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Chair

Mr. Dan Ruimy

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• (0850)

[English]

The Chair (Mr. Dan Ruimy (Pitt Meadows—Maple Ridge, Lib.)): Good morning, everybody. Welcome to meeting number 150 of the Standing Committee on Industry, Science and Technology. It seems like I'm always trying to remember what committee I'm on.

Today we're continuing a study of the impacts of Canada's regulatory structure on small business.

Today we have with us, via video conference, from Calgary, Alberta, Moodys Gartner Tax Law, Kim G.C. Moody, Director, Canadian Tax Advisory. Also via video conference, we have Paul Medeiros, Managing Director, North America, of NSF International. Furthermore, from the Independent Contractors and Businesses Association of British Columbia, we have with us Tim McEwan, Senior Vice-President, Policy and Stakeholder Engagement. We will have, from Kirkview Farms, Michael MacGillivray, Owner.

Thank you, everybody, for coming today and participating in our study. You will have seven minutes each to present, and after that we will go into a round of questions.

Why don't we start with Moodys Gartner Tax Law?

Mr. Moody.

Mr. Kim Moody (Director, Canadian Tax Advisory, Moodys Gartner Tax Law): Good morning. I have some prepared notes, which, I hope, you have in front of you.

Thank you for the opportunity to appear before the committee to discuss this important topic. As I understand the mandate, the committee is to identify areas for legislative and regulatory modernization and improved international co-operation with the goal of identifying areas for improved efficiency to reduce costs to regulated parties, support international alignment and trade, and create flexible pathways for innovative products and processes to come to market while protecting the health and safety of Canadians. That's a pretty ambitious mandate in my view.

For the benefit of the committee, my name is Kim Moody. I'm a CPA and one of the directors of Moodys Gartner Tax Law, a tax law firm that services successful entrepreneurs, with an emphasis on Canada-U.S. tax issues for private businesses. I have a long history of serving in leadership positions for the Canadian tax profession. Our firm has had extensive experience in how regulation or tax law

hampers or, at a minimum, increases the burden of doing business in Canada.

From a high level, private business owners or their investors seek the following pillars when deciding how and where to invest their capital—these are well-known principles, so I won't go into a lot of detail—which include, predictability, easy access to capital, good labour markets, low red tape, and a good tax system. I'll say more on a good tax system in a minute.

I will focus the bulk of my comments on what I know best, which is tax, but before I digress into my tax commentary, I will say that regardless of what I know best, I believe it is fair to say that amongst all the pillars that I've mentioned—predictability, easy access to capital, good labour markets, low “red tape”, and a good tax system—the common thread is that private business owners/investors seek fairness, consistency and simplicity amongst all the pillars. I also believe it is fair to say that the current regulatory regime and environment covering such pillars does not wholly meet those objectives. I also believe it is important for regulations to be agile to respond to environments that can quickly change.

I'll digress outside of my expertise for one minute.

Let's consider Alberta's current labour laws. Recent amendments to provincial law have made it much more difficult for small businesses with 19 or more employees to comply. For example, our firm with approximately 40 employees has had to, in order to comply with the new laws, retain expensive labour lawyers and consultants to help us build a new workplace occupational health and safety manual. I just received a draft of it the other day, and reading it makes me almost throw up. There's a rule for most common-sense things. For example, if one of my employees rents a car during the course of their employment duties, there is a paragraph on how they should familiarize themselves with the car before driving away. If they have an accident, there's a paragraph instructing them to call 911. There is another paragraph instructing my employees to ensure that they have a valid driver's licence. All of this stuff is common sense, but given the “nanny state” environment where I live, rules replace common sense.

There are significant punishments to me as the employer if such rules are not written down or if I can't produce such a manual. And to make it worse, such labour laws are not consistent with those in the various other provinces in which we do business and which make no obvious attempt to try to coordinate such laws and regulations. How much has our firm paid so far to comply with these new labour laws? It's well in excess of \$25,000 and growing. That's a very significant sum of money for a small firm like ours. Will there be a good return on my investment? Nope. I'm very confident that these new laws, which are applied with a one-size-fits-all approach, will have a negligible impact on improving labour conditions for my employees, but our firm bears the brunt of the cost and the risks. At the very minimum, it would be great if Canada's provinces tried to coordinate labour laws so as to ensure easy compliance by private business employers.

I'll go back to my area, tax. Albert Einstein was correct when he stated that there's nothing more complex than the income tax. Canada's income tax statute, the Income Tax Act, is by far the largest and most complex statute in Canada. And it continues to become even more complex with numerous yearly additions that add to the patchwork quilt that is our act.

Committee members, if any of you have never picked up the act and tried to make sense of even a few pages, I would encourage you to do so. I'm confident you'll find the Income Tax Act almost as incomprehensible as most people find it. And if you find it is incomprehensible, how do you think private business owners find it? Most are intimidated by income tax law and the required compliance. Accordingly, they need to hire expensive advisers like our firm to ensure compliance.

While that might be good for our firm's business, it is not good for our country as a whole. Private business owners should expect their country's income tax laws and related regulations to be understandable and easy to comply with.

You want a recent example? Consider the new income splitting rules as set out in section 120.4 of the act. These new rules were introduced as part of the embarrassing attempt by our current government to reform the taxation of private corporations on July 18, 2017. The first version of the rules was incomprehensible. The second and third versions were just as incomprehensible. Ultimately, the new law is incomprehensible for the average private business owner and their advisers. Unfortunately, private business owners and their accountants will require income tax specialists, such as our firm, to help them apply these new rules, thus increasing compliance costs. Recent other amendments are also incomprehensible and have wide application, such as the taxation of restrictive covenant receipts, the application of the small business deduction, inter-corporate cash movements and others.

The joint committee on taxation of the Canadian Bar Association and Chartered Professional Accountants of Canada wrote the following in its March 8, 2018, submission to the Department of Finance about the new income splitting rules that I just referred to:

There is a time and place for complexity. Rules likely to apply primarily to multinational corporations, who can be expected to have access to sophisticated advisors can reasonably be complex and involved where necessary for their purpose. The TOSI [income splitting] rules apply in a context that could not be more different. Every single...resident in Canada who receives or realizes an

amount derived from a private corporation, partnership or trust will need to understand these rules in order to comply with the law.

I agree with this quote. I was the co-chair of the joint committee at the time of the March 8 submission and one of the signatories to the submission.

What can be done about this? In closing, I have two simple but rather ambitious suggestions.

One, introduce an office of tax simplification. In the U.K. it was recognized long ago their income tax legislation administration had become very complex. Accordingly, this office gives independent advice to the government on simplifying the U.K. tax system. I would suggest, like many others, it is time for Canada to do the same as the U.K. as long as this office is independent and free of political interference.

Two, undertake comprehensive tax review and reform. The last time Canada had comprehensive review and reform was the Royal Commission on Taxation, which released its landmark six-volume report in 1966—before I was born—after approximately four years of study. Such recommendations were studied and debated for a lengthy period of time following its release and was the impetus of many foundational changes introduced in 1972. While limited studies have since been done, nothing comprehensive like the Carter commission has been undertaken since.

Since I'm running short of time, I'll quickly go ahead. Since 1972 our Income Tax Act has become a patchwork quilt of changes built on 1972 tax reform. However a patchwork quilt can quickly become busy and complex, and it's time to construct a fresh quilt built off a comprehensive study.

