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Chair: Mr. Peter Fonseca



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• (1105)

[English]

The Chair (Mr. Peter Fonseca (Mississauga East—Cooksville, Lib.)): I call the meeting to order.

Welcome to meeting number 44 of the House of Commons Standing Committee on Finance. Pursuant to the order of reference of May 10, 2022, the committee is meeting on Bill C-19, an act to implement certain provisions of the budget tabled in Parliament on April 7, 2022 and other measures.

Today's meeting is taking place in a hybrid format pursuant to the House order of November 25, 2021. Members are attending in person in the room and remotely, using the Zoom application. Per the directive of the Board of Internal Economy on March 10, 2022, all those attending the meeting in person must wear a mask, except for members who are at their place during proceedings.

I'd like to make a few comments for the benefit of the witnesses and members. Please wait until I recognize you by name before speaking. For those participating by video conference, click on the microphone icon to activate your microphone and please mute it when you are not speaking.

For interpretation for those on Zoom, you have the choice at the bottom of your screen of the floor, English or French. For those in the room, you can use the earpiece and select the desired channel.

I would remind you that all comments should be addressed through the chair.

For members in the room, if you wish to speak, please raise your hand. For members on Zoom, please use the "raise hand" function. The clerk and I will manage the speaking order as best we can, and we appreciate your patience and understanding in this regard.

I would now like to welcome today's witnesses. Please note that today's witnesses are here to speak about part 5 of the BIA.

I will welcome today's witnesses. As an individual, we have James Hinton, intellectual property and innovation expert from Own Innovation. From Canada's Building Trades Unions, we have Sean Strickland, executive director, and Rita Rahmati, government relations specialist. From Canadians for Tax Fairness, we have D.T. Cochrane, economist. From Cider Canada, we have Barry Rooke, executive director, and from Imagine Canada, we have Bruce MacDonald, president and chief executive officer.

We'll now begin with Mr. Hinton from Own Innovation for his opening remarks of up to five minutes, please.

Mr. James Hinton (Intellectual Property and Innovation Expert, Own Innovation, As an Individual): Good morning.

I am Jim Hinton, IP lawyer, patent agent and trademark agent with Own Innovation. I'm the co-founder of the Innovation Asset Collective, a senior fellow at the Centre for International Governance and Innovation, and an assistant professor at Western University. But I'm not speaking to you in my capacity in those roles. I'm speaking to you as an individual with experience helping Canadian companies navigate the often predatory global IP systems so that they can commercialize and scale their technologies globally.

I'm pleased to speak to budget 2022, which has been called an innovation budget. There are many great aspects to this budget, including IP strategy investments and other innovation funding programs, but unless we position these programs properly, they will be nothing but empty calories. They taste good going down but we will have nothing to show for them when it matters.

Two key things to consider in this budget are the importance of IP—intellectual property—and data assets and how those impact a company's freedom to operate.

Intangible assets including IP and data represent the most valuable corporate assets today, with 91% of the S&P 500 market value being in intangible assets. So IP and data aren't everything, but they are almost everything.

With this budget we have recognized that Canada will have a last place in innovation in the OECD with dismal business investment in R and D. This will continue despite our current trajectory of billions of new innovation funding unless we properly orient it.

Why do Canadian companies do so poorly and not invest in R and D? Quite simply it's because they do not have the freedom to operate, since global markets are already owned by existing players that control IP and data stocks.

So where does Canada stand? It's terrible. We own less than 1% of the world's intellectual property. For Canadian companies that means we do not have the freedom to operate, because you can't commercialize what you don't own. We have to manage the 99% of IP positions of global players, which limits Canadian companies' freedom to operate. Practically speaking, that means Canadians don't have the proprietary datasets or own the foundational patents that are needed to practise to commercialize globally, for example.

In the current budget, there is a buffet of funding innovation programs—a growth fund, new innovation agency, overhauling SR and ED, the critical minerals strategy, clean-tech programs, semiconductors, the strategic innovation fund, federal granting councils, superclusters, copyright extension, digital currency, council of economic advisers, patent box, competition reform, strategic procurement and even IP law clinics.

But to get innovation, you have to have a proper frame of success. What is innovation success? It's Canadian companies owning valuable IP and data [*Technical difficulty—Editor*] and commercializing their technology globally and at scale. The proper frame is one of freedom to operate. Will this program increase or decrease the freedom to operate of Canadian companies? What is the net economic benefit?

To do this, we need to recognize Canada's current IP position within the global IP landscape and ensure that these programs structurally improve the global IP and data positions of Canadian companies as against their global competitors. This must be the lens through which Canadian innovation policy views any innovation funding. Remember, nearly all economic activity, over 91%, is innovation activity.

In a particular example of how poorly we have been doing, of the over \$10 billion in annual public funding that goes to Canadian universities, more than half of the resulting industry IP ends up being owned by foreign companies. This means that currently Canadian universities are actually working to reduce the freedom to operate of Canadian companies. We would be better off if Canadian universities did nothing at all in the name of innovation.

This situation permeates our misoriented innovation funding. There are consistently examples from artificial intelligence to mining, from critical minerals to electric vehicles.

These challenges are the reason I co-founded the Innovation Asset Collective to increase the freedom of Canadian companies to operate. In less than two years, the IAC has become a standout of successful innovation action by making a significant impact in meaningfully improving the freedom to operate and the IP positions of Canadian companies through IP education and generation and patent collectives. However, I was disappointed to see that IAC was not funded in this budget to keep Canada at pace with its global peers.

Full funding means funding at an order of magnitude of more than the \$30 million pilot. Just as a comparison with our global peers, the French patent fund initially received 500 million euros and has since received another 500 million euros. We need to be doing this at scale to compete globally.

Finally, things will get worse for Canada, and we must act with tremendous urgency. The Americans and Chinese are internally well coordinated at controlling their domestic markets with those of the Japanese, Koreans and Europeans and aggressively work to maintain and expand their IP and data positions. Here in Canada our IP stocks are dwindling with two of Canada's major strategic IP holders—BlackBerry and WiLAN—selling off their IP portfolios. All the while, we continue to invest in growing the IP positions of foreign companies like Huawei and Google.

• (1110)

Despite progress, without proper orientation and an increased pace of action we will most certainly be last in the OECD countries. This will mean that Canada won't be able to enjoy the fruits of a productive economy—great health care and other social programs—that form the bedrock of Canadian prosperity. If we're last in the OECD, then it won't be long until Canada quickly becomes a middle-income country.

Thank you.

The Chair: Thank you, Mr. Hinton.

We'll move to Canada's Building Trades Unions for five minutes of remarks, please.

Mr. Sean Strickland (Executive Director, Canada's Building Trades Unions): Good morning, Chair Fonseca and members of the committee. Thank you for the opportunity to take part in the pre-budget consultations earlier this year and for the invitation to appear today. Unfortunately, my colleague Ms. Rita Rahmati will not be able to join us today.

My name is Sean Strickland. I am the executive director of Canada's Building Trades Unions, part of North America's Building Trades Unions. We represent 14 international construction unions with a combined membership of over three million unionized construction workers in North America, with 600,000 here in Canada.

The women and men of the building trades are employed in constructing everything from small projects through to large multi-billion dollar projects right across Canada. The construction and maintenance sector combined represents approximately 6% of Canada's annual GDP.

Budget 2022 included important wins for workers, including the historic win for Canada's construction workers—something the building trades have been advocating for for a long time—namely, a labour mobility tax deduction for tradespeople. Under this proposal, they will now be able to deduct those expenses from their income, something they previously could not do under the Income Tax Act. This will make it easier for construction workers to go where [*Technical difficulty—Editor*]—

The Chair: Mr. Strickland, can you hear me?

Mr. Sean Strickland: I can hear you.

The Chair: Great.

Your Internet is a little bit choppy. You may have to turn off your video. This is a televised meeting, but you may have to turn off your video so that we can hear you clearly for your remarks. We'll see how that goes.

Are you still there?

Mr. Sean Strickland: Yes. I just turned the video off.

The Chair: If you could continue with your remarks, we would appreciate that. Let's see if it comes through clearly now.

Mr. Sean Strickland: Do you want me to take it from the top, or did you get most of it?

The Chair: You had about a minute and a half left. That's where I kind of stopped the time.

Mr. Sean Strickland: Perhaps I will start with budget 2022.

The Chair: Sure. That would be great.

Mr. Sean Strickland: I'd ask for some leeway with the time, Mr. Chairman.

The Chair: Yes.

Mr. Sean Strickland: Budget 2022 included some important wins for workers, one of which is something we've been working on for a long time. It's the labour mobility tax deduction for tradespeople.

With this proposal, tradespeople who have to travel far from home will now be able to deduct those expenses from their income, something they previously could not do under the Income Tax Act. This will make it easier for workers to go where the work is, and still support their families back home.

I want to thank the finance committee for including this in its pre-budget report and recommendations.

The budget included other wins for workers and Canadians, such as doubling the funding for the union training and innovation program, a program that has allowed training centres and organizations to expand, innovate, and improve training for skilled tradespeople. It included projects like the creation of the office to advance women apprentices. This focused on offering wraparound support services to increase the recruitment and retention of women in the skilled trades.

There were also investments in new home builds; funding for research investments in green technologies, like small modular reactors; an investment tax credit for carbon capture, utilization, and storage, which is really important in our move to a net-zero-based

economy; investments in child care, health care, and a national pharmacare program; and a new union-led advisory table that brings together unions and trade association that will advise the government on priority investments to help workers navigate the changing labour market, with a particular focus on skilled mid-career workers in at-risk sectors and jobs. These are just a few of the highlights included in budget 2022 that benefit workers and Canadians.

As we look beyond budget 2022, CBTU urges the government to focus on reforms to the temporary foreign worker program as part of the short-term solution to labour availability.

Where unions are able, make them a designated employer for the temporary foreign worker program to ensure that workers are treated fairly. Unions can leverage our hiring hall systems to put temporary foreign workers to work with different employers, better addressing labour availability.

Building trades and local building trade councils can also be included, when you're making an assessment of the viability of the temporary foreign worker program in any particular area in Canada.

Regarding changes to employment insurance, make permanent the current temporary change to the allocation of separation monies; allow apprentices to apply for EI in advance of their training, which would provide better financial security to update their skills; and when re-establishing the board of appeals, ensure that there is designated labour representation on that tribunal.

One other issue that we could look at going forward to address labour shortages is to address and ease cross-border mobility for skilled trades workers between Canada and the U.S. There are 197 training halls across North America. We know that training qualifications for many of our trades are nearly identical on both sides of the border; therefore, it just makes sense to allow workers to travel back and forth to address labour shortages which is very difficult to do.

