non-caloric sweeteners. No other jurisdiction in the world has this requirement.

Health Canada has stated on their own website that there are no risks associated with non-caloric sweeteners. And yet, we have spent more than 20 years talking to officials about removing this requirement with no movement. It is this type of over-regulation and red tape that has a negative effect on our members' ability to conduct business in Canada and bring new products to market that continue to drive those calories down in the beverages that Canadians consume.

• (1055)

The beverage industry is a little unknown but a significant economic driver in Canada, and we want to continue on that path. We welcome all opportunities to work with the federal government on legislation and policies while maintaining our industry's economic footprint across Canada.

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

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

We're turning to Choices for Youth, Mr. Pollett, executive director.

**Mr. Sheldon Pollett (Executive Director, Choices for Youth):**

Thank you very much for the opportunity to be here this morning. My name is Sheldon Pollett. I represent an organization in St. John's, Newfoundland, called Choices for Youth. It's been in existence for about 25 years. We were created with the clergy of the Mount Cashel orphanage in St. John's. The reason I tell that story is when that happened, obviously tragic circumstances around that event with youth who required support didn't disappear along with that facility. For 25 years we focused on providing youth with choice and opportunity to effect the changes in their own lives.

Although I can talk about any number of things related to at-risk and homeless youth in this country and certainly in our province, what I want to talk about this morning is the growing conversation around how to prevent and end youth homelessness in Canada.

I'm also a part of A Way Home Canada, which is a new national coalition that was launched this past January. It's a collection of agencies and partners across the country working to end youth homelessness, which has also spawned A Way Home in the United States and some efforts on A Way in Europe around the same approach.

I want to talk this morning along the same lines of what I brought to the recent national housing strategy consultations around how the federal government can prioritize the creation of plans across this country to end youth homelessness. We live and work in a world, in communities, in provinces across this country, in a very fragmented systems approach to providing supports and services to at-risk youth at great expense to government at the same time for very poor outcomes. I can't stress that enough.

Although many of the policy areas governing the issues that come to bear on youth homelessness are governed by the provinces, how can the federal government play that role? The federal government has played a huge role in homeless partnering strategy over the last 15 years and now in the significant shift to housing first principles. For those of you who are not familiar with that language, it's a very simple concept: help someone with complex needs find a place to live and then do everything in your power to help them maintain a place to live.

Based on that principle, the federal government certainly has played a key role in seeing that approach, which is really a global approach at this point, being implemented in every community across the country receiving homelessness funding from the federal government.

Many of my colleagues and I would like to see a growing move toward provincial-level plans to end youth homelessness. Many groups like ours can be very innovative, very resourceful. We can draw on many partners from the private sector as well, but we cannot change the systems that dump young people into homelessness in the first place. These systems fundamentally have to change. The only way to do that is to have truly integrated public policy that weaves together both the policy implications and the funding investments that come to bear on that.

Some examples are the federal government's push toward a national housing strategy. For many years in this country, the federal government has been investing in crime prevention strategies, youth employment strategies, homelessness strategies. The shocking or not shocking thing about this is that you are all targeting the same young people with very distinct, separate, unaligned, unintegrated approaches.

In short, we're advocating federal prioritization of provincial-level plans around the issue of youth homelessness. Who does that involve? It involves health, justice, education, child welfare, income support, any system or policy that comes to bear on changing the outcomes for homeless and at-risk people.

Behind all this is a lot of work done by the Canadian Observatory On Homelessness in conjunction with A Way Home Canada that looks at.... Right now, we have what I call a system addicted to crisis. The only way and only time they know how to respond is in a crisis: emergency shelter, hospitalization, child apprehension, incarceration. Those are all exceptionally expensive crisis responses, which also come with very poor outcomes later in life.

• (1100)

The appropriate response at this point is to shrink the crisis response system. You're always going to need a crisis response system, just as someone is always going to break a leg in the middle of the night. You need an emergency room, but the trick is preventing people from ending up there in the first place and then, when they do, getting them out of there in a healthy way as quickly as possible. So with the shrinkage of the crisis response system, you increase the prevention work that you do around ending youth homelessness, and then you also up the housing and support options required to lead to good outcomes for young people later in life.

We all live in a world of limited resources for any number of key pieces of public policy. Everyone looks at the cost of investing now, but rarely do we have the conversation about the cost of doing nothing. I can tell you the cost of doing nothing, both in terms of human lives and in terms of finances, is exponentially higher. You look at what it costs to incarcerate someone, what it costs to apprehend a child. Doing nothing is invariably 10 times the financial cost of that.

If you look at our organization alone, you'll see that we serve a small city, but a growing number of young people in our city are facing homelessness or risk of homelessness. You'll see that 63% of the young people we see on a daily basis have past or current experience with the child welfare system, and 75% have past or current experience with the justice system. With regard to housing and stability, 70% are experiencing recurring homelessness, they're not in school, and they're not employed.

When I talk about integrated public policy, you have to understand that they live their lives. Those are not distinct young people showing up in each of those categories. They are the same young people showing up primarily in each and every one of those categories. So the policy and the system environment you need to respond to appropriately needs to reflect that. Right now and for many years, it has not.

**The Chair:** I need you to wrap up in a minute, if you could.

**Mr. Sheldon Pollett:** I have one more point to make. In terms of the mental health and addictions conversation in this country, I think many of us are well aware at this point of the good work done on reducing stigma around mental health and addictions. Many of us in this country are beginning now to turn our attention to the fact that, unless that 100,000-foot conversation begins to play out on the ground affecting the lives of individuals, it's of limited value. It actually does need to lead to systemic change for people we're most concerned with.

Thank you.

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

A joint presentation is next, from Mr. Seabrook with the City of Fredericton and Mr. Shaw with Ignite Fredericton.

The floor is yours, David.

**Mr. David Seabrook (Assistant Director, Growth and Community Services, Manager of Tourism, City of Fredericton):** Thank you, Mr. Chair.

My name is David Seabrook. I'm the assistant director of growth and community services for the City of Fredericton and responsible for economic development and tourism.

The City of Fredericton thanks the Standing Committee on Finance for the opportunity to present to you today. We believe it's very timely because we would like to address a strategic focus, which is investing in small and medium-sized cities. We believe strongly that a significant portion of Canada's economic growth will come from these small and medium-sized cities. We have a lower cost of living, lower cost of doing business, lower housing costs, and excellent quality of life, all of which can drive economic growth in Canada's future.

It's also worth noting that small and medium-sized cities are great opportunities for the federal government to pilot programs and investments as we have seen with the world-leading Siemens smart grid investments with New Brunswick Power.

Here in Fredericton, we are indeed growing. Our economy is expanding, our population is growing. Studies indicate very significant growth in our population over the next two decades. Immigration will be a key factor in our growth and it's essential that we understand the profound linkages between immigration and economic growth as they pertain to small and medium-sized cities in Atlantic Canada.

We need to invest to ensure that we create the correct conditions for immigrants and newcomers to adapt to our culture, find jobs, and buy businesses. In fact, the federal government just recently funded a succession planning matching program here in Fredericton with the Chamber of Commerce, which you probably heard about when our Chamber of Commerce CEO presented. It is key to matching immigrants with Canadians who are looking to retire and sell their businesses. That's one way we can support immigration in Atlantic Canada.

Jobs and economic growth in our area will largely be driven by a dynamic culture of innovation and entrepreneurship in our community. We are one of Canada's leading start-up communities, and it is essential that the federal government invest to facilitate the growth of these entrepreneurial companies that are prepared to export beyond New Brunswick to the rest of Canada, and in fact, the rest of the world.

We believe this first means investing in infrastructure, transportation infrastructure in particular, and investments aimed at expanding the Fredericton International Airport. Again, I believe our CEO from the Chamber of Commerce has already discussed this, but the city of Fredericton's international airport is one of six NAS airports across the country currently ineligible for federal funding to expand. It's currently 75% over capacity. We anticipate further growth. We have new airlines coming into the marketplace, and essentially we have a bureaucratic barrier to prevent funding of that expansion, which is shovel ready and ready to go now. It's essential for the growth of this community, so we would ask that you pay particular attention to the barriers in that particular funding scenario.

Just as important is investment into our digital infrastructure to ensure our knowledge-based companies have the ability to work with, and export to, the world. We need to invest in the innovation infrastructure at our universities. This includes research chairs and applied research institutes.

Such investments should recognize that communities can become clusters of targeted economic growth in specific communities with specific clusters, and recognizing where we have expertise. In Fredericton, that's knowledge industries, innovation associated with natural resources, and the developing cybersecurity cluster.

It's also tourism. We would advocate that continued investment in Destination Canada, allowing it to expand its current U.S. program beyond a select number of cities to provide a wider range of cross-border travel, is key, and also investment in Canada's festival and events sector through the application by Festivals and Major Events Canada for \$30 million to support that sector. There were great investments recently in culture, but they didn't come down to those that actually generate tourism and economic activity through the festival sector.

With that, I'll pass it over to my colleague, Larry Shaw, from Ignite Fredericton.