I strongly disagree with some academics who suggest a continued patchwork quilt approach, with studies to provide limited tweaks as the way to proceed. I encourage such academics to spend a few days in my office or in the shoes of entrepreneurs who struggle with the current patchwork quilt approach. The last thing we need is a patchwork quilt, which was put through a light laundry cycle that will only make the quilt appear a bit cleaner for a short period of time. It's time to retire our current quilt and construct a new one with no patches.

Thank you for inviting me. I'm happy to take questions.

● (0855)

The Chair: Thank you very much.

We're going to Tim McEwan, from the Independent Contractors and Businesses Association of British Columbia.

You have seven minutes, sir.

Mr. Tim McEwan (Senior Vice-President, Policy and Stakeholder Engagement, Independent Contractors and Businesses Association of British Columbia): Thank you very much, Mr. Chair and committee members. It's a pleasure to be here today.

By way of background, the Independent Contractors and Businesses Association of British Columbia has been the leading voice for British Columbia's construction industry for 43 years. We represent more than 2,100 members and clients who collectively employ over 50,000 people.

We advocate for our members in support of a vibrant construction industry, responsible resource development and a growing economy for the benefit of all British Columbians.

For the benefit of the committee, some of my remarks today will be informed by previous roles I had as a senior public servant in British Columbia where, among other things, I had responsibility for red tape reduction, regulatory reform, and small business and major investment delivery.

For the purpose of staying within the time limits that I have been given, my brief will serve as a broader version of the remarks that I give today.

We appreciate the opportunity to provide our suggestions on the critically important topic of Canada's regulatory structure and its impacts on small business. This study is very timely for addressing the silent and underpriced costs that small businesses face with the myriad of laws, regulations, policies and guidelines imposed by all orders of government.

The effects of government regulatory activity are disproportionately felt by smaller businesses of zero to 20 employees, where the majority of Canada's jobs can be found. We hear every day from our members that the cumulative effect of government regulation can be crushing as they work to deliver construction services on time and on budget, as they develop their workforce in a rapidly changing business environment, and as they simply struggle to meet their regular payroll.

When government enacts new regulatory measures, the cost to a small business often manifests as lost or forgone business that would otherwise have generated additional income, created more jobs and provided incremental tax revenue to government. These opportunity costs are often hard to quantify but they are nonetheless very real as small businesses cope to fill out one more form or as they make one more call to determine what government is asking of them in existing or new regulation.

Deployment of information technology in online government is always worthy of consideration in any effort to improve regulatory compliance and service delivery, but it is not a panacea nor is it a substitute for addressing the general architecture of regulation, processes and continuous improvement.

As the standing committee has heard recently from a couple of other witnesses, in 2001 British Columbia embarked on a comprehensive program to reduce the quantum of regulation on its books. Those efforts now span 18 years and are recognized as best practice by many jurisdictions throughout North America.

Initial efforts saw a reduction of 36% in unnecessary regulations between 2001 and 2004, increasing to 49% by 2018. This was accomplished without compromising compliance or health, safety and environmental protection objectives. Between 2015 and 2017, B.C. broadened the scope of its red tape reduction efforts to include service delivery improvements within government.

Both initiatives have built a lasting architecture and have entrenched a cross-government culture and commitment to continuous regulatory review, monitoring, improvement and accountability.

The B.C. experience also offers a number of lessons that could be of benefit to the standing committee to identify pathways to improvement and in the improvement of the overall architecture for regulatory reform. A number of the key elements are listed more comprehensively in the submission you have before you. I'll run through them sequentially, but briefly.

The first is ministry mandate letters. In British Columbia in 2015, ministry mandate letters included red tape reduction as a core corporate goal of government, and that was included within each and every minister's mandate letter. That provided the impetus to drive a culture of regulatory reform into the system. It had quite a bit of effect as government moved beyond the efforts to reduce the quantum of regulation and into the service improvement side of red tape reduction.

As I mentioned earlier, British Columbia has actually measured the quantum of regulation on the books and has had a one-for-one rule—one regulation in and one regulation out—for some time. I understand that that commitment has been extended through to 2021.

● (0900)

Stakeholder engagement, and also public servant engagement, is critically important. On the stakeholder engagement side, it is always important to engage with a variety of sectors on an ongoing basis. Another innovation in British Columbia in the 2015-17 period was harnessing the power of social media to bring in ideas from the public, ideas that we then drove into the system as efforts continued to improve upon our regulatory agenda.

Having a secretariat with a central agency function is also important and linked to the mandate letters in terms of having that tracking function of regulation, but also pushing out to ministries the ideas that come in from the public and from industry sectors and monitoring.

The next thing I'd say is transparently reporting on an annual basis what the quantum of regulation is on the books and where service delivery improvements can and have taken place.

Before I conclude, I want to highlight three items of considerable concern to our members from a red tape perspective and that are currently under consideration or within the realm of federal regulatory policy. One is Bill C-69. Our members are very concerned about the impact of this legislation. It is now before the Senate. We made representations to the House of Commons committee last year, but we're very concerned about the impact this will have on a go-forward basis for major project delivery. Simply put, the approvals process there has a number of additional barriers that will make things much more difficult.

The steel tariffs that have been imposed in response to section 232 in the U.S., while understandable as a response to the measure that President Trump took, are having a detrimental impact on the construction industry in British Columbia via cost escalation. We're keeping a very watchful eye on the supply side because we simply can't source steel at a competitive price from eastern Canada; it has to come from the United States or offshore.

Finally, I want to flag for the committee the question of community benefit agreements, which many of you may have heard about from the Building Trades Unions. We flag this as an issue from the perspective that it can lead to cost escalation in publicly tendered contracts. We want to ensure that for those projects within provincial jurisdiction, for example the SkyTrain extensions that are forthcoming in British Columbia, federal dollars not be given to the province if the precondition is building trades will only do the construction. In British Columbia there is a projected labour agreement framework that is to be put in place by the new government that will freeze out non-union and non-affiliated contractors, or about 85% of the B.C. construction industry.

In closing, I'd like to highlight one key metric. The World Economic Forum has placed Canada's overall competitiveness at twelfth out of 140 countries, but for regulation, we are disconcerting 53rd out of 140 countries. The work you're doing today is critically important in that overall competitiveness context, which serves to underscore the urgency of your committee's work.

Thank you again for the opportunity to present today, and I look forward to the question and answer period.

● (0905)

The Chair: Thank you very much.

We move now on to Paul Medeiros from NSF International.

Mr. Paul Medeiros (Managing Director, North America, NSF International): Thank you, Mr. Chair and committee.

By way of background, NSF International is a not-for-profit organization helping businesses in the agricultural processing, food equipment, restaurant and retail industries. We help them navigate through the food safety and regulatory environments, and have been doing so for over 70 years.

Our extensive suite of food safety and quality services spans every link of the food chain from farm to fork, including certification, product testing, training, consulting, auditing and regulatory compliance. NSF Canada is located in Guelph, Ontario.

I serve as managing director and oversee the consulting and technical services area, as well as our retail audit services teams for

North America. From our organization's engagement with industry, my own background in public health and participation in projects and networking activity with both industry, academia and the regulators, I think I have an interesting perspective on the regulatory burden facing small business in Canada.

In 2018 my team consulted in one form or another with around 800 Canadian food facilities. Approximately 560 of these were SMEs. In preparation for my participation today, I solicited feedback from several of my consulting team members. I spoke directly with several of our clients, and I also reflected back on my 25 years of experience in the food industry.

Today I will focus my comments on food safety regulations, in particular the safe foods for Canadians regulations. I'll share with you what we are seeing and hearing as an organization as it relates to the regulatory burden and impact on small business.