In conclusion, as parliamentarians you know that there is always more work to be done. On behalf of our 600,000 unionized construction workers, we thank you for your service, and encourage you to pass the budget to the benefit of not only our members but all construction workers in Canada.

Thank you, Mr. Chairman and committee members.

• (1115)

The Chair: Thank you, Mr. Strickland.

We were able to hear you clearly once the video was off. I'm not sure if you'll be able to turn it on afterwards so that we can see you when you make further remarks or answer questions.

We're now moving to Canadians for Tax Fairness and Dr. D.T. Cochrane, for up to five minutes, please.

Dr. D.T. Cochrane (Economist, Canadians for Tax Fairness): Thank you very much.

Thank you kindly for having Canadians for Tax Fairness comment on this budget implementation bill.

Let me begin by commending the government for acting with the appropriate urgency to create a publicly accessible beneficial ownership registry. The need for this registry is acknowledged by members of all parties.

Efforts must now be turned to getting the provinces on board so the registry is truly pan-Canadian. To that end, we recommend the government fully fund the endeavour. Further, implementation should move ahead with all willing partners. Any laggards can be later enrolled.

There are several other components of Bill C-19 that C4TF will happily address during the Qs and As, particularly the luxury goods tax, the measures on housing speculation, the home accessibility tax credit and the tax measures for climate action.

However, today I want to address things missing from the bill: the one-time and ongoing surtaxes on the profits of banks and insurance companies, plus an updated general anti-avoidance rule to crack down on tax avoidance. We understand that these measures might require more consultation. However, we are concerned that there is a lack of urgency. Too much time allows for too much influence by well-resourced elites and their agents, leading to weakened, if not ineffective, measures.

During the pandemic, the government provided unprecedented amounts of money to support Canadians and stabilize our financial system. Unfortunately, deficit Chicken Littles are now misleading Canadians by claiming that these supports are responsible for inflation.

The standard inflation story claims that it is from “too much money chasing too few goods”, but there is a much simpler explanation: Corporations are using their price-making power. This is not to discount significant external forces disrupting global supply chains and causing many costs to rise. However, our research found that the 2021 profit margin of Canada's publicly listed corporations almost doubled to nearly 16% from a prepandemic average of less than 9%. This strongly suggests that corporations are doing more than just passing along higher costs.

We have a trickle-up economy. That means some of the public money added to the economy inevitably found its way into corporate coffers. With corporations also boosting their profit margins, an ever-larger flow of public money ended up under corporate control. This overwhelmingly benefits the elite owners.

C4TF welcomes the surtaxes on banks and insurance companies; however, they are too narrow in application, set too high a threshold and are too low. While finance companies have seen the largest jump in profit margins—going from 14% to 22%—extraordinary profits are seen across many sectors. There is no good reason to limit the one-time tax to incomes above one billion dollars or the

ongoing rate increase to incomes above \$100 million. Also, a one-time extra 15% and the ongoing additional 1.5% are timidly low.

Successive governments have been cutting the corporate income tax rates for decades. From almost 40% in the 1980s, the current rate is a meagre 15%. We were promised that the cuts would result in more productive investment. In fact, investment out of corporate profits is lower now than it was in the 1980s.

Of course, corporations don't actually pay taxes at the statutory rate. In 2021, even while they were making record high profits, corporations were pushing their effective tax rates to record lows. They create and exploit loopholes to lower their taxes. We were pleased to see that budget 2022 included plans to close some of these loopholes.

We also welcomed more concrete steps towards strengthening the general anti-avoidance rule, also known as GAAR, which will empower the Canada Revenue Agency to crack down more forcefully on creative corporate accounting, but this process needs to be given greater urgency. Currently, the deck is heavily stacked against the CRA and its efforts to deal with tax avoidance by the largest corporations and wealthiest individuals.

• (1120)

Recent decisions by the Supreme Court against the CRA highlight the fact that the agency is working with one hand tied behind its back. We need an updated GAAR ASAP.

When the pandemic struck, it was widely accepted that we needed our public institutions to support Canadians. Corporations and their owners have nonetheless profited handsomely.

The need for robust investment in public programs only grows. A stronger excess profits tax, a higher corporate income tax rate and stronger GAR can reduce the excessive benefit going to corporations and help to create a more just, equitable country.

Thank you.

The Chair: Thank you, Mr. Cochrane.

Now we'll hear from Cider Canada, Barry Rooke.

Mr. Barry Rooke (Executive Director, Cider Canada): Thank you for having me present to the committee today.

My name is Barry Rooke. I'm the executive director of the new national cider association, Cider Canada/Cidre Canada. We support 370 licensed cider makers across the country and just reached our first year as a non-profit last month. Although the association is new, cider has been produced in Canada for hundreds of years, making a resurgence over the last half-decade. We believe that the number of cider producers has doubled in the last five years across Canada.

The sector directly supports close to 9,000 jobs, and tens of thousands of others at orchards and in transportation and restaurants. Cider producers come in many different forms: small fruit-to-table producers that do everything, like Riverdale Orchard and Cidery in Bonshaw, P.E.I.; community-focused small businesses, like Coronation Hall Cider Mills in Bristol, Quebec; destination cideries like Taves Estate Cidery in Abbotsford, B.C.; and large, commercially driven products that service the entire country, like Growers, No Boats on Sunday, and Thornbury Craft cider company.

In Ontario, we believe that close to 8% of all apples are used for cider, with the numbers in Quebec, B.C. and Nova Scotia at similar or even higher levels. Many of them use apples that would not be used otherwise because of their appearance. It is also an important alternative to beer for those who are gluten intolerant and don't want the high alcohol levels of wine.

Our biggest concern is related to the incoming excise duty. This is expected to increase the costs of a can or a bottle by 20¢ to 50¢. This cost has to be borne by the producers or passed on to the consumers for at least six months before the proposed program for producers provides some relief.

With production costs rising, transportation costs further increasing and new cash-flow issues, cider producers are struggling to compete with international products, price points that are drastically inferior to Canadian beverages, and seeing money leave the country. This would be very bad for Canada's largest fruit-producing sector.

The proposed support program appears to be short by \$25 million to \$35 million a year and is only set to last until 2024. We need to have a fully funded program, as the sector's consumer base is really starting to grow. We have the resources to be one of the largest producers of this product in the world. Having the added cost will stifle growth, as it puts in doubt the producers and leaves the sector unsure of whether to invest in the Canadian economy. We could see close to half of cider producers in Canada close their doors within the next three years, with an estimated economic impact of \$500 million annually.

Production of cider is slightly different from our counterparts in the wine industry, where cider is classified. Production costs for cider are typically higher than wine, but is consumed more like a beer. Apples can travel better but are stored for a longer time, which makes production able to happen year-round. This means that importing juice, which is not overly common, could be a solution to reducing costs, at an impact on the local economy.

Without a fully funded program, large commercial cideries will have no incentive to buy Canadian apples and may turn to imports. This also encourages medium companies, which use groups like

BC Tree Fruits to co-pack or co-produce a product, to look for juice externally and further hurt the Canadian apple industry.

I'll finish my time with some great news about the sector. We are becoming known worldwide, as cider producers in Canada are winning awards at a disproportionate rate. We are really, really good makers of cider with Canadian apples.

Thank you again for the opportunity to share the information about what used to be one of the largest industries in Canada—pre-prohibition era—now seeing faster growth than the craft beer industry did from 20 years to 10 years ago. Now is the time to invest in the sector.

I'm happy to answer any questions.

• (1125)

The Chair: Thank you, Mr. Rooke.

We'll now move to Imagine Canada and Bruce MacDonald, for up to five minutes, please.

Mr. Bruce MacDonald (President and Chief Executive Officer, Imagine Canada): Thank you, Mr. Chair and committee members, for the opportunity to bring important considerations to your attention as you discuss the first budget implementation act.

As you are all aware, the charitable and non-profit sector is a vital part of the very fabric of our communities, improving the lives of everyday people here in Canada, and working with others around the world. In addition, this sector contributes to the nation's economic well-being. Charities and non-profit organizations employ one in 10 Canadians, and contribute 8.3% of Canada's GDP.

As a sector that is of significant importance to supporting Canadians, we were encouraged by two recent announcements in budget 2022. These are the changes to the disbursement quota and the stated intent to amend the Income Tax Act to allow a charity to provide its resources to organizations that are not qualified donees. It was stated that this would implement the spirit of Bill S-216. In combination, these measures would infuse the sector with additional financial resources and allow for more of those new resources to support vulnerable and marginalized communities, including working with organizations often serving and led by Black Canadians, indigenous people and persons of colour.

I'm here today to let you know that the proposed language in the budget implementation act has significantly missed the mark and would, in fact, make things worse for charities wanting to work with non-qualified donees. While the intent is clear, the specific language is hugely problematic.

The spirit of Bill S-216 includes a number of critical elements. It is a made-in-Canada policy solution that reflects our international commitments and integrates the latest evidence-based accountability and trust-based philanthropic principles. Unfortunately, the specific language of the BIA instead offers a rigid and ill-suited integration of U.S. tax measure into Canada's ITA.

We continue to encourage the government to support the spirit and substance of Bill S-216, and a wide collective of organizations, including Cooperation Canada, Philanthropic Foundations Canada, Imagine Canada and a group of the nation's leading charity lawyers, all of whom are offering concrete solutions to improve the legislation.

If not amended, Bill C-19 will have a number of harmful effects. Rather than removing the concept of direction and control, the BIA retains the current "own activities" regime, which requires direction and control. The language of the BIA would then codify direction and control through regulations and make it part of the fabric of the new qualifying disbursements regime.

In practice, casting existing CRA administrative guidance into legislation will result in a less flexible approach, and the CRA will require more direction and control-like conditions than before for qualifying disbursements. This will result in fewer types of collaborations, less flexibility in their design, and fewer partnerships with non-qualified donees overall.

The proposed language does not reflect the spirit of Bill S-216, which is trust-based philanthropy on equal footing, but instead perpetuates the current paternalistic regime by embedding a long and overly prescriptive code-like list of requirements that would govern the relationship between funder and grantee. By doing so, the BIA retains the colonial, parent-child nature of the relationship that we were trying to get away from.

The BIA reinforces and, in fact, enhances the administrative burden. Organizations will have to incur legal fees, hire lawyers and control actions to abide by these regulations.

In order to encompass the spirit of Bill S-216, we are pleased to offer three amendments to the language of the BIA for consideration.

