



HOUSE OF COMMONS
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CANADA

THE FUTURE WE WANT: RECOMMENDATIONS FOR THE 2014 BUDGET

Report of the Standing Committee on Finance

**James Rajotte
Chair**

DECEMBER 2013

41st PARLIAMENT, SECOND SESSION

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THE STANDING COMMITTEE ON FINANCE

has the honour to present its

SECOND REPORT

Pursuant to its mandate under Standing Order 83.1 the Committee has studied proposals in the budgetary policy of the government and has agreed to report the following:

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CHAPTER ONE: INTRODUCTION

On 7 June 2013, the House of Commons Standing Committee on Finance invited Canadians to share their priorities for the 2014 federal budget. As they do every year, Canadian individuals, businesses, trade associations, advocacy organizations, and others provided a wide range of views.

In launching the pre-budget consultations for 2013, the Committee was mindful of domestic and international realities and challenges facing individuals, businesses, communities, governments and nations at this time. Demographic change, the continuing recovery from the global financial and economic crisis, ongoing global competition and the desire to help those who require assistance are a few of these considerations.

In this context, the Committee selected the following six topics and invited witnesses to provide their proposals for change:

- focusing on fiscal sustainability and economic growth;
- helping vulnerable Canadians;
- supporting research and innovation;
- ensuring prosperous and secure rural and urban communities;
- improving government efficiency; and
- maximizing employment opportunities for Canadians.

In some sense, focusing on fiscal sustainability and economic growth, and improving government efficiency, enable the federal government to attain its goals in the other areas: helping residents who are vulnerable, supporting the research and innovation that will lead to competitiveness and higher productivity, ensuring prosperous and secure rural and urban communities for the benefit of individuals and businesses, and establishing an environment in which employment opportunities can be maximized.

Chapters Two through Seven — which focus on the six topics identified above — summarize the proposals that were made on these topics by the witnesses who were invited to appear before the Committee and present the Committee's recommendations. The individuals and organizations submitting their input online through the Committee's website are listed in Appendix A according to the categories selected by them in relation to their proposals; each submitter was able to provide up to three proposals.

CHAPTER TWO: FOCUSING ON FISCAL SUSTAINABILITY AND ECONOMIC GROWTH

Canada is a member of the Group of Seven countries, is a trading nation and — in terms of gross domestic product (GDP) — has one of the world's largest economies. From that perspective, the fiscal and economic situations of countries worldwide — particularly of countries with which Canada has a significant trade and/or investment relationship — are important for the country's prosperity, the quality of life of residents and the success of businesses. While the recovery from the global financial and economic crisis continues, many advanced countries still face challenges as efforts are under way to reduce levels of government spending and debt while simultaneously attempting to stimulate economic growth. In addition to the effects of these international challenges on Canada, the country is also expected to experience a range of domestic challenges. In this context, the Committee invited specific witnesses to share their views about the federal actions that should be taken to ensure Canada's federal fiscal sustainability and economic growth.

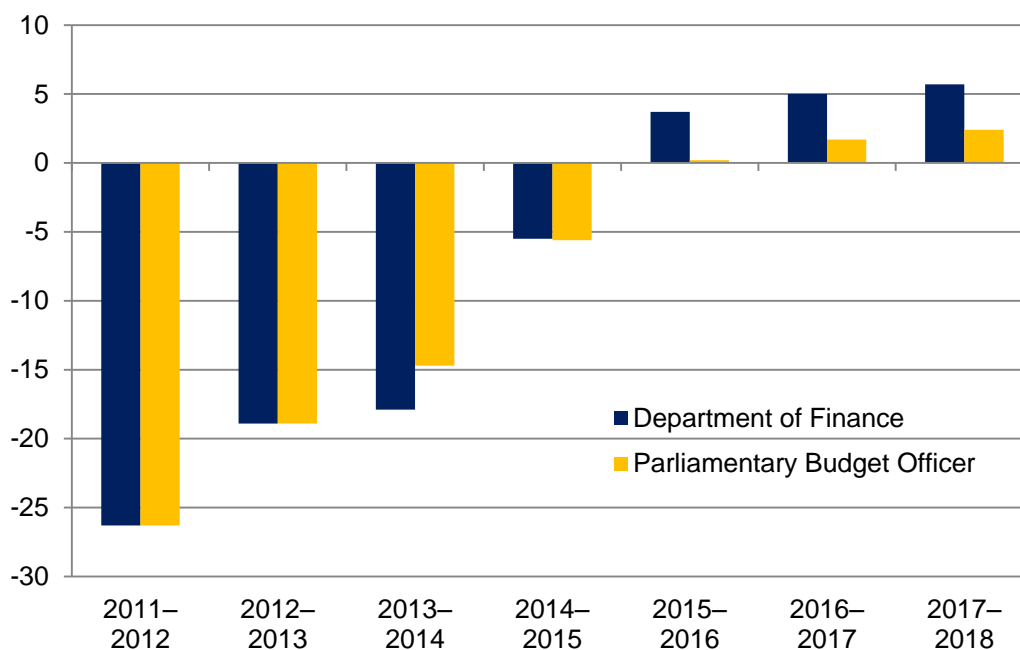
A. Background

1. Federal Fiscal Situation and Projections

According to the [Annual Financial Report of the Government of Canada](#) for 2012–2013, the federal budgetary deficit in that year was \$18.9 billion, lower than the budgetary deficit of \$26.3 billion in 2011–2012. Moreover, in 2012–2013, the federal debt was \$602.4 billion and the federal debt-to-GDP ratio was 33.1%, higher and lower respectively than the figures of \$583.6 billion and 33.2% in 2011–2012.

Figure 1 shows projections by the Department of Finance and the Office of the Parliamentary Budget Officer (PBO) of federal budgetary balance for the 2011–2012 to 2017–2018 period.

Figure 1 — Federal Budgetary Balance, 2011–2012 to 2017–2018 (\$ billions)



Notes: Data for the 2013–2014 to 2017–2018 period are projections.

Sources: Figure prepared using information obtained from: Department of Finance, [Jobs, Growth and Long-Term Prosperity — Economic Action Plan 2013](#), 21 March 2013, p. 287; Department of Finance, [Update of Economic and Fiscal Projections](#), 12 November 2013; and Office of the Parliamentary Budget Officer, [Economic and Fiscal Outlook Update](#), 28 October 2013, p. 7.

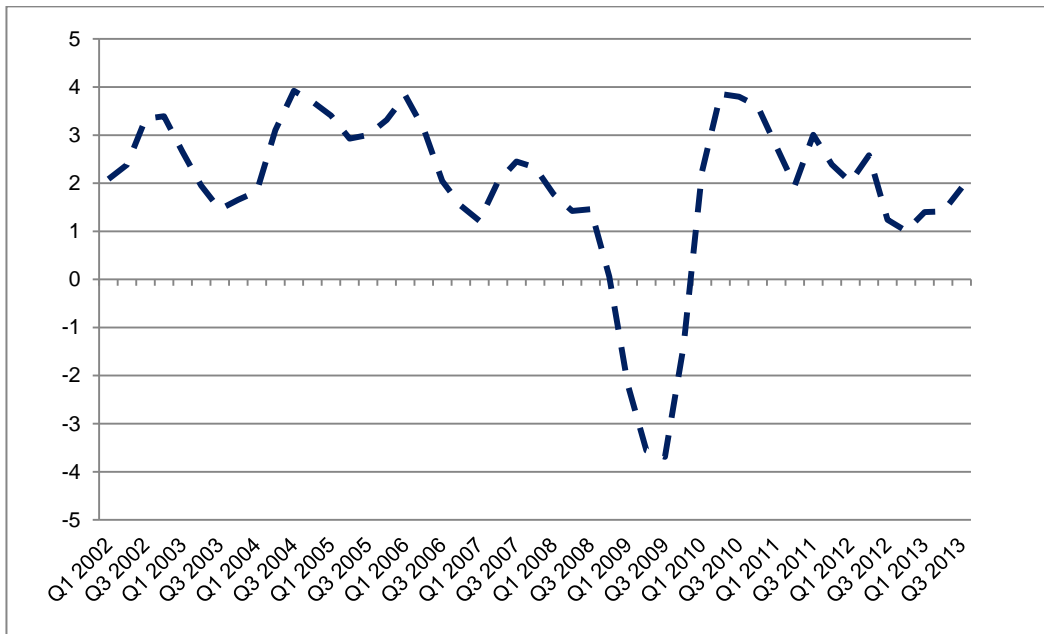
At the 5–6 September 2013 [Summit](#) of the Group of Twenty nations in St. Petersburg, Russia, Canada reiterated its commitment to return to balanced federal budgets by 2015–2016, and forecasted that federal net debt as a proportion of GDP will increase from 33.5% in 2012–2013 to 33.8% in 2013–2014 before falling to 28.1% in 2017–2018. As well, Canada made a commitment to achieve a federal net debt-to-GDP ratio of 25.0% by 2021, and stated that it “would consider delaying the planned attainment of this goal, beyond 2021, only if a significant, unforeseen and adverse economic shock were to occur.”

In the long term, the aging of Canada’s population is expected to have significant implications for the sustainability of government finances. Both the [Department of Finance](#) and the [PBO](#) have agreed that a slower expected rate of economic growth will reduce the growth rate of government revenue in the future, while increased expenditures in relation to programs that mostly benefit the elderly will create fiscal pressures as the baby boom generation reaches retirement age. Similarly, both the Department of Finance and the PBO have projected that, as the aging of the population will put downward pressure on labour input growth, labour productivity growth is expected to account for a proportionally larger contribution to future economic growth than has been the case in the past.

2. Past, Present and Projected Economic Growth

According to [Statistics Canada](#), real GDP growth in each of the first and second quarters of 2013 was 1.4% higher than in those quarters in 2012. As shown in Figure 2, the Canadian economy grew comparatively more in 2010 and 2011 than it had since the beginning of the global financial crisis; the real GDP growth rates in the third and fourth quarters of 2012, and in the first and second quarters of 2013, were the lowest since 2009.

Figure 2 — Year-Over-Year Real Gross Domestic Product Growth, Canada, First Quarter 2002 — Third Quarter 2013 (%)



Note: The gross domestic product (GDP) data were calculated by Statistics Canada using 2007 constant prices.

Source: Figure prepared using seasonally adjusted information obtained from: Statistics Canada, Table 380-0064, "[Gross domestic product, expenditure-based](#)," CANSIM (database), accessed 3 December 2013.

In recent years, aggregate household spending has exceeded aggregate household saving, which has led to increased household indebtedness. Similarly, due to increased spending following the global financial crisis, the federal government has increased its debt. The [Senior Deputy Governor of the Bank of Canada](#) has argued that households have reached the limit of their spending capacity, and further increases in their debt and/or reductions in their accumulated savings may be unsustainable, particularly as interest rates are expected to rise in the future and debt repayment becomes more costly. As well, according to him, in light of the federal government's intention to balance its budget by 2015–2016, households and governments will contribute less to economic growth in the future than they have in the recent past.

According to the [International Monetary Fund](#) (IMF), in order for economic growth to increase significantly in Canada in the future, businesses and/or net exports must contribute to growth; businesses — in aggregate — must spend more than they save and/or the value of exports must exceed the value of imports. Recently, the [Governor of the Bank of Canada](#) suggested that improved confidence in global markets and among domestic businesses will lead to increased growth in business investment and exports.

The Bank of Canada, the IMF, selected financial institutions, the Organisation for Economic Co-operation and Development (OECD) and the Department of Finance, which relies on a survey of private-sector forecasters when determining its forecast, have estimated that annual economic growth in Canada will be between 1.4% and 1.9% in 2013 and between 2.0% and 2.9% in 2014, as shown in Table 1.

Table 1 — Actual and Projected Annual Real Gross Domestic Product Growth, Canada, by Organization, 2011–2014 (%)

Organization	Actual		Projected	
	2011	2012	2013	2014
Office of the Parliamentary Budget Officer	2.6	1.8 (1.9)	1.6 (1.5)	2.0 (1.9)
Bank of Canada	2.6	1.7 (1.8)	1.6 (1.8)	2.3 (2.7)
Department of Finance	2.6	1.7 (1.8)	1.7 (1.6)	2.4 (2.5)
BMO	2.6	1.7 (1.8)	1.6 (1.5)	2.2 (2.3)
CIBC	2.6	1.7 (1.8)	1.7 (1.6)	2.3 (2.4)
RBC	2.6	1.7 (1.8)	1.9 (1.8)	2.9 (2.9)
TD Economics	2.6	1.7 (1.8)	1.7 (1.6)	2.4 (2.6)
Desjardins	2.6	1.7 (1.8)	1.7 (1.5)	2.4 (2.5)
International Monetary Fund	2.6	1.8 (2.0)	1.5 (1.8)	2.4 (2.3)
Organisation for Economic Co-operation and Development	2.6	1.7 (1.8)	1.4 (1.8)	2.3 (2.4)

Notes: The numbers in brackets are previous projections.

Sources: Table prepared using information obtained from: House of Commons, Standing Committee on Finance, [Minutes of Proceedings](#), 2nd Session, 41st Parliament, 29 October 2013, 1305; Bank of Canada, [Monetary Policy Report](#), 23 October 2013, p. 20; Department of Finance, [June 2013: Department of Finance Private Sector Survey](#), June 2013; BMO, [Canadian Economic Outlook](#), 11 October 2013; CIBC, "Looking Outside the Beltway," [Economic Insights](#), 8 October 2013, p. 12; Royal Bank of Canada, [Economic and Financial Market Outlook](#), June 2013, p. 7; TD Economics, [Quarterly Economic Forecast](#), 25 September 2013, p. 5; Desjardins, [Economic & Financial Outlook](#), 10 October 2013, p. 9; International Monetary Fund, [World Economic Outlook: Hopes, Realities, Risks](#), April 2013, p. 2; and Organisation for Economic Co-operation and Development, [OECD Economic Outlook](#), May 2013, p. 207.

3. Small Businesses

A firm's size can be measured in a number of ways, including by its sales, revenue, assets or number of employees; the last of these is among the most widely used measures. According to Statistics Canada, a small business employs fewer than 100 people, while a medium-sized business employs between 100 and 499 individuals; a large business employs 500 or more people. In 2012, 1.08 million Canadian businesses, representing 98% of all businesses, were small. Collectively, these small businesses employed approximately 70% of the private-sector labour force and accounted for about 41% of the value of Canada's exports in that year.

According to other data sources, a business is “small” if it employs fewer than 50 people. Using this definition, Table 2 shows the contribution made by small businesses to each province’s and the nation’s GDP over time.