I will start, though, by talking about what I think before I talk about what I see and what I hear. In general, I do believe food safety regulations are necessary. I don't think anybody would argue with that, and it does make sense to revamp them as we have been doing.

When you look at food recalls and the outbreaks that have happened—even as recently as last week—the University of Guelph published a study showing that 14% of the sausages they sampled contained meat products that were not on the label. So, clearly, we as an industry have a lot to learn and can do a better job providing safe and wholesome food to consumers.

I had some first-hand experience dealing with manufacturers. I will say for, the most part, that when a food manufacturer approaches us for help, they want to do the right thing. They want to make their product safer. They want to be in compliance. They want to grow the business, and that is the vast majority.

Once in a while we run into clients, food manufacturers, who want to be in compliance but they do not necessarily understand the reasons for doing so. They just want to be in compliance. They want to satisfy their direct customers and perhaps take the quickest route through.

One example is a bakery I worked with. Early on, I saw on their labels them declare that that all of their products were peanut-free. I thought that was interesting because, as I walked through their bakery, I saw peanuts everywhere. I asked the owner how they could declare on their label they were peanut-free, how they could put a spotlight on their product telling people with peanut allergies to eat their product, that it was safe, when they had peanuts basically everywhere. He responded with an answer that did not really give me a sense of comfort. The bottom line, he said, was not to worry, that they had it handled and that it was basically a marketing approach.

Fortunately these sorts of clients are few and far between, but because they do exist, I do think it behooves regulators to make sure that our regulatory framework can provide sufficient standards and enforcement.

I would also say that there is little extra burden from the safe foods for Canadian regulations on any existing food manufacturer out there, large or small, currently providing food products to some of the large retailers, such as Loblaws, Sobeys, Metro, or even some of the large food service companies such as McDonald's. I say this because, for years, these companies have been required to have higher levels of food safety systems in place, and higher from a regulatory perspective as well, so they're used to it.

● (0910)

However, it's estimated that between 20,000 and 40,000 new food companies will require licences to comply with the safe food for Canadians regulations. These companies have never had these systems in place and do not fully understand them. When they're asked to put these in place, I'm telling you that they will not know what hit them, because these requirements are a game-changer. They change how you operate your facility day to day, how you maintain your records, who you hire and how you train. The impact is quite significant. It is my fear, and the fear of many others in the industry, that a lot of those companies will not be prepared.

I will also say that the safe food for Canadians regulations can actually help smaller companies. A smaller manufacturer does not have the bandwidth or the sophistication to police its own ingredients supply chain. The Maple Leaf Foods of the world can do it. The Loblaws can do it. The local candy manufacturer or the local bakery cannot do it. The more the regulators can ensure that the ingredients coming in to that small manufacturer are safe, the better able that small manufacturer is to produce a safe product.

So I see a lot of good, for sure. I also see that the Canadian Food Inspection Agency, the CFIA, is trying to communicate these new standards through their website, through consultations, through communications. They're also making it known that they will take a graduated, soft-enforcement approach. Again, to me the question is this: Is a soft-enforcement approach the best solution versus maybe a cleaner and simpler way of launching a new regulatory regime?

What we see is that the Canadian Food Inspection Agency is not getting the message out enough to the SMEs. What we see is that the communications channel, such as the CFIA's website, is a good attempt. But someone like me, who's been in the industry for 25 years, can navigate it and understand the new rules; someone who really hasn't been working with the terminology for 25 years will

have a hard time understanding it. So it's of limited help to those small and medium enterprises, for sure.

The funding that is available to help companies develop their programs will help, for sure, but often that funding is difficult to gain or to understand, and it runs out. Then the small business owners are still burdened with having to maintain their operations day in, day out, especially in the very competitive environment where they're being faced with other cost pressures. Again, it's one additional cost pressure.

We have also heard from many—

● (0915)

The Chair: I'm sorry, but I have to interrupt. Perhaps you could just wrap it up quickly. The time is way over now.

Mr. Paul Medeiros: Of course. Thank you, Mr. Chair. I was almost wrapping it up anyway.

Again, we are seeing and hearing some of this confusion out there.

The last point I'd like to make is around consistency. Regardless of where you sit in the country or your size, what we're hearing from industry is that they are asking for a consistent approach from the regulators when it comes to enforcement.

Thank you for the invitation to speak. I look forward to any questions you have.

The Chair: Thank you very much.

As it stands right now, our fourth witness still hasn't arrived. I believe he's stuck in traffic. We'll go ahead with our questions. If he makes it back in time, we can hear his presentation and take it from there.

Mr. Longfield, you have seven minutes.

Mr. Lloyd Longfield (Guelph, Lib.): Great. Thanks, Mr. Chair.

Thanks, everyone, for the preparation to come here this morning and give us your testimony.

I'll start with you, Mr. McEwan, in terms of the reviews that were done in British Columbia. The federal Treasury Board has been doing a review of regulations over the past year or so. Were you or your organization involved, or do you know whether British Columbia was involved, in the consultation process?

Mr. Tim McEwan: To my knowledge—and I've been with this organization for 18 months—we have not been involved in the federal effort.

Mr. Lloyd Longfield: Okay, thanks.

Part of what we're trying to get to here is the cost of regulations on business. In your testimony, you mentioned some figures for the cost. You say there's a \$25,000 cost of compliance.

I'm sorry, this question is for Mr. Moody, from Moodys Gartner. What is the \$25,000 cost of compliance figure that you mentioned in your testimony t's that based on? What are the main things? Is it labour to do the reports?

Mr. Kim Moody: It's legal fees and having to hire so-called special consultants.

Mr. Lloyd Longfield: Okay, so the regulation industry is an industry unto itself because of the complexity. Is that where you were leading with that?

Mr. Kim Moody: In order to comply with the law, you have to have somebody give you advice on how to comply with the law because the rules are so incomprehensible.

I consider myself a pretty smart guy, but there's no way that I'd be able to do that myself. Also, I have better things to do with my time. So we have to hire lawyers and consultants to comply.

Mr. Lloyd Longfield: I remember, when my business got to the stage of having to comply with OSHA, that it really changed the game for us in terms of our HR management and having to put the green books up on the bulletin board and all of that. But the goal is to keep people safe, so where's the balance there?

Mr. Kim Moody: It's common sense. I have an office, right? In any traditional law firm or accounting firm, yes, there are safety issues, but do I need a rule to tell me how to take care of myself and how to put books on the shelf? I don't think so, but now I have to have a safety manual to do that. It's classic nanny-state stuff.

Mr. Lloyd Longfield: In terms of where we're headed for safety, some of that had to do with guarding on machines and it had to do with fire extinguisher maintenance, some things that you wouldn't otherwise get to unless you were forced into the situation. One of the things that was always presented was the size of fines if you didn't comply.

• (0920)

Mr. Kim Moody: Yup.

Mr. Lloyd Longfield: So your opinion is that that's really not needed within the industry.

Mr. Kim Moody: My opinion is that common sense should prevail in most cases.

Yes, in certain industries where heavy machinery and risky stuff are involved, there probably is a need for safety and regulatory regimes, but what about in a common-sense environment like an office? Come on. Yes, you may have risks of bookshelves falling or slippery floors or what have you, but do I need to hire expensive consultants and lawyers to tell me to clean up my act and have a \$2 million fine if I don't produce a manual, or a \$10,000 per day fine for not complying? That's BS, in my view.