In subsection 149.1(1) of the Income Tax Act, we propose to refine the definition of "qualifying disbursement". Remove the reference to the disbursement meeting prescribed conditions, and replace it with a requirement that the charity instead take reasonable steps to ensure that the resources disbursed are used exclusively in furtherance of a charitable purpose. This would allow for more inclusive partnerships to better support non-qualified donees providing programs while retaining accountability and further charitable purpose.

In clause 21 of the bill, amend the proposed language in paragraph 168(1)(f) of the act related to directed giving. I won't read the full amendment, but will say that the amendment provides a solution to the directed giving issue in the BIA. The problem with the language isn't that charities can't grant to non-qualified donees, it's that they cannot receive gifts for the specific purpose of giving them to non-qualified donees, even if this aligns with their charitable activities.

Delete proposed regulation 3703 in its entirety. This would allow for the regulations to move back into CRA guidance documents, and not exist as codified rules in the Income Tax Act.

The language of the BIA has yet to be finalized. As members of the finance committee, as members of Parliament and as the voices of your communities, you can have an enormous on the final wording, and I urge you to use that influence and to support these amendments. By doing so, you will establish a system that is more respectful, less complex and less costly, and that can adapt to the needs of the future.

• (1130)

Thank you for your time. I'm happy to answer any questions.

The Chair: Thank you, Mr. MacDonald.

Now we will have questions from members. In our first round, each of the parties have up to six minutes to ask questions of witnesses.

We are starting with the Conservatives. I believe MP Lewis is up for six minutes.

Mr. Chris Lewis (Essex, CPC): Thank you so much, Mr. Chair.

It's an honour to be here at the finance committee for the first time. I'm excited to be here.

Thank you to all of the witnesses for your testimony. I think it was fantastic.

Mr. Chair, through you, all of my questions will be for Mr. Strickland this morning.

Mr. Strickland, I would start off with a quick comment. Thank you for the work you do through Canada's Building Trades Unions. As you're very well aware, I've been working incredibly closely with a lot of the various unions, like the carpenters' unions, the construction labourers' unions, the IBEW and LiUNA. I believe you're aware, sir, of my private member's bill, Bill C-241.

Are you aware of that bill, sir?

Mr. Sean Strickland: Yes I am, MP Lewis.

Mr. Chris Lewis: Thank you very much.

To build off of your testimony, you had mentioned about three million workers in North America who are represented. I do believe it to be true that another 350,000 skilled trades workers will be needed by 2025 in Ontario alone.

In and through Bill C-241, I'm a really big believer that if we're going to build Canada back—if we're going to build our bridges, sewers, electrical systems and the homes that we all agree we desperately need—we have to get skilled trades and get skilled trades moving.

In and through the introduction of Bill C-19, there was an introduction from the government. It's a great start, but it has a cap of \$4,000. That \$4,000 could equate to a month and a half or two months of travel. Under C-241, my private member's bill, there's no cap because if we are going to have our skilled trades moving to various areas across the country, I believe that they should not have any restrictions. As a business person myself, there are no restrictions as to how many times I can get on an airplane, stay in a hotel or have a meal out of town.

I'm curious, sir. Could you expand on how exactly you think this would perhaps be more beneficial to the legislation than Bill C-19?

Mr. Sean Strickland: Thank you very much for the question, MP Lewis. Thanks very much for your advocacy and the sponsorship of the private member's bill.

As I mentioned in my remarks, we've been advocating for a tax deduction at Canada's Building Trades Unions for a long time. Previously, there have been three private member's bills sponsored by the NDP and the recommendation that came from this finance committee was for a tax deduction, which I believe received the majority of support from the finance committee.

Our position is that our workers need tax relief now and the quickest way to get that, I believe, is through what is contained in the budget. However, our job at Canada's Building Trades Unions is to support what policy and legislative initiatives benefit our members, so we're supportive of legislation that delivers the greatest benefit. In fairness, we're not asking for anything that's unfair compared to other taxpayers, but we support initiatives and legislation that benefit Canadian construction workers, including the 600,000 members of Canada's Building Trades Unions.

• (1135)

Mr. Chris Lewis: Excellent. Thank you.

Through you, Mr. Chair, back to Mr. Strickland. You had touched upon cross-border mobility. Ironically, in my riding of Essex, we have a new battery plant coming. We have the Gordie Howe bridge, which will be.... Well, the Ambassador Bridge is already the busiest international border crossing in North America, with huge amounts of trade, but I know they're having a tough time getting skilled trades workers there to complete these projects.

Could you touch upon how Bill C-241 may enhance getting more skilled trades to our area to build this infrastructure that's so desperately needed?

Mr. Sean Strickland: I think there are a couple things, MP Lewis.

One challenge now is that our workers, particularly unionized construction workers, are a very mobile workforce. Close to your area now in Sarnia, there's a big project and there are electricians and boilermakers from all over the country. In Fort McMurray during shutdowns, construction workers travel all across the country.

For these big projects, oftentimes there's a living-out allowance included, so there's an incentive for workers to go. However, oftentimes, there aren't living-out allowances, so you'll have areas where you have high unemployment and maybe 300 kilometres down the road you have excess demand where there aren't enough workers available. There's a disincentive for workers to travel because they're going to have to pay those travel, accommodation and lunch costs out of their own pocket. They're not going to make that journey. If you provide this tax deduction in the budget implementation bill and/or in the other initiatives, that will provide incentives for workers to go where the work is and help balance labour markets in Canada.

Mr. Chris Lewis: Thank you, Mr. Strickland.

In our final 35 seconds, could you quickly talk about temporary foreign workers and the impact Bill C-241 might have on helping them, perhaps?

Mr. Sean Strickland: Any kind of incentive that provides tax relief to workers for travel should, in theory, reduce reliance on temporary foreign workers.

The temporary foreign worker problem is a much larger issue for Canada and the Canadian economy. It's not only the construction industry. It's across agriculture, fisheries and other areas, as well. We need a holistic approach to improving our labour market availability across all kinds of sectors in Canada, and to look at ways to reduce reliance on temporary foreign workers.

Since the temporary foreign worker program exists, however, there are many things we need to do to change it to make it more reflective of our Canadian values and to protect workers from exploitation when they come to work here from places outside Canada.

The Chair: Thank you, MP Lewis. That's the time.

We'll now move to the Liberals for questions.

MP Dzerowicz, you have six minutes.

Ms. Julie Dzerowicz (Davenport, Lib.): Thank you so much, Mr. Chair.

I also want to thank all the presenters today for their excellent presentations.

I'm going to start off with questions for Mr. Hinton, and then I'll go to Mr. Strickland.

Mr. Hinton, thank you for your very thoughtful presentation. You gave an urgent call to our government regarding the importance of IP, and an urgent call to action about our needing to create rules around freedom to operate.

For those who might not understand, what do you mean by “the freedom to operate”? Could you explain that in 30 seconds or less? Further, what are the top two or three things we need to do to create a “freedom to operate” environment for our businesses?

Mr. James Hinton: Thank you.

Freedom to operate is what businesses in the innovation economy have to deal with. IP is a negative right. A patent allows you to prevent others from making, using or selling. It's not so much about protecting what you have come up with, though IP does protect your invention. You're building on the IP positions of other players. If the foundation or land is owned by big or major players, your freedom to operate is ultimately reduced. It's the ability to go out and commercialize your technology, recognizing that most IP granted—90% of patents—is for improvements to other people's positions. Because you don't own that underlying position, you don't have the freedom to operate. If 99% of the IP is already owned by other players, you have to manage that IP and reduce the risks that come with it.

That's freedom to operate. It's the lens that all policy in the innovation economy needs to use: Will this increase the freedom to operate of Canadian companies while also decreasing the freedom to operate of other global players?

• (1140)

Ms. Julie Dzerowicz: Our federal government has made a clear commitment on a national IP strategy. What would you immediately recommend we do to help create this freedom to operate for businesses in Canada?

Mr. James Hinton: The immediate thing would be to scale up the Innovation Asset Collective. It's a pilot project that in its last year now. What we need to do is to be with our global peers and have that fully funded. Right now, it's for data-driven clean-tech companies—a very important sector—but it's very underfunded. We need to expand it across all sectors. Provincial and federal governments need to work together to effectively ratchet that up based on innovation spending. We should be spending significantly more than we already are to protect the IP we generate and ensure that it economically benefits Canada and Canadian companies.

Ms. Julie Dzerowicz: I think you said the innovation asset collective—the IAC—is a \$30-million pilot, if I recall correctly. You think we need to scale that up. Would you give us the sum of money you think would be an appropriate amount of funding in order to scale this up?

Mr. James Hinton: I look to global peers and what other countries are doing. The Chinese and Americans have significantly funded their IP-generation capacity. We can't do that. We need to be more shrewd and look to other countries like France, Korea and Japan—what they're doing as small, open economies. As I mentioned, the French fund, France Brevets, started with 500 million euros and have since received another 500 million euros. That's a significant amount, in the order of magnitude twice what Canada has today with its funding. We really need to be keeping pace with those global peers.

Ms. Julie Dzerowicz: Thank you so much, Mr. Hinton.

Because I have just run out of time with you, could you submit some of your key recommendations on how we can create this free-

dom to operate beyond the scale-up of the \$30 million clean-tech pilot, I would be grateful. Then this committee could consider your recommendations moving forward.

Turning to Mr. Strickland, I want to say thank you for being here today. I also want to say a huge thanks to you for your leadership on the labour mobility deduction for tradespeople and for really pushing our government to increase funding for union training and innovation. It has made an impact and, as you could see, it is in budget 2022.

We have talked a lot about labour shortages in Canada. Over the years, because our immigration system hasn't facilitated tradespeople coming into this country, we have developed or acquired a number of non-status trades workers who are working within the construction sector.

Do you think that we need to normalize or find some sort of pathway to citizenship for those trades workers who have been working in our industry, who have been trained up and who have been largely socially and economically integrated? Do you have any thoughts on that?

Mr. Sean Strickland: Absolutely. Undocumented workers are certainly a challenge for industry. There are numerous undocumented workers across Canada who are going to work every day. I think that finding a path to citizenship for those folks and bringing them into the legitimate Canadian economy is a good initiative. I know there has been some work done previously with the Canadian Labour Congress. We have had some conversations and there are some pilot projects under way, so that's one thing that needs to happen.

There's another thing that needs to happen when we're talking about immigration. We're beginning to advocate for a construction immigration pilot program. As you mentioned, MP Dzerowicz, it's very hard for construction workers to get into Canada right now under the current immigration guidelines, and we need construction workers.