Table 2 – Contribution to Gross Domestic Product by Small Businesses, Canada and by Province, 2002–2011 (%)

Province	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Newfoundland and Labrador	19	18	21	19	19	18	18	20	19	20
Prince Edward Island	32	29	31	30	30	29	29	29	26	32
Nova Scotia	26	25	26	25	25	26	25	25	24	23
New Brunswick	25	23	25	25	24	25	25	24	23	22
Quebec	27	27	29	30	30	30	31	30	28	27
Ontario	24	23	24	25	26	26	27	26	25	25
Manitoba	23	24	25	25	26	26	26	26	24	24
Saskatchewan	26	24	29	29	30	32	33	35	30	32
Alberta	28	26	26	27	29	31	31	29	27	27
British Columbia	28	29	33	33	33	34	34	32	30	29
Canada	26	25	27	28	28	29	29	28	27	27

Note: Small businesses comprise businesses with fewer than 50 employees, plus those operated by the self-employed with no paid employees.

Source: Table prepared using information obtained from: Industry Canada, [Key Small Business Statistics](#), August 2013.

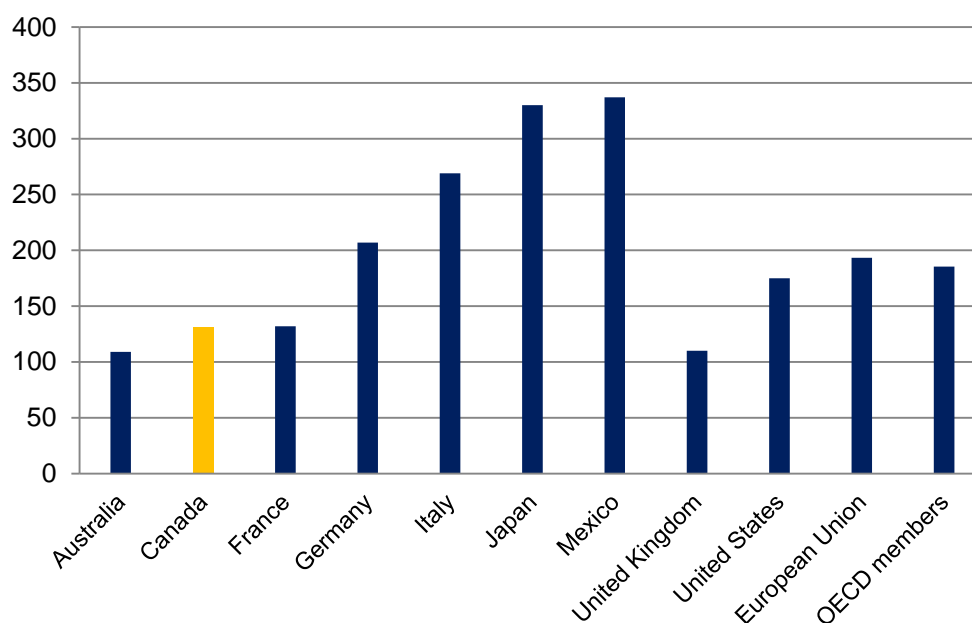
With the [small business deduction](#), the federal government supports small businesses through a preferential tax rate applied on the first \$500,000 of qualifying business income earned by a Canadian-controlled private corporation with taxable capital employed in Canada of less than \$15 million. As well, the government supports business owners, including those who are small, when they are dealing with credit and debit card companies; in particular, this support occurs through the voluntary [Code of Conduct for the Credit and Debit Card Industry](#).

4. Tax Compliance

Like a number of other countries, Canada wants a tax system that is fair for taxpayers and that protects the revenue base. To ensure that the tax system meets these goals, taxpayers must comply with tax laws; that is, they must experience some measure of compliance burden. Legislative amendments that have not yet been enacted into law, when added to the complexity of the tax system, may increase the cost and time associated with tax compliance.

Figure 3 shows the number of hours, in 2012, required by businesses in various countries to prepare tax returns and pay taxes.

Figure 3 – Number of Hours Per Year to Prepare and Pay Business Taxes, Selected Countries, 2012



Notes: “Taxes” include corporate income taxes, value-added or sales taxes and labour taxes, including payroll taxes and social security contributions. Preparation time includes the time required to collect all of the information needed to calculate the tax payable and to calculate the amount payable. “OECD” is Organisation for Economic Co-operation and Development.

Source: Figure prepared using information obtained from: The World Bank, [Time to prepare and pay taxes \(hours\)](#).

To assist taxpayers in complying with tax legislation, the Canada Revenue Agency provides written, non-binding income tax and [technical interpretations](#) of specific provisions of tax laws, publishes [information guides](#) that describe each type of tax form, and helps eligible taxpayers prepare their income tax returns. Taxpayers can also request an [advance income tax ruling](#) for a technical interpretation that relates to a specific transaction that is being considered.

B. Changes Proposed by Witnesses Invited to Address “Focusing on Fiscal Sustainability and Economic Growth”

The witnesses invited by the Committee to speak about the topic of focusing on fiscal sustainability and economic growth highlighted the fiscal situation of the federal government, a variety of trade agreement and trade-related investment issues, financing for small and medium-sized businesses, and tax simplification.

1. Federal Fiscal Situation

[Financial Executives International Canada](#) encouraged the federal government to balance its budget without raising corporate or personal income taxes, and argued that — if additional tax revenue is needed — the Goods and Services Tax (GST) rate should be increased. Similarly, the [Canadian Council of Chief Executives](#) supported the goal of achieving a balanced budget by 2015.

According to the [Canadian Centre for Policy Alternatives](#), given that the federal net debt-to-GDP ratio is about one third the size of that of households, it is less important for the government to balance its budget than for the government to focus on inflation-adjusted wage increases for middle-wage earners, improved support for low-income Canadians and more job creation for youth. In commenting on income splitting as a way to assist households in reducing their debt, [it](#) stated that this approach would be relatively expensive and would be inconsistent with the federal objective of achieving a balanced budget by 2015.

Regarding the implementation of federal balanced budget legislation, [Luc Godbout](#) — who is with the University of Sherbrooke and appeared as an individual — indicated that such legislation should require the government to have an average budget surplus of 1% of GDP over the business cycle, set aside an annual budget reserve of \$5 billion and outline a plan for allocating unanticipated surpluses. Arguing that this type of legislation could provide a strong signal that the government has a specific fiscal target, the [University of Ottawa](#)'s Kevin Page advocated a study of the experiences of countries with balanced budget legislation. [He](#) also stated that such legislation may only be appropriate in the context of a high level of debt relative to GDP, a situation that does not currently exist in Canada.

[Mr. Page](#) also urged the government — like governments in other OECD countries — to prepare annual fiscal sustainability reports that would include data from all municipal, provincial and territorial governments. Moreover, [he](#) suggested that the government should publish five-year spending plans for each department and agency, outlining spending reductions and corresponding changes to service levels; these changes may have implications that will lead to future spending pressures on governments.

Emphasizing that Canada's economic growth and the federal budget are linked, the [Conference Board of Canada](#) — in projecting a real GDP growth rate for the 20 years following 2015 of 2% and in noting that the average annual real GDP growth rate was between 3% and 3.5% over the past 25 years — suggested that the government should consider the lower expected growth rate when making budgetary decisions. [It](#) also proposed that the government explore ways in which tax policy could be reformed in order to increase potential economic growth.

Finally, [Mr. Page](#) argued that federal spending on health care will be proportionately lower than such provincial spending in the future, as changes to the Canada Health Transfer (CHT) agreement will increase the federal contribution by 6% annually until 2017, while costs are expected to rise by more than that percentage

each year; [he](#) proposed a national dialogue on health care policy and financing that, in his view, should involve all stakeholders and consider options for reforming federal transfers to the provinces.

2. International Trade, Investments to Increase Trade and Internal Trade

The [Canadian Council of Chief Executives](#) shared its view about the international trade priorities that should be pursued by the federal government, urging a concentration on Asia through the Trans-Pacific Partnership (TPP) negotiations, on South Korea, India and Japan through bilateral negotiations, and on China through further trade co-operation; the [Conference Board of Canada](#) agreed with a focus on the TPP negotiations. Moreover, the [Canadian Council of Chief Executives](#) proposed additional funding for Canada's trade negotiating teams, the Trade Commissioner Service, and Export Development Canada.

According to the [Canadian Council of Chief Executives](#), the government should support a change in purpose and methodology in relation to the World Trade Organization, as well as the Council's suggestion — which it plans to make at the December 2013 Bali Ministerial meeting — in relation to an agreement to reduce customs and border procedures for exporters. [It](#) also urged the government to explore the possibility of joining the Pacific Alliance and, regarding the *North American Free Trade Agreement*, advocated actions in three areas: regulatory harmonization, facilitation of business travel, and expanded energy infrastructure and opportunities for renewable energy within the continent. The [Canadian Council of Chief Executives](#) and the [Association québécoise de l'industrie touristique](#) said that the government should consider ways in which to expedite the visa process for certain Mexican travellers while respecting security considerations.

Regarding other actions that could be taken in an effort to increase international trade, the [Conference Board of Canada](#) suggested that the government should consider upgrades to the Port of Halifax. With a view to facilitating the construction of an oil refinery and marine terminal in Kitimat, British Columbia from which China has agreed to purchase all refined fuel that is produced there, [Kitimat Clean Ltd.](#) requested a federal loan or a loan guarantee for each of two purposes: \$100 million to finance one half of the expense of a feasibility study and \$8 billion to finance one third of the construction cost of the facility.

Internal trade was addressed by the [Canadian Council of Chief Executives](#) and the [Certified General Accountants of Canada](#), which encouraged provincial, territorial and federal governments to remove internal trade barriers in Canada in order to ensure that trade within the country is not more constrained than is international trade.

3. Financing for Small and Medium-Sized Businesses

In the context that small and medium-sized businesses are important contributors to Canada's growth, the [Investment Industry Association of Canada](#) stated that, to assist small businesses that are facing difficulties accessing sufficient start-up capital, the federal government should consider three options for lowering the capital gains tax applied on the shares of a small business: defer the capital gains tax if the vendor, within six months of selling a share in respect of which there are capital gains, purchases a share of a small

business listed on a stock exchange; reduce the effective capital gains tax rate for the shares of small Canadian companies that are either initial or secondary public offerings; and/or lower the effective capital gains tax rate for the traded shares of small Canadian companies listed on a stock exchange. In [its](#) view, the government should also study the potential benefits of a small business financing incentive program, which could have two elements: tax relief of up to 30% of the value of small business common shares for the purchaser and a tax exemption for capital gains in relation to those shares if they are held for three years.

In arguing that “workers’ capital funds” are essential to Canada’s economic development and to helping meet the venture capital needs of small and medium-sized businesses, the [Confédération des syndicats nationaux](#) urged the government to reconsider the proposed phase out of the Labour Sponsored Venture Capital Corporations Tax Credit that was announced in the 2013 federal budget. A similar suggestion was made by the [Information Technology Association of Canada](#).

4. Tax Simplification

[Financial Executives International Canada](#) encouraged the federal government to simplify the *Income Tax Act* (ITA) by: allowing a company to elect to include capital losses in its eligible capital expenditure pool; permitting companies to claim input tax credits in a related company; and requiring that a mandatory settlement process be included in the field of audit and objection stages for both income tax and GST payments. The [Chartered Professional Accountants of Canada](#) urged simplification in two stages: a review of the tax system followed by the appointment of an expert panel to identify options for simplification of the ITA; and the creation of a tax simplification office, based on the office that exists in the United Kingdom. Finally, the [Certified General Accountants Association of Canada](#) advocated a study on two issues: how to begin to take action on simplifying the tax system; and the development of a mechanism that would ensure that technical tax amendments are addressed in a timely manner.

C. Changes Proposed by Witnesses Invited to Address Issues Other Than “Focusing on Fiscal Sustainability and Economic Growth”

The Committee’s witnesses were invited to speak about a particular topic. When they appeared, they often made comments about one of the other five topics selected by the Committee, as indicated below.

1. Prosperous and Secure Rural and Urban Communities Witnesses

The [Calgary Chamber of Commerce](#) suggested that the federal government should adopt a “bandwidth approach” — spending increases linked to the population growth and inflation rates — to managing its spending.

In indicating that small retailers incur high processing fees for credit card transactions and do not have a sales volume that enables them to negotiate lower transaction fees, the [Canadian Convenience Stores Association](#) called for a review of fees

associated with credit card transactions and a ruling by the government on appropriate fees for the processing of credit card transactions.

2. Government Efficiency Witnesses

The [Canadian Federation of Independent Business](#) argued that public sector pension plans are unsustainable and unfair, and made a variety of proposals: parliamentarians and new federal public service employees should be members of defined contribution pension plans; the normal age of retirement for all federal public service employees should be increased to 65 years; and the bridge benefit that federal public service employees receive because of the integration of their pension plan should be eliminated.

Like the Canadian Convenience Stores Association, the [Retail Council of Canada](#) spoke about credit card transaction fees, advocating a reduction in such fees paid by merchants.

The Canadian [Federation of Independent Business](#) proposed a reduction in the small business corporate income tax rate to 9% in order to maintain the historical difference between the corporate income tax rate for medium and large businesses on one hand and that for small businesses on the other hand.

The [Canadian Taxpayers Federation](#) suggested that the federal government should honour its commitment to balance the federal budget by 2014 as a means of increasing confidence in the Canadian economy. [It](#) also proposed that federal public service wages and pension benefits be better aligned with those in the private sector.

In speaking about ways in which the government could reduce expenditures and increase revenue, [Canadians for Tax Fairness](#) argued that the government should close unfair and ineffective tax loopholes. Moreover, [it](#) called for capital gains to be taxed at the same rate as employment income, particularly in the case of the stock option deduction. [Canadians for Tax Fairness](#) also proposed a number of other changes in relation to the ITA: reduce the complexity of the personal income tax system; “toughen” the rules on tax havens; eliminate tax credits that do not achieve their objectives; reduce the maximum amount that can be contributed to a registered retirement savings plan (RRSP) or a Tax-Free Savings Account (TFSA); and eliminate the business entertainment tax deduction.

In order to make Canadian retailers more internationally competitive and reduce cross-border shopping, the [Retail Council of Canada](#) argued for further tariff reductions in relation to consumer goods that are no longer manufactured in Canada.

3. Employment Opportunities for Canadians Witnesses

[Unifor](#) commented on the extent to which federal government spending should be used to stimulate the economy, and asserted that — following the attainment of a federal balanced budget — such spending as a percentage of GDP should not be decreased. The [United Steelworkers](#) said that government spending should be tied to GDP, and proposed that the government maintain federal program services.

As well, [Unifor](#) proposed that the government negotiate a generous and stable revenue-sharing arrangement for health care and other social programs in the next renegotiation of federal-provincial fiscal transfer agreements.

The [Regroupement des jeunes chambres de commerce du Québec](#) supported the elimination of the budget deficit and the creation of a debt repayment plan.

Like the [Canadian Convenience Stores Association](#) and the [Retail Council of Canada](#), the [Canadian Restaurant and Foodservices Association](#) was concerned with transactions fees paid by small businesses. [It](#) supported making the voluntary code of conduct for Canada's credit and debit card industry mandatory in order to bring merchant fees charged by credit card companies in line with those currently being charged in the European Union; [it](#) indicated that, at this time, it is satisfied with Canada's debit card regime. The [Canadian Restaurant and Foodservices Association](#) also stated that, following the Competition Tribunal's decision to dismiss the case of *Commissioner of Competition v. Visa Canada Corporation and MasterCard International Incorporated*, the government should implement legislation that would determine how merchant fees should be imposed.