Mr. Lloyd Longfield: Okay, thank you for your view.

I'm going to move to NSF International from Guelph. Thanks for being with us, Paul.

Mr. Paul Medeiros: It's my pleasure.

Mr. Lloyd Longfield: It's good to see you. Usually we see each other a little bit closer than over video conference.

You mentioned the safe food for Canadians regulations, which were implemented last month. There's a 12- to 30-month implementation period, so we're going through the implementation phase. I spoke with one of your auditors back in January, who mentioned some of the new technologies like Google glasses, and some of the ways the industry is trying to help businesses to go through the audit process.

How is this changing your life?

Mr. Paul Medeiros: For those who may not know, Google Glass includes an outward facing camera with technology allowing you to put on the glass a microphone and Wi-Fi connectivity, so that basically everything the auditor sees can be captured and viewed through Wi-Fi at a home base. The reason why I mention this is that NSF, as an auditing firm, audits food companies around the world on behalf of its clients.

One of the most important things to our clients is consistency. Our auditors need to be looking at things in the same way, anywhere they are across Canada. The same would apply to the Canadian Food Inspection Agency. That would be one concern that I've heard from our clients, the lack of consistency. But it's not just the CFIA; it's also the local health departments and also the provincial health departments that lack the consistency.

In my world, one way that we're addressing that is through that comprehensive auditor calibration program using different kinds of technology, of which Google Glass is one. Google Glass also saves money for industry because, for example, if we have to send an auditor up somewhere remote, it might be easier—it often is—to send the glass.

Mr. Lloyd Longfield: Thanks, Paul.

In terms of the interaction with the federal government, does something like this new technology need to go through some type of an approval with the federal government, or is this something where we could look at sandboxes to be able to transfer information faster and make audits cheaper?

Mr. Paul Medeiros: This will make audits cheaper, it will make audits faster, and it will also make audits better, I believe. We already conducted a demo about a month ago for one of the CFIA offices, the one in Guelph.

We are also conducting a demo for the Association of Supervisors of Public Health Inspectors of Ontario in the next two months. The regulators are very interested in the technology.

Mr. Lloyd Longfield: Thanks so much.

The Chair: We now have Mr. MacGillivray back. Welcome, sir.

We will give you seven minutes for your presentation and then we'll get back to our lines of questions.

Thank you. Go ahead, sir.

Mr. Michael MacGillivray (Owner, Kirkview Farms): Good morning, my apologies for the delay.

My name is Michael MacGillivray. I am a small business owner. I own a farm about 100 kilometres due east of here in a little place called North Glengarry. It's part of the regional municipality of SDG.

I've been asked to come to represent the regional food council, which I'm a member of, to talk a bit about some of the challenges facing small business owners, small ag producers and ag-food processors.

Our family farm has been in our family since the early 1800s. I'm the seventh generation, and hopefully not the last, but there are a lot of challenges facing ag-food businesses today, especially on the regulatory aspect.

To give you an idea, I'll talk about three different members of the committee.

One is a processor, meaning an abattoir. A couple of producers have been trying to get them to look at becoming a federally inspected abattoir, because in eastern Ontario there are no federally inspected abattoirs, so we have to use provincially inspected ones, whereas in Quebec—our neighbours—they can actually come in. They have the federally inspected abattoirs, so they can access our market, but we can't access theirs.

This gives you an idea of some of the challenges that we have in creating a local food system. We don't have access to a market that... In my case, I'm a lot closer to Montreal and I could be selling into the Montreal market, but that's not possible because there are regulations in place. That's a really quick overview of one of the challenges.

We also have the region of Akwesasne within our territory, which is another challenge because that region sits between Quebec, Ontario and New York state. There are, of course, food security issues for first nations, but it makes it very difficult for us as local producers in that region to be able to serve that market because of a lot of the regulations that our local businesses face.

Of the other two, one is a local brewer, which is a start-up. They were hoping to be producing about six months ago, but because of a lot of the regulatory compliance they've had to go through and a lot of the challenges, they are still not producing. That is a challenge.

We also have a local winemaker who has expressed frustration with dealing with a lot of the regulations for starting a winery. He has made a significant investment. He has about 10 acres of grapes growing, but he's been struggling with a lot of the regulatory compliance issues. Again, it goes back to the Ontario and federal aspect. A lot of the federal aspect...he's having trouble understanding why they're involved in the first place.

These are some of the challenges that are facing our businesses in our region and are having a negative impact from an economic development point of view.

Thank you.

• (0925)

The Chair: Thank you very much.

We're going to move to Mr. Nuttall. You have seven minutes.

Mr. Alexander Nuttall (Barrie—Springwater—Oro-Medonte, CPC): Before I get going, I just want to ask Paul if Lloyd looks better on TV, or if he looks better in person, if you see each other. You don't have to answer that because we wouldn't want you to say anything embarrassing.

Mr. Lloyd Longfield: Thanks, Alex.

Mr. Alexander Nuttall: You're welcome. I know that I look bad in both. I just want to know which one Lloyd looks better in.

Voices: Oh, oh!

Mr. Alexander Nuttall: Mr. Moody, I could listen all day, and the reality is that I would love some sort of report, I guess, on every single one of these regulations that make you sit there and go, "I'd rather bang my head against the wall than deal with this." Where you are in Alberta, it sounds like there are a lot of them. Some of them are going to be federal and some provincial.

I want to pick up on something you said in your testimony regarding the current system, the tax code. There is a debate. There's constantly a debate as to whether we try to fix what's there or go to a blank slate, start from scratch and phase something in to improve the competitiveness of our tax code versus those of other jurisdictions.

You're falling on the side of starting from scratch. Is that correct?

Mr. Kim Moody: That's absolutely correct, yes.

Mr. Alexander Nuttall: Okay.

You are a tax specialist. Is that correct?

Mr. Kim Moody: Yes.

Mr. Alexander Nuttall: You want to put yourself out of business. Is that correct?

Mr. Kim Moody: Let's just say this. Would it be good for my business? Absolutely not. But would it be good for the country? Absolutely.

Mr. Alexander Nuttall: That's what I wanted to get to, because I think that sometimes in Ottawa we start talking about philosophies and political positioning and all of these things, but when we have somebody who's an expert on the tax code and makes money off the tax code being "inexplicable", I think is the word you used, or something along those lines.

• (0930)

Mr. Kim Moody: Incomprehensible.

Mr. Alexander Nuttall: Yes, incomprehensible. When somebody like you is telling us that these changes need to take place, it certainly holds a lot of weight with me.

Mr. Moody, would you be able to provide a sort of a piece-by-piece of where you see, (a) duplication between provincial and federal governments that is affecting some of your clients or some of the industry sectors that you are doing business in, and (b) those things where you sit there and say that this is literally affecting the competitiveness of our businesses against those south of the border?

Perhaps even more important than that—and I'm not sure how far across the country you operate or if you're just operating within your own home province—is where you see a lack of competitiveness from province to province. One of the things that every government tries to do and seems to be unsuccessful at doing is removing those barriers between provinces to make our small businesses competitive across the country and to make this certainly a more competitive place for us to do business, versus places like the United States.

Mr. Kim Moody: Well, there is a lot to add there, and I only have a little bit, but I could literally talk all day on a lot of the problems.

I'll give you two quickies here. You're probably familiar, generally, with the new passive investment rules that were passed as a result of the July 18 private corporate tax proposals and, ultimately, what was landed on.