In Ontario alone, the conservative estimates are that we need 25,000 workers right now. We have similar challenges in British Columbia. Challenges are on the horizon in Alberta. We need to find a way to return to some of the initiatives of the 1950s and 1960s, when we brought in multitudes of construction workers to build the infrastructure of the day, which now needs to be replaced.

There are a variety of initiatives that need to take place to improve labour mobility in the construction industry, and immigration is a big piece of that.

• (1145)

The Chair: Thank you, MP Dzerowicz.

Now we will hear from the Bloc and MP Ste-Marie for six minutes, please.

[*Translation*]

Mr. Gabriel Ste-Marie (Joliette, BQ): Thank you, Mr. Chair.

My first questions are for Mr. MacDonald, from Imagine Canada. Then, I will have questions for Mr. Rooke, from Cider Canada.

I want to begin by thanking all the witnesses for being here today. I really appreciated their opening statements, which were all very informative, especially Mr. Cochrane's.

Mr. MacDonald, we had an opportunity to meet with representatives of your organization to discuss the problems with Bill C-19 at greater length. My understanding is that you would prefer Bill S-216, because it does a better job of meeting the needs of the organizations you represent.

How do you think Bill C-19 would impact equity-seeking groups wanting to work with charities?

Mr. Bruce MacDonald: Unfortunately, Mr. Ste-Marie, the interpretation did not come through, so I missed most of your question.

Mr. Gabriel Ste-Marie: Mr. Chair, would you mind telling Mr. MacDonald how to use the interpretation option?

Mr. Bruce MacDonald: I used it, but unfortunately, it's not working.

[*English*]

The Chair: I could not hear the last 20 seconds or so of the interpretation.

[*Translation*]

Mr. Gabriel Ste-Marie: All right.

[*English*]

The Chair: I don't know if members are also hearing the channels overlapping each other. The English and the French are overlapping each other.

Mr. Bruce MacDonald: I'm not getting anything at all, and I have it on. I have tried both settings.

The Chair: Now I'm getting French interpretation, and I'm on the English channel.

[*Translation*]

Mr. Gabriel Ste-Marie: Can the technicians fix the problem, Mr. Chair?

[*English*]

The Chair: Mr. MacDonald, can you hear now?

Mr. Bruce MacDonald: No.

The Chair: Monsieur Ste-Marie, can you speak in French?

[*Translation*]

Mr. Gabriel Ste-Marie: I can continue afterwards, once the technicians have fixed the problem.

[*English*]

The Chair: Mr. MacDonald, were you able to get the interpretation for that?

Mr. Bruce MacDonald: No.

The Chair: At the bottom of your screen, have you selected English?

Mr. Bruce MacDonald: Yes.

The Chair: Are other witnesses hearing the interpretation?

[*Translation*]

Mr. Bruce MacDonald: I don't hear it, Mr. Chair.

Unfortunately, Mr. Ste-Marie, I can't answer in French.

Mr. Gabriel Ste-Marie: I understand completely—hence the importance of interpretation.

If it's okay with you, Mr. Chair, I could take my turn later, once the problem has been fixed.

[*English*]

The Chair: Monsieur Ste-Marie, we'll suspend for a few minutes to see if we can fix this.

Thank you.

[*Translation*]

Mr. Gabriel Ste-Marie: Thank you.

• (1145)

_____ (Pause) _____

• (1150)

[*English*]

The Chair: We'll now resume.

Monsieur Ste-Marie, we were at two minutes when we paused, so you have four minutes remaining.

[*Translation*]

Mr. Gabriel Ste-Marie: Mr. Chair, I thought you said I would have six minutes.

[*English*]

The Chair: We were at two minutes when we paused, so you have a good four minutes left.

[*Translation*]

Mr. Gabriel Ste-Marie: Very well.

I think Mr. Blaikie wants to jump in.

[*English*]

The Chair: MP Blaikie, please go ahead.

[*Translation*]

Mr. Daniel Blaikie (Elmwood—Transcona, NDP): Mr. Chair, the interpretation didn't seem to be working the whole time Mr. Ste-Marie was speaking. It probably makes sense to give him six minutes, so that everyone can understand what he said during his first two minutes.

• (1155)

[English]

The Chair: Thank you, MP Blaikie. Was it a full two minutes? I did not realize it was not working for the full two minutes.

We'll go to MP Ste-Marie, for six minutes.

[Translation]

Mr. Gabriel Ste-Marie: Thank you, Mr. Chair.

Thank you for that, Mr. Blaikie.

I'd like to thank all the witnesses for being with us today. Their opening statements were very informative.

My first questions are for Mr. MacDonald.

Mr. MacDonald, my understanding is that the measures in Bill C-19 are inadequate. Bill S-216 would actually do a better job of meeting the needs expressed by various organizations.

How would Bill C-19 impact equity-seeking groups wanting to work with charities?

Mr. Bruce MacDonald: Thank you for being patient.

[English]

I am going to respond in English.

It's really important as we are on the cusp of how Canada is changing to be able to evolve with that.

As we seek to address long-term issues of truth and reconciliation, systemic inequities, we find that many of the organizations that are serving those communities are, in fact, non-qualified donees. It is essential that the language of Bill C-19 be amended to enable these organizations to engage with charitable organizations so that they can create innovative, unique solutions while not reducing accountability to be able to provide service to those groups—their stakeholders, their constituents—and to ensure that we're moving forward as a nation.

[Translation]

Mr. Gabriel Ste-Marie: Thank you, Mr. MacDonald.

You also suggested amendments to the bill that the committee could recommend. I want you to know that they will certainly be discussed by the committee.

You referred to a shared platform. Can you tell us more about that?

How do the changes made under Bill C-19 affect charitable partnerships of that nature?

[English]

Mr. Bruce MacDonald: That's a great question.

The term “shared platform” is commonly used to describe a situation where an organization hosts and provides a legal home for a project or initiative that's unincorporated and doesn't have its own legal status. It's like an incubator, if you are thinking about start-ups in the social impact world.

What we're seeking is to ensure that those organizations can participate in a way that is appropriate for them. Part of what we're really looking for here is to say that there need to be elements of context and reasonableness built into the system, because this one size fits all doesn't work for these types of operations.

[Translation]

Mr. Gabriel Ste-Marie: Thank you, Mr. MacDonald.

When I compare Bill C-19 with Bill S-216, my take-away is that the Department of Finance was concerned that certain provisions of Bill S-216 could be abused, making it possible for resources to be used for a non-charitable purpose. That is problematic from an accountability standpoint. I'd like to hear your thoughts.

Do you think ill-intentioned people would be able to use charitable donations for non-charitable purposes?

The prescriptive nature of this legislation seems to be borrowed from the American law. Are we to understand that the American model is the best way to oversee a charitable partnership system?

[English]

Mr. Bruce MacDonald: The short answer is no. If we take a look at the U.S. system, we see that it's so different from what's here in Canada. There are fundamental issues. First, it doesn't really fit. Our system has been based on the common law premise that's more general than the U.S. Internal Revenue Code rules, which are more black and white. By importing one small section from the complex U.S. tax regime, we're mixing systems with unsatisfactory results.

The second challenge is that the U.S. system is incredibly prescriptive; even the current CRA guidance format allows the charity to figure out the best accountability instrument. Essentially what's happening is that this prescriptive approach takes out the context. It's trying to say that every charitable partnership needs to look the same, and that's not the way it works on the ground. We need a system that allows charities, non-qualified donees and, yes, CRA to work together to find good demonstrations of accountability.

• (1200)

[Translation]

Mr. Gabriel Ste-Marie: Thank you, Mr. MacDonald.

My last question touches on a more sensitive topic.

In recent years, the government has faced controversy over its relationship with WE Charity.

Could the proposed amendments in any way open the door to a similar situation?

[English]

Mr. Bruce MacDonald: Well, I think that is an entirely unique and different situation. I think what's important to stress here—and I will say this over and over again—is that “different accountability” does not mean “less accountability”.

Organizations will still be required to demonstrate that the partnerships with non-qualified donees further the charitable purpose, documentation will still be required and financial accountability will still be in place.

Again, what we're asking is for this idea of context, reasonableness and the uniqueness of each relationship to be reflected in the system in which it operates.

[Translation]

Mr. Gabriel Ste-Marie: Your answers are very clear and convincing, Mr. MacDonald.

Let's hope the amendments you're proposing are supported by the committee so they can make the new legislation better.

Am I out of time, Mr. Chair?

[English]

The Chair: We're at six minutes right now, MP Ste-Marie.

[Translation]

Mr. Gabriel Ste-Marie: All right.

The Chair: Thank you.

[English]

Now we will hear from the NDP for questions.

MP Blaikie, you have six minutes.

Mr. Daniel Blaikie: Thank you.

Thanks to all our witnesses for appearing here today.

Mr. Strickland, I want to start first of all by congratulating the Canadian building trades for getting the building trades tax proposal over the finish line. I know that it's something the building trades have worked on with a lot of my NDP colleagues over the years and, of course, members from other parties as well. Congratulations to you on that.

I just wondered if you had any comment on the specific wording of the budget implementation act and on anything that you think needs to change in the wording. My impression is that it's a pretty decent representation of what you've asked for, but I wanted to give you a quick opportunity for some reflections there.

Mr. Sean Strickland: Thank you very much, MP Blaikie, and, indeed, thank you to your party for your support over the years.

Our view on this.... I've looked at some of the language. We haven't had a detailed examination of all the language. I'd be happy to take the opportunity to do that and provide you some more feedback through the committee chair.

Our view is that we have worked on this for such a long period of time and the need is quite immediate, so we would like to get something in place as soon as we possibly can. There's nothing in

the wording that I reviewed—somewhat superficially—that would cause us any amount of concern.

I would say that it might be a little confusing for the trades worker, because the wording is “not less than 150 kilometres greater than the distance between” their lodgings, meaning the distance of work from their residence. It took me and the team a little while to try to figure out exactly what that meant, and we had to draw some maps.

When it comes to the income tax and Canadians filing their income tax, transparency and simplicity are always best. If we're having a hard time trying to interpret exactly what it means, I think there might be some room for clarity, with maybe some interpretation briefs related to that to help our workers.

Because, as I understand it, the implementation is effective—once this has passed—for this calendar year, so we're going to be asking our workers and all construction workers to start keeping their receipts so they can claim the tax deduction, and we want to make sure we're communicating to them clearly what the guidelines are.

I think there's some room for improvement around that, MP Blaikie.

Mr. Daniel Blaikie: Thank you very much.

I want to go next to Mr. MacDonald.