Regarding tax incentives to encourage business succession, the [Regroupement des jeunes chambres de commerce du Québec](#) highlighted the Home Buyers' Plan and suggested the creation of a similar program for the purchase of small or medium-sized Canadian businesses.

Like the [Confédération des syndicats nationaux](#), the [Regroupement des jeunes chambres de commerce du Québec](#) highlighted that "workers' capital funds" benefit the economy, and requested that the Labour Sponsored Venture Capital Corporations Tax Credit be maintained.

[Northam Brands Ltd.](#) noted that excise tax is imposed on domestically produced apple cider if the cider contains imported flavourings; it requested a temporary tax exemption for such ciders to facilitate the development of a domestic supply of apple concentrate.

Regarding assistance for advanced manufacturing, [Canadian Manufacturers & Exporters](#) requested the expansion of existing federal sector-specific programs to include all sectors and regions in Canada. [It](#) also suggested the creation of a \$150 million capital investment fund to aid in the development, expansion or upgrading of production facilities.

In noting that the United States is becoming more energy self-sufficient, the [Canadian Association of Petroleum Producers](#) argued that the government should promote Canada as a reliable, innovative and well-regulated supplier of energy.

Regarding capital investment in new machinery, such as diesel-powered mobile construction equipment, [the Canadian Construction Association](#) asked that the capital cost allowance (CCA) rate for Class 38 be increased to 25% on a straight-line basis to match the rate that the United States applies on similar equipment. More generally, [Canadian Manufacturers & Exporters](#) urged the government to review CCA rates for all classes of

assets with a view to harmonization with the rates in the United States for similar assets. It also called for the temporary accelerated CCA rate for machinery and equipment to be made permanent.

In speaking about international and domestic investment in the Canadian upstream petroleum sector, the [Canadian Association of Petroleum Producers](#) argued for competitive tax and regulatory systems in Canada, including the recognition of liquefied natural gas facilities as manufacturing and processing for tax purposes. It also supported better and more timely implementation of regulations under the *Canadian Environmental Assessment Act*, the *Species at Risk Act*, the *Fisheries Act* and the *Oceans Act*.

In relation to increased Canadian exports, [Unifor](#) suggested that the government should develop strategies to expand investment, innovation, production and exports in strategic sectors; these strategies could be similar to those in countries such as Germany, Israel and Korea.

D. The Committee's Recommendations

The Committee recommends:

- 1. That the federal government, acknowledging the current fiscal situation, restrict new spending commitments in the upcoming budget and continue to reject new costly and irresponsible spending.**
- 2. That the federal government remain focused on its plan to return to balanced budgets in 2015.**
- 3. That the federal government introduce balanced budget legislation that will allow the government to meet the commitment to a balanced budget while simultaneously restraining spending.**
- 4. That the federal government reaffirm its already strong commitment to keep taxes low and to not impose new taxes on Canadians, especially any form of a carbon tax that would harm key sectors of the economy while passing the costs on to Canadian families. At the same time, the government should continue to ensure a competitive tax system to promote job creation and attract new investments, including through a continued commitment to small businesses and ensuring competitive personal income tax rates.**
- 5. That the federal government continue to review public sector compensation and benefits to ensure their ongoing financial sustainability, and to align them more closely and make them more competitive with other public- and private-sector employers.**
- 6. That the federal government and the Bank of Canada continue to support the current inflation-targeting framework.**

- 7. That the federal government explore ways to simplify the *Income Tax Act* to reduce the complexity and inefficiency of its administration. Additionally, the government should ensure the timely assessment of income tax returns and explore the possibility of permitting consolidated reporting. These actions should be taken to ease the burden on Canadian taxpayers.**
- 8. That the federal government undertake a comprehensive review of the tax system and ensure its fairness, as well as its neutrality, by continuing to close tax loopholes that allow select taxpayers to avoid paying their fair share of tax. As well, the government should examine additional ways to better equip the Canada Revenue Agency to combat tax evasion while working collaboratively with law enforcement agencies to prosecute tax evaders.**
- 9. That the federal government remain vigilant in examining ways to improve Canada's international tax competitiveness, including through the continued implementation of the recommendations of the Advisory Panel on Canada's System of International Taxation.**
- 10. That the federal government continue to build upon the positive work that the Venture Capital Plan is doing to enhance Canada's venture capital system.**
- 11. That the federal government continue to pursue its aggressive trade agenda, including through continued pursuit of free trade agreements like the Canada-European Union Comprehensive Economic and Trade Agreement and the conclusion of tax treaties with foreign governments, to help eliminate barriers for Canadian goods and services in new export markets.**
- 12. That the federal government continue to encourage provinces and territories to eliminate internal barriers to trade and mobility within Canada.**
- 13. That the federal government continually review all relevant legislation and regulations to ensure the safety and security of the financial sector, thereby maintaining Canada's standing as having the soundest banking system in the world. At the same time, the government should continue to explore ways to better protect consumers of financial sector products and services.**
- 14. That the federal government further enhance the neutrality of the tax system by eliminating unnecessary fossil fuel subsidies, in line with Canada's commitment to the Group of Twenty nations.**

15. That the federal government investigate the cost and feasibility of expanding the accelerated capital cost allowance to encourage the construction of domestic infrastructure in relation to downstream activities in the oil and gas sector, such as transportation, refining and upgrading, and projects like the Kitimat Clean Refinery. As well, the government should encourage and support the development of infrastructure in relation to liquefied natural gas exports.

16. That the federal government work with the private sector to help Canadian businesses strengthen and grow, create jobs and improve exports.

CHAPTER THREE: HELPING VULNERABLE CANADIANS

In Canada, there is a long history of helping individuals who experience social and/or economic challenges to reach their full potential in their lives, families, workplaces and communities. For example, Aboriginal people, beneficiaries of charities, children, youth and students, disabled persons, those with low income, seniors and women receive assistance from a variety of sources. In this context, the Committee invited selected witnesses to speak about the federal actions that should be taken to address the challenges faced by vulnerable Canadians.

A. Background

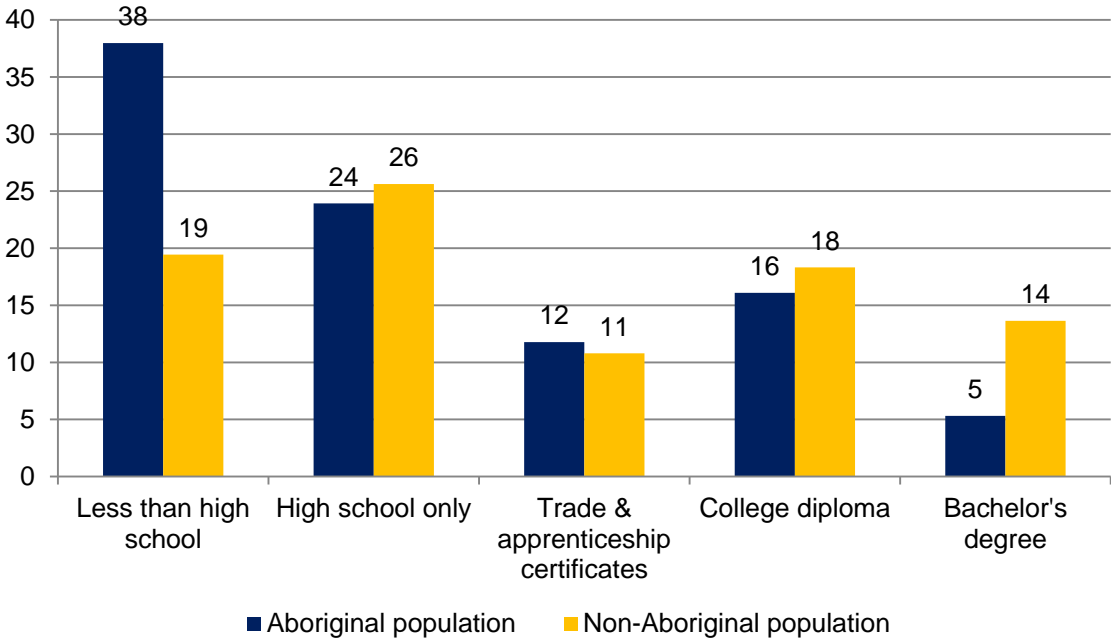
1. Aboriginal people

According to the 2011 [National Household Survey](#) (NHS), there were 1,400,685 Aboriginal people in Canada at the time of the survey, representing 4.3% of the total Canadian population. Of the total Aboriginal population, 60.8% were First Nations, 32.3% were Métis, 4.2% were Inuit and 1.9% reported other Aboriginal identities. Overall, Canada's Aboriginal population is younger and is growing faster than the non-Aboriginal population. The median age for Aboriginal people in 2011 was 27 years, 13 years lower than for non-Aboriginal Canadians. In that year, Aboriginal children aged 14 and younger made up 28% of the total Aboriginal population and 7% of all children in Canada.

The Aboriginal population is increasingly urban, with a sizeable presence in Canada's western provinces. As of 2012, 66% of registered Indians on-reserve lived in rural, special access or remote zones; 34% lived in urban zones. The NHS also found that less than one half of First Nations children lived with both parents at the time of the survey.

NHS data show that, in Canada, educational attainment is lower for the Aboriginal population than for the non-Aboriginal population. As shown in Figure 4, the proportion of Aboriginal people without a high school diploma was 19 percentage points higher than for non-Aboriginal people at the time of the survey; the differences between the two populations were much lower in relation to three categories: a high school diploma, a trade and apprenticeship certificate, and a college diploma.

Figure 4 — Educational Attainment, by Aboriginal and Non-Aboriginal Population, Canada, 2011 (%)



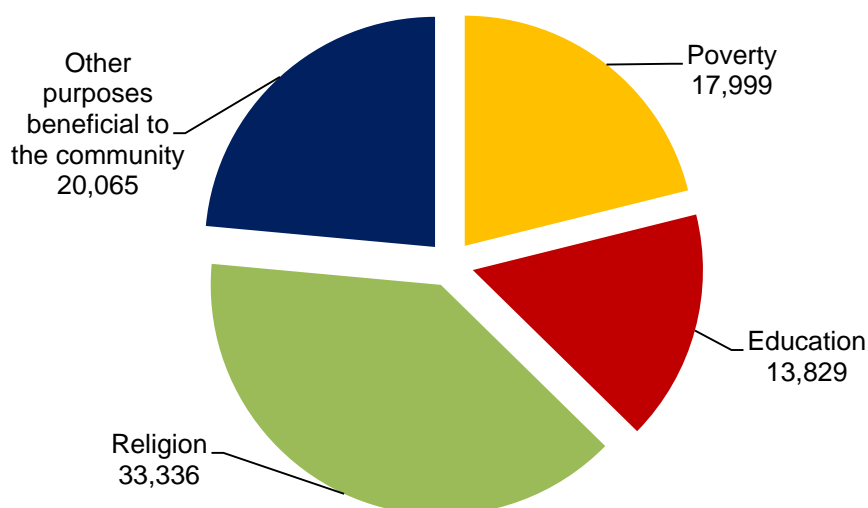
Source: Figure prepared using information obtained from: Statistics Canada, 2011 National Household Survey.

The federal government exercises exclusive legislative authority over “Indians and Lands reserved for the Indians” by virtue of subsection 91(24) of the *Constitution Act, 1867*. This authority is exercised primarily in relation to the on-reserve registered (status) Indian population and, to a lesser extent, Inuit residing in their traditional homelands. Parliament approves appropriations for the Department of Aboriginal Affairs and Northern Development to support the provision of basic provincial-type services directed primarily to on-reserve First Nations communities. Education, health, housing, social assistance, and capital facilities and maintenance — such as schools and water treatment plants — comprise the basic core services for which funding is provided. The status of the Métis and the non-registered Indian population under subsection 91(24) remains yet to be clarified legally. The federal government maintains that it does not have exclusive responsibility for these groups, and that its financial responsibilities for these groups are therefore limited.

2. Beneficiaries of charities

Charities play an important role in helping vulnerable Canadians, with a number of Canadians relying — to at least some extent — on charities for services previously provided by the various levels of government. Registered charities can be organizations, public foundations or private foundations, and their purposes include poverty reduction, education and religion, as shown in Figure 5.

Figure 5 — Number of Registered Charities, by Type, Canada, 2009



Source: Figure prepared using information obtained from: Canada Revenue Agency, [Facts and Figures on the work of the Charities Directorate in 2009-2010](#), September 2010.

The federal government supports charities in a variety of ways, including indirectly through tax incentives for corporations and individuals to make donations to registered charities and certain other organizations. In particular, donations may qualify for the [Charitable Donations Tax Deduction](#), if made by a corporation, or for the non-refundable [Charitable Donations Tax Credit](#), if made by an individual. Starting in the 2013 taxation year and extending until the 2017 taxation year inclusively, the [First-Time Donor's Super Credit](#) will be available to individuals who have not claimed the Charitable Donations Tax Credit in any of the five preceding taxation years.

3. Children, youth and students

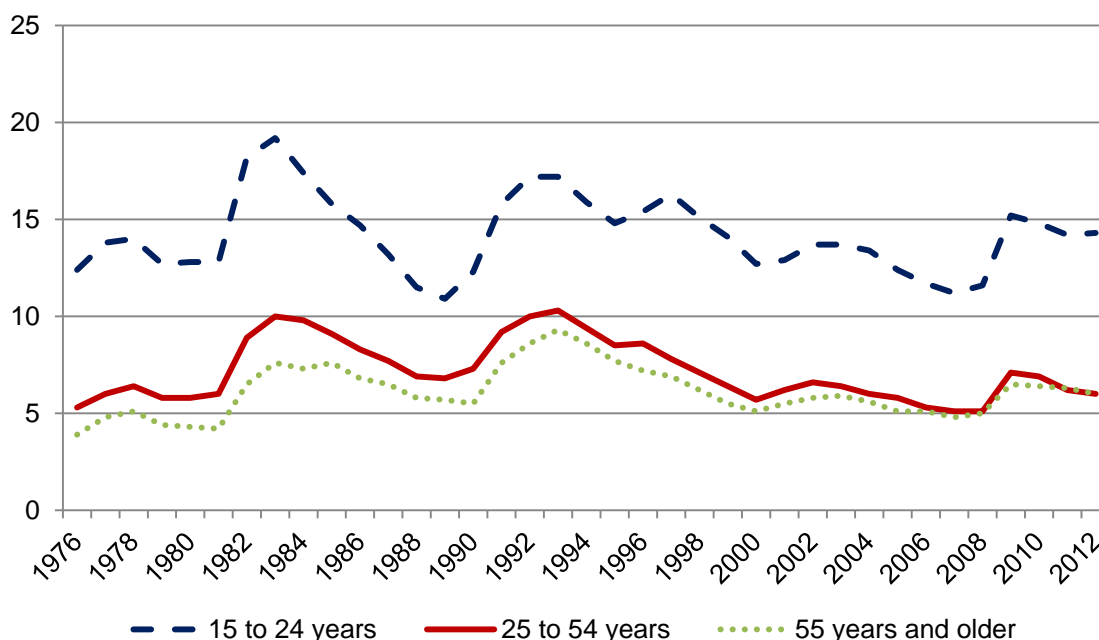
Although Canada's population is aging, children, youth and students represent a significant proportion of the population. According to [Statistics Canada](#), the population aged 0 to 24 years represented 10.3 million individuals, or about 29.4% of the total population, in 2012. These individuals, who are the nation's future, face a number of challenges, including child poverty, youth unemployment and student indebtedness.