Ontario, as you probably know, chose not to follow the lead of the federal government with respect to the passive investment proposals. In my view, that's great leadership because those rules are ridiculous. They're ridiculous in terms of their complexity and ridiculous in terms of policy. They ultimately result in a marginal tax rate of about 130%, if you're affected by them, on every dollar that's affected. So Ontario chose not to follow them.

Now what do you have? You have a situation where businesses, if they could, transfer from, say, Alberta—which, by the way, our office operates in, as well as Ontario—across the country. You could literally transfer a business to Ontario from Alberta and pick up a significant tax benefit by doing so, in order to avoid these implications.

Now, who would have thought about that? Nobody, other than somebody who would run the math. That's point number one.

Point number two, just to pick up on your opening comments about whether I fall on the sword of this being bad for my business, by starting from scratch again, I don't say so very lightly. I've been in leadership positions in the tax profession for a good chunk of my career, and I see the damage that a complex code, a complex income tax act, does. My hourly rate is over \$1,000 an hour. Am I proud of that? Not really. Do I think the average business owner can afford that? No, they can't, and I think it's crazy that you must have a person like me, of whom there aren't many across the country, deployed to give private business owners proper advice.

There are academics across the country who suggest that all we need to do are little tweaks. That shows, to me, a lack of practical experience. I mean no disrespect to the academic community, but the bottom line is that it shows they just simply don't...

Mr. Alexander Nuttall: I have 40 seconds. I just want to confirm what you're saying, which is that you'd like to see one of the recommendations out of this report be that we will at least consider starting from scratch, and what that would look like. What you're saying is that there is a lack of vision when it comes to the academics in the field in terms of the results they're actually looking for. It's not a tweak here and there. We need a big restart.

Mr. Kim Moody: No question, yes.

Mr. Alexander Nuttall: Okay. Thank you, sir.

The Chair: We're going to move to Mr. Masse.

You have seven minutes.

Mr. Brian Masse (Windsor West, NDP): I'll start with Mr. MacGillivray.

When you started your business, you obviously found some geographic issues related to regulatory measures. Did you just discover them as you developed your business model? I'm willing to bet that most of those have been in place for a long time or been part of a systemic thing and so forth. This is not a criticism. It's part of getting a lens of how it evolves, because that's part of what we are trying to look for in solutions: how to get out of that.

When starting a small business, you certainly can't know everything. You've now found these geographical anomalies that are trapping you where you're producing, which obviously is a very good spot.

Maybe you can highlight how that took place. What supports, if any, have been out there for you to try to deal with those types of barriers that you've identified with regard to Montreal or the first nations reserve in New York?

● (0935)

Mr. Michael MacGillivray: We're actually in transition. We're in the second year of transitioning our farm to organic, so a lot of this is new. We were coming from a monoculture cropping type of system—a cash crop—and we're now moving into diversified organic. A regenerative agriculture system is what we're using. As we moved out of that type of business into this new business of organic, diversified farming, a lot of it is learning as we go. There are some resources, but not as many in Canada as there are for our neighbours in the south. They have a much better system in place with respect to the federal government, which looks after the USDA organic aspect.

One of the challenges we're facing is that there is no organic regulation in Ontario. The act is actually going through right now and is sponsored by Jim McDonnell, our MPP for Stormont—Dundas—South Glengarry. Then again, that's an Ontario act. Quebec has their own regulations, and you go across the country. Whereas, if we had something like a “USDA Organic”, for example—an overarching “this is what organic means in Canada”—it would give consumers a bit better understanding that if they buy a product that has a Canadian organic sticker on it, whether it comes from Quebec, B.C., Ontario, or wherever, it meets the standards. Right now, a Quebec-based product versus an Ontario-based product versus another part of Canada may be different because the regulations are not the same.

Mr. Brian Masse: That's important.

I'll give you a quick example. I represent Windsor, across from Detroit, Michigan. A lot of people want to buy halal meat from Detroit, but if you're a small business—a restaurant, for example—you can't buy small quantities. They could literally cross over and do that in 10 minutes in Detroit and bring the smaller quantity back, but you have to wait for it to cross, even though there's full regulatory process in the U.S. and the FDA's involved. At any rate, they have to drive up the 401 for four hours to get to Toronto to get the same amount because it's just a number on a sheet. I've tried to get the government to change that over the years. It's been very difficult, even though it can go through the same food inspection process when it crosses the border, and all that different stuff. It's just that they're stuck on wanting it to be large volumes as an easy thing.

Is that the kind of thing you're running into?

Mr. Michael MacGillivray: Yes, and I think you were alluding, as part of that, to small versus medium versus large. A lot of the regulations are written around the majority of the business that's being done, which is on the large scale. You have abattoirs or food processors that are very large in scale. Once you try to apply those regulations on a smaller scale, it becomes challenging just because in a large processing facility you may have someone dedicated just to compliance. You may have someone who's dedicated to different aspects.

I filled out this form to come here today, and it says that my title is "owner". Well, I'm also the chief financial officer, the director of sales and marketing, and the health and safety officer. As a small business, you have to wear multiple hats and it becomes very challenging, especially when you get into some of these regulatory aspects. As soon as you start to dig into it, you find that you're opening up Pandora's box, because this regulation refers you to another one, and then it gets to the point where you're just trying to do it as best you can.

Mr. Brian Masse: From successive attempts at this, it appears that just because you don't do the volume, you are collateral damage. It's seen as the way it is; just grin and bear it. You'll have experiences like we're having in a border town, where 40,000 vehicles a day cross, but it's still not enough to warrant a change because maybe 12 restaurants want to do this. It's also very important for our local economy, but we still can't get that message through.

I want to quickly move to one of the things that have been discussed. Mr. Medeiros mentioned the regulatory process. In some respects I understand some of the arguments against regulations. We need to look at that, for example, workplace-related deaths. The last number for that is from 2016, when there were 905 deaths in Canada. I know Mr. Moody talked about an issue about the office. A good example is my office in Windsor. It was flooded, and we're fighting with the landlord right now because there's mould and other issues that not only affect the people working in my office, but also the public who come to get services.

What I worry about too is how we do this in a fair way. If we have a reduction in regulation, the bad operators—who often are the reasons regulations are created in the first place, because people couldn't behave properly, and there needed to be some oversight—could use that as a business-related expense to run good operators out of business who are following the proper regulatory regimes, regardless of whether they may or may not believe in them. They

follow them—which is a business-related expense, perhaps—for public safety reasons and for fair competition.

• (0940)

The Chair: He didn't give you a lot of time to answer, but keep it brief, please.

Mr. Paul Medeiros: Health and safety isn't my area of expertise per se. As it relates to food safety and microbiology, common sense is not that common. I run into many owners who say this is how they've done it, and how their parents did it. They say it's common sense, and in fact, it is not. It does require training. I think in fairness to all companies, we need a level playing field.

The Chair: Thank you very much.

Mr. Baylis, you have seven minutes.

Mr. Frank Baylis (Pierrefonds—Dollard, Lib.): Mr. Moody, you gave a quote, and I want to make sure I got it right. You said that in the end, businesses and investors "seek fairness, consistency and simplicity".

Mr. Kim Moody: Yes.

Mr. Frank Baylis: That's your quote, and you think that should be applied across the board, whether it's tax or any other regulation: fairness, consistency and simplicity.

Mr. Kim Moody: In general, I think, sure.

Mr. Frank Baylis: We're going to steal that quote from you. At \$1,000 an hour, I don't know how much that's going to cost us, but....

Mr. Kim Moody: A fair amount.