I think you mentioned in your opening remarks that you did have some amendment language that you weren't going to read into the record, but I wonder if you might be able to provide that to the committee in writing after the meeting, just so it's part of our record of testimony as part of the study of the bill.

Also, if you wanted to, you could provide some quick remarks or perhaps a little note in your written follow-up on how you envision the accountability mechanisms working under your proposal, what exactly that would mean and how Canadians might expect that accountability will continue to be a part of the system despite allowing for some improved flexibility.

● (1205)

Mr. Bruce MacDonald: Absolutely. We would be happy to do so.

Mr. Daniel Blaikie: Thank you very much. That's very much appreciated.

I want to go next to Mr. Cochrane.

You said that you had hoped for the opportunity to talk a bit about some of the housing measures that are contained in the budget implementation act. I wanted to make sure that you got some time to do that.

Dr. D.T. Cochrane: Yes. Thank you very much for giving us the opportunity to comment on that.

Our main concerns with all of the speculative housing measures have to do with how that is targeted.

We think that taking steps towards reducing the treatment of housing as an asset first and a home second are very welcome. We just don't think there's any reason to limit who is excluded from that activity to non-Canadians.

To us, we think it risks fostering xenophobic attitudes towards immigrants and other people who are perceived as being non-Canadians. Frankly, most of the speculative activity that is affecting housing prices is going to be coming from within Canada, so we think that all measures that are addressed at speculation should not be limited in that way.

Mr. Daniel Blaikie: Thank you very much.

I'm looking to the chair for a little guidance on time.

The Chair: You have about a minute.

Mr. Daniel Blaikie: Okay. Great.

I want to ask you as well about some of the other measures that were announced in the budget to try to increase the amount of money that Canadians can save to acquire a home, for instance. I'm wondering how you think those types of measures that might help Canadians save up for a down payment, for instance, cash out in the current market if there isn't any action taken to try to reduce the force of speculation in driving up housing prices.

I'll defer to you as the expert, but it seems to me that if you put more money in the hands of Canadians right now to buy a house, that just ends up increasing the max bid. We're not breaking the pattern that's been pushing up housing prices. We're just allowing Canadians to maybe get a little bit of a competitive edge at a moment in time in a particular bid, but we're not addressing the kind of structural problems with the housing market.

Mr. D.T. Cochrane: Yes. They absolutely risk being fuel on the fire. I get the instinct behind these measures. My concern is that they're rooted in an impulse to always try to adhere to the market logic and let the market work the way it wants to work. But where housing is at, we need to look to the side of how the market is pricing these things.

While measures like encouraging savings to be able to buy a house will benefit some individuals and help them access the housing market, you're absolutely correct that they will just help propel housing prices up further. Speculators, who already have access to plenty of capital and aren't being restricted as much as they need to be, are going to anticipate that and already be piling in.

Mr. Daniel Blaikie: Thank you very much.

The Chair: Thank you, MP Blaikie.

Members and witnesses, that's the end of our first round.

We will start our second round with MP Lawrence from the Conservatives.

You're up for five minutes.

Mr. Philip Lawrence (Northumberland—Peterborough South, CPC): Thank you, Chair.

My questions will focus around direction and control. I'll be talking to Mr. MacDonald for most of my questions.

First of all, Mr. MacDonald, I think some of the concerns with moving towards more of an accountability and transparency base, as opposed to a micromanagement base, might come from the government and the concern that if in fact charities gift to non-qualified donees, somehow this money might go to a non-charitable purpose, or even, in a worst-case scenario, to illicit purposes. But I know, because I've reviewed Bill S-216 and I've looked at the current legislation, that this won't happen.

Perhaps you could share with the committee the types of challenges a charity would face, both reputational and legal risk, if in fact the amended legislation went through and one of the non-profit organizations or non-qualified organizations did something outside the charitable purposes.

Mr. Bruce MacDonald: Yes. It's an interesting question, because, again, it goes back to this idea that having different accountability is less accountability. That is simply not true.

What we're looking to see is saying that organizations who want to work with non-qualified donees must do so in furtherance of their charitable purpose. Both Bill S-216 and the amendments we're providing to the BIA create a system where that takes place. There's not less documentation. There's not less accountability. There are appropriate accountability measures that speak to the unique partnership and relationship set up with the non-qualified donee. CRA would play its role in ensuring that those are observed.

Charities want to do their good work in furtherance of their charitable purpose. They're not looking to step outside. What we're suggesting is a system that preserves the ability to have innovative programming and to also have trust and confidence that the accountability measures are in place.

• (1210)

Mr. Philip Lawrence: Thank you very much.

Maybe you could also talk a little bit about the unintended or negative consequences on marginalized and racialized and vulnerable groups if this legislation goes through without any amendments. I've certainly seen, underneath the direction and control, given the troubled history between the Canadian government and indigenous peoples, the challenge, because basically, direction and control means a Canadian charity must take over an indigenous non-profit.

Don't you think, and disagree if you feel that way, that with the prescriptive nature, we're going to repeat that error over again if we don't amend this legislation?

Mr. Bruce MacDonald: We won't just repeat it but, in fact, enhance it, because the direction control provisions remain with the budget implementation act. Own activities are not being changed in the Income Tax Act. That's preserved. In addition, there's this whole series of prescriptive measures.

We are working in a different world, which requires charities to work with partners that are non-charities. As such, we need a system that allows this to happen, because in a sense, many of those organizations are the experts on the ground providing the services and working with their charitable partner. It's critically important that the ability to do so is preserved.

Mr. Philip Lawrence: Perfect. Thank you, Mr. Chair.

I'll use the last minute for you to explain directed gifting. The reason this exists is to prohibit a donor from directing a gift to help them, specifically. In this circumstance, it could have real challenges when a charity wants to focus particular funds toward Ukraine, perhaps, or something like that. They could be technically offside.

I know you'll do it much more eloquently than I would, so could you elaborate on that, Mr. MacDonald?

Mr. Bruce MacDonald: I think it is important that as charities start to have more and more of these relationships with non-qualified donees to serve vulnerable populations here or abroad, they can have the financial strength to be able to do that. What we want to ensure is that organizations are able to have dollars that go toward supporting that.

If a donor wanted to come and work with a charity to create a new innovative program on an indigenous reserve, they would want to be able to ensure that those dollars are going to that. As long as they're in furtherance of the charitable purpose, we want to make sure that that can happen.

The Chair: Thank you, MP Lawrence.

Now we'll hear from MP MacDonald. You have the floor for five minutes.

Mr. Heath MacDonald (Malpeque, Lib.): Thank you, Chair.

Thank you to the guests here today. I know Mr. Strickland has left, Chair, but I have some questions that I hope we can provide him with. Is he still here?

The Chair: Mr. Strickland, are you there?

Mr. Sean Strickland: Yes, I'm still here.

Mr. Heath MacDonald: I thought he had left. Thank you.

Mr. Strickland, there's millions of dollars transferred to the provinces each year for labour market development agencies in each of the provinces.

Can you give me your opinion on some of the most effective programs that work, relevant to your industry?

Mr. Sean Strickland: The union training and innovation program is a really good one that works quite well. The budget will be doubling that amount to \$84 million, so that's something that directly benefits 197 training centres right across Canada. It works quite well in providing opportunities to improve not only the capital and the ability of the union training centres to put into place the right kind of equipment for modern construction techniques, but it also provides an opportunity for outreach into the community to get more people into the construction trades. That's a really good program that works pretty well.

There are also apprenticeship incentives that are available through various government initiatives, and government programs that also provide some support for apprentices getting into the construction trades. EI has numerous programs, but an EI program itself needs some improvements that could better support construction workers, especially apprentices.

● (1215)

Mr. Heath MacDonald: Thank you, Mr. Strickland. The review of EI is ongoing, so it's interesting.

I am wondering if you have any suggestions on the temporary foreign worker program. I come from Prince Edward Island and I think we're short about 600 to 1,000 construction workers on a small island of 160,000 people. It's extreme. The temporary foreign worker program.... We had initially created an Atlantic growth strategy that seemed to work very well, and they've adopted it permanently in Prince Edward Island and Atlantic Canada.

Do you have any suggestions to improve the temporary foreign worker program? Is there a possibility of a pilot for construction workers? What scale would you suggest?

Mr. Sean Strickland: Absolutely, MP MacDonald. That's a great question.

The Atlantic pilot project is something we're looking at as a possible path forward for a construction pilot project. I don't really know what the number is in Ontario. I know what the demand is, based on having conversations with various construction industry executives and union leaderships in Ontario. I mentioned earlier that 25,000 alone in Ontario could go to work today. You mentioned 6,000 in Prince Edward Island, because you're going through a housing boom right now. BuildForce Canada indicates that, in the next 10 years, we'll need well over 100,000 workers in Canada to meet the demand and also to close the gap from retirements.

We need a construction immigration pilot project. I don't know what the right number is, but we need to start it in a province where we have the greatest demand right now. We also have to make sure it's achievable. One number we're looking at is 10,000 construction workers for the province of Ontario. [*Technical difficulty—Editor*] That number would increase and be reflective of the demand in the various provinces.

We need to get beyond our growing reliance on temporary foreign workers. The temporary foreign worker program is not a long-term sustainable solution to our labour market demands in Canada. We also need to encourage more Canadians to get into the construction industry. That's something the government has also put some initiatives on the table for, in terms of apprenticeship services and sectoral initiatives. There is a lot of money coming to help our industry attract more people into the trades. We need more of those kinds of things.

The Chair: You have about 30 seconds.

Mr. Heath MacDonald: One thing you didn't mention, which we continue to raise, is the identification of trades and exposing them to students in K to 12 at some point, whether that be grades 7 to 12. It doesn't seem to be consistent across the country.

Can you give me a quick comment on that, and has your association initiated anything to do this or to raise awareness?

The Chair: Make it a quick answer, please.

Mr. Sean Strickland: This is a real challenge. You probably all heard it before within your own communities. The shop classes of the seventies have all been closed down. Learning models have changed, so it's very difficult for a high school student in many jurisdictions in Canada to be even exposed to the trades.

Where I live in Kitchener-Waterloo, there is only one high school that offers an opportunity to take an electrical course. There's only one that offers sheet metal. If you're interested in that, you have to travel from all over the region to go to that school.

Our unions, and unions in different communities and provincial associations, are working hard to try to turn that around, but it's a big uphill [*Technical difficulty—Editor*]. We are seeing some initiatives at the provincial level, and we encourage that.

The Chair: Thank you, Mr. Strickland. We're starting to lose you a bit with your Internet there. You're right: there are great careers in the trades.

We are now moving to Monsieur Ste-Marie for two and a half minutes.