The federal tax system has several measures directed to families with children, including the [Canada Child Tax Benefit](#) (CCTB), the [National Child Benefit Supplement](#) (NCBS) for low-income families receiving the CCTB, the [Universal Child Care Benefit](#), the [child care expenses deduction](#), the [amount for children born in 1995 or later](#), the [children's fitness amount](#), and the [Children's Arts Tax Credit](#). As well, [Children's Special Allowances](#) are paid to federal and provincial agencies and institutions that care for children.

The federal government provides a number of employment-related supports to youth aged 15 to 24; as shown in Figure 6, in 2012, this group had an unemployment rate that was more than double the rate for adults older than 25 years of age. Federal supports

include a [job bank](#) and the [Youth Employment Strategy](#); the latter measure helps young people to obtain the information, as well as the skills, work experiences and abilities, needed to make a successful transition into the labour market.

Figure 6 — Unemployment Rate, by Age Group, Canada, 1976–2012 (%)



Source: Figure prepared using information obtained from: Statistics Canada, Table 282-0002, “[Labour force survey estimates \(LFS\), by sex and detailed age group](#)” accessed 8 November 2013.

Students also receive federal support. For example, the [Canada Student Loans Program](#) (CSLP) is available to students qualifying for provincial student loans, and these loans may be supplemented by a variety of grants, including: for [students from middle-income families](#), for [students from low-income families](#), for [students with dependents](#), and for [part-time students with and without dependents](#). Federal tax support also occurs, such as through the [scholarship exemption](#), the [tuition tax credit](#), and the [education and textbook tax credits](#). Finally, federal employment-related supports for post-secondary students include the [Federal Student Work Experience Program](#), which is a work experience program that tries to match students to temporary jobs in federal departments and agencies, and the [Summer Work Experience Program](#), which provides subsidies to employers for the creation of career-related jobs for students having difficulties finding summer jobs.

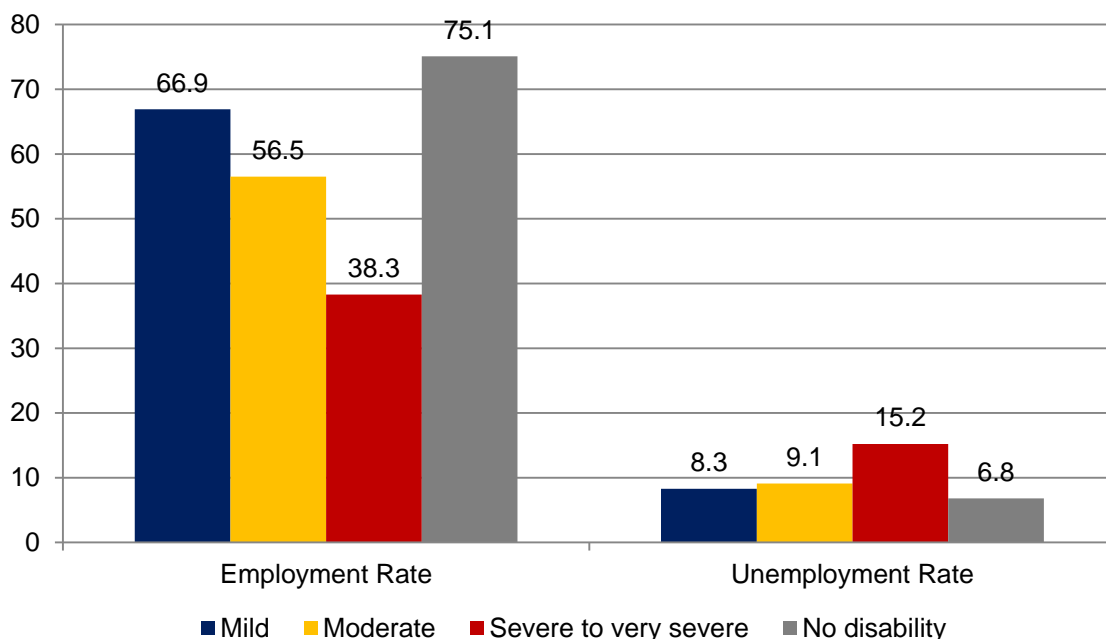
4. Disabled persons

People with disabilities may face a number of barriers to their full participation in society, including in educational endeavours and in the labour market. According to [The Government of Canada’s Annual Report on Disability Issues](#) that was released in 2010, disabled persons may be limited in the amount of work that they can do in the workplace,

or they may require workplace modifications or flexible working arrangements. As well, they may face discrimination and social exclusion.

As shown in Figure 7, adults with disabilities — including those with mild disabilities — had lower employment rates than people without disabilities in 2006. Moreover, at that time, the unemployment rates for those with a disability were higher than the rate for people without a disability, and the unemployment rate rose with the severity of disability.

Figure 7 — Employment and Unemployment Rates, by Severity of Disability, Canada, 2006 (%)



Source: Figure prepared using information obtained from: Statistics Canada, 2006 Participation and Activity Limitation Survey. The year 2006 is the latest year for which data are available.

With access to disability supports essentially falling under the jurisdiction of the provinces/territories as part of their responsibilities in relation to health care, education and community services, the federal government provides financial assistance through the [CHT](#) and the [Canada Social Transfer](#) (CST). As well, the federal government is directly responsible for disability supports for [First Nations and Inuit people](#), as well as for [veterans and members of the Canadian Forces](#).

Federal tax measures are also available for persons with disabilities and/or for their families and informal caregivers. These measures include [registered disability savings plans](#), the non-refundable [disability tax credit](#), the [deduction for medical expenses](#), the [caregiver amount](#), the [family caregiver amount](#), the [infirm dependant deduction](#), the [refundable medical expense supplement](#), the [disability supports deduction](#), and the [Child Disability Benefit](#).

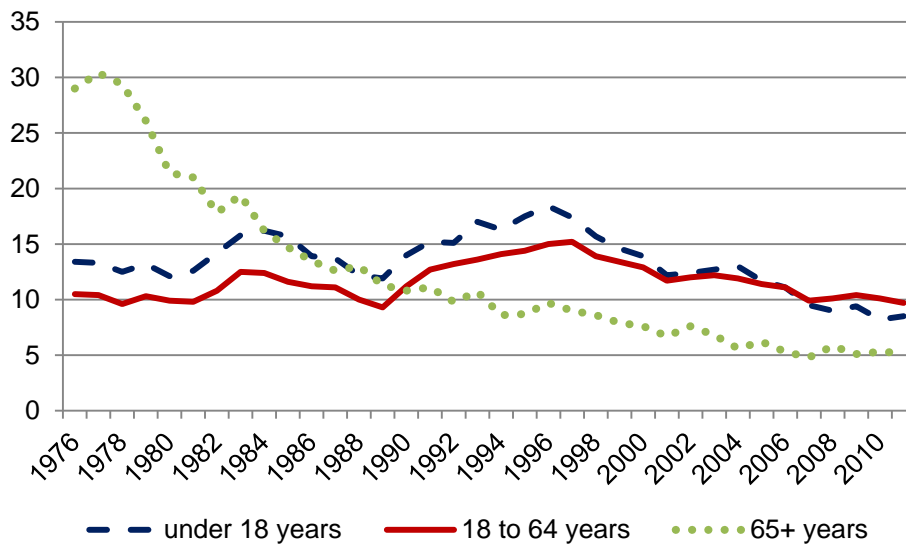
In addition, the federal government provides assistance through [Canada Disability Savings Grants and Bonds](#), and through funding to a number of programs aimed at increasing the employment of people with disabilities; these programs include [Labour Market Agreements for Persons with Disabilities](#), the [Opportunities Fund for Persons with Disabilities](#), the [Enabling Accessibility Fund](#) and the [Entrepreneurs with Disabilities Program](#). [Students with disabilities](#) may be eligible for grants of two types: for students with permanent disabilities, and for services and equipment for persons with a permanent disability.

5. Those with low income

Canadians who have low income may experience a range of difficulties. For example, children living in low-income families may find it more difficult to learn because of inadequate nutrition, adults may face housing challenges, and seniors with insufficient income in retirement may be unable to afford adequate health care.

As shown in Figure 8, the percentages of children and working-age adults living in low-income families have been declining since the late 1990s, reaching 8.5% and 9.7% respectively in 2011. Since 1976, the percentage of seniors living in low-income families has been decreasing steadily, and has been the lowest of all three age groups since 1990; in 2011, the rate was 5.2%.

Figure 8 — Percentage of the Population Living in Low-Income Families, by Age Group, Canada, 1976–2011 (%)



Note: The measure of low income is the low income cut-off, or LICO, which varies by family and community size. The LICO represents the estimated income threshold below which a family spends 20 percentage points more of its income on food, clothing and shelter than the average family.

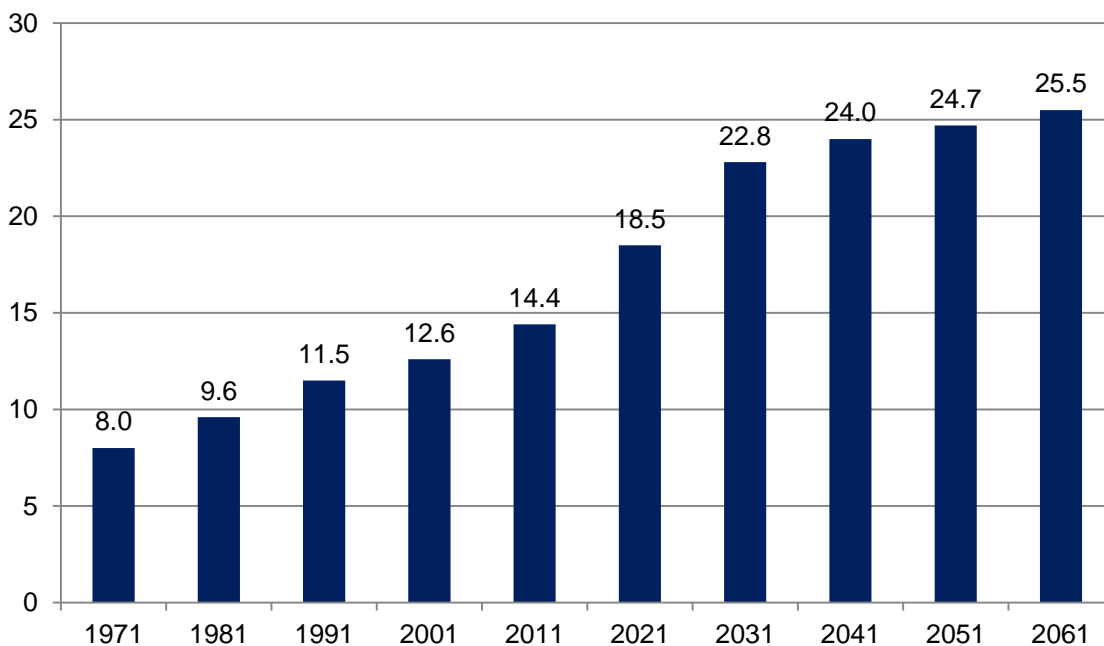
Source: Figure prepared using information obtained from: Statistics Canada, Table 202-0802, "[Persons in low income families](#)," accessed 18 October 2013.

The federal government supports those living in low-income families through a variety of tax and direct support measures. For example, in addition to the CCTB and the NCBS mentioned earlier, individuals with low and modest incomes may be eligible for the refundable [Goods and Services Tax/Harmonized Sales Tax credit](#), and working Canadians with low income may be eligible for the refundable [Working Income Tax Benefit \(WITB\)](#). As noted below, the government supports low-income seniors through the Guaranteed Income Supplement (GIS).

6. Seniors

The Canadian population has been aging for a number of decades and, in 2011, the proportion of seniors in the population reached 14.4%. According to projections by [Employment and Social Development Canada](#) and as shown in Figure 9, this proportion will reach 25.5% in 2061, mainly as a consequence of low fertility rates, an increase in life expectancy, and the aging of the baby boom generation.

Figure 9 — Population 65 Years of Age and Older, Canada, 1971–2061 (%)



Note: 1971–2011 data are historical; 2012–2061 data are projections.

Source: Figure prepared using information obtained from: Employment and Social Development Canada, [Indicators of Well-Being — Aging Population](#), accessed 8 November 2013.

This demographic shift may lead to fiscal challenges for Canada. Unless the rate of productivity growth increases relatively substantially in the future, the aging of the population is expected to result in slower real GDP growth over the coming decades and, consequently, in a slower rate of growth in the tax base available to the government. At the same time, an aging population may require greater spending on health care and income support for seniors.

The [Canada Pension Plan](#) provides retirement and various other types of benefits. For example, the [CPP retirement pension](#) is a monthly payment available to CPP contributors as early as 60 years of age, the [disability benefit](#) is paid monthly to qualified CPP contributors and their dependent child(ren), [survivor benefits](#) are paid to a deceased contributor's estate, surviving spouse or common-law partner and dependent child(ren), and the [death benefit](#) provides a one-time payment to, or on behalf of, the estate of a deceased contributor.

The federal government supports seniors through a number of programs and tax measures. For example, direct support is provided through [Old Age Security](#). Moreover, retirees who have low income, and certain low-income spouses or partners, may be eligible to receive the [GIS](#) and the [Allowance](#) respectively. Finally, an [Allowance for the Survivor](#) is also available to certain low-income seniors.