Mr. Frank Baylis: You said the comprehensive review began in 1966 and was implemented in 1972.

Mr. Kim Moody: The Royal Commission on Taxation was started by Prime Minister Diefenbaker in 1962 and the commission ended in 1966. Then there was vigorous debate—you can look throughout the following six years—and it ended with comprehensive tax reform in 1972.

Mr. Frank Baylis: With the use of technology, globalization and all the things that have piled on in the last 50 years or so, your argument is that we should have a look at a comprehensive review. We should do that process again. Is that what I understand?

Mr. Kim Moody: Absolutely.

Mr. Frank Baylis: You didn't mention it, but I'm led to believe that a lot of work is done among multinationals as they move their... I don't know if you work with these types of companies, where they move money around to low-tax jurisdictions. All western countries are suffering from that. They're losing their tax base. Are you familiar with that or not?

Mr. Kim Moody: Generally. I don't work on a day-to-day basis with multinationals. My specialty is private business owners, but I'm certainly aware of the tax implications.

Mr. Frank Baylis: Thank you.

Mr. McEwan, I'm particularly interested in your experiences in British Columbia. You're the second witness to come forward and tell us how they managed to lower the number of their regulations. You mentioned they had one for one. We were told before they had a two-for-one rule that moved to one for one. Is that your understanding?

• (0945)

Mr. Tim McEwan: Yes, where it stands now is net zero. That's the way it's couched in policy, so it's essentially a one for one. If you introduce a new regulation, you have to find one somewhere else to come off the books. It creates—or it did in my time—a fair bit of competition between agencies, to ensure that they're not seen to be adding regulation but contributing to the overall effort to hold the line and drive it down.

Mr. Frank Baylis: That's when you were in the bureaucracy. You're saying there was competition between your....

Mr. Tim McEwan: Yes. It's a friendly sort of competition. You do not want to be seen as an agency to be larding on more regulation than absolutely necessary to accomplish your public policy objectives.

Mr. Frank Baylis: So they were able to get right into the systems of government that sense that they did not just have a mandate to... You mentioned the ministers' mandate letters. Sometimes, the political class will come through in a mandate letter, but it doesn't work its way into the bureaucracy that will take hold of it as a challenge. How did they make that part of the culture?

Mr. Tim McEwan: In B.C., from 2001 through 2005, there was actually a minister of state for deregulation who had a secretariat to put in place the accounting regime and database that tracks regulation from year to year. A lot came out in the first four years, as I mentioned in my remarks, and then you have diminishing returns to scale after that, which makes sense.

The service improvement side of things, where we conducted social media engagement, in my time, between 2015 and 2017, was an additional effort to gather ideas from the public and business about areas where regulation or process improvements could be driven into the system. Each minister had within their mandate letters a requirement to commit to working on red tape reduction. When you do that, you drive a culture throughout the system. The bureaucracy... I was charged with that file and was very surprised with how much uptake there was in terms of working toward driving improvements through the system.

Mr. Frank Baylis: Yes, there's a management saying that you get what you measure. If you can't measure it, you can't improve it. Were

these measurements by department? You talked about a reduction, I think, of 36%, and then it went on to 46%. What was the last one?

Mr. Tim McEwan: The last number was 49%.

Mr. Frank Baylis: This was global, but each department also had its own measurements. Is that what happened?

Mr. Tim McEwan: Yes, there was an overall measure of the quantum of regulation on the books within government that took place. The baseline was originally 2001—

Mr. Frank Baylis: That was the first step. In 2001, they measured everything.

Mr. Tim McEwan: That is correct.

Mr. Frank Baylis: They measured it overall, and by department?

Mr. Tim McEwan: That is correct.

Mr. Frank Baylis: Then they went to work.

Mr. Tim McEwan: That's right.

Mr. Frank Baylis: You also mentioned something about the World Economic Forum. I didn't catch it. You went pretty fast. You said that we're 12th overall in competitiveness, but....

Mr. Tim McEwan: Yes, there's a recent report from the World Economic Forum that places Canada's competitiveness amongst 140 countries at 12th overall, but for the burden of regulation, we're 53rd.

Mr. Frank Baylis: Okay, is that competitiveness in terms of competitive business environment? Overall, we're 12th, but when it comes to regulation, out of 140 we're 53rd.

Mr. Tim McEwan: That's correct.

Mr. Frank Baylis: That is measuring, again, the burden of regulation?

Mr. Tim McEwan: Yes. That is the overall burden of regulation—the time for permitting and approvals and so forth.

I can get you more information on that report. It's published. It's available for your analysts online, as well.

The Chair: Could you submit that to our clerk?

Mr. Tim McEwan: Certainly.

The Chair: That would be great. Thank you.

Now we're going to move to Mr. Lloyd. You have five minutes.

Mr. Dane Lloyd (Sturgeon River—Parkland, CPC): Thank you.

It's good to see our witnesses. Thank you for coming today. I've heard a lot of great stuff.

Mr. Moody, it's good to see that your business is in Alberta. You're probably familiar with some of the story I'm going to tell briefly, about a constituent of mine, a farmer, who's encountered these new small-business tax changes and how the regulatory impact of that has increased his greenhouse gas emissions significantly and his tax burden.

The tax changes meant that he could no longer ship his grain to a terminal owned by James Richardson International and a group of private investors less than five kilometres away from his terminal, where he had to pay a 15% tax. Instead, he had to ship to a terminal owned by a United States company, nearly 40 kilometres away. At the old facility, he would have had to pay a 28% tax rate, versus a 15% tax rate by going to an American-owned company. This was due to these tax changes, which said that if a relation of his had any shared interest in that grain terminal, he would have to pay a higher tax rate.

Are you seeing this impact in your tax practice? What's your comment on that?

• (0950)

Mr. Kim Moody: I haven't seen that exact example, but we are seeing the impacts in terms of rather ridiculous behavioural changes as a result of the private corporation tax rules that were implemented, the biggest of which was the so-called income splitting rules. There are good policy reasons why that rule should apply, but it could have been done a lot more simply than what's there. Because of the complexity of this rule, we're seeing significant behavioural changes that are rather negative, similar to and along the lines of what you're talking about.

Secondly, the passive investment rules are already causing some very negative behavioural changes.

The short answer to your question is yes.

Mr. Dane Lloyd: Also, there are small to medium-sized construction companies in my constituency that are required to keep a certain amount of money set aside in a passive fund in case they have a shortfall or their project goes under. The meagre interest payments they get from these passive investments were not taxed before but are being taxed now, and yet it's the government regulations that are forcing them to set that money aside in the first place.

Do you have any comment on that? Have you seen any of that?

Mr. Kim Moody: As I said, I've certainly seen behavioural changes in how investment funds are being held.

I'm a big believer that the tax tail shouldn't wag the dog. If you follow that simple analogy, what we're now seeing, of course, is that because of the very punitive results of these passive investment rules, which ultimately can result in a marginal tax rate of about 135% in Ontario and about 130% in Alberta, with those very negative.... Any time you're taxed over 100%, you're going to see behavioural changes regardless of the tax tail wagging the dog.

Yes, I am seeing that.

Mr. Dane Lloyd: Mr. MacGillivray, I have a lot of farmers in my riding, very similarly to the SDG area. One concern that's been raised a number of times is the regulations surrounding halal and kosher food and the perception that in the United States their regulatory system for those two specific cultural products is much better and more streamlined than it is in Canada.

Does your business encounter any issues with that in Canada's regulatory system?

Mr. Michael MacGillivray: Yes.

