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Chair

The Honourable Wayne Easter

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• (1535)

[English]

The Chair (Hon. Wayne Easter (Malpeque, Lib.)): I call the meeting to order. Pursuant to Standing Order 108(2), the committee is studying the subject matter of Bill C-63, a second act to implement certain provisions of the budget tabled in Parliament on March 22, 2017, and other measures.

I thank all the witnesses for coming today. Some of you were invited by all sides of the committee. I hope you can hold your remarks to about five minutes. We have an hour and a half and five panellists, but we can go a little over that.

We'll start with Ms. Roussel from the Canadian Nurses Association.

Welcome.

Ms. Josette Roussel (Senior Nurse Advisor, Policy, Advocacy and Strategy, Canadian Nurses Association): Thank you, Mr. Chair and members of the committee, for the invitation to be here with you this afternoon.

I'm a registered nurse representing the Canadian Nurses Association, CNA, the national professional voice representing more than 139,000 registered nurses and nurse practitioners. Across Canada, there are close to 5,000 nurse practitioners who provide care to over three million people in Canada.

I am pleased to be here today to speak about the specific measures related to nurse practitioners, or NPs, in Bill C-63, budget implementation act number two. We are pleased to be here to discuss this important bill ahead of nurse practitioner week, which starts on November 12 and ends on November 18.

On May 17 of this year, CNA appeared before this committee to inform members about the important role played by NPs in our health care system. Our official testimony before the committee on Bill C-44, budget implementation act number one, noted that NPs conduct physical assessment, order and interpret tests, write admission and discharge orders, and prescribe medications.

As an update, I am pleased to say that NPs enthusiastically joined our October 24 webinar entitled "Updates of Form T2201 Federal Disability Tax Credit Certificate: New Authority for Nurse Practitioners". NPs have certified the DTC since March 22, 2017, budget day, the day the changes took effect. The proposed amendments in Bill C-63 will provide Canada's NPs with the capacity to treat patients to the full extent of their qualifications. As

this committee is aware, these qualifications include the ability to complete documentation about their patients' medical conditions.

CNA has gone through the proposed amendments in Bill C-63. We are pleased to let the members of this committee know that the amendments complete the remaining clauses where NPs needed to be added to fully modernize the legislation. As a result of these changes, NPs will be identified in the Income Tax Act and the income tax regulations as eligible to provide certifications or reports related to other tax measures wherever certification or reports are currently provided by medical doctors.

We are pleased to see that these changes will lead to amendments to the medical expense tax credit, the child care expense deduction, the definition of qualifying student, the registered disability savings plan, and the registered pension plan regulations. We therefore encourage members of the committee to accept the proposed changes. These changes will enhance access for patients whose primary care is delivered by an NP in rural/remote and urban communities across Canada.

As we move forward, CNA anticipates that similar changes will be made to the Canada pension plan disability benefit. CNA has met with both ministerial and departmental officials at ESDC about changes that will authorize NPs to complete the disability-related medical reports for patients. These changes will not only enhance access to care but also lower health care costs.

Finally, I would like to take this opportunity to encourage members of the committee to support the recommendations that were outlined in CNA's 2018 pre-budget submission. The recommendations outlined in our brief aim to strengthen public health education of health care providers, including nurses. Our key recommendations to the federal government include investing \$125 million over the next five years in public education in advance of the passage of Bill C-45, including a one-time investment of \$1.5 million to increase the level of cannabis education for nurses. We also recommend an investment of \$45 million over the next five years to scale up provincial and territorial acute care and community-based antimicrobial stewardship programs, including a one-time investment of \$1.5 million to increase AMS competence and capacity among nurses through a nursing profession-led knowledge, education, and mobilization program.

In closing, I encourage members of this committee to support Bill C-63. We are pleased that the bill builds on the important changes that were found in Bill C-44.

Thank you. I look forward to your questions.

• (1540)

The Chair: Thank you very much, Josette.

Ms. Hanson, with Diabetes Canada, welcome.

Ms. Kimberley Hanson (Director, Federal Affairs, Government Relations and Public Policy, Diabetes Canada): Thank you very much.

Thank you for the opportunity to speak to you on Bill C-63 today.

Diabetes Canada is very pleased to see Bill C-63 grant nurse practitioners the ability to certify applications for the disability tax credit. For many patients, they are their closest and most expert health care providers.

The matters referenced in Bill C-63 affect Canadians living with type 1 diabetes the most. Type 1 is a debilitating, chronic, progressive autoimmune disorder that threatens its sufferers with death on a daily basis. Its sufferers lack the ability to produce insulin, which is essential to metabolizing carbohydrates, which are in turn essential to sustaining life. While we don't know exactly what causes it, we know there is nothing anyone can do to prevent it. Type 1 is a painful, invasive, relentless disease from which none of those who live with it ever get a reprieve. It puts us all at high risk of serious complications like blindness, kidney failure, amputation, and heart disease, and it shortens our life spans by as much as 10 years.

Managing type 1 diabetes has been likened in complexity to flying an airplane. A study in 2009 found that there are 600 steps required to manage it each and every day, and even if its sufferers perform each of those tasks perfectly, their blood sugar doesn't always respond in kind. The same dose of insulin for the same set of circumstances on two different days often results in completely different responses, each of which frequently debilitates the patient. Its variability means it requires constant vigilance, each and every day.

Some people with diabetes don't like to refer to it as a disability, preferring to focus on achieving their dreams despite this challenging

condition. That is an appropriate coping mechanism for some, but by any objective measure, it is a disability for which there is no cure.

Even with our publicly funded health care system, living with type 1 costs its sufferers up to \$15,000 per year for supplies essential to delivering insulin and monitoring blood sugar. Insulin is life-sustaining therapy.

Given those costs and how imperative these drugs and supplies are for us, the DTC and RDSP offer welcome financial support and security. Although the DTC is only worth on average \$1,500 per year, that's \$1,500 that a person with diabetes can use towards their medical supplies and health. There's a strong chance that a person with type 1 will face periods of disability during their working life, and perhaps even have it cut short by the complications of the disease. An RDSP can therefore also provide a great deal of peace of mind for those with type 1 and their families.

Recently, that peace of mind has been denied to most Canadians with type 1. Whereas a year ago more than 80% of applicants with type 1 were being granted the DTC and RDSP, since May 2017 that number has plummeted to less than 20%. As the committee well knows, the Income Tax Act hasn't changed, nor have the eligibility criteria. What has changed is the interpretation by CRA agents.

Notwithstanding the difficulty of managing type 1 diabetes and the certification of hundreds of expert doctors and nurses, since May 2017 agents within the CRA have been overruling these certifications and stating that adults independently administering insulin therapy don't spend the required 14 hours a week treating their illness and therefore are ineligible. This change has been made without consultation or notice.

Diabetes Canada has received hundreds of complaints from people with type 1 diabetes who have recently been denied the DTC. Some were applying for the first time, but many had previously received the DTC and were reapplying. Some have been told they'll have to close their RDSPs in consequence of no longer qualifying. Every one of them had a certification from expert doctors and nurses that they meet the eligibility criteria. Not one has been cured.

That's why Diabetes Canada is urgently asking for the following: one, that the CRA revert to its pre-May practices, accept clinicians' certifications, and grant people with type 1 diabetes access to the DTC; two, that the CRA engage in open and transparent consultations with Diabetes Canada, JDRF, and diabetes experts to create eligibility criteria and a certification process that reflect the reality of this disease; and three, that the government consider granting eligibility for the DTC to all Canadians living with type 1 diabetes on the basis that it is incurable and that subjective application of criteria is both unfair and unethical.

• (1545)

That's why we respectfully request that the committee rectify inequities in the application of the Income Tax Act where it concerns the access of people with type 1 diabetes to the DTC and RDSP. Please help alleviate some of the burden these hundreds of thousands of Canadians carry.

Thank you.

The Chair: Thank you, Kimberley.

From Gay Lea Foods Co-operative Ltd., we have Mr. Dolson.

The floor is yours.

Mr. Steve Dolson (Chair of the Board, Gay Lea Foods Cooperative Ltd.): Thank you very much for the opportunity to speak to Bill C-63 and, more specifically, the provisions to amend the Income Tax Act in relation to agricultural and fisheries co-operatives. As the legislation indicates, the changes are to ensure that qualifying farmers and fishers selling to agricultural and fisheries co-operatives are eligible for the small business deduction.

Briefly, Gay Lea Foods is the largest dairy co-operative in Ontario. We have recently expanded our membership to eligible dairy farmers within Manitoba, and we are the first North American dairy co-operative to include both licensed dairy cow and dairy goat members. At our nine facilities across Ontario, our employees produce a wide range of dairy products, from the consumer favourite, Spreadables Butter, to North America's first smooth cottage cheese, and more recently, Nothing But Cheese, an innovative snack product made with 100% cheese. We also recently added a cheese-making facility in Alberta to our growing business.

With members on more than 1,300 dairy farms and more than 4,000 members overall, Gay Lea Foods is as renowned for its co-operative-inspired values as it is for being a preferred supplier of award-winning dairy products and high-quality dairy components.

Back in the spring, we became aware that certain changes in the 2016 federal budget would have an unintentional but significant impact on co-operative member-owners. A number of co-operatives, financial and agriculture groups, and experts communicated to Finance Canada about this interpretation and the potential impact on members of co-operatives. We were pleased to receive the proposed changes that Finance Canada published in May of this year, and we acknowledge the efficient time frame in which they provided clarification on this technical matter.

We support the proposed changes in Bill C-63, and are satisfied that they will ensure that recently enacted amendments to the Income Tax Act do not inappropriately deny access to the small business

deduction for a farmer selling farm products to an agricultural co-operative.

Co-operatives play an understated but vital role in enhancing Canada's economic and social prosperity, and they support our local communities.

I am tremendously proud that many of the values that define co-operatives are the same ones we celebrate as Canadians. As a proudly Canadian co-operative, Gay Lea Foods invests in our employees and members with training and leadership opportunities. We support the local communities where our employees and members live, work, and raise their families, by donating product, sponsoring local activities, and providing stable, long-term, skilled employment. I am humbled that we are able to do all these activities while growing a 100% Canadian-owned co-operative.

We are empowered by our member-owners who see great value in supporting an innovative, dynamic, and profitable co-operative. With that in mind, as government develops policies and programs to grow the Canadian economy, we encourage you to consider the broader spinoffs and benefits for Canadians that come from supporting Canadian co-operatives like Gay Lea Foods.

Thank you very much.

• (1550)

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

We'll turn now to Mr. Thompson, vice-president of corporate affairs for Molson Coors Brewing Company. Welcome.

Mr. Gavin Thompson (Vice-President, Corporate Affairs, Molson Coors Brewing Company): Thank you, Chair, and honourable members.

Thanks very much for allowing me to speak with you today about a very important aspect of Bill C-63, beer concentrate taxation.

As industries grow, it's imperative that they innovate and find better ways to do business. The beer industry is no exception. Innovation has always been core to Molson Coors' success and culture. From the invention of the aluminum can in 1959, right through to the introduction of the first light beers to the market, our pioneering spirit continues to drive us forward.

Our latest innovation is a new draft process that will reduce beer's impact on the environment, ease day-to-day operations for retailers, and make beer available in more places without sacrificing our valued consumers. By allowing the distribution of beer concentrate in place of the standardized keg, Molson Coors is building on an already solid reputation of being a responsible corporate steward. This latest innovation will allow for a reduction in the overall carbon footprint of the beer industry on the production, storage, and consumption sides of our industry. Additionally, we believe that businesses will realize positive economic impacts, as well as injury reduction in their workplaces. I'm not sure if anybody has lifted a keg, but it's a bit of a workout.

The capital costs of beer concentrate for customers are significantly less than the capital expense of having a keg room, maintaining its temperature, and ensuring regular cleaning, all of which can be costly in themselves. In addition, the reduced carbon footprint of having fewer trucks on the road to deliver the kegs, the reduction in electricity consumption, and the reduced material usage on the production side, makes this innovation a cause for excitement.

Molson Coors has been working with our research and development team to ensure a safe and high-quality end product that is strictly regulated and monitored for quality in every step of our process. As such, we have created and invested in a multi-million dollar innovation hub for this industry based right here in Ontario, and we will be looking to expand the reach of the project as soon as possible.

We are in the early stages right now of testing this new system in Toronto with a limited group of customer accounts, with plans to expand the pilot later in this year and into 2018. We look forward to sharing more details in the coming months as we continue to prove out this concept. I can say to the panel that the early reviews of the pilot are very positive, from both our licensees and the consumers. We're confident that this innovation will revolutionize the industry and begin a new path in beer production and distribution.

Molson Coors is very pleased with the direction the government is headed, and we look forward to the passing of this bill and important regulations.

Thank you very much for your time, and I will be pleased to answer any questions the committee may have.

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

I'm wondering if that would be better with P.E.I. water rather than the Toronto stuff.

Mr. Gavin Thompson: And cheese.

The Chair: And cheese, indeed.

We'll turn now to Ms. Lennox, co-founder and chief executive officer of Startup Canada.

Go ahead.

Ms. Victoria Lennox (Co-Founder and Chief Executive Officer, Startup Canada): Thank you so much. Thank you to the honourable members for inviting Startup Canada and Canada's entrepreneurs to the table today.

Startup Canada is the national rallying brand, community, and voice for Canada's 2.3 million entrepreneurs. Since I launched it as a social entrepreneur, along with my co-founder, in 2012, Startup Canada has grown to represent more than 200,000 entrepreneurs across Canada and across 50 grassroots start-up communities that volunteer-led and entrepreneur-run from coast to coast to coast.

We represent the diversity of Canada's entrepreneurial community. It's so cool that I'm here beside Molson Coors, a great Canadian success story. Many of my members wish they could be so successful one day. We represent women, indigenous persons, mompreneurs, and hackers in their basements. We represent farmers. We represent every Canadian entrepreneur.

We work in the best interests of every entrepreneur to foster an inclusive economy and a growing middle class through entrepreneurship. Through digital programs and flagship events, Startup Canada is the network promoting, inspiring, connecting, and giving a voice to Canada's entrepreneurs, supporting their start, operation, and scaling up of their businesses to build a better Canada.

Our entrepreneurs are among our economy's most important natural resources for the future. Canada is home to 2.3 million entrepreneurs and 1.1 million small businesses, accounting for 78% of private sector job creation in Canada, 30% of exports, and 27% percent of GDP. More than 8.2 million Canadians work for small businesses in Canada.

From my comments, I want you to really understand that the world is competing for this natural resource and the rest of the world is vying for this talent. They're vying for the investments and their share of international markets. What we need to do is to really build a Canada in which our entrepreneurs can flourish, and to keep them here in Canada. We believe that being fair and competitive are not mutually exclusive.

From the recent tax consultations on changing the taxation of entrepreneurs, we have never felt more concern among our community than now, and certainly every member of Parliament who has met with their small business community has felt this. There has never been such an outcry before as when we started to look at our tax system and talk about fairness and our entrepreneurs. That was an opportunity for a conversation, which our entrepreneurs had with members of Parliament across the government.

As we're building tax policy and looking at Bill C-63 in all respects, we need to ensure that we do not inhibit entrepreneurial ambition in our country but that we are our entrepreneurs and demonstrating that Canada is behind our dairy farmers, our Molson Coors', and every entrepreneur. We need to recognize and acknowledge the risk that entrepreneurs take on personally, financially, and professionally when they start a company. We need to increase incentives for Canadians to participate in our entrepreneurial economy, as angel investors and through crowdfunding platforms to unleash entrepreneurial capital. We need to ensure that there are no unintended consequences in supporting the succession or transfer of businesses across generations, or any other unintended consequences, as we look to modernize and create a fairer Canada.

Rather than looking to see where we can tax more, our goal ought to be to grow our entrepreneurial tax base and unleash the entrepreneurial potential of every Canadian.

We have seen the difference that has resulted when entrepreneurs and government work together. Through consultations, we saw the Government of Canada begin to step back and recognize that there were unintended consequences for entrepreneurs in some of the proposed tax reforms. We also saw a recognition of the value of entrepreneurs with the reduction of the corporate tax rate. When we work together, we can create a better Canada for entrepreneurs, as we've shown in the last few months. We're really excited about the possibilities for the future.

In closing, we believe that the government, as it relates to entrepreneurs, can provide the best possible environment and culture for entrepreneurship. In Canada, this is our opportunity today.

There are six things that we can do and that we ask the finance committee to consider as you're looking forward to building our economy.

We need to continue to reduce red tape for every entrepreneur. There is more red tape in this binder here. We need to relentlessly reduce red tape.

We need to make it easy for entrepreneurs to understand and access government services and support. Here in this binder, once again, we're talking about changes to the labour tax code. We're talking about changes to the GST and HST. We need to educate our entrepreneurs on the impact these changes will have on their businesses. We need to ensure that we're making it easy for entrepreneurs to understand what's happening and to plan for the future.

• (1555)

We also need to ensure that we have the best possible tax environment to provide incentives for entrepreneurial growth. As I mentioned, this is through unleashing innovative capital solutions to seed our economy of the future. We need to ensure that every analysis of Bill C-63 takes into account the impact on Canada's entrepreneurs and their ability to create jobs and invest in each other. Whether it be amendments to the Income Tax Act related to legislation that closes loopholes around capital gains exemptions or ensuring that our farmers and fishers are eligible for the small business deduction, we really need to ensure that our tax environment is conducive to entrepreneurial growth.

Moreover, we need to continue to improve domestic and international market access and access to international capital. How will the Asian Infrastructure Investment Bank help us to expand trade links with China and investment between Chinese investors and businesses and our entrepreneurs? How are we looking at this investment in regional consolidation and regional collaboration as an investment in our small businesses? How are we ensuring that qualifying farmers and fishers are eligible for the small business tax deduction?

In addition to opening up new markets and capital, we really recommend that the Government of Canada work with entrepreneur support organizations like Startup Canada and other industry partners to continue the dialogue and conversation. It's only by working together that we can identify that there are implications for entrepreneurs from many of the aspects of Bill C-63. It's our opportunity as a nation to shine as an entrepreneurial nation.

Thank you so much for the opportunity to bring entrepreneurs to the table. We look forward to taking your questions.

• (1600)

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

Thank you all for your presentations.

To your point about the Asian Infrastructure Investment Bank, the committee had a very extensive discussion with officials about that investment bank yesterday, with a lot of good questions and I think a

lot of good answers. If you go to yesterday's minutes, you'll learn a lot about where that investment bank is going.

We'll start questions with seven-minute rounds.

Mr. Sorbara.

Mr. Francesco Sorbara (Vaughan—Woodbridge, Lib.): Thank you, Mr. Chair.

Good afternoon, everyone, and welcome.

To the Canadian Nurses Association, can you outline some of the benefits for the health care system of nurse practitioners now being able to write the certificates, if I can put it in general terms? Can you also outline some of the benefits for patients?

Ms. Josette Roussel: It is absolutely beneficial to Canadian patients and the health care system, and also to their teams. A significant amount of time used to be wasted in finding practitioners who would complete the form. Having more practitioners who can complete the forms makes it an accessible process for patients. Right now we know that over 100 forms per week have already been completed by nurse practitioners since March.

It has had a fairly significant impact on access to this service for Canadians.

Mr. Francesco Sorbara: This is obviously coast to coast to coast. It benefits all Canadians.

Ms. Josette Roussel: All Canadians, yes.

Mr. Francesco Sorbara: Thank you.

Since we're talking about beer this afternoon, I'll ask about the innovation in beer. Will this make the keg obsolete? Will we not see that anymore?

Mr. Gavin Thompson: I would say not in the near term, but it is definitely an option that could transform the industry. A lot of this will pertain to adoption within our industry, and that's the longer-term goal of this objective.

Mr. Francesco Sorbara: You alluded to a reduction in the carbon footprint. On a relative basis, could you give us some more details and dig a little deeper on the reduction in the carbon footprint?

Mr. Gavin Thompson: Absolutely. I mentioned the trucks off the road and that the payload would be a lot lighter when carrying these. They're literally like a box. So you can imagine that those will be taken off the road.

There's also a lot to do with the packaging. Right now the cleaning and creation of kegs in an aluminum format is very costly. It also uses a lot of water to create them and to clean them. This packaging is 100% recyclable and will go right back into the system.

Too, from an electricity standpoint, the liquid will be cooled at the point of distribution. You won't have to worry about keeping it cool in a large room. So refrigeration costs and electricity costs will be reduced as well.

•(1605)

Mr. Francesco Sorbara: I used to cover your company on the bond desk and was glad when you guys put security on your Canadian dollar bonds. We were all very happy about that, and you changed your corporate structure.

Regarding the innovation hub that Molson Coors has started in Ontario, can you fill us in on how many people you expect to be working there and the amount that has been invested? It sounds like a great news story for Ontario.

Mr. Gavin Thompson: Yes. It's a physical facility right near our brewery in Toronto. It currently employs the project team, which I would estimate is approximately 10 people. That's been the core team working for the past year or so on the project. The total investment to date is just shy of \$5 million.

Mr. Francesco Sorbara: Thank you.

I'll go to Diabetes Canada.

We've heard some numbers. We've heard this 80% rejection rate. Do we have a source for this data?

Ms. Kimberley Hanson: We have multiple sources for this data. We have personally been contacted by several hundred people with diabetes complaining that they've recently been disallowed. We've also received a number of complaints from a number of diabetes clinics across the country that they're seeing multiple rejections, unlike in the past. We've heard from a number of social forums of people with type 1 diabetes that there has been a strong pattern in this regard. We've also heard from the Association of Canadian Disability Benefit Professionals, an association of companies that provide assistance to people who choose to have it, applying for the DTC and RDSP.

Based on the number of people who have contacted Diabetes Canada directly in the past couple of months, we can see that in the past six months there have been 715 disallowances and only five or six approvals, not all of which are for adults. I have seen the copies of these disallowances. By contrast, in the same period in the previous six months, there were more than 1,000 approvals and only five or six disapprovals. I don't have a complete dataset. We asked the CRA for this information. I understand they don't keep records in the way we ideally would want, for them to be able to answer questions on people with diabetes specifically. We haven't received a response to our question even in general terms. I don't have statistics from the CRA, but I have a great many sources who are experts in this community, all of whom are pointing to a ratio of far more than a 80% rejection rate.

Mr. Francesco Sorbara: I understand. Living with diabetes is obviously very disruptive to someone's life to have such a medical condition and so forth. For the 80% rejection rate, I would love to be able to see the hard data on where that number is coming from, and not just have it as a circumstantial number that has been polled.

Ms. Kimberley Hanson: I share your desire. As I said, I've "ATIP'ed" the hard data, and once I have it, I'll be happy to share it.

I think, though, a key point is that even the CRA itself has acknowledged in the last week that it changed the verse in the first week of May that introduced the language that an adult independently managing insulin therapy generally does not require

the required 14 hours a week for that therapy, unless complications are present. Thus, they acknowledge that they made that change, and that change has caused a spike in the order of hundreds if not thousands of additional disallowances of people who had previously been allowed and whose doctors and nurses are certifying them. Therefore, whether my 80% number is valid or not remains to be seen, but the unquestionable reality is that there has been a marked change in practice that is adversely affecting tens of thousands of Canadians, and we need it to change as quickly as possible.

The Chair: You're over the time, but go ahead.

Mr. Francesco Sorbara: I'll move to Victoria.

I met up with the Startup folks from York region. If you could you talk about what's most important for the small innovators out there, that would be great. Thank you.

Ms. Victoria Lennox: As I said, Startup Canada works with over 200,000 entrepreneurs, including in York region, and at the earliest stage our entrepreneurs are looking for access to capital and access to information. One of the biggest opportunities that the Government of Canada has is making all of the investments in innovation and infrastructure for entrepreneurs actually work for Canada. There are investments in accelerators, incubators, small business programs, IRAPs, and SR and ED tax credits. We're supporting superclusters. How does the mainstream Canadian engage with that and the mainstream entrepreneur? I think the biggest thing that our entrepreneurs ask for is access to capital, so that's why we support them with financial literacy and financing skills, help to connect them with financial institutions, including working with the Business Development Bank of Canada. But what they really need is access to information to be able to access the support they're looking for as quickly as they possibly can.

•(1610)

Mr. Francesco Sorbara: Thank you.

The Chair: Thank you, all.

Mr. Poilievre, go ahead.

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

My question is for Kimberley Hanson, from Diabetes Canada. I'd like to begin by thanking her for her advocacy on behalf of the thousands of people whose applications for the disability tax credit are being rejected.

I'd like to read a letter from the Minister of National Revenue—I have it before me—in which she is referring to the requirement that diabetics need 14 hours a week of life-sustaining therapy in order to qualify for the disability tax credit. She says, "adults who independently manage their insulin therapy on a regular basis are unlikely to meet the 14-hours-per-week requirement."

Is that statement true?

Ms. Kimberley Hanson: It is not true.

As I've said before, it's certainly not our statement that every person with type 1 diabetes needs more than 14 hours a week to manage that disease, but many, if not the majority of us, do. That's even for the activities that are presently allowed under the Income Tax Act and by the CRA guidelines. For example, allowed activities that type 1s must perform daily include testing blood sugar. We do that between six and 10 times on a normal day. That's about five minutes each time. We are allowed to calculate the time it takes for us to calculate and administer doses of insulin. We take a minimum of four injections a day, and that would be on a good day; often it would be more than that. Each time, the calculations and the process of preparing the insulin and taking it would take about five or six minutes. We are permitted to count the time we spend logging blood sugar, and that takes about 15 minutes a day to do well. Then, we are permitted to account for the time we spend analyzing the results, because the patterns in our blood sugar and our responses to insulin tell us what our next dose ought to be. As I mentioned during my remarks, those vary wildly day by day.

Just on those very basic activities—which are by no means all that goes into managing type 1 diabetes—it's very easy to spend an average of two hours a day, 14 hours a week, managing type 1.

Hon. Pierre Poilievre: There is a change at CRA in the department's perception of the amount of time it takes to treat type 1 diabetes. Is it your view that this change in perception is responsible for the massive increase in rejections of diabetics applying for the disability tax credit?

Ms. Kimberley Hanson: That is my view, and it is consistent with what we have been told by the CRA, in conversations as recently as yesterday, which is that they formed that belief, wrote it into verse, and began using that new verse in interpreting and responding to applications from people with type 1, and that verse is saying that adults with type 1 don't take 14 hours.

Hon. Pierre Poilievre: I'm sorry to interrupt. By “verse”, do you mean that this is the language I just quoted from the minister's letter?

Ms. Kimberley Hanson: That is what I understand from the CRA. I am trying to learn their lingo.

Hon. Pierre Poilievre: So CRA has taken wording that has been used in the minister's letter and used it to deny thousands of diabetics their disability tax credit.

Ms. Kimberley Hanson: That is correct. We asked them whom they consulted with in order to form that opinion. It appears they have acknowledged, themselves, that it was perhaps a misinterpretation of some complaints they had from some endocrinologists who were saying that they didn't feel comfortable having to attest to the fact that I spend 14 hours a week checking my blood sugar or dosing insulin, because I do a lot of that outside of a clinical setting. That's a very valid concern, and we share that concern. We don't like the criteria as they are written, but the complaints and criticisms from those endocrinologists were about the certification process, not saying that adults with type 1 don't spend 14 hours.

Even the CRA has acknowledged to us that they may have misinterpreted those complaints and formed them into a new interpretation that is resulting in a discrimination against adults with type 1.

● (1615)

Hon. Pierre Poilievre: You brought that discrimination to light about a month ago. It has been on the public record, widely reported in the media. Since that public controversy erupted, roughly four weeks ago, has the government solved the problem?

Ms. Kimberley Hanson: No, they have not. Our conversations with them, as recently as yesterday, are to look at how we might set up a process to engage in a series of conversations with experts to inform them about what goes into managing type 1 so that they can inform us about their clarification procedures and questions. We are certainly willing to participate in those conversations. We think that educating them about the ins and outs of managing type 1 is critical to a real solution, but I don't feel optimistic, based on those conversations, that change is anywhere near imminent, or that they have a willingness to look at changing their recent practices.

Hon. Pierre Poilievre: Of those who had doctors certify that they qualified for the disability tax credit but were rejected by CRA in the last year, how many have had their tax credit reinstated in the last month? Have you heard of even one case of someone who has called you up and said, “Since the minister learned of this problem, I have had my tax credit reinstated”?

Ms. Kimberley Hanson: No, I have not heard of any cases of anybody being reinstated. My understanding is that, since our meeting on October 25, they have frozen the application of every person with diabetes for the disability tax credit. Right now, none of us are getting refused or approved, but I have not heard.... I've searched far and wide, and I have been able to find only five cases, literally, of people who have been approved since May. No one is getting through, that I can find.

Hon. Pierre Poilievre: Wow.

How much time do I have?

The Chair: You're pretty near there, but go ahead. You're on a line of questioning. We'll let you finish.

Hon. Pierre Poilievre: Okay.

When was the first time you brought this issue, this high rejection rate, to the attention of CRA or other members of the government?

Ms. Kimberley Hanson: Late June or early July we wrote some letters to both the minister's office and the CRA and attempted to engage with them.

Hon. Pierre Poilievre: It has been four months.

Thank you.

The Chair: Thank you, Mr. Poilievre.

On that series of questions, have you, or anybody else from Diabetes Canada, met with senior officials at CRA in recent weeks? Have you requested a face-to-face meeting with officials?

Ms. Kimberley Hanson: We have, and we did receive a face-to-face meeting with the director general of the relevant part of the CRA on October 25, near to the time of the initial press conference, and we had one follow-up by telephone yesterday.

The Chair: Where is that discussion going at the moment? Do you know?

Ms. Kimberley Hanson: As mentioned, we are currently looking at setting up a teleconference for the last week of November, where we will have some endocrinologists, some nurse practitioners, and some general practitioners available to discuss the application process, the eligibility criteria, and the clarification questions that the DTC normally asks, and attempt to engage in a process to educate the CRA employees about what goes into managing type 1.

We are currently still at the stage of establishing an agenda and agreeing upon who might be party to that conversation.

The Chair: Thank you. That's good information.

Mr. Dusseault, go ahead.

[*Translation*]

Mr. Pierre-Luc Dusseault (Sherbrooke, NDP): Thank you, Mr. Chair.

I apologize to the witnesses, but I would like to take a minute to table a notice of motion. Right after, I will ask my questions.

Mr. Chair, I would like you to reserve time during Thursday's meeting so we can discuss this matter, so that there is no interruption during our time with the witnesses. It will allow me to debate the motion and hear the opinions of my colleagues.

The motion is as follows:

That, given ongoing media revelations that could implicate some Canadians in aggressive tax avoidance or tax evasion, the Committee invite Stephen Bronfman, Revenue Chair for the Liberal Party of Canada; and Leo Kolber, former Senator and former chief fundraiser for the Liberal Party of Canada, to appear before the Standing Committee on Finance before November 30, 2017, to answer questions relating to their offshore assets in jurisdictions that are considered to be tax havens.

I'll wait until Thursday to provide more detailed comments to motivate the motion. Today, I just want to mention that this study is important to understand why these two people say they have acted in a completely legal way. This could enlighten the committee on ways to correct the situation, so that these immoral actions become illegal.

So that's my introduction to the topic we could discuss on Thursday.

• (1620)

[*English*]

The Chair: Okay. Notice is given. We'll try to schedule it in on Thursday.

[*Translation*]

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

I would like to quickly come back to the issue of people who have diabetes in Canada.

According to the minister, nothing has changed; the interpretation hasn't changed. We have heard this many times. Now, you're saying the opposite. Since it's coming from someone who's independent,

from civil society, perhaps the government will realize that something is happening and that there is a problem. For our part, although we have repeated it 100 times in the House of Commons and in committee, the government does whatever it wants and keeps telling us the same old story.

Do you really think that the Canada Revenue Agency has the medical skills and abilities to decide that the 14-hour condition hasn't been met?

Ms. Kimberley Hanson: This is really one of our biggest concerns.

[*English*]

What we're saying is that we don't understand why CRA agents are overturning the certifications of expert doctors and nurse practitioners who are attesting that a patient is requiring the 14 hours. As I mentioned at the outset of my remarks, I don't pretend to say that every single type 1 case always takes 14 hours a week, but many do. Who could possibly be in a better position to comment on that than the doctor or nurse who's managing that person's care? When those doctors and nurses are putting their licences to practise on the line by saying that their patients meet the criteria, frankly I find it stunning that analysts in tax centres would feel they know better and would overturn those attestations.

[*Translation*]

Mr. Pierre-Luc Dusseault: I would like to add a comment on this topic. We also hear that technologies have changed. I believe it was in the same letter that my colleague Mr. Poilievre mentioned. It is said that, among other things, it is due to your organization's investment in research to alleviate the effects of diabetes on daily life, technologies are now making treatment time less than 14 hours possible.

What are your thoughts on this comment? Is there a way to address this situation? If the technology has changed, maybe the criteria are no longer adequate.

Ms. Kimberley Hanson: That's an excellent question.

[*English*]

There's no question that technology has improved vastly in the area of management of diabetes in recent years. It's even stunning for me to think about what's happened in the last 20 years, to say nothing of what's happened since insulin was discovered in 1921 by a Canadian doctor. That technology and the improvements and advancements in it have made it very possible for people with diabetes to manage their diabetes much better than they used to. Countless studies have shown that it has strengthened our ability to minimize the risk of complications and death. It minimizes the costs to the health care system in terms of the amount of emergency health care required by people with diabetes, and so on. However, there is absolutely no reason to assume that it takes less time or that it makes the management of type 1 diabetes quicker or easier.

In fact, the reverse is often true. I'll expand on that slightly. In my grandfather's day, he took his blood sugar by a urine strip once a day, took a fixed amount of insulin by injection a certain number of times a day, and then just basically ate the same kinds of things day after day. That was how you managed it.

Now, a person with diabetes often has an insulin pump that needs to be primed, calibrated, programmed, and responded to. They wear continuous glucose monitors that buzz them many times a day to indicate their blood sugar is rising or falling, or they need to take another dose of insulin, or it has low batteries, or what have you. We take our blood sugar with glucometers, as I mentioned, six to 10 times a day. It's a much finer process for managing the disease, but it is not quicker. It's quite the contrary. In fact, the costs of the technology that help us live better and protect our health, and the costs to the health care system, are more reasons why people with type 1 diabetes can ill afford to lose a \$1,500 tax credit, let alone their RDSPs.

• (1625)

[Translation]

Mr. Pierre-Luc Dusseault: I will now turn to the Molson Coors representative.

We are talking about new technologies in health care, but there are also new ways to make beer from concentrates. These are two things that we are trying to fix today.

What is the current tax treatment of beer made from concentrates? Is it considered ordinary beer? Could you enlighten us on that?

[English]

Mr. Gavin Thompson: Yes, absolutely. That was one of the issues we came into this with, which is that it is brewed as beer. Eighty per cent of the water is taken out of it through a process after the brewery, so the excise is applied at the brewery. The full excise is realized there, and then in transport it goes up to a higher alcohol level. We didn't want it to be treated as spirits, because it is still a beer concentrate. When it's reconstituted at the end, the excise is applied there as well, at the consumer level. It is beer throughout the whole process.

[Translation]

Mr. Pierre-Luc Dusseault: So that would be to prevent excise duties being levied on the total volume of beer, initially, before it is converted into concentrates.

[English]

Mr. Gavin Thompson: Yes. The federal excise comes off right at the brewery point. In a sense, all excise taxes remain whole on this whole process.

The Chair: Thank you, Mr. Dusseault.

We'll turn to Ms. O'Connell.

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

Thank you, all, for being here.

I want to follow up with Ms. Hanson. My questions are not around the qualifications in terms of the amount of time spent. I want to talk about some of your numbers, because I think we need to understand this further. We hear that there has been no change, yet the suggestion is that all of these disallowances show that there has been a change. There seem to be differences in the numbers you provided in your testimony. In your opening remarks, you said that hundreds of people have complained about rejection, and then, when

you answered Mr. Sorbara's questions, you said that several hundred clients have contacted you. Then Mr. Poilievre said "thousands", and then you said there had been 715 disallowances. You also said that you received the 80% number but you don't know if that number is correct.

Which number is it? Diabetes Canada has indicated that it has received 715 disallowances. How many of those 715 had been approved previously?

Ms. Kimberley Hanson: I don't think there are inconsistencies between those numbers. I have personally seen 715 cases of disallowance. I know, of course, that I have by no means seen every disallowance there has been for people with diabetes in the last six months. I have statistics that are coming from groups that treat or support thousands of patients trying to access the disability tax credit. That's where "thousands" comes from.

For the 715 cases, I'm afraid I can't provide you with a breakdown of exactly what proportion had previously qualified for the disability tax credit. However, based on an online poll of a group that represents 1,500 people who have been seeking the DTC and RDSP for a number of different conditions, I would say that a third to one-half of the people who have been disallowed in the past six months had previously been approved for the disability tax credit. It's clear that it is affecting both new applicants and people who are reapplying.

• (1630)

Ms. Jennifer O'Connell: Where was that online poll? Who conducted it?

Ms. Kimberley Hanson: It was conducted by the administrator of the Facebook group on the disability tax credit and RDSP.

Ms. Jennifer O'Connell: Oh, it was a Facebook poll. Between a third and one-half in the Facebook poll said they had previously received the credit and now they don't.

Ms. Kimberley Hanson: A third to one-half of the people who said they have been disallowed since May, for diabetes, had previously applied.

Ms. Jennifer O'Connell: That's out of 1,500 on a Facebook poll.

Ms. Kimberley Hanson: Not all 1,500 are people with diabetes. They are just people in this forum. What I am trying to say—

Ms. Jennifer O'Connell: It's a forum of 1,500 people. Not all have diabetes, and a third to one-half, we suspect, have identified that they received it once but now don't. It's a third or one-half of less than 1,500 on the Facebook poll.

Ms. Kimberley Hanson: No. That Facebook group in no way represents every person who has applied for the DTC or RDSP.

Ms. Jennifer O'Connell: I know, but that's the testimony. I'm trying to make sure that I write down the right numbers.

Ms. Kimberley Hanson: By all means. I want to be clear. I never said that I had scientific numbers. I wish I had them. I filed an ATIP request in early August asking for these hard numbers from the CRA. I am saying that we are seeing an alarming trend, a massive decline in the number of people who are getting approved. Based on all the sources of data that I previously shared with you, I can point to a handful of people—maybe five—in the past six months who were approved, and I can point to a handful in the preceding six months who were not. I am saying that the world has turned upside down for people with diabetes who are applying for this tax credit. I don't know what the exact numbers are. I wish I did. The pattern is the point.

Ms. Jennifer O'Connell: I guess it's the testimony then that 80% is really not something that this committee can really quantify at this time. I'm curious about the amounts. Has the number of applications for people who have never previously applied for the disability tax credit increased? I also know there has been an increase in the number of promoters or companies that target individuals. Actually the previous government had introduced legislation to set a cap on how much these promoters could.... Basically they collect a part of the disability tax credit, up to 35% to 40% of that \$1,500 you spoke about. I'm curious whether the promoters have actually created an increase in the number of applications. Of the people in the last year who applied, how many had never applied before? Is it possible that the increase in rejections is due to these promoters targeting people who never thought they could apply, and now they've applied and maybe they don't meet the qualifications. I'm just trying to figure out where this change is coming from.

Ms. Kimberley Hanson: That's an excellent question. In the past 10 years, there has been an increase in the number of promoters, companies that help people apply for the DTC on a fee-for-service basis. A few of them were charging egregious amounts and their fees had to be capped. The majority don't charge that much. I would liken their services to those of an H&R Block. I file my own taxes, but other people choose to pay for that service to be performed, and I think that's a free market right. So I'm not so concerned personally with what they charge.

They did cause an increase in the number of people becoming aware of the program and applying for the program, and that is certainly the cause of the increase in numbers of applicants. However, I want to be very, very clear in saying two things. First of all, the CRA has maintained to us consistently throughout our dialogue that it wants more Canadians who are eligible for the DTC to be accessing it. So I don't understand why there would be a problem with promoters helping Canadians who are eligible to know about the program, to work with their legitimate licensed medical professionals to be certified for it, and to apply for it. That's thing one.

Thing two is that I have been very careful to confirm that the pattern we were seeing was the same for the general population who were applying on their own behalf as it was for the population who were applying for the DTC with the support of promoters. I can confirm for you absolutely unequivocally that it was. In fact, if anything, those applying on their own were disallowed more often than were those applying through promoters.

• (1635)

Ms. Jennifer O'Connell: Thank you.

The Chair: This is your last question, because you're overtime, but I've let everyone go over today.

Ms. Jennifer O'Connell: I guess until we have the numbers, we'll have to wait and see.

My last question is for the Canadian Nurses Association. I know you touched on it in your testimony, but in terms of the ability of rural communities to use nurse practitioners, can you maybe identify the rural component and why this matters so much in terms of your lesser access to doctors to fill out these forms?

Ms. Josette Roussel: Of course. We have over 600 first nations communities that are staffed mainly by nurses and nurse practitioners. This will meet the needs of rural communities. Of course, we have been working closely with the Nurse Practitioner Association of Canada and they have rural nurses as members, and have been promoting this as an issue.

Ms. Jennifer O'Connell: Thank you.

The Chair: Thank you all.

Mr. Kmiec.

Mr. Tom Kmiec (Calgary Shepard, CPC): Thank you, Mr. Chair. I'm happy to continue on the disability tax credit.

You have said that you are doing an access to information request to get information on how many people are being refused, how many people have applied. Does the Canada Revenue Agency have this information?

Ms. Kimberley Hanson: They have a part of this information. As I understand it, the way they gather information on the rates of applications, approvals, and denials is by category of application. The members of this committee will know better than I that there are a number of categories under which you can apply for the disability tax credit, one of which is life-sustaining therapy. That's the most pertinent one.

Mr. Tom Kmiec: So the government could just release what information they do have instead of making you do an access to information request.

Ms. Kimberley Hanson: We had asked them directly before we submitted the ATIP.

Mr. Tom Kmiec: And what did they say?

Ms. Kimberley Hanson: They said that they couldn't provide us with it.

Mr. Tom Kmiec: And what was the reason?

Ms. Kimberley Hanson: It was because they didn't track information by diagnosis; they tracked only by category of application. I said, "Okay, fine, give me the numbers for everybody who applied under life-sustaining therapy, and we'll just see if there's a pattern in that," understanding that people with other conditions also apply under there. I still haven't received that information. I made that ATIP request in August.

Mr. Tom Kmiec: Two years ago the Liberal government promised that they would proactively inform people of what benefits they were entitled to. Now they've obviously broken that promise. The previous line of questioning was attacking people who facilitate for others, people who may not understand the tax code—and I'm looking at a 300 plus-page budget document here—well enough to do their taxes themselves.

Do you think that's right?

Ms. Kimberley Hanson: I really don't. I think frankly that the concerns that have been expressed about promoters are a red herring. I think that it is fully reasonable to expect that some people would find the process opaque. I am spending half of my time now trying to understand just one tiny portion of the application process for a DTC, and it's pretty tough.

So I think that blaming this on the promoters is a red herring for the real issue, and it is at odds with the statements, as you point out, that we want more Canadians to be able to access this program.

Mr. Tom Kmiec: I have here an email from a tax specialist who lives in my riding and who helps people apply for the disability tax credit. It's a service they provide. I've been told that the refund timelines have also been extended overtime. They went from someone being able to get a refund in two weeks to the CRA now being quoted as saying that it will take 25 weeks. Has that been the experience of the people who communicate with you?

Ms. Kimberley Hanson: It's often even worse. Whereas it used to be three or four weeks, now it's over 40 weeks that most people are being quoted for a response to their application, so much so that I'm aware of one promoter who used to employ 30 people, last year, to provide support for Canadians accessing this program, under multiple illnesses, but they are actually shuttering their business because they can't have a business that's dependent on approval times and review times that have lengthened so much, particularly when that's 40 weeks just to get the first set of questions sent to your doctor, and then you go back into the queue and wait again.

So it's clear that the CRA is overwhelmed with the workflow, and that's why I'm supportive of the idea of more nurses being hired to help with that. I think, though, that only helps with this particular problem, and this problem is quite unique. I can't say that strongly enough. I work in a group that provides support to people applying for the DTC, and tries to ensure fairness under multiple different conditions, and nobody's being targeted the way that people with diabetes are.

So if those nurses don't also get a deep education in what it takes to manage type 1, then they are not going to help.

• (1640)

Mr. Tom Kmiec: I've been talking to Steve back and forth for quite a while now, specifically on this. In this same email, he says there are two issues.

One is the initial application for the DTC, hearing back from the CRA; and the second part is actually receiving the refund. In the small number of cases that he says are still being approved for people—these are repeat cases, people who have received them year after year after year. He's saying that now they're quoting him 25 weeks just to get the refund the CRA has already approved, 25

weeks of withholding an amount of cash, a tax-free loan to the government, that the person is eligible for.

Is that the same thing you're hearing from your members? Are they making a distinction between the two, and are the timelines lengthening both on the application form—you said yes—but then also on the refund component of the DTC?

Ms. Kimberley Hanson: I've heard a lot more about the lengthening of the time that's being taken to review the applications. I have also heard complaints that the refunds are taking much longer.

The Chair: Thank you all.

Mr. McLeod.

Mr. Michael McLeod (Northwest Territories, Lib.): Thank you, Mr. Chair.

As a new member of this committee, I'm getting a little confused. Diabetes Canada is here on behalf of the Conservatives, who've asked them to come as witnesses, and now they're kind of scolding us for asking questions.

The submission that Diabetes Canada has made is not clear. I'm sure they also represent the disability promoters. That's something new. I didn't know they did that. I don't know if we have that in Northwest Territories, which I represent. Diabetes is very widespread amongst aboriginal people. My mother was diabetic. Almost everyone in my family is diabetic. I'm not there yet, but with the pattern that has established itself, I'm sure at some point it is something that will challenge me.

I'm also stuck for questions for everybody else, because most of the presenters don't have a presence in Northwest Territories.

The Canadian Nurses Association has really done a lot of good work in my riding. I'm very happy for some of the efforts that you've put in to try to get nurse practitioners in the north. They've done so much good in that area.

I think I'm the only MP who lives in a small aboriginal community. I never in my life have seen a doctor twice in a row. Every doctor flies in and leaves. We have a very tight schedule. They come in once every two weeks, or sometimes once a month. Nurse practitioners are doing a lot of good.

The issue of disability promoters and such is very concerning. I want to ask the Canadian Nurses Association if you think our government should form an advisory committee to work on this whole issue to make sure it's clear, to get to the root of some of the discussion that's happening. It's not something that I take lightly, and I think we need to do more work in that area.

Can you maybe tell us what your opinion is on it?

Ms. Josette Roussel: Of course. Thank you for the question.

We believe in discussions and dialogue. It's a good way to really hear everyone's point of view. We trust that the committee will have the right discussions and the right decision on this issue. We are hearing similarly that there are discussions currently happening at the CRA on this issue, and nurses are invited to the table. We are pleased to be at the table to provide expertise and to support, in any way, this issue. As you know, nurse practitioners are new in this part of their practice, to be able to certify. We're learning. We're providing a lot of education and are creating fact tools to enable an easier understanding of this new process.

• (1645)

Mr. Michael McLeod: Further to that, in your presentation you talked about scaling up. Scaling up, I'm assuming, is with the nurse practitioners. Could you explain a little more about what you meant when you made that comment?

Ms. Josette Roussel: It's important to scale up any legislative barriers that would enable the further ability of nurse practitioners to fully practise to their full potential. Scaling up any changes that we have done, that's what I was referring to in my testimony. What we're seeing right now with the changes, it's very positive; it's positive to Canadians and will have a great impact on Canadians having access to those tax credits, not being delayed with process, and having them in a timely manner.

Mr. Michael McLeod: In the north there are not a lot of nurse practitioners. In the area I live in, the tribe that I belong to, we have 10 communities. Most of the time we have one nurse practitioner, if the person doesn't get burnt out and decide to leave. That happens a lot. The position is vacant about 30% to 40% of the time.

Is there a way that we could look at other people taking on some of the responsibilities for making the prescriptions and some of the duties that the nurse practitioner has? They do good work, but there are not enough to go around. Is there a way we could get other people to fill in some of the responsibilities? Or do you have any suggestions on how we could increase the number of nurse practitioners in the north?

Ms. Josette Roussel: That's a very good question. There have been multiple initiatives to try to increase the number their own nurse practitioners in their own communities. Some models are successful in attracting and gaining those resources, which are really precious to communities. Sometimes it's a matter of the educational preparation of the current nurses who are practising in those communities, but certainly having education available to aboriginal community members and access to that education and resources so that you can increase the number within your community and retain them has been successful in small communities in Canada. It is a challenge, and I agree with you about having a dialogue and learning from each other. You can learn and develop some resources and keep them in your communities.

The Chair: We'll end it there, Michael.

Mr. Albas, go ahead for five minutes.

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

Thank you, witnesses, for your testimony here today on Bill C-63. I would like to pursue the topic du jour, the disability tax credit.

Ms. Hanson, thank you for your advocacy, not just at this table but your ongoing commitment to making sure people get the help and resources they need. I would like to ask a little bit about the disability tax credit. Obviously, the typical type 1 diabetic who receives it gets on average, I believe, around \$1,500.

There is a bigger cost, which I don't think we've discussed here today. In order for people to qualify for a registered disability savings plan, they must first be eligible for the DTC. Is that correct?

Ms. Kimberley Hanson: That's absolutely correct, and you're right in saying that it's a larger issue and really a huge source of worry for the people we represent.

As the committee knows well, in order to be eligible to have an RDSP, a person must first qualify for the DTC. Once you form an RDSP, you can make contributions to that plan and then you can attract grants and bonds from the federal government that help the individual who is suffering from a disability or their family provide financial stability for their future against the risks that they will experience periods of inability to work.

The grants and bonds relate to a contribution made by the individual, but they are multiples of it. RDSPs were introduced only in 2008 and so nobody has yet been able to vest them. You can't contribute after you're 50 and you can't cash them out before you're 65, so no one has been able to vest any of their RDSPs yet.

However, notwithstanding the fact that they were introduced only in 2008, I know a number of my counterparts, people approximately my age, working folks with type 1 diabetes, who have \$50,000 in their RDSPs, which they're counting on for their retirement and which they are at risk of losing because they've now been disqualified.

• (1650)

Mr. Dan Albas: Let's say someone is disqualified and they had around \$50,000 in their RDSP. How much of that would be government grants over the years do you think?

Ms. Kimberley Hanson: As far as I understand it, the multiplier effect is about three or four times. So of the \$45,000 or \$50,000 that somebody has in an RDSP, they would lose, I think, \$40,000. Maybe my math is wrong, but it would be a lot of it, the majority of it, because, as I understand it, when they lose their eligibility for the DTC, the government withdraws all of the grants and bonds that it had previously contributed and the individual is allowed to retain only the portion that they contributed personally.

Mr. Dan Albas: So since there is no appeals process for this. Once you're denied, that triggers this other ineligibility, does it not?

Ms. Kimberley Hanson: When you're denied, you are also notified that you'll have to close your RDSP. You then have one year in which to get a doctor or a nurse practitioner to fill out a form that says, "I'm pretty sure this person can be re-eligible within a year. Please hold." They'll hold for one year and then after that, if you haven't become re-eligible, then it's gone. We're in a really tight window for some folks who got notified six months ago that they are no longer eligible.

Mr. Dan Albas: So with that then, where does that windfall, the grant moneys, go? Does it go back to the government?

Ms. Kimberley Hanson: That's my understanding.

Mr. Dan Albas: Okay. That could be quite a lot of money. How much money do you think there is right now? Do you have any estimates? I know I've seen one that said around \$100 million is in there and, of course, 2018 would be the earliest that anyone could start to withdraw, because there's a 10-year waiting period. Is that correct?

Ms. Kimberley Hanson: That's correct. We don't have numbers on this, of course, but there are a quarter of a million Canadians who live with type 1 diabetes. At least 100,000 of them must be eligible for the DTC. If even just 5% or 10% of them had RDSPs, it would be \$100 million to \$150 million that we're talking about.

Mr. Dan Albas: People aren't going to get the help they need right now, and worse than that, the people who have been setting aside the monies for which they were eligible will see those monies, from previous years when they were approved, just go back to government.

Ms. Kimberley Hanson: That's correct.

Mr. Dan Albas: Have you asked the CRA for any transparency or any accounting of these numbers, how much they stand to receive back?

Ms. Kimberley Hanson: I have not. The RDSP is administered by ESDC, so we're stuck in a little bit of a procedural loop there. That is my next line of inquiry. I think I'm going to have to engage in a different channel on that.

The Chair: We'll have to interrupt you both there. We're going to run out of time.

Mr. Fergus is the last questioner.

[Translation]

Mr. Greg Fergus (Hull—Aylmer, Lib.): Thank you very much, Mr. Chair.

[English]

Thank you all for coming.

[Translation]

Ms. Lennox, I could have asked you about Startup Canada, an initiative that I'm very supportive of. We had the opportunity to meet already. I'm very pleased to hear that you are satisfied with the cooperation with BDC regarding capital to encourage start-ups.

Mr. Thompson, I'm very pleased to hear that consultations with people in your industry to ensure equal treatment of beer products went well.

Mr. Dolson, thank you very much for your testimony.

Ms. Roussel and Ms. Hanson, it is impossible not to have questions for you, since your remarks raise many questions.

[English]

Ms. Hanson, thank you very much for your testimony. Also, thank you for the good work that Diabetes Canada does in helping out. It's certainly a real scourge of a disease. It has affected my family, and it's one that I'm very sensitive to, as are millions of Canadians.

Because of some of the questions and answers, I'm trying to get my head around this, and perhaps you can help me out. Has the law changed? That's a short question.

Ms. Kimberley Hanson: Very quickly, before I answer that question, I'd just like to thank you for your introductory remarks, and I'd like to briefly respond to a comment Mr. McLeod made in his question.

Mr. McLeod, I'm so sorry your mom had diabetes. As you say, it's a scourge.

I want to emphasize to the committee that I don't consider this a partisan issue. I'm thankful to the Conservative Party for the support it's given us in getting this issue out in the open. I consider this a procedural issue—an issue within the CRA. Diabetes Canada is working very closely with the government on the healthy eating strategy. We're very supportive of a number of initiatives, so I really don't want to position this as a partisan issue.

With respect to your question, no, there has been no change with respect to the Income Tax Act that pertains to how the DTC is made available to people with diabetes. As you well know, it's not in Bill C-63, and that's where it would be.

• (1655)

Mr. Greg Fergus: Right. I just wanted to make sure of that, being a new member to this file.

Thank you very much for your comments, and I'd like to echo as well that this is by no means a partisan issue at all, considering it's a scourge for many Canadians. All we can do to be supportive would be appreciated.

Have the regulations then changed in terms of this measure for...?

Ms. Kimberley Hanson: No, they have not, other than the changes to the folio with respect to the nurse practitioners being now eligible to certify, which we're very thankful for and supportive of. There have been no changes to the regulations that I'm aware of.

Mr. Greg Fergus: Actually, that was one of the things I was going to ask Mme. Roussel, but I know I have limited time, so I'm just going to ask Ms. Hanson. I'm glad that nurse practitioners are now involved in the process. That will be very helpful, I think, to helping people apply.

Have the applications changed as well, or are the applications the same ones that they've had?

Ms. Kimberley Hanson: I understand that T2201 application form that people have to fill out is constantly being tweaked to make it clearer, or make it easier to fill out. So yes, that's changed, and the questions that are asked in the clarification letters have changed, and the language that's been put in the disallowance letters has changed.

Mr. Greg Fergus: That's what I picked up from your testimony in response to some of the questions that were asked. It's the letter that follows, the clarification letter, that has changed. If we were to try to get to a solution to this, rather than using the new language that seems to have caused some consternation, would you be in favour of using the old language that refers to the existing legislation? Would that be the right thing?

Ms. Kimberley Hanson: That's our request as an immediate, and at least interim, solution. If the CRA would just revert to its April practices and interpretations of the current guidelines and apply them the same way they were doing in April, most of this problem would be resolved.

Mr. Greg Fergus: If that clarification letter used the same language used back in April, as far as you're concerned, that would be a really big improvement.

Ms. Kimberley Hanson: That would be a major help. There would still be some challenges, some inconsistencies, some inequities, but we would be so much farther down the road, I would be extremely happy if that solution were implemented.

The Chair: That's going to end it.

Mr. Greg Fergus: Can I have one last very brief question?

The Chair: Okay you can have one very quick one.

Mr. Greg Fergus: You were very kind with everybody else.

The Chair: I was kind to you; you're over the time. Go ahead and ask one final question.

Mr. Greg Fergus: I'll try to make this a good one. Just explain this to me. I understand that what really goes into the calculation are two elements, right? It's measuring the blood glucose levels as well as administering insulin. Those are really the two activities that go into the determination. Is that correct?

Ms. Kimberley Hanson: Yes, along with logging—

Mr. Greg Fergus: And there's logging of that information. Two main activities plus the logging of that information would go into the determination of the 14 hours.

Ms. Kimberley Hanson: That's right.

Mr. Greg Fergus: Thank you.

The Chair: Thank you all.

Sometimes what happens at this committee is that one issue dominates, so my apologies to the other witnesses who didn't get any questions, but I do want to comment on the CRA issue.

There's no question that we're hearing from the CRA side that there's been no change. Even when we're on the road as a committee, we're hearing from the community side and from those affected that there has been a change. There seems to be an open space in-between.

I'm going to give notice right now to the officials. We have a problem with data. We are meeting the minister and officials on November 23. I'm stating right now as chair that I expect the chief commissioner of the CRA to be here. I expect the chief commissioner to bring with him the data that will show what the applications are as best CRA can, and what the exceptions and rejections are as compared to two or three years back. I would also expect from the chief commissioner the time frames on applications and turnarounds on those applications over the past five-year period on the disability tax credit as it relates to diabetes. That way we can deal with some facts.

With that, we'll suspend until the next panel.

- (1700) _____ (Pause) _____
- (1705)

The Chair: For the record, pursuant to Standing Order 108(2), the committee is studying the subject matter of Bill C-63, a second act to implement certain provisions of the budget tabled in Parliament on March 22, 2017 and other measures.

Panel two, welcome. Thank you for coming.

We will start with Ms. Cooper and Mr. Robinson, who are speaking as individuals. The floor is yours.

We'll start with you, Ms. Cooper.

Ms. Karen Cooper (Drache Aptowitz LLP, As an Individual): Thank you.

Good afternoon. My name is Karen Cooper. I'm a lawyer with the law firm of Drache Aptowitz LLP. My clients are almost exclusively charities and not-for-profits. I also teach tax law and the law of charities and not-for-profits at the University of Ottawa. I chair my local hospital board, and I'm the past chair of an organization called the Canadian Land Trust Alliance. I expect it's in respect of that latter role that I was invited to speak.

The Canadian Land Trust Alliance is an organization that represents land trusts across Canada, and the particular measure of concern to them in Bill C-63 would be the changes related to the ecological gifts program. I was given the understanding that this is what you wanted to hear from me about.

Land trusts are non-profit charitable organizations whose main objectives include the long-term protection and management of ecologically sensitive lands. Sometimes they own those lands outright; they acquire them through donation or purchase. Sometimes they enter into something called a "perpetual" conservation agreement, and sometimes an easement or covenant; in Quebec, they're called "servitudes", real or personal servitudes. The general objective is to preserve or restore the ecological features of the land.

We have about 200,000 individual members and donors and 20,000 volunteers. Collectively, they've protected over seven million acres. That's seven million acres of privately protected land, and this protection contributes to our network of diverse natural landscapes. They play a really important role in delivering on the government's species at risk, biodiversity, and climate change goals.

One of the reminders I like to provide folks is to say that when we're dealing with the ecological gifts program, we're dealing with an incentive in the Income Tax Act that in fact relates more to environmental policy than philanthropic objectives, necessarily. It's a measure that's designed to serve both needs, not just to support philanthropic giving.

Most land trusts are eligible recipients under Environment and Climate Change Canada's ecological gifts program, and there's a whole series of amendments in Bill C-63 that are related to that program. To the end of October 2016, there were 1,260 ecological gifts made, valued at over \$807 million. It's a tiny program with an environmental focus, but the dollar values tend to be fairly large because they relate to fairly significant pieces of land.

Most of these ecological gifts contain areas designated as being of national or provincial significance, and many are home to Canada's species at risk. To participate in the ecogifts program, donors must have the ecological value of the land certified in advance, and then also the monetary value of the land certified in advance. Normally, these transactions don't close until the government or an independent panel has in fact certified that this is land that's important to protect and that there is no further disagreement with respect to the valuation.

In addition, for land trusts to participate in the program, the land trusts have to adhere to and implement Canadian land trust standards and practices. These practices promote integrity, perpetual sustainability, fiscal diligence, and good governance. There's an adherence to these standards and practices because generally land trusts recognize that actions of an individual land trust reflect upon the trust community at large.

• (1710)

As I said, Bill C-63 proposes a number of measures to better protect these gifts of ecologically sensitive land. I actually have no specific comments. I was invited to speak and, I believe, take your questions about these provisions given my expertise in the area. I'm more than thankful for that, and I welcome that opportunity.

The Chair: Thank you very much, Karen.

We'll turn to Mr. Robinson.

• (1715)

Mr. Michael Robinson (Q.C., As an Individual): My name is Michael Robinson. I'm just an old lawyer, but I did have a letter to the editor printed that said I was a former board member of Transparency International Canada, an organization you may have heard of and know about. It's an anti-corruption organization. I suspect that I was therefore invited to speak on the inclusion in Bill C-63 of measures to allow Canada to become a member of the Asian Infrastructure Investment Bank. There are implications for corruption prevention that would arise in that context. I think that's why I'm here.

First, one should understand the great power and influence of the world's major international development banks, or IDBs. This sixth one, as of 2015, is this new one, the Asian Infrastructure Investment Bank, which commenced business in 2016.

Infrastructure projects in the developing and lesser-developed world are and will continue to be created significantly through public-private partnerships, or P3s, involving the private sector bidding for the financing of these projects to these banks. The banks are absolutely critical to anybody getting a contract for a piece of infrastructure, because they are the touchstone of respectability and financial credibility for the project when there's a private sector involved. The original five international development banks have the skills and finances to advise upon and become significant financiers, and even equity investors, as many of them are, in these projects in those countries.

Next, one should be aware that the construction industry, which performs these projects, is one of the most corrupt industry groups in the world. I don't think there's anything to debate about that. We've

all seen what happened in the province of Quebec when the construction industry was investigated.

The World Bank is clearly the leader in the development of corruption controls and sanctions on the corrupt when so found by the bank, respecting infrastructure and other projects which it finances or in which it invests. The World Bank embarked on its corruption prevention and sanctions regime development in the early 1990s, under the direction of then president Wolfensohn. They've done a terrific job.

In April 2010, the other four established international development banks entered into an agreement for a mutual enforcement of debarment decisions with the World Bank group. The leader of the anti-corruption motion, which really was only effective from the 1990s forward, encouraged the other four banks to join. They are the African Development Bank, the Asian Development Bank, the European Bank for Reconstruction and Development, and the Inter-American Development Bank group. This is a very potent agreement in controlling international corruption, because all five banks mutually debar the corrupt participant from participating in any other projects in which any of the banks are a financier.

On March 7 of this year, the Asian Infrastructure Investment Bank issued a statement in which it recited its progress in creating comprehensive corruption controls and sanctions. It noted that it had, quote, "voluntarily and unilaterally" adopted the list of sanctioned entities and individuals under the aforementioned agreement made by the Big Five, the one that I mentioned, the so-called AMEDD—there are too many acronyms here, I'm afraid—and this was a welcome development.

Now I will skip forward in my notes to leave more time for questions.

• (1720)

Based on the fact that the World Bank's regime represents the gold standard for corruption controls and sanctions, and the fact that it has a wealth of experience in developing that regime, I recommend that Canada condition its membership in the Asian Infrastructure Investment Bank on the AIIB's going the next step and becoming a member of this corruption and debarment recognition agreement, the AMEDD.

It's encouraging to notice that the AIIB stated in its March 7, 2017 public statement that it is actively engaging with these banks in an effort to join them as a signatory to the AMEDD. Once they have become a full signatory, they would be a full formal participant in the efforts of what would then be the big six international development banks to fight together the scourge of corruption.

That's my recommendation. I'm not criticizing the new bank at all. I think we must be aware that it is dominated, in terms of its share ownership and location, and the power to elect its board of directors, by China. China is not exactly at the top of the list that Transparency International maintains for lack of corruption. However, they are progressing, as they stated in March of this year, and that's why I'm making the recommendation I am.

As an addendum, for any of the committee members who might be concerned about risks that Canada is taking on by investing significant sums in the shares of AIIB, as well as creating its own infrastructure bank, it's worth noting that the AIIB stated that it had received in July of this year the highest rating from the Standard and Poor's global rating agency, namely AAA/A-1+, with an outlook of "stable". Also, the world banking regulator in Basel has given a zero risk to the securities of the AIIB for purposes of investment in securities by regulated financial institutions like banks.

Those are my comments, Mr. Chair.

The Chair: Thank you, Mr. Robinson.

If you care to look, we spent probably an hour and 20 minutes yesterday on the Asian Infrastructure Investment Bank, with what I thought was a very good exchange of information and questions. If you want to refer to yesterday's minutes when they're out, I think there is a lot of information provided there. I don't know about the AMEDD, or I can't think of it off the top of my head.

Turning to Amalgamated Dairies Limited, we have Mr. Bradley, president.

Go ahead, James.

Mr. James Bradley (Chief Executive Officer, Amalgamated Dairies Limited): Thank you, Mr. Chair.

Thank you for the opportunity to speak today to the Standing Committee on Finance. I'm here today representing Amalgamated Dairies, or ADL, which is a dairy co-operative located on Prince Edward Island. We currently we have 165 farmer-owners and employ over 300 Islanders.

ADL was established in 1953 and has grown and expanded to now have 100% of P.E.I. dairy farmers as owners. We are recognized nationally as a leader in cheese processing. We export our products across all of Canada and to other international markets.

The dairy industry is very important to the local economy, accounting for over \$100 million of farm gate cash receipts and a total of over 3,000 industry jobs generating a payroll value in excess of \$100 million.

Our co-operative is a source of great pride for our members, who are highly engaged and rely on their united voice to promote the dairy farmer and the dairy processor voice.

My remarks today will be focused on budget Bill C-63 and the subsection 125(7) amendment that would ensure that the rules preventing the multiplication of the small business deduction do not inappropriately deny access to small business deductions for Canadian-controlled private corporations owned by farmers or fishers selling farming products or fishing catches to an agricultural or fisheries co-operative.

I will admit that, as a dairy co-operative, the original budget bill was a major concern for our industry. As a dairy co-operative that relies on farmer-owners to supply 100% of our milk, we heard loud and clear from our farmers that the proposed changes to the tax system would be detrimental to their operations and their future.

Co-operatives are very important economic drivers, particularly on Prince Edward Island. At ADL, our annual sales of over \$200 million are an important foundational piece of our province's great tradition of food production. Dairy farming is an important part of the fabric of our rural communities and a critical part of their continued viability. The original budget bill changes would have had a significant negative impact on family-owned farms, rural businesses, and co-operatives throughout the country.

Access to the small business deduction, which was threatened by the proposed budget provision, provides a significant tax incentive to incorporated farm and fishing business enterprises. Many farmers have incorporated their operations to take advantage of the reduced level of corporate income tax. In P.E.I., the difference in the combined federal/provincial tax rate is 15%, compared to 31% for income deemed ineligible for the small business deduction.

Many farm operations today involve multiple farm families, and many farm operations and rural businesses provide goods and services to corporations that they or family members have an interest in, such as agricultural co-operatives. I'd like to commend the Government of Canada for listening to our lobbying efforts and introducing an amendment to ensure that qualifying farmers and fishers selling to agricultural and fishing co-operatives are eligible for the small business deduction in respect of income from those sales.

Co-operatives have a long history of providing a model of fairness and success. They have proven very successful in the dairy industry by providing farmers the opportunity to be directly involved in the decision-making process and governance of an important part of their industry.

At ADL, it is very clear from our board of directors that they want to remain a strong and vibrant independent co-operative. They are eager to continue to make investments both in their farms and at the dairy processing facility to grow their communities and the economy. In a global marketplace with frequent turbulence, co-operatives provide an important vehicle for this investment, and a method to ensure a fair return for producers, with direct input to governance.

Lastly, we have a comment about future policy changes or initiatives. I would like to take this opportunity to invite the Government of Canada to work with our industry and other co-operatives to determine ways to work together on policies and programs that will see co-operatives grow and expand. The decisions that are made all across government have an impact on our industry and our future. A commitment to collaboration, consultation, and discussion would ensure that policies and programs benefit co-operatives and do not inadvertently cause harm.

•(1725)

I'd like to thank the finance committee once again for the invitation to speak here today on this important budget bill amendment, and I look forward to answering any questions you may have.

Thank you, Mr. Chair.

The Chair: Thank you, Jim.

I believe I saw somewhere in a tweet today that you have just won an award for cheese at the Royal Winter Fair. I know that members will be asking for a sample, but you probably don't have any in your back pocket.

Mr. James Bradley: They took it off me at security.

The Chair: Thank you.

Okay, we have Canadian Geothermal Energy Association, Ms. Thompson, president.

Ms. Alison Thompson (Chair of the Board, Canadian Geothermal Energy Association): Thank you.

I know that you can't see these slides. As an introvert, the slides are more for me to know that you're probably looking at the slides and not at me. If you'll just humour me, I'll turn them in your direction and you can glance over.

The Chair: Members do have the slides, Alison.

Ms. Alison Thompson: Okay, fantastic. Then it's all for my privilege and for the other witnesses.

[*Translation*]

Good evening, everyone.

[*English*]

Thank you very much for having us. I'd like to acknowledge that we're on the traditional territory of the Algonquin and Iroquois first nations. I equally bring you greetings from Kitselas First Nation, who will be mentioned later in this presentation, as they are developing a geothermal project.

We represent CanGEA, the Canadian Geothermal Energy Association. I'm the chair of the association. I'm also a member of CanGEA, and I work with two companies that are also mentioned later in the presentation.

Cutting right to the chase, on slide number two, Bill C-63 and geothermal energy, thank you to this committee. Because of this committee and the March budget, geothermal heat is now considered an eligible renewable energy. Up until March 22, geothermal electricity was renewable, but geothermal heat was not. This kind of inequity in how geothermal was treated was holding the industry back. We want to reach out to you personally this evening and say thank you. We are now eligible for the Canadian renewable and conservation expenses, as well as the accelerated capital cost adjustment.

On the next slide are our five members. I want to bring to everyone's attention the fact that because of your work, what you did as a committee, and because of the budget that was tabled, we now have five heat and power projects going forward. The ones I'm highlighting tonight are from western Canada, starting with Borealis GeoPower out of Valemount. They're making a power and a heat project. Then we have the Kitselas First Nation leading a project out of Terrace, B.C., and that's also for heat and for power. DEEP, out of Saskatchewan, is also heat and power. Up until March, these companies would have been ineligible to claim the heat part.

What Bill C-63 will also unlock—in the bottom—is that we have two Alberta companies who are also developing heat only projects

and, again, up until recently, they wouldn't have been considered renewable.

All of these companies are using clean tech, but they're also using technology transfer from the oil and gas industry and repurposing talent from the oil and gas industry.

What's further interesting to note is that in Yukon, the Northwest Territories, Nunavut, and Quebec, projects are also progressing. I hope that the next time I have an opportunity to appear here, I can report on those areas as well. I would especially note that Nunavut right now is running an RFP for a feasibility study to use heat in the Nunavut territory. That RFP closes on November 15. They have been absolutely inspired that geothermal heat can now be classified as renewable, and hopefully used abundantly in that territory to decrease our fossil fuel reliance.

I could stop the presentation here, but since I have five minutes, I'd like to go on. I want to bring to your attention that there are further improvements that our industry requires. I'm hoping that the committee is able to make these amendments as well.

Most notably, other renewable energies currently achieve both test turbine status and transmission expenses, so there is parity that is not yet being achieved by geothermal. When people ask why the industry isn't progressing, people start to make up reasons why. However, they're really economic, and it's because other industries are provided with incentives or are eligible for programs that geothermal is not.

I want to bring a consequence, a real life example, of that home. I'm now on the slide talking about geothermal test turbines. The wind industry has been granted test turbine status for up to 20% of its projects. Here we have a project in Valemount, B.C., that's going to be a demonstration, not just demonstrating and testing of a reservoir, but also demonstrating the capabilities of the geothermal industry.

This small project, again just as a test facility, is looking to employ 50 to 80 people. If this sounds incredible, a few slides later I talk about how it's not in fact incredible. If you look at countries like Iceland, New Zealand, and the U.S.A., they routinely achieve huge employment numbers based on deploying geothermal heat along with power.

The Iceland example I bring for you this evening shows that at a mere 175 megawatt plant, they're able to employ 60 people, but also an additional 840 people in other businesses that are using their heat. This is all off of two power plants that are commingled and have the heat part.

Going back to Sustainville, it is pitching to get test turbine status so it too can have a test facility and demonstrate geothermal power and heat, but as well create 50 to 80 jobs. We're not making that up.

I'll end by talking about another item that we did not get. Wind, solar, and even tidal and hydro power all get transmission expenses. Our industry too would like to have transmission expenses. Here's a real world example from Valemount, where British Columbia power, BC Hydro, is serving the town. It's a 300-kilometre transmission line. Unfortunately, it stops short of the village.

• (1730)

There's a new load developing as an ecotourism resort. Because BC Hydro cannot serve the ecotourism resort, the province has approved a seven megawatt diesel power plant to be installed. Here we are, in the era of a pan-Canadian framework for clean growth and climate change, trying to shut down diesel and switch away from fossil fuels, and here's an example of a brand new diesel power plant that could go into operation. Standing between that spewing out of up to 50,000 tonnes of CO₂ a year, or about 1.5 megatonnes over 30 years, is a 26-kilometre transmission line. If I were tidal, wind, solar, or hydro, geothermal wouldn't have to ask for this amendment.

I want to close by saying, in the United States they're targeting an additional 30,000 megawatts to build. They currently have about 3,500 megawatts on line, and 1,200 megawatts in development. Just to frame that, 1,200 megawatts is about a \$4.5 billion contribution to GDP. We could have this too. We have the technology and the talent. We just don't have parity with the other types of energy.

Thank you.

• (1735)

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

Turning to the Macdonald-Laurier Institute, Mr. Cross.

Mr. Philip Cross (Fellow, Macdonald-Laurier Institute): Thank you. Thank you for having me back.

The Asian Infrastructure Investment Bank is a Chinese-founded alternative to the U.S.-led World Bank. It's far from clear why Canada wants to help pivot the world economy away from the U.S. to China. Nor is it clear that there is shortage of capital in Asia that Canada needs to help finance, especially at a time when plans are being made for a new infrastructure bank to help make up for our own infrastructure deficit.

While Asia's infrastructure needs are massive, so is their available pool of capital, as reflected in their large trade surpluses. Many Southeast Asian nations have savings and investments rates of over 30% or 40% of the GDP. Their priority should be finding a mechanism ensuring that capital is deployed where it is needed the most.

It is well known that it is not the amount of investment that drives long-term growth, but the efficiency of investment. Many Asian countries like Thailand, Malaysia, Indonesia and Taiwan had high rates of investment leading up to the Asian crisis of 1997. But these investments, often state-directed as part of their industrial policy, did not pay off.

Canada's enthusiasm to have a place at the table when the AIIB chooses investment bodes ill for investment being driven by market considerations alone. Canada and other late joiners to the AIIB appear motivated to get a share of the contracts for infrastructure work in the region. This suggests that a certain cronyism is anticipated in the process of awarding contracts, with local citizens in Asia ultimately paying more for investments they may not value highly.

What's the reason for Asia's emphasis on infrastructure? Well, good infrastructure is certainly necessary for sustained growth.

Maintaining growth beyond the early developmental phase requires an ability to move into consumer products with the flexibility and ability to adapt to rapidly changing consumer tastes. Japan and South Korea have auto and electronic companies that have demonstrated that capacity. China and other Southeast Asian countries have not. It is not clear that more investment in infrastructure would help make that leap.

Canada's contribution to the AIIB also appears premised on the idea that China inevitably will be one of the world's dominant economic powers. This is far from a sure thing. Before the global financial crisis of 2008, its rapid growth was built on exports. However, since 2009, it has relied more on domestic demand for the growth, much of it fuelled by debt. This is not a sustainable foundation for growth.

In *The Rise and Fall of Nations*, Morgan Stanley's chief global strategist, Ruchir Sharma, observed that nations posting increases of over 50 percentage points in their debt to GDP ratios inevitably experienced a prolonged period of slow growth, if not financial crises. China's debt to GDP ratio has almost doubled from 150% in 2007 to 282%. Canada has nearly kept pace with an increase from 250% to 350%. He predicts that China will face poor growth prospects over the coming years as a result of its recent debt binge, as well as steep population decline.

Projecting that China will sustain rapid economic growth seems to echo claims by experts in the 1970s that the Soviet Union would surpass the United States. Then, in the 1980s, there were claims that Japan was poised to become the world's dominant superpower. Finally, there were forecasts in the 1990s that the European Union would dominate. All of these predictions were wrong.

There are other reasons to be wary of increasing our reliance in China as the emerging power in Asia. It's policies are often the exact opposite of what economists usually advocate for in achieving economic growth. Rather than encouraging liberty and the free flow of thought with innovation protected by property rights, China controls its own Internet and social media, steals intellectual property, initiates cyber-attacks on nations and companies around the world, makes unsupported territorial claims in the South China Sea, engages in human rights violations, has rampant corruption, and increasingly pursues a cult of personality instead of fostering democracy. Even more than infrastructure or investment, growth in emerging market economies beyond the middle-income range requires good institutions, something China sorely lacks. It is not clear that the AIIB will help or retard the development of good institutions.

It briefly became fashionable among the Davos elite to speak of the new Beijing consensus on state-directed economic growth as the successor to the IMF's so-called Washington consensus. Belief in the Beijing consensus peaked in 2014 just when the AIIB was being launched in Beijing. Confidence in the Beijing consensus was soon undercut by the sharp drop in growth in emerging market economies in 2015, when slumping commodity prices and a strong U.S. dollar revealed that this model of growth was ultimately another illusion underpinned by debt, the most precarious source of growth.

● (1740)

Even the Chinese seem to be losing faith, judging by the increasing amount of capital that local investors are moving out of China—\$1.7 trillion in 2015 and 2016—leading China to impose capital controls this year. Such capital flight by local investors also preceded the Asian financial crisis in 1997. The steady outflow of capital from China, including an unknown amount into Canada's housing market, reflects that China's own leaders are skeptical about the sustainability of economic growth and political stability.

It is worth recalling that the growth breakthrough in many emerging markets in recent decades was not remotely the result of investments made over time by multilateral institutions such as the World Bank. It reflected countries adopting capitalism—tentatively at first, in China—around 1978, then in eastern Europe after 1989, and then increasingly around the world, as nations realized that it was institutions and not government-directed investments that fuelled economic growth.

Thank you.

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

We will turn to questions. The first round will be seven minutes, with Mr. McLeod.

Mr. Michael McLeod: Thank you, Mr. Chair.

Thank you to all the presenters here today for coming out to share your information with us.

I was very excited to hear from the Geothermal Energy Association. I'm from the Northwest Territories, and it's a very big riding. There are a lot of issues with generating power and heat. It's a very costly place to operate, and over the period of my life I've seen a lot of initiatives come forward. I was involved with a lot of projects. We looked at biomass, and we're still working on biomass.

However, the farther north you go, the smaller the tree is, to the point where there are no trees. Even in the southern part of the territory, it takes probably four trees to make up what is a normal tree in the southern part of Canada.

We looked at wind turbines. Every project that we tried had issues. The turbines are expensive, the technology is expensive. If you're way up in a remote community and it breaks down, it takes about six months to get a part shipped up from another country, and it will take another six months to a year to get somebody who is willing to come up to fix it. It's very expensive to look at wind.

We are trying some projects around the community of Inuvik this coming summer, and I hope they work well, but we have problems with freezing rain and ice and those things. Solar has huge potential.

In the summer, we have 24-hour sunlight, but we don't have that from October to February, so it doesn't work at all. We're looking at hydro. Hydro is very costly.

For us, geothermal is the solution, but geothermal hasn't been able to move forward. We've tried several projects and they didn't work. We just couldn't get geothermal right. We didn't have the expertise, all the ingredients, but we know that the ground is suitable. We have everything else.

I wasn't aware that there are projects being looked at in the far north, especially in Nunavut. I never expected to hear that. As we move forward, I think this area is going to get a lot of interest.

Could you tell me a couple of things? First of all, you talked about a number of different companies. The reason I want to ask this is because there's a lot of interest from indigenous corporations, indigenous people, on renewable energy. There is a huge need for us to convert in the north, and our government has committed to doing that.

Can you tell me, first of all, if there's any way, with some of the initiatives you're looking at, for indigenous people to play a role?

Ms. Alison Thompson: Absolutely. Let's start right in your territory. In the Northwest Territories hamlet of Fort Liard, the National Energy Board has already granted a geothermal permit to one of CanGEA's member companies, one of the ones I work with. It was 51% Acho Dene Koe, which is with the local first nation, and then the CanGEA member company, Borealis GeoPower. They were able to do a front-end engineering study with the support of NRCan. The project did not go forward, and this was several years ago. At the time, the Northwest Territories Power Corporation could not come to a power purchase agreement with the Acho Dene Koe and Borealis GeoPower.

Since that time, the governments, both federal and territorial, have changed. There is also a new initiative that NRCan is supporting that is trying to get the remote communities off diesel. That particular project has reapplied, and we hope that it goes forward.

The discovery well was actually drilled by Chevron, decades ago. The funny thing about Chevron, an oil company, is that it's actually the largest geothermal company in the world—it's not even a renewable company; it's an oil company—because of course it knows how to drill really well. Here we have an example of Chevron drilling the well and leaving the area and the country. Now other companies are coming in after Chevron and using Chevron's discovery wells, and they would like to take it forward.

Kitselas Geothermal Inc. is a first nation-led project. Kitselas First Nation is out of Terrace, B.C. It owns 51% of the Terrace project, and it's looking to move that forward under a first nation banner. Local employment means a great deal in skills training opportunities.

With regard to the Nunavut feasibility study, I'd like to applaud Qulliq Energy Corporation, which is the crown corporation for both power and heat. Most utilities are just power, but in its situation, it's power and heat. Its CEO, Bruno, is a visionary about the fact that this works. It has worked in 25 other countries for power and in over 80 countries for heat, so why not in Nunavut, why not in the Northwest Territories, why not in Yukon and in the rest of Canada?

There is an Inuit minimum concentration that needs to go towards the feasibility study, so many of our members are now expanding our network and working with the Inuit and with the Nunavut people to help them fulfill their energy dream of energy sovereignty and security, and do it in a renewable way.

• (1745)

Mr. Michael McLeod: Can you tell me, of all the different alternative energy and alternative heat practices out there, why geothermal would be better? Are there one or two reasons, or a number of reasons, that geothermal would work better than anything else out there?

Ms. Alison Thompson: Thank you for giving me the opportunity to say that there are two reasons.

I think one is the two-for-one. You may have heard that geothermal is costly. For example, an average international statistic to take with you is \$5 million per megawatt installed. That's about double what it costs for wind and double what it costs for natural gas. Of course, you get that with having no emissions, and you get that with basically a 100% online factor versus wind perhaps being at 25% or 33%. On the levelized cost, even though the installed cost is higher, you actually get more electricity out of that power plant.

But here is where it gets better: from that power plant you also get heat. I don't want to call heat "waste", because it's obviously a very valuable product, but in that paradigm shift of people thinking that geothermal is expensive, they're not considering that you're going to be selling two different things. In some cases—and B.C. and Alberta are prime examples—there is already a carbon tariff or a carbon tax, and that's obviously coming federally by 2022, so now you're selling three things for that same capital build: carbon credits, heat, and power—all renewable. There is the number one thing.

Second, we cannot talk about this industry without thinking about the jobs. There are 1.7 jobs per megawatt. We are the highest job creator of all energies. The first thing people say to me is, "Oh, your operating costs must be huge if you have so many jobs", but these aren't jobs that are just associated with the operating costs. These are induced jobs that are created because people are using the heat.

Here's an example: 175 megawatts of power employ 60 people at the power plants, but employs 840 people in the geothermal industrial park or the geopark. That tiny half a megawatt...

You have a 500 kilowatt demonstration project, Sustainaville, that's looking for test turbine treatment. That's aimed at creating 50 to 80 jobs—these are clean-tech jobs—in using clean technology.

The Chair: Okay, we'll have to end that there. Thank you for the discussion.

Mr. Poilievre.

Hon. Pierre Poilievre: My question is for former Statistics Canada chief economist, Philip Cross.

Mr. Cross, you made reference to the trendy thinkers in Davos and their admiration for the so-called Beijing consensus. It's really state-controlled corporatism. It exists in the form of government subsidies for favoured companies and industries, regulatory protections to keep challengers out and incumbents on top, tariffs and trade restrictions to ban competition, and a myriad of other government interventions that increasingly favour the world's wealthiest and most well-connected.

Do you see this as a troubling phenomenon in modern economics, and if so, what are some of the other examples of it to which you would point our attention?

• (1750)

Mr. Philip Cross: Let me go back to the Washington consensus, which preceded the Beijing consensus. The Washington consensus ultimately didn't work because it basically said that if developed countries adopted macroeconomic stability—low inflation and low government deficits and so on—growth would then take care of itself. The Beijing consensus, similarly, is focused on what the state does.

There is a long list of interventions, which you gave, but both of them actually had the same problem. They focus on what the government does instead of what the government doesn't, which to a considerable extent could be described as simply getting out of the way of market forces. Neither the Washington nor the Beijing consensus has its primary emphasis on what it is that firms need to innovate and grow.

Hon. Pierre Poilievre: What do you think about the approach of these infrastructure banks? We now have this Asian infrastructure bank. We've already seen the Canadian domestic infrastructure bank legislated into existence. It will presumably begin operations shortly.

What do you think of these mechanisms that take risk off the shoulders of investors for big megaprojects and put it onto the shoulders of taxpayers, in effect separating the natural marriage of risk and reward in the construction of major high-risk projects?

Mr. Philip Cross: It seems to be an increasing trend in our society. I'm writing a paper with a co-author, and I don't want to scoop my co-author, but we're doing a study of pension plans in Canada and particularly how the public sector pension plans—not the ones for the civil service solely, but I'm also thinking of Ontario teachers and those types of public sector pensions—increasingly are taking on high-risk investments. They can afford to do so because the rate of return is guaranteed by the taxpayer. The taxpayer accepts the risk. The members get the reward.

It's a classic case of moral hazard. When you separate the risk from the rewards, you're going to end up with some very poor and, frankly, occasionally dangerous decision-making. It's a trend that, regrettably, seems to be growing in our society.

Hon. Pierre Poilievre: Do you think this approach of using government money to guarantee high-risk adjusted rates of return to investors may have also as a ramification that investors can get lazy? They can invest in things that would not otherwise produce that superior rate of return, or that have all of the risk taken off them by taxpayers, instead of investing in innovation.

Very quickly, I think of the example of Israel. When it stopped running massive deficits about 20 years ago, bondholders could no longer just lend to the government to get a rate of return. They actually had to invest in innovation. That's why we now call Israel the "start-up nation": all of this money rushed into high tech and created Israel as a start-up nation. Do you think this government intervention is actually directing investment away from innovation and towards otherwise unmeritorious investments?

Mr. Philip Cross: I don't know if I would focus on innovation per se. I'll go back to the example of our public sector pension plans. They used to be constrained to buying only provincial government bonds.

In a way, I think that might have been better than what we have today, which is having them running all around the world making investments in infrastructure and real estate, investments where we have no idea of how they are going to turn out over 30 or 40 years. They are putting taxpayers and potentially the members at risk, and I'm not sure they're evaluating that risk. Sometimes you can go too far in taking risks.

Yes, I suppose that ideally I don't want people investing in just government bonds, but I don't want them running around the world investing in whatever crazy idea they can think of, knowing that if the investment doesn't pan out, the taxpayer is on the hook and the managers will just dance away with their bonuses.

• (1755)

Hon. Pierre Poilievre: Mr. Robinson, you said that the Asian infrastructure bank had received some sort of rating. Was it from Moody's?

Mr. Michael Robinson: It was Standard & Poor's.

Hon. Pierre Poilievre: It was from Standard & Poor's.

What exactly was the rating in regard to?

Mr. Michael Robinson: The securities that they would issue.

Hon. Pierre Poilievre: To the private sector?

Mr. Michael Robinson: To anybody.

Hon. Pierre Poilievre: Are the securities on a project-by-project basis?

Mr. Michael Robinson: No, they tend to raise money broadly and then apply the funds to both loans to and investments in particular projects. Those projects tend to be P3. I must disagree with Mr. Cross when he says that the governments are taking all the risks. The private sector is taking the risks in a properly designed P3 that the international investment banks sponsor. The best example of that is the International Finance Corporation, which is the World Bank's twin, which deals only with the private sector. They make sure that the private sector is running significant risks and takes the main burden of the risk. It's the whole point of not just handing money out

at the World Bank level to governments to do with it what they sometimes do very badly.

The Chair: We'll have to leave it there, Pierre.

Go ahead, Mr. Dusseault.

[*Translation*]

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

I would like to thank the witnesses for being here today.

First, I would like to talk about the Asian Infrastructure Investment Bank. If Bill C-63 was adopted, \$500 million from Canadian taxpayers could be paid into this bank, which involves risks, of course.

Mr. Robinson and Mr. Cross, I would like to hear your comments on the fact that this money comes from international development budgets. In your opinion, is this the right way to invest \$500 million in international development? Does investing in such a bank meet our international development goals?

You could answer first, Mr. Robinson.

[*English*]

Mr. Michael Robinson: According to the charter of the AIIB, which is in fact articles of agreement—they don't use a formal charter—the investments will be made with the focus on Asia. The board of directors includes 12 members from Asia and only three from the rest of the investing group. The one thing you have to bear in mind is that Canada's investment is going to be as a minority shareholder in terms of the investments by all of the more than 60 countries that have now joined with China to join the AIIB.

The control and governance provisions in the articles of agreement are Byzantine. When you examine them, it's pretty clear that the dominant shareholder is going to be China, which is why I had my concern about making sure that the bank had proper controls on corruption when it's starting out with not only Canada's \$0.5 billion but the other \$100 billion that is its basic capital.

[*Translation*]

Mr. Pierre-Luc Dusseault: Since it is money earmarked for international development that would be used, the department responsible for international development would be the one to fund this bank with \$500 million from taxpayers.

Do you have any comments on that, Mr. Cross?

[*English*]

Mr. Philip Cross: I just go back to the comment that Mr. Robinson made, that if this were.... It makes it sound as if this is just operating like a normal bank, like a private bank. If money were just going through, and risk were just being passed on, I'd raise the question why we need the AIIB. There's government involvement along the way for a reason.

• (1800)

[Translation]

Mr. Pierre-Luc Dusseault: I'm not sure that the question was understood properly. Anyway, I would like to talk about the answer we got yesterday at the technical briefing. We were told that this investment was meant to enhance Canada's image in the Asia-Pacific region.

Do you think this \$500 million investment will really improve Canada's image in the Asia-Pacific region? Will it really give Canadians business opportunities? That's the argument we heard yesterday, that this \$500 million will ultimately benefit Canada in some way.

Do you think that's a good way to help Canadians? Will this really help to improve Canada's image?

[English]

Mr. Philip Cross: I agree with you that it's hard to believe. Are people in Asia even aware that Canada is making this token contribution? I noted that the United Kingdom, Germany, and some of the other nations that joined later seem to be doing so more because they want to be involved in the allocation of contracts than because they wanted to have good public relations.

[Translation]

Mr. Pierre-Luc Dusseault: Do you have any comments to add, Mr. Robinson?

[English]

Mr. Michael Robinson: I would have to agree with that. As a practitioner and not an economist, I'm a bit cynical. If you looked at it from the perspective of all of these minority shareholders jumping in, 60 of them that are not going to have any power unless they vote en bloc against the dominant shareholder, China, the main reason they're doing it is that the nationals of the minority shareholders are terrified that if the country isn't in, they're not going to get an opportunity to win bids to do those projects. I'm thinking of engineers and construction companies. I'm thinking of international construction companies like Aecon, which was just bought by a Chinese entity, supposedly private but actually a state-controlled entity. I'm thinking of SNC-Lavalin, a world-class engineering firm that has run into its own problems with corruption. Those are the reasons, I think. There were negative inducements, such that if you weren't in, your nationals weren't going to get the business.

Mr. Philip Cross: I have one little thought to add to the end of that. Even if we do get some very small public relations benefit in Asia, I would then question whether it's worth the cost to the U.S. The U.S., and particularly the Obama administration, lobbied hard for none of the other G20 countries to join this bank. By doing this, we antagonize our biggest trading partner and closest ally. Is that worth whatever small benefits we're going to get in Asia?

The Chair: If you have something supplementary, go ahead, Pierre.

[Translation]

Mr. Pierre-Luc Dusseault: I just have a comment to make. I think there are more effective ways to spend \$500 million to stimulate the Canadian economy than to invest in that bank.

[English]

The Chair: Mr. Fergus.

[Translation]

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

Thank you, everyone.

I would have liked to have asked Ms. Thompson, Mr. Bradley and Ms. Cooper questions. Unfortunately, I will have to limit myself to the Asian Infrastructure Investment Bank.

[English]

I would be very interested, Mr. Cross, to see your book being co-authored by Mr. Robinson. It would be a fascinating editorial process to watch.

Mr. Robinson, I think you've made it quite clear that there's more to Canada's participation than just occupying a 1% share of the AIIB. Can you talk a little bit further about some of the benefits that can accrue not only to the Government of Canada as a participant but also to the Canadian economic ecosystem as a whole?

Mr. Michael Robinson: I don't see many. I'll reiterate that I think that the interest of the minority shareholders was to protect their nationals based on the theory—which may not be a valid theory at all—that preference would be given to the nationals who are bidding for these contracts, assuming they are going to continue to be P3s. I don't think there's any doubt about that. The private sector will be involved.

If that was the main driver, I don't see any wonderful return to a development bank's minority shareholders. I could be sympathetic to the argument that the \$500 million should have gone into the Canada infrastructure bank to encourage more private participation in that and build more infrastructure in Canada. However, I'm not an economist. I'm just a lawyer.

• (1805)

Mr. Greg Fergus: At yesterday's meeting, we heard from officials from the Department of Finance indicating that the investment wasn't going to be at \$500 million. I think currently we're in for a share at \$150 million, and that would increase to a maximum of around \$350 million.

The Chair: It was \$346 million.

Mr. Greg Fergus: I'm sorry, \$346 million.

For the record, I just want to make sure we're talking about the same thing.

A large number of minority shareholders are not dominant shareholders like China, which holds 30% of the bank's share capital and thus voting power.

Mr. Michael Robinson: Voting power, right.

Mr. Greg Fergus: What's in their interest, then?

Mr. Michael Robinson: Well, I have a hard time seeing it, unless it's just to be part of the world's big six international development financing institutions. We are certainly a major member and contributor to the World Bank. We're part of the Inter-American Development Bank, and the other four.

It tends to be an obligation that countries are supposed to assume, to buttress their general approach to international development to participate in the international development banks. I'm not sure that's going to get the citizens out giving us cheers in the main squares of Asian countries. However, it does show that we're meeting our assumed obligations and so-called punching above our weight by being in with the rest of the world, and it virtually is the rest of the world. It's 60, and apparently there are 22 applicants waiting in the wings to join to become minority shareholders.

Mr. Greg Fergus: Mr. Cross, what would be your sense as to the theoretical interest of minority shareholders participating in this development bank?

Mr. Philip Cross: I'm sorry, could you repeat the first part of that? I didn't hear you.

Mr. Greg Fergus: It was a similar question to Mr. Robinson. What do you believe are the interests of minority shareholders in being a part of this bank?

Mr. Philip Cross: I think I used the word "cronyism". It's perhaps a stronger word than Mr. Robinson likes to use, but he's a lawyer, so he's probably more careful with his language than I am.

I think it's just making sure that they have a seat at the table when the contracts for infrastructure projects are allocated.

Mr. Greg Fergus: [*Inaudible—Editor*]

Mr. Philip Cross: No, not at all. That could very well be in Canada's interest.

I think I made the point that the people at risk here are the people in Asia, who ultimately will be paying for these projects and supposedly will be the beneficiaries.

I was listening to the testimony yesterday, and I remember the chair of the committee asking, isn't the point of all this the local citizens in Asia? If that's the case, then I think they are at risk. However, if the case is to enrich businesses in Canada, this could make every amount of sense; just don't call yourself a development bank then.

Mr. Greg Fergus: Thank you very much.

The Chair: Mr. Kelly, for a five-minute round.

Mr. Pat Kelly (Calgary Rocky Ridge, CPC): Thank you.

Mr. Cross, I take it that you agree with Mr. Robinson that it would seem that perhaps the only argument for this—and this may not be limited to Canada—is that participation in this bank is simply to participate in the cronyism that's anticipated in the awarding of contracts.

• (1810)

Mr. Philip Cross: As I say, there may be public relations concerns as well. I think they are very small. Maybe we want to antagonize the U.S. administration more than it is.

Who knows what the goals are?

Mr. Pat Kelly: Thank you.

It had been my intention to make sure we established what you felt about that, but I think you got to that in response to Mr. Fergus's comments too.

If I may turn to Mr. Robinson, you said in your opening remarks that membership in this self-described development bank should be conditional upon its adoption of a very specific set of governance practices that you enumerated.

Mr. Michael Robinson: Yes. It's the particular agreement that was signed by the existing five international development banks to respect the corruption control regimes that each of them has. The way those corruption control regimes work is that if participants in a particular project are found by the particular bank, not by some court, to have been, quote, "corrupt"—accepting bribes is the classic one, or asking for bribes, if you look at the demand side—then the participants will be forbidden from being involved in any project in which any one of those banks thereafter would provide financing or an equity investment.

That's really powerful. That's closing the wagons around the settlers.

Mr. Pat Kelly: Thus far, there is no indication that the Asian Infrastructure Investment Bank will adopt those guidelines, correct?

Mr. Michael Robinson: No, in fact they've made significant progress in that regard, as evidenced by their public statement—I haven't had a chance to go behind the public statement to find out exactly what's been going on, but I'm going to take it at face value—that they've already voluntarily adopted the sanctions list. We're talking about more than hundreds of sanctioned companies, sanctioned first, usually by the World Bank, and now by the other four banks as well. They've adopted that list, and they say they are in negotiations with those five—let's face it, the World Bank is leading it—to join and sign that agreement.

I'm saying, wonderful, let's see them put their money where their mouth is and sign up. If they sign up to that agreement, the mutual debarment agreement, then you have the other five major development banks saying, "You are on board with us. We accept the fact that you're committed to no corruption existing at your bank and to debarment anybody who is corrupt." I think it's nice that they voluntarily took the list on, but I'd like to see them go to the next step. I think Canada could very easily say that they will sign the agreement once those guys are admitted to the AMEDD, the mutual debarment agreement.

Mr. Pat Kelly: So as a minority shareholder, or, it would seem, less than a 1% shareholder, based on the initial investment that Canada is to make, the likelihood of Canada—

Mr. Michael Robinson: Yes, the numbers are all over the map on that. I'd never heard about the \$500 million until today. I'd heard in the realm of \$230 million.

Mr. Pat Kelly: We sometimes seem to confuse and interchange American and Canadian dollars in the conversations around this. But even if we say 1%, is a 1% shareholder going to be able to compel the adoption of the anti-corruption control regimes?

As a 1% shareholder, what would be the likelihood of a Canadian holding one of those three non-Asian directorships on the bank?

Mr. Michael Robinson: In answer to your last question, slim to nil. Let's say it's 63 and 22 others are accepted. You're well over 80. Those minority shareholders really have to vote en bloc and they have to get together. That's why we at Transparency International were recommending that TI, the major organization—there are 100 chapters, and TI Canada is just—

• (1815)

Mr. Pat Kelly: All are only there just to champion their national

The Chair: I have to end it there—

Mr. Michael Robinson: Well, no, they're on the corruption agenda there, that they should encourage all the minority shareholders to put the pressure on China to sign up.

The Chair: Before I turn to Mr. Sorbara, perhaps we could clarify the numbers. Just going from memory, I believe the officials yesterday stated that \$346 million Canadian would be the maximum we'd be going to in terms of our investment in that bank.

Mr. Dan Albas: It says the following on page 240:

The Minister of Finance may make payments out of the Consolidated Revenue Fund to the Bank in respect of Canada's initial subscription of shares in an aggregate amount not more than US\$ 375,000,000

The Chair: Okay.

That's \$375 million U.S., from the officials.

Mr. Sorbara.

Mr. Francesco Sorbara: Thank you, Mr. Chair. I'm going to wait for the AIIB stuff until later on if I have time.

I would like to speak with Mr. Bradley from the Amalgamated Dairies Limited.

Mr. Bradley, could you please provide some colour to a non-rural MP on the health of our dairy industry in Canada, and how the changes in the BIA or the non-changes, as I would call them, are going to allow the dairy industry to continue to flourish, especially with regard to any sort of co-operatives that exist?

Mr. James Bradley: The dairy industry in Canada right now is quite strong and quite vibrant. Certainly the strength and the vibrancy of the industry are buttressed or supported by the diversity across both the production and the processing chain in the country. We have a great mix in the industry of co-operative-based farms and processors, as well as some that are privately owned. In our particular case of co-operatives, the money that our members are prepared to invest in the continued health of the industry is quite important to help us deal with the challenges that any future trade programs or trade agreements may bring to the industry.

Mr. Francesco Sorbara: Thank you, sir.

I'll now go over to Ms. Thompson of the Canadian Geothermal Energy Association.

Would you characterize the measure introduced in the BIA, Bill C-63, as a game-changer for the industry?

Ms. Alison Thompson: I would. Geothermal heat has really come into being, or been recognized, as renewable. It has always been renewable; it was just never codified into law as being renewable. Now that we accept that it is, what's been holding back projects is

that particular designation that gave access to the CRCE and the ACCA. However, I just want to underscore further that it's not game-changing yet, because it's not complete.

Mr. Francesco Sorbara: When you use the acronym, you're referencing the accelerated capital cost depreciation?

Ms. Alison Thompson: Yes, it's the ACCA.

Mr. Francesco Sorbara: I just want to put that on the record.

Is there anything you'd like to add to that?

Ms. Alison Thompson: I'd love to shout from the rooftops and the rafters that it's game-changing, but we want parity and we believe that the other renewables have sprinted ahead of us. Geothermal is constantly being called into question, but what's wrong with geothermal is not the resource and not the technology and not the talent; it's that we don't have access to the same types of mechanisms that are available for the other renewables, or for oil and gas and mining, for example.

Mr. Francesco Sorbara: I think when you say “access” you mean access to capital.

Ms. Alison Thompson: I mean access to capital by being eligible for the CRCE, for test turbines and transmission expenses.

Mr. Francesco Sorbara: Thank you. I look forward to seeing further development in that sector.

Mr. Robinson, what was the rating that S&P provided the AIIB? Do you have that handy?

Mr. Michael Robinson: Yes, I do. It is AAA/A-1+.

Mr. Francesco Sorbara: I formerly worked in the bond-rating industry for five years and then covered it from the sell-side bond desk at a major bank, and I can say that's actually the highest rating that any sort of entity would be able to achieve—in this case what would be called a sovereign entity. It's great to see that for the AIIB, and it's great to see that there's an oversubscription, as we would call it, of entities wanting to apply to the AIIB. It's great to see that Canada is at the doorstep there, and a great participant.

Now, if I understand your angle—and please correct me if I'm wrong—it is to ensure that the appropriate measures are taken to prevent corruption taking place within the AIIB. The World Bank functions, and it has done some great things, but maybe some of the stories are not great. Is that along the tangent of your comments?

• (1820)

Mr. Michael Robinson: Exactly. We're very encouraged that what was announced in March of this year showed that they seemed to be going in that direction. When they were started in January 2015 through the signing of the original agreement, it wasn't clear. There is nothing at all in the agreement about prevention of corruption, and there's nothing in the voting powers or anything like that. Some of us have been a bit concerned that they should catch up.

As a partial answer to one of your colleagues' earlier questions, some of us have felt that the World Bank and the Japanese didn't want to join, and the U.S. didn't want to join because the World Bank and others were a little concerned that the level of corruption control wouldn't be there. I don't know whether that's the case. The World Bank is in a difficult spot because being dominated by the U.S., as one can see, they'd be seen as a competitor.

Mr. Francesco Sorbara: Am I done?

Thank you for the comments. Excuse me for not getting to everyone on the panel this afternoon.

The Chair: Mr. Albas and Ms. O'Connell will split the time.

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

Mr. Bradley, in your remarks you mentioned your support and the co-operatives' support for the measure that's in the bill. Again, you're pointing out that the solution is to have established and continued use of the small business tax rate for the people in your co-operative.

You mentioned that some lobbying was done to ensure that that happened. Could you explain just what the issue was, and what the source of the problem was that this now, in your opinion, fixes?

Mr. James Bradley: The particular budget item that was proposed would have denied the small business deduction to an incorporated farm whose incorporated entity was a member-owner of another incorporated company that is their own co-operative. Their shareholding in their own co-operative would mean they were deemed to be not dealing at arm's length, and that non-arm's-length transaction would mean they would have to be denied access to small business deductions.

Mr. Dan Albas: If they own a farm but then they join a co-operative so they can participate with you, they would be able to receive that first up to \$500,000, at this lower rate. Is that correct?

Mr. James Bradley: Yes.

Mr. Dan Albas: You lobbied for that. Did you go to the Minister of Agriculture or did you go to the Minister of Finance?

Mr. James Bradley: We started with the Minister of Agriculture and worked through finance as well.

Mr. Dan Albas: Thank you very much.

I just want to switch gears a bit. Mr. Cross, the shares that we're purchasing are deficit-financed. We heard from the officials last night that there's little to no chance of any kind of cost recovery, because we're buying into something. Eventually, Canadian taxpayers will have to pay that back, plus the interest. That would be a safe thing to assume, would it not?

Mr. Philip Cross: I'm not sure I follow the premise. Pay it back with interest? Are you talking about the contribution to the equity of AIIB??

Mr. Dan Albas: Well we're deficit financing to pay for it. The last time I checked, the government doesn't have a surplus to be able to buy the shares.

Mr. Philip Cross: Okay, I see where the interest comes from in this, yes.

Mr. Dan Albas: Since we do have some old lawyers and some not-so-old lawyers in the room, have either of you ever utilized

work-in-progress, or what's sometimes referred to as bill-based accounting? Have you, or any of your colleagues in law, used these?

Mr. Michael Robinson: I can't balance my bank book, and certainly I couldn't answer that question properly. The firm that I'm with, and I'm just counsel there now, has hundreds of lawyers, but hires experts—real accountants—to do that sort of thing.

Ms. Karen Cooper: Certainly, I do. I'm also on the executive of the Canadian Bar Association, so I wouldn't want to speak against their position.

● (1825)

Mr. Dan Albas: Could you speak as an individual on this? The first thing this bill does is to make changes to work-in-progress. Eventually, 20% at a time, of the billing that's due at the end of the year, even if you haven't yet received the money for the work that's been done, it's assumed that you have received it, so you have to make a payment to the government.

Ms. Karen Cooper: Correct. Certainly, as an individual, I'm concerned about those provisions.

Mr. Dan Albas: Can you tell me why you're concerned?

Ms. Karen Cooper: I'm not going to have the income in my hand to pay the tax.

Mr. Dan Albas: What will you do then? Will you just not take business on a contingency basis?

Ms. Karen Cooper: I don't take business on a contingency basis in any event, because that's not the nature of my practice. But, absolutely, it's of concern.

Mr. Dan Albas: In my, more rural-oriented, area, I've heard from lawyers who say they just won't accept people who are a bit more marginal, because they're worried that they will have to pay the bill for those cases through other accounts. That might mean that some people won't be able to get access to a lawyer to be able to raise their concerns. Do you think that's a problem?

Ms. Karen Cooper: I can't speak for individuals in rural communities. My clients are charities and not-for-profits. Often, I don't get paid until they find other sources of funds in order to pay me, and that's just the nature of my practice. This kind of a change certainly will impact on that. I'm not going to change my practice, because of my commitment to clients.

Mr. Dan Albas: Okay. It's the nature of my practice to try and get all I can.

Thank you, Mr. Chair.

The Chair: We'll have to cut it there.

Ms. O'Connell.

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

Ms. Cooper, I wanted to talk about your testimony in regard to the technical changes. When the officials were here, I asked questions about those technical changes. They explained that if a gift of land were made to a municipality, the latter didn't have to go through this process. This is a technical change to level the playing field. You mentioned that this is a welcome change. From your perspective, did you see, for example, gifts being to municipalities that maybe didn't need them, in the sense of land acquisition, rather than to land trusts or charities that could be stewards of the land, because one was administratively more cumbersome?

Ms. Karen Cooper: With respect to that particular provision, I feel it's appropriate to level the playing field. When an organization takes on the obligation to protect environmentally sensitive land, it comes with an obligation to steward that land. Not all municipalities have the capacity, or even the interest, necessarily, to properly steward.

Also, I have a concern downstream. There are sometimes pressures on municipalities to develop. I think this is a program that has both a belt and suspenders, and it's appropriate to strengthen that belt and those suspenders wherever possible to ensure that the land remains protected in perpetuity. A level playing field with respect to municipalities, I think, is appropriate.

Ms. Jennifer O'Connell: Ms. Thompson, I don't know if this question is appropriate for you, because it sounds like you're really involved in running the bigger projects. However, when I was on a municipal council many years ago—hence, my previous question—we were trying to push for new developments to have geothermal energy. In my hometown riding of Pickering, we have a lot of new development, and we were pushing for geothermal, but the development industry really didn't go there.

When we were looking at the standards, such as gold, platinum, and things like that, you would get one point for geothermal or one point for a bike rack. You can imagine, then, that the development industry didn't really want to put the expense into this type of technology for residential homes.

As I said, if this question is not for you, please let me know. Does this change now encourage geothermal use in more applications, because now it's being recognized in a system that in the building industry especially is being pushed, especially through planning acts, building codes, and things like that? Do you see this moving in that direction?

• (1830)

Ms. Alison Thompson: I'm from Pickering as well, so thank you for the question. My family still lives there. I was there this past weekend.

You're describing geoexchange. There's a whole other association called the Canadian GeoExchange Coalition, versus CanGEA geothermal energy. The energy we're talking about is literally the energy source radiating from the centre of the earth. Geoexchange is the ability of very shallow earth to store solar energy that then gets trapped a few metres down. They actually just exchange very low level degrees, for example 10° to 12°C, which goes back and forth into buildings and houses. Geoexchange is not geothermal energy, which is what we're speaking about.

Ms. Jennifer O'Connell: We were actually talking about geothermal technology.

Ms. Alison Thompson: No, geothermal—

Ms. Jennifer O'Connell: Perhaps we can talk about it afterwards, but we were actually looking at opportunities for geothermal technology.

Ms. Alison Thompson: Many people call it “geothermal”. It's the same as people misusing the word “engineer”, and I'm an engineer. Geoexchange is the technology you're describing. We drill one to three kilometres underground. This is more like oil and gas.

Ms. Jennifer O'Connell: Okay, so it really doesn't have that application in terms of pushing to have the technology adapted, essentially, or utilized more.

Ms. Alison Thompson: To answer a different way, in Paris, France, they are the largest users of district heating. What they do is replace a natural gas boiler or a propane or bunker fuel boiler. The earth boils the water first, and then it comes up and can be distributed to the houses. That replaces your forced air convection furnace. That still originates one to three kilometres down. It comes up to a centralized facility, and then they do district heating. It's very different from just one home or one facility.

Ms. Jennifer O'Connell: We did talk about district heating as well.

The Chair: We will have to cut it off there.

On behalf of the committee, I certainly thank all of the witnesses for the interesting exchange at times. I think you've been helpful to our study on Bill C-63.

With that, the meeting is adjourned.

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