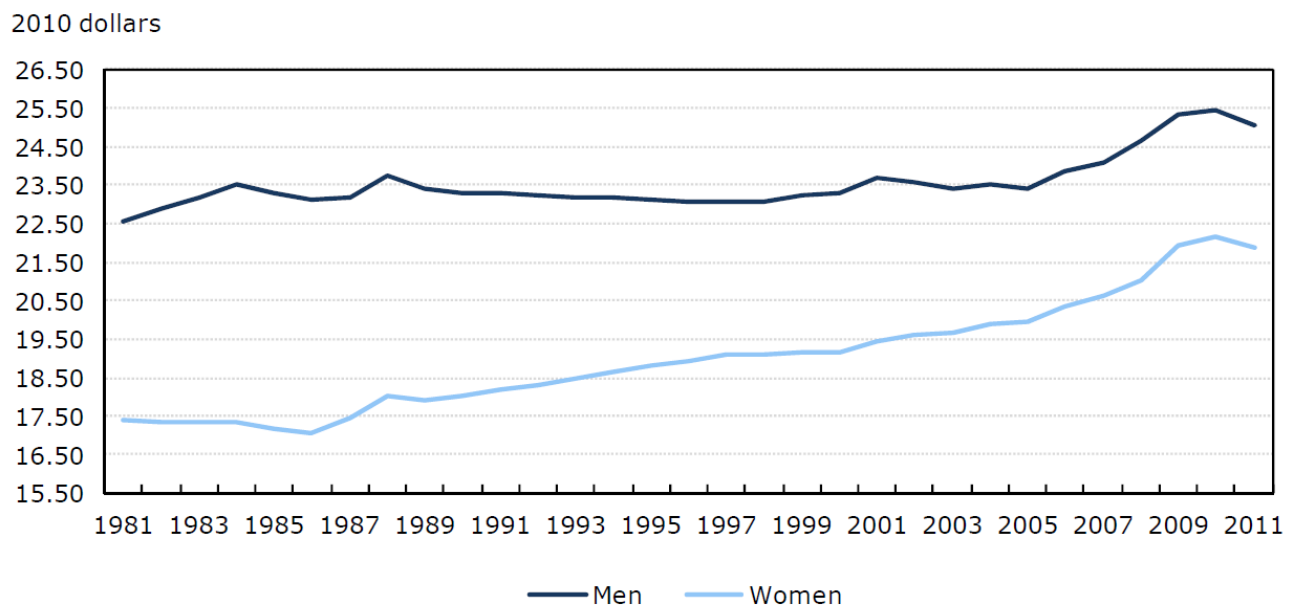
Federal tax measures are available as incentives for people to save for retirement. For example, contributions to [RRSPs](#) and [registered pension plans](#) are tax-deductible. As well, tax measures are available once individuals reach the age of retirement, including [pension income splitting](#), the [pension income amount](#) and the [age amount](#).

7. Women

Women's economic circumstances are influenced by a wide range of factors, including employment status, age, level of education, geographic location, and family status and responsibilities, among others. Certain groups of women, including those who are Aboriginal, immigrants, seniors and/or disabled, may be more vulnerable to economic insecurity than the female population as a whole.

The difference between the average real hourly wages of men and women who are employed full-time has narrowed significantly since the early 1980s, as shown in Figure 10. According to [Statistics Canada](#), from 1981 to 2011, average real hourly wages for men grew by 11%, while those for women increased by 26%. This narrowing is thought to reflect the growing propensity of women to obtain higher education, remain in their jobs longer and work in high-paying occupations; job tenure, occupation and union status have also been contributing factors.

Figure 10 — Average Real Hourly Wages of Men and Women Employed Full-Time, Canada, 1981–2011 (2010 dollars)



Source: Figure prepared using information obtained from: Statistics Canada, [The Evolution of Canadian Wages over the Last Three Decades](#), 2013, p. 14.

Federally, Status of Women Canada (SWC) is responsible for promoting equality for women and their full participation in the economic, social and democratic life of Canada. In achieving that goal, SWC offers strategic policy advice and [gender-based](#)

[analysis support](#), administers the [Women's Program](#), and promotes [commemorative dates](#) relating to women in Canada.

B. Changes Proposed by Witnesses Invited to Address “Helping Vulnerable Canadians”

In speaking to the Committee about helping vulnerable Canadians, the witnesses invited to address this topic commented on Aboriginal people, beneficiaries of charities, children, youth and students, disabled persons, those with low income, seniors and women.

1. Aboriginal people

According to the [Whispering Pines Clinton Indian Band](#), as the *Indian Act's* prohibition on holding legal title to real property situated on a reserve has greatly impaired opportunities for development on reserves, the federal government should follow through on its commitment to introduce legislation in relation to First Nations ownership of real property situated on a reserve.

In focusing on the importance of education and First Nations-led initiatives, the [Assembly of First Nations](#) advocated predictable and stable funding for such initiatives, and urged the development — in collaboration with First Nations — of a new statutory funding formula to replace the 2% funding cap; in its view, the formula should take into account various factors, including inflation, demographic changes and socio-economic disparities.

2. Beneficiaries of charities

[Imagine Canada](#) explained that charities have difficulties accessing federal resources to help them deal with certain difficulties; it urged the government to work toward eliminating obstacles in order to ensure that charities can access federal business support resources. In addition, [it](#) requested that a date for implementation of a “stretch tax credit” for charitable giving be announced.

3. Children, youth and students

According to [ParticipACTION](#), annual federal funding of \$5 million would support the continuation of the organization's activities aimed at promoting sports and physical activity for children and youth, including those with a disability and those living in urban, rural and Aboriginal communities.

[Kathleen A. Lahey](#), who is with Queen's University and appeared as an individual, suggested that the government could redirect resources that are currently devoted to various child care programs and other initiatives in order to fund a national child care program as a way to accelerate and improve child development while providing opportunities for parents to return to the labour market.

The [Canadian Alliance of Student Associations](#) asked that the CSLP be changed to: increase the weekly loan limit; add an exemption in relation to personally held financial assets; raise the exemption for RRSPs to the average annual RRSP contribution made by Canadians; and exempt the value of a student's automobile and all income earned while studying in determining the amount of a loan.

The [Fédération Étudiante Universitaire du Québec](#) suggested that the amount that can be claimed under the tuition and textbook tax credits should be reduced, with the resulting federal fiscal amount invested in the CST.

4. Disabled persons

In order to allow people with print disabilities to access materials in an alternative format through public libraries and to improve their educational opportunities, the [Canadian National Institute for the Blind](#) proposed that the federal government renew its commitment to the national digital hub initiative by providing \$9.63 million over the next three years to facilitate the implementation of the initiative in public libraries across Canada, assist the initiative in improving service delivery, and enable an increase in the quantity of materials in alternative formats that the initiative provides. [It](#) also suggested that the government could redirect part of the \$11 million in funding to cover mailing costs under the Literature for the Blind program to help accelerate the transition to digital distribution under the initiative.

[Special Olympics Canada](#) requested additional funding over a four-year period to allow it to assist more athletes, develop a strategy to reduce barriers to participation in sport, organize larger national games, improve volunteer recruiting efforts, and undertake research and promotion activities.

5. Those with low income

The [Canadian Nurses Association](#) identified affordable and adequate housing as a key determinant in health outcomes, and requested renewal of the \$2.7 billion in federal funding currently directed to social housing. In an effort to improve access to care for patients, especially those in financial difficulty, seniors and disabled, [it](#) proposed that nurse practitioners be authorized to sign claim forms for federally administered programs, and that the *Food and Drugs Act* be amended to allow nurse practitioners to distribute samples of drugs to patients. Finally, the [Canadian Nurses Association](#) highlighted the need for the government to enter into a new agreement with the provinces in respect of the CHT, and to maintain the annual growth rate in the amount of the CHT at 6%.

[Ms. Lahey](#) suggested that many non-refundable tax credits should be made refundable or changed into grants, as more low-income individuals would then be able to claim them.

6. Seniors

With the aging of the population and the significant increase in expected health care costs, the [Canadian Medical Association](#) called on the federal government to

collaborate with other levels of government in the development of a national strategy for health care for seniors. According to [it](#), such a strategy should integrate home care, long-term care and palliative care; investments to address shortages in long-term and home care would also be required under this strategy. Furthermore, the [Canadian Medical Association](#) requested funding of \$25 million over five years for the implementation of a national Alzheimer strategy.

The [Canadian Nurses Association](#) also commented on health care for seniors, proposing the creation of a 10-year commission that would develop a strategy with three main goals: promote the health and well-being of seniors; increase support for chronic disease prevention and management efforts; and increase capacity for certain issues, such as dementia and end-of-life care. [It](#) also highlighted the need to create a health innovation fund that would implement the commission's recommendations and invest in health infrastructure.

7. Women

[Ms. Lahey](#) proposed the elimination of all tax incentives that provide benefits to individuals with a dependent spouse or partner, as she believes that such measures encourage women to leave the labour force. Although [she](#) advised against the adoption of income splitting for two-parent families, Ms. Lahey said that — if implemented — the measure should be made refundable and phased out as income reaches a certain threshold. [She](#) also highlighted the need to ensure equal employment rights and equal access to Employment Insurance (EI) benefits for men and women.

C. Changes Proposed by Witnesses Invited to Address Issues Other Than “Helping Vulnerable Canadians”

The Committee's witnesses were invited to speak about a particular topic. When they appeared, they often made comments about one of the other five topics selected by the Committee, as indicated below.

1. Fiscal Sustainability and Economic Growth Witnesses

The [Investment Industry Association of Canada](#) and [Financial Executives International Canada](#) focused on seniors through their proposals about pensions and retirement. The [Investment Industry Association of Canada](#) suggested that group RRSPs should be treated in the same manner as defined benefit and defined contribution pension plans with respect to Canada Pension Plan (CPP) contributions and EI premiums; with implementation of this proposal, employers would have a incentive to offer such plans, as they would not be required to pay these contributions and premiums in respect of the amounts contributed by them to group RRSPs. [Financial Executives International Canada](#) urged the federal government to develop a national framework for retirement planning and retirement income; in its view, the framework could include expanding the CPP to allow additional voluntary contributions by employees.

2. Prosperous and Secure Rural and Urban Communities Witnesses

[David Hulchanski](#), who is with the University of Toronto and appeared as an individual, spoke about low-income Canadians and income polarization, and advised against three specific changes: a doubling of the TFSA contribution limit; the introduction of income splitting; and an expansion of the Temporary Foreign Worker Program in large urban centres. To assist low-income Canadians, [he](#) proposed: enhancing the CPP, the EI program and the WITB; introducing a national care agenda, including for child care and elder care; creating a national anti-poverty strategy in collaboration with provinces and territories; and strengthening labour laws.

3. Government Efficiency Witnesses

In order to ensure adequate amounts of income for Canadians in their retirement years, the [Canadian Union of Public Employees](#) advocated an increase in CPP contribution and benefit rates.

4. Employment Opportunities for Canadians Witnesses

Like the [Canadian Union of Public Employees](#), the [Canadian Labour Congress](#) suggested a phased-in, fully funded increase in CPP retirement benefits.

In speaking about the indebtedness of Canadian households, the [Institut de recherche et d'informations socio-économiques](#) stated that the decline in EI coverage has contributed to increased credit card debt by consumers.

D. The Committee's Recommendations

The Committee recommends:

17. That the federal government reaffirm its commitment, as it seeks to return to budgetary balance, not to reduce transfers to persons, including those for seniors, children and the unemployed, or transfers to other levels of government in support of health care and social services, equalization and the gas tax transfer to municipalities.

18. That the federal government continue to identify ways to increase the labour market and economic participation of vulnerable Canadians, including youth, Aboriginal Canadians, and persons with a disability. Specifically, the government should actively explore proven programs to help these Canadians fill the skilled job shortages and address our shared priority of improving First Nations educational outcomes.

19. That the federal government move forward with a First Nations property ownership act in order to provide Aboriginal Canadians with the same property rights as other Canadians.

20. That the federal government continue to work with the provinces to implement Pooled Registered Pension Plans.

21. That the federal government explore the feasibility and cost of exempting additional in-study income from the Canada Student Loans Program's assessment of borrowers' assets.

22. That the federal government continue to improve health research for the health care sector and health professions to further improve health care delivery for patients and reduce costs through improved efficiency. For example, consideration should be given to the development of pan-Canadian health indicators and the promotion of best practices, such as the innovative work that is being done at the Sunnybrook Health Sciences Centre.

23. That the federal government continue to explore innovative ideas for greater charitable giving by Canadians, such as a stretch tax credit, building upon positive initiatives like the First-Time Donor's Super Credit.

24. That as Canada is one of four Group of Seven countries without a national dementia and Alzheimer's strategy, the federal government move expeditiously on the creation and implementation of such a strategy.

25. That the federal government heed the call of numerous Canadian charities and allow these charities to use computers in their fundraising lotteries, a measure which would save them millions of dollars while costing the taxpayer nothing.

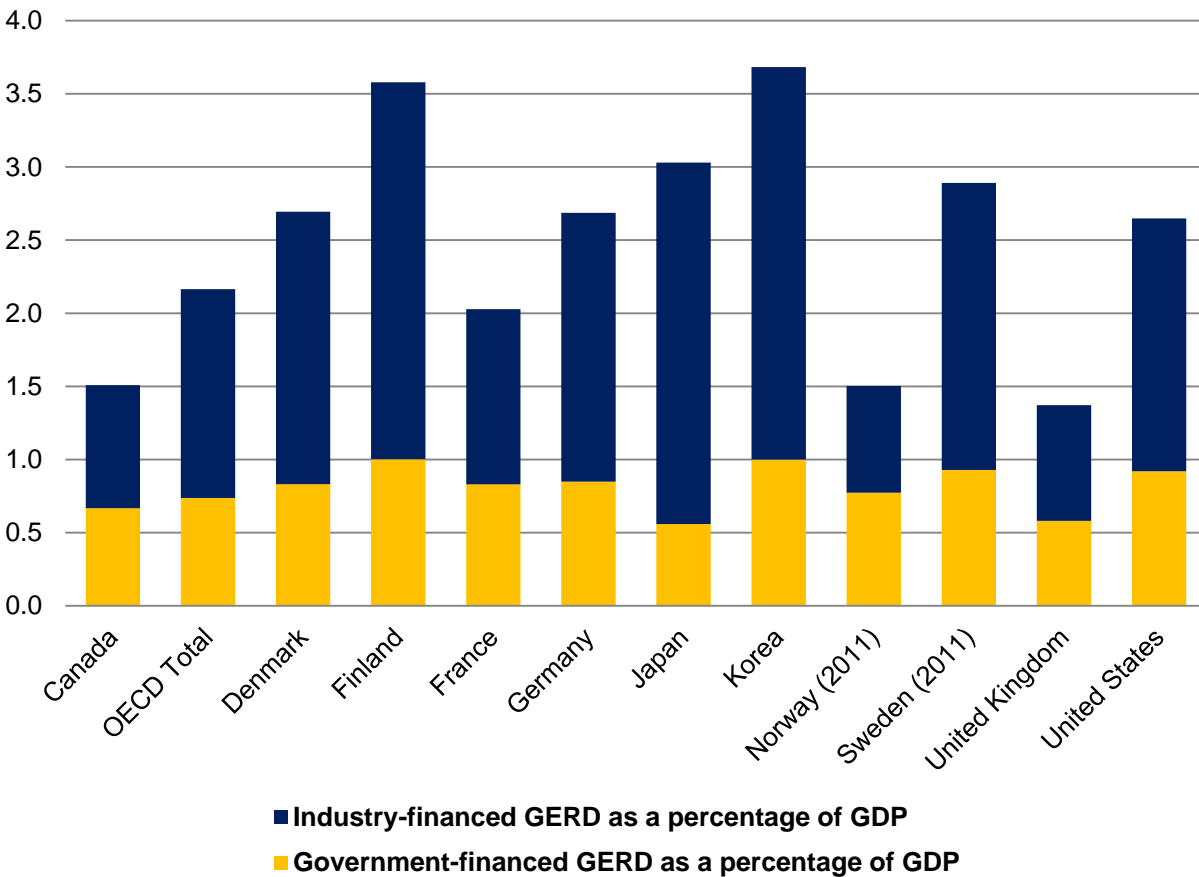
CHAPTER FOUR: SUPPORTING RESEARCH AND INNOVATION

A. Background

1. Overview

According to the OECD's glossary, [research and development](#) (R&D) is "any creative systematic activity undertaken in order to increase the stock of knowledge, including knowledge of man, culture and society, and the use of this knowledge to devise new applications"; it includes both applied and basic research. Also according to this glossary, [innovation](#) is "the implementation of a new or significantly improved product, or process, a new marketing method, or a new organisational method in business practices, workplace organisation or external relations." While there is a direct link between applied research and innovation, the link between basic research and innovation is more tenuous. Figure 11 shows the amount of gross expenditures on research and development (GERD) by government and the private-sector as a percentage of GDP in select OECD countries for 2010.