If you want to use our neighbours to the south as an example, they actually are much more progressive as far as allowing for halal, any type of...especially kosher is concerned. Their systems are a little bit better at handling that. Also, there's the investment environment here. There are abattoirs closing on a daily basis, which is making it difficult.

In this regard, if you want to talk about greenhouse gases, my next closest abattoir is another hour away, which would add two hours to my trip. From a greenhouse gas point of view—which we're concerned about—losing a local abattoir and not being able to service a market.... As Canada's immigration numbers continue to increase, we actually have had requests for that. We just can't offer it because the processing isn't available and the investment is not going to be made under the current regulatory environment because it's—

Mr. Dane Lloyd: What specifically does the U.S. do that is more progressive than in Canada?

Mr. Michael MacGillivray: The USDA is the overarching body that sets the overarching framework. The states then can only do a certain amount. It's not like in Canada where we have in Ontario OMAFRA doing certain things.... When we start to look at how many agencies get involved in an agrifood process, it's significant because we have the health units, we have OMAFRA and we have CFIA, whereas in the U.S. a lot of the time, it's just the USDA as the overarching....

• (0955)

Mr. Dane Lloyd: So having one regulatory layer is the best in your opinion.

Mr. Michael MacGillivray: It simplifies it and it allows for cross-province and interstate trade.

The Chair: Thank you.

We're going to move to Mr. Sheehan.

You have five minutes.

Mr. Terry Sheehan (Sault Ste. Marie, Lib.): Thank you very much, Mr. Chair. Thank you to all our presenters. It's been very informative. We're undertaking a very important study and, obviously, is something that needs to be reviewed continually.

I've been in small business development for many years and this is always a top priority for people when they want to start businesses or scale up, so, again, your thoughts on established regulations, and perhaps new regulations, are important.

I'm going to ask my question of Tim McEwan.

You had indicated a concern with community benefits legislation that's been introduced recently. I think it was a private member's bill from the now Minister of Immigration, in which the Minister of Infrastructure and Communities can dictate.... Because we've made investments in infrastructure historically all across the country and a lot of shovels are in the ground, the community can recommend—not dictate—to the minister that local trades be used, apprentices must be onsite, or it could be that green space be developed. There are a number of things.

Tim, could you please describe some of your trepidation with the regulation?

Mr. Tim McEwan: Yes. The concern that we have is related to what's happened in British Columbia. The current government has put in place—they call them community benefits agreements, but they're really project-labour agreement frameworks, where certain public projects will be designated as Building Trades Unions only. Essentially, you are procuring the contract for Building Trades Unions and excluding non-union and non-affiliated union contractors.

Recently, the government in British Columbia indicated that it was going to pursue the SkyTrain extension to Arbutus and prospectively to UBC, using that procurement model. Our point to you here today is that if there are federal dollars going into, for example, the SkyTrain extension, then the procurement should be done in a fair and open way that doesn't exclude non-union and non-affiliated union contractors. This is a deep concern of our membership and, as I said earlier, we represent the non-union and non-affiliated union segment in British Columbia, which is 85% of the industry.

Mr. Terry Sheehan: Drawing our attention to the two different pieces, there's a federal community benefit process and a provincial one. The provincial ones may look different in each of the provinces, so would you suggest that there should be more alignment between the federal and provincial benefit?

Mr. Tim McEwan: My point is simply that the federal dollars shouldn't be going to provincial projects that the Government of British Columbia designates under their union-only procurement framework. The project should be tendered in a manner that keeps it open to non-union and non-affiliated union and Building Trades Unions contractors.

Mr. Terry Sheehan: That would make for interesting discussions between the feds and the provinces. They get together and talk about infrastructure, so that's duly noted for the report. I appreciate that.

Regarding other recent federal proposals, one that came out of the Senate—and again I'm going back to you, Tim—was on the prompt payment legislation. Do you have thoughts on the prompt payment legislation and what it's proposing to do, as it relates to projects the contractors are working on for federal infrastructure and the subcontractors and what not?

Mr. Tim McEwan: Yes, we're supportive of that. We signed a letter with something in the order of 20 different trade associations that made that pitch, so we're highly supportive of that. To the greatest extent possible, that kind of legislation should be harmonized across all jurisdictions as well.

Mr. Terry Sheehan: Why do you support it, Tim? Why is this regulation important, if you will?

• (1000)

Mr. Tim McEwan: For small businesses, it's simply so that they get payment in a timely fashion and that there should not be undue delays in receiving payment. For some of our small contractors, getting timely payment is the difference between making it and breaking it.

Mr. Terry Sheehan: Cash flow. I get that.

Michael, you talked about abattoirs. I'm from Sault Ste. Marie and in the area is Northern Quality Meats. Could you explain the difference again between the provincial regulation and the federal regulation and why it's so important to have more federal regulation of abattoirs?

The Chair: Could you respond very briefly, please?

Mr. Terry Sheehan: Sorry.

Mr. Michael MacGillivray: I think it's not one or the other, but maybe creating one across Canada and adopting one instead of having provincial regulations. Right now, if I process in an Ontario, abattoir, I can't sell my product in Quebec. If we had an overarching regulation, like the USDA example, that would allow me to be able to sell my product anywhere in Canada.

Mr. Terry Sheehan: I appreciate it. Thank you.

The Chair: Now, we're back to Mr. Nuttall. You have five minutes.

Mr. Alexander Nuttall: My question goes back to Mr. Moody. I'm not sure if it aligns with the other sectors here that are making their presentations and testimony known.

One of the things that I've found incredibly frustrating at the federal level—I'm not sure if you've dealt with any of these to date—is when we look at something like the Canadian Bank Act. From a governmental perspective, the regulations are created to provide a fair system for customers of said banks to operate in. At the same time—and this question is open to anybody who'd like to answer it—these types of regulations actually prevent small businesses from being created and operating in the space. I'll give you an example to substantiate that.

If an online start-up in the sharing economy wants to do some sort of business-to-business lending or to use an RRSP to lend to somebody else who's looking for a mortgage, these types of regulations actually prevent small business start-ups—specifically tech start-ups, which we all know are the future—from even getting going.

Have you seen any of these types of regulations outside of the Bank Act that actually end up protecting existing industries against start-up competition, or are they unique to the Bank Act?

Mr. Kim Moody: I can start.

I'm not familiar with the Canadian Bank Act, but with respect to the Income Tax Act, there are very specific rules under section 146 and in the companion provisions thereof that require the definition of what's called a "qualified investment" to be met before RRSP funds can be deployed into, say, start-ups, as in your example.

As I understand it, the policy intent of those rules is to make sure that those investments are rather safe, so as to provide retirement funds for Canadians. I understand that a good chunk of funds are there in order to provide leverage for start-ups—I get that—but to me it's very difficult under the existing legislation to allow for that in many cases. To me, it's a policy question whether or not it should be done, and I can see both sides of that coin. Start-ups are more risky. Therefore, there's the question of whether allowing that complements the risk aversion policy that's probably consistent in the act right now versus allowing funds to be deployed for the future.

Mr. Alexander Nuttall: On that specific point, it's interesting that in 2008 I could have invested in a plethora of banks on the stock exchange through my RRSP, but I couldn't after 2008. In 2011-12, I could no longer really do a self-directed RRSP into my own mortgage without jumping through humongous hurdles and qualifications.

I hear what you're saying in terms of risk aversion policies. At the same time, it looks like these policies are actually in place to protect the business that the banks have rather than to protect the consumer or to protect start-up businesses that come down the road and want to take advantage of said instruments in the financing.