[*Translation*]

Mr. Gabriel Ste-Marie: Thank you, Mr. Chair.

Life is better when you live next to a lake, but unfortunately, people in the regions often have to deal with connectivity issues. That is still a huge problem.

My next question is for Mr. Rooke, of Cider Canada.

Mr. Rooke, I am really impressed by the quality of the cider our craftspeople produce. In the past few years, product quality has been tremendous. My latest discovery is a cider produced by Qui Sème Récolte, a business in Saint-Jean-de-Matha. Not only is the industry booming, but it's also a source of great pride.

I want to make sure I understand the problem. Bill C-19 would restore the excise duty on wine, further to a World Trade Organization, or WTO, ruling in a dispute between Canada and Australia.

As I understand it, the dispute had to do with grape-based wine. The problem is that Ottawa doesn't distinguish between wine made from grapes and other alcoholic beverages such as cider and mead, so the excise duty will apply to your members.

Do I have that right?

• (1220)

[*English*]

Mr. Barry Rooke: Yes, that is correct. Cider is currently classified under wine by the government. It's produced in a similar fashion with fresh fruit as opposed to beer, which is with barley.

It is one of the areas we are interested in exploring in order to work with the government to separate it out from wine, because it does have all of those different production structures and costs associated with it. We think that will help to address the concerns that it brought up with the excise duty. There are also entire challenges for taxation within alcohol at the federal level, and will probably need a review across the current three: beer, spirits, and wine.

We think an industry-led solution, something similar to the BTAP, which happened in B.C. in the past couple years, might put Canadians in a better position to be both stronger economically for the organizations they run but also be able to produce and experience that really good product that we make across the country.

[*Translation*]

Mr. Gabriel Ste-Marie: Thank you. That was very clear.

I completely agree with you, Mr. Rooke.

In Quebec, we distinguish between wine made from grapes, called wine, and other alcoholic beverages, like cider, in our legislation.

You think Ottawa should adopt a similar distinction, in addition to reviewing the taxes on alcohol.

Is that correct?

[*English*]

Mr. Barry Rooke: Yes, I think it would make a lot of sense to classify cider individually or separately from wine. It is growing and has the potential to become a much larger industry overall. We were talking about how around two to four per cent of total alcohol consumed would be cider, and that number is growing.

Being able to develop its own needs and solutions within the tax structures and systems not only will help the individual producer, but will help the Canadian consumer to access that type of product.

The Chair: Thank you, MP Ste-Marie.

[*Translation*]

Mr. Gabriel Ste-Marie: That's very clear.

Thank you.

[*English*]

The Chair: MP Blaikie, you have two and a half minutes.

Mr. Daniel Blaikie: Thank you very much.

I want to return to Mr. Cochrane.

We had the opportunity to talk a little bit about housing, but he had also mentioned climate action as being one of the areas that he had hoped to address in his testimony. I wanted to offer Mr. Cochrane the opportunity to talk a little bit about that issue in the context of the budget implementation act.

Dr. D.T. Cochrane: Thank you very much.

Our general comment with regard to climate action in budget 2022 is that there's nowhere near enough direct actual action with funding to achieve the types of economic transformations that we need. We're concerned that there is excess reliance on tax credits. In this specific implementation bill, there's a reduction of the corporate income tax for zero-emission technology manufacturers. We're always concerned anytime new complications are introduced into the tax code.

Mr. Strickland already brought up the fact that the tax system works best when it's kept simpler. We're always concerned when something is introduced that's going to reduce the tax rate for some sub-segment of the corporate community because there's so much opportunity for gamesmanship around this. We're concerned that this puts an excessive burden onto the CRA to have to oversee what is actually qualifying as zero-emission technology.

On the other side of things, if you're going to be reducing tax rates to try to encourage certain types of manufacturing, then let's have the balancing act of perhaps raising tax rates on the production of technologies that contribute to higher emissions. We just think that this is very asymmetrical as it's introduced and there's a lot of substitution of what looks like action for actual action.

• (1225)

Mr. Daniel Blaikie: In the budget, about two and a half billion dollars or a little bit more was announced for carbon capture and sequestration to encourage that practice. We saw a reduction of a fossil fuel subsidy on flow-through shares, which the government projects is going to be about \$9 million worth of revenue.

Do you want to speak to the orders of magnitude involved there in the difference between new fossil fuel subsidy spending versus what they're rolling back?

Dr. D.T. Cochrane: We're very happy to see the end of the flow-through shares for investments in oil and gas companies. We take issue with the flow-through share structure more generally. It really only benefits the absolute elite investors and encourages investment in what are otherwise not profitable undertakings. It can encourage money-losing in ways that is destructive for the places where that investment is actually encouraging action.

The carbon capture subsidy is also incredibly concerning. It strikes us as being a subsidy that will mostly benefit the oil and gas industry, which has already enjoyed decades of an effective subsidy by not charging for the emission of carbon. We have an incredibly over-developed oil and gas sector and we need to transition as quickly as we possibly can. We don't think that trying to encourage carbon capture technology that way is the way to achieve what needs to be achieved.

We would much rather see direct investment in creating these technologies without it risking becoming effectively a new tax dodge by companies that, frankly, are experts at avoiding taxes.

The Chair: Thank you.

That's the time, MP Blaikie.

Now we move to the Conservatives and MP Albas.

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

Thank you to all of our presenters today for your expertise and individual opinions and for wanting to come and share what Bill C-19 means to some of the stakeholders out there.

I'm going to start with Mr. Rooke.

Mr. Rooke, in my riding we have wineries, absolutely, but we also have cideries like Left Field Cider Company just outside Logan Lake, Dominion Cider, Millionaires' Row, Summerland Heritage Cider, and NOMAD Cider, and that's only in Summerland and Logan Lake. There are others.

I want to talk to you a little bit about the trade challenge that has been the reason the government says we have to make these amendments to the Excise Act, especially to the sections on wine.

My understanding is that the government completely capitulated to the Australians and didn't fight it in the WTO. That's where we are. Unfortunately for you, because your industry is defined under the Excise Act as being under wine, you were thrown in there indiscriminately.

Mr. Barry Rooke: Yes, we were. Because cider has grown so quickly in the last 10 to 15 years, there was never that original thought that cider was separate. It is separate in most other countries because it is large enough to be separated out. We were under wine. As a result, because of those challenges, it does mean that our sector has been caught up with this process. Just to add to it, our members are often not even aware of what excise duty is. They started their companies not even thinking that this was going to be an impact.

Mr. Dan Albas: I would like to ask you about that, because certainly there is a bottling deadline. Enter Bill C-19, in the English on page 106, subclause 129(2) says, "Subsection (1) comes into force, or is deemed to have come into force, on June 30, 2022, but does not apply to wine packaged before that day". That also could mean cider.

Are your members aware that anything that is bottled as of July 1 will have this extra excise tax added to it?

Mr. Barry Rooke: It's been a challenge to get the word out because, again, it's very new and often involves very small organizations. We're concerned that maybe half of the cider producers don't know that the excise duty is coming into play. They don't know that they have this new tax they are going to be charged starting on July 1. They don't know that if they have product that's waiting that could be bottled to save them that process, they should be doing it.

There are also, of course, major challenges in glass, in transportation and in cardboard. There was a great study that just came out earlier today noting that, here in Ottawa, places are reusing glass options because what used to be available in one week now takes up to six months to get access to.

• (1230)

Mr. Dan Albas: If your industry were given another three to six months, that would be at least be helpful for those (a) who are unaware, and also (b) for those who are having supply chain issues for glass etc. for bottling.

Mr. Barry Rooke: That process would allow us to be able to get to a point where we could, if a producers' program were put into place, when funds start to come back, to reduce that gap and really help with cash flow and the hardship overall.

Mr. Dan Albas: I'm going to point something out to the government, because government members don't always think about it in these terms—not these government members, but just the government itself. Most of our population is along the U.S. border. In Washington state, they can make large-scale operations; they can dump a huge amount of product, such as apples, onto a market if they wanted to.

All the companies I listed here are proud that they use Canadian products. They work with farmers locally to make sure there is less wastage. By making these changes, the economies of scale are going to be drastic.

How many of your members do you think will have to start utilizing, or may decide to start utilizing, United States' apples versus Canadian local product?

Mr. Barry Rooke: I wouldn't be able to give you a specific number, but I think what we've been talking about is that if Canadian producers want to stick with Canadian products, those prices are rising so quickly and with so much competition that they're not going to be able to be financially viable. Their margins are already very tight, a lot tighter than in the beer, wine and spirits sector as a whole.

That might be an opportunity to switch. In some provinces, it's required to be all Canadian within the province. For example, in Quebec, you can only use apples from that province.

Mr. Dan Albas: Obviously, a bottle of wine usually sells for more than perhaps than a bottle of cider.

Is that correct?

Mr. Barry Rooke: Typically, it does, yes.

Mr. Dan Albas: These changes will impact cider more than wine.

Is that correct?

Mr. Barry Rooke: That is correct. When you add on the provincial taxation, it adds more to it because there's tax on tax.

Mr. Dan Albas: Okay.

Thank you, Mr. Chair. Hopefully, the government will come to its senses and be open to amendments.

The Chair: Thank you, MP Albas.

Now we will hear from the Liberals.

We have MP Chatel for five minutes.

[*Translation*]

Mrs. Sophie Chatel (Pontiac, Lib.): Thank you, Mr. Chair.

Thank you to the witnesses for being here today. Their input on Bill C-19 is very helpful.

Mr. Hinton, I was especially struck by what you said about the lack of Canadian intellectual property.

We've seen small and medium-size businesses in Quebec come up with innovative products. As soon as the product becomes commercially viable and profitable, however, the business is bought by an American company most of the time.

Do you have any recommendations on how to improve that situation, and keep Canadian businesses and their intellectual property in Canada?

[*English*]

Mr. James Hinton: Thank you.

The issue you raise in Quebec is one that we see across the country. A lot of the Canadian IP that's generated is offshored or being sold, and it's really because Canadian companies don't have the freedom to operate. The underlying IP is already owned by those players that acquired them, and it happens across the sector.

If you think about something like critical minerals and the whole electric vehicle value chain, success is having Canadian companies owning critical IP across the entire value chain. What the Americans and the Chinese do is that they watch Canadian companies start to grow, and they say, okay, this is a company that's going to help reinforce our electric vehicle value chain, and so we will acquire that IP now for, let's say, three to 10 times its worth, because we know that if we have the whole value chain, we can get those innovation returns.