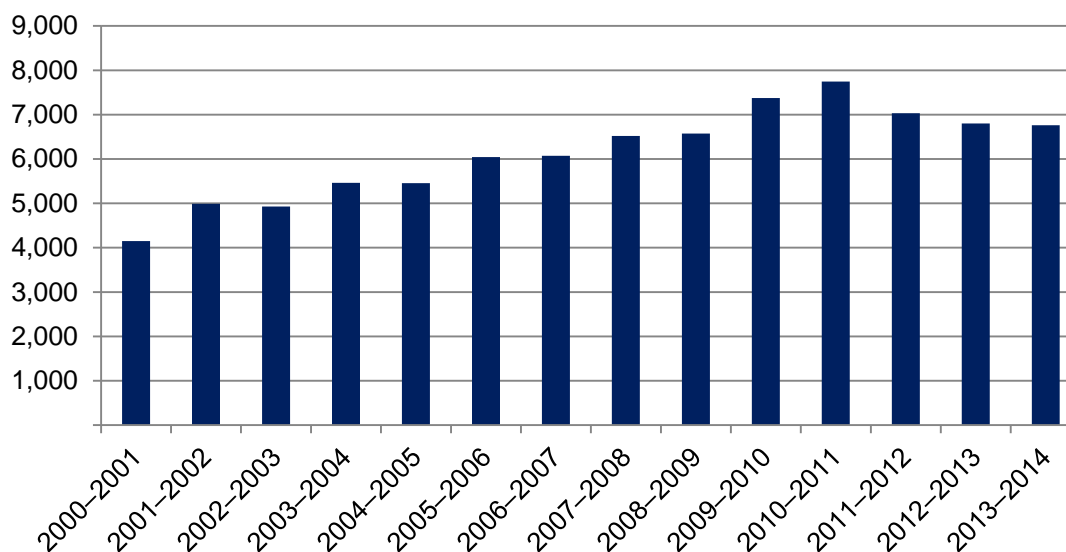
Figure 11 – Gross Expenditures on Research and Development as a Percentage of Gross Domestic Product, by Source, Selected Organisation for Economic Co-operation and Development Countries, 2010 (%)



Source: Organisation for Economic Co-operation and Development, [Main Science and Technology Indicators](#), accessed 4 December 2013.

Figure 12 shows the evolution of federal expenditures on R&D from 2000–2001 to 2013–2014. These expenditures increased at an annual average rate of 4.1% over that period, although this average masks disparity within the period. For example, over the 2005–2006 to 2010–2011 period, such expenditures rose at an average annual rate of 6.1%; over the 2010–2011 to 2013–2014 period, they declined at an average annual rate of 4.4%. Recently, the [Minister](#) of State for Science and Technology said that these variations over time can be explained by an increase in expenditures in the context of the 2009 federal budget’s stimulus program, with a subsequent decrease in these expenses.

Figure 12 — Federal Expenditures on Research and Development, Canada, 2000–2001 to 2013–2014 (\$ millions)



Source: Figure prepared using information obtained from: Statistics Canada, Table 358-0163, "[Federal expenditures on science and technology, by major departments and agencies](#)," CANSIM (database), accessed 28 October 2013.

2. Scientific Research and Experimental Development Investment Tax Credit

The largest single source of federal government support for industrial R&D is the [Scientific Research and Experimental Development](#) (SR&ED) investment tax credit (ITC), which is designed to encourage Canadian businesses of all sizes and in all sectors to conduct R&D in Canada that will lead to new, improved or technologically advanced products or processes; innovation could be the result. In general, the federal fiscal cost of this tax measure is about \$4 billion annually, with more than 18,000 claimants each year; more than 75% of the claimants are small businesses.

The 2012 federal budget announced a number of changes to the income tax treatment of expenditures incurred in respect of SR&ED carried on in Canada. These changes will affect the SR&ED ITC rates and the types of expenditures that are eligible to be claimed. The general 20% rate will be reduced to 15% for taxation years ending after 2013. After 2013, the ITC rate for SR&ED expenditures exceeding the \$3 million threshold will be 15%. For capital property acquired on or after 1 January 2014, capital expenditures will no longer be considered a deductible SR&ED expense; this change will also apply to leased property, including equipment.

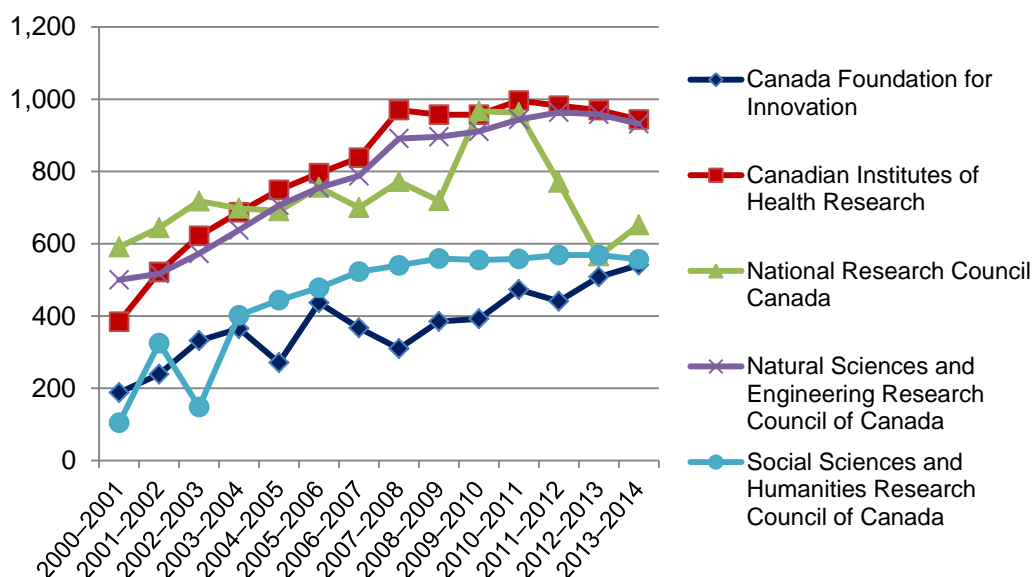
3. Federal Granting Councils and Other Entities Focused on Research and Innovation

Canada's three federal granting councils — the [Natural Sciences and Engineering Research Council of Canada](#) (NSERC), the [Social Sciences and Humanities Research](#)

[Council of Canada](#) and the [Canadian Institutes of Health Research](#) — were created to fund academic research and scholarships, and to administer programs that further collaboration between academia and the private sector. Moreover, the [Canada Foundation for Innovation](#) (CFI) invests in infrastructure, such as laboratories and equipment, that is needed to conduct advanced research; funding is awarded to institutions on the basis of merit as assessed by an independent process. Finally, the [National Research Council Canada](#) provides firms and governments with scientific and technical services, support for innovation and strategic research.

Figure 13 shows the evolution of federal expenditures on R&D in the five departments or agencies that had the highest such spending in 2013–2014.

Figure 13 — Federal Expenditures on Research and Development in the Five Federal Departments or Agencies with the Highest Such Spending in 2013–2014, Canada, 2000–2001 to 2013–2014 (\$ millions)



Source: Figure prepared using information obtained from: Statistics Canada, Table 358-0163, “[Federal expenditures on science and technology, by major departments and agencies](#),” CANSIM (database), accessed 28 October 2013.

B. Changes Proposed by Witnesses Invited to Address “Supporting Research and Innovation”

The witnesses invited by the Committee to speak about the topic of supporting research and innovation focused on tax incentives to encourage, as well as federal funding for, research and innovation.

1. Tax Incentives

The [Aerospace Industries Association of Canada](#) argued that the non-refundable portion of the SR&ED ITC should be modified to allow companies to exchange earned tax

credits for cash contributions from the federal government that would have to be used to fund R&D capital projects. [Deloitte LLP](#) requested that the government make the ITC fully refundable, while the [Information Technology Association of Canada](#) suggested that — instead of the changes made by the 2012 federal budget — the qualified pool balances used to calculate the total qualified SR&ED expenditures for ITC purposes should be increased from 15% to 17% or that the changes made in the 2012 federal budget to capital expenditures for R&D should be reversed.

As well, [Deloitte LLP](#) proposed two tax measures that could be implemented to increase research and innovation in Canada: a “patent box” tax incentive and an angel tax credit. The “patent box” incentive would apply a lower tax rate on income derived from the exploitation of R&D and the ownership of intellectual property rights, and the angel tax credit would be similar to that in British Columbia, whereby — up to a certain dollar amount per year — 30% of the money invested in a company is returned to the investor in the form of a tax credit.

2. Federal Funding

The [Canada Foundation for Innovation](#) encouraged the federal government to increase its support for research and technology development through enhanced funding for the granting councils, and advocated stable and predictable annual funding for the CFI. [Sunnybrook Health Sciences Centre](#) proposed that, collectively, the budgets of the granting councils be gradually increased by \$300 million over the next three years. [It](#) also suggested that, in relation to the Indirect Costs Program (ICP), a single rate be used. [Polytechnics Canada](#) argued in favour of making the College and Community Innovation Program, which is managed by NSERC, eligible for the ICP.

In commenting on other federal funding for R&D, [Sunnybrook Health Sciences Centre](#) proposed that a proportion of FedDev’s budget be invested in medical research, and [Polytechnics Canada](#) suggested that the government should allocate a larger proportion of R&D funding to improve the services that are provided to individuals, such as students in schools and patients in hospitals. [U15-Group of Canadian Research Universities](#) and the [Association of Universities and Colleges of Canada](#) advocated a research excellence fund that would involve an initial investment of \$100 million, with this amount rising over four years to reach \$400 million annually; in their proposal, this fund would be called “Advancing Canada Research Excellence”.

In an effort to bring the ICP more in line with similar programs in other countries, the [Association of Universities and Colleges of Canada](#) supported an increase in the proportion of indirect costs that are covered under the ICP.

The [Information Technology Association of Canada](#) called for the establishment of a successor program to the Digital Technology Adoption Pilot Program following its expected termination in 2014. In its opinion, industry participants should be asked for their input regarding program design and implementation with a view to ensuring greater success in increasing the productivity of small and medium-sized enterprises through the adoption of digital technologies.

C. Changes Proposed by Witnesses Invited to Address Issues Other Than “Supporting Research and Innovation”

The Committee’s witnesses were invited to speak about a particular topic. When they appeared, they often made comments about one of the other five topics selected by the Committee, as indicated below.

1. Fiscal Sustainability and Economic Growth Witnesses

[Financial Executives International Canada](#) and the [Investment Industry Association of Canada](#) proposed that the federal government allow companies engaged in innovative activities to issue flow-through shares as a means to access capital. In their view, with these flow-through shares, SR&ED expenses and the associated ITC would be transferred to the shareholders.

Like [Deloitte LLP](#), the [Chartered Professional Accountants of Canada](#) supported the implementation of a “patent box” tax incentive.

[Mr. Page](#) advocated a study on the causes of weak productivity growth in Canada, with particular attention to the manner in which innovation, investment and human capital affect productivity growth.

2. Vulnerable Canadians Witnesses

In speaking about the need for increased funding of the indirect costs of research, the [Fédération Étudiante Universitaire du Québec](#) asked that the average reimbursement rate for indirect research costs under the ICP be increased to 40% of the amount of direct research grants.

3. Prosperous and Secure Rural and Urban Communities Witnesses

[Mouvement Desjardins](#) noted that the venture capital fund announced in the 2012 federal budget could be modelled on existing programs created by caisses populaires to assist business development in local communities.

The [Sunnybrook Health Sciences Centre](#) requested a federal contribution of \$30 million, with an additional \$30 million from the private sector and the provincial government, for a new facility specialized in brain disorders and diseases; the facility would have educational, research and patient care functions.

4. Employment Opportunities for Canadians Witnesses

In noting that Canadian companies have accumulated unused tax credits under the SR&ED ITC program, [Canadian Manufacturers & Exporters](#) advocated the creation of a “swap” program where such credits could be exchanged for a contribution from the federal government with respect to investments related to R&D.

Like [Deloitte LLP](#) and the [Chartered Professional Accountants of Canada, Canadian Manufacturers & Exporters](#) requested the creation of a “patent box” tax incentive.

Regarding infrastructure procurement in Canada, [Canadian Manufacturers & Exporters](#) highlighted that other countries require bidders to use local resources; [it](#) suggested that projects approved under the Building Canada Plan should provide a “level playing field” for Canadian manufacturers through a reciprocity policy.

The [Canadian Energy Pipeline Association](#) proposed that the government support pipeline technology research and collaboration by ensuring that departments, such as Natural Resources Canada, have sufficient resources to support these efforts and by providing an investment of up to \$5 million over three to five years for technology and collaboration, perhaps through a CanmetENERGY program.

D. The Committee’s Recommendations

The Committee recommends:

26. That the federal government continue to support basic research and development, including through the federal granting councils and the Indirect Costs Program.

27. That the federal government continue to support applied research. In doing so, the government should examine the benefits of current programs that support research and development infrastructure in Canada, like the NextGen Biofuels Fund or Forestry Industry Transformation Program, and should look at new initiatives that focus on strengthening the capacity for digitally enabled research and partnerships with universities.