• (1005)

Mr. Kim Moody: I can't really add much to that, but I do hear your point.

The Chair: Thank you very much.

Now we're going to move to Ms. Ludwig.

You have five minutes.

Ms. Karen Ludwig (New Brunswick Southwest, Lib.): Thank you all for your testimony this morning.

I'm going to be splitting my time with my colleague, so I have about two and a half minutes. I'm going to focus on the organic industry with you, Mr. MacGillivray.

Do CFIA accredited organic certifiers collect a royalty?

Mr. Michael MacGillivray: They charge you a fee.

Ms. Karen Ludwig: Is it a disincentive for them to crack down on challenges with any organic food industry?

Mr. Michael MacGillivray: There is room for improvement in the system.

Ms. Karen Ludwig: If from province to province there isn't harmonization in organic standards, how does the consumer know...? Does front-of-package labelling offer any benefit to the consumer on the organic side?

Mr. Michael MacGillivray: Potentially, it could, but I think having more harmonized regulation would be the better alternative. That way, you couldn't have a jurisdiction that would have more favourable qualifications than another jurisdiction. I think it would be better to have a more of a harmonized approach, as we see with

the USDA. You don't see Ohio state organic or New York state organic; you see USDA organic. These are actually the products that are coming into Canada because we just don't have enough organic production in Canada right now. We're importing a significant amount.

Ms. Karen Ludwig: I did a quick scan of the USDA organic site after you mentioned it in your testimony today, and it has organic standards and organic seal and organic certified. Is the supply chain also certified?

Mr. Michael MacGillivray: It's supposed to be.

Ms. Karen Ludwig: Is that the case here in Ontario?

Mr. Michael MacGillivray: No, it's not the case in Ontario. As I mentioned before, there is a new bill coming forward, but it's not in place yet.

Ms. Karen Ludwig: Is there a province in Canada that does set a gold standard, or a model, when you think of harmonized?

Mr. Michael MacGillivray: Quebec is further advanced than any other province. Quebec and B.C. are probably your two provinces that would have a higher level. Nearly half, 49%, of organic processing is in Quebec.

Ms. Karen Ludwig: Thank you very much.

Mr. Peter Fragiskatos (London North Centre, Lib.): Thank you very much for your presentations. My question goes to Mr. Moody. Mr. Baylis had raised this with you earlier during his questioning, and I can understand very well the concerns around red tape. I'm not from business myself—my area was academia and journalism before going into politics—but I do come from a family where small business is the rule. It's what defined my family. It's what brought my family to Canada, the restaurant business in particular. I grew up the son of small-business owners, and I want to see them prosper and do very well. I'm glad to see that we have the lowest rate of small business tax in the entire G7, for example, and this will allow small businesses to continue to create jobs.

Mr. Moody, you referenced common sense, and the question was around safety. In fact, I'm not sure if it was Mr. Longfield who raised it or Mr. Baylis, but safety is very important. What happens when an employer doesn't behave well, doesn't provide a safe environment? Shouldn't there be regulations in place to ensure a safe environment; otherwise, are we not just counting on the goodwill of business owners? I think the vast majority of business owners are responsible, but when they're not, I believe there should be regulations in place to guard against that irresponsibility. Wouldn't you say so?

• (1010)

Mr. Kim Moody: Are you alleging that I said that?

Mr. Peter Fragiskatos: I didn't quote you directly, but the strong inference from your comments would lean in that direction. I'm more on the centre right of the spectrum, to be honest with you.

Mr. Kim Moody: I would hope you would be, but I never said that. Of course, there should be safety and rules in place to protect employees. That to me is common sense, but to suggest that you're going to build a rule every time there's a bad actor is something that I don't subscribe to, and I would suggest that a good chunk of small businesses don't subscribe to that, either. Is there a need for safety in food, for example? Absolutely, but if I go out this door here and I trip on the carpet, do I think that there needs to be a rule in place to prevent carpet tripping? No.

Mr. Peter Fragiskatos: If you want to continue with the carpet analogy, sometimes a carpet may have been out of place for close to a decade, and workers might be afraid to raise their voice. Now we're talking about hypothetical examples.

Mr. Kim Moody: So let's create a rule for that, then.

Mr. Peter Fragiskatos: I'm simply talking about the need to ensure that we have safe workplaces, which sometimes is lost on folks in the tax community.

Mr. Kim Moody: On the tax community, that's a cheap shot, but the short answer is no.

The Chair: Thank you.

Mr. Masse, you have the last word of the day.

Mr. Brian Masse: Thank you, Mr. Chair.

I would like to ask Mr. Moody a quick question, and also Mr. McEwan. I only have two minutes.

Mr. Moody, you raised an interesting aspect with the inter-provincial rules on a business and the tax implications and so forth. I'm just wondering, though, if the business community is consulted when, say, two provinces introduce a regulatory change on their borders. I'm from the Windsor-Detroit border—two different countries—but I'm assuming and hoping that the provinces would at least discuss regulatory information or share information as best practices among themselves.

Are you aware of any communication or consultation that also takes place, for example, among the businesses that have to interoperate on our provincial borders?

Mr. Kim Moody: Sorry, Mr. Masse. In what respect?

Mr. Brian Masse: Let's say, for example, a new regulation entered into in Ontario affected businesses in Quebec, for example. I'm hoping.... Well, I've already got researchers to find out whether there's actually a process that has provinces communicating when those changes take place, and I'm at least hoping that it does take place.

Outside of that, I'm wondering whether they have any discussion or any formal processes, anything you're aware of, that would, for example, have chambers of commerce in the two different provinces being made aware of changes, or whether there is some other type of inclusion that includes the businesses that have the regulatory change in that region. Do you see what I'm saying?

Mr. Kim Moody: Yes, I do. To my knowledge, at least—I'm certainly no expert in this and I'm happy to be corrected—there are a number of non-profit organizations that do try to keep businesses up to speed on this.

In terms of tax, there is no formal body that does this. In terms of trade, I'm aware of certain western Canadian organizations that exist, but outside of that, it's beyond my area of expertise. I apologize.

Mr. Brian Masse: No, no. Don't apologize. What we're looking for are recommendations. We gazette things, so I'm just wondering out of this, though.... What I'm thinking of is that example you provided, so perhaps we need to gazette not only in that province but also in the province adjacent to it or within a certain geography. It's almost like something that we would do in land practices when we change a zoning somewhere and the area is notified. That's what I was looking for. It's a more formal process. It's related to the other questions I had on that.

Mr. McEwan, if there were two changes—and I know this is hard—in regulatory practices or a sharp kind of message that you would have on the best recommendations, I would like to provide you the opportunity to recommend what we could do for small businesses. Is there anything we could focus on that would be low-hanging fruit for this committee to recommend as a change in the way we do regulatory practices?

Mr. Tim McEwan: I guess what I would say is that in my general remarks I spoke to the architecture of regulatory reform within government. I'd really like to double down on that and impress upon this committee what instilling a culture of continuous improvement starts with, and I gave the elements of the architecture in British Columbia. I think it's critically important to look at that and to put that kind of architecture in place.

• (1015)

Mr. Brian Masse: That's fair enough.

The Chair: Thank you very much.

With that, we will end this portion of the session. We have to go to some committee business.

I want to thank all of our panellists for coming in today and presenting and for answering some of our questions. There are definitely some challenges ahead of us. We look forward to our report. Thanks very much, all of you.

[Proceedings continue in camera]

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