These companies are specifically being targeted. The U.S. Department of Energy, I believe, has a list of the critical IP-holding companies. It goes and shops around and buys these companies for more than they are worth today, recognizing that these are going to be of critical value for the entire electric vehicle, critical mineral continuum of valuable IP.

It's not an open market. It's happening, and the Chinese and the Americans are best known for doing that.

• (1235)

[*Translation*]

Mrs. Sophie Chatel: Thank you.

There is obviously no comparing Canada with the U.S. or China.

You mentioned small open economies such as France and Korea earlier. You said they had adopted strategies that could be put in place here.

Can you briefly describe those strategies?

I would also appreciate it if you could send the committee your answer in writing afterwards.

[English]

Mr. James Hinton: What we see is that those companies really prioritize the IP generation and retention of valuable IP. Right now we're actually doing a lot of our innovation policy the wrong way. We're investing in that tangible economy, giving billions of dollars for manufacturing jobs, while the Americans get to hold all of the IP. That further perpetuates the problem.

What these countries have done through what we had initially called "sovereign patent funds".... But now, with the Innovation Asset Collective and Canada's patent collective...acquire and retain intellectual property for the benefit of Canadian companies. So having a pool of intellectual property that Canadians companies can access to give that scale.... There are no Canadian companies that are in the top 100 patent owners, and without those 5,000 to 10,000 patent portfolios, we don't have the bench strength to be able to go toe to toe with those bigger players, and so the snowball starts to melt instead of get bigger.

[Translation]

Mrs. Sophie Chatel: Thank you, Mr. Hinton.

Mr. Cochrane, the committee previously heard from Brian Arnold. He spoke about the general anti-avoidance rule and had some very practical recommendations on how to better implement the rule to ensure that everyone paid their fair share of taxes.

I am also particularly concerned about tax avoidance strategies, including treaty shopping.

I would like you to provide your answer in writing, since you clearly won't have much time to answer this now. I would like to know what practical recommendations you have on the subject.

[English]

The Chair: We need a very short answer, please.

Dr. D.T. Cochrane: As an economist, my area of expertise is less about how this needs to be specifically designed.

I actually respect your expertise in this area, Ms. Chatel, and Mr. Arnold is certainly an expert in this area.

What I know, as an economist, is that GAAR is incredibly out of date because the global economy has become much more digital, and the ability to shift intangible assets makes it so much easier to book profits in the most tax-favourable centre. The need to update it is long overdue, and I would absolutely defer to Mr. Arnold on what that could actually look like.

[Translation]

Mrs. Sophie Chatel: Thank you.

[English]

The Chair: Thank you, MP Chatel.

Members, we're moving into our final round. I know we lost a bit of time at the midway mark, so I will hold everybody to their time and we'll end up finishing a little after 1:00.

We're starting with the Conservatives, and MP Fast for five minutes.

Hon. Ed Fast (Abbotsford, CPC): Thank you.

My first question is for Mr. Rooke.

Thank you for mentioning Taves Estate Cidery in Abbotsford, B.C. Loren Taves shared with me that this new excise tax on cidery products will be devastating for his business. It will basically gut his company's profits and not allow him to get a payback on his capital investment. He also mentioned the impact that carbon taxes have on his viability, when American cideries don't have to pay such a tax.

Are you aware of any effort by this government to implement a carbon border adjustment mechanism to offset this disadvantage that Canadian companies have, especially in the cidery space?

Mr. Barry Rooke: I can't say that I have any knowledge of the topic or had any discussion around that at all.

Hon. Ed Fast: Well, I can confirm that in fact there is no such adjustment mechanism in place. In other words, Canadians who pay a carbon tax are treated much less advantageously than American companies are.

My second question is to Mr. Hinton.

Yours is one of the most sobering assessments that this committee has ever heard about our lagging innovation performance in Canada.

You listed a number of challenges...there was actually quite a long list of challenges that undermine our competitiveness, especially within the innovation space.

Could you quickly go through that list again, and then perhaps put special emphasis on two elements that I picked up. One is the patent box, and the second is the \$10 billion in university investments that the federal government makes, which really never get repaid because those companies that receive support eventually become non-Canadian.

• (1240)

Mr. James Hinton: Yes. Thank you.

I think I counted 16 or more aspects of the budget bill that touch on innovation. With regard to the two you pointed out, the patent box is something that's been implemented in other jurisdictions. However, you can do it 99 ways wrong and maybe one way right.

Really, when implementing these types of policies, it's about tax competitiveness and how we encourage Canadian companies to grow, scale and stay here in Canada, and not put them at a disadvantage against their global peers. Patent box shouldn't be about attracting foreign direct investment or chasing jobs because that's in the 9% tangible strategy.

When it comes to the other aspects, our current research funding is significantly underperforming. As I mentioned with Canadian universities, we fund billions of dollars for research and development. Fundamentally, Canadian universities are great at creating talent and basic research, but there's no incentive or strings attached to encourage economic development. In countries like Finland, there are three: education, basic research, as well as economic return.

Universities have started to encroach and get money in the name of innovation, and innovation is invention plus commercialization, using that technology in the market. Universities are not actors of innovation. Those are Canadian firms, global firms. What we see today is that more than half of all of the industry partnerships that happen, and the resulting IP, end up with foreign companies, the likes of Huawei and Google, as I mentioned.

Hon. Ed Fast: How do we protect that investment that Canadian taxpayers make in our universities? What is the mechanism we would use to make sure that those companies either stay Canadian or that we recover the investment, plus perhaps a return on that investment, going forward?

Mr. James Hinton: Yes, and we've seen initiatives across the country. In Quebec, there's Axelys, and Ontario has IP Ontario. B.C. and Alberta are looking at this issue and starting to take action on it, because they're the other half of the public funders for these.

What we need to do is to ensure the proper stewardship of intellectual property for the benefit of Canadian companies. Right now, in the academic space, you have to publish. If you publish without protecting, that's innovation philanthropy. You're effectively giving away this technology to anybody who can capture it.

At least ensure that there's proper stewardship of this IP, prioritize Canadian companies and make sure that Canadian companies are the ones that get the outputs of this investment. Deprioritize doing those deals with Fujitsu and all of those other players that really don't need the help from Canadian taxpayers.

The Chair: Thank you, Mr. Hinton and MP Fast.

Now we're moving to the Liberals.

MP Baker, the floor is yours for questions.

Mr. Yvan Baker (Etobicoke Centre, Lib.): Thanks very much, Chair.

My first question is for Mr. Cochrane.

I want to go back to the beneficial ownership registry, if I may. I know this is something your team has been advocating for.

Keeping in mind that my constituents in Etobicoke Centre are watching this, how would you convey to them why a beneficial ownership registry is important?

Dr. D.T. Cochrane: Our organization was part of putting out a recent report on snow washing, which is the use of Canada's reputation as a country with a solid rule of law, that is financially stable and that has a relatively robust tax system. However, the anonymity that's available with business registries allows people to hide their money and flow it through Canada. It then acquires the reputation of effectively having been sanctioned by Canada.

Canada is now part of the international network of tax havens, which I don't think is how Canada wants to function as part of the global economy. The system of international tax havens has trillions of dollars that does not get taxed, and it is connected to illegal activity and terrorism. Eliminating the ability of people to hide behind the businesses that get established as part of their ownership networks is a way of combatting the role of Canada within that network.

• (1245)

Mr. Yvan Baker: That makes a lot of sense.

Could this also be impacting housing prices in Canada?

Dr. D.T. Cochrane: Yes, absolutely. While we're targeting foreign owners, it wouldn't be too difficult to appear to be a Canadian owner if you were buying this asset via a Canadian ownership vehicle.

Mr. Yvan Baker: What I hear you saying is that a beneficial ownership registry allows us to better understand who's investing in Canada, particularly when it comes to assets like real estate. Therefore, it allows us to make sure that those who are investing are following the rules that apply to them if they're investing from abroad. I guess it allows us to also make sure to do a better job of tracking how the funds are flowing and perhaps whether they're being used for criminal purposes.

Is that a fair summary?

Dr. D.T. Cochrane: That's absolutely a fair summary. Obviously, our organization's main concern is the role of anonymity and the role of these corporate registries in being able to avoid taxes. Knowing who holds beneficial ownership will empower the CRA to make sure that all of the taxes that should be paid to Canada are being paid.

Mr. Yvan Baker: Yes, that makes sense.

Of concern to all of us on this committee and to all MPs is Russia's recent invasion of Ukraine and the global implications. Can you talk a bit about why, in light of Russia's invasion of Ukraine, this type of registry might be more important?

Dr. D.T. Cochrane: If the government wanted to sanction oligarchs who are connected to the Putin regime, to make sure that they're not able to flee from their culpability and do business in Canada in a way that is ultimately serving the Russian war machine—for lack of a better term—it would be almost impossible. This is because of their ability to hide under layers of ownership so that you can't identify, necessarily, what assets are owned by these oligarchs.

Mr. Yvan Baker: I appreciate that.

I think I only have about 50 seconds left. The chair will correct me if I'm wrong.

In those 50 seconds, could you help folks understand—me and people watching at home—why people are able not to be transparent about what they own or who owns these assets? Why is that so concealed?

Dr. D.T. Cochrane: It's because companies can own companies. You can have one company own another company in another country, which owns another company in another country. The ability to track where assets are actually owned, and who they're owned by, becomes incredibly opaque, because you're dealing with different legal systems in each of these countries.

Canada introducing a beneficial ownership registry is obviously not going to solve the global problem, but it will be a huge step forward and give Canada the basis to push others to do the same.

Mr. Yvan Baker: That's fair enough.

Thanks so much.

The Chair: Thank you, Mr. Cochrane and MP Baker.

We are now moving to the Bloc and Monsieur Ste-Marie for two and a half minutes.

[*Translation*]

Mr. Gabriel Ste-Marie: Thank you, Mr. Chair.

The discussion today is very informative.

I am going to turn once again to Mr. Rooke, from Cider Canada. I want to pick up where he and Mr. Albas left off.

Mr. Rooke, if I understood correctly, the excise duty would apply to artisanal cider makers who use the juice from Canadian apples to make their cider in the same way that it would to manufacturers who import American apple juice to make their cider in provinces that allow the use of imported apple juice in cider making.

Is that correct?

• (1250)

[*English*]

Mr. Barry Rooke: I would have to double-check and confirm that, but my understanding is that the cost of the excise duty is borne at the time the fruit is converted into the alcohol process. If you're purchasing apples from abroad or whatnot, you still have to pay the tax—the duty portion—when you convert the juice to the actual product. That's the point where the excise becomes applicable. If the apples are a lot cheaper, or the juice that comes in with the information along with it allows that process to happen.... That might be where some producers are looking to go.

[*Translation*]

Mr. Gabriel Ste-Marie: The government really needs to consider the provisions in question if it wants to support a booming industry made up of artisanal cider makers. It should encourage producers and make sure that the legislation does not have a negative impact on them.

Mr. Rooke, in your opening statement, you spoke about how the excise duty the government is imposing through Bill C-19 could negatively affect the industry.

Can you talk more about those negative consequences?

[*English*]

Mr. Barry Rooke: The large consequences we're seeing are, again, based on the ability of an organization to continue to operate and produce product, because the margins are already so small.

These are, again, small farmers adding this as an opportunity to use apples they have on their lands, and small, medium and large businesses that support Canadian restaurants, orchards and so on.

With apples having such a huge impact—the largest fruit producers in the country, essentially—this has a large potential to be quite impactful not just on cider producers but on the surrounding economies as well.

[*Translation*]

Mr. Gabriel Ste-Marie: Thank you.

[*English*]

The Chair: We'll now go to the NDP and MP Blaikie for two and a half minutes.

Mr. Daniel Blaikie: Thank you.

Mr. Hinton, one lesson I drew from my time on the international trade committee in the last parliament is that Canada is not alone in emphasizing free trade in global marketplaces and reducing access barriers in trade agreements.

Where we do stand out is this. Our governments under both stripes have tended to believe that part of the free trade ethos is a laissez-faire attitude to industry at home, whereas our international competitors don't take that same view. They're equally aggressive in trying to reduce barriers to market access for their industrial players. They're much better at working with them on strategies to take that paper access to market and turn it into real market access for companies. They have an idea about what kind of work they want to protect and how they want to drive job creation in their own domestic market as a result of access to international markets.

It's something we've heard a lot of different industries talk about. I wonder what you think about that as a general assessment, and whether you see it at play in the industry in which you have a very particular expertise.

Mr. James Hinton: International trade agreements are used by the stronger-power countries, like the Americans, to permeate rules that benefit their domestic industries. We see that with the copyright extension that's mentioned in this act. It's all about California and other content creators that we agreed to under the USMCA.

Really, it's not about free trade. These are made up. Intellectual property is all made up. Patents, trademarks and copyrights—none of those things exist without somebody saying we need to give somebody some proprietary rights over them. The finger is on the scales entirely in the U.S. and other jurisdictions. The head of the U.S. patent office influences a significant amount of the policy. That policy is designed to benefit domestic companies. We don't really have that. We don't recognize it.

Historically, our innovation policy is based off inputs from foreign technology companies themselves and then none of our domestic oligopolies—banks, insurance companies and telcos—drive global economic prosperity back to Canada. We need to be working closely with Canadian innovators to ask how we can increase their freedom to operate in global markets and decrease the freedom to operate of their competitors for that economic prosperity.

• (1255)

Mr. Daniel Blaikie: I think we saw some of that in the pandemic—

The Chair: Your time is up, MP Blaikie. I know it goes fast.

Now we have MP Chambers up for five minutes.

Mr. Adam Chambers (Simcoe North, CPC): Thank you very much, Mr. Chair.

Thank you to all of our witnesses for coming today. It's a pleasure to have you here. I'm glad we could get to some of our witness hearings.

Mr. Cochrane, I wanted to touch base on where my colleague Mr. Baker left off with respect to the beneficial registry. As we understand, the registry that the government is introducing will not be searchable—at least not at the beginning. It is intended to be made searchable.

Can you talk about how important it would be to have that registry be publicly available, free and accessible?

Dr. D.T. Cochrane: This is an absolute need. It must be publicly accessible. Searchability is just the basic function of making something like that useful. This will enable not just government and government institutions, but all sorts of entities to make use of it.

One thing that we and our partners really emphasize is that this will actually be a big benefit to business as well. It will allow them to do a lot of the due diligence that can often be really onerous to make sure that they're not doing business with bad actors and unwittingly finding themselves in bed with them. It will allow journalists to undertake investigations to identify who the actual owners are behind assets. It will really just super-power the registry to make sure it's most effective to do all the things that we believe it's capable of doing.

Mr. Adam Chambers: Thank you very much for that answer. There's full agreement, certainly from myself and members of our party, for the importance of it to be publicly available and accessible.

You mentioned the work of journalists. I thought maybe we would take the moment here to talk a bit about the Panama papers. Canada has not been successful in seeking, convicting or laying any criminal charges against any individuals listed in the Panama papers. It's one thing to uncover nefarious acts or acts that are potentially illegal and another to prosecute and convict.

Are you concerned with our track record on that front?

Dr. D.T. Cochrane: Absolutely. It points to a multitude of likely issues that are preventing the CRA from moving ahead with charges when the evidence, for those of us who aren't necessarily

experts in all the legal ins and outs, it overwhelmingly seems that someone has done something that deserves to face the law.

What exactly is preventing this? We can't pinpoint it. There has been recent coverage about sweetheart deals being reached between some high-level officials and the people they're supposed to be responsible for overseeing and that might be a factor in this.

Yes, it's incredibly concerning. Frankly, it makes Canada look pretty bad when so many of our allies have been able to do something about the information in these leaks.

Mr. Adam Chambers: Thank you.

Yes, I've often said that if you just looked at conviction statistics and investigations, you'd think that Canadians are some of the most law-abiding people on earth and that there are no bad actors here. In Simcoe North, my constituents are incredibly honest and trustworthy, but I find it hard to believe that in our country we do have such a low conviction rate and investigations.

You mentioned some sweetheart deals. My colleague, Mr. Stewart, put forward a motion to the finance committee a couple of weeks ago—we have not yet had a chance to discuss that motion—where we are looking at the transaction or perhaps the forgiveness given by CRA to a large taxpayer.

Are you aware of that motion? Would you support additional information being made public?

Dr. D.T. Cochrane: I'm embarrassed to admit that I'm not aware of it. It got past us. We are definitely interested in seeing what has been suggested, and I'm always in favour of more information. More information is rarely a bad thing.

Mr. Adam Chambers: Thank you.

For your benefit, it's a motion with respect to the decision on advance pricing arrangements within the CRA, so hopefully, we'll have some of that information brought forward to this committee, and we would appreciate your feedback on that.

Mr. Chair, I think I probably have maybe 20 seconds left. Since we are over time, I'll yield that back to you.

• (1300)

The Chair: Thank you, MP Chambers.

We'll move to the Liberals. This will be our last questioner, MP Dzerowicz, for five minutes.

Ms. Julie Dzerowicz: Thank you so much, Mr. Chair.

I'd like to go back to Mr. Hinton and maybe continue some of the questions that Mr. Fast asked. In response to the question about the investment that we provide to universities for research, you had indicated in one of your responses that there were no strings attached to encourage innovation.

Can you make a recommendation about what could do at the federal level that would encourage innovation and patent protection? I know that you mentioned that a number of different provinces already have a number of bodies that are starting to work on this, but what can we do federally to help support this?

Mr. James Hinton: What we need to do federally is really to mirror some of the activity that's already happening. The Ontario Expert Panel on Intellectual Property released a report and, as part of that, detailed action items and is now putting resourcing together. The universities are, generally speaking, under-resourced, so they need to be properly resourced and supported to be able to reorient on this.

Fundamentally, universities are not the centre of where innovation happens, so we need to say, "Okay, what is important for Canadian companies, Canadian SMEs and their IP and research needs?", to ensure that Canadian universities can support those needs and not say, "How can we make universities perform better when it comes to innovation?" but rather, "How can Canadian companies be stronger by using and working with Canada's universities, colleges and research institutions across the board?" It means putting the Canadian SME at the centre of that, and then having those organizations support those companies.

Ms. Julie Dzerowicz: Thanks for that.

We often hear that businesses aren't making the investments in innovation that they should be. Do you feel that is because they don't have the freedom to operate, as you indicate?

Mr. James Hinton: Yes, that's right. You're not going to invest in a line of business or a new business where the foundational IP is owned by your competitors, because you don't have the freedom to operate. Purely domestic companies don't have very good IP positions, and they need to work hard to be able to keep their, let's say, more provincial and domestic shuffling of economic returns, but it's not that global economic opportunity that we really need to see.

Ms. Julie Dzerowicz: How do we help build that? There seems to be a lack of capacity or—I'm not sure whether we can say—expertise, whether it's understanding or engaging in the innovation economy at the government level, at the business level or at university level. How do we improve that at each of those levels?

Mr. James Hinton: Foundationally, it's about IP education, and we're doing that with the Innovation Asset Collective. I'm doing that this Friday. You can join my Western University class on commercializing innovation. It's really about getting Canadian SMEs to be more savvy about IP, but it's also fundamentally about giving resources like we see here in the budget.

The CanExport program is fantastic, through the Trade Commissioner Service, giving resources to Canadian companies to protect their intellectual property globally. Then again, without that underlying freedom to operate...so resourcing properly things like the patent collective so that we have that freedom to operate or improve the freedom to operate for key economic sectors for Canada.

Ms. Julie Dzerowicz: How much time do I have left? I have one minute.

Is Mr. Strickland still with us, or has he left us? He has left us.

The Chair: He's having connection problems, MP Dzerowicz.

Ms. Julie Dzerowicz: All right, thank you so much.

Mr. Hinton, I have one minute left, if you have anything else you would like to advise the committee on, or if you wish to make a recommendation to the committee, the floor is yours.

Mr. James Hinton: One key thing would be to start getting away from this FDI fallacy. There are jobs there, but that's not economic prosperity. We had discussions about the trades. There are not even enough people to go around for these jobs. Stop investing in a job strategy. That's the 9% tangible economy. Start investing in the intangible economy, like electric vehicle parts and battery manufacturing. We saw a lot of recent investment there, but the IP and data are going to be held by American companies. We're participating, but we're not getting the lion's share of the value.

I worked in heavy truck manufacturing before getting into IP. The jobs will be gone when the subsidies go. The thing that retains economic value is intellectual property. It's data, and those intangible assets. That's what we need to be growing, not participating in somebody else's manufacturing facility. They're the ones that own the IP and data, and manufacturing, just like any other sector, is dominated by IP and data.

• (1305)

Ms. Julie Dzerowicz: Thank you so much. That's excellent.

The Chair: Thank you, MP Dzerowicz.

Thank you to our excellent witnesses for your remarks. Your many answers to the many questions by members were really appreciated in informing us about Bill C-19. On behalf of the members, the clerk, the analyst, and everybody here who helps with this production, thank you very much to all for joining us.

The meeting is adjourned.

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