CHAPTER FIVE: ENSURING PROSPEROUS AND SECURE RURAL AND URBAN COMMUNITIES

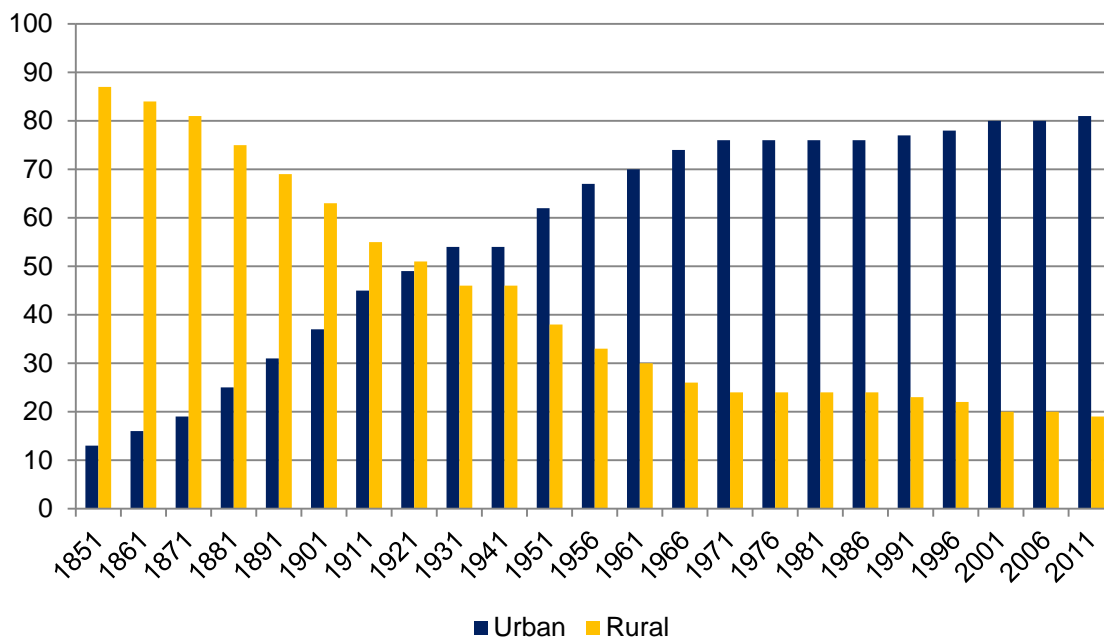
Communities face a variety of challenges in ensuring the well-being of residents and contributing to the prosperity of businesses. For example, rural and remote communities with limited opportunities for economic development may experience a reduction in their population. Large urban centres where housing prices rise rapidly may have inadequate affordable housing, and a number of Canada's rural and urban communities have aging infrastructure. Communities that rely on tourism may experience difficulties if tourism-related revenue decreases. Moreover, businesses — including co-operatives — in rural and urban communities may require assistance in order to create jobs and contribute to the community. In this context, the Committee invited selected witnesses to speak about the federal actions that should be taken to ensure prosperous and secure rural and urban communities in Canada.

A. Background

1. Rural and Urban Population

According to the 2011 [Census](#), more than 6.3 million Canadians were living in rural areas at the time of the survey; rural areas are those with fewer than 1,000 inhabitants and a population density below 400 people per square kilometre. This number has been relatively stable since 1991, while the number of Canadians living outside of rural areas has been rising steadily. Consequently, as shown in Figure 14, the proportion of Canadians living in rural areas has been dropping, and — in 2011 — fell to 18.9%, representing fewer than one in five Canadians. At the same time, the proportion of Canadians residing in urban areas — areas with a population of at least 1,000 and a density of 400 or more people per square kilometre — has been rising, and was 81.1% in 2011.

Figure 14 – Proportion of the Population Living in Urban and Rural Areas, Canada, 1851–2011 (%)



Source: Figure prepared using information obtained from: Statistics Canada, [“Population, urban and rural, by province and territory.”](#)

In 2011, the proportion of the population living in rural areas was below or near the national average in four provinces: Quebec (19.4%), Ontario (14.1%), Alberta (16.9%) and British Columbia (13.8%). The proportion of the population living in rural areas was highest in the Atlantic provinces and in the territories in that year. However, in all provinces and territories, the proportion of the population living in rural areas declined between 2006 and 2011.

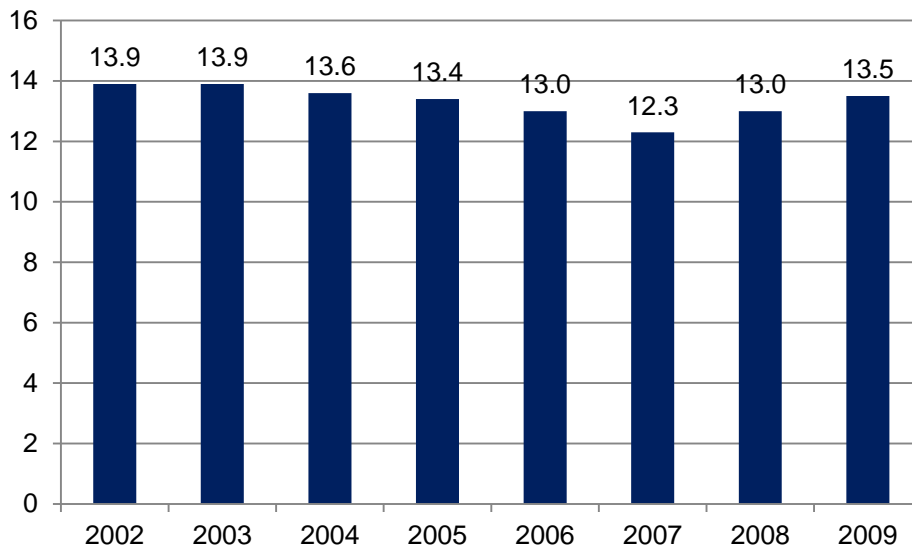
According to the 2011 [NHS](#), nearly 7 in 10 Canadians lived in one of Canada’s 33 Census Metropolitan Areas (CMAs) at the time of the survey, and more than 1 in 3 Canadians lived in 1 of Canada’s 3 largest CMAs: Toronto, Montreal and Vancouver. While municipalities are created, regulated and sometimes eliminated by provincial and territorial governments, the federal government has had a direct relationship with Canadian cities through, for example, measures in relation to homelessness and infrastructure.

The federal government supports urban and rural communities through various departments, agencies, Crown corporations, funds and strategies, including the [regional development agencies](#), the [Business Development Bank of Canada](#) (BDC) and the [Canada Mortgage and Housing Corporation](#) (CMHC). Additional sources of support are indicated below.

2. Housing and Homelessness

Access to adequate, affordable and suitable housing allows individuals and families to improve their quality of life and contribute to society, whether in school, the workplace, the community or their household. As well, it may reduce the incidence of — and the social and financial costs related to — poverty, homelessness, family violence, poor health and crime. According to the [CMHC](#), 13.5% — or 1.4 million urban households — were in “core housing need” in 2009, a rate that was both higher than the 2007 rate of 12.3% and the highest rate since 2004, as shown in Figure 15.

Figure 15 – Urban Core Housing Need, Canada, 2002–2009 (%)



Source: Figure prepared using information obtained from: Canada Mortgage and Housing Corporation, [Canadian Housing Observer 2012](#), 18 December 2012, p. 5-7.

Moreover, in 2011, there were approximately 605,000 low-income households living in social housing. Statistics Canada does not collect information on homelessness.

To reduce the number of individuals in housing need, the federal government allocates funding through the [Investment in Affordable Housing](#) (IAH) initiative, under which provinces and territories invest an amount that is equivalent to the federal contribution, and ensure the delivery of affordable housing programs. Funding previously allocated to renovation programs for low-income households — such as the [Residential Rehabilitation Assistance Program](#) — and to increase the supply of affordable housing — the [Affordable Housing Initiative](#) — have been combined under the IAH since 2011. As well, through the [CMHC](#), the federal government makes annual investments in social housing for low-income households on- and off-reserve.

Historically, federal support to address homelessness included the [Supporting Communities Partnership Initiative](#) (SCPI), under which selected urban communities were funded to develop multi-sectoral community plans. Initially, the initiative was designed to

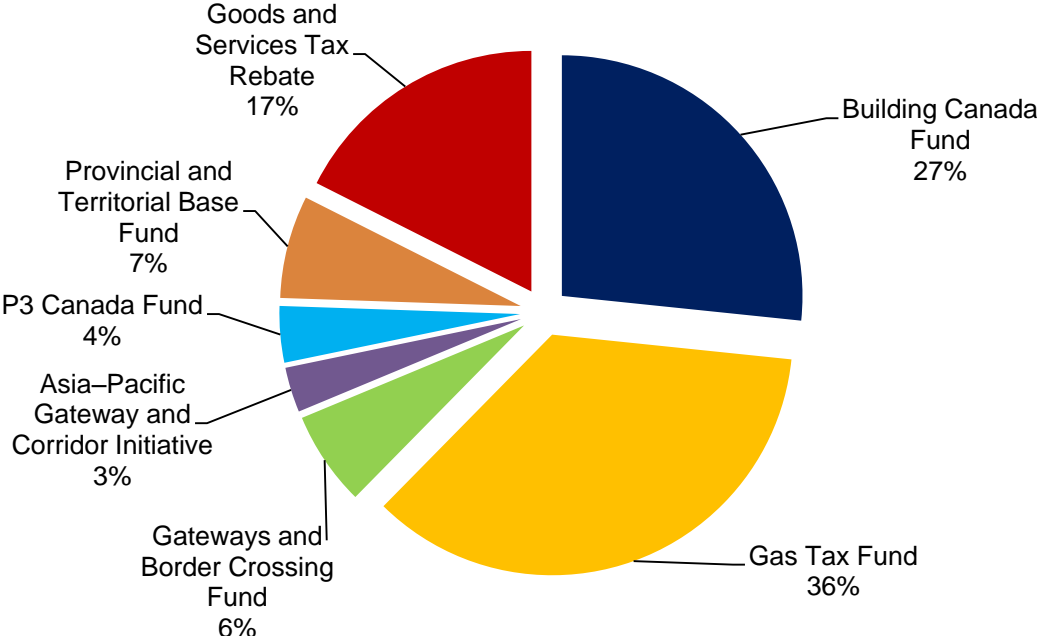
provide sufficient emergency shelters; subsequently, it was directed at efforts to build and operate second-stage and transitional housing. After several renewals of SCPI, a new federal program — the [Homelessness Partnering Strategy](#) (HPS) — was established in 2007. The HPS also provides funding to remote and Aboriginal communities for projects designed to prevent and reduce homelessness.

3. Infrastructure

Public infrastructure includes highways, bridges, public transit, water supplies, solid waste and wastewater treatment facilities, sanitary and storm sewers, energy generation plants, schools, hospitals, telecommunications, and cultural and recreational facilities. It is widely recognized that adequate infrastructure is essential for the current and future success of individuals, businesses, the Canadian economy and the nation.

While the federal government is sometimes the proponent of an infrastructure project, it generally supports provincial and municipal infrastructure projects through funding programs managed by [Infrastructure Canada](#). Public-private partnerships (P3s) are another funding method for public infrastructure initiatives. [PPP Canada](#) has the mandate to assess projects for their P3 potential; it also administers the [P3 Canada Fund](#). As shown in Figure 16, a number of federal infrastructure programs are part of the Building Canada Plan, which covers the 2007–2014 period.

Figure 16 – Distribution of Funding Allocated under the Building Canada Plan, by Initiative, Canada, 2007–2014 (%)



Source: Figure prepared using information obtained from: Infrastructure Canada, "[Building Canada plan](#)."

Other federal infrastructure programs include: for the 2003–2013 period, the [Canada Strategic Infrastructure Fund](#); for the 2004–2014 period, the [Municipal Rural Infrastructure Fund](#); and, for the 2009–2014 period, the [Green Infrastructure Fund](#).

4. Tourism

According to the [Canadian Tourism Commission](#) (CTC), in 2012, Canada’s tourism sector generated \$81.9 billion in revenue and contributed \$32.3 billion — or almost 2.0% — to Canada’s GDP. In that year, the sector was Canada’s second-largest service export, is estimated to have generated \$22.7 billion in government [revenue](#) and employed 614,600 [people](#), as shown in Figure 17. In addition to its economic contributions, the sector provides a variety of other benefits, such as enhancing the country’s image and global reputation as an attractive vacation, business and immigration destination; as well, the sector showcases Canada’s historical, geographic, cultural and artistic assets, all of which have the potential to increase the well-being and social cohesion of Canadians living in urban, rural and remote locations.

Figure 17 – Employment in the Tourism Sector, Canada, First Quarter 2005–Second Quarter 2013 (thousands)



Source: Figure prepared using information obtained from: Statistics Canada, Table 387-0003, [“Employment generated by tourism, quarterly \(jobs\),”](#) CANSIM (database), accessed 13 November 2013.

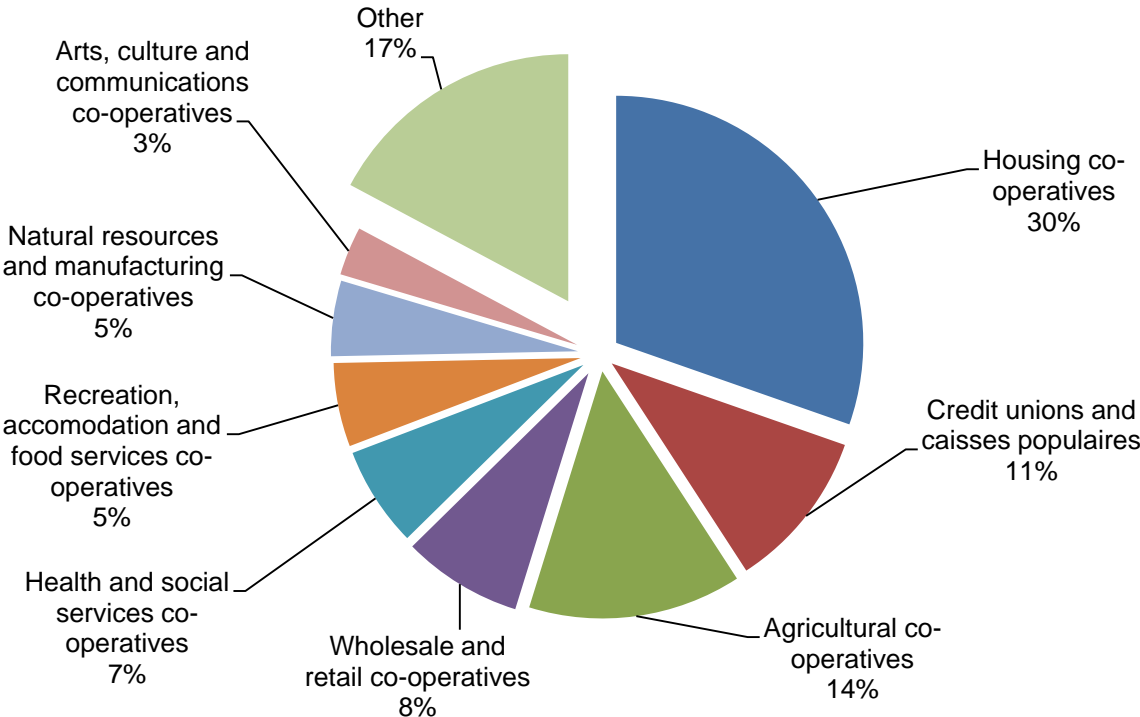
A number of federal departments and agencies support the development of Canada’s tourism sector. On 6 October 2011, the federal government announced the [Federal Tourism Strategy](#), which aligns the tourism activities of the relevant federal agencies and departments, and focuses on four priorities: awareness through marketing and research; access and movement of travellers; product development and investment; and worker skills and the supply of labour. The 2013 federal budget proposed two sources of direct funding in support of the tourism sector: the [Temporary Resident Program](#); and

the inclusion of tourism and tourism-related sectors, such as culture, sport and recreation, in the list of categories eligible for financing under the [Gas Tax Fund](#).