•(1105)

**Mr. Larry Shaw (Chief Executive Officer, Knowledge Park Inc., Ignite Fredericton):** Thank you.

Good morning. As Dave mentioned, we appreciate the opportunity to be here. I'm the CEO of Ignite Fredericton, but also Knowledge Park, the only research park in eastern Canada. I also hold the position of president of the Association of University Research Parks, and I represent 26 research parks across Canada.

I'm going to slip by some of my early comments based on Dave's excellent coverage of some of the notes we made, and I encourage you to read those. They're in the package. I did go into some background in terms of a framework for economic development growth here in our region, so I do encourage you to read that.

There were three questions submitted in the documentation leading into this, so I'm going to jump very directly to those three questions, expand on some of the thoughts and ideas that David has put on the table, and give you some specific recommendations regarding each side of those three questions.

The first question was what federal measures would help Canadians in general and in specific groups such as unemployed indigenous people, etc., and how could they expand the economic growth within the country?

A cornerstone of economic growth has been and will continue to be small and medium-sized enterprises that have been launched through entrepreneurial leadership. Federal and provincial strategies are required to expand entrepreneurial programming and support organizations that deliver it, such as Ignite Fredericton. In the same manner that access to technology has opened global markets, start-up entrepreneurs can emerge from all regions and demographics within our nation. This strategy, enabled nationally, will empower all regions, sectors, communities, and groups to become engaged, create economic growth, and have an impact on a national basis.

The second point to this first question is that the knowledge economy is in itself a career path, but when it is combined with the cultural shift of the current generation away from the traditional achievements and recognition-reward systems, we must adopt new educational models. We need educational awareness programs from K through 12 on the knowledge economy that tie skill development of the future to the educational and training pathways that we are experiencing today. These are required. Experiential learning should be at the basis of an educational program going forward as it develops and expands the support for career choices of individuals going into the marketplace.

Academic institutions demonstrate their leadership through the strength and depth they achieve through research. Programs and policies that support and promote commercialization and entrepreneurial activity following from applied research and corporate research and development should be valued in the same manner and should receive appropriate investment.

Finally, the intellectual experience that resides within the aging population is in fact a valuable asset that can be used to foster the next generation of entrepreneurs. Investment in economic growth is not limited to capital, but also requires execution. An aging population also reflects an aging current demographic of business ownership. As David mentioned, the succession planning that has been launched here locally is a pilot program that we believe should be expanded rapidly. A program of this nature can also improve immigration retention in small urban centres and rural communities.

The second question was what federal action would assist Canadian businesses in all regions and sectors to meet their expansion and prosperity goals? A shortage of skilled and qualified labour is a critical factor that restricts growth nationally, and specifically in the knowledge sector. It is also highlighted in specific groups, such as unemployed youth, and in industries under change, such as value-added manufacturing. Programs and supports should focus on addressing these gaps and promoting specific skills development in areas such as cybersecurity. Global markets are fundamental to regional and national growth, yet export development and leadership programs are too generic and require more customized programming, and direct in-market partnerships. Inflation trade barriers continue to prevent growth, and interprovincial certification requirements restrict the flow of labour. We need to support both a national and an international growth agenda and expansion. Although there is significant focus on and support for innovation provincially and federally, we need to address some basic fundamentals in order to unleash the commercialization of innovation and the inventions. Seed capital is a barrier and scaling capital is complex, both of which stall growth.

Applied research needs to be the fundamental outcome of core research, and incentives should align with this concept.

• (1110)

General positioning of corporate tax and red-tape reduction is required to change our national productivity standing and the R and D investments being made. On projects of national interest, exposing capital investors to such items as not having a harmonized provincial and federal environmental assessment process restricts investment not only in this province, but also in Canada as a whole.

Economic development is itself a clustering strategy, and with this, regions should develop models that use these principles. Strong urban centres create demand for tertiary markets and draw rural communities into the logistics and supply chains. Federal strategies should support and promote the model.

The last point that I'll highlight is infrastructure access. Whether it's physical such as rail, road, air, or port local on the local front, we should allow markets to be accessed from all communities. Digital infrastructure, Internet, and data transport enable this globalization. To enable access to skill and innovation emerging from these locations, we need the investments made in this infrastructure to be dramatically increased. Fredericton airport, as I mentioned before, is the first handshake that most visitors receive when coming to our communities, and it speaks to the capabilities of our communities.

I appreciate the opportunity to submit, and I encourage you to read the remaining part of the document we submitted.

• (1115)

**The Chair:** Just so you are aware, we have received all the briefs. That's why you'll find people looking at their iPad; all the briefs that have come in are on the iPad.

Next, from the National Farmers Union, we have Ms. Wildeman and Mr. Wiggans.

Amanda, you're up.

**Ms. Amanda Wildeman (Executive Director, Region 1 New Brunswick, National Farmers Union):** My name is Amanda Wildeman. I'm the Executive Director, and this is Ted Wiggans, President of the National Farmers Union in New Brunswick.

We are making this presentation today on behalf of our national organization. The National Farmers Union, NFU, welcomes the opportunity to contribute to the finance committee's pre-budget consultations. The NFU is a voluntary, direct-membership, non-partisan, national farm organization made up of thousands of farm families who produce a wide variety of commodities across Canada.

The NFU recommendations aim to advance the individual and collective prosperity of family farmers and promote the valuable contribution of farmers to the economic, social, and ecological health of Canada and Canadians. The priorities appear in full detail in our longer submission, but we have some highlights here. They comprise rebuilding agricultural research capacity and adding new capacity to address climate change, including a national extension program; prioritizing public interest agricultural research; returning the Port of Churchill to public ownership; restoring the Canadian Grain Commission's funding to pre-2012 levels; implementing a producer-car receiver program under the Canadian Grain Commission's authority; reducing demand for safety net payments by championing orderly marketing institutions; assisting young farmers to become the next generation of family farmers; improving quality of life in rural communities; and reopening all prison farms and restoring funding to prison farm programs.

**Mr. Ted Wiggins (President, Region 1 New Brunswick, National Farmers Union):** The previous government eliminated over 500 agricultural research positions between 2012 and 2015. Valuable research institutions and field research stations were closed in every region, impairing Canada's ability to respond to urgent challenges and opportunities. Budget 2017 should restore Agriculture and Agri-Food Canada's research funding at least to pre-2012 levels, adjusted for inflation.

The NFU recognizes recent federal investments in research facilities, and we urge the government to also increase investment in the people who work in those buildings. Additional funding is required to rebuild scientific, technical, and support staff capacity in the face of generational turnover, past layoffs, and lack of hiring over the past decade.

Budget 2016 provided considerable support for agricultural economic research. The information generated from this investment needs to be kept in the public domain, not subject to intellectual property rights claims that would be a barrier to researchers using the data.

We would also recommend that budget 2017 add a public interest research surcharge to funds provided by corporations that participate with universities and the AAFC.

**Ms. Amanda Wildeman:** The average age of farmers in Canada is rising, and the number of farmers under the age of 35 is falling. For example, in New Brunswick we have only 235 farmers under the age of 35.

We are in the midst of a crisis in intergenerational farm transfer. There is an urgent need for measures to assist young people to begin and to continue farming. Measures to promote sustainable incomes for all farmers will help young people choose farming as an economically viable career.

Beginning farmers require mentorship and training, as well as assistance in gaining access to land, especially in options for secure land tenure that do not involve crippling debt. The NFU recommends that the federal government develop mechanisms for family farm intergenerational land transfers that do not rely on loans and interest payments.

Canada also needs an income assurance plan for beginning farmers to assist them in becoming established and to support their long-term success. A retirement savings plan or a pension plan specifically designed for farmers would reduce their need to rely on selling their land at high prices to fund their retirement.

• (1120)

**Mr. Ted Wiggins:** Farmers depend upon a favourable climate and weather conditions to earn a livelihood. We need climate stability to produce our crops, raise our livestock, and maintain the health of our agricultural ecosystem, and to provide the food Canadians eat.

We are also in a position to make a significant impact on Canada's carbon footprint by changing our agricultural practices. Both adaptation and mitigation are required for agriculture to play its part in preventing catastrophic climate change and for food production and farmer livelihoods to be maintained in the increasingly uncertain climate future.

Programs should be created to assist farms facing long-term climate-related problems. Budget 2017 should give priority to funding effective research and extension programs to reduce emissions from livestock production, promote adoption of low-input production methods, including soil carbon enhancement, and promote on-farm energy conservation practices. Currently, farmers get much of their information from the companies that sell farm inputs. Farmers need an alternative source of practical information, since the commercial agricultural sector has no incentive to provide this.

Thank you.

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

From Universities Canada, we have Mr. Davidson, president and CEO. Welcome.

**Mr. Paul Davidson (President and Chief Executive Officer, Universities Canada):** Good morning, Mr. Chair.

Thank you for the invitation to be in Fredericton this morning. Thank you also for travelling across the country to conduct your hearings.

I really appreciate the invitation. I listened in on the last panel, and I was struck that the farmers, foresters, and fishers who presented all made the point about the importance of research in their future.

As this is my first time before this committee since the last election, let me congratulate each of you for your election to Parliament and your dedication to serving your constituents and building a better Canada.

[Translation]

My name is Paul Davidson and I am the president and chief executive officer of Universities Canada. Our association speaks for 97 universities that work to advance the cause of higher education, research and innovation in Canada.

[English]

Because we're here in Fredericton, I have to mention that the University of New Brunswick was named as the most entrepreneurial university in the country by Startup Canada in 2014.

But just in the last week, think about the news that UNB has shared. It's opened a new maker space, open to engineers and arts students, to help create the new economy. It's received \$1 million from RBC to advance entrepreneurial activity among students. And IBM has selected UNB as one of only eight universities in North America to advance its cybersecurity project with Watson. That's pretty good for a small, mid-class city with a world-class university.

It's also home to St. Thomas University, one of Canada's outstanding liberal arts universities. One of your House of Commons colleagues, Matt DeCoursey, an alum from there, has written extensively about the importance of the liberal arts, a view we share.

All Canadian universities have stories of excellence like this to share, and on their behalf, I invite you to visit our campuses to see the phenomenal work being done by students, faculty, and researchers, and to give you a glimpse into Canada's future.

I'm very lucky. I spend about 100 days a year on Canada's campuses, and whenever I go, I feel 30 years younger and I can see 50 years into the future of Canada.

Before talking about budget 2017, I want to note the really important investments that budget 2016 made: the biggest investments in discovery research in over a decade that will let discovery lead, which in turn leads to dramatic innovation; changes in student financial assistance to make post-secondary education more attainable; and finally, the new strategic investment fund, a smart investment in university infrastructure that pays dividends now and in the future. It was turned around quickly by our members, and we now have work under way right across the country.

But this is about budget 2017. Over the course of the summer, we have been pleased to be involved in a number of the consultations the government has been holding, including on the new innovation agenda, the review of fundamental science, the finance minister's advisory council on economic growth, the immigration consultation, and the international assistance review.

I make this point because universities touch Canadians all across the country and in all these policy areas, and across all these submissions you'll see our consistent message that universities

mobilize people and ideas for an innovative, inclusive, and prosperous Canada.

Budget 2017 presents an opportunity for Canada to position itself as an international centre for discovery and innovation, to invest in our youth, and to advance reconciliation between indigenous and non-indigenous people.

Let's talk about research and innovation for a moment. Again, I note the theme right across the panel about the importance of investing in research for an innovative future. Our recommendations in this regard include providing sustained and transformative investments in discovery research through the federal research granting councils. The previous government did make investments in research, but we have to note that over the last decade we've fallen from third in the world to eighth in the world in terms of research investment. We have to get back to third, and we have to get back to globally competitive research levels.

We also need to provide sustained support for the Canada Foundation for Innovation to address operation and maintenance pressures on existing research facilities and to allow for better planning horizons for bold transformative initiatives. We're also asking that the CFI be given a mandate to lead a national big science strategy.

Finally, with regard to research, we ask that the government provide support to address gaps in Canada's research and innovation ecosystem, including a new fund to support international research collaboration with partner countries. Previous panellists have talked about the impact of TPP and CETA. There are research opportunities that we can take advantage of in a globalized world.

Our second area of interest is around mobilizing Canadian talent. The investments we make in students today will determine Canada's prosperity for decades to come. To succeed in the ever-changing and competitive global economy, Canada's next generation of entrepreneurs, researchers, and innovators must be bold, well educated, flexible, and open minded. Global study and work-integrated learning opportunities are fundamental to developing Canadian talent.

● (1125)

We heard just a few moments ago about the importance of experiential education. We strongly endorse that theme. We're proud that more than half of all university undergraduates have some form of work experience in the course of their studies, but we simply don't have enough placements with employers, especially with small and medium-sized enterprises.

We're pleased that RBC president Dave McKay and other business leaders have set an ambitious goal of co-ops and internships for 100% of students. He sees the compelling benefits of engaging students in the big challenges facing the future. For this we recommend that government invest in new measures to incentivize the private and not-for-profit sectors to create more paid co-op and internship placements for university students across all academic disciplines. To mobilize our talent we also recommend an investment in opportunities to double the number of Canadian students participating annually in the study of broad experiences. We have to do that. We've done a very good job in attracting international students to Canada and we do need to do more on that, but the percentage of Canadian students who have international experience hasn't changed in 30 years. We are in a global economy, but our trading numbers are actually softening. We need to equip a generation that knows about the new economic opportunities around the world.

The third area of our recommendations fall within the orbit of indigenous education. Universities are helping develop tomorrow's indigenous leaders and for this we recommend that the government commit to additional direct financial assistance for indigenous students pursuing a university education, invest in new scholarships to support more indigenous students to pursue graduate and post-doctoral studies, and provide new support to scale up successful institutional programs and to create new programs on and off-campus, and support indigenous student access, retention, and success at university.

[Translation]

Thank you for your attention. I would be pleased to discuss these recommendations in further detail.

Thank you.

[English]

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

There's a change in the agenda, committee members, there is one other witness. Mr. Robert Watson with the Information Technology Association of Canada. Welcome, Robert.

**Mr. Robert Watson (President and Chief Executive Officer, Information Technology Association of Canada):** Thank you, Mr. Chairman, and thank you, ladies and gentlemen, for inviting me to appear today.

As stated, my name is Robert Watson. I'm the CEO of Canada's national Information communications technology business association, the Information Technology Association of Canada, ITAC. ITAC has over 330 member companies that represent a full spectrum of the ICT industry. We have large, medium-sized, and small companies that do everything from cloud and computing applications, to hardware and cybersecurity. The ICT sector generates over one million jobs directly and indirectly, and it invests over \$4.9 billion annually in R and D.

Today, I will be briefly setting out our seven recommendations for the 2017 budget. They are categorized under the four themes of digital government, digital economy, talent and skills development, and trade and competitiveness.

Under the theme of digital government, ITAC has long been an advocate for improving Canada's procurement policies in order to deliver the best services to Canadians through cutting-edge digital solutions. We also know that a sound procurement policy allows successful access to companies of all sizes, and it presents the most innovative solutions to the government's challenges.

Our first recommendation to this committee is to create digital services Canada. The governments of the United States, the United Kingdom, South Australia, and others have realized the benefits that a central authority over digital service delivery can afford to their citizens. These governments have created digital services to maximize efficiency, save taxpayer dollars, and reduce wasteful duplication. By contrast, Canada continues to use a decentralized approach to delivering digital services to Canadians. A decentralized approach makes it difficult for industry to present fresh ideas and offer improved ways of delivering services digitally to Canadians. This in turn leads to less choice and higher prices for everybody.

Creating digital services Canada would be a legacy item for the Prime Minister and his government, while echoing his message from the World Economic Forum that Canada has a knowledge-based economy built on the foundation of a digital revolution.

Forging successful digital services in Canada will require gaining insight from those who have experience with digital services in other countries. This isn't a standard consultation, but rather a collaborative process whereby the government can seek assistance from people who have built digital services for President Obama and others. This is why ITAC recommends a creation of a digital leadership advisory council composed of academic, government, and industry experts. This council would discuss the mandate priorities for digital services Canada, identify major projects, and set a clear path forward.

Under the theme of digital economy, it is important to recognize that Canada has some of the most challenging geography on the planet in which to deploy digital infrastructure. As a former CEO of SaskTel, I know this all too well. As a result of these challenges, Canada has fostered some of the most innovative telecommunications companies in the world. This network infrastructure is the interactive backbone that supports and connects all sectors of the economy while delivering social benefits such as e-learning and telehealth. Without this infrastructure, this would simply mean no modern economy in Canada.



The second recommendation we have is to change the capital cost allowance rate to incent companies to deploy digital infrastructure. The government clearly understands the linkage between technology investment and productivity growth. This idea underpins the 2007 introduction of an accelerated capital cost allowance to encourage investment in machinery and equipment to use in manufacturing.

Our second recommendation uses the same logic that applies to all participants in the economy seeking to boost productivity and spur innovation growth through the broader adoption of technology. Capital cost allowance generally favours adoption of information and communications technology. ICT is spread across a broad swath of investment classes, and understanding allowance for a full package of ICT tools from service to applications can be challenging, particularly for small businesses. Rationalization in the standardization of a CCA for ICT classes of assets would help encourage technology adaptation.

ITAC recommends that the government standardize and increase its CCA from the current rate to 50% for ICT classes of assets, including those that relate to communication, networks, equipment, and broadband networks. This will accelerate the rate at which the private sectors invest in digital delivery structure and fuel the Canadian economy.

• (1130)

Next is recommendation number three, develop partnerships, funding vehicles, and policy initiatives to enable 5G technology. The next generation of 5G technology offers transformational opportunities for Canada. And 5G will propel research, power smart cities, produce immense quantities of open data, and usher in a new wave of telecommunications expertise. As other countries begin testing technology to enable 5G, Canada has an opportunity to become a world leader and develop the best 5G company research assistant talent in the world. It is not often we can foresee a disruptive technology coming, but we do know 5G is coming, and the question is whether we will be prepared to seize on the opportunity.

Therefore, ITAC recommends that the government seek out industry and government partners in order to develop talent, funding vehicles, and policies necessary to enable 5G in Canada.

Next is recommendation number four, fund telehealth services in both urban and remote communities. One of the most transformative ways in which technology can impact our community is through telehealth. Telehealth benefits urban Canadians by offering a convenient and efficient alternative to traditional touch-points with medical practitioners. Telehealth is particularly important for Canadians who are using home care or have mobility challenges. For Canadians who live in rural or remote communities, including first nations and indigenous populations, telehealth bridges an important gap and brings medical practitioners into unserved areas. Telehealth also presents a huge opportunity to the mental health area where many communities are critically underserved.

Therefore, ITAC recommends an investment of \$30 million over three years to the Canada Health Infoway to ensure that telehealth delivers preventive and therapeutic benefits to Canadians in all communities.

Next is talent. Switching gears, I'm sure many of you are aware that Canada faces a significant rate of youth unemployment, which according to Statistics Canada has not yet rebounded from the 2008 recession levels. Shockingly, at the same time, the technology sector has a growing skills gap with over 200,000 vacancies expected by 2020.

ITAC would like to recommend some concrete measures that would see Canadian youth fill the skills gap and use their innovative ideas to power a modern economy.

Next is talent recommendation. Fund CareerMash and get more high school students ready for technology jobs. Digital skills are vital for everyone's lives. It is estimated that around 90% of all jobs over the next 20 years will require some level of digital skills so we need to make sure they are at the heart of our education system.

• (1135)

**The Chair:** Robert, I'll have to ask you to wrap up fairly quickly. We do have your main brief.

**Mr. Robert Watson:** We have already reached over 80,000 students and would like to reach more.

Therefore, we recommend a \$2.5-million funding over the next five years to continue with CareerMash.

Next is funding experiential learning opportunities in the technology sector. It is, again, something that is required. Even our Governor General, David Johnston, said that he wouldn't start a university if he didn't have an experiential learner in every student. Therefore, ITAC recommends \$7 million funding over the next five years to develop a broad and inclusive experiential learning program under the ITT sector.

Last is a holistic approach to consultation, taxation, and innovation. We need to find a way to scale our companies in Canada, and the way to do that is a holistic approach to R and D and innovation in Canada. Therefore, we recommend a comprehensive consultation and tax consultation that fosters R and D spending and innovation in Canada.

Those are my comments, Mr. Chairman. Thank you very much.

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

I do expect there will probably be questions. Some of us live in rural areas, and we're not exactly happy about the speed of broadband we get.

Mr. MacKinnon.

[*Translation*]

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

[*English*]

It's great to be in Fredericton to hear this group. One of the great things about this panel is the interesting juxtaposition, of course. You have some national organizations here and a local perspective with respect to economic development.

One of the very common refrains, and to be honest one of the most confounding things, we have encountered as we go across the country—in Mr. Albas' home province, Mr. Abouttaif's home province, and I expect all over the country—is the skills gap.

Mr. Shaw and Mr. Seabrook, you addressed this to some extent locally. Perhaps I would like to start quickly by having you describe for us the Fredericton or the New Brunswick perspective on people without jobs and jobs without people, and perhaps illustrate for us how that problem is felt here.

**Mr. Larry Shaw:** From the ICT perspective, currently there's somewhere in the magnitude of 3,000 jobs going unfilled in the province of New Brunswick right now. That number changes weekly because, obviously, people come in and out of the job market but it's holding about the same, it's around 3,000. If you look at all of our strategic initiatives, whether they be at a federal or provincial level—certainly on federal from the folks on innovation, and locally in the province of New Brunswick with its current government focus on innovation—we are only going to exacerbate that problem.

Today, if we made substantial changes to the education platform, we would only have an impact four years from now, generally speaking. This problem is not a problem that will go away in a short period of time. It's a problem that we have identified for a number of years already and we are going to continue to compound that. That isn't necessarily to say that this is all grey, or doom and gloom. There are an awful lot of things that are happening to try to offset that. One of the most effective ones we're investing in is the experiential learning aspects. We've heard that a number of times around the table.

Some of these skills can be filled with not necessarily a degree program. They can be filled with an existing degree program combined with an experiential learning certificate program, or something of that nature. We're tackling that particular problem around experiential learning. We formed a relationship just recently, as was mentioned, around the business faculty where we're going to be bringing business faculty third-year and fourth-year students into our start-up community. They will participate in start-up companies, going at acceleration in the incubation period as experiential learners. The business gets highly trained third-year and fourth-year students. The business gets that skill set, but also the student gains first-hand experience inside a new start-up organization.

● (1140)

**Mr. Steven MacKinnon:** I have more questions, but I'll throw out a couple of things and then obviously come back to that one, if you wish, Mr. Davidson or Mr. Watson.

In your brief, Mr. Davidson, you specifically addressed the issue of indigenous students and access. Clearly, as we travelled through the country, that population was identified as one that would be highly susceptible to assisting in the skills gap. You do mention direct funding and I'd like you to expand on that, if you would, Mr. Davidson.

On experiential learning and more generally on labour force information, 20 years have gone by since labour market development was devolved from Ottawa to the provinces. Do you have reflections on that? You outlined, Mr. Davidson, access to labour market information as a conundrum. Mr. Watson, I think you did as well. Can you outline for us some of the measures that might be taken, or expand on those, so we can get universities, colleges, polytechnics, whatever, better labour market information so they can customize their programs, or their experiential learning programs?

**The Chair:** We'll start with Mr. Davidson. We're rapidly running out of time, and Ms. Wildeman wanted in as well, and Mr. Watson.

Go ahead.

**Mr. Paul Davidson:** On the skills gap, over the last number of years I've planned seven skills summits where there was a lot of finger-pointing about who should be doing what. What I'm really pleased about is that we do have some better labour market information and we have much more labour market information. There is strong consensus amongst colleges, polytechnics, universities, and the business sector that we need to continue to invest in labour market information to take advantage of big data to help us better project what the needs are and what the supply will be.

I want to commend to the committee work by Ross Skinny at the University of Ottawa who has done a study of every graduate from 14 institutions tied to their income tax files. What it shows is that post-secondary graduates do very well. I'll just highlight that.

I also want to come back to your point about continued investments in labour market information. Continued federal-provincial cooperation on that will be important.

On the aboriginal case, this is one we have to do better on as a country. The indigenous youth population is growing at three times the national rate, while university retention is one third the national rate. There are a number of systemic barriers to that, but you might be shocked to know that the federal government supports fewer aboriginal students going to post-secondary today than it did 15 years ago. That's because the pot has remained closed and the number of students who have completed high school has increased. We are leaving thousands of indigenous students who have completed high school without the means to get into post-secondary of any kind.

We do try to increase direct financial assistance. There are a number of mechanisms that could be approached. There is the existing program. There's also the phenomenal work of Roberta Jamieson and Inspire, which has not only received federal funding but has also received significant private sector funding as well.

● (1145)

**The Chair:** Ms. Wildeman, and then Mr. Watson.

**Ms. Amanda Wildeman:** I just wanted to weigh in from the agriculture perspective on the skills gap. As I said in our presentation, we talked about new farmers and the need for more new farmers. Within the next 10 years, we can expect 70% of our current farmers to be retiring. That number is already significantly down from previous years. Less than 2% of Canada's overall population is currently actually farming. There are many more involved in the agriculture sector, both up and downstream. Within 10 years we can expect 70% of our current farmers to be retiring.

In a recent survey done by the National New Farmer Coalition last year, they found that about 70% of people looking to get into agriculture did not grow up on a farm. The ideas and the policy implications that are coming out of that traditional assumption that the farm gets passed on through the family, and the person taking it over has grown up with a lifetime worth of skills by the time they're 18, are no longer true, so we need new mechanisms to get young farmers access to farms. We need new mechanisms, experiential learning, and agriculture programs in universities. We need to tie all of those elements together, so even though we're talking about different sectors, the solutions are largely quite similar.

Interestingly, in New Brunswick, our provincial economic growth plan, just developed and launched last month, highly emphasized agriculture as an economic opportunity, since Canada as a whole—and New Brunswick, in particular, obviously for our provincial plan—has such a strategic asset with our agricultural lands that many other countries don't have. Bypassing this would be such a missed opportunity. We have the land and that's a resource we can't build, we can't create again, so how do we best take advantage of that?

**Mr. Steven MacKinnon:** That's a good point.

**The Chair:** Mr. Watson, we're considerably over time, but we do not have many people registered for the open-mike session following, so we'll probably go on in this session a little longer.

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

Every industry sector in the world, every government in the world, every region in the world, is talking innovation, is talking the digital economy. They're all talking about the same thing. Learning the digital economy, learning about digital is the enabler for anybody in

the world to do better. It is not geographically bound either. If you have the right connections, the right background, you can get knowledge anywhere in the world. This is what we should build on: connectivity, experiential learning for the youth, for people's second careers, third careers. It's all there, and it can be fundamental for every sector: remote farming, remote health, remote everything.

There is a case in New Brunswick here where a company is using first nations on reserves to do quality checking on applications. It's very innovative and it comes out of New Brunswick. There are no boundaries here. We just need to focus on it and get at it, because everybody else in the world is going at it hard.

**The Chair:** Thank you.

We'll turn to Mr. Aboultaif.

**Mr. Ziad Aboultaif:** Thank you very much. I'm hearing a lot of good stories.

I'm going to focus my questions on the tourism industry, and also education. The first question is to Mr. Seabrook and Mr. Shaw. How big an industry do we have? Are you satisfied with tourism in general? How much income does that bring to the overall economy of New Brunswick, or Fredericton, if you wish?

**Mr. David Seabrook:** We're satisfied with the tourism this year. It was very strong. Just to give you a sense of scale, in Fredericton alone tourism is worth about \$241 million a year, and it's worth somewhere from \$800 million to \$1 billion in New Brunswick, so it's very key. It supports a number of different sectors within the economy, whether we're talking about artists and festivals and events, whether we're talking about the hotel sector, the restaurant sector, taxis. It has a broad constituency.

The challenge with tourism is, unlike many other sectors, it doesn't have a singular voice. There's a tourism impact at the gas station, but the gas station owners don't necessarily see themselves in the tourism business the same way as other sectors do. That's why, in particular with the federal government, I mentioned continued and increasing investment in Destination Canada. For many years we weren't able as a country to invest marketing dollars into the United States. Last year's budget put marketing dollars into the United States, and that had a very positive outcome, but that needs to be expanded. It's still limited to a number of key U.S. cities. For instance, in New Brunswick we're not able to do cross-border marketing directly into Maine. That may be a small impact nationally, but if there were partnership dollars available to Fredericton and New Brunswick to go into cross-border states, smaller communities, that would have a significant economic impact.

● (1150)

**Mr. Larry Shaw:** To add to that, there's a bit of a perspective that I think is important to understand, particularly at a budget level. To plagiarize a statement by President Kennedy, you need to focus on the tide, and the tide will lift all ships in the harbour. The reference I'm making is that tourism is not independent from the other economic development agendas that we need to work. Tourism, in fact, is an enabler to some of the other economic development opportunities. When you bring it down to an arts and culture sort of experience, that's the same experience we utilize to grow businesses. It's the same experience that we utilize from a holistic perspective to attract people. It's the same experience that we depend upon when we're entertaining expanded companies or, in some cases, soft landing zones, from attraction abroad.

It's really important to understand that if you don't keep the ship in the harbour called tourism or arts and culture lifted in the same manner that you maybe do with visual infrastructure or something else, then you're going to let a part of the economic development fabric fall by the wayside. You really need to have policies that cross a lot of jurisdictions, if you will.

**Mr. Ziad Aboultaif:** Yes, go ahead.

**Mr. Ted Wiggins:** I'd like to add that a growing area of tourism is agri-tourism. When people go to another country, they don't go to that country to taste McDonald's or Tim Hortons or whatever; they want to experience something different. They want to experience the local cuisine, the local food, and the local culture.

One thing I really notice when I drive through Quebec, for example, is how much emphasis there is on local foods and local farming, that kind of thing. People stop for that kind of thing. If I go to France, I'm going to France for that food, not American or Canadian food. I think that's a really important thing, especially in rural parts of Canada. If you want to get people into the rural countryside and provide some kind of economy there, then there has to be some reason for them to stop and not just drive through.

**The Chair:** Mr. Davidson.

**Mr. Paul Davidson:** In tourism and higher education, it's important to note that international students now contribute over \$10 billion a year to Canada's economy. We have to have best-in-class immigration policies and best-in-class visa processing times to attract these students in a very competitive market.

I was really struck at the airport while waiting for my bag—because the Fredericton airport is in need of expansion—by the French language school board's recruiting of international students at the airport. I was interested to note that the University of Moncton has, I believe, 1,300 international students. On the other coast, at the Vancouver Island University in Nanaimo, international students now contribute more to the economy than the three closed lumber mills in Nanaimo did.

**Mr. Ziad Aboultaif:** I would like to stay on that point. The main reason I brought up tourism is to link the tourism and education industries together. I do believe—and I know this first-hand because I'm working on something for international programs—that Canada's education is well wanted by many places in the world, and that's a great opening.

I know in the immigration policy, at some point, we have certain considerations in the overall policy, but in the meantime I hear Mr. Davidson's tone when he talks about mobilizing Canadian talent. I believe also that in education you have to have a national strategy regarding where we miss and where we hit and where we're doing well and where we're not; and how we can put all of these provinces together to fill some of the gaps, especially the skills gaps that we heard about on the road last week in western Canada.

How much can we stretch ourselves into the educational industry, first of all, to make it into a revenue sector? It is a revenue sector, but how much can we stretch it further, and what do you expect the federal government to do in order to accommodate such things?

● (1155)

**Mr. Paul Davidson:** There's a huge opportunity in this area in the post-Brexit period and with what's happening in the United States. We have a moment to brand Canada as secure, affordable, and welcoming to international students. To do that will take resources. Some ministers have asked why Canada is not as well represented in Delhi as some other countries, like Australia or Great Britain, are. The reason is that the Government of the United Kingdom spends more in Delhi to attract students than the Government of Canada spends globally. This is an intensely competitive game, and just as in tourism, we have to market Canada aggressively to bring students here.

I also want to underscore the benefits to Canadian students of having international classrooms and the links to the local economy. We would like you people to think of Canada's universities as the Pier 21 of the 21st century.

**The Chair:** We'll move to Mr. Watson, then Mr. Seabrook.

**Mr. Robert Watson:** The federal government can directly work with our ICT industry, in fact, with corporations directly. Canada has some world-class corporations in the ICT sector as well as large international corporations that have set up world centres of excellence here. Microsoft, Ericsson have set up places where they export this expertise internationally and bring in new employees and students for that. The more you can work with corporations directly and make it more advantageous for them to set up their world-class places, the more they will do it.

Canada is a very good place for them to set up. It's safe. The employees like coming here, so it's a good spot to carry on doing that.

You're doing a good job. I'm not suggesting there's anything wrong, but to carry on and take it to the next level would be very good.

**The Chair:** Mr. Seabrook, you have the last point in this round.

**Mr. David Seabrook:** Thank you, Mr. Chair.

The point about international students is incredibly important, both as full-time students going through our universities but also summer institutes. We have an English language learning program here at the University of New Brunswick that has hundreds of students every summer who come from all over the world, including Brazil and India. They provide a first touch in Canada. Maybe they will come back and become full-time students. Their parents visit, creating more tourism. They go beyond the destination where their children are learning, which creates more air travel. It opens up air routes. That creates more export opportunities for our economy. It's all a link, as my colleague Larry said. The tourism capacity, the tourism infrastructure, cannot be separated from creating capacity. It's a vanguard that allows the rest of our economy to flourish.

**The Chair:** Mr. Dusseault.

**Mr. Pierre-Luc Dusseault:** I will ask questions in French.

[*Translation*]

I thank all of you for being here with us.

The chair, Mr. Easter, may have had my first question in mind because I think he was expecting us to ask Mr. Watson questions on the digital strategy.

I like everything you said about the digital strategy, and about offering more digital services to Canadians.

However, I think there was one aspect that was missing in your presentation. The strategy has to be accompanied by better Internet access everywhere in Canada. We also have to provide training to Canadians to help them acquire computer skills. The people of my generation are very comfortable with the Internet and all of the digital tools. However, there are people in Canada who are in remote areas—you don't have to go very far from my riding to find such places—and who do not have access to high speed Internet nor to mobile telephone services.

Could you share your thoughts on that aspect of the digital strategy the Government of Canada should adopt? Not only must we offer more digital services, but we especially have to ensure that

people everywhere in Canada have access to the Internet and that they have the necessary skills to use computers.

● (1200)

[*English*]

**Mr. Robert Watson:** I think your question was how do you get connectivity in Canada? It is a big task. We have 36 million people, and the country is arguably the second-largest in the world, but a significant number of us live within 100 miles of the border, which is about 3,000 miles or so wide. It is a geographical challenge, no question, because of the investment for companies. If you want large, strong companies that are going to compete internationally, they have to have a return on their investments, which is natural.

Certainly there are ways of doing it. We should be on top of the 5G technology that's coming out. Because of companies like Nortel and BlackBerry, Canada still has some of the best radio engineers in the world. We should be on the 5G because it is the next generation. It take wireless to the next stage. It supports the Internet of things that we're going to have everywhere. You can't do Internet of things unless you have 5G.

To get to connectivity, your specific question, the government is already putting another \$500 million into Connect Canada. I understand they want to call it something different but it's Connect Canada, the extension of fibre optics further out, which is very good. Certainly Canada is prime for satellite. We need to develop more satellite connections for the more remote areas because it's just not advantageous to go far afield. I was in Saskatchewan; we go up to the 60th parallel. We have communities and to get fibre optics up there is just not economically advantageous. A satellite can do the job.

It has to be a holistic approach though. You have to have an investment that goes not only into urban areas because companies have to get more connectivity into urban areas, however it's easier. That's where the competition usually comes, but to develop the connectivity out farther, there has to be a partnership between government and business. I know government can't do it on its own, nor can business.

[*Translation*]

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

I now want to discuss the issue of the next generation of farmers, a problem we regularly hear about in our meetings, including this morning's meeting.

Could you submit a recommendation to the Minister of Finance for the next budget and indicate what the ideal solution would be for the next generation of farmers?

Would the solution be to transfer enterprises within the same family, to provide training or education to encourage more people from other areas to choose agriculture, or perhaps targeted immigration to find people to join the next generation of farmers?

Is there another solution which in your opinion would be more appropriate to solving the problem of the next generation?

**Ms. Amanda Wildeman:** Thank you.

I don't think a single solution will solve everything. In my opinion, the strategy should include the three avenues you have just mentioned. Immigration is very important in New Brunswick. We are a particular case, in the sense that our agricultural lands are not expensive compared to the rest of Canada. The provincial government has just launched an immigration program, both internationally and interprovincially, to attract people who have experience in agriculture from elsewhere in Canada, Europe or elsewhere, and who want to come here and work in this area.

That is all very good, but the young people of the province who want to return to their rural community often need training or mechanisms to allow them to purchase their family's farm or that of their neighbour. It is very expensive to acquire those lands, buildings and all of the necessary equipment. It represents an enormous cost for someone who is just getting out of university.

In the United States, there is an interesting program that allows people who join the public service to have their student debt eliminated. Agriculture has just been added to that program. In this way, anyone who chooses a career in agriculture will have their student debt eliminated. That is another program that could be considered.

Finally, I expect that the solution will be a combination of all of the aspects you have just mentioned.

• (1205)

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

**Ms. Amanda Wildeman:** We did not discuss the issue of Internet access in rural areas, since we wanted to limit our presentation to five minutes. We did not go into suggestions aimed at improving quality of life in rural areas, which would include Internet access, for instance.

**Mr. Pierre-Luc Dusseault:** Farms are increasingly making use of technology. And when you talk about technology, you are talking also about the Internet.

**Ms. Amanda Wildeman:** Seven people from all over Canada sit on our board of directors. Since there are hills everywhere in New Brunswick, in order to get a signal so as to be able to use his cell phone, one of these people has to climb a hill, on his neighbour's property, and another one has to stand on his toilet bowl. Otherwise, they can't get a connection. The options are really bizarre, and limited. As you said, young people are the up-and-coming generation, and all the members of that generation are connected.

How could they possibly want to live in a rural area without being connected like the others?

In short, we need more solutions.

[English]

**The Chair:** I understand the feeling. I can't make a cellphone call from my own yard in P.E.I.

On your public service program and paying off student loans, etc., is that under the U.S. farm bill? Do you know what it's under, Amanda, so that we can look it up?

**Ms. Amanda Wildeman:** I can find it and send in the link.

The National New Farmer Coalition in Canada was based on the National Young Farmers Coalition that was created in the States. They did a major survey in 2012. This survey gave such good and interesting data that they've been able to move it forward to concrete policy recommendations, including removal, exclusion, or forgiveness of student loans to new farmers as a public service. I'm not sure which bill it came under, but it's recent. It's the National Young Farmers Coalition.

**The Chair:** Thank you.

Mr. Sorbara.

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

Universities Canada, in your recommendations there is one recommendation that I want to focus on because I think information is powerful and without information you can't have good decisions. We brought back the long-form census, and I think the take-up rate was above 95%, which was excellent. I think this is going to provide a lot of good information when it finally gets released to businesses, universities, provinces, and every single user group in the country, basically.

I wanted to touch upon the recommendation for resources for Stats Canada and improving our labour market information. Is there a numerical amount you would want to attach to that?

**Mr. Paul Davidson:** Over the years, we've drawn this committee's attention to the work that Don Drummond did. He estimated that an investment of \$50 million would be required to get Canada's labour market information up to a level of sophistication that would be useful to employers and educators.

**Mr. Francesco Sorbara:** Right now, if you look as an economist and someone who follows the markets continuously, the information you get from the U.S. is much different from the information you get here. You have two surveys that come out there, and the standard error on ours is just atrocious. We need to get the information on our labour market.

With regard to ITAC, there were a number of recommendations. With respect to the capital cost allowance, unaccelerated, what would be the cost to the treasury? I know in 2007 we had the accelerated capital depreciation, capital cost allowance, come in to encourage, because of our dollar, industries to buy equipment, capital-intensive equipment especially, from the States. The digital sector, though, is different. My understanding is that it's a different type of investment from what you have in traditional manufacturing. Is there a dollar cost? If you can add some colour around this, it would be greatly appreciated.

•(1210)

**Mr. Robert Watson:** The ICT companies in Canada will be investing. They're going to invest. It's a matter of accelerating it, having it move forward faster. That's what you're doing with the capital cost allowance. You're allowing greater depreciation. If you think about it, it's simple. What you're doing is so different, because they would either write it off later or write it off sooner. If they write it off sooner, it's better for their bottom line, and they're making a bet on the future. They're betting they're going to get the revenue to follow that. So it's not as if it's all one-sided. You're allowing them to do that, but they are betting on the future.

As for the actual cost to the government, I don't have that figure. However, The Conference Board of Canada has said that increasing it to 50% would add another \$163 million to the GDP and support over 1,600 full-time jobs, so it's quite significant. You have the corporations, all the major telcos, the major IT companies, the application guys. They are all ready to go. If you were to do that, it would be an incentive for them to start spending.

**Mr. Francesco Sorbara:** I would be remiss if I didn't ask about something on New Brunswick, because we are here in New Brunswick and it's my first time in this lovely province.

We're well aware of the challenges that Atlantic Canada faces in its demographics. We're aware of the fiscal situations in some of the provinces, the headwinds in various areas, even taxation levels. Could you list the first two priorities you'd want to see tomorrow morning coming out of us as recommendations? From a bigger picture point of view, what would be your two priorities, excluding the Fredericton airport? Flying in yesterday I can understand the capital investment needed in that airport, first, to alleviate the overcapacity, and second, to draw more tourism folks. It's obvious that this is required. I think that's also the case in P.E.I. with their airport.

Could you talk about the one or two things you would like to see the committee focus on?

**Mr. Larry Shaw:** Sure, and respecting the fact that you aren't going to let me talk about the airport, I won't mention the airport more than three or four times.

The two things are quite simple.

The first would be the educational infrastructure and support around what I will call the knowledge industry or the knowledge-based sector, so that means anything we can do to increase educational support, whether it be at a university level, a community college level, or, in fact, in certification programs.

Look at the cybersecurity initiatives we're doing right now. There are deep and entrenched requirements with InsideUNB, but there are also some short-term things we can do around changing some of the legislation—albeit provincial—that allows other educational institutes to come in and set up dedicated education around cybersecurity certification programs and things like that. On the education system, by and large, if I were to try to summarize it, I think I would say that we need to overhaul it completely. There needs to be an awful lot more focus on the applied research and the commercialization of research.

That's a number of things within the educational portfolio, and the second thing is immigration.

There has been some movement. There have been some changes on the immigration allowances for this region. One of the things that's troubling right now is that there's some language that would suggest that until we get our retention factors improved, we may be penalized in the attraction of immigrants or newcomers. That's the wrong approach, I would suggest. What we have to do is allow the gate to be opened up quite wide—respectful of security and all those things—because once you build communities, you then start to increase your retention factor rate. Today we have 27 ethnic groups here in the city of Fredericton, but some of them are quite small. We need to get them to be of a size where they have a community built around them.

Those would be the two items: education and immigration.

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

Mr. Pollett and Mr. Goetz, if you have anything to add at any time, just raise your hand and we'll let you in.

Mr. Albas, I know you're really wide awake, having taken the red-eye here all night, so go ahead. The floor is yours.

**Mr. Dan Albas (Central Okanagan—Similkameen—Nicola, CPC):** Thank you, Mr. Chair.

Thank you to all of our witnesses today.

I'd actually like to pick up where Mr. MacKinnon opened the discussion, and that's in regard to labour market surveys and getting good information connecting with institutions.

Mr. Davidson, are you aware of BCIT's career build tool that they have online? Just for the people here, could you maybe explain that and what BCIT is doing on that front?

•(1215)

**Mr. Paul Davidson:** I'm not specifically familiar with BCIT's tool, but a number of tools are being developed across the country. The Ontario Chamber of Commerce is doing a very good job of matching available jobs to available students through the magnet program they offer. BCIT, I know, is doing similar work.

The other point I would make about BCIT and British Columbia's higher education sector is that the pathways between colleges, universities, and the employment sector are much clearer than they are in other parts of the country. We realize that you're walking through some careful jurisdictional issues as the federal government, but we're working very closely with colleges and polytechnics to make sure that students can flow in both directions to get the skills they need for the jobs that are coming.

**Mr. Dan Albas:** Just as an example, when you go to the career build site, you can actually choose a career, and the tool will tell you everything from the average range of the scale of pay to how many vacancies there are within the region. Again, this is all linked to Statistics Canada's information. It tells you which programs there are and allows you to compare different ones.

Mr. MacKinnon, if you want to, you and I can talk a little more about this, but we should really get Kevin Wainwright from BCIT here, because they are doing outstanding things to make sure that when students are making decisions, they're based on the local availability of jobs. They're also projecting out. This even says what the age distribution is for the regions and how old the workers are in each one. I don't know how they get that information, but it's pretty fantastic.

I'd like to go to you, Mr. Goetz. Thank you very much for raising this. I understand that the Canadian Beverage Association has been harping on the labelling issue for 20 years. What is the explanation you get from Health Canada? Why are we the only jurisdiction that enforces this labelling?

**Mr. Jim Goetz:** The beverage industry has long been trying to innovate and bring new products to the market in order to diversify the portfolio of products that are on the shelf for Canadians, but also to continue to drive the lowering of calories in the choices that Canadians can make.

The great thing about the changing of this regulation is that we're not trying to push a rock uphill. Health Canada agrees with our position, which is that we are the only country that regulates the front-of-pack sweetener regulation. The answer we consistently get is that we need to find the right time and the right package of changes to implement in getting rid of this regulation.

I think it was brought in as a stopgap measure, as sometimes regulations are when new products hit the market. It's not a sexy change. It's not something that's top of mind for people, but it's very important for our industry as we try to get consumers more attracted to low- and no-calorie products.

**Mr. Dan Albas:** This is what drives me nuts about innovation: constantly elected officials—and this is at all levels—will say to business, “You need to innovate; you need to be cutting edge; you need to bring forward new products, new services”, and then what we do is put up roadblocks by not reviewing our regulations. To me, that's an issue. I really hope that gets heard. Again, regulations that are excessive or do not help with health and safety but end up just costing us in terms of new products, to me that is an area we can win on, and very inexpensively. Would you not agree?

**Mr. Jim Goetz:** Yes, I would completely agree.

**Mr. Dan Albas:** Since my colleague Mr. Liepert isn't with us today, and he has a habit of asking people to give a price tag on their number one priority, I'm going to ask you to say one. So far Mr. Watson has been very clear. He's had a couple of different things, but I'd still like to know which your number one priority is. You've also given how much you've costed it out. If we could just go right down and say, “Our number one priority is...”, and “What we believe it will cost the taxpayer if we were to buy onto your program today is...”.

**Mr. Jim Goetz:** Zero. We're not asking for anything. We are asking for our industry to keep innovating and bringing new products to the market and protecting the 60,000 well-paying, pensioned jobs across the country. A little known fact is that Coca-Cola and Pepsi, for example, two of our larger members, have the largest facilities in North America, located in Brampton and Mississauga. Some 7,000 people in the GTA are employed in that industry there.

**Mr. Dan Albas:** I wondered why Raj was so sweet.

**Mr. Jim Goetz:** We want to protect those jobs. We want to protect those investments. Once those production facilities go south of the border, they don't come back.

• (1220)

**The Chair:** I would say sometimes this side of the table sees things as a cost, and that side sees them as an investment.

Go ahead, Mr. Pollett.

**Mr. Sheldon Pollett:** A Way Home Canada with the Canadian Observatory on Homelessness did up a federal policy briefing some time ago. I think the number on that was around \$26 million; I don't have it in front of me right now. But largely to my point earlier, this is looking, first and foremost, at money the federal government and then the provinces in turn are spending anyway to very poor effect. I can't stress that enough, because often this is seen as a conversation on the need to spend more money on vulnerable young people. I'm not going to argue that we don't need to, but we're spending an awful lot of money in this country for years and years and years for poor outcomes.

**Mr. David Seabrook:** I apologize, but I'm going to hit the airport issue again. I think it is critical, both to our tourism economy and to our economy broadly in Fredericton. But also I will speak more broadly to the other five NAS airports that don't yet have 500,000 passengers a year and are trapped in this gap. It's really something the federal government has to deal with. It's inhibiting our economy at a variety of levels. If we were to go further, then I'd talk about liberalizing the air industry altogether and having pre-clearance in more airports, which would allow greater access into the American markets. These are all issues, but number one for us is getting that airport expanded and at least matching its current passenger load.

**The Chair:** Just on that point, Mr. Seabrook, we did, as a committee, make a recommendation in that regard in the pre-budget consultations, but were right up against budget time. I would be surprised if this committee doesn't make that recommendation again.

Go ahead, Mr. Shaw.



**Mr. Larry Shaw:** The single ask I would have of the budgeting process and this committee would be to expand the local immigration partnership program to include yet a wider context of a beta model. I think \$1 million to \$1.5 million in a beta program, built around Fredericton's local immigration partnership program, obviously, really touches on a number of things that the committee has heard today. It touches all the way from the educational—from an international student perspective—all the way through to retention capabilities and succession planning for legacy businesses and farming operations to find succession plans. That would be the thing we would want to see focused on.

**The Chair:** Go ahead, Mr. Wiggans.

**Mr. Ted Wiggans:** Listening to what everybody's said today, research and innovation seem to be key issues. I think this applies doubly to agriculture. What we'd like to see is that our research capacity go back to what it was in 2012, before the cuts. We would like to see a budget that would take into account inflation, which would bring our research capability at least back to 2012 levels.

**The Chair:** Go ahead, Ms. Wildeman.

**Ms. Amanda Wildeman:** Similar to Ted's...bringing back research and emphasizing that Agri-Food Canada used to be such a global leader in agricultural research and at this point has taken such a step back that we are no longer competitive. Our research is being cost-shared fifty-fifty with institutions. As soon as that happens, all of the research ends up being very economically driven, and we are focusing only on research topics that will immediately bring back profits for corporations. That's not always for the public good. Definitely, it is very frequently not for the good of farmers. That's a point of concern.

**The Chair:** Mr. Davidson, go ahead.

**Mr. Paul Davidson:** We will be providing a detailed costing to the committee and to the Minister of Finance in the coming weeks, but let me take a rhetorical approach to this. Over the last decade, we have gone from third to seventh in terms of research funding. What's the cost of that? It's lost reputation internationally and lost ideas that can be translated into the new economy. Research is the seed corn for all of Canada's economic growth.

What is the cost of not moving forward on investing in youth? It's harder school-to-work transitions and lack of familiarity with the new and emerging global markets. I'll just say, personally, that I have been at this committee now seven years in a row about the need to move forward on investing in indigenous students. That's a whole cohort of young people who have not gone to post-secondary education.

• (1225)

**The Chair:** Mr. Watson, go ahead.

**Mr. Robert Watson:** We at ITAC fully embrace the government's—and particularly the Prime Minister's—knowledge-based economy focus. That is the future. There is no question about it. Having a digital advisory council, with experts from around the world to help develop this, is there waiting. The capital cost allowance doesn't cost anybody anything. It's just accelerating the rate of investment. 5G wireless is something we are expert at on the wireless side. Canadians are all about health, and there is no reason why everybody in Canada can't have the same level of telehealth.

**Mr. Dan Albas:** Which is your priority?

**Mr. Robert Watson:** The priority is innovation. We are talking about the youth. Our dollars are there. Raw dollars on the table are about \$42 million to help the youth and health.

**Mr. Dan Albas:** I find that when we do these things, it is helpful because, if you know what your priority is, it allows us to say, okay, that's the priority. Then we can really emphasize it and look it over. I appreciate that there are many different views here.

**The Chair:** We gave you double time, Dan, because you were up all night.

Mr. Grewal, go ahead.

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

Thank you to our witnesses for testifying today.

I want to start with the Canadian Beverage Association. As you mentioned, one of your member organizations' plants is in Brampton. I had the pleasure of touring that plant in the summer. I was pretty upset that they didn't give me samples. You can pass that on to them. On a serious note, on the sugar tax, I completely agree with you that there is not enough evidence yet on the resulting implications on reducing obesity in children to support sugar tax in Canada, or in jurisdictions that have implemented a sugar tax. I understand that aspect.

I would recommend that you have a study done on the incremental tax that is imposed—if there is one imposed—and the result and the job losses in the Canadian sector. I know full well that the Brampton Coca-Cola plant, which is one of the biggest in Canada, can be moved to Mexico at significant savings to that company. A study on the economic implications of a sugar tax would be of very much value to this committee.

We are obviously in New Brunswick. I agree with my colleagues and everybody's comments that the airport should be funded and that it should not fall in that category of not meeting federal requirements. We'll definitely take that back to the Minister of Transport and see what we can get done there.

In terms of immigration and economic development—I asked this question of the panel before you as well—what are your opinions on how to keep people who are born in this province in this province, especially farmers? Is the inheritance tax, or the way the tax structure is set up, the deterrent for Canadian kids not going into farming to continue with the family farm, or is it the fact that they just don't want to farm?

**Ms. Amanda Wildeman:** Going back to what I said earlier, for many kids who have grown up on the farm, this comes back to how we're raised, how we go to school, how we do all of those things. We heard, "Don't go into farming, don't go into farming, don't go into farming."

I think the rhetoric they've heard for many years from family—grandparents, uncles, and parents perhaps themselves—has really resonated and I think that's one of the reasons we're seeing that 70% of new entrant farmers are from non-farming backgrounds. They're opportunistic and they're committed to local food and healthy food options. They have a different vision of agriculture. The commodification and export-only driven form of agriculture is really squeezing the pocketbook.

So it's not necessarily the family transfer. The taxation on family farms is only there if the farm has been incorporated. If they're not incorporated, family farms have a whole different taxation structure than any other business. They're largely exempt. However, it would be in terms of the start-up capital needed by new farmers to get access to land and equipment to get started.

• (1230)

**Mr. Raj Grewal:** You had a number of recommendations. Is there a dollar figure on what the recommendations would cost the Government of Canada?

**Ms. Amanda Wildeman:** We can definitely provide you with that.

**Mr. Raj Grewal:** That would be great. Thank you.

My next question is for Universities Canada. I am a huge proponent of ensuring that Canadians across the country have an opportunity to attend post-secondary education. One of the things I'm always taken aback by is the fact that the cost of education across the country differs, whether you're in Quebec, Ontario, or out east. I'd like to hear your comments on what we can do to level that off; and more importantly, in your opinion, is the cost of education a deterrent for kids to go to school?

**Mr. Paul Davidson:** Those are great questions. Coming from Brampton, the godfather of Ontario's post-secondary system, Bill Davis, of course, is one to be celebrated. His mantra for 50 years has been accessibility and excellence and that no qualified student should be deprived of the opportunity of post-secondary education.

I think as a country we have made great strides in both accessibility and excellence. The last federal budget included important financial assistance measures. At the provincial level there are a number of important shifts going on, some right here in New Brunswick. I'm more familiar with the policy commitments in Ontario to make sure that students with family incomes below a certain threshold pay net zero tuition. That's groundbreaking in Canada and it's important to make sure that post-secondary education is attainable for all families.

I want to take the opportunity to underscore that half of all university students in this country graduate debt-free, owing zero. Of those with debt, two-thirds have debt of less than \$12,000. So we need to be careful about how we analyze the barriers to education, and we need to increase the opportunities to explain both the affordability of post-secondary education and the outcomes. Over the last decade we've had business leaders and other community leaders suggesting that it's not worth the investment. We have data that shows it's absolutely worth the investment.

**Mr. Raj Grewal:** Thank you.

**The Chair:** Before we end, I have two questions.

Mr. Watson, you talked a fair bit about the 50% capital cost allowance. What about investment tax credits? Do they work?

**Mr. Robert Watson:** Do you mean the SR and ED tax credits?

**The Chair:** Yes.

**Mr. Robert Watson:** Yes, they are working pretty well. We don't want to criticize them, because they're very good. However, they haven't been looked at lately. They need a review, because you do have lots of interest, more than ever before, from companies, Canadian-owned companies and internationally owned companies, wanting to do R and D, more R and D in Canada. I think it needs a review but just building on what's there, because it's good.

**The Chair:** To the NFU, on farm safety nets, specifically AgriStability, there have been substantial changes in recent years. Is it adequate to do the job?

**Mr. Ted Wiggins:** I think it's becoming more limited to the farmers who make use of it, and it does encourage farms that are not diversified. It encourages farms that have most of their eggs in one basket, so to speak. I think to a certain degree we should be encouraging farmers to be somewhat diversified, because that's also an insurance policy, but we have to have a safety net that's going to take into account that kind of farm, in terms of lost income, and so on.

I don't know whether that answers your question.

**The Chair:** Amanda, you were going to comment, as well.

**Ms. Amanda Wildeman:** That is one of our recommendations, to reduce demand for safety net payments by championing orderly marketing institutions. The hog sector is mentioned specifically in our longer submission as to how the removal of the single desk selling boards affected hog farmers. Those who did manage to not lose their businesses are now subject to huge price volatility, and they are more and more likely to be tapping into the safety net programs. I imagine it came up earlier in the conversation with representatives from the dairy board on CETA and others that are going to be threatening other international trade agreements that would be threatening supply management. If we look to some of the examples, particularly in the U.K., where supply management for dairy was taken out of a few years ago, we see the huge costs to their government up to now to keep their farmers afloat. Orderly marketing is a safety net program that should be looked at not just for the sectors where it currently still is, but for others. We did make recommendations before the Calgary meeting with the ministers of agriculture, particularly around the safety net programs. They could definitely be improved.

•(1235)

**The Chair:** For your own information, with the public service paying off of debt you talked about earlier, the analyst checked it out, and it's called the young farmers success act. It's not passed as yet. It was referred to the subcommittee on higher education and workforce training last November.

Any last comments anybody wants to raise? I want to thank each and every one of you for your presentations. Sorry for holding you 20 minutes late, and thanks for answering the questions. We will suspend and go to the open mike in about five minutes for those who are here and who want to make a statement.

•(1235)

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

•(1245)

**The Chair:** We'll reconvene.

We'll have all the open mike participants come up to the table and we'll go from there.

Paul Gerard Bourque.

Go ahead, Paul, the floor is yours. We try to keep it to a couple of minutes but it gives the opportunity to put your points on the record and they will be noted.

**Mr. Paul Bourque (As an Individual):** Thank you very much, Mr. Chairman, and members of the committee.

My name is Paul Bourque. I am from Moncton, New Brunswick. I just moved back to Moncton, New Brunswick after spending 34 years in Ottawa working at the House of Commons, so I'm well aware of what happens at these committees.

I'm here to talk to you a little bit about the RRSP program. It started in 1957 and in the early eighties the government put on a big push to promote the program.

I entered the program and I am now at a stage where, if I want to remove money from the program, I'm being taxed at a much higher rate. Although when the program started most people were convinced that when you retire you have a lower income it's

interesting how by removing money from the RRSP program you end of actually taxed at a higher rate than a lower rate.

The reason for my presentation today is to see if we can come out with a tax-free approach of withdrawing money from the RRSP program that would help seniors and homeowners to renovate their homes because we all know that seniors want to stay in their homes rather than going to the seniors residences, etc. Creating a tax-free withdrawal would allow people to improve their homes, improve their quality of life, and would make it a lot easier for the individuals to create some spur in the economy for construction workers and people who are in renovation programs.

I hope the committee takes this under consideration because I understand, and my memory tells me, that once upon a time the government did relax some of the rules and regulations around RRSP withdrawals. I don't know if that's something this committee would consider at this time. I'm sure there is enough data that the Department of Finance can provide in terms of the cost and how successful the program was in past years.

Now that I am a retired citizen I think the government has to do a better job about promoting this program because I don't hear people talking about it the way we used to talk about it in the eighties. If they could talk about it a little bit more and make it more important I think the government could always increase the money homeowners can have if they go ahead with this tax-free withdrawal.

Thank you very much, Mr. Chairman.

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

I think it was a program for first-time home buyers that was under that at one point in time.

Ms. Goodwin, the floor is yours. Welcome.

**Ms. Emilynn Goodwin (As an Individual):** Thank you.

My name is Emilynn Goodwin. I'm a student at the University of New Brunswick, and I'm one of the co-presidents of the University of New Brunswick Chapter of Engineers Without Borders . Engineers Without Borders Canada is a non-governmental organization that invests in people and ventures to create sustainable development. We have a community of 40 university and professional chapters and that includes 2,500 active members who provide seed funding, talent, and mentorship to social enterprises in sub-Saharan Africa. I'm here to speak to you today because the Government of Canada has committed to restoring and renewing international assistance and to refocusing on the poorest and most vulnerable, specifically women and girls. Canada has already taken steps toward re-engaging on the world stage in this way.

However, Engineers Without Borders Canada has noticed that Canada's development assistance is not quite up where some of the other G7 countries are, and we believe that's impairing our ability to implement the 2030 Agenda for Sustainable Development, the sustainable development goals.

For the budget, we ask that Canada commit to predictable increases to the international assistance envelope of 10% annually to the end of the 42nd Parliament and to also have a publicly available timetable doubling the envelope by 2023. We would also ask that Canada aim to meet the UN funding target of 0.7% of our GNI around 2030. We feel that making a strong official development assistance commitment aligns with the ministerial mandate and is a good stepping stone toward making progress on those sustainable development goals.

Thank you for your time.

•(1250)

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

This is your first time before a committee, right? Welcome. Hopefully, you'll be before more.

Thank you, both.

The meeting is adjourned.

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