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## **Standing Committee on Finance**

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**EVIDENCE**

**Monday, October 16, 2017**

**Chair**

**The Honourable Wayne Easter**



## Standing Committee on Finance

Monday, October 16, 2017

● (0850)

[English]

**The Chair (Hon. Wayne Easter (Malpeque, Lib.)):** We'll call to order the meeting on pre-budget consultations 2018.

I ask those who sent us submissions and who are on the official presentation list to please come up to the table.

As I explained to a couple of the folks who sent in submissions and who have a more detailed presentation, we have a few minutes for an open-mike session. We give people the opportunity to go to the mike and do a presentation of one minute or thereabouts on the issues as they see them. It becomes part of the official record and will be considered as part of the pre-budget consultation.

First up is Pauline Finlay.

Pauline, welcome. I believe you're with ONE.

**Ms. Pauline Finlay (As an Individual):** Yes.

**The Chair:** Good. Go ahead. The floor is yours.

**Ms. Pauline Finlay:** Good morning, everyone.

Honourable members, members of the audience, 130 million girls are out of school. If they were a country, they would be the tenth largest. Let that sink in.

Canada contributes about two cents per Canadian per day to global education. According to the education commission, it is indispensable to double our contributions to education if we want to close the 130 million gap and provide every girl with the opportunity to go to school. This means that with just two more cents—two cents—Canada can lead the way.

Today we ask Canada to contribute to the financing of the Global Partnership for Education in 2018, as part of the solution, so that it can help millions of girls in the poorest countries get the education they deserve.

I want to close by asking this to the honourable members and the audience: where would you be without your education?

Thank you.

**The Chair:** Thank you very much, Pauline, and thank you for sticking very close to the one-minute time limit.

Next is Kevin Stacey, who I believe is with the retirees.

Go ahead, Kevin.

**Mr. Kevin Stacey (As an Individual):** Good morning, honourable members and members of the general public.

My name is Kevin Stacey. I'm with the National Association of Federal Retirees. I'm the president of the local branch of the Avalon-Burin branch here. We have about 2,200 members. In Newfoundland we have about 3,500 members, and across Canada we are 180,000 members and growing.

I'd like to make a few key points to you today. First, secure retirements, strong health care, and a national seniors strategy are the best ways to help seniors and their families. On retirement security, I urge this government to scrap Bill C-27. This bill would introduce a new type of pension plan, Canada benefit pensions, while taking away retirement security and killing off good old defined benefit plans that people have worked for and that bring back benefits to both the local and national economies.

For budget 2018, I believe the federal government should lead a national seniors strategy that builds on the home care and seniors housing investments that have been made so far. The strategy needs to include a national palliative and end-of-life care strategy and better pharmacare for seniors. It must continue to tackle infrastructure investment, with age-friendly communities and universal design standards in mind to ensure that seniors' residential needs are met. The government should appoint a minister responsible for seniors to make sure that public policy decisions are always viewed through a seniors lens. These actions would lead to better productivity and a stronger economy, not just for seniors but also for their families and for Canadian communities.

Thank you very much.

● (0855)

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

Next is Kevin Nicholas Bell from Engineers Without Borders.

Kevin, at pretty nearly every stop we hear from Engineers Without Borders at the open mike, so congratulations to your organization.

**Mr. Kevin Nicholas Bell (As an Individual):** Thank you very much. I'll pass that along.

Good morning, honourable members and members of the public. As mentioned, my name is Kevin Bell. I'm a volunteer on behalf of Engineers Without Borders.

In budget 2018 we are asking that the government commit to a predictable annual timetable of increases to our international assistance envelope, of up to 0.31% of GNI within its first mandate. Currently our level of assistance is 0.26% of GNI, the lowest it's been in recent history, and it hasn't increased by a significant amount in quite some time. According to the OECD, global assistance has increased by 9%, but it's disappointing to see that Canada's own contributions have decreased by 4%.

If we increase funding, if we increase assistance, we will be able to achieve the sustainable development goals and grow the economy here and globally. In 2018 we hope to see the downward spending trend end so that Canada can meet its global commitments.

Thank you very much for your time.

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

I don't believe there's anybody else here for the open-mike session. I believe we have all of our witnesses here as well.

We'll turn the floor over to Derek in a minute, but first I want to say welcome to the witnesses. Thank you to any of the groups who put in a submission prior to mid-August. Although we are not dealing extensively with those submissions here, other than the remarks that are made, they are on people's iPads. You'll see them refer to them once in a while. The official submissions are being considered as part of pre-budget consultation as well.

I know that Mr. Butler has to leave at 10 o'clock, so if people have any questions in mind for Mr. Butler, you'll need to get those in pretty quickly.

Usually when we're on the road, I like to have members introduce themselves so that you have an idea of where they're from and of the kind of cross-country representation that's here.

I'm Wayne Easter. I'm the member from Malpeque, Prince Edward Island—the other island, not quite as big as this one.

Raj, do you want to start?

**Mr. Raj Grewal (Brampton East, Lib.):** Sure.

My name is Raj Grewal, and I'm the member of Parliament from Brampton East.

**Ms. Jennifer O'Connell (Pickering—Uxbridge, Lib.):** I'm Jennifer O'Connell, member of Parliament from Pickering—Uxbridge, just outside Toronto. My local connection is that my family is from Upper Island Cove, so I know the area a little bit.

[*Translation*]

**Mr. Greg Fergus (Hull—Aylmer, Lib.):** My name is Greg Fergus. I am the member for Hull—Aylmer, Quebec, a riding that is just opposite Ottawa. Unfortunately, I have no relatives in Newfoundland and Labrador, but I adore this province. This not my first time here.

[*English*]

**Mr. Dan Albas (Central Okanagan—Similkameen—Nicola, CPC):** I'm Dan Albas from Central Okanagan—Similkameen—

Nicola in British Columbia. I'm excited to be here with you all in St. John's.

● (0900)

**Mr. Tom Kmiec (Calgary Shepard, CPC):** I'm Tom Kmiec, member of Parliament from Calgary Shepard.

[*Translation*]

**Mr. Alexandre Boulerice (Rosemont—La Petite-Patrie, NDP):** My name is Alexandre Boulerice. I am the member for the Rosemont—La Petite-Patrie riding in Montreal, Quebec.

[*English*]

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

We'll start with Mr. Butler from the Association of Seafood Producers.

Welcome, Derek. I know you're trying to fit this in under a tight schedule, so thank you.

**Mr. Derek Butler (Executive Director, Association of Seafood Producers):** Thank you very much, Mr. Chair.

Thank you for the kind invitation to appear this morning. Again, my apologies; I had a prior commitment some two hours outside of town, and I'm sure we could find you a house in Upper Island Cove if you'd like to have some additional connections to Newfoundlanders.

**Voices:** Oh, oh!

**Mr. Derek Butler:** The ASP is a typical industry trade association. We represent the majority of seafood producers in the province, both by value and by volume. For the major species, snow crab and shrimp, we're close to 90%, so we're a significant organization.

You've asked us two very important questions. Whether we are responding in the context of question one as individuals or to question two as Canadian businesses, the benefits come back to us all, both as a country and as beneficiaries of a strong and dynamic business sector. Whether as employees or business owners, whether in business or as part of society generally, where we participate in the rewards of business—taxes to government, general services, a strong economy—we all benefit. These are important questions. They represent the core of what we want to achieve as a country for our collective benefit and not for the sake of the dollar, per se.

On behalf of the seafood producers that I represent, I would say one simple thing with respect to the seafood industry: change the model. I called it a simple thing, but it's not easy. Let me repeat: change the model.

There are at least three models of approach for fisheries the world over in terms of structure. The first is what we have been for a long time, which is a harvest-driven or capture model. We fish. We pride ourselves on that. We do it well. We focus on how much we catch, what the quotas are, what the allocations might be, and on the allocation debates—robbing Peter to pay Paul—between industry sectors, we focus on where the stocks might be growing, and yes, still in 2017 to a large measure, because it is a seasonal industry, we focus on the impacts of EI for both harvesters and plant workers.

That is the capture model. It is not, sadly, about innovation. It is not about capital accumulation for reinvestment or research. It's really just about fishing, and we're proud of it. We fish well. There's some processing, and then we sell it. That's our model.

The second model is the market-driven model. In this model we're focused on markets, ocean to plate. The plate becomes the new “cod end”, if you know the expression. It's what consumers want. It's about catching the fish, yes, as always, but also about selling it and really focusing on consumer and market demand. It's about letting that cod end—the plate—and the democracy of the marketplace, the prerogative of the consumer who is going to buy our fish, make the decision of what they want. It's about getting a certain value per kilo and then bringing back those returns.

I underscore bringing back the returns, because we are, above all, a trading industry. It is appropriate that in giving my testimony, my appearances before House of Commons committees have more often than not been made before the trade committee as opposed to the fisheries committee, because that is the nature of the business I represent. We're a trading industry. Some 90% plus of what we catch and produce in Newfoundland and Labrador is exported.

That second model has value. It's a step up from the catching model, the harvest-driven model, but Canada, sadly, is still too much along the lines of the first model in too many regards. That's my simple message this morning, because that represents an opportunity cost. We leave value on the table. It is lost value. We are, as has been said before, more focused sometimes on deriving EI value than on market value. That needs to change, because the world is changing.

I have a *Telegram* story from this morning. Am I allowed props, Mr. Chair?

**The Chair:** Yes, sure. This is not the House of Commons.

**Mr. Derek Butler:** It says, “Poor signs for N.L. snow crab. Official DFO survey results available early next year”. We know the world is changing. Stocks are going to be in decline in respect to shellfish in Newfoundland and Labrador and groundfish will come back, but these are the valuable species. These are the species of high value per kilogram in the marketplace, much more so than cod is, so we will need that much more groundfish to make up for the absent shellfish value. The crab, our most valuable species, are in decline, with an aging population and low birth rates. The story is written.

While there are signs of groundfish recovery, we are in no way back to the old days of groundfish abundance. The northern cod stock, the very foundation of our province, remains in the critical zone, and fishery removals must be kept to a minimum.

So the world is changing, but we have not changed. Aspects of the model, such as how capital is used and secured and how harvesters

are permitted to access the resource, as well as the business relationships between harvester and harvester and between harvester and producer are all highly regulated, with ostensibly good goals but at high costs.

My message this morning is that the model must change so that industry participants and Canada as a whole can derive greater value from the industry. We need stronger fisheries management, better resource science, and more sustainable fisheries practices. All of those cost money, and a healthier, more sustainable business model can achieve it. As I heard recently in Iceland, “We can't be green until we're out of the red.” We can take better care of the fish in the process. A new model can do better.

There's a third model. I referenced the first one, the capture-driven model, and the second one, the market-driven model, but there's a third model. I'll close by expanding on that briefly.

In many parts of Iceland, and increasingly so, there's a research- and value-driven model that includes innovation, ocean clusters, added value, pharmaceuticals, skin grafts from cod skin, beauty products, high-level food protein, enzyme extraction for food flavouring, and the list goes on. The joke is, “You take the fillet, and we'll take the rack and the rest of the fish, because we'll have higher value from that.” That's not our model.

While Iceland's cod resource has declined over the years, the value per kilogram of catch grows. Their model is such that it allows for extremely high quality, capital development, greater wealth from less resource, and more sustainable fisheries overall, whether measured in terms of economics, fish sustainability, or social sustainability. They go together. That takes a new model with a focus on fish sustainability, on capital accumulation and reinvestment, and on market and innovation.

Thank you very much.

● (0905)

**The Chair:** Thank you very much, Derek. I read that *Telegram* article this morning, and it is really good in terms of the research it presents. I was parliamentary secretary to the Minister of Fisheries when we did the TAGS program, and I never want to have to do that again. That was a tough one.

From the Community Sector Council Newfoundland and Labrador, we have Ms. Rowe.

**Ms. Penelope Rowe (Chief Executive Officer, Community Sector Council Newfoundland and Labrador):** Good morning to you all, and welcome to St. John's, Newfoundland. It was great to hear the introductions from each of you and to hear where you're from. I hope that you have at least a little time to enjoy our hospitality while you're here, if you're not all rushing back to Ottawa.

Thank you, first of all, for the invitation to join this pre-budget consultation. Let me just make a few words of introduction to position my comments.

We are a charitable organization, founded in 1976—and this is an interesting comment—with funds from the federal government as an innovative demonstration project. We all think innovation is a new word that's just hit our lexicon, but in 1976 the federal government was actually encouraging that kind of activity in the community sector.

The Community Sector Council Newfoundland and Labrador has a vision of a prosperous and inclusive society that supports individuals, families, and communities. We support citizen participation and, importantly, the integration of social and economic development. We deliver innovative employment programs, particularly for young people. During the last 20 years we have provided—and this is a clear fact—over 15,000 jobs for young people throughout the province of Newfoundland and Labrador, and we have done that significantly with federal government funds. One of the advantages of our work with the non-profit sector is that we're able to provide work during the summer for young people in very small communities where they live. In fact, our latest statistics show that over 25% of the young people to whom we provide summer work are in communities of fewer than 1,000 people, so the reach that an organization like ours has to build on your youth employment strategy is really very significant.

It's our view that the community sector, which is often referred to as a non-profit or voluntary sector, is absolutely fundamental, and in fact central, to economic and social progress in Canada. A strong civic economy encourages productive citizens, contributes to the private sector, and delivers many programs for public benefit. In fact, each and every one of us benefits every single day from non-profit and community-based organizations. Whether through sports activities, hiking trails, services for seniors or youth, social services, or health services, there's not a Canadian who does not benefit from the work of the non-profit sector.

Let me now turn to the specific questions the committee has posed this year. First of all, let me make some suggestions for federal measures to help Canadians be more productive.

Our first recommendation is that you continue and, in fact, expand financial support for youth employment programs such as Canada summer jobs, skills link, and youth internships. I think we all know that early job experience is very important. It should provide a positive experience and an opportunity for personal growth. One of the things we've learned over the years as we have provided support to so many students is that early career development opportunities should go hand in hand with work opportunities.

Our second recommendation is that in budget 2018 you require that career development learning opportunities be incorporated into all employment programs financed by the Government of Canada. Often the most important skills that young people need to learn are the soft skills, which are not taught in many educational programs but which are of real value.

Let me just make a side note here. This summer we had a particular program in which we placed 150 young people who were at significant risk and vulnerable. Many of them were already wards of the provincial government. These young people had had very little exposure to networking, to meeting people, and to the world of work. We actually did a workshop with them, which taught them how to look people in the eye, how to shake hands, and how to introduce themselves. While that seems so incredibly simple, you wouldn't believe the impact that had on the young people who came from small communities and who had never been in that kind of environment before.

● (0910)

After a couple of the sessions we did with them, doing those simple kinds of career development exercises, a couple of the young men actually came up crying, saying that it was the most important day they had ever had, being taught those simple skills. It's pretty easy sometimes when we're working in our world, at the level we work at, to forget those simple things that are so important.

Our third recommendation, therefore, is that because career development is fundamental to helping Canadians be more productive, we suggest the creation of a round table of non-profit leaders with on-the-ground career development experience to co-create, with the federal government, a strengthened framework for delivering effective and efficient work and career training programs directed at assisting people to become more productive. This speaks directly to your question about Canadians being more productive. We need to appreciate that all Canadians have a place in our economy and that sometimes some people need additional support.

Our fourth recommendation, in line with budget 2017, is that we recommend that you move forward quickly to improve access to, and take-up of, post-secondary education for lower-income Canadians through the Canada learning bond. This is an incredibly important program. It is available through the registered educational plan, but it is a special program for low-income Canadians who do not have to make any contribution of their own. By the time their children finish high school, they actually have a nest egg of \$2,000 for their children's education. This has really a two-pronged benefit. First, it provides cash, but it also creates an attitude toward post-secondary education. We also encourage that the ceiling be increased regularly, in line with CPI, from the current \$2,000 limit.

Your second question was around measures to help Canadian businesses become more productive and competitive. We adhere to the view that the term “business” applies not only to a for-profit business but also to a non-profit business that has a mission to build and fulfill charitable missions. As our fifth recommendation, we urge you to augment the collection of key data on the non-profit sector by Statistics Canada that would enable better policy-making and more effective business planning by the non-profit sector. Years ago there was much greater collection of appropriate data. That has been curtailed significantly. We think it's fundamental that we understand more the role of the non-profit sector in the Canadian economy.

Our sixth recommendation is that you consider the creation of a social innovation fund—much like the strategic innovation fund, but with an emphasis on social innovation—to ramp up capacity to address complex social problems and to find ways to meet the needs of Canadians in the face of changing demographics and new economic realities. Many of the solutions that we see to complex problems often come from community-based organizations. We think we need to free up that social innovation capacity. We are pleased to see the creation of a social innovation and social finance co-creation steering committee. We suggest that its work be further advanced in budget 2018.

Our final recommendation is that the federal government should acknowledge more fully the economic contribution of the community sector and provide additional funding for research and development to support social innovation. We know that many non-profits contribute extensively to the economy in addition to improving the quality of life in Canada, yet we don't necessarily know the full impact of the work of non-profits to the economy.

The next comment I would like to make is perhaps a little bit more negative than the rest of my comments.

There is an incredibly prevalent view across the country, and, I have to say, particularly often in relations we have with federal government departments and individuals, that the only real or actual jobs are created by and in the private sector.

● (0915)

This is an extraordinarily short-sighted view, and it leads to many missed opportunities that this country could be developing and moving forward.

In summary, there are opportunities that might be embraced by the Government of Canada to more fully explore the essential role and collective value of the community sector and to more clearly understand and appreciate that social development is absolutely essential to economic growth. We encourage you in budget 2018 to fully recognize this sector as a major economic driver and not just as peripheral to the economy. We call for a mindset shift and bold actions to ensure that its leaders are included as partners in all opportunities for greater productivity and business growth. The sector has an amazing capacity to help Canadians be more productive, and knowledge to spur innovation to enhance Canadian competitiveness.

Thank you for the opportunity to meet with you today and to present our point of view.

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

Turning to the Federation for the Humanities and Social Sciences, we welcome Mr. Miller.

**Mr. Gabriel Miller (Executive Director, Federation for the Humanities and Social Sciences):** Thank you, Mr. Chair. Thank you for inviting me here today. I am thrilled to have the chance to contribute to the important work you're doing on this committee. *Merci beaucoup.*

The Government of Canada has set a goal to boost Canada's productivity, competitiveness, and prosperity, and to do so in a way that helps more diverse groups of people enjoy the benefits of a growing economy. I believe we can all get behind these goals. The message I want to convey today is simply this: to achieve these things, we are going to need a strong research system.

My organization represents 90,000 scholars across Canada.

[*Translation*]

The Federation for the Humanities and Social Sciences is the largest community of researchers in the country. These researchers teach the largest community of post-secondary students in Canada. About half of all the students in Canada are registered in humanities and social science programs.

[*English*]

Our researchers and students are tremendous resources for Canada. Our economy is increasingly a service and knowledge economy. Service industries now account for 70% of our GDP, and Canadian employers tell us that they are looking for the kinds of skills taught in the humanities and social sciences: critical thinking, creativity, and writing and communication skills. Research in the humanities and social sciences will also be vital in helping us address some of the biggest challenges facing Canada today: climate change, indigenous reconciliation, youth employment, and the integration of refugees and immigrants.

Governments past and present have taken critical steps to support research, and I want to thank you for that, but according to the fundamental science review completed earlier this year, all is not well. Canada is falling behind.

● (0920)

In particular, investments in the humanities and social sciences, which cover research about Canada's people—our greatest asset—are out of line with our needs, receiving just 15% of federal research funding. As a result, only about a quarter of Canada's talent pool in these areas is able to find funding for their research in a given year. This is a lost opportunity for Canada as other countries surge ahead with investments in basic science and research.

Fortunately, the science review has given us clear recommendations to improve the situation. We have more detailed recommendations in our brief, but let me focus for now on just two.

First, as per the expert panel's advice, we recommend increasing the base funding of Canada's research-granting agencies by \$485 million over four years.

Second, as investments are made to the granting councils, we recommend that humanities and social science research receive a share of new injections equal to that for physical and health sciences in order to better balance Canada's overall research portfolio, a principle also underscored by the expert panel.

Finally, let's not overlook the fact that one of Canada's most important economic drivers is the cohesiveness of our diverse society. In Canada, people from many different backgrounds are able to work together to create amazing things, and not every country has that. This is perhaps our greatest competitive advantage. How did we build it? What sustains it? What risks are we facing today that threaten it? Canadian scholars in the humanities and social sciences are exploring exactly these questions, and I believe that if we truly want to continue to build a sustainable, prosperous, and inclusive economy, their contributions will be vital.

Thank you. *Merci beaucoup.*

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

From Mining Industry NL, we have Mr. Moriarity.

Welcome.

**Mr. Ed Moriarity (Executive Director, Mining Industry NL):** Thank you.

Thank you for the opportunity to appear before the committee and to participate in this pre-budget consultation.

I'm the executive director for Mining Industry NL. Our association represents 60 members actively engaged in mineral exploration, mine development, mine operations, and the provision of supply and professional services in this provincial mineral industry.

Our industry is a significant economic driver in this province and generates in excess of \$3 billion annually in mineral shipments to markets around the world. It directly employs over 7,000 people. We account for 50% of Canada's iron ore and approximately 20% of the country's nickel. Overall, Newfoundland and Labrador ranks fifth in the country in terms of our mineral production, and we produce a variety of minerals here. Copper, cobalt, and gold are particularly relevant in our sector, and we have a promising future, we believe, in base metals and industrial minerals. In fact, in this province we have a 150-year history in mining, with a diverse geology and under-explored mineral endowment. We are confident that our industry has a great future and will make a positive contribution for many years to come.

Canada, of course, is a world leader in mining. Newfoundland and Labrador is also well known for world-class mineral deposits, from Buchans in the interior of the island to the iron ore deposits in the Labrador Trough to nickel, copper, and cobalt up in Voisey's Bay.

Newfoundland and Labrador generates billions of dollars in mining-related economic activity. In order for our industry to remain competitive, measures are needed throughout the mining cycle, from geoscience and exploration and beyond to mine operations.

The mining cycle starts with geoscience, and prospecting and early-stage exploration activity are key to our future. Mining Industry NL recommends that both orders of government maintain a strong public commitment to the advancement of geoscience in the

province. Companies, after all, access and use this information to guide their exploration activities. Our association would therefore encourage the Government of Canada to continue and to enhance its commitment to the geo-mapping for energy and minerals program, the GEM program. Recent GEM program work has advanced geological understanding of the mineral potential of Labrador. This work has included detailed geophysical surveys, regional mapping, till geochemistry, and regional bedrock mapping in western Labrador.

Raising capital is very important to our industry. Mineral exploration throughout the country has experienced a strong downturn over the past several years. It's been a tough period for junior companies to raise money and undertake the work necessary to find that next mine. I'm happy to report, though, that there has been a bit of a clear reversal of this trend over the past year, at least in Newfoundland and Labrador. With over 33,000 new claims staked since August of 2016, committed exploration expenditures are expected to rise from roughly \$20 million to a forecast of around \$30 million. That's the direction we're happy to see at this particular point in time. This is a long way off, of course, from our 2012 peak of \$192 million; however, our association is encouraged to see this resurgence in activity, particularly in gold and base metals exploration.

To continue this momentum, Mining Industry NL, along with our association colleagues throughout the country, including MAC, the PDAC, and others, would recommend that the mineral exploration tax credit be renewed for a period of three years and that flow-through shares be maintained to ensure continued interest and investment in the sector. By providing Canadians with a strong incentive to continue to invest in mineral exploration activities, we can support the advancement of new discoveries through to mining projects.

In terms of our Atlantic presence, Mining Industry NL is pleased to participate in the Atlantic trade and investment growth strategy. Collectively, industry and government in the four Atlantic provinces are working together to advance a mining sector investment and export development plan. The strong commitment to this and other initiatives through the Atlantic Canada Opportunities Agency and other federal departments serves to ensure that strategic investments for growth are made throughout the mining sector. Industry-wide activities that attract foreign direct investment into the province and bring Newfoundland and Labrador's mining story to markets in Asia, Europe, and the United States are needed.



Initiatives to address productivity and competitiveness through support for innovation, the introduction of new technologies and processes at our mine sites, and the advancement of clean tech and green mining are critical to our industry's future. Mining Industry NL recommends that the Canada Mining Innovation Council be supported to develop the Towards Zero Waste Mining innovation strategy. This, of course, aligns with the government's innovation, climate change, and clean tech agenda. As a small association, we are pleased and interested to collaborate with our national partners to see our firms achieve zero waste in mining and mineral processing in the coming decades.

● (0925)

Without people, we don't have a mine. Of course, investing in people and communities is essential for our industry. MINL strongly supports the full participation of indigenous peoples in mining through education and training supports, business development partnerships, and employment. Efforts are also being advanced in this province to assess the feasibility of a mining centre of excellence that would help engage and support a coordinated approach to education and training, and to research and development activities within our local industry.

Finally, on the regulatory front, the regulatory environment impacts investment decisions and influences where companies choose to explore and advance their interests. The review of federal environmental legislation, including the Canadian Environmental Assessment Act, must find that balance between the public interest and industry's need for an effective, timely, and coordinated regulatory process. We need to ensure that projects advance with greater certainty and that government has the internal capacity necessary to meet these responsibilities and help avoid delays. An improved compliance framework can reduce project costs and increase our industry's competitiveness in comparison with other jurisdictions around the world.

With that, I close my comments. Thank you for the opportunity to share my views with you this morning.

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

From the St. John's Board of Trade, we have Ms. Keating, chair, and Ms. Healey, CEO.

Welcome.

**Ms. Dorothy Keating (Chair, St. John's Board of Trade):** Good morning, and thank you very much for the opportunity to speak with you today.

Nancy and I will be a tag team this morning with our comments for the chair and the honourable members, so thank you very much.

As mentioned earlier, the St. John's Board of Trade did a pre-budget submission in August. I believe you have received a copy of it, but the proposed changes announced in July have overshadowed all sorts of discussions around budget 2018.

The St. John's Board of Trade has been in existence for over 40 years, and never have we seen such outcry from our members. We are receiving daily phone calls in terms of the implications and ramifications of these proposed changes for our members' busi-

nesses. The reason is that these changes are so broad, so far-reaching, and have so many unintended consequences.

Honourable members, there is likely not a restaurant or a fish plant or any business that does not have family members working in the business, and almost every single business in Newfoundland and Labrador has the goal of financial stability, with savings of passive income to help through difficult times. In fact, they have been encouraged by their financial professionals to save for these rainy days. It is as though the finance department crafted tax measures that would affect the maximum number of businesses in the most complicated manner, yet has not identified the true revenue that would come from this measure. The amount quoted with respect to income sprinkling is \$250 million, but there has been no real communication of what the total tax impact is going to be on the economy or on small businesses.

Here is what our members are worried about. Business owners generally spend their life savings in their businesses. They don't have separate retirement accounts. They don't have that luxury. They accumulate these surplus funds so that they can use them to get through economic downturns or use them for capital investment. We've spoken to one owner who is in the construction business, who says that he needs passive income to grow his business and to weather through these cycles of upturns and downturns. This new proposed tax change is attacking this very measure for him.

If government hits investment income—in Newfoundland and Labrador, that's a 73.88% tax hit—business owners will not have the incentive to retain those investments in their businesses for growth. They'd be better off taking the money out and into their own pockets. This means less investment, fewer jobs, and less of a cushion to make it through the downturn. That means less productivity.

There is a Bank of Canada study called "Productivity in Canada: Does Firm Size Matter?" They say that half the productivity gap between companies in the United States and in Canada is because the companies in Canada are smaller. Smaller companies have less to invest in capital, less to invest in skills. These proposed tax measures are going to cause even less money to be retained for these initiatives.

Imagine a venture capitalist who specializes in green technologies. She takes an equity position in businesses to help those companies grow and to try to start commercialization of environmental technology. These investments are passive investments. If they are taxed at 73.88%, there is going to be very little to help with this initiative.

Try to imagine explaining all of this to foreign investors who want to come into our country and into our province. The apportionment method of taxing passive income allocates income to three pools, a pool for shareholders and pools that you have to keep track of. This complexity is absolutely mind-boggling for professionals who deal in this on a daily basis. Imagine trying to explain this to individuals who are not Canadian and not from this country, but who we want to come in to invest and help us grow. They're not going to come here. They're going to go to the United States or other areas.

What happens as a result of these tax measures? We have fewer jobs. We have less investment. We have less of a cushion to get us through economic downturns, less venture capital, and less foreign investment.

• (0930)

When we point this out, government has said repeatedly, "This is not our intention. It's really about the high-income earners." I'm confused, because whatever the intention may be, the real consequences of what are proposed through these tax changes will be on small businesses and on the Canadian economy, and it will be negative. Ask any financial accountant professional in the country and they will tell you the same thing.

Ladies and gentlemen, the St. John's Board of Trade has been around for many years, and we have seen some bad ideas. This unequivocally is the worst. That's why we're urging the government to put these changes on hold, take these proposals off the table, launch meaningful consultations with the business community, and address the shortcomings in the tax policy without unfairly hurting unintended victims.

• (0935)

**Ms. Nancy Healey (Chief Executive Officer, St. John's Board of Trade):** Thank you, honourable members.

Taxes are not the answer. For the past several months we've been focused on these senseless federal tax proposals. It's an unfortunate distraction, because the real problem is not the amount of tax that the federal government collects but the amount of money that it spends. Every business owner and every individual person is willing to pay their fair share of municipal, provincial, and federal tax; what grates on us, though, is how inefficiently it is spent.

We know there is waste. We know there is little innovation, and we know that governments are afraid of unions. The level of debt in this country and in this province is staggering, and it seems to be the dirty little secret that every politician is afraid to face. The federal government is liable in this regard. Canada's debt is \$652,303,967,376.95. That was as of Friday, so it's probably gone up a bit more since then.

Each Canadian's share is \$17,898.98. This is only the federal portion. In 2016-17, interest payments on the federal debt totalled \$25 billion, which is more than what Ottawa spends on transfers to Canadian families in the form of children's benefits—\$22 billion. It's also equivalent to the federal government's planned budgetary deficit of \$25 billion. To put it differently, in the absence of the federal interest payments, Ottawa could wipe out its deficit this year, despite its marked increase in program spending.

Now let's add in the sub-sovereign debt. If we combine our sovereign debt—the federal government's—and the sub-sovereign debt, we have one of the worst levels of debt per capita amongst the advanced economies of the world. Each Canadian is not only responsible for servicing the federal debt; we have to service the provincial and local government debt too. When we add up just the interest payments on the various forms of governments across the country—federal, provincial, and local—the total in 2015-16 was \$63 billion, approximately equal to the \$64 billion Canada spent on primary and secondary education in 2013-14, which is the latest year of available data.

This charade over the past few months by finance minister Bill Morneau has been a great distraction for him and his officials in finance. Instead of trying to generate more revenue, why not better spend the money you already have? Where is the commitment to cost savings? Where is the commitment to reducing debt? Governments should be much more meagre with our money and our children's money, and now, I fear, regretfully, our grandchildren's money.

We don't have the luxury of optimism for the future without commitment. The business people who I represent at the St. John's Board of Trade want Newfoundland and Labrador and Canada to be successful. They are committed to innovating and improving. They have chosen to invest here. They have chosen to employ people here. They have chosen to raise their families here. They are part of the solution. Are you?

Thank you.

**The Chair:** Thank you both. I've seen that debt number. I've been to Washington a number of times. If you go into the Blue Dog Democrats' offices, you see a TV on the wall that shows the U.S. debt minute by minute. Ours is scary. Theirs is far worse, I'll tell you.

In any event, we'll turn to questions. Mr. Fergus, we'll have a six-minute round.

[*Translation*]

**Mr. Greg Fergus:** Thank you very much, Mr. Chair.

I would like to thank all of the witnesses for their statements.

My questions are addressed to Ms. Rowe and Mr. Miller.

I will begin with you, Mr. Miller. We did a tour of the Canadian west last week. In Saskatoon and the Northwest Territories, witnesses spoke to us about the importance of investing in the social sciences. As we know, between 2006 and 2012, there were cuts of about 7% to the Social Sciences and Humanities Research Council of Canada, for instance. Canada has fallen behind in social sciences research, as compared to its international competitors.

Can you explain to us why it is important for Canada to increase its investments, but also how this research could improve the lives of Canadians?

• (0940)

**Mr. Gabriel Miller:** Thank you very much, Mr. Fergus.

I am going to speak French first, but I may speak English afterwards.

In my opinion, there are two main reasons why it is important for Canada to increase its support for the social sciences and humanities.

First, it is increasingly obvious that this will be essential for our economy. Over the past 10, 15 or even 20 years, some people have maintained that our economy and future depended entirely on the physical sciences, or new technologies.

However, today, we are not sure how we will develop those technologies in the future. We need flexible employees who are able to meet different challenges. They have to have the intellectual and personal skills that allow them to work effectively with many people, using different approaches that allow them to communicate

[English]

and to think critically. That's the first thing.

I think that increasingly we're going to need more adaptive and more innovative people to succeed in a world where technological change is so fast and, frankly, so hard to predict.

The other thing, as this government knows well, is that the country has many social challenges that are issues we want to address as Canadians, not only because we care about our quality of life and justice but also because they have real financial implications. If we take indigenous reconciliation as an example, not only have we made a commitment as a country to reconcile and confront the legacy of that history but there are also potentially huge economic benefits for Canada as well. If we can learn how to free up the potential in those communities and empower those people, they have an enormous contribution to make to our economy.

[Translation]

**Mr. Greg Fergus:** Thank you very much.

Ms. Rowe, thank you very much for your testimony. Of all the witnesses who came before the committee, you are the first to have spoken about the importance of the volunteer sector. And yet, it is important for the well-being of our communities.

You mentioned the main suggestions you have for the federal government as regards the upcoming budget. However, I did not understand your second recommendation. Could you repeat it and give us more details, please?

[English]

**Ms. Penelope Rowe:** The recommendation was that career development and learning opportunities be incorporated into all employment programs financed by the Government of Canada.

Is that the question you're asking?

[Translation]

**Mr. Greg Fergus:** Yes.

[English]

**Ms. Penelope Rowe:** Very often job creation programs simply create a job.

One of the things we have learned from our colleagues recently, for example, is that the skills link program, which represents a huge

financial contribution by the federal government, is really not working very well. There are a lot of stumbling blocks with it that need to be reviewed. Its purpose is to provide career development, but it does not seem to be working well.

Second, I would make the argument that for some people, being put into a job is just not sufficient. Some people can clearly walk into a job and cope, but if we really want to fully engage all of our citizens, then we have to recognize that some people really need an early first step. As you're developing job creation programs and expanding such things as the Canada summer jobs program, perhaps there's a way of more fully integrating career development. For example, for one of the programs we did this year, there was a requirement for employers to release the funded employees for 25 hours during their summer employment specifically for career development opportunities. In our review with those young people, they told us that this was probably the most important part of their job. That was the point I was trying to make. I hope that clarifies things.

I also want to come to the bigger question that you posed to Gabriel. You may have noticed in my submission that I was the vice-chair of the Social Sciences and Humanities Research Council for many years, so I fully support the notion that being able to support that type of research will lead us to more socially innovative ways to deal with our complex problems. Canada is not just about technology; it's about how we do so many other things. With our increasing age and demographics, social problems, and changing economy, we need people who can think critically, as you put it, and who are good at collaborating and finding ways of doing things strategically.

● (0945)

[Translation]

**Mr. Greg Fergus:** Thank you very much.

[English]

**The Chair:** I want to mention that Mr. Butler has to leave in 15 minutes, so if anybody has a quick question they want to lever in, we'll let them into the lineup before he leaves.

You have one right now.

[Translation]

**Mr. Greg Fergus:** My comments are addressed to Mr. Butler.

In Ottawa, some 20 or 25 years ago, I worked on the cod fishing dossier, helping to create programs for that fishery here in Newfoundland and Labrador.

Mr. Butler, you indicated that there are three different approaches to the fisheries. Do you think we should encourage the third approach, the one you described, which is a value-driven model for fisheries products?

**Mr. Derek Butler:** I think it is the best model.

**Mr. Greg Fergus:** Yes?

**Mr. Derek Butler:** Absolutely.

[English]

I'll turn to English more quickly than Gabriel did.

Absolutely. Here are my concerns. I'm in the business community. I'm seated at the far right of the table, and some will say appropriately so. I always joke that I have never been green about much, but I'm green about fish. We have the experience of poor fisheries management combined with the ecosystem change. We didn't just lose directive fisheries—as the chair will know full well—we also lost non-directive species. When the moratoriums hit in 1992-1993, it wasn't just commercial fisheries that were missing because we had overcaught or because the ecosystem had changed; we lost species that we had never had a directive for, that didn't come up in the fall surveys. We have the experience of collapse. It's a historical model of collapse, a horror story of collapse, and the world is watching now to see if we get it right this time around.

Under the TAGS program the chair referred to, \$5 billion in income supports was spent in Atlantic Canada. Is that sustainable? Was that the best way forward? Are we prepared to do it again in the face of shellfish collapse? We take the basket that Mother Nature delivers to us and we need to fish from it sustainably.

My concern is with the first model, which is harvest-driven to derive wealth. I think we've run the experiment with the lowest population or birth rate of any province in the country or state and an aging population, and nobody is coming here from Manila for 10 weeks' work in rural Newfoundland and Labrador. That model will not run. That dog won't run. I think the third model will prioritize sustainable fisheries. It will allow more rent extraction from ministry participants so we can manage fisheries better. We can do better science and take the right removals from the ocean, and, I think, derive more value from them. I think that's the only model that can be sustainable. Make it environmentally sustainable. Do the right science and derive more value from the marketplace. We owe that to the ecosystem. Our history there is quite sad.

**The Chair:** I know others want in, such as Mr. Boulerville and Ms. O'Connell, but we'll turn to Mr. Kmiec first, and then come back to the other two for the questions for Mr. Butler.

Go ahead, Mr. Kmiec. You have seven minutes. We'll do your round, and then we'll fit the others in.

**Mr. Tom Kmiec:** I want to start with the St. John's Board of Trade and Mr. Moriarity.

I used to work for the Calgary Chamber of Commerce as the manager of policy and research. I just want to commend you on the 28-page report you wrote on the small business tax change specifically. In your 28 pages, you're one of the few chambers or boards of trade that actually have many examples.

On page 22 you talk about the double taxation of estate tax, and you have a graph there that demonstrates what happens as you follow through these new tax proposals. I want to commend you on it, because I know how difficult it is to put together, and I've had many tax accountants tell me that these are complicated proposals.

Tell me about the business mix in Newfoundland. You know this better than I do. How many small businesses are there compared to the larger ones? What's the percentage that you have? Right here in

the city, what do you see? Is it 70% or 80% of all businesses here? Is it 90%? I heard that Newfoundland actually has the highest percentage of any province in Canada in small businesses.

• (0950)

**Ms. Nancy Healey:** We have 850 members in the St. John's Board of Trade. The vast majority, 90%, have fewer than 25 employees, and 80% have fewer than 10 employees, and that's indicative of the entire province. I would hazard a guess that about 90% of businesses in Newfoundland and Labrador are small businesses. On occasion we count the large employers. A business with over 100 is a huge employer in Newfoundland and Labrador, and there's a handful of those.

**Mr. Tom Kmiec:** On these tax proposals of the federal government, we're waiting for some announcement today. We don't know exactly what the contents of that will be at this point.

You said you've had the most feedback from your membership that you've ever received on any issue. What type of feedback have you received from people?

You talked about foreign investment and how difficult it is to attract. Has any of that been related to attracting new businesses? Have people told you that they were going to open a business, and now they're not going to do that because they don't know what will happen? Tell me about that.

**Ms. Nancy Healey:** She has several stories.

**Ms. Dorothy Keating:** Those pages are an actual truncated document that we've sent, because there are several more examples. We hear from members every single day with respect to the concerns they have.

In terms of public companies, there is only one public company in Newfoundland and Labrador now. There used to be a couple, but there is only one, so as Nancy said earlier, the bread and butter here is the small business owners.

We have seen, through oil and gas in the province, the introduction of international companies that are interested in coming into Newfoundland and Labrador. For those international companies, the Canadian taxation system is extremely complex. For any international company coming into Canada, let alone to Newfoundland and Labrador, there are a number of complexities that they have to learn and they have to understand with respect to the various levels of taxation through the provincial and federal governments.

What we're seeing now with respect to our members is that they're trying to entice those dollars in and trying to get individuals to come and invest in our province. When you have tax complexities that already exist and are extremely difficult, and now they are being expanded with further difficulties and restrictions with respect to passive income and investment income, we are hearing from our members that the traction they were trying to make is being met with resistance because of the uncertainty.

The actual tone of the document that was released by the federal government was not business-friendly. That is not an environment that invites individuals outside this country to come here and invest and help individuals in our province and in our country grow. There is very much a significant issue around the enticement of investment dollars.

**Mr. Tom Kmiec:** I'll move to Mr. Moriarity.

Can you tell me what the opportunity is for new mines in Newfoundland?

**Mr. Ed Moriarity:** It's pretty tremendous, actually. I mentioned in my comments that we have about 33,000 new claims being staked. A lot of that was staked in central Newfoundland. As an anecdote, we had a gentleman come down from Yukon. He was a very promising prospector. He walked the ground, saw something that he liked, and came forward and did a little initial staking. That attracted other players and suddenly we have a resurgence in our industry.

Gold is certainly very popular right now in terms of exploration work. We have a company in central west Newfoundland, Marathon Gold, with very promising returns right now, and it's advancing forward.

We have other minerals as well. We've just had a new mine open in the St. Lawrence area, Canada Fluorspar, which is a reactivation of a mineral deposit and the expansion of a mineral deposit in the industrial space down there.

**Mr. Tom Kmiec:** Are there dollar amounts related to how much potential investment there is in the province?

**Mr. Ed Moriarity:** How much potential investment...? That is hard to quantify, to be quite honest, because it's commodity-driven and market-driven.

The consensus in the industry right now is that we're ticking back up in the right direction in terms of overall valuations that are reflected in the market and in terms of interest, but as a country, we have to compete. We have to compete very well with other jurisdictions.

Australia has become a little bit more resurgent in—

• (0955)

**Mr. Tom Kmiec:** Is Australia a big competitor to you?

**Mr. Ed Moriarity:** Yes. Everything we produce here is generally sold on the world market, so we have to have, in our own backyard, the mechanisms and means to be competitive.

**Mr. Tom Kmiec:** When you talked about regulatory certainty, I'm from Calgary, so the big thing is energy east, which was cancelled. However, regulatory certainty is the issue of the day for mining and energy back home. You mentioned it.

How big an issue is it to actually develop all of these potential mines?

**Mr. Ed Moriarity:** We hear from companies all the time, and both orders of government, in terms of the regulatory aspect. In terms of compliance costs, I saw a study out of the United States that showed that in some cases, 20% or 25% of the costs of a project can be tied to compliance. If we as a country want to be competitive, and

we reduce our compliance costs as a proportion of the costs of a project to move it forward....

We don't control the price of markets and we don't control the price of gold or iron ore, but we can control within our own regulatory system, where we can, greater efficiency, or at least we can strive for that. In the review of the environmental assessment work that went on over the summer and the call for consultations with respect to that, we would certainly support and look for, as MAC and others have said, transparency, greater certainty, and greater capacity within the federal system to respond to projects and to provide companies with that sort of thing. If we have a window of opportunity to get investment for a project and to advance it, and we miss that window of opportunity because market conditions change or other things come across, then we lose that opportunity. Let's try to keep a line out there.

**Mr. Tom Kmiec:** In a—

**The Chair:** We're a little over, Tom.

Mr. Boulerice, can you go to your Butler questions? Then we'll go to Ms. O'Connell, and then we'll come back to your regular round.

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

Mr. Butler, it's a pleasure to hear from you. I'm sorry; I'm from Montreal, so I have a lot of things to learn about fisheries. Perhaps you can help me a little bit here.

As I understand it, there are three models: harvest- or producer-driven, market-driven, and innovation- or value-driven. I have two questions on that. First, how could the third model be more sustainable for resources and the ecosystem than the model with regulations and quotas? Second, what exactly is the difference between the value model, as compared with the market model?

[*Translation*]

**Mr. Derek Butler:** Those are two good questions.

You are from Montreal and you are learning a lot about fishery. The same goes for me; I do not know French well since I am from Newfoundland and Labrador.

[*English*]

How can the third model be a better model of sustainability as compared with the quota model? Number one, we wouldn't get rid of the quota model. We would always have quotas. We have to do the science and we have to ensure that the level of fishing mortality, what we call "F" in fishery science, is the sustainable level for removals. You never take more than the stock is able to reproduce—all things being equal, based on ecosystem management—so that you ensure an ongoing sustainability. The benefit of the third model, I think, and even the second model, is that you're deriving more value per kilo from the catch.

To make it simple, instead of having to catch 10 fish and get \$1 per pound for \$10 in return, let's catch five fish but get \$5 per value from the marketplace—through pharmaceuticals, binary processing systems, or whatever—and produce \$50 worth of landed catch value in the marketplace, so we have to take less fish.

The challenge in our model, which we hear all the time and are familiar with, is that every time the challenge of declining quotas presents itself based on the science, the outcry of industry—because we're on that thin knife edge of economic viability—is “You can't. The consequences are too grave. The impacts will be too severe. Too many people will be impacted.” That is real, and we should be concerned, but is the model to ask the fish to pay the price? Why not ask the marketplace? Why not change the model and produce greater wealth so that we can be more sustainable on the front end? I think that answers the first question.

Regarding the difference in the value- versus market-driven model, I can provide you with some information. In fact, if you're interested, there will be a professor of business from the University of Akureyri from Iceland in Ottawa later this week. I head to Ottawa tomorrow for the Fisheries Council of Canada annual meeting. He'll be presenting at the luncheon on Wednesday. He first defined these three models.

I would say that the market-driven model simply asks what the consumer wants—the head on, gutted, or raw? As we know, lobster goes live. The idea is to just focus on the market consumer, but that might not be the best value.

There is another model. In this one, we ask as an industry what we want from the resource. Well, we want higher value so that we can take less fish from the water. We ask what the market wants. The market will still be buying our products, but now let's consider leather coats from cod skin. I've seen that in Iceland. Let's consider the enzyme extractions. Let's consider the skin grafts, which are about \$500 per kilo. Don't quote me on the math, but it's high value.

We just focus on the fillet. If you're Alaska, 70% of your pollock goes to China for processing. If you're Norway, it's 70% of your groundfish. That's a volume model. Is that the model we want? Are we going to go back to that? Once we lose workers, which we are now losing because we've had a certain model, there is nowhere else for it to go. We have to do something better, I think.

•(1000)

[Translation]

**Mr. Alexandre Boulerice:** Thank you.

[English]

**The Chair:** Next we'll have Ms. O'Connell.

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

Mr. Butler, I found your presentation really interesting.

I was here in July. I went cod jigging with my family, but my family has never been in the fishing industry. It was all for personal consumption. I have to admit that I don't know a lot on the commercial side.

I am following up on Mr. Boulerice's question, because I had a similar line of thinking. As the finance committee, after we finish all of our hearings, we'll go back and make recommendations to the Minister of Finance. After hearing your recommendations for changing the model, what would be the type of recommendation...? If you have a brief, I didn't see it, or maybe you don't have a brief. What would be the types of recommendations to the Minister of Finance that would start to shift this model?

What you're saying all sounds very interesting, but we have to make specific recommendations. Do you have something we should consider?

**Mr. Derek Butler:** Those are excellent questions, and being focused on the fishery consumption side is nothing to be denigrated for at all for. I heartily endorse it and recommend it. We think we are fish-eaters in Canada. We are not fish-eaters in the volumes that we could and should be, as some other jurisdictions are. It's healthy food. I often throw up a picture of a very young, good-looking couple when I make presentations and say, “Look, this is a couple that has eaten fish; they know the benefits, and those are my grandparents.”

In terms of recommendations, after I spoke I wondered whether I had made it clear enough as to why I would address such comments to the finance committee. It is because of the lost opportunity costs. The opportunity cost is great in terms of the value that the fishery could provide to the economy, so as a committee, as you look at productivity and what businesses might do—and the fishery is a business, and at the same time, there are aspects of it that are less focused on the business side—there are things we could recommend. I'd be happy to provide a more detailed brief.

The seafood value chain round table, part of Agriculture Canada, has done work on this. The Conference Board of Canada issued the report “From Fin to Fork” a few years ago, which detailed a number of recommendations I could go into. There was “The Sunken Billions” report from the FAO and the World Bank in 2008, which also detailed how fleet buyout programs may produce more value in the industry by allowing capital accumulation for harvesters to reinvest and change the technology in terms of gear and vessels.

There are a number of precise things I could recommend, which I will be happy to provide to all committee members.

**The Chair:** Could you do that? I might say I've looked at the Icelandic fishery. I spent three days there a few years ago, and I'd certainly highly recommend that the fisheries committee be the vehicle that should look at the Icelandic model. There is a lot of government involvement, but it is an amazing model. They get the value out of it and try to maintain a very sustainable fish stock as well in the way they do it.

Are there any other quick questions for Mr. Butler before he goes? No?

Okay. With that, we'll thank you very much for your responses, Derek.

**Mr. Derek Butler:** Thank you.

**The Chair:** We'll come back to you, Mr. Boulerice. You have another four minutes left.

[*Translation*]

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

I have a question now for Mr. Miller.

I must admit that I'm particularly sensitive to what you said, since I come from the social sciences milieu. I agree entirely that we cannot have good public policy if we do not have good research on the labour market, immigration, workforce skills, and so on.

Recently, I was in Saguenay—Lac-Saint-Jean. I met with some people from a group called Agrinova, which does research in agricultural innovation. Farms and small businesses ask the government to invest in this sector. However, these people told us that despite what we hear in official speeches, our country invests three to four times less than Japan, South Korea and Sweden in agricultural innovation.

In your presentation, you said that Canada was beginning to lag behind. Do you have any comparative international data showing that our country does not do enough social sciences and humanities research to improve our understanding of Canadian society?

• (1005)

[*English*]

**Mr. Gabriel Miller:** I do.

I'm going to answer this part in English, if you don't mind. When it gets too technical, my French becomes even more difficult to listen to.

In terms of Canada's research investments in the higher education sector—and this is across disciplines—between 2007 and 2014 Canada fell from fourth in the OECD to seventh. Seventh is still pretty good, but it certainly shows a dramatic decline in terms of our performance relative to that of other countries.

[*Translation*]

It is very important to acknowledge that Canada does well when it comes to investments in universities, as the major part of investments in research are investments in university research.

[*English*]

We invest relatively little through other mechanisms in research and development, so, for instance—and I stand to be corrected—based on the Naylor report, we're not in the top 30 OECD countries any longer for total R and D investment.

We do better in the amount we invest in universities as a share of that, but if we see a decline there and if we see our ranking falling there, it means that the most important leg on our research and development tool is starting to weaken.

**Mr. Alexandre Boulerice:** Since you've talked about it, do you agree with most of the recommendations of the Naylor report?

**Mr. Gabriel Miller:** Yes.

**Mr. Alexandre Boulerice:** Okay.

**The Chair:** Go ahead.

[*Translation*]

**Mr. Alexandre Boulerice:** Ms. Rowe, thank you very much for your presentation.

I liked that you emphasized the fact that all jobs are not to be found in the private and public sectors, but that there is a third sector that we call the “social economy”. I have heard others say similar things before.

Can you give us some examples of social sciences enterprises or non-profit organizations that were not able to respond to federal government calls for tender because they were not for-profit businesses? Have you in the past not been able to obtain certain government contracts or projects because you could not apply?

[*English*]

**Ms. Penelope Rowe:** I'm sorry; could you just rephrase the last part of your question?

[*Translation*]

**Mr. Alexandre Boulerice:** Of course.

Certain community organizations or social economy enterprises have in the past not been able to apply for projects or federal government contracts because they were not profit-making entities. Have you had that kind of experience?

[*English*]

**Ms. Penelope Rowe:** I'll approach this in two ways. First, very often federal government funds purport to be open to non-profits, but because of the way in which a non-profit works, it can't comply with all of the requirements, so we need to try to improve that.

In terms of a specific example, I can think of times when our own organization, for example, has been looking for federal funding. I've never encountered the challenge that some charities speak about. It is very complicated for them because of the Canada Revenue Agency requirements. I do know that many charities will argue that it's challenging to become social enterprises and to generate revenue because of the ceilings that are placed on what you can earn and what you have to spend, so we need to start to more clearly understand that enterprising opportunity.

In Quebec, for example, I know that you have some very well-honed approaches to using community organizations for generating employment, and that's a model that many of us in the other parts of the country look at as a way to deploy revenues. As an example, much of the work that gets done at a community level needs to filter down to the local level. It's not all national. Many of us don't work at a national level.

There are some significant barriers. One would be the Canada Revenue Agency guidelines. Second would be the guidelines in many economic development funding bodies that say you have to clearly show your economic contribution, as opposed to the way in which the social contribution feeds into that economic contribution.

●(1010)

**The Chair:** Thank you both.

Go ahead, Ms. O'Connell.

**Ms. Jennifer O'Connell:** Ms. Rowe, I'm also going to start with you. You answered one question I had, in terms of that second recommendation and what you meant by it. I just want to ask for further clarification, because in your testimony you said that you want the programs for youth skills and that type of development to be worked into all federal programs. However, in answering Mr. Fergus's question, you said it's more so in the employment skills programs. You used the example of Canada summer jobs and our skills programs.

Is that what you mean, or did you mean across the federal government programs?

**Ms. Penelope Rowe:** I'm a pragmatist, not an idealist, so I suspect we couldn't get it into all federal programs. When I think of some of the youth internship programs that were typically sponsored by what used to be Industry Canada, which encouraged young people to get involved in technology, there was a program that worked with the non-profit sector. While we created employment, we were also doing career development skills. However, that was never mandatory. I think there is a lot of money flowing into work programs that don't require a genuine, detailed approach to career development.

It's particularly important for young people, but it would also be true for people who are older and who are trying to re-engage in the workforce. It's not just about giving people a job; it's about giving them the skills they need, often the soft skills, to know how to go to work every day, to know how to show up on time, to know what is appropriate business etiquette. These things are not necessarily second nature to everyone.

I would really like to see a strong emphasis on far more career development, which is why I've recommended that there be a round table of non-profit leaders who can speak more fully to this aspect and work with the federal government to see where the real opportunities are.

I certainly don't have all the answers now. I do know that it's a real weakness in the work that we're doing and that we need to be able to get much better at doing that.

**Ms. Jennifer O'Connell:** Thank you for that clarification. That was helpful.

I would suspect that for new Canadians, these types of career development skills follow within your approach. It's not just for young people.

**Ms. Penelope Rowe:** Absolutely. It would also apply to people who have mental health issues, for example. Not everybody can work nine to five. Perhaps we need to be able to look at career development with a much more flexible trajectory for many employees and to find more flexible workplaces.

That's all directly related to career development and the kinds of skills that we need to have, but it also speaks to the way in which employers create their workplaces. There needs to be this greater understanding of where people can work, how they can work, and

how they can be productive citizens. We can't leave behind vulnerable clients, people with disabilities, people with mental health issues. This career development piece is essential to helping us shore up the ability of all Canadians to be productive.

●(1015)

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

I will turn now to the St. John's Board of Trade, to whoever would like to answer. I appreciate and understand your brief and your comments in terms of some of the proposed tax changes, but I do have limited time in terms of questioning. As we complete this process for pre-budget consultations, and in keeping with our study, I completely understand what you and your members don't think is helpful to businesses—small businesses, in this case—but do you have suggestions or recommendations?

You said at the onset, in terms of the white paper released in July, that you had a different set of ideas that you probably would have submitted to this committee for pre-budget consultations. Do you want to take a minute or two—I probably don't even have that long—to outline some of the recommendations that we might be able to consider that would help growth for small businesses and help your members?

**Ms. Nancy Healey:** As my colleague pointed out, the tax system in Canada is complicated. We've made Band-Aid changes over the last 40 years, since 1971 or 1972. We really need to start over again. One of the things that my colleagues and I across the country did, through the Canadian Chamber of Commerce, was to pass a resolution at our meeting in Fredericton at the end of September for a royal commission inquiry into the federal tax act. It needs a comprehensive overview.

There seems to be a lot of desire to become more like a Scandinavian country, yet we're sitting next to a neighbour, the United States, that is anti-tax and anti-regulation, so we have to find some sort of balance. We have high levels of provincial taxation and municipal taxation. Every other OECD country or G7 country is much more compact, and their federal government is much stronger than their regional governments. All of that has to be taken into consideration. Our tax act has run its course. It's a 20th century tax act. We're in the 21st century now. Things have changed. It's about time our tax system was updated and changed, so we're calling for a full review. Let's not do more Band-Aids. Let's fix it from scratch.

**The Chair:** While we're with the St. John's Board of Trade, I have a question.

You mentioned the Atlantic growth strategy in your original submission. What recommendations do you have to improve it or make it work more effectively? Do you have any thoughts on the Atlantic growth strategy? It was listed in your original brief.



**Ms. Nancy Healey:** We certainly are encouraged by it, and the themes that are there, from innovation to immigration, are critically important. It's still in its development stages. Tourism, we would agree, has big potential for Atlantic Canada. I'm not so sure about the Chinese angle on that one. I come from a tourism industry association background from years ago, which is why I'm familiar with that file.

Clean tech, innovation, and immigration are critically important. We have the most rapidly aging population in all of Canada here. We have a critical need for immigration. We met with your colleague the parliamentary secretary for IRCC a while back. I think that whatever stumbling blocks there are to getting people, the Government of Canada really should have an immigration number of 1% of the population, over 300,000. There's a lot of emphasis now on skilled workers. One of the things we also need in this country and in this province is unskilled workers. We did a good job of bringing in a bunch of refugees from Syria a while back. We didn't look at what their skill levels were. Maybe we need to do a bit more of that too.

For the most part, we're encouraged by the Atlantic growth strategy and are still waiting to see how it plays out.

• (1020)

**The Chair:** Mr. Albas is next.

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

Thank you to all of our witnesses for their expertise and for sharing so much with us today.

I'd like to start with the mining industry. Thank you very much for your presentation, sir.

You mentioned the importance of certain programs with zero waste, etc. Highland Valley Copper is in my riding in British Columbia. One of the benefits of increased efficiency and innovation and whatnot that reduce the footprint, so to speak, is that they have extended the mine life by 20-plus years, which is incredibly important to a small community called Logan Lake. Do you have examples of similar operations in which taking into account both innovation and reduction of waste has led to increased efficiency as far as shelf life of the mines goes?

**Mr. Ed Moriarity:** I can speak to one example in the Baie Verte Peninsula. There was an open-pit mine, and the open pit was reaching the point of exhaustion. The company was interested in bringing other deposits, both from the local area and from Nova Scotia, into their mill. They proposed that they use the pit as a tailings facility. That's probably not so much an innovation as it is a practicality—looking at the reality of what you have on the ground and utilizing that to your benefit.

Second, the company entered into an agreement with a number of other partners to sell their waste rock as aggregate into the Carolinas. That's another way of getting value from what you have by thinking a little bit beyond the box. Sometimes it's a little bit about being creative.

Looking ahead at the mining industry as a whole, relative to other extractive industries, you start with a large amount of land. Let's say you need the whole table area here to do exploration. You get down to some targets, and you find that you need to narrow it down and

narrow it down. Your footprint, at the end of the day, can be small, but we believe we can, as an industry, do better internally over time to improve our processes—Canada being a leader in this area—and leverage our technologies to better ends.

Digital mining is another area where we need to step up a little bit further. We also need to look at the benefit of what we're going to do for the world in terms of the low-carbon economy. Minerals are very much necessary for the electrification of vehicles and for changes in how we approach a low-carbon economy. We're very encouraged on that aspect.

We've done some things in this province. It's interesting that the mining sector can be a little bit slow to adopt. We had a program here locally called GeoExplore. When it was first rolled out, people were a little bit hesitant to get engaged, but once one or two companies got engaged and people got talking, the next thing we knew, we had 27 projects being pursued.

We have good relationships with the university community, with the College of the North Atlantic and others, to leverage our activities in this regard. We're very proud of that.

**Mr. Dan Albas:** When we were in Yellowknife, we heard from the NWT & Nunavut Chamber of Mines. They put forward support for the objective of having the tax credit for mineral exploration extended, not just on a yearly basis but for at least three years. I would almost say five years, but again, obviously there are cycles, and you don't want to overstimulate something.

Do you agree that a three-year extension would give greater certainty to your industry?

**Mr. Ed Moriarity:** Yes, sir, I do, from the point of view of where it's tracking right now in terms of exploration. There is a need to replace the mines that are becoming exhausted across the country and to see more dollars come into the Canadian exploration sector. Otherwise, those dollars will go elsewhere. They can go to South America. They can go to Australia.

We need to ensure that we can speak to investors and tell them they can look ahead for three years and see some certainty in terms of that piece. It de-risks a project further and encourages more activity to come in. Three years is certainly a position that is supported by the PDAC, our association, and the Canadian Mineral Industry Federation as a collective group in the country.

**Mr. Dan Albas:** You also mentioned the need for geoscience. Not all provinces have the same tax base. In the territories they have a large land mass, obviously, so when we were there, it was a big issue for them to have that science done. There is innovation coming within that as well. Drone technology is being used increasingly. You can fit a small airplane, controlled by an operator off-site, to check and see if there are mineral deposits, using magnets.

In regard to geoscience, what kinds of investments does your province require?

• (1025)

**Mr. Ed Moriarity:** Well, geoscience typically has a provincial activity base, as does mining. The Newfoundland and Labrador geoscience group is quite active in terms of their programming, but with limited funds. I'm sure they could always do with more support. The beauty of the federal program is that GEM augments or complements northern areas of Canada. Labrador being, of course, the near north, they have active programs in terms of the GEM piece there. The federal government certainly can continue to see opportunity in opening up our mineral potential and can participate collaboratively with both industry and the provinces in that regard.

How do we get more money in the ground? Well, we can look at other ways in terms of innovation. There's a lot of core left in the woods. There are ways to extract data from that core. There are technical digitization methods. There are ways to build a new story from an existing set of past experiences for companies. There are lots of ways to look at what you just described with regard to the technical piece.

**Mr. Dan Albas:** Thank you to everyone for your contributions today.

I just want to say to Mr. Miller that my uncle, who I'm named after, is actually a sociologist. I just want it to be on the record that he commits sociology every day.

**Voices:** Oh, oh!

**The Chair:** All right, Dan.

Mr. Grewal, you're the last questioner to this panel.

**Mr. Raj Grewal:** Thank you, Mr. Chair, and thank you to the panellists for coming today.

My first question is for Ms. Rowe.

You commented on the Canada summer jobs program. One of the unique things about being a backbench MP is that you can actually control that one program and where its funding goes. It's been very beneficial to my riding of Brampton East.

There has been a lot of discussion about increasing the program to go year round so that we can really target youth unemployment. What are your comments on how you think that would work?

**Ms. Penelope Rowe:** I think that would be a splendid idea. Obviously, if it is not only a summer program, then it has to be offered to either high school graduates who are taking a gap year or to recent graduates, which is a really good way to go. There have been programs in the past that have, in fact, encouraged the hiring of recent graduates.

Just to speak to the summer program for a minute, all the research across the country—and I don't know whether this would apply in Brampton as well—indicates that there is a much greater demand for that program than there is funding available. The end result is that a lot of people don't get funded. Even the students who do get approved are getting very short numbers of workweeks, and that's a real challenge, because when you're working for only four or five weeks, you don't necessarily get the full benefit you really need from your summer program.

There have been programs particularly around youth internships in the technology field. That was a wonderful program for high-tech companies, but it was also very useful to non-profits, which were able to provide really good ways for people with technical skills to help develop other organizations.

I'm all over a year-round program. I'm sorry I didn't recommend it.

**Mr. Raj Grewal:** It's something I personally have been looking into to see if we can recommend it. I think there also needs to be a more targeted approach in areas where youth unemployment is higher than the national average. In Brampton East I live in a very much upper middle-class riding where youth unemployment is not that high, but we still received \$500,000. It's great for the local MP, but is it best for the country, moving forward? That's something we'll take away.

You mentioned mentorship. I'm a product of great mentorship. I used to work for the Minister of Innovation, Science and Economic Development when I was 19, and 10 years later I get to sit alongside him in the House, so I'm a big fan. We've been trying to start mentorship programs in our riding. The problem is that we can't get young Canadians engaged enough. I almost feel that the mentors are ready but the mentees aren't, and you can't force a child to participate.

What are your comments on how we could do a better job of that?

• (1030)

**Ms. Penelope Rowe:** It's all about attitude and opportunity.

One of the things we've learned through the work we do is that there are some young people who are all over every opportunity. They are the sharp kids who have already made up their minds, and they're progressing. The question we have to deal with is the young people who haven't really found a way yet.

The program we offered this summer, called AMPLIFY, was quite extraordinary. These were young people who were primarily from small communities, from households where work may not have been the norm, and we found that just giving them a job where they were connected with people who cared about them made them blossom. It was that mentorship. It was that connection.

Sometimes that can happen well in the private sector, sometimes it can happen well in the public sector, and sometimes it can happen well in the non-profit sector, but if the program is not well designed, we're not going to find the young people who will take advantage of it.

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

**Ms. Penelope Rowe:** I do have one other comment on the summer program.

The advantage of it is that a lot of the funding—not all, but a lot—goes to non-profit organizations, so there is a reach into small and rural communities, which are very different from Brampton, obviously. We have communities in this province where there is no private employer. Even if that were the job of choice, it wouldn't exist for young people. To get young people their first job, very often you have to work with community organizations.

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

My next question is for the St. John's Board of Trade.

This morning our government announced a reduction in the small business tax rate from 10.5% to 9%. What are your comments on how you think that will help the great people of this province?

**Ms. Dorothy Keating:** Obviously the fact that the government has kept its promise to reduce the small business rate as it had said is very much going to be appreciated by small business. Not to take away from that or negate it, I think the most important thing with business is certainty in taxation, and right now the environment in which our members are living is an extremely uncertain one at this point. The fact that the government has now kept that particular promise and has reduced the rate will obviously be met with appreciation by the small business community, but it is even more important to remove the instability that is currently being faced by small business owners now through the proposed tax changes.

**Mr. Raj Grewal:** I agree with you that the tax code should be clear, concise, and predictable. Those comments have been made to the minister and the powers that be as well.

If you look at the economic numbers, the economy has been thriving. We are leading the G7 in economic growth. We've created 437,000 jobs since we came into power. I did my research on the Newfoundland economy before I came here, and it's not the same story in this province. One of the biggest challenges you guys have in this province—and correct me if I'm wrong, because by no means am I an expert—is your aging population and increasing health care costs. Another is getting talent to stay in this province. Even people who are born in Newfoundland are going to university in other provinces and settling in other provinces.

Have you any strategy for the federal government? There's the Atlantic growth strategy, which we are working on, but as local experts, what do you think the province and the federal government should be doing in order to kick-start this economy to get it going?

**Ms. Nancy Healey:** Certainly immigration is critically important. We have more people set to retire than we do to enter the labour force, and the university here—

**Mr. Raj Grewal:** When you were answering my colleague's question, you mentioned something on unskilled labour and immigration. Could you provide a little more detail on those comments? I agree 100% with you that we sometimes focus way too much on skilled labour when we just need people to drive trucks and taxis and stuff like that.

**Ms. Nancy Healey:** I'll answer both ways on this.

The university has done a phenomenal job here in Newfoundland. It has one of the lowest tuition rates in the country. It has served to attract both international students and students from across the country. The trick is keeping them here and mentoring them.

We have what is called the connector program, which we've been doing off the side of our desk for a while. It is just to introduce people. It tends to be a lot of international students who come through that program. It introduces them to business people and sectors or areas where they want to work. We've had about 60 people come through. We're only supposed to set up connections, but 20 of them have become employed. We are hoping to get that program funded through the LMDA and for that money to come through. That sort of program has worked with phenomenal success in Halifax and in Prince Edward Island.

We need to come up with ways to help integrate the local community with the graduate students who are coming through.

As I said, the immigration program tends to be express entry, and the point systems tend to go toward skilled labour. One of the things we have advocated for is similar to what happens if an individual, say, speaks French; he gets into Canada right away. In the same way, if you indicated you'd like to go to a rural or remote part of Canada, be it northern Ontario or Saskatchewan or Newfoundland and Labrador, you should get points for that as well. We encourage medical doctors and the like to go to rural parts of Canada. Why can't we do that with our immigration program? There are ways to do that.

You're right about the challenges facing this province from the aging demographic. That's why one of our biggest concerns is with respect to the level of debt that this province and this country have. We have a huge geography. There are huge levels of personal debt. The aging demographic means more demands on health care. We have a tsunami coming our way, and if we don't get our debt under control, we won't be able to survive any of the challenges that come our way.

● (1035)

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

**The Chair:** We'll have to end there.

Ms. Rowe, you mentioned a program in the last round of questions. I didn't catch the name and I can't find it in your remarks. What was the name of that program?

**Ms. Penelope Rowe:** It was called the AMPLIFY program. It was funded through the provincial government, of course with federal money, under the LMDA program. It was targeted to young people who were at risk. It was a pilot program initiated this year. We're in the process of analyzing our results now, but it seems to be quite extraordinary—the capacity of a few weeks' work to actually engage young people fully and to help them move forward by engaging both their interests and education and their ability to work and to create networks of friends and work with people they've had no previous social contact with.

There was one comment I should have made when you asked the question about federal programming and supporting non-profit organizations. One area in which there could be a huge improvement is the procurement policies of the federal government. You could look more carefully at social procurement and breaking down the way in which contracts are put forward in order to enable smaller employers. This could apply to the private sector as well as the non-profit sector. We have a lot of homework to do there.

**The Chair:** Okay.

Under the labour market development program, the federal government transfers \$3 billion to the provinces. I sometimes wonder if we're getting the best bang for the buck there. In any event, that's what the bottom line is.

**Ms. Penelope Rowe:** We'd be happy to be engaged in a review of that.

**The Chair:** Okay.

With that, I want to thank each and every one of you for your presentations and your responses to questions.

We go to the next panel at 10:45, so we will suspend until then.

Thank you very much.

•(1035)

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

•(1050)

**The Chair:** We'll reconvene. I want to thank the witnesses for coming, and some of you on short notice. There were some cancellations so I know some people didn't get a whole lot of notice to get here today. I certainly want to thank you for coming. For those who presented a brief prior to mid-August, we appreciate that as well. Those submissions are part of the pre-budget consultations and will be considered. Members have them on their iPads.

Before we go to the presentations with our four panellists rather than six—we'll have a little more time—I'll ask members to introduce themselves and where they're from just to give you a little perspective on how we criss-cross the country.

Mr. Boulерice, we could start with you. Do you want to introduce yourself?

[*Translation*]

**Mr. Alexandre Boulерice:** Good morning everyone.

I am the member for Rosemont—La Petite-Patrie, a riding in the centre of Montreal, in Quebec.

[*English*]

**Mr. Tom Kmiec:** My name is Tom Kmiec. I'm the member of Parliament for Calgary Shepard.

**Mr. Dan Albas:** I'm Dan Albas. I'm the member of Parliament for Central Okanagan—Similkameen—Nicola, from the sunny Okanagan, and I'm happy to be here in St. John's with you all.

•(1055)

**The Chair:** I'm Wayne Easter, a member of Parliament from Prince Edward Island, a central part of the island, the riding of Malpeque where good oysters come from and a lot of other good stuff too.

**Ms. Jennifer O'Connell:** I'm Jennifer O'Connell. I'm from the riding of Pickering—Uxbridge, which is just on the east side of Toronto in Ontario.

As I said in the earlier panel, my local connection is that my mom's side of the family is still here in Upper Island Cove, so I'm half Newfoundlander.

**Mr. Raj Grewal:** My name is Raj Grewal. I'm the member of Parliament for Brampton East, right beside Pearson International Airport. I do not have a local connection, but I'm really excited to be here.

[*Translation*]

**Mr. Greg Fergus:** Good morning, everyone.

My name is Greg Fergus. I am the member for Hull—Aylmer, a Quebec riding which is close to Ottawa. This is not my first trip to Newfoundland and Labrador, but it is the first time I am here as a member of the Standing Committee on Finance. It's a great pleasure to listen to you.

[*English*]

**The Chair:** Thank you, members. We will start with the fisheries and marine institute of Memorial University of Newfoundland, with Mr. Bonnell.

Go ahead, Carey.

**Mr. Carey Bonnell (Head, School of Fisheries, Fisheries and Marine Institute of Memorial University of Newfoundland):** Good morning, Mr. Chair, and committee members.

The views I am going to be expressing today are my views, but are grounded in my capacity as the head of the school of fisheries here at the fisheries and marine institute of Memorial University, and in my capacity as industry co-chair of the Canadian seafood value chain round table.

The seafood value chain round table provides leadership to the Canadian seafood industry by providing a forum for value chain participants to identify significant industry impediments, collaborate on solutions and innovation, and influence decision-makers. Its vision is for a prosperous and competitive Canadian seafood industry that's a world leader and the preferred supplier of high-value seafoods domestically and internationally.

In February 2016 I actually appeared before your committee in Ottawa as part of the pre-budget consultation process at that time. Today what I'd like to do is reiterate some of the key points I had raised in my prior session and highlight some of the key progress that's also been made in terms of both industry development as well as government support.

The Canadian fish and seafood industry, both the wild capture fisheries and the aquaculture sector, is an important producer of high-quality food and a significant contributor to Canada's economy, especially in rural, coastal, and aboriginal communities. Thousands of Canadian families, businesses, employers, employees, and their communities depend on this industry to provide for their well-being. In total, more than 76,000 Canadians were employed in harvesting and production in the seafood processing sector in 2015.

The seafood industry in Canada is very much export oriented, with nearly 80% of its production exported to foreign markets in 2015, making it the highest export-oriented sector of the food manufacturing industry in Canada. In 2015 the industry exported about \$6 billion of high-quality seafood. In fact, the numbers for 2016 are now out, and I believe we're at about \$6.6 billion. For 2015 we were ranked as the world's eighth largest seafood exporter. Approximately 65% of those exports were destined to the United States, followed by China and the European Union at 11% and 10% respectively. Overall, the Canadian seafood industry is very proud of the contribution it's making to the Canadian economy and to global food security.

In my prior appearance before your committee, I highlighted that the sector is not without its challenges and that there are certainly steps the Government of Canada could take to help expand the global competitiveness of the sector and leverage its economic potential. At the time I outlined two key areas for priority investment, namely, around market readiness and social licence.

On the topic of market readiness, the seafood industry in Canada is extremely excited about the expansion of the Government of Canada's efforts around global trade agreements such as CETA, which has now been ratified; its ongoing efforts around TPP; the Canada-Korea agreement, which is in place; as well as the potential for a free trade agreement with China. As an export-oriented industry, these agreements provide Canadian seafood producers with improved market access opportunities through the reduction and elimination of prohibitive tariff barriers, ideally resulting in increased industry competitiveness.

However, significant market readiness barriers exist in the Canadian seafood industry that impact its ability to fully leverage the potential of these trade agreements as well as other global market opportunities. Examples include the need for improved market intelligence that supports the market development needs of the industry, which is a particular issue for SMEs in this country, as well as the need for investment in innovation and automation in the sector. There is also the need for a strategy to address labour retention challenges in the industry given the current demographic profile, which is very pronounced in this particular region of the country right now, but an issue which I would say is across the country.

On the topic of social licence, there is a need for continued engagement and investment on the subject of science requirements for eco-certification in particular. Issues around traceability and eco-certification are now considered requirements for global market access and represent a non-tariff trade barrier if Canadian producers cannot meet robust international eco-certification standards.

Key public investments in fisheries and oceans science, including sustainable aquaculture development, are critical to ensure that the industry continues to meet and exceed best practices globally.

Related to these challenges, I was very pleased with the announcement earlier this year of the federal-provincial cost-shared Atlantic fisheries fund. The seven-year, \$400-million-plus fund aims to help Atlantic Canada's seafood sector transition to meet the growing market demand for products that are of high quality, value added, and sustainably sourced.

I am also pleased that a national component has been created under this fund to support market access and development issues for the Canadian seafood sector. I believe that component will be funded in the range of about \$30 million.

There are also two key points that I would like to make related to the Atlantic fisheries fund. First, I believe it's critical that initiatives supported under this fund be principally focused on advancing the competitiveness of the seafood sector in Canada. Key metrics that we need to be focusing on include increasing value per kilo of catch, increasing utilization per kilo of catch, as well as overall industry productivity improvements.

● (1100)

Second, this fund, in my opinion at least, cannot be looked on as a one-time investment. Comparable seafood-producing nations such as Iceland and Norway, which in many ways are recognized as the gold standard, have been heavily investing in the competitiveness of their seafood sectors for decades now. We need sustained comparable investments in Canada to keep pace.

We are currently living in a period of unprecedented global change that will significantly impact seafood production in the years ahead. For example, the Food and Agriculture Organization of the United Nations, or the FAO, currently estimates—and this is a really conservative estimate—that an additional 40 million tonnes of aquatic food will be required by 2030 just to maintain current per capita consumption. It is also estimated that the average price of traded seafood products is expected to grow by 30% by 2022, based on factors such as increased health awareness, rapidly expanding middle-class societies, as well as growing disposable incomes globally.

In conclusion, the Canadian seafood industry is well positioned to address these grand challenges by providing high-quality, safe, and healthy sources of protein to the global community. Key strategic areas of investment and policy supports by the Government of Canada present a tremendous opportunity for Canadian seafood producers to take advantage of globally expanding markets for sustainably and responsibly sourced seafood.

Thank you very much.

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

We turn now to Hospitality Newfoundland and Labrador, and Mr. Foley.

**Mr. Craig Foley (Chief Executive Officer, Hospitality Newfoundland and Labrador):** Good morning, Mr. Chair, and committee members. Welcome to Newfoundland and Labrador.

On behalf of the more than 500 members and the board of directors of Hospitality Newfoundland and Labrador, I would like to thank you for the opportunity to participate in the consultation process for the 2018 federal budget and share our perspective on how the federal government can ensure high levels of productivity and competitiveness among Canadians and Canadian businesses.

Globally, tourism is the world's fastest-growing sector. The United Nations World Tourism Organization estimates that in 2016, 1.2 billion people travelled the world and Canada welcomed nearly 20 million international travellers. As the global travel market flourishes, Canada must take steps to improve its competitiveness on the international stage. The tourism and travel industry offers real and sustainable economic development opportunities, versatile employment, and prosperity for all Canadians.

In Newfoundland and Labrador, the tourism industry generates more than \$1 billion in annual spending, supplying more than 8% of provincial jobs and encompassing nearly 2,600 tourism businesses. Tourism is an important source of employment in the province, especially in rural communities.

Hospitality Newfoundland and Labrador recommends that the federal government commit to funding for Marine Atlantic at appropriate levels over an extended period so that it enables longer-term planning and reliability, allows for pricing that does not erode the level of service or deter travellers, and is sufficient to drive continuous improvement and cost efficiency in the service. Price is a deterrent, and the ever-increasing portion of Marine Atlantic's operating costs that users have to bear is very concerning. Furthermore, steadily increasing costs for commercial traffic is concerning as it places further financial pressures on tourism operators trying to obtain goods and services required to meet the needs of travellers. Because Marine Atlantic is a primary gateway for growing inbound tourism, user fees must be set at affordable levels for extended periods, facilitating an increase in ferry usage rates.

Hospitality Newfoundland and Labrador recommends that the federal government commit to implementing fair rules for the accommodation sector in Canada. Recently the Hotel Association of Canada released a study on Airbnb and the hotel sector in Canada with a focus on hosts with multiple units. In Canada, the average number of active Airbnb units has almost doubled in two years. What started as true home sharing has expanded into commercial

operations. Legitimate and regulated businesses cannot remain competitive in a business environment that is unlevel and unfair. Hospitality Newfoundland and Labrador maintains that the key to success in the new reality of the sharing economy is equity.

Hospitality Newfoundland and Labrador recommends that the federal government help businesses address labour capacity issues by supporting timely labour market research and industry relevant export readiness and workforce development programming. According to research conducted by Tourism HR Canada, it is estimated there will be 240,000 unfilled tourism positions by the year 2035, costing the economy \$31.4 billion in forgone revenue and over \$4 billion in taxes.

Tourism in Newfoundland and Labrador will experience one of the most acute labour shortages of any province in Canada. More investment is required in training and educational resources and funding programs for national and provincial organizations that are working to address labour shortage issues in the tourism industry. It is important that Employment and Social Development Canada work with industry and business to continually monitor current and future employment needs. Additionally, facilitating the transition of unemployed and underemployed persons as well as new immigrants into the workforce is a positive step toward addressing the labour shortage in the industry.

Concerning proposed federal business tax changes, Hospitality Newfoundland and Labrador asks that the government ensure the impacts on small business owners and tourism operators be given serious consideration. The vast majority of Hospitality Newfoundland and Labrador members are small businesses on whom proposed federal tax changes could have considerable impact. Many small business owners have built their lives, succession plans, and retirements around the existing rules and are expressing disappointment and fear of such fundamental changes to the business tax.

● (1105)

Some tourism operators have cited a change in their business practices until they are fully able to assess the impact that these changes will have on their businesses and the tourism market and visitation levels.

Travel and tourism are economically important to every riding of Canada, and one of Atlantic Canada's most strategic economic sectors. In addition to job creation, tourism attracts international visitors, who consume goods and services and pay value-added taxes. With a strong commitment and strategic, deliberative action on behalf of the federal government, tourism will bring further stability and diversity to the economy, and prosperity to Canadians.

Thank you for your time.

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

We now turn to Mr. Russell, with the Investment Industry Association of Canada. Welcome, Ian.

[*Translation*]

**Mr. Ian Russell (President and Chief Executive Officer, Investment Industry Association of Canada):** Mr. Chair, thank you for giving us the opportunity to make a presentation before the Standing Committee on Finance, here in St. John's.

My name is Ian Russell. I am the president and chief executive officer of the Investment Industry Association of Canada.

[*English*]

It gives me great pleasure to be before this standing committee, to present to you as you proceed with your budget consultations. As some of you may know, I represent an industry that employs 40,000 individuals and is a source of high-paying jobs. It raises capital for governments. Last year, the industry raised \$200 billion in debt capital for Canadian federal and provincial governments, and another \$96 billion for Canadian corporations. We are also very significant contributors to the Canadian economy beyond employment, in terms of taxes paid. It's an industry that has been very generous in terms of charitable donations throughout communities in Canada.

I am going to constrain my remarks primarily on comments related to the small business sector in Canada. It's an important policy agenda for you as a committee and for the government to deal with. I just want to sketch one aspect of a problem and then talk about some possible remedial action.

Quite rightly, in last year's budget, the government put a priority on trying to augment the sources of equity capital for small and mid-sized businesses. The statistics would show that the amount of capital flowing to small and mid-sized Canadian businesses has declined, particularly in the public venture marketplaces, where we've seen a significant decline in the amount of financing, the transactions, the volume of financing, and the turnover activity generally. We have seen that the private equity market has had virtually the same level of financing over the last five or six years. This is a combined result that is not satisfactory in the context of a growing Canadian economy.

We can get into the reasons for that as we move forward, but our view is that there is an opportunity here. It's one we've reiterated, not just with this government but with previous governments. There is a need for a robust, proactive reform or initiative to boost financing in the country.

In the last couple of years, we have advocated the Canadian equivalent of the U.K. enterprise investment scheme. It's a scheme

that does not rely on a particular expert running a venture capital fund or labour-sponsored fund who is somewhat detached from the investment, but it's a scheme that is open to all British citizens. That would be the equivalent in Canada: an incentive that would be available to all Canadians to invest in small businesses, businesses they are familiar with, primarily local businesses. They would receive a personal tax deduction. In the U.K., it's 30%. If they held the investment over three years, it would be exempt from capital gains tax.

It's a program that has been in place for over 20 years. It has provided financing for 26,000 companies. It has raised over 26 billion pounds, and it's been audited by the U.K. treasury. For that reason, we thought that this is a well-run, proven incentive for small business.

But I am coming to you here with another idea. The second idea I have is what I would term a "rollover provision". There is an opportunity, through this incentive, to accomplish two things. First is to unlock capital so that it can be directed to small business. Second, it's a way that would not impact on the federal treasury, and that's been one of the biggest concerns around this.

• (1110)

The two big concerns have been around the tax break to encourage Canadians to invest in small businesses and a perception that there's a political undertone of benefiting wealthy Canadians. I might add that, on that score, if you look at the U.K. enterprise investment scheme, all the investments are in small amounts, and there are a lot of small investors that are active in that particular program.

The rollover provision, simply put, is that if you have a building, an asset, or possibly a financial stock, the idea would be that you would be able to sell that investment and as long as you rolled the proceeds into an eligible asset—that would be defined obviously by the incentive itself—and into small or medium-sized businesses with maybe a proven track record that could be defined, then there would not be capital gains tax on the proceeds.

Now when I say "not", I'm saying a deferred capital gains tax, because the tax certainly wouldn't be paid at the time the funds were reinvested into small business, but over time as those investments grew, obviously capital gains tax would apply when the ultimate assets were eventually sold. The reason I'm saying the deferral should be something that's acceptable is that without the deferral, you probably wouldn't see the assets sold to begin with. So those revenues would not accrue to the government unless somehow you felt that the assets would be sold. In some cases they are, but in many cases they are not.

That's just a second idea that I put forward. I'm happy to discuss those proposals and any of the background related to the small business sector or the economy in general.

Thank you, Mr. Chair.

•(1115)

**The Chair:** Thank you very much, Mr. Russell. Those are interesting proposals.

From the Newfoundland Aquaculture Industry Association, we have Mr. Lane.

Mark, the floor is yours.

**Mr. Mark Lane (Executive Director, Newfoundland Aquaculture Industry Association):** Thank you, Mr. Chair. Thank you to the committee for the opportunity.

I provided the clerk with a copy of the paper that I'll touch upon today, which is on collaborating to accelerate sustainable growth in the aquaculture sector in this province.

This document has been a collaborative effort between the Government of Newfoundland and Labrador, the Government of Canada, and the industry. We formed a 25-person committee and we looked at the industry as it is today and how we grow that. The provincial government under Dwight Ball's leadership has identified aquaculture as a number one strategic investment sector for the province because of the benefits that we realize or that we provide to rural coastal communities.

If you're familiar with Newfoundland and Labrador, we all look back at 1992 and the collapse of the north Atlantic cod stocks. Many communities that saw no future, didn't see the bright light at the end of the tunnel, now, because of the industry that we provide, whether it's mussels or salmon, do have a future. Many communities such as Gaultois and Hermitage, once far removed from anywhere, like here in the city, now see 100% employment in the industry. We are revitalizing rural coastal communities.

I've mentioned this paper. What we've done is identified all the barriers. Premier Ball and his government have agreed with industry to double Atlantic salmon production at 50,000 metric tons by 2022 and to triple the shellfish production by the same year. How are we going to do that? We have a plan. We've released two documents. The first one is a 28-point work plan that would fall under the regulatory framework of the provincial government. We've also released this document that's been provided to Minister LeBlanc for his consideration and the consideration of the Government of Canada. This contains 12 points on what the Government of Canada can do to help grow the industry, not just in Newfoundland and Labrador but from coast to coast to coast.

In Newfoundland and Labrador we currently employ about 1,000 people directly on farms. For every one of those jobs, it's about a 3.5 ratio, so it's spin-off jobs in the service supply industry, for example. Those jobs may not be as recognizable here in the city, but in the rural coastal communities where we operate they certainly are a huge benefit. As I've mentioned, communities that saw no future now have a future. But there are some recommendations. Of the 12 that are mentioned in this document that I've provided to the clerk, I'll touch on six very briefly.

The first one is a national act for aquaculture. In Canada right now we are governed under the Fisheries Act. I think it was written in 1867, Mr. Chair. The word "aquaculture" is not mentioned in the act. What that does is it creates uncertainty for investment, as Mr. Russell

talked about, capital investment, foreign investment. We don't have the confidence of investors right now because we don't have an act that even has the term for the industry of which we're regulated, so we're pushing for that.

I know that Senator Manning, the chairman of the Senate Standing Committee on Fisheries and Oceans at our conference last year had released a report called, "An Ocean of Opportunities: Aquaculture in Canada", which has identified and acts as a major priority for that committee. They support that. We've been talking to Minister LeBlanc and his counterparts in the federal government to do that. It doesn't have a budget. I don't think it's a budgetary item, Mr. Chair, but it's something for the committee to certainly consider before we move forward as an industry.

There are four or five others that I would certainly touch on. One is CSSP—being from Prince Edward Island—the Canadian shellfish sanitation program, which is there to ensure safety to Canadians and safety to foreign markets. The problem is that, in order for us to grow the industry, all of our sites have to be classified. When someone comes to the government, whether provincially or federally, and wants a new site to expand mussels or oysters, whether in Newfoundland and Labrador, or in P.E.I., those sites have to be surveyed. They have to be tested to ensure that they are safe to farm seafood sustainably and responsibly for local domestic markets and markets abroad.

The issue that we find is that there's so much interest in expanding our aquaculture industry on the east coast that there's not enough money through the CSSP program to enable government employees to do that, so there's a bottleneck of applications. Really, we're stalled in that. I think we can certainly triple shellfish production in this province, but that's one barrier that we need to overcome. I would certainly ask that more monetary investment be considered for the Canadian shellfish sanitation program.

•(1120)

As well, under the former administration, the only certified CFIA, Canadian Food Inspection Agency, laboratory was closed in St. John's. In Newfoundland and Labrador we have no certified lab. This fourth point is critically important not just to the food industry within which I'm responsible for aquaculture, but to all food industries. Closest to Newfoundland and Labrador, we would choose between either Moncton or Dartmouth. I'll give you an example. If we had heavy rains today and our shellfish program were shut down—because after a heavy rainfall we can't operate—it takes weeks to get samples back from mainland Canada.

I ask that you to review the monetary expenses and look at the value proposition for the expansion not just of aquaculture but of poultry or cattle, for example, and make a future monetary investment in and re-establish a CFIA lab here in Newfoundland and Labrador.



As well, there's the cost recovery. CFIA is currently undergoing public consultations about the cost recovery of certain services offered by the Government of Canada, which would be prohibitive to most shellfish operators and their ability to expand in the future.

My fifth point is about infrastructure. Telecommunications and wharf infrastructure are absolutely critical not just to wild harvest fisheries but also to the expanding aquaculture industry. We have great support in this province from small craft harbours through the Department of Fisheries and Oceans; however, there's always a necessity for more.

In looking at future expansion with additional companies coming to Newfoundland and Labrador, the largest salmon producer, Marine Harvest, now has seven sites in this province and 17 in some various levels of approval. Grieg, another Norwegian company, is looking at major expansion plans, but we have to provide the infrastructure for them to do that, not just environmentally responsibly but safely.

In many areas in which we operate in rural coastal communities, there are no telecommunications and Internet. In today's society, with technology and the high level of technology that we utilize in the industry, it's absolutely paramount that we get further investment into infrastructure, whether it's telecommunications or wharf infrastructure or roads, for example.

The final point I'd like to touch on very quickly is business risk management. Unlike terrestrial farmers in the agriculture industry, there is no insurance currently in which the government could certainly play a part. For agriculture we have agri-insurance so that in some unfortunate circumstance where some catastrophic event created a crop fail, for example, the government would help subsidize a national insurance program for agriculture. That doesn't exist for aquaculture.

In aquaculture, we should be looked at as being as important an industry as agriculture. An aqua-insurance program would mitigate any type of loss, but would also create assurance for future investors that Canada is open for business in aquaculture.

On that, Mr. Chair, I'll end. Thank you for your time.

**The Chair:** Thank you, Mr. Lane. I'm sitting here smiling a little because I chaired the fisheries committee in 2001. We recommended an aquaculture act for the country. I don't think we made a decision whether or not it should be under the department of fisheries or agriculture. That was a big debate at the time. We also recommended that the business risk management programs that work in land farming should apply to fish farming. You probably can't even find the study now, but it was good work, I think.

Mr. Grewal, you have a seven-minute round.

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

I'm going to start with Mark from the aquaculture industry. You spoke about telecommunications. How are telecommunications in the province in access to high-speed Internet?

**Mr. Mark Lane:** They're not great. I live in a community called Holyrood, population 3,000. It's about 40 kilometres west of St. John's. You can only get cellphone coverage in one area of the town.

We have high-speed of course but realistically, within the outer metro area of St. John's, we still have difficulties with telecommunications. If you look at where we operate as an industry, 700 kilometres from here on the south coast in small communities, some of which don't have roads, it's obsolete.

For example I'll take salmon farming, if you haven't been to a salmon farm, right now we feed using computers. I have a picture of a young man in rural Newfoundland using an Xbox controller—that's what it looks like—to feed a million fish. To check on my fish in rural Newfoundland from a smart phone, we need broadband.

Just as important or more important than that is safety. In many cases we can't get coverage and we don't have radio signal back to the mainland outside of marine infrastructure.

• (1125)

**Mr. Raj Grewal:** What is the total infrastructure shortage in terms of dollars the government would have to invest there?

**Mr. Mark Lane:** My goodness, that's a very broad question. I wouldn't be able to put a number on that specifically.

I think the investment in small craft harbours in Newfoundland is upwards now of \$25 million to \$30 million. It certainly could be doubled, I'm sure, if you asked people, but realistically I wouldn't be able to put a dollar figure on it.

**Mr. Raj Grewal:** Has your industry made an application to ISED, which is going across the country to increase broadband access?

**Mr. Mark Lane:** I don't think we have. What does ISED stand for?

**Mr. Raj Grewal:** ISED is the new name for Industry Canada, which is the Department of Innovation, Science and Economic Development.

**Mr. Mark Lane:** Right.

When you say "made an application", do you mean to a specific program?

**Mr. Raj Grewal:** Just email us offline and we'd be happy to connect you because they're doing great work in terms of rural areas. The government made a pledge in the last budget as well to ensure that.... For a country of Canada's size, it's always going to be a challenge to connect but we also understand that connectivity is going to lead to economic growth and you gave a perfect example of how important it is to your industry.

Just moving along to the fisheries and marine institute of Memorial University of Newfoundland, I read in the paper before I came out here that there is a bit of a transition in terms of how the industry is working locally. Do you have any comments on how you think we can meet the challenges of the demographic shift that's happening here?

**Mr. Carey Bonnell:** I could spend a lot of time on that topic.

We are in the midst of a shift here right now in our industry. We've gone from a shellfish-dominated industry in this province, which has been very lucrative. Our industry last year was worth about \$1.3 billion and snow crab and northern shrimp had historically been a big part of that. Now those stocks are declining, largely around an environmental shift, which is the overwhelming opinion on that, and we're seeing groundfish stocks recover, so there is a lot of dialogue around northern cod as we're seeing signs of recovery.

The thing we need to keep in mind is that the world has changed a lot in the last quarter-century since we fished cod and my personal view is that we need to shift from an industry that was largely a volume-based industry with a focus on employment maximization in the day—which served the purpose, I don't dispute, as I grew up in the fishing industry and saw the value in that—to an industry that's more value based and that has quality of employment as its major consideration. That's where technology and innovation are going to be a major part of it.

We have labour demographics in this province right now that are scary, to say the least. To think that in the next several years we're going to have an available workforce in this province to support the growing aquaculture industry, the transitioning capture fisheries industry, or hospitality or some other sector, it's just not realistic. Technology and innovation are going to have to be a critical part of the fishery of the future, in my view at least.

I'm just back from a trip to Iceland where I saw how things can work. In Iceland in the seafood sector, it's amazing to see how they're focusing on maximizing value throughout the value chain, in every aspect focusing on quality improvement. Their metric, which I referred to in my opening comments, is around increasing value per kilo of catch, increasing utilization per kilo of catch.

They're in the process now, over the next five years, of trying to get more value from the traditional waste stream of a codfish than from the fillet. Think about going out tonight and having a nice meal of pan-fried cod—and that's valuable, don't get me wrong—but there is a big effort afoot right now in Iceland to get more value from the gut content, the oils, the heads, and all the various components of the animal through innovation, technology, entrepreneurship, and new business start-ups. It is the model of the future and it's the model we need to be adopting here, in my opinion.

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

My next question is to the hospitality industry.

I think all the panellists can agree, the ones this morning and now, that labour is a challenge out here. Do you have any recommendations? Obviously with the Atlantic growth strategy the government recognizes that this is an issue. All the MPs from Atlantic Canada are doing a phenomenal job advocating for immigration levels.

Sometimes there is frustration with the immigration department and the programs we currently have. They miss the boat in that they make it overly complicated. Right now we have a fast-track program for skilled workers. If you are coming as a highly skilled engineer or a computer coder you can come here in two weeks, but that doesn't solve the problem out here. That doesn't solve the problem of the factory worker or the general labourer who could come here to help us increase economic growth.

Your comments on that would be greatly appreciated.

• (1130)

**Mr. Craig Foley:** I'd like to reiterate your comments because you said it very well. There's a problem with labour, particularly in hospitality, which is a people business and we have to have the labour force to do that. Without proper labour, businesses are hindered in their ability to grow. There is the skills gap that exists. There is a low public opinion of service jobs generally, and, actually, tourism jobs being deemed "low skill" perhaps doesn't help either.

By changing some of that terminology and understanding that indeed the tourism industry does provide higher-paying jobs and you can quickly ascend to management level and become part of a better workforce or a better-paying workforce.... Indeed, as you say, immigration is perhaps the key for a place like Newfoundland and Labrador. We have to be able to bring in the lower-skilled workforce faster so that businesses can grow.

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

**The Chair:** Mr. Albas.

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

Thank you to all of our witnesses for your testimony and expertise here today.

I'm going to start first by talking about aquaculture. Thank you, sir, for coming in. It's very refreshing for me to see a province that is determined to expand in the area you are in. In British Columbia there seems to be a bit of a mixed bag. Many people do not feel quite as comfortable.

Could you maybe point out why there seems to be such support from your provincial government in regard to this area?

**Mr. Mark Lane:** Thank you. That's a great question.

I'm very familiar with British Columbia as well. I served a number of years out there with the military and I also worked out there as a salmon farmer.

I'll go back to the cod moratorium. We've seen hard times because of the fishery, before oil and gas and before aquaculture, and communities had out-migration no different from any other rural community but the degree to which it was happening in Newfoundland and Labrador was staggering. They moved to Fort McMurray, Toronto, anywhere but rural Newfoundland. We're still seeing that a little bit.

Aquaculture is a shining light. It benefits rural coastal communities and people see that. I'm not saying there are no critics or opponents to our industry. Every industry should have its critics as long as criticism is founded on science and fact, and not necessarily emotion. We accept that too, but I prefer to deal with the facts.

Here on the east coast right now, even with the downturn in oil and gas, I've seen an even higher level of acceptance of aquaculture as a sustainable farming operation. We need to do it. As Carey mentioned, the United Nations FAO has forecast a massive shortage of seafood in the future, in the not-so-distant future, in 2030. We're looking at a 50-million tonne to 80-million tonne deficit.

Why our government in particular has taken an interest in this is that they see it as a renewable resource that benefits Newfoundlanders and Labradorians from outside what we call the overpass, outside the metro city. It benefits Newfoundlanders and Labradorians in rural coastal communities, and because it's renewable we're here this year, next year, and every year after.

**Mr. Dan Albas:** I certainly appreciate your enthusiasm for it. What kinds of facilities do you have? Are they on land or are they coastally open net? Are they closed containment? I'm just trying to understand why there is such a big, vast difference in intention.

**Mr. Mark Lane:** We have both. As farmers of the sea, every one of our Atlantic salmon—which seems to be the most contentious from coast to coast, so just taking that one particular species, for example—that enters our oceans in net pen aquaculture for grow-out spends the first 18 months of its life on land. We, as farmers of the sea, do that, from egg to plate, responsibly and environmentally sustainably. People ask why we don't put it all on land. It's not possible. It's not financially feasible.

People use Norway, for example. I just presented before I came here to an inbound Norwegian mission. I've spent a lot of time in Norway. Our critics say that Norway is moving away from ocean-based farming, which is absolutely the furthest thing from the truth. They're looking at different levels of technology to do things differently in the ocean, but not necessarily moving the entire process to land.

The number one reason is that the ocean is a natural habitat. The ocean is there to be utilized. Once a salmon biologically requires salt water for smoltification to grow into an adult we place them back in their natural habitat. To put it in perspective, I think Carey mentioned that when you have a steak, for example, on a Friday night, not many people think about traceability or how it ended up on their plates that night. Salmon farming, outside of shellfish farming, is the most efficient form of protein farming on the planet. We use less water than beef or swine, and this is no slander toward terrestrial farming, but it is a fact. We use less water. We use less space. To provide 15 billion meals of salmon last year we used 0.00008% of the world's oceans.

It's efficient, so why not use it?

• (1135)

**Mr. Dan Albas:** I certainly appreciate that. I wish my province would give a similar focus as well, because I take your comments seriously. It's nice to see that industry is actually saying, "Let's dial it up." Especially with some cancellations to major projects, it's important for us to have a few bright spots in our economy.

Mr. Russell, you've painted a picture here of the U.K. enterprise scheme, as you called it, where it would be open to all British citizens. It's a great way to invest in small businesses. Here in Canada, we have different institutions. BDC, for example, occupies much of the space. I would also hope that credit unions and banks, as

financial intermediaries, would also look at the importance of capitalization for small business.

When you say that the government should get involved in this end of the economy, I'm not necessarily opposed, but there are some difficulties when you take a unitary state's concept and apply it to a confederated state as large as Canada. What do you think are the advantages? Have there been any studies to back up a similar program here in Canada?

**Mr. Ian Russell:** One thing is that there have been studies that demonstrate a lack of sufficient equity capital for small and growing small businesses. You're right. There are schemes out there by government, but they're very small in relation to the size of the business sector and the need for risk capital. In fact, there's been a lot of evidence in terms of the shortage of an ability to expand and grow businesses, which in part is due to a lack of capital. The Bank of Canada and a number of private studies have talked about that.

In terms of the enterprise investment scheme itself, you're right to ask if there has been a comprehensive study on how that would work, whether it would add that much more, whether it would be incremental and not justifying expenditure. Those are legitimate questions. The only answer I would have is that there haven't been those studies. There probably is a need for some background work, but there's no reason that a scheme like that can't be put forward on a trial basis. Perhaps, as with the other proposal I mentioned, it could be put forward for maybe a year to see whether it has much impact.

**Mr. Dan Albas:** It does sound as if it hasn't been exactly elaborated whether this would be a co-operative structure or a government crown corporation. Could you maybe just say who would lead? Where would the creation be? Would it be a provincial co-op as a trial? I just want to get an idea of how it would apply in Canada.

**Mr. Ian Russell:** I can see where you're going on that. There is a difference in Canada, where you have another layer of government with significant taxing power.

The way I see the scheme working would be that, at least initially, it would be a federally driven scheme. As to the personal tax credits, as works with other tax credits, there may be the provinces that participate and there may not be. I would envision, as an initial step, that this would be a federally driven scheme, hopefully with provinces participating because they would all benefit, but I could understand the federal government's stepping out first to provide that tax expenditure and have it apply nationally. I think it's important that it apply nationally. In fact, the small business marketplace really is national. Whether it be angel networks through venture capital companies or public financing, it's national, so it makes the most sense for this scheme to be national.

To your point, it could be stronger if there were provincial participation as well. It could function as a federal model, at least in an initial stage.

• (1140)

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

Go ahead, Mr. Boulerice.

[*Translation*]

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

I thank all of you for being here. I have not come to Newfoundland and Labrador often, but it is always a great pleasure to be here.

I'd like to start with you, Mr. Lane.

My question concerns aquaculture in Newfoundland and Labrador. The use of aquaculture to increase Canada's production and capacity to feed people and export its products abroad makes a lot of sense, especially given the relatively small ecological footprint of these resources as compared to chicken, pork, and especially beef.

Given the industry's current situation here, do your strategic plans and vision for the future include genetically modified organisms, that is to say transgenic salmon that would be raised in Newfoundland and Labrador?

[*English*]

**Mr. Mark Lane:** Thank you for a great question.

I'll take my time. I tend to speak fast. May I speak English?

**Mr. Alexandre Boulerice:** Yes, no problem.

**Mr. Mark Lane:** Basically, we don't support GMOs in Newfoundland and Labrador, and the Canadian Aquaculture Industry Alliance, based in Ottawa and of which we're a member, doesn't endorse GMOs. There is no genetically modified salmon operator within that organization to date.

Just recently, as we know, we've heard that there is one company now selling GMO salmon in the Canadian marketplace, and we've discussed that at the industry association level in quite an amount of detail. We would really like that to be labelled as GMO, so that consumers have the information they need to make an informed decision about what they'll consume.

Again, to answer your question quite bluntly, no, there is no room for that right now in Newfoundland and Labrador.

[*Translation*]

**Mr. Alexandre Boulerice:** Thank you.

I share your opinion that there must be information on the label of the product that consumers buy, so that they may make reasonable and well-informed choices.

Farm-raised salmon raises certain fears with some people. They are concerned by the possibility that if a salmon escapes into the ocean, it may breed with wild salmon.

How do you view this from a technical point of view? How can you prevent this from happening? In your opinion, could this have a negative impact on the food we eat?

[*English*]

**Mr. Mark Lane:** That's another great question, and without controversy, I'm sure.

In Newfoundland and Labrador, we have had interbreeding with wild and farmed salmon. We've worked with the Department of Fisheries and Oceans and independent scientists. We have provided genetic material so that we know they can trace it back to a particular farm or to the industry. We've worked it because we want to know. We are also stewards of the sea. We operate in this province, and I think in most jurisdictions, as openly and transparently as possible.

Does it have an impact? We don't know, so we continue to work with those scientists to make a determination. If these fish are less fit, do they die off generation after generation, or if they're more fit, does it help a stocking assessment?

In my background, in addition to being a traditional wild harvester, I worked in salmon enhancement under a conservation corps for four years as an undergraduate student, and I'm an angler, so it's close and dear to my heart.

First and foremost, as an industry and as individual companies, we have invested tens and tens of millions of dollars to prevent it from happening. Second, we have a rapid reaction response plan, in case there is some type of catastrophic event as they saw in Washington a number of weeks ago. If it happens, then we have a plan to deal with that for recapture.

Yes, it has happened in Newfoundland, and we're working with scientists to determine the facts based on science.

• (1145)

[*Translation*]

**Mr. Alexandre Boulerice:** Thank you very much, Mr. Lane.

My next question is for you, Mr. Foley. You spoke about the negative repercussions of the abusive use of Airbnb on the Newfoundland and Labrador hotel industry. That phenomenon is happening everywhere, and Montreal is no exception. Over the Formula 1 Grand Prix weekend in Montreal, to mention only that, the government lost at least \$200,000 in GST revenue alone.

Certain provincial elected members like Amir Khadir, from Québec solidaire, are proposing bills, not to forbid the sharing economy and the renting of apartments, but to provide a good framework for it. For instance, we need to make sure that the person lives in the apartment he or she rents to a tourist or another person. To ensure that this is a marginal activity and that the apartment rented to a third party should not be considered a hotel, we could limit its rental to 60 days a year.

Would your association see that in a positive light?

[English]

**Mr. Craig Foley:** I think 60 days is probably high season in Newfoundland and Labrador and that would really put you in the business. Our members are comfortable with home sharing and the sharing economy. When it becomes unfair and borders direct competition, we have an issue. You're right. Legislation is being drafted in different parts of the world to deal with this and we're struggling here to find out how best to address that. Sixty days wouldn't do it for us.

[Translation]

**Mr. Alexandre Boulerice:** Thank you, Mr. Foley.

Mr. Bonnell, I found many of your comments and interventions very interesting. I was struck by the fact that they were very similar to what Mr. Butler told us earlier today, especially regarding a possibility of deriving as much value as possible from fishing, and not only through traditional means.

You also spoke about the issue of retaining workers, that is the possibility of keeping qualified and talented people in the industry here. I understood the problem but I did not hear clearly the solutions you proposed to keep your workers or attract new ones.

[English]

**Mr. Carey Bonnell:** That's a very good question and we talk a lot about it.

In my view the solution is probably a three-pronged approach for maintaining an available workforce for the industry of the future. One is to attract and retain to the degree that we can the existing workforce in the local communities in which we operate. Additional work is needed there. The challenge is that we have a structural problem in our seafood industry in that many of our fisheries are highly seasonal. It's very difficult to attract labour into a 12-, 14-, or 16-week fishery with relatively low wages, generally speaking. No young people are going to choose that as a career option when they have other options. There's an opportunity cost associated with that, but there's work to be done to extend seasons and to extend operations.

I'm just back from Iceland. I visited a plant in Reykjavik. It's a modern processing operation run by HB Grandi where 80% of the workforce in that operation are what would be considered former immigrants; that is, they would be Filipinos. In some cases they are second generation and in some cases third generation, where you have mothers and daughters or fathers and sons and siblings working together. That's a year-round operation. They work Monday to Friday with eight-hour shifts and great lifestyles. The minimum salary there, if you take it on an annual basis—I think the cost of living in Iceland is much higher than it would be here—is about

\$50,000. Even then, they have a significant foreign workforce, or formerly foreign workforce, and through immigration they've addressed it.

Here we need a three-pronged approach. We need to attract and retain to the degree that we can. We need to innovate and automate. Mark made the point earlier about feeding mechanisms and having a young student using something that would be comparable to gaming technology. We're doing work now in automation. We have three engineers in one of our research facilities, and we think there's room there through the automation of the industry to provide some really good, highly skilled employment opportunities that would attract people. That's number two.

Part of the solution is going to be an immigrant workforce. That's the reality. The challenge we have is that we don't have the value proposition in the seafood sector right now. For the most part, temporary foreign workers are the stopgap measure. In the long term we're probably going to need a model similar to what Iceland has and other jurisdictions like Norway, where they have longer operating seasons and they can attract a workforce in these operations that is able to become part of the communities and societies.

• (1150)

**Mr. Alexandre Boulerice:** I have a suggestion.

Can we go to Iceland too?

**Some hon. members:** Oh, oh!

**The Chair:** We've heard a lot about Iceland today.

That's good advice. We'll have to talk to the whips.

Ms. O'Connell.

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

Thank you all for your presentations.

I am going to start with Mr. Foley and the hospitality industry. In your presentation you spoke about long-term predictable funding. Can you be specific on the types of federal programs or support that you'd like to see recommended for the 2018 budget?

**Mr. Craig Foley:** My comments about long-term sustainable funding were in particular around Marine Atlantic.

It may take me a minute to put together my laundry list of things where I see opportunity.

In preparing for this submission we looked at four main points that would help grow the industry. These are the four points that we presented given the limited time. Certainly access, getting here, is a problem for Newfoundland and Labrador. It not only includes Marine Atlantic but also airplanes. The labour force and the sharing economy are big challenges to us. These are the key areas where any changes, additions, or enhancements in the federal budget would help grow the industry.

**Ms. Jennifer O'Connell:** I see. Thank you.

Mr. Lane, you spoke about small craft harbours. I gave a look to the chair because I was talking to him about that earlier. One of my colleagues, Chris Bittle, who is the member for St. Catharines, actually raised it and asked if it's come up in these hearings, and I said no. I don't know too much about it, so I was hoping someone would bring it up. I'm glad you did.

Could you elaborate on some of the challenges, for those who don't know, including me? It's my understanding that the issue is a challenge of increasing funding from the federal government since we maintain and operate these. Can you elaborate on what those challenges are and what you think is needed?

**Mr. Mark Lane:** I'm quite familiar with small craft harbours; it's a passion of mine. I served on municipal council a few years ago, and we were trying to lobby to have a small craft harbours establishment established in my town of Holyrood.

One of the biggest issues is that the federal government has a huge inventory of infrastructure that needs to be maintained. Newfoundland's climate is not necessarily conducive to breakwaters and wharf infrastructure, so one big thing that small craft harbours should look at is a divestiture program, potentially, of places where they're not utilized. I think a lot of the investment is made, and rightly so to some degree, on the landings—specifically landings—for the most part, for wild capture fisheries, not necessarily aquaculture, which is the industry we work in.

One challenge is the limited pot of funds. I think the last time I looked, it was somewhere around \$25 million or \$30 million for Newfoundland and Labrador. If you look at the landing ports for cod only in Newfoundland, I think you'd see about 300 around the province. There's a huge inventory of property. They need to look at the total market value of the species. The fishery's changed so much in the last number of years. Some of these wharves are decades old.

I think we really need to take a look at a strategic investment, not just for today but for tomorrow. What do we see upcoming? We know, for example, that salmon aquaculture and shellfish aquaculture are increasing, but because of the limited funding available to maintain such a huge inventory, some of which may not be used at all, the government really needs to look strategically at future investments.

• (1155)

**Ms. Jennifer O'Connell:** That's interesting. Thank you.

Mr. Bonnell, in the earlier panel we heard a lot about changing value. I mentioned at the outset that my family is from here. My experience with cod is that people eat everything. My grandfather eats everything. I'm not that brave, but I think it's a generational mentality. He grew up here with 10 brothers and sisters and was extremely poor, so when you have any food source you utilize it.

On the commercial side, and obviously with cod in particular, but I'm sure this is the case for other species as well, are you essentially...? For example, I don't think I could convince somebody to eat cod tongues, but my grandfather loves them. Are you helping to create the market? I'm not talking specifically about tongues, but in terms of utilizing the entire fish, are you helping to advocate to create a wider market, or does the market exist and it's now changing not only the way it's caught and processed here?

Then whether it's overseas or across the country, how are you working toward changing that model? Really, specifically, are we creating the market or advocating for the market, or does the market already exist and we're just trying to enter into it?

**Mr. Carey Bonnell:** The market already exists for cod. Norway produces almost one million tonnes of cod per year, Iceland about 230,000 tonnes of cod. I've always advocated, and I think most would agree with me, that there is always a market for good-quality seafood. The key differential is the value proposition. We produce 15,000 to 20,000 tonnes right now because it is a re-emerging industry. Right here, right now, our industry, because we don't have scale, is highly seasonal. You're operating for two to three months of the year.

We still use a lot of past practices like gillnets, as an example. In Iceland, about 7% of cod production comes from gillnets. Long-line production is growing. That's what we're advocating here, shifting to a value-based approach, a quality-based approach. The market opportunities are there.

Is there a need for an investment in market intelligence and market research? Absolutely. I've indicated that in my statement, but that's not the overwhelming consideration. The overwhelming consideration is to look at that market and work your way back through the value chain to see what steps we need to take to ensure we're maximizing value. We're doing a lot of work on that front, and I'm encouraged by the dialogue that's taking place on this right now. As we scale up, how do we become more scalable as the industry rebounds?

The one final point I'll mention is utilization. We discard, in Canada, about 450,000 metric tons of seafood per year. That's in both wild capture fisheries and aquaculture. That's shell products. That's fish frames. That's offal. That's what we don't utilize. There is a tremendous opportunity to derive value from that, and again, I would encourage a visit to Iceland to see what they're doing because they are doing an amazing job.

We spoke earlier and I told them I would advocate for them—no, I'm joking. I'm joking.

There is an amazing job occurring there but it's not focusing on food grade. We're talking about pharmaceutical, nutraceutical, biomedical types of applications.

There is a group in Iceland called the Iceland Ocean Cluster. They have a building on the waterfront with 70 businesses, young start-up entrepreneurs, the fishing industry, universities, technology companies, all collaborating and working together under the same roof to increase value from cod in Iceland. That's the strategy they're on now, to get more value from the traditional waste stream than from the actual fillet. It is achievable but it takes a lot of R and D. It takes a lot of time, a lot of effort, and we need to create that enabling environment here.

I'll stop there. That's what we need to create here.

**Ms. Jennifer O'Connell:** Just as a follow-up to that, do you also think there has to be a bit of a mentality shift here as well? When I was here in July out jigging with my family, the discarded fish were everywhere. That's just a big mentality issue too.

What work...or do you think if the jobs come, it won't even matter and it will go in line? Do you see a mentality shift in terms of getting people here to see the opportunity in the industry?

**Mr. Carey Bonnell:** That's both a public policy consideration and an industry consideration. Again, looking to Iceland, they have a zero discard policy. If you catch it, you bring it in, and they deal with it through the quota structure and arrangement they have in place. We don't have that here, and that's a bit of a problem, I think, in Canada. That's a public policy issue.

On the culture side, there was a great quote made by the head of the Ocean Cluster House in Iceland, Thor Sigfusson, when we met with him a couple of weeks ago. I asked, "How did you get here, Thor? How did you get this far ahead?"

He said, "We had to move away from the culture of 'good enough'. We'd always fished with gillnets, so it's good enough. We've always only used the fillet, so it's good enough". Boy, I took that message and brought it back home and I've been talking a lot about this in various forums in the past number of weeks, because here we have that culture, the culture of "good enough", and we have to shift that culture more toward the value proposition that I have been outlining here today.

There is tremendous opportunity, some great stuff, but we have to shift our mindset and shift that position. We can indeed get more value from what we've traditionally thrown away.

•(1200)

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

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

Mr. Kmiec.

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

Mr. Foley, I'm going to start with you and hopefully I'll have enough time to move on to someone else.

My mother runs a bed and breakfast and has done so for decades, so I know how hard it is and how difficult the hospitality business is.

What's the mix of the hospitality industry in Newfoundland and in Labrador? I've never been there. Are there a lot of mom-and-pop operations, small and family-owned? Are there some medium-sized groups, or is it large scale like we have back in Alberta, like Brewster, for instance?

**Mr. Craig Foley:** We have about 2,600 tourism operators in the province. The big chains you'll see in the major centres, but then it goes down to smaller independent hotels. Certainly the vast majority would be small mom-and-pop operations.

**Mr. Tom Kmiec:** I was looking at your website too. You have a large policy section on there itemizing all the problems or identifying the issues that your industry has.

I have two questions. One, you mentioned during your presentation equity and fair rules for the accommodation industry. You were talking about Airbnb. What does equity mean to you in your industry?

I'll let you answer that and then I'll move on to the second one after.

**Mr. Craig Foley:** As your colleague mentioned earlier around legislation, part of the problem we're finding as we work through this is that there is no one real piece of legislation that affects every piece of operation that an operator has.

In a hotel you're dealing with not only the tourism licensing legislation, but you also deal with a liquor board, you also deal with workers' compensation, and you deal with municipal legislation. Because there is so much complexity around the legislative piece, things are able to fall through the cracks, or there is not one bullet that takes care of it all.

That's where the equity piece comes in because if somebody is not in the legitimate business, we'll say, of paying the business tax or being registered or licensed with the government, they don't have those extra responsibilities and commitments.

By bringing people into the business, and that's what we're really asking for—not to get rid of them, but to bring more in and have them apply and use the same rules as the other operators—we would achieve equity. That then allows for equity in pricing, it allows for equity in profit, and it allows the growing of the tourism industry.

**Mr. Tom Kmiec:** Online you have a section that talks about regulatory burden. It says to "work with provincial and federal partners to reduce unnecessary and burdensome administrative and regulatory requirements to tourism operators."

One of those things is doing your books at the end of the year, summing up your financial year, and that's always a problem for all of these smaller businesses, like the one my mom runs, a small bed and breakfast. You're rushing to put your books together because you're thinking about running your business, not trying to comply with the government rules for it.

A lot of the new proposed Liberal tax changes for small business, though, introduce this concept of the reasonableness test. They're going to make it harder for people to prove that family members in their business are actually doing the work.

I remember many times my mom waking me up at 4:00 a.m. and having to go in at 5:00 a.m. because the rooms needed to be cleaned because there were guests coming in or the bedding needed to be changed. How much of an impact...? Have you heard from your members on this small business tax proposal?

**Mr. Craig Foley:** We have, but again, much of the time we had for consultation was high season so many people still had their heads down and were busy doing their work.

Like your mom and other small business operators, they're not going to fully understand the impact of any of this until their tax accountant or tax professional really brings it to them. I think that's when we're expecting to hear the most feedback, once they actually know, in a tangible way, how these things are going to affect them.

**Mr. Tom Kmiec:** You're saying that because of the timing of when it came down it wasn't possible for most tourism operators to participate.

**Mr. Craig Foley:** Definitely, timing was an issue, for sure.

**Mr. Tom Kmiec:** You're thinking that when tax time comes around, whenever their year end filing date is, their accountant is going to tell them there is a problem.

•(1205)

**Mr. Craig Foley:** These are fairly complex questions that professionals need to get to the bottom of and there are different opinions on that. A tourism operator is not necessarily a tax professional. I think that once they fully understand and see how these things are going to affect them we'll probably hear more feedback then.

**Mr. Tom Kmiec:** Is the burden of complying with federal-provincial regulatory and administrative requirements going up or down for your industry?

**Mr. Craig Foley:** I would say up because of the complexity of the industry and the different pieces of legislation, and indeed, we do find many of our operators are hampered because of the complexity of those requirements. The inequitable part of the sharing economy is that there is somebody operating next door who has none of those and I think that's a fundamental gripe that our members would have.

**Mr. Tom Kmiec:** One of the things in the business my mom is in, is that she has just moved to.... Like in many of these smaller businesses, my mom is older. My mom grew up in communist Poland. There was no Internet back then. We didn't even have a colour TV. I came to Canada and there was colour TV and I thought that was pretty neat. That was in 1985, but it sold me on Canada.

She just moved to Booking.com. As an operator she complies with all the rules, but it's not all that much different from Airbnb, and you have a lot of operators using Airbnb.

What is the difference between the two? She is a legitimate operator. Many of the businesses here—the 2,600 operators you spoke about who are complying with all the rules—they may move on to Booking.com and it's just a method of doing business. It's a platform. They could also take advantage of Airbnb, so what is it about the regulatory rules surrounding the sharing economy that's a problem for your membership?

**Mr. Craig Foley:** I think that's a good point. I referenced Airbnb because this is a very new topic and hard research is hard to come by.

Things are evolving. Toronto is just releasing things and Quebec just introduced new legislation, but this report by the Hotel Association of Canada was actually something concrete that we could refer back to. The channel is not the issue. It's not Airbnb necessarily that our members have an issue with. It's an effective channel because through technology they're meeting the consumers where they want to be met, online. They're providing the right booking mechanisms. People are paying online.

All of that stuff is good. We just want to bring that channel into the tourism industry because we see it as a great channel. We may be talking about Airbnb this year. It may be a different channel next year. It's just a matter of making sure that everybody is complying with the same rules and adhering to the same standards.

**The Chair:** Should that include them paying HST, the same as the hotel industry?

**Mr. Craig Foley:** We would say yes.

**Mr. Tom Kmiec:** That's tax fairness.

**The Chair:** That is tax fairness, Tom.

Mr. Russell, on your investment proposal, I guess Canadians are good innovators, poor commercializers. We innovate a lot of things, and then they get sold off. We seem to be a little allergic to risk as compared with many other countries. Would this investment proposal you're talking about help us in that regard?

**Mr. Ian Russell:** It's a great question. The answer would be yes, for two reasons. The first is the overall shortage of risk capital for small business. What typically happens is that we don't have a problem incubating new companies and starting them out. The clusters have worked very well in Toronto, Waterloo, and in other parts of the country. Montreal would be another example. The problem that comes as these companies become profitable and start to grow—they could be tech or non-tech—is access to sufficient capital, particularly if it's a rapid growing phase. That has an adverse impact.

A second concern that would reinforce the need to try to boost domestic Canadian capital, and as you say there are some good reasons, is that there's a lot of risk aversion in the Canadian marketplace, for sure. We've seen that half the private equity venture capital—this is the venture capital that comes in—is U.S. based, so it's coming from a lot of either U.S. venture capital outfits, a lot of them focused on tech, or it's coming from some of the large tech enterprises in the U.S. such as Google, Apple, Facebook. They all have a big presence in Canada. They're ready to pounce on any Canadian company that has a great idea, great technology, and an opportunity to take it to the next stage. Then, even though a lot of these entrepreneurs want to stay independent, they end up getting lucrative deals to simply sell out. At the end of the day, whether it's a U.S. venture capital company or an Apple or a Google or whatever, technology is mobile and those companies are probably gone from Canada over time.

It has happened in Canada not just in high-tech companies. If you look at a company like Lululemon or Aritzia, these are very successful. They were in the fashion business, athletic fashion business in the case of Lululemon. Once you get capital from U.S. venture capitalists, there are usually controls around it and the management, the direction, starts coming from offshore. Then when it comes time to list the company, if it does go public, it will list on Nasdaq. It will bypass the Canadian marketplaces completely. I'm not saying that capital is the only answer, but I think it is an important element in this whole small business equation.

To comment a little further, one concern...and we raised it in the context here of the private corporation tax proposals. I'm not going to get into any of the discussion around that, but I'll just say that Mr. Foley made the comment that they really didn't have time to assess the impact of those proposals on his members. I think that's generally a problem. Whether you think the tax proposals are good or bad, and there's some fluidity obviously in what they were, there just wasn't enough time in the 70-day comment period over the summer.



Now the government is going forward with a reduction in the corporate small business tax, from 10.5% apparently down to 9%. Again, there is an argument out there that we shouldn't have two separate tax rates. That creates a disincentive for small companies to grow—to come back to the point I was talking about—because suddenly you move to a different level. Tax rates are higher, but more importantly, incentives such as the SR and ED benefits, which are very attractive to smaller companies, especially the SR and ED grants, are a real disincentive to get bigger.

Without commenting on the proposals per se, why don't we have an open consultation over a considerable period of time and maybe covering the broader aspects of tax, when these proposals come forward? Again, I don't want to belabour the point on the small business tax. Maybe it's a good idea, but I think it's being taken as a reaction to the small business tax proposals.

• (1210)

I think the bigger issue here is that we need to come at these tax changes in a more comprehensive way, taking our time and assessing what the impacts are going to be on the Canadian economy.

**The Chair:** Thank you for that.

I have one question, and if anybody else wants one, we have time for another quick one from a member here, if anyone wants to go with one.

Mark, the Canadian Food Inspection Agency—

**Mr. Greg Fergus:** I just want to let you know that I haven't had my turn yet.

**The Chair:** Oh, you didn't. Okay. We'll get to you in a minute. I thought we had gone to you, but we didn't.

Mark, on the CFIA, Canadian Food Inspection Agency, how would it enhance productivity and competitiveness in the aquaculture industry if that lab were here?

• (1215)

**Mr. Mark Lane:** I'll take one specific example, Mr. Chair.

In terms of the Canadian shellfish sanitation program, which I mentioned previously, let's say that today we had more than 80 millimetres of rain. Because Environment Canada doesn't have weather monitoring stations throughout coastal Newfoundland and Labrador, it closes the entire shellfish industry, blankets it, because you can't pick one bay from another in terms of weather monitoring stations.

How does that relate to CFIA? We have a limited live holding capacity in this province. Our industry has to shut down for a minimum of seven days according to the CSSP, and on the seventh day we're allowed to start testing the water through Environment Canada and the shell stock through CFIA. However, again, Environment Canada because of the lack of monetary resources that it has—and the staff do the best they can and kudos to those who do—they go out and begin to test the water.

The problem with the shell stock testing is that we had collected it from somewhere in Green Bay, we had to then ship it to the nearest airport, we had then to fly it to Dartmouth or to Halifax, and we had to get it driven from Dartmouth or delivered to Moncton. It usually

takes about another 10 to 12 days to get those back. The entire shellfish industry of Newfoundland and Labrador, because of a single rainfall event, could be closed for two to three weeks. In terms of competing with P.E.I., of course, and the New England states, for example, or others, or just providing a reliable supply to our foreign buyers, it's almost impossible without having a CFIA-certified lab.

Then it goes back to Environment Canada not having the appropriate weather monitoring stations in place, but it's needed, and it's the same for salmon.

**The Chair:** That's a very valid point.

It's my fault, Greg. Please ask your series of questions.

[*Translation*]

**Mr. Greg Fergus:** I would like to thank all of you for your very interesting testimony.

I will begin with you, Mr. Foley. Last week, we heard Mr. David Kaiser, who is a member of the board of directors of the Hotel Association of Canada. He spoke about the impact of Airbnb and all of the peer economy on the members of his association, as you did about Newfoundland and Labrador.

According to the information he gave us, only 17% of Airbnb revenue is generated by the actual sharing of an apartment or house. That means that about 80% of Airbnb revenue, i.e. \$462 million, is generated by renting an apartment or house where the owner is not present.

Is that figure comparable to Newfoundland and Labrador figures? Is it worse or better? Do you know?

[*English*]

**Mr. Craig Foley:** Unfortunately, we don't have the same level of research as Mr. Kaiser would have. In the study he cited, the data was from 11 major centres in Canada. St. John's, Newfoundland, was not one of those. I think Halifax was, probably. The only real information we would have is what we can gather on our own, and that fluctuates by the day. It's not any real hard data.

But, yes, as a general trend, we are seeing more stand-alone accommodations that are not lived in by an owner. People have access to the entire house, and actually, they have multiple units, and that is the trend here. That is really direct competition for the members we represent.

[*Translation*]

**Mr. Greg Fergus:** Among your members, how many generate more than \$30,000 in income a year thanks to B & Bs, or rooms they rent in their homes?

• (1220)

[*English*]

**Mr. Craig Foley:** Again, our members wouldn't necessarily be renting rooms in their house unless they're a B and B.

[*Translation*]

**Mr. Greg Fergus:** I'm talking about B & Bs.

[English]

**Mr. Craig Foley:** I would suspect that for many of the rural B and Bs it would be \$30,000 or below, but again, that is not the significant number of our membership. The ones who are really feeling the pressure would be the people in the major centres—

[Translation]

**Mr. Greg Fergus:** Like St. John's or Corner Brook, for instance.

[English]

**Mr. Craig Foley:** —Corner Brook, Gander, Grand Falls-Windsor, places like that. That's not to say that rural areas are not feeling the pressure of the sharing economy or whatever the appropriate term is for that now, because it seems to be beyond the sharing economy. If you're the one operator in a rural community and you have competition across the road, that's pretty significant, but where we see those aggregated numbers would be in the major centres.

[Translation]

**Mr. Greg Fergus:** Since \$30,000 is the income threshold at which business owners have to start paying GST to the government, even if we decided, as you discussed with Mr. Kmiec, to introduce a level playing field, as we say, would this have an impact? Would it encourage the people who are part of this so-called sharing economy, as compared to your members who do things legally?

[English]

**Mr. Craig Foley:** Again, because of the complexity of the different levels of legislation and policy, the inequity cannot necessarily be corrected by just one entity.

As an example, we have a member who owns hotel chain. He moved a wall in his business. When other inspectors from different departments came in to inspect that, it required drawings. Then he had to go to an architect. He had the drawings made and came back. Then they had to be signed and redrawn. It ended up that the operator was told to put the wall back up to alleviate much of this cost. It was going to cost up to about \$50,000 in this particular case.

Therefore, addressing the equity is not only a tax issue; it's also these other layers of regulation and legislation.

[Translation]

**Mr. Greg Fergus:** Mr. Bonnell, thank you very much for your testimony.

I am from the Outaouais, in Quebec. There are a lot of sawmills in my region, and forestry plays a very important role. I think that your situation here is similar. We want to accent value-added products because we know that that is the way to make a lot of money. In addition, they are cleaner from the environmental point of view, because all of the components of the product are used.

Even if we decide to emphasize that, would private sector entrepreneurs be ready now, with a little help from the federal government, to invest to take advantage of this as they do in Iceland and Norway?

[English]

**Mr. Carey Bonnell:** I think there's interest. I know there's interest, and I see the industry here. They're talking much more about moving towards more of a value-based approach. They're realizing,

particularly with capture fisheries.... I think the argument on capture fisheries in this region is about quality of employment, more so than the number of people employed. In the aquaculture industry, I think a lot of growth is going to occur that's going to create job opportunities. On capture fisheries, we need to create a value proposition that keeps people in the industry. It's about quality of employment, and moving toward that sort of value proposition is critical.

I think one of the challenges we have in overcoming that right now is that the seafood sector, you could say in Canada, but let's say eastern Canada including Quebec, is historically more about production. We buy fish from a harvester, we process it in traditional forms, and we send it to market. We look at niche opportunities, where possible, of course, but that's our focus.

When you're getting into the kinds of things that Iceland is now looking at in terms of getting into pharmaceutical, nutraceutical, biomedical types of applications, the scenarios are a little different and the innovation requirements are different. We need more entrepreneurial engagement.

I look at Iceland and what I see is young entrepreneurs coming out of university, and their energy is going into deriving more value from seafood because Iceland is singularly focused, in many ways, on seafood. We have entrepreneurs coming out of institutions here and they're looking at technology, they're looking at other sectors, and they're not looking at the seafood sector in terms of a value proposition.

I think we have to change that perception and get youth who are coming out of our universities and young entrepreneurs thinking more about that 450,000 metric tons of seafood I just mentioned earlier, and the fact that it's currently a waste product. I'm looking at that as an opportunity to derive value. We have to shift perspectives and become more entrepreneurial. I think the seafood sector would buy into that but it's going to mean newer players and younger innovators coming into the industry who are focusing on that value proposition for it to be successful.

• (1225)

**The Chair:** Do you have a quick one?

Okay, go ahead. We're over time now. A bit more won't hurt.

[Translation]

**Mr. Greg Fergus:** Thank you for your answer.

Are there any young entrepreneurs' groups at the Fisheries and Marine Institute of Memorial University?

[English]

**Mr. Carey Bonnell:** We have a group called the Genesis Centre at Memorial that focuses on that entrepreneurial side. Within my institute, we have a marine bioprocessing research lab. We have doctors, post-doctorates, graduate students who are focused on deriving value from waste streams.

My focus now in the coming months and years is going to be to try to match these two different groups, the technology and innovation in deriving value from waste streams, in terms of R and D requirements, with the entrepreneurial spirit from a group like the Genesis Centre, and try to bring those groups together to identify commercial opportunities, because I completely agree with the point that was made earlier.

We're very good at R and D, and we're very at good advancing the ball on that. Commercialization on the seafood side is the exact same story. It has been our biggest weakness. We take all kinds of great technologies, we bring them to the pre-commercial stage, and then we lose it. I think that's where the entrepreneurial piece has to come in.

**The Chair:** With that, I thank each and every one of the witnesses. I think we had a pretty decent exchange.

We have three people here for the open-mike session, so we'll let the witnesses go.

We'll suspend for one minute and go to the open mike.

• (1225)

(Pause)

• (1230)

**The Chair:** We'll ask the folks for the open-mike session to take a seat at the table and go to one of the mikes there. That's fine.

Mr. Fuchs, Mr. Dodd, and Mr. Power, come on up and join the circle.

Thank you for taking the time. I think you know how the open-mike session works. There aren't questions from members, but you do get the opportunity to take a minute and put your views on the record, and they will be considered in the mix on the pre-budget consultation.

We'll start with Mr. Matthew Fuchs. The floor is yours.

**Mr. Matthew Fuchs (As an Individual):** Thank you very much. I must commend your pronunciation of my last name. It's a hard one to get.

It's so wonderful you came down here to St. John's. Thank you so much for providing this forum for us to be able to speak. I'm here on behalf of the Public Service Alliance of Canada. We're an organization across the country with 170,000 proud members from coast to coast to coast.

It's an exciting time in Canada right now. There are a lot of things being done, and it's an exciting panel this morning. I got to sit in and listen. There's a lot of talk about Scandinavian countries and the things they do right. I'm proud to be here today to talk about something else Scandinavian countries do a little better than we do, but our government has made commitments to follow that same policy decision, and that's providing affordable and accessible child care for every Canadian across Canada from coast to coast to coast.

I'm very happy that our government made a commitment this June with provinces and territories to negotiate an agreement and a separate agreement on indigenous early learning and child care. I think it's absolutely commendable and wonderful the government has taken this on.

The PSAC have some things we would like to see done on this. Originally the amount of funds earmarked only came in at \$500 million. The International Monetary Fund put forward a proposal of around \$8 billion in Canada. That's a lot to take on, especially for a government with the budget constraints we have, but we would like to see something in the ballpark of \$1.2 billion.

You're interested in growing the economy and adding value. One of the ways we can do that is to make more Canadians able to go out and work and participate in the economy. We have parents who have to miss work day to day because of child care needs. There are gaps. We don't have one system that fits all. We have lots of jurisdictional issues. Quebec, like some provinces, is delivering affordable child care to Quebecers. It would be great if we could do that in Newfoundland and Labrador as well.

We talk about labour shortages. One of the ways we can address labour shortages is by allowing Canadians to have that free time to be able to go out and participate in the economy, start a business, and go to work at any types of work that could be there. Child care jobs are jobs too.

I'm rambling a little, and I'm getting the signal. With that, I want to thank you again.

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

Mr. Fred Dodd, the floor is yours. Welcome.

**Mr. Fred G. Dodd (As an Individual):** Thank you very much.

I'm here to change the subject. I'm here primarily because one of the contributors to this book was the president of Saint Mary's University, Dr. Colin Dodds. Some of you may know him. He basically said that this book that he's written needs to be in front of policy-makers, and that's you folks. The issue is demographic. The second issue is the complacency about the role of small business within that context.

Let's take one minute to put this in perspective. We have 1.1 million business owners in Canada who employ 90% of the private sector workforce. Somewhere between 65% and 75% of those business owners are boomers. Two-thirds of those boomer owners say they have to sell their businesses to help finance retirement. Now the issue I've seen in terms of the tax stuff they just rolled out is that all these people are so rich that we can just take money from them. There seems to be a lack of recognition that most of these savings these guys have is their retirement money.

My issue is pretty simple. If we have 65% to 75% of the total business owner population who are boomers about to retire in the next four to six years, and the critical mass of all boomers reaches 70 years of age in the year 2020—the first wave of boomers will be 75, the second wave of boomers will be 70—they are facing a situation where they have to sell, and guess what. The Business Families Foundation says 84% have no plans to sell their business, no plans to get their money out of the business, no plans for business continuation. My question is pretty simple. If, within that context, these people don't succeed, what happens to the businesses and what happens to the workers?

Now in the bigger context we have 20% of the workforce about to retire because they're boomers themselves, so all of your members are going to face some hard decisions as well. Now it's easy for a typical worker to say, "I'm going to retire", because it's just a decision. It's not so easy if you're a business owner. You have to have some planning. Guess what. There isn't any planning process available to them.

If we look at that context, we have 84% without a plan and no one to give them a plan. Now that's not just a Canadian problem. It's a U. S. problem, it's a British problem, and it's an Australian problem. As we move into this four- or five-year period, we are about to see massive changes in economic performance, economic demand, tax base, and you name it.

• (1235)

**The Chair:** We're going to wrap it up there, if we could, Fred. What's the name of the book?

**Mr. Fred G. Dodd:** I'll leave it with you.

**The Chair:** All right, thank you.

Mark Power, go ahead, please.

**Mr. Mark Power (As an Individual):** Thank you.

Good morning, folks. Thank you for allowing me to appear before you. I appeared before this committee some years ago regarding a fish campaign that the Public Service Alliance of Canada was promoting.

I'm here supplementing Matt's presentation from just a few moments ago, and I'd like to talk to you about child care and the Child Care Advocacy Association of Canada. The PSAC is proud to join with them and lobby you for good public policy on child care.

I'm a father, and 11 years ago my wife was not able to return to work because of the lack of child care space and the competition in for-profit child care and infant care, so I have first-hand experience with this pressure that we all suffer under in Canada.

The Child Care Advocacy Association of Canada recommends that you make child care the cornerstone of family policy. You all make great policy, and sometimes policy is complex. Tax policy is complex. Over the last few weeks, Canadians and you have been embroiled in tax reform. I ask you to turn to policy about family, and realize that affordable child care is a public policy that needs your attention just as much as tax reform. We need to provide publicly funded access and support with a comprehensive, quality, inclusive program that provides a range of options not only for infant care and small child care but for after-school care as well.

It's an equality issue for you, as well. One of this government's major pillars and platforms is gender equality. I submit to you that there's no equality when those who need to get back to the workforce and contribute to their pension plans are restricted from doing so.

I'd like to summarize by supplementing the figures that Matt mentioned earlier in terms of what the Child Care Advocacy Association needs and what research shows it's time to return to, in terms of policy. With the other panel members having been dismissed, I'll borrow one of their phrases, which is that it's time to move away from a culture of "good enough". I ask you to think that over and use that lens as well when you develop good policy for child care.

Thank you.

• (1240)

**The Chair:** With that, thank you to all three of you. The meeting is adjourned.







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