5. Co-operatives

Co-operatives create jobs and support growth in communities across Canada. As shown in Figure 18, while co-operatives are particularly prominent in the housing, agricultural and financial sectors, they are also involved in a number of other sectors, such as retail, health and social services, recreation, accommodation, food services, manufacturing, and arts and culture. According to [Industry Canada](#), in 2009, co-operatives, caisses populaires and credit unions employed 156,000 people and served 18 million members.

Figure 18 – Co-operatives, by Area of Activity, Canada, 2009 (%)



Source: Figure prepared using information obtained from: Industry Canada, [Co-operatives in Canada in 2009](#).

Prior to 2013, Agriculture and Agri-Food Canada’s Rural and Co-operatives Secretariat provided federal oversight of non-financial co-operatives. In 2013, policy oversight for co-operatives was transferred to [Industry Canada](#) as a result of recommendations in the September 2012 report of the House of Commons Special Committee on Co-operatives, entitled [Status of Co-operatives in Canada](#).

The Department of Finance and the Office of the Superintendent of Financial Institutions are responsible for federal legislation and supervision of federally incorporated

credit unions. Caisses populaires and non-federally incorporated credit unions are governed by the provincial/territorial regulator in the province/territory in which the credit union conducts business. According to [Industry Canada](#), in 2009, there were approximately 900 caisses populaires and credit unions operating in Canada; these institutions had close to 11 million members.

B. Changes Proposed by Witnesses Invited to Address “Ensuring Prosperous and Secure Rural and Urban Communities”

In speaking to the Committee about ensuring prosperous and secure rural and urban communities, the witnesses invited to address this topic made proposals relating to federal support for rural communities, housing and homelessness, infrastructure, tourism and co-operatives.

1. Rural Communities

The [Solidarité rurale du Québec](#) called for the federal government to re-establish and adequately fund the Rural Secretariat, which was previously in Agriculture and Agri-Food Canada but has been abolished; the [Saskatchewan Association of Rural Municipalities](#) also expressed support for the Rural Secretariat, and argued for sufficient resources to enable it to advocate on behalf of rural communities across all federal departments. The [Solidarité rurale du Québec](#) also requested the creation of a national rural policy to ensure the prosperity of rural areas; in its view, such a policy could be modelled on a similar policy in Quebec. Finally, it asked the government to invest in rural communities, and to provide them with tools to assist in their development.

In speaking about the *Species at Risk Act*, the [Saskatchewan Association of Rural Municipalities](#) indicated that the legislation could stifle the growth and prosperity of Canada’s agricultural sector, and proposed that the government consider the legal and financial implications for agricultural producers, as well as the health and safety implications for rural residents, before adding a new species. Moreover, in its view, normal agricultural activities should be made a permanent exception under the Act.

2. Housing and Homelessness

In highlighting that affordable housing is needed for municipalities to attract a labour force and thereby sustain their growth, the [Calgary Chamber of Commerce](#) requested that the federal government extend existing affordable housing programs, and work with cities and communities to lower barriers to investment in the construction of new rental housing.

Regarding social housing and homelessness, the [Federation of Canadian Municipalities](#) proposed that the government renew its investments in social housing units, develop a long-term plan to “close the gaps” in the housing system, reduce the Canadian economy’s vulnerability to housing-market distortions, and implement “housing first” programs and other models for providing permanent shelter to homeless people.

[Mr. Hulchanski](#) mentioned that federal funds for affordable housing have not been spent, and encouraged the government to implement the affordable housing investments

announced in the 2013 federal budget. [He](#) asked that these investments be made pursuant to a national housing strategy developed in collaboration with provinces and territories, municipalities, the private sector, Aboriginal people and non-governmental organizations.

The [Canadian Real Estate Association](#) proposed two changes to the Home Buyers' Plan: an increase in the withdrawal limit, with the increase achieved through indexation to inflation in \$2,500 increments; and expanded eligibility to include Canadians who experience a significant life change, such as job loss, divorce or the death of a spouse. Furthermore, [it](#) requested that the tax deferral of income from the sale of real property in which depreciation was previously claimed be permitted for small investors when they sell an investment property and reinvest the proceeds from the sale in a similar property within one year.

3. Infrastructure

Regarding the new infrastructure funding commitments announced in the 2013 federal budget, the [Calgary Chamber of Commerce](#) argued that large urban centres should be allowed to set their own priorities when determining which projects to fund.

In noting that infrastructure problems can be found in any Canadian community, the [Federation of Canadian Municipalities](#) requested that a fair and predictable share of the Building Canada Fund be invested in local streets, bridges, water systems and public transit. As well, in its view, the Fund should include clear, national objectives and a reporting mechanism to ensure that every dollar “delivers value” for taxpayers.

Both the [Federation of Canadian Municipalities](#) and the [Saskatchewan Association of Rural Municipalities](#) proposed that the new Building Canada Plan include a component for small communities. Moreover, the [Saskatchewan Association of Rural Municipalities](#) proposed that, in relation to the new Building Canada Plan, a lower population threshold exist in order that small communities would not be competing with larger municipalities for the same funds.

In speaking about the P3 Canada Fund, the [Saskatchewan Association of Rural Municipalities](#) highlighted that, as it is difficult for rural-based industries — such as oil, gas and potash — to qualify for funding, the eligibility criteria for funding should be expanded to include less densely populated areas.

The [Saskatchewan Association of Rural Municipalities](#) commented on the need for improved access to high-speed Internet service in rural areas in order to expand the delivery of education and health care, as well as to increase economic development opportunities, and made two suggestions: modify the existing 700 MHz spectrum auction rules to ensure that spectrum that is unused after two years is available to rural service providers; and ensure that the rules for the 2500 MHz spectrum auction and the 3500 MHz spectrum licence renewal require licence holders to use the spectrum, or “lose it.”

Regarding specific infrastructure projects, the [Saskatchewan Association of Rural Municipalities](#) requested that Western Economic Diversification invest in the North East

Quad Bridge Project so that a non-traditional bridge design pilot can be implemented. The [Agence métropolitaine de transport](#) called for the federal government to collaborate with the Government of Quebec on the construction of a new bridge to replace the Champlain Bridge. In its view, a light rail system should be built on this bridge, and \$1 billion should be allocated from the national infrastructure component of the Building Canada Fund announced in the 2013 federal budget.

4. Tourism

In indicating that the federal government should make tourism a priority, the [Tourism Industry Association of Canada](#) proposed that \$35 million per year for three years be allocated to the CTC to create a marketing campaign targeted to specific “sister cities” in the United States. Moreover, [it](#) asked for the reintroduction of a visa waiver for citizens of Mexico.

5. Co-operatives

In arguing for federal policies that support or do not hinder co-operative financial institutions, [Credit Union Central of Canada](#) proposed that the government apply a co-operative “lens” to all of its initiatives. In its view, by applying such a lens, the government could review the fairness of credit union taxation and of allowing Farm Credit Canada (FCC) — which is owned by the government — to compete directly with small co-operative financial institutions. As well, [it](#) argued that the activities of FCC should be reviewed in a manner that is similar to BDC.

C. Changes Proposed by Witnesses Invited to Address Issues Other Than “Ensuring Prosperous and Secure Rural and Urban Communities”

The Committee’s witnesses were invited to speak about a particular topic. When they appeared, they often made comments about one of the other five topics selected by the Committee, as indicated below.

1. Fiscal Sustainability and Economic Growth Witnesses

The [Conference Board of Canada](#) suggested that the federal government should invest in infrastructure and pursue collaborations with the provinces and cities with respect to public-private partnership financing.

Like the [Tourism Industry Association of Canada](#), the [Association québécoise de l’industrie touristique](#) urged the government to prioritize tourism, and advocated a funding increase to the CTC for the creation of a U.S. “sister cities” marketing campaign. As well, [it](#) supported a review of the structure of costs related to air transportation, with the aim of ensuring competitiveness.

2. Vulnerable Canadians Witnesses

In commenting that the Mineral Exploration Tax Credit (METC) leads to investments in mining projects in rural and remote communities, [PearTree Financial](#)

[Services](#) argued that the METC should be made permanent and expanded to other sectors. Moreover, [it](#) proposed that the federal government undertake an evaluation of the fiscal impact of the tax incentives provided through flow-through shares and the METC to determine whether the measures increase net federal revenue.

3. Research and Innovation Witnesses

The [Green Budget Coalition](#) made a variety of proposals in relation to energy and the environment. For example, it suggested that the Canadian Exploration Expenses deduction should be allowed to be claimed only when the exploration efforts are unsuccessful, and that the METC flow-through share arrangements should not be renewed for mining corporations.

As well, the [Green Budget Coalition](#) encouraged the federal government to establish a five-year water fund that would include annual amounts of: \$60 million for alleviating land-based runoff in areas under federal jurisdiction; \$25 million to address aquatic invasive species; and \$5 million for the Great Lakes–St. Lawrence River adaptive management plan.

Furthermore, the [Green Budget Coalition](#) suggested that the government should amend the ITA to provide that Classes 43.1 and 43.2 of Schedule II would apply to expenditures on energy storage investments for capital cost allowance purposes. It also advocated a 30% ITC for emerging storage technologies.

The [Green Budget Coalition](#) also proposed the establishment of a fund to provide financing for energy projects to develop alternative sources of home and building energy in off-grid communities where diesel is currently used. In its view, the amount of the fund should be between \$10 million and \$15 million.

Finally, the [Green Budget Coalition](#) requested that the government introduce legislation that would require nuclear power companies, as well as businesses engaged in oil and natural gas drilling, to set aside sufficient funds to cover potential costs related to environmental damage caused by accidents.

The [Forest Products Association of Canada](#) asked that the government increase funding for the Investment in the Forest Industry Transformation program, and renew the program for six years with a total budgetary allocation of \$500 million. [It](#) also advocated continued support for innovation in the forest sector, and urged the government to consider using the unspent amount in the NextGen Biofuels Fund to support the sector.

In the view of the [Confédération des syndicats nationaux](#), the government should increase funding to the Canadian Broadcasting Corporation/Radio-Canada.

4. Government Efficiency Witnesses

According to the [Cambri Development Group Inc.](#), the definition of the term “residential condominium unit” in subsection 123(1) of the *Excise Tax Act* should be amended to include a strata plan registered either under the laws of a province or under

the First Nations Land Registry or other federally registered land registries. [It](#) also argued that the Harmonized Sales Tax paid by a developer before its condominiums are sold should be reviewed and assessed so that the purchasers of these condominiums are not denied the First-Time New Home Buyers' bonus available in British Columbia.

5. Employment Opportunities for Canadians Witnesses

[Unifor](#) suggested that, as an alternative to public-private partnerships, the federal government should support major increases in infrastructure spending at the federal, provincial/territorial and municipal levels including through additional support and by co-funding projects.

In speaking about the safety of pipelines for communities through which they run, the [Canadian Energy Pipeline Association](#) supported trisector collaboration among governments, the research community and the oil and gas sector to improve the safety of pipelines in Canada.

In noting that transportation systems are essential in ensuring the mobility of goods and people, especially in urban communities, the [Quebec Employers' Council](#) advocated replacement of the Champlain Bridge, with the new bridge funded through a toll applied on those who use the new bridge.

D. The Committee's Recommendations

The Committee recommends:

28. That the federal government continue to promote the importance of health, sport and physical literacy by continuously supporting organizations such as ParticipACTION and Special Olympics Canada.

29. That the federal government examine tax provisions in relation to real estate, such as the deferral of previously claimed depreciation on income properties.

30. That the federal government continue to explore ways to make Canada's aviation cost structure more competitive, with a focus on tourism and its economic benefits to Canada.

31. That the federal government continue to promote tax incentives to encourage the development and use of clean energy generation.

32. That the federal government continue to explore methods to encourage value-added domestic production in the energy sector.

33. That the federal government consider making the 15% Mineral Exploration Tax Credit for flow-through share investors, which is currently a temporary measure, permanent in order to support junior mineral exploration.

34. That the federal government, in order to remain competitive in the North American market, explore the cost and feasibility of tax incentives, such as the accelerated capital cost allowance or other support programs to improve the affordability of commercial natural gas vehicles and the use of natural gas as transportation fuel to reduce air pollutants and support economic growth. There should also be a focus on ensuring that communities across Canada have access to sustainable energy in the form of affordable natural gas.

35. That the federal government continue to engage provinces and territories, the Federation of Canadian Municipalities and other stakeholders on the implementation of the new Building Canada Plan with a goal of building strong rural and urban communities.

36. That the federal government continue to promote public-private partnerships, or P3s, for public infrastructure where they can produce better value for taxpayers' dollars. Consideration should be given to expanding the eligibility of P3 Canada to rural or less densely populated areas.

37. That the federal government continue with and strengthen its efforts to combat contraband tobacco by working to reduce contraband sales.

38. That the federal government set aside proceeds from the upcoming 700mhz spectrum auction for strategic reinvestment in the deployment of broadband infrastructure in Canada's rural and remote regions.

39. That the federal government unveil a national conservation plan to further increase protected areas, thereby ensuring that Canada's rich natural heritage is protected.

40. That the federal government amend Classes 43.1 and 43.2 of the *Income Tax Act* to specify that capital cost allowances for those classes apply to expenditures on tangible stand-alone energy storage assets.

41. That the federal government consider reviewing the mandate of Farm Credit Canada.

CHAPTER SIX: IMPROVING GOVERNMENT EFFICIENCY

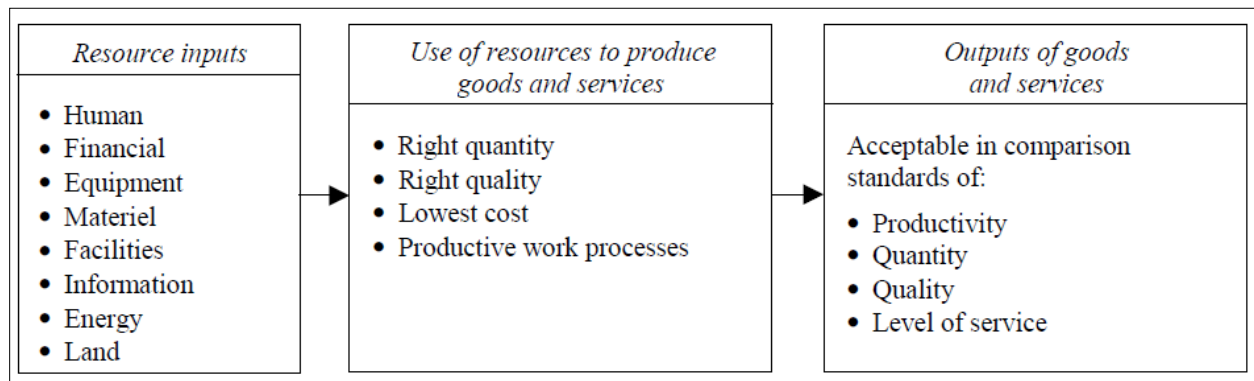
In part as a result of program and tax spending that occurred during