



HOUSE OF COMMONS  
CHAMBRE DES COMMUNES  
CANADA

## **Standing Committee on Finance**

---

FINA • NUMBER 132 • 1st SESSION • 42nd PARLIAMENT

---

**EVIDENCE**

**Monday, February 12, 2018**

—  
**Chair**

**The Honourable Wayne Easter**



## Standing Committee on Finance

Monday, February 12, 2018

• (1530)

[English]

**The Chair (Hon. Wayne Easter (Malpeque, Lib.)):** I will call the meeting to order. Pursuant to Standing Order 108(2), the committee is commencing its study of the third report of the Advisory Council on Economic Growth.

With us we have Dominic Barton, the chair of the Advisory Council on Economic Growth.

Welcome, Mr. Barton. Thank you for making the time. We had a bit of difficulty trying to catch up with you in Tokyo last week, and now we hear that you're in Australia. You're a hard man to keep track of.

Anyway, Mr. Barton, just to say at the beginning, we do appreciate the work that the advisory council has done and your ability to bring a global perspective and a very impressive depth of knowledge from the people who are on that committee. I think everyone has a copy of the report and went through it.

I'm not sure whether you have an opening statement, but I'll turn it over to you. We'll hear what you have to say and then go to questions. I understand that we have about an hour and a half.

**Mr. Dominic Barton (Chair, Advisory Council on Economic Growth):** Great. Thank you, Mr. Chairman.

Thank you for being so flexible. My apologies for this being by video conference and for being in different parts of the world. You're very gracious to put up with this.

In my opening statement, I would just say a couple of things. One, as you mentioned, in December we submitted the third report to the Minister of Finance. As we discussed before, our focus is trying to increase inclusive growth in Canada looking over the next 10 to 15 years.

We tried to focus on fewer than a dozen recommendations—there are about 13 right now—and to release them in waves. We talked before about the previous two waves. I believe Michael Sabia and Ilse Treurnicht might have been involved in talking about the second wave. I won't go through those. Obviously, if there's anything you'd like to discuss about those, we'd be very happy to talk about them.

The primary thing I want to say here is that in this third report that we're putting forward, there are really two sets of recommendations. One is around business investment. The second is around skills and

how we help re-skill Canadians for the future with all the technological changes going on.

On the business investment side, there's been a huge amount of work done on it in Canada by people more thoughtful than we are—the C.D. Howe Institute, the Conference Board—and there are many terrific reports to be looked at, all with good things to say. We really focused on three things in that business investment bucket. One, as we look at ourselves comparatively, in Canada we are investing less on the business investment front than are our peers, particularly if we compare ourselves with the United States—and we have been for quite a number of years. There's been a very recent uptick, which is good news, but we don't think we should draw any strong lines from it.

Another of the three specific areas we focused on was regulation. We think there's a need for much more regulatory agility, especially as we look ahead at the innovation that's required. There's a huge amount of regulation in place. We've been working with the Treasury Board on that side. We want to make sure our regulatory system is more agile and ready for the new areas, in particular in innovation, whether it be in health care, fintech, agrifood, and others. We also want to see better coordination among the different agencies and jurisdictions, and want to have more efficient and predictable regulation. When we look in the areas of energy and so forth, there are some very long delays. The unpredictability is a big factor.

The second part on this business investment side is tax, but in a very targeted way. We think the tax system needs to be modernized in the sense that it's very much focused on looking at plant equipment and property. That is an important part of business investment, but as we look ahead, innovation IP will be even more critical. We think there needs to be more balance focused on that so that we can ensure that we do get the investment on the IP side. In Canada, just as an example, we invest about 2.1% of our GDP in IP compared with the U.S. at 3.7%, or France at 5.2%. As well in this targeted review, the tax system has not been looked at in a comprehensive way for about 30 years, and we are keen to ensure that we are competitive and that we also apply a customer experience lens to the tax administration so that when there are disputes or reviews, it's done in an even more efficient manner.

The third area with regard to business investment is with SMEs. Our SMEs are a really important part of the Canadian economy. Sometimes we focus too much on the big businesses. We think there's a significant opportunity to help SMEs in broadening their exports to other parts of the world. We punch below our weight, even though we have some terrific SMEs. There have been some very good programs in place, but we think they need to be scaled up, whether it be with the Business Development Bank or other agencies. We need to look for ways to help SMEs adopt more innovation.

• (1535)

Those are the three buckets: the regulation, tax, and SMEs. Then on skills....

No, I've been talking too long, and please shut me up at any time.

**The Chair:** That's okay, go ahead.

**Mr. Dominic Barton:** Okay. As we get to the skill side, this is an area that we felt very strongly about in the growth council. We're worried about the technology change that's happening at a pace and a scale we haven't seen before. We think that in the order of 10% to 12% of Canadian jobs will be displaced by technology by 2030. I think that's conservative, that it's an underestimate. We had a lot of debate on that in the council. The challenge, though, is that when 10% to 12% of people have their jobs changed, they will probably be at an average age of somewhere between 40 and 55. We're not talking about new entrants coming into the workforce.

This whole idea of re-skilling at scale we think is a very important problem globally. We haven't seen any country deal with this. We tried to learn. There are some very good small examples of what countries are trying to do about it, but we think we need something more comprehensive.

The two specific recommendations here are that we establish what we call a "Canada lifelong learning fund" to help Canadians to be able to invest in re-skilling throughout their lives, so that we don't have this idea that once you're 24 or 25, you're done, and that hopefully you can find jobs as you move on from there. There's going to need to be continual re-skilling, which we all have to do, and some sort of a fund to help Canadians do it.

We think employees and the government need to play a part in this. We weren't very specific about who exactly does what. I think it's probably because it's beyond our remit, but we tried to size it. We think it's potentially about another \$15 billion a year. Again, we're not saying that government pays for that. We're saying that there has to be some joint arrangement among the three parties to be able to do this.

The second specific recommendation here was to shift our employment centres—we have about 1,000 of them across the country—so they are not just places where you go to find a job, but also where you go if you want to think about the skills you need as you go forward. We base this on some learning the German system is going through now. They've had some very successful pilots in reconfiguring their employment centres to ongoing skill development centres for people to be able to look at. Those were the two recommendations there. The concern we have is the scale of re-skilling we need. There's a lot of data in the material to show

estimates by job type and so forth, but we felt the need for something significant on that side.

I'll stop there. Sorry for talking for so long.

• (1540)

**The Chair:** That's not a problem. That's a great overview of the third report.

We'll turn to seven-minute rounds and Ms. O'Connell.

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

Thank you, Mr. Barton, for being available to answer some questions for us.

With regard to Canadian businesses not dealing with new technology, I think the report says that Canadian businesses are particularly slow to adjust. You use the example of John Deere in the report, noting how they were leaders in tractors, and now they're becoming leaders in technology. It's probably an example that most people don't realize or associate with agriculture, and this committee has heard quite a bit about the opportunities in agriculture and technology specifically.

What is it about Canadian companies, and why aren't they embracing or tackling this change faster compared to maybe some other countries? Is it a lack of incentive, or is it a lack of know-how or ability? Where should we focus to get the Canadian companies to speed up to face the changes?

**Mr. Dominic Barton:** I do think, as you said, that even agrifood, which a lot of people don't think is a high-tech area, is very much on the leading edge.

I don't want to make a blanket statement that all Canadian companies don't do this. There are some that do it extraordinarily well. It's just that we don't seem to do it at scale. When you look at the percentage that we're investing on that side, we do lag over time. I won't bore you through some of the charts there, but just on an overall basis, we invest less.

It's particularly true with SMEs, and it's for two reasons. One is that they're not very export-oriented. A lot of our SMEs are domestically oriented. We do find that when we help them become more export-oriented, they actually do invest more, and we've seen some success in some of the programs. However, literally fewer than 2,000 are doing that. I think it's about seeing that you have a much broader market to operate in, and then the Canadian market enables, we think, one to invest more if they see the scale of the opportunity and the market in which they can operate.

The other, which again is mainly on the SME side, is that because of the cost involved in being able to make those investments, if you're not able to have scale—it's again related to exports—there's not a very good incentive to do that. What we're most worried about is the new areas. If you think about health care, which we think is a huge opportunity, regulatory-wise it's a very challenging place to do it. They don't have the legal capabilities or the money to work their way through that.

We think regulation is one area that acts as a barrier that makes it more difficult for people to actually move it forward. If you have to spend your time figuring out whether you're allowed to do it, you just stop.

**Ms. Jennifer O'Connell:** Do you think there's possibly a perceptual issue as well? For example, in my municipality we have a huge opportunity for agriculture, but local governments just want traditional investments, because they think that's the way forward for jobs. Is there a possibility that the trends and investments needed are really not trickling down to all areas that would encourage and help promote some of these investments? If you want to do something new in a municipality and the municipality wants to start getting rid of agriculture because they don't think there are any jobs in it, do you see that as an impediment, or is this just...? That's what I'm experiencing in my backyard. Do you see maybe for some of these traditional jobs that it's really a perceptual issue, that there are huge opportunities for innovation in Canada and that we're not being creative enough or vocal enough about the opportunities to encourage all levels and players to get involved and see the potential?

● (1545)

**Mr. Dominic Barton:** I definitely think there's a perception like that, and maybe there's some lack of spotlight on some of the opportunities.

This relates a bit to the second wave of recommendations on innovation. There were two elements there that we hope will also improve business investment. One is, as you were saying, putting a spotlight on six to eight sectors, including agrifood, because a lot of people don't realize that we have this huge potential. We just want to put a spotlight on it, and I think six of those tables are now under way, including one on agrifood. The second relates to these superclusters, which we're quite excited about. They're bringing universities, SMEs, venture capitalists, and businesses together at scale. I think when we do that.... For example, on aquaculture—although I know that's not in your municipality, but I'll just use that one example—we are punching way below our weight in Canada just given what we have with our resources. We have some amazing universities and amazing research under way, and we have capital, but it's not all put together.

I think, as you said, that by having greater ambition about what we should do and saying this is something that's good—and it's not about providing any subsidies or doing anything like that, but just putting a spotlight on it—a lot can be unleashed. Not to go on about agrifood, because the chair knows I'm totally biased towards that, but it's interesting that in the previous Governor General's book on innovation, which he did with Tom Jenkins, he argued that more than half of the innovations they talk about come from agrifood. We've been very good at it. The challenge is that we haven't scaled or commercialized those innovations. We come up with good ideas in Canada—we actually punch above our weight on that front—but we don't commercialize them. I do think awareness of this is critical.

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

**The Chair:** Thank you both.

Mr. Albas.

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

Thank you, Mr. Barton, for being here today. We certainly appreciate your insights.

Earlier in your presentation, you talked about the need for regulatory agility. There are many people who are watching at home, and some people might feel, first, that it's a buzz word, or second, that it's just another way of saying deregulation.

Could you please put a little meat on the bone and explain what you mean by regulatory agility?

**Mr. Dominic Barton:** I also did a bit of background reading. I saw that you got nominated, I think, for the Golden Scissors award, which I liked, on regulatory reform.

I think what we would say on this is that it is more about, frankly, that there are too many regulations, and regulations that pile up over time. There don't seem to be sunset clauses on regulations. I hope I'm not sounding like an extremist here, but they have become like barnacles that just continue to grow. There are no sunset clauses, and they move on forward. There are literally thousands of them that are there.

Again, what worried us in particular are some of these new areas of growth for the country. If we take life sciences, fintech, agrifood, it's very difficult for entrepreneurs to be able to work their way through that. We found examples in other countries. In regenerative medicine in Japan, for example, they have had a separate approach for people who are developing products in those areas, an approach that can bypass the current system to enable people to go through it. It's not meant to be less safe, but the process is so onerous that they know nothing will come out of it.

We've seen some. There's a colorectal scan, I know, that was developed in British Columbia and Alberta. It was developed in 2013, I believe. It was still not allowed in Ontario in 2017, even though it has been given permission in a province. I know that's part of our federal structure, but that's not helpful for people who are trying to develop new businesses at scale with those kinds of regulatory issues.

Fintech is another one. If you think about our banking system, we should be a leader in that area. It's more challenging to be able to do that in Canada than it would be, for example, in Singapore or in the United Kingdom where they call have what they call "regulatory sandboxes" to allow people to try new things.

It's the buildup of regulations over time and not a process to clean house or review. We think it should be done sector by sector. Plus, as we look ahead at some of the new areas where we could be leading the world—I do say that health care is one—we have really quite restrictive processes in place for people to be able to do things.

• (1550)

**Mr. Dan Albas:** I totally agree with your assessment. Being regulatorily agile means taking a look at whether or not the current regulation and regulators serve the public interest. In many of these cases, they don't always.

I talked to a cheese producer in British Columbia who is regulated under the CFIA. He wanted to create a cheese that is well-established in Europe. Unfortunately, because the CFIA didn't have a program for authenticating it, it took him two years before the CFIA gave him permission, even though the Ontario government has a process for provincially regulated cheese producers to follow. So, there's a lot that can be done.

You also raised the topic of looking forward as well. If we think about autonomous vehicles, in 15 to 20 years, if there is widespread adoption, we may see provinces take out their motor vehicle acts because it will be done autonomously and not by law, so I certainly agree with the assessment.

When we talk about taxation.... I'm sure that you have done some travelling. When this committee was in Washington, DC, and in New York in December, the United States was abuzz about tax reform. You have said in the report that we have to stay competitive, which I appreciate, but you also said that we have to retain talent. There are two ways that you can retain talent: you either grow it or attract it. We've seen the taxes on high-income earners go up in Canada. We've also seen provinces talk about programs du jour, like teaching all kids to code, which Michael Bloomberg says is a massive waste of time.

Are you worried that there could be spillover effects from our tax regime having rates that are too high and our putting a lot of money into public education that either, one, is ineffective, or second, if it is effective, we still see a lot of the top talent that we're cultivating here in Canada going to other jurisdictions?

**Mr. Dominic Barton:** We think it's important that we be competitive, and that's within a bound. I don't think it has to be exact, but we have to be in the range. The U.S. tax reform has put some pressure in that regard, though again, I'm looking a comparison done by EY and KPMG of tax rates and that we're pretty competitive in that regard. In the U.S. they've moved significantly, but we're still quite competitive on that side.

On the personal income side, I think that is one we have to watch carefully so that we're not out of bounds on that. One place that I would watch is what happens in the U.S., given the differences between the states. If you look at what's happened in New York and California, it will be interesting to see what happens to talent within the United States. It will move people.

I wouldn't make it a red alert right now on this side, other than to keep our eye on where that is. I think we have an opportunity with immigration. We've been pushing to make it easier for high talent to come into Canada, and I hope we can continue to push for the skills we need and make it easier for that talent to come into Canada. We have to keep our warning lights on to watch it.

The other area is regulation. What I have taken from the U.S. change recently gets back to your first question on regulation. I think we have underestimated the impact of Donald Trump. I'm not a big fan; I'll just be open with you about Donald Trump. However, what he's done from a deregulation point of view, we cannot underestimate what that's done for business growth in the United States. I think other countries are looking at that and saying there may be something there and are wondering if that's the aspect to focus on.

To your point on education, I do think education is critical for us to be able to be competitive over time. One thing we mentioned in our report here, though we weren't specific about it, is that we did make a comment that to assume that our K-to-12 and university systems are exactly fit for purpose as we look ahead is a bit of a stretch. I'm a big fan of our education system, but why does it take 16 years to make a doctor? Some people are challenging some fundamental assumptions about how we train people and do things in this new world. We didn't have specifics on it other than to say that we may want to start thinking about how we're going to be educating ourselves for this future world. To assume that the old industrial approach is still going to work, I think, is probably not the case.

I don't know if I'm being specific enough for you.

● (1555)

**The Chair:** No, that's okay. Thank you.

Mr. Julian, for seven minutes.

**Mr. Peter Julian (New Westminster—Burnaby, NDP):** Thank you very much, Mr. Chair, and hello to all of my colleagues.

Mr. Barton, it's good to have you here. This is my first meeting at the finance committee, so I'm happy to have you come for these important discussions.

Some of the points you've laid out have been extraordinarily interesting, particularly when you talk about lifelong learning and the skill-development centres that we've seen in the German model that have been very helpful in integrating people into the workforce. But to do all that, of course, the federal government needs resources.

My starting question is around the whole issue of the tax system—which the advisory committee has raised in the past—about shutting down loopholes through which certain companies avoid paying their fair share of tax and looking at having a level playing field in terms of digital services. In my area of the country, small businesses that are paying their fair share of tax and are applying the GST are competing against companies offshore that aren't paying anything, which is a major problem. It hurts the competitiveness, particularly of small Canadian businesses. At the same time, it allows money to flow out of the country, money that isn't being invested in things such as skill development, lifelong learning, and those important things you mentioned.

Are you concerned about the increasing amount of money that's going offshore because we lack a tax regime for digital services, and what is the impact on the Canadian economy in the long term if the government doesn't take the bull by the horns and put in place a tax framework for that?

**Mr. Dominic Barton:** Thank you. We do worry about innovation going offshore, if you will, into non-taxed regimes, though I think there's now more pressure around the world to try to be able to deal with that. We're seeing that in Europe in a very big way.

We think there's a lot that could be done. For example, if I just take one of the sectors—health care—this is an area where we think there are a lot of innovators, a lot of people with terrific ideas who would like to be able to build businesses. We would argue that the regulatory barriers are bigger than the tax barriers, if you will, to be able to build things.

We're blessed in Canada with our health care system, which allows us to collect an incredible amount of information on people. There are only two other jurisdictions in the world that would even have the possibility to do what we do, which are Australia and the U. K. There are very restrictive regulations on how you can use that information, some for good reasons, I think some not for good reasons.

One of the things we're keen on is if we can make it easier for people to.... People will do more innovation in Canada from a regulatory point of view if it's easier, not so much from a tax point of view, if you will. For sure, tax is a factor to think about, but we think the regulatory challenges are bigger issues.

To your point specifically on tax, we don't think people should be able to go offshore and get different tax rates. There has to be some comprehensive view. In the digital world, it's a lot easier to be able to do that, so I think we have to make sure we're competitive in that. It's not that there isn't such a huge gap between us and other places. I guess I'm saying that to help get even more activity going, I think the regulatory lever may be an even bigger one.

There are some things on IP, as we mentioned in the report, that don't get the same benefit as plant and equipment. They have longer depreciation rates, and I don't think that's a fair process, given what people will be investing in over time. So there may be some differences on that.

● (1600)

**Mr. Peter Julian:** Thank you. I'm sorry to interrupt. It's just that I've got a whole long list of questions, so I'll go to the next one, which is on skills development.

You've talked about groups that are under-represented in the workforce: indigenous peoples, lower-income Canadians, women with children, Canadians over the age of 55. One area that is profoundly overlooked by policy-makers that does make a difference in terms of the overall development of the workforce is skill development among people with disabilities.

I worked in that area before I was elected to Parliament, so I know how often just a small bridge—a ramp that is put into place in a workplace, the provision for a sign language interpreter for the training of the new employee, for example, or even magnified screens for visually impaired Canadians—can make a difference. You've got a really excited, often highly skilled group of Canadians with disabilities who just don't have access to the workforce.

Is that something you're contemplating bringing out in a further report, or is that something that has been discussed at the advisory committee level so that you, at some point, will be making recommendations? The skills development component is very important, and that's 15% of Canadians who are left out.

**Mr. Dominic Barton:** That's a great question.

We did talk about it. To be honest, I think we could put more of a spotlight on it because, as you mentioned, with all those categories, given our rapidly aging demographics, if we don't get as many Canadians participating in the workforce as possible, we're going to have very low productivity over the next 20 to 30 years. With some of the things you talked about, which are making it easier for disabled people to be able to work, whether it be the ramps or the magnified screens or whatever, we actually also think that this digital world is actually going to make it even easier for people with disabilities to play a role in the workforce, so it's an opportunity that we should go after even harder.

We think we're also going to need to have the digital infrastructure in place for people in remote areas. We did talk about people with disabilities in remote communities. How do they participate in this economy? We know they can. One example we looked at was—I'm sorry for going on here—Globant, an Argentinian software company. What's interesting about it is that, first of all, you wouldn't expect a high-tech software company that's supporting Google and others to be based out of Argentina, but it does very well. Only only 50% of its workforce is in the main city; 50% is actually in the sub-regions of Argentina, but using technology allows people to be able to participate, and a chunk of the workers are also disabled.

I think there's more we can do, and the higher we get participation rates across the board, it's in all of our interests to do it. It's not even just a moral or social issue; it's an economic issue.

**The Chair:** You have time for a short one, Peter.

**Mr. Peter Julian:** Well, the short question is around child care.

You did flag in your second report the importance of having child care. It would allow women to go into the workforce. That's obviously a major challenge across the country. Is that something you continue to stress, that the government should be putting in place a national child care program along the lines of the Quebec model?

**Mr. Dominic Barton:** We definitely feel strongly about that because our female participation rate had gone up and has flattened over the last while. Again, we think they are a source of talent that we need to have participate much more in the economy. The child care part is a very important part of that to ensure that women can work.

On the women's side as well, we found that on the investment or VC side of things, far fewer women are involved in that, even though the women who are involved are actually quite a lot more successful than the men. We're looking at what biases are there, implicit or explicit, for women on the entrepreneurship and investor side of things. We are thinking about the growth fund that's there and want to make sure that we're looking broadly, and recognizing that we're way underplaying on the women's side also for entrepreneurs and for innovators.

•(1605)

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

Mr. Sobara.

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

Thank you, Mr. Barton, and thank you to you and the other individuals who have participated and developed the three sets of reports.

In reviewing the third set of reports, obviously you had the October 2016 first report, with a number of recommendations, and the second report. It's great to see we've completed the CETA with Europe. We've recently announced the CPTPP agreement with our Asian partners largely, but also Mexico, I believe. We've moved forward on the Canada Infrastructure Bank; the global hub for attracting FDI; and are moving forward soon, I would assume, on a superclusters agenda, identifying the sectors that were identified in

the reports. There's much to do, as you've identified in these reports that I've read.

There was one thing that caught my attention in one of your reports, which really speaks to attracting business investment. It's something that was even identified last month in the Bank of Canada's monetary policy report. In your report, "Investing in a Resilient Canadian Economy", you say that we're not seeing as much greenfield investment as we should. I shall read it verbatim:

While it is difficult for the government to directly lower input costs for Canadian businesses, it can—and must—tailor the regulatory and tax systems to a more dynamic era of technological disruption and global competition.

It's on page 9 of that report. I pulled that statement or sentence out of all the reports, because we really haven't had a review of our tax system prior to the use of mobile phones and the Internet. You've pointed that out in the third series of your reports.

I was wondering if you could please elaborate on that. How important is it to get that right and get productivity going in our economy—which has sort of picked up—so that investment conditions are conducive from a tax and regulatory point of view?

**Mr. Dominic Barton:** Yes, to your point, we and others have done some surveys. I think one of the things you referred to was from a broader business point of view, three big issues, but two in particular. One is regulation. I think 61% of the respondents said that they thought there's a major issue in Canada on that front. Then on the tax rates, as was mentioned before, when we dug into them, we thought that more could be done in regard to the newer innovations, so that we have a modernized tax system as opposed to one built on the industrial side of it.

Again, we're fortunate. When we looked at our endowment, if you will, in Canada—and I use that in the broadest sense of the term, meaning the talent, the natural resources, and so forth—we have all of what we need as we look ahead. What we're saying is, let's try to make it as easy as possible for people to be able to build, obviously in a safe manner. We think there are a lot of things that get in the way of doing that.

Again, on the tax side, you said that the last time we did this was over 30 years ago. The system has changed. We were arguing for a more targeted approach, thinking about the future and innovation, because there are things that are in place that won't be needed, and there are things that aren't there that should be there, if you know what I mean, when we think about some of the new capabilities that are required.

The overarching thing, if I might say, is also just speed. If you notice the time it takes to get a construction project done in Canada versus other places, it's significantly longer. The time frames just take longer, and that costs businesses and entrepreneurs.



**Mr. Francesco Sorbara:** I completely agree. I think the other unique factor that we're dealing with, especially in Ontario, is that entrepreneurs or enterprises deal with four levels of government. They deal with the federal level, the provincial level, the city level, and then they'll deal with the regional level. On the regulatory front, the burden of administrative costs of doing that here versus investing in Sterling Heights, Michigan, or in Mexico, in terms of construction periods, for example, and the time to get a permit, is much greater in Canada. It takes much, much, longer in Canada than in those other jurisdictions.

I'd also like to congratulate you for your focus on skills development and increasing the labour force participation rate. Could you comment on the skills development side? That's something the government provides provincial governments with a lot of money for. There are a lot of agreements in place. How do you think we can do better on that side?

• (1610)

**Mr. Dominic Barton:** On the skills side, there are some pages on that, and I won't bore you with them, but we tried to estimate for each job type what percentage of those jobs would be automated. Point number one is that no one is immune. I'm sure we won't have robots—and you can shut the computer off when I say this—as members of Parliament at any time, but I think all of us are going to have parts of our jobs automated, including mine. I think some people in my own firm have said they'd probably be better with a robot than me, but at least 30% of what I do now could be automated.

We went through the different job types, including transportation, manufacturing, construction, and finance. Everyone's going to have a chunk of their work automated. Everyone's job is going to change to some extent. The biggest concern we have is that people are going to have to start re-skilling at a more aggressive rate when they're older. It's going to be more difficult for people when they're 40 or 45 years old, because you can't leave your job to go to school. You have a mortgage, and you have kids, and so forth, so how are we going to put in a program that enables people to do part-time re-skilling as they go through it? How do we ensure that people know what it is that they're building skills for with a world that's changing?

Of the components we were talking about here, one is that all of us will have to have a mindset of re-skilling over time. We think being able to get information.... This was the future skills lab idea in the second wave of our recommendations to try to synthesize the future skills that will be needed in the economy. That doesn't really exist. We need to make sure that people can see that, and it's a combination of employers, SMEs, and others putting that in. We need to make sure that we have the educational institutions to be able to provide more flexible, part-time learning for people to go through.

We think it's a pretty broad shift. To us, it's like pension reform was at the turn of the last century. We need the equivalent of that. It's a very big issue, and we're worried that no country in the world is thinking about this as aggressively as we need to. I'm hoping that in Canada we can show the way on how to do this.

**The Chair:** Thank you.

We will go to five-minute rounds.

Mr. Kmiec.

**Mr. Tom Kmiec (Calgary Shepard, CPC):** I'm going to focus on the initial questions that my colleague Mr. Albas had about the Expert Panel on Regulatory Agility and Innovation, which you talk about here.

I would ask that you flesh it out some more and maybe draw a parallel with a piece of legislation before the House of Commons right now, Bill C-69, that would basically replace some of the regulators that exist now. It will add the following areas of study for companies to submit, including, I guess, some type of documentation on health, economy, social issues, gender, and indigenous rights. They are shortening the target dates for having an approval from 450 days to 300 days, but they seem to be layering on more complexity for the company to be able to get to the point of saying yea or nay.

How does that fit with the Expert Panel on Regulatory Agility and Innovation? How do you see these two? On one hand, you have this piece of legislation that is proposing to increase the scope of study of the subject matter that companies need to look at. It's pretty broad in its scope, so I can already see individuals who work in those companies trying to figure out how to comply with the new rules, how to demonstrate compliance with the regulator. On the other hand, they are also shortening the timelines, which would be a good thing, because you will find out faster whether you comply with the requirements.

In this year, you talk about unleashing creativity of Canadian innovators and entrepreneurs and better coordination between agencies and jurisdictions. Can you talk more about that? On one hand, you have the government doing one thing, and you're recommending something that doesn't seem to align itself too well.

• (1615)

**Mr. Dominic Barton:** I'm not familiar with the details of Bill C-69, so I apologize for that. We will make sure that we look at that. It sounds as though there are some elements that would be in line with what the panel recommends, in regard to the point you made about speed.

What we're saying is probably more at an execution level within the current rules. What we were hoping to have put in place is this expert panel. We said we wanted to have representatives from the private sector and academia, not just from the government side, that would actually look at this, working with the Treasury Board Secretariat, literally to go through what we were saying on a sector-by-sector basis. We identified six tables that we think are important. We would start with those to say, "Let's just go through those on an execution basis and see what we already have; what are some of the regulations that are in place?"

**Mr. Tom Kmiec:** Mr. Barton, I need to interrupt you, because I don't have a lot of time. I know you could fill all of it because you have so much knowledge.

The Liberal government did cut the regulatory advisory committee that was part of the red tape reduction action plan. You're proposing to reintroduce that concept.

I served on the Standing Joint Committee for the Scrutiny of Regulations that looks at all regulations that come through the government, and there is a lot of it. I learned about things the government regulates that I never wanted to know about and I never care to know about again, because some of it is really complex and highly detailed. I learned a lot on that committee, too.

With the complexity of it all, how do you square one and two, have more innovators, more entrepreneurs, but at the same time the government is layering on new broad rules to comply with, very complex things? I don't really know how some companies can comply with a broad category such as health, the complexity, when the breadth of the regulation is so broad. How will entrepreneurs react? How will innovators comply with these types of rules?

**Mr. Dominic Barton:** We're very much for having less complex and fewer regulations. That's a pretty bald statement. We think there is a lot that can be done even in the near term by having a panel put together externally that would advise the Treasury Board Secretariat, to go through each of these areas to exactly surface it up and ask, why was this regulation put in place, how does it compare competitively with other countries, and so forth? To have business people, as well as other innovators, saying "I can't do this", there needs to be a voice back that way.

We were quite encouraged by the Treasury Board Secretariat's response to it, but as you said, obviously things need to be coordinated. We think we just have to get at it, because it's a barrier.

**Mr. Tom Kmiec:** Mr. Chair, may I...?

**The Chair:** Make it very short.

**Mr. Tom Kmiec:** On IP, because you mention that in the report a bit as part of creating a business model, I guess, with more IP, more intellectual property, and the development of ideas into something that's marketable. However, a lot of companies, once they become multinationals, international companies, use royalties on intellectual property to move cash around.

How do you avoid that? Do you have a proposal for or an idea on how to avoid situations whereby companies use their IP and royalties paid on the IP to avoid paying the level of taxation in one jurisdiction because they're paying an amount in another one?

**Mr. Dominic Barton:** Yes, on this one, this is where we think that targeted review of the tax system needs to be put in place. I think a previous member of your standing committee raised that point about people being able to take advantage of going offshore.

We think there has to be a level playing field. We would actually argue that withholding taxes, for example, actually make it more difficult for SMEs in Canada to innovate. It costs more. We actually think we're the other way: we're not competitive on that side in Canada compared to other countries in how we think about withholding taxes, for example. To your point, we think we have to look at it globally and recognize that people will look for the means of being able to pay less tax. Let's first of all make sure that our jurisdiction makes it easier for people to do that. Right now, we think it's a little more difficult.

• (1620)

**The Chair:** Thank you.

Mr. Fergus, you have five minutes.

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

Thank you, Mr. Barton, for your contributions to these reports, as well as your contributions to the public policy development in Canada, frankly. I have to say that you are offering what I think is the best in the Canadian tradition of giving back to one's country. I had the pleasure of meeting you when you did some similar work for the Association of the Universities and Colleges of Canada, so it's great to see you back. I really did appreciate reading your reports.

As much as I would like to talk to you about the re-skilling aspects of it, because I think there's more to be said on that... Hopefully I'll have a chance to get to that in the second round, but for this part of it, I'd like to focus on talking about your ideas on growing Canada's exports and getting our businesses to export more. Given the current trade policies being enunciated by President Trump and given the opportunities we have, perhaps, with the Trans-Pacific Partnership, what opportunities do you see ahead, in a sort of large point of view, for Canadian companies to expand their export opportunities?

**Mr. Dominic Barton:** Thank you. I really think that's a huge opportunity for Canadian businesses. Our Canadian SMEs, for example, I think account for less than 30% of our exports. If you look at places such as Italy and Germany, that's well over 50% and up to 70%, so there's opportunity.

Very much to what you said, I think, one thing is that we need to broaden our trade relationships beyond the United States and Mexico. That's obviously critical, and I really hope that NAFTA.... I think we're all hopeful that we get it and make sure that NAFTA is there.

One of the things we recommended in our first wave of recommendations was that we have to establish much deeper relationships, particularly in Asia with China, India, and Japan. Free trade agreements would be great, and we're very excited by the CPTPP signing, but we actually think it's beyond having a trade arrangement. It's about having much deeper business relationships, and I think that's in many different areas for Canadian companies. Again, forgive me for always talking on the agrifood side, but that's an area we've talked about before where we're punching way under our weight and there are huge opportunities.

**Mr. Greg Fergus:** I like where you're going. Here's what I'm also trying to figure out. Is that also related to your call for greater immigration levels so that these new Canadians can serve as bridges back in creating those deeper trade relationships?

**Mr. Dominic Barton:** Yes. As you said, it's a deeper set. It's about trade. We have many capabilities, as I said, such as in our natural resources and agrifood, but we also have our services—health services and financial services—and the way our retirement program works. A lot of countries would love to have that type of a system. There's the way our pension system works. There's a whole range of things, including education, to your point. I'm here in Australia. Their third-largest export is education. It's the number three export—international students of all types coming here. Many of them stay, which helps create...and they're entrepreneurs. They build businesses and so forth. We think it's that deeper set of relationships with this part of the world. We have city-to-city relationships. Chongqing has 35 million people. It's the size of Canada. It's just one city in China, and many SMEs could be part of that. It's not just large companies.

If we look at the comparative numbers, over the last two decades, Canada has lost a lot of market share in Asia, and we think we have to go back to that again significantly. It's not a replacement of NAFTA. It's in addition to it, but there's a lot we can do even in the near term with technology, whether that be with Taobao or whatever trading systems are now in place. It allows small businesses to also attach themselves into other countries' systems. We're very keen on that. It creates good jobs. It will encourage people to invest more. There are a lot of virtuous cycles if we can just shift more east.

•(1625)

**The Chair:** You have time for a small one.

**Mr. Greg Fergus:** Then how do we change the culture of our SMEs to encourage some of them to make serious and deep forays into markets outside of the normal ones that we go to, or deeper ones in Asia, India, or in Japan? How do we help them take that on and lower their risk so that they can afford to spend that time developing those long relationships?

**Mr. Dominic Barton:** There are some examples in other countries. Malaysia and New Zealand have focused on SMEs. It's not all SMEs. They've kind of put criteria in place for those that would have more of a chance, but they've increased significantly the exports of those companies. That's one of the recommendations we're suggesting on the SME side, that we scale those up.

There's the QG100, which is a bunch of SMEs in Quebec. I think Tom Jenkins and a number of others are setting up an Ontario 100. I think the plan is for that to go across the country, to British Columbia and all the provinces, and to use those as forums where people can actually learn about what's going on. It's efficient for them to see what the opportunities are and to then target the support programs to those with the most likelihood. There are some good examples with Malaysia and New Zealand where they've pushed it.

I think there's a lot of opportunity to be able to do that. I also think we need to have much more flow of people back and forth with Asia. Canadian students don't travel very much compared to those from other countries. If they do, they travel mainly to Europe. I think if we can encourage more people to link up with these parts of the world to build relationships, they will become more familiar. Canadian companies are very competitive.

**The Chair:** Thank you.

Mr. Poilievre.

**Hon. Pierre Poilievre (Carleton, CPC):** Thank you for your work.

I want to follow up on Mr. Julian's questions about opportunity for workers with disabilities.

You've spoken about the need for us to watch carefully our personal income tax rates, but often I find that policy experts and people who study taxation forget about the extremely high marginal effective tax rates affecting low-income people in general and people with disabilities in particular.

When a disabled worker who is on some sort of assistance gets a job, they not only start paying payroll and income taxes but they immediately lose income support, housing support, drug benefits, etc., the combined consequence of which is a tax rate that can well exceed 100%. People can be significantly worse off when they work, get a raise, or add more hours.

Has your council considered this problem?

**Mr. Dominic Barton:** It's an excellent point, but we haven't gone to the level of detail you're suggesting. It sounds to me like a very good idea on the face of it. We did think about this with unemployment, and we thought about it with some other groups that don't participate in the economy as much. What are the incentives? We also thought about this a little bit with retirement. What incentives not in place do we have for people to work longer? I would say on the face of it that we have to get more people participating in the workforce. It's critical for our productivity, and if you end up paying more tax because you're working, that's certainly counterproductive. It's a good question, however. I'm making notes on this and other comments, things we should look at.

**Hon. Pierre Poilievre:** There are some really heartbreaking stories. One of them is Linda Chamberlain, a single mother who struggled with schizophrenia for many years. Finally, she got a job, a job she loved. Within two months, though, she realized she would not be able to survive if she kept the job, because she was going to be roughly \$250 poorer having a job than she would be without one. So she quit. It's heartbreaking because she loved the job. Her co-workers loved her, and they held a nice party for her to say goodbye. She's stayed on social assistance and in public housing ever since. This is someone who could have had a life of independence. She might have slowly increased her wages to a level where she required no assistance at all, but the system defeated her. All parties, and all levels of government, are responsible for it. We pulled some of the steps out of the ladder, and so you can't climb if there are three or four steps in the ladder missing. I hope your group can look at this. I proposed a private member's bill that would oblige all governments to ensure that for every \$1,000 a worker with disability earns, they never lose more than a \$1,000 in taxes and clawbacks. This is something for you to consider.

My second question is with regard to the massive debt levels that are sloshing around the system after a decade and a half of low interest rates, and seven or eight years of extraordinarily low rates. In Canada we have high levels of both consumer debt and government debt. South of the border, in part because of some irresponsible senate budget decisions just last week, the debt deficit will probably reach a trillion dollars by next year. This kind of insane government spending is going to leave future taxpayers in a crisis position, not just south of the border but around the world. I wonder if you have views on how Canada is positioned for the day, which is inevitable, when rates rise and both governments and households find themselves unable to service their debts.

• (1630)

**Mr. Dominic Barton:** You raise a very good point, and I think you probably have the numbers. If you look at overall debt in the global economy from 2008 to 2017, you can see that it's gone up significantly. I worry about two things. One is how smooth the process is to get to more normal rates, and what that process does. There are many others more expert than I am, but I think the ability to tighten smoothly is not an easy thing to do. So I also worry about shocks to the system. Most financial crises occur because of a shock that hits the system. Overall, I think it's an imperative that rates are going to have to go up to deal with this liquidity that's awash in the system.

I think there are probably asset bubbles. They could be in housing markets, or in some commodity products. It's important to be very careful about where the spikes are. From a fiscal point of view, I'm more bullish on Canada as long as we can continue the underlying growth, which I think we can. The areas I worry more about are real estate and consumer debt and what happens on that side if rates really move quickly. I think you might have an even more troubling situation in the United States and in some other parts of the world. I think we have to be very careful.

With that tax bill in the U.S., there's a very good short-term hit as a result of the investment going on. We should look at some of those elements. But in the longer term, when you look at the debt levels, I think there's reason for a lot of concern.

**The Chair:** We'll have to leave it there. We're two minutes over.

Mr. Grewal is next, then Mr. Julian, and then Mr. McLeod.

**Mr. Raj Grewal (Brampton East, Lib.):** Thank you, Mr. Chair, and thank you, Mr. Barton, for your service and for taking the time today.

My colleagues asked a lot of macro-level questions on business investment and what regulatory changes we could make to strengthen the Canadian economy and Canada's middle class.

You mentioned one thing that struck my interest, which was supporting our SMEs and ensuring they have better access to export markets. That's not always in our control, because the export market we're exporting to has to be open for free trade, etc.

However, you said we have to scale up organizations like BDC. Can you elaborate a little more on that and see what changes we can make to organizations like BDC and EDC to help Canadian SMEs expand?

• (1635)

**Mr. Dominic Barton:** What we've found is that Canadian SMEs—as we've said before—export relatively less than our peers in the OECD. We're not as export-oriented, so there's an opportunity just from a benchmark point of view. There are some very good programs in place that the BDC is doing, but it doesn't get at enough of the population of SMEs, and it's fairly costly for them to be able to do it. They're making an investment. I think we should all be happy with what they're doing. It's not sustainable for them to be able to scale up in the way they do.

What we're saying is not all SMEs are equal in the sense of their potential. Some have higher potential because of a particular set of skills or capabilities, or because of where they're positioned in an industry business system or value chain. They may have more of an opportunity, and we should focus on those first. There has to be some prioritization of the hundreds of thousands of SMEs we have. We're saying, let's have a more targeted, segmented approach and then encourage the BDC and others to continue to do that.

We can also learn from these other programs I mentioned in Malaysia and New Zealand, where people in similar environments have been able to see very big results; they can then pay for themselves as opposed to it being a government cost.

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

Mr. Barton, my colleague Mr. Albas spoke about the automated car and about provincial regulations disappearing because of the rapid pace of innovation. At the same time, we'll also be cannibalizing industries. The automated car is going to threaten the taxi industry, and the automated truck really threatens the trucking industry. These are the backbone industries of places like Brampton East. They provide food for families and new immigrants with good-paying jobs to enable them to put their kids through school.

What do you think the government's role is in balancing innovation and ensuring that there's a transition in society? The rapid pace of innovation also has a disadvantage, which is the fact that certain workers are placed right out of the workforce.

**Mr. Dominic Barton:** Yes. I agree with your approach that we have to be careful where the burden gets put. The way I'd look at it is that we need to embrace the fact that this technology is coming. There will be automated cars, electric vehicles, whether we like them or not. I don't think we should fight it, we have to embrace it and say this is going to happen. Then I think we also have to make sure there is a transition program for the people in those roles. You mentioned a great example of truck drivers.

That's an important job segment in Canada, and today there are driverless trucks in Utah; it's there. We have to think about what those truck drivers are going to do. I think we should involve the trucking companies, educational institutions, and the governments in asking what these people do next. If we say it's their issue, they have to deal with it, we're going to have a big problem because of the scale of what we're dealing with. I think there are things that a 45-year-old truck driver can do. As was mentioned before—I don't know if it was Mr. Albas or who—I don't think we're going to teach them code, but there are other roles they can play.

One advantage we have in Canada is that we're small enough that we can get these different groups together to do something. Stuttgart, Germany, has a big issue coming their way. It's diesel engines; it's an economy in its own right, and they're now saying they have to get together, because they know automated electric vehicles are going to be the future, their complete industry base is not built for that. How are they going to work together to figure out how to retool their workers who are making engines to be doing electric vehicles, which are a completely different technology? What safety net are they going to put in place?

We have to get all groups working together right now. We know that isn't rocket science; we know which jobs are going to be affected. Even financial services, high-paying jobs, some of the wealth managers are going to get automated, and what are we going to do with those people? I ask because if we just dump them on the street, we're going to have a bigger problem. We have to get education, business, and government together with—to your point—very practical.... In a specific region, what do we do specifically to help people that's real, not academic?

• (1640)

**Mr. Raj Grewal:** Yes, I think for policy-makers to achieve that balance is going to be the biggest challenge of our time. And I don't think that conversation is happening as much as it needs to.

Thank you, Mr. Barton.

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

Mr. Julian, and then Mr. McLeod, and if either of the parliamentary secretaries have a question, we'll have time.

Mr. Julian.

**Mr. Peter Julian:** Thank you, Mr. Chair.

We're getting into a lot of the nitty-gritty of really important policies. It's too bad we can't have six hours with you, but hopefully we'll be able to speak with you again.

I want to come back to the SMEs and exports because I've been with the trade committee and have seen the problems that we're having in providing support around trade promotion. I'll give you an example. I've spoken with trade commissioners who don't even have a budget for a cup of coffee to take a client out abroad, who is a potential buyer of Canadian goods. It's a fundamental problem, because Canada only spends about \$14 million for trade promotion and supports. Our chief competitors, the European community, the United States, Australia, spend hundreds of millions of dollars to support their export industries. Canada doesn't do that, and SMEs of

course then fall between the cracks because the supports are just not there.

How important is it for Canada to start to provide that significant trade promotion support? I'm talking about specific products, Canadian products, so SMEs can penetrate markets where we're non-existent now, not necessarily because there are barriers, but because we're not providing the supports that allow those products to go into those markets.

**Mr. Dominic Barton:** I think you make a great point that we need to do much more to help support our SMEs and businesses going abroad. And to your point, I think, one, we probably do need to spend more to do that, but also maybe do some things differently as well.

If you look at Germany, where well over 50% of SMEs export globally, when a big German company goes overseas to do, let's say, a China trade road show with the chancellor, the big companies bring their SMEs with them. They bring their supply chain with them. I think we could be doing a lot more of that in Canada. When a large Canadian company goes over, they should bring the SMEs with them because, as you said, the SMEs can't afford to fly around to all these different places, but if they're actually good suppliers to this particular company, chances are they can.

I think, one, is there could be a lot more co-operation with the large companies. That doesn't happen as much as it could.

The second thing I think you're getting to is the focus as well, because we know from a macro point of view where some of the big growth opportunities are from a Canadian perspective, just given the businesses that we have. If you take the automotive sector or agricultural sector or financial services sector, we know, and I think we could be more targeted about, saying, look, here are six places that you should go to and let's match them with the companies that are there and be more proactive about matching people.

The third is that I think we could have much more of a diplomatic effort, if you will, to attaching ourselves to these technology-driven markets in China. The Taobao, that is for SMEs. It's for Chinese SMEs that have been attached to that system. There's no reason Canadian companies can't.

I think those are other elements of what we need to do, but I would agree—it's a long-winded way of saying it—we do need to do more. We're an export-driven country that will always, I think, be that way, but we are punching below our weight, especially on the SMEs, and there's no reason why not. We've got some amazing companies that are here. I would definitely be leaning forward on that.

• (1645)

**The Chair:** Mr. McLeod. Sorry.

Peter, do you have a very quick one?

**Mr. Peter Julian:** Very quick. How important is the diaspora? In my riding, 150 languages are spoken, and yet there are no links with them. We have Canadians of Chinese origin, of Korean origin, and they're not integrated into SMEs and export policy and making those links. How important is that?

**Mr. Dominic Barton:** I think that's a huge asset for all of us. Also, by the way, I might say that with the number of people who have been educated in Canada and then gone back home, for example Indonesia, we've got effectively ambassadors there. The people who have gone to university or vocational schools here feel a very deep attachment, and we should connect with those people as well. And as you said, having that multicultural workforce that we have in Canada, that's a very big advantage. We can have people who speak the language, know the culture. I think there's a lot more we can do with that. We're naturally well-positioned to be more Asia-oriented, and eventually also Africa-oriented, which will be an opportunity even in the next five to ten years. I just look at Montreal and the linkages people have in these parts of the world. It's untapped.

**The Chair:** Thank you. It's a very good point.

Mr. McLeod, and then who's next? Do I see some hands?

**Mr. Michael McLeod (Northwest Territories, Lib.):** Thank you, Mr. Chair, and thank you for the presentation.

I look at the report and I try to see how it affects my riding. I'm from the Northwest Territories. I have a small population, with a very high percentage of them being indigenous. I see the broader goal of increasing Canada's median household income by \$15,000 by 2030. That's very important, but we need to make sure that the growth that is being experienced is not only by those who are already employed. There are many parts of Canada that are not doing that well. How does the advisory council envision these latest recommendations as addressing that issue, especially in our northern and indigenous communities?

**Mr. Dominic Barton:** That's a great point. We tried to do so in the workforce participation report; that was in our second wave of recommendations. We felt that, with indigenous people, we have a long way to go on that front and we think that ensuring that there are incentives in place to enable a higher participation rate is key. Again, it's not a social or moral issue. We think it's an economic issue. It's in the interests of all Canadians that we have a higher workforce participation, so we're just trying to make that point. Having more aboriginal people participating will actually have a broader effect on all of us as we go through it. We've just tried to make that point. It's in all of our interests that we do that, because of our demographics.

The second point I'll make is that in more remote parts of the country, there are tourism opportunities. In fact, if you take the Northwest Territories, I think the tourism opportunity from Asia is very large. It's not about our necessarily exporting people, but there are opportunities to bring people in. We think there's a very large opportunity. There are 110 million Chinese tourists who are travelling outside of China every year. We get a very small proportion of that number, and when you actually look at the criteria of what people look for, you have to believe.... Again, we don't want to have a mass number of people coming in, but we think there's a very significant opportunity just in tourism. I'm just saying that's one element, a place that can create a lot of good jobs for people.

The third is on technology. We have to get the digital infrastructure in place so that people in remote areas can participate in the economy, and not because they're more distant. I've used that not-very-good example from Argentina before, but it's being shown in other parts of the world that we can have people in remote parts of the world participate in the global economy through the digital infrastructure. I think we need to look at that. I hope that's one of the areas the infrastructure bank will consider. That's obviously up to the leadership in that group, but providing a deeper digital infrastructure is going to be important, so that people in remote places can actually participate in the economy even though they're far away.

Those would be some of the areas we would think about.

• (1650)

**Mr. Michael McLeod:** With respect to the council's goal to increase the national median household income to \$105,000 by 2030, in the Northwest Territories, the median household income already exceeds that number, and the 2015 figures put our territory as first in the country at \$117,000. However, we have a high cost of living and declining employment rates year after year, especially amongst our indigenous people. Last year we saw a 1.9% decrease in employment rates, and for those who were outside our capital city, it was even higher at up to 4%.

Are you concerned that using the median household income as the primary economic indicator may not be the best way for the council to measure economic growth in the north?

**Mr. Dominic Barton:** That's a very good push, I think you're saying, and that we should look at it. What we were trying to get away from, first of all, was just GDP growth itself. Minister Morneau and the Prime Minister were very tough on us in saying that, if we just went for GDP growth, that would just benefit the top 1% and that we should at least think about the median income in what we're doing. I think your push is a good one because the cost of living does vary according to where you live. I don't know if the net median income or some number like that is something we should look at. It's a very good push.

**The Chair:** Thank you.

I have a couple of questions before I turn it over to you, Dan.

On the skills aspect, we now have employment insurance and the labour market development agreements with the provinces, which are fairly substantive in terms of skills development.

Are we getting enough value out of that funding both at the provincial level and under the employment insurance program, which includes skills? If not, what should we be doing? I guess I'm saying that a lot of money has been spent there, and when I look at my own region, I see we are not getting the skills for tomorrow.

**Mr. Dominic Barton:** As you said, I think the good news is that we have in place a number of initiatives that are under way. I know that in Finance they're saying, "Make sure you understand some of these." Even the ability people have to use some of their RRSP money for education is there, but it's not being taken up at scale.

To maybe get to your question, one part we would push more on is involving the business sector, the education sector, and the government together. When a program has only one element of that three-legged stool, if I might say so, it doesn't work as well. I think what you're getting at is that we've found a big mismatch between the skills that are being developed and what businesses actually need. Those sectors may be doing skills development, but it's not exactly what businesses need. I think that bringing those things closer together, and at a community level, not a national level, is much more important. Getting those three groups to work much closer together we think is key. Otherwise, we can have a lot of education programs without creating jobs.

**The Chair:** The other area I have a question on is the expert panel on regulatory agility. I do think that's a good idea, but is it just the regulations that are the problem? I submit that we have probably one of the best public services in the world, but I also have a bias, which is that I think we have far too many managers, who are mostly in Ottawa, and not enough workers on the ground, where the work really gets done. Everybody has their little turf, so they need to have their little say, and something that should take 10 days takes 10 months.

That's where I'm coming from on that issue. We tend to, in this country, say that one size fits all. I can give you an example that we're fighting over with Transport Canada at the moment: pilot fatigue. Their proposal will deal with the major airlines, which is fine, but what about the ones in the outlying areas and up north and the medevacs and helicopters? That policy is going to cripple them. Do you have anything to say on those points and on where we can go?

• (1655)

**Mr. Dominic Barton:** Yes, I think you make a number of great points there. On that time thought, I think that has to be an essential part. There are timeboxes. Again, in the work we looked at, one thing you can say consistently across the board is that we take a long time to get decisions made, whether it be on the regulatory front or not. That just doesn't work with the speed of the way that the world and business are moving. I think there needs to be some notion of a timebox.

Second, to your point on resource reallocation, I do think that there's an opportunity to rethink where all the people are. One thing I would say, too, is that I also have a huge amount of respect for our public service. I think we have some fantastic people. One of the things that we did not consider at the growth council—you may think this is probably the time to fire us on this one—is that it is kind of odd that we've not thought about reallocating our government resources in any sort of significant way over time.

Most companies—and I'm not saying the world should do things as how companies do them—think about reallocating or shifting their capital and people in the order of 5% to 7% a year. That means you're taking away resources from some places and putting them elsewhere. Businesses don't like doing that either; I've never met a business unit that's volunteered to have less capital and people. But if you think about our distribution of public resources, when's the last time we did that? I may be way off base, and this may be why we haven't looked at it, but there is a notion of how we think about allocation of resources given where economic activity is and so forth.

There's that and there's the other one, and then you're really going to unplug the TV. We've talked a little bit about this. In our federal system, with the levels of government that were talked about before, make no mistake: it costs us. Right? It may be a good thing to do, but I'm just saying that it costs us. It's maybe not how one would design something from scratch. I know I'm going way off on a tangent, but it's something—

**The Chair:** Tangents sometimes get us there.

Last question, Mr. Albas.

**Mr. Dan Albas:** Going back to sunseting, I think you've made a very helpful contribution—and the growth council as well—in suggesting that maybe sunseting might be a better use of it. Not to "commit sociology", so to speak, but social psychology does show that it's only when you have a deadline that a team will necessarily work together on performing. It's not until the midpoint that they actually start working and get final results.

In the Texas legislative assembly, they meet only once every two years, so people are only scared when they're sitting apparently, but there's a bipartisan panel of Democrats and Republicans, five on each side, and they will then sunset programs. The programs will come forward, and if they have not achieved the goals that were originally set, then they basically kill the program. Then it has to go back to the government to start over again with a new proposal. What that does is it creates a refresh on ideas. It creates a refresh and a timeline on things, and then, ultimately, it's accountable to the people because you have, again, not a majority, but have both sides coming into it. The same thing could probably be done for regulations.

Are you suggesting the government start to look at these kinds of things, to force these refreshes in a way that is consistent, and again, has oversight by the people?

**Mr. Dominic Barton:** Yes, very much so. We very much like the sunset clauses. We talked about that too in a previous way about innovation, because we have a lot of innovation programs, and some have worked well, but it's hard to stop them. It's not necessarily as if a program that was developed in 1955 still has relevance today. We very much liked sunset clauses just to force that discussion.

In fact, some members of the council, Mark Wiseman and Michael Sabia, were always saying to be careful that we're not adding stuff, that we should have a stop-do list. Sometimes it's stopping doing things that will create more activity than trying to add more things.

• (1700)

**The Chair:** With that, we are going to adjourn.

It's five o'clock our time, Mr. Barton. On behalf of the committee, I want to thank you for this enlightened discussion, with some ideas out of the box, and to thank you and all of the other members of the advisory council for the work they do.

There's a good road map in your report for this and future governments to follow, so thank you very much for that, and have a safe flight.

We have one item to deal with before we adjourn.

**Mr. Dan Albas:** Can we sunset?

**The Chair:** No.

Mr. Julian is here, and we have to have an election for vice-chair. There are a lot of people in the running.

Mr. Clerk.

**The Clerk of the Committee (Mr. David Gagnon):** Thank you, Mr. Chair.

Pursuant to Standing Order 106.2, the second vice-chair must be a member of an opposition party other than the official opposition.

**Mr. Peter Julian:** I have a real chance.

**The Clerk:** I am now prepared to receive motions for the second vice-chair.

**Mr. Dan Albas:** As one British Columbian, I will warn the group that I'm one too, so watch out. However, I nominate Mr. Julian as second vice-chair.

**The Clerk:** It has been moved by Dan Albas that Peter Julian be elected as second vice-chair of the committee. Is it the pleasure of the committee to adopt the motion?

[*Translation*]

**Voices:** Yes.

[*English*]

**The Clerk:** I declare the motion carried, and Peter Julian duly elected second vice-chair of the committee.

[*Translation*]

**Mr. Peter Julian:** Thank you.

[*English*]

**The Chair:** Congratulations, Peter.

With that and there being no further business today, we will meet about the proceeds of crime, money laundering, and terrorist financing on Wednesday.

Mr. Julian.

**Mr. Peter Julian:** Thank you, Mr. Chair.

I wanted to follow-up on something Mr. Dusseault raised last week. It was the follow-up to the Senate reports, and I understand there was going to be information coming forward that indicated to what extent the previous recommendations had been enacted.

Do you know if we are going to have that before Wednesday?

**The Chair:** I don't know that we'll have it before then. We've asked the department to come forward with information regarding that. The officials did say that it was quite difficult to be specific with regard to each recommendation, but they would come forward with general comments on where they're at with those recommendations.

If you go to their discussion paper, it's outlined to some degree in it, but I think Mr. Dusseault was asking for something more specific. They're looking at doing that, but I doubt we'll have it by Wednesday.

**Mr. Peter Julian:** Okay, thank you.

**The Chair:** We will probably have ample time to get that, because the various departments—I think there are around 11—and agencies will be coming forward over the next three meetings, I believe.

Thank you all.

The meeting is adjourned.









Published under the authority of the Speaker of  
the House of Commons

---

### SPEAKER'S PERMISSION

---

The proceedings of the House of Commons and its Committees are hereby made available to provide greater public access. The parliamentary privilege of the House of Commons to control the publication and broadcast of the proceedings of the House of Commons and its Committees is nonetheless reserved. All copyrights therein are also reserved.

Reproduction of the proceedings of the House of Commons and its Committees, in whole or in part and in any medium, is hereby permitted provided that the reproduction is accurate and is not presented as official. This permission does not extend to reproduction, distribution or use for commercial purpose of financial gain. Reproduction or use outside this permission or without authorization may be treated as copyright infringement in accordance with the *Copyright Act*. Authorization may be obtained on written application to the Office of the Speaker of the House of Commons.

Reproduction in accordance with this permission does not constitute publication under the authority of the House of Commons. The absolute privilege that applies to the proceedings of the House of Commons does not extend to these permitted reproductions. Where a reproduction includes briefs to a Committee of the House of Commons, authorization for reproduction may be required from the authors in accordance with the *Copyright Act*.

Nothing in this permission abrogates or derogates from the privileges, powers, immunities and rights of the House of Commons and its Committees. For greater certainty, this permission does not affect the prohibition against impeaching or questioning the proceedings of the House of Commons in courts or otherwise. The House of Commons retains the right and privilege to find users in contempt of Parliament if a reproduction or use is not in accordance with this permission.

---

Also available on the House of Commons website at the following address: <http://www.ourcommons.ca>

Publié en conformité de l'autorité  
du Président de la Chambre des communes

---

### PERMISSION DU PRÉSIDENT

---

Les délibérations de la Chambre des communes et de ses comités sont mises à la disposition du public pour mieux le renseigner. La Chambre conserve néanmoins son privilège parlementaire de contrôler la publication et la diffusion des délibérations et elle possède tous les droits d'auteur sur celles-ci.

Il est permis de reproduire les délibérations de la Chambre et de ses comités, en tout ou en partie, sur n'importe quel support, pourvu que la reproduction soit exacte et qu'elle ne soit pas présentée comme version officielle. Il n'est toutefois pas permis de reproduire, de distribuer ou d'utiliser les délibérations à des fins commerciales visant la réalisation d'un profit financier. Toute reproduction ou utilisation non permise ou non formellement autorisée peut être considérée comme une violation du droit d'auteur aux termes de la *Loi sur le droit d'auteur*. Une autorisation formelle peut être obtenue sur présentation d'une demande écrite au Bureau du Président de la Chambre.

La reproduction conforme à la présente permission ne constitue pas une publication sous l'autorité de la Chambre. Le privilège absolu qui s'applique aux délibérations de la Chambre ne s'étend pas aux reproductions permises. Lorsqu'une reproduction comprend des mémoires présentés à un comité de la Chambre, il peut être nécessaire d'obtenir de leurs auteurs l'autorisation de les reproduire, conformément à la *Loi sur le droit d'auteur*.

La présente permission ne porte pas atteinte aux privilèges, pouvoirs, immunités et droits de la Chambre et de ses comités. Il est entendu que cette permission ne touche pas l'interdiction de contester ou de mettre en cause les délibérations de la Chambre devant les tribunaux ou autrement. La Chambre conserve le droit et le privilège de déclarer l'utilisateur coupable d'outrage au Parlement lorsque la reproduction ou l'utilisation n'est pas conforme à la présente permission.

---

Aussi disponible sur le site Web de la Chambre des communes à l'adresse suivante : <http://www.noscommunes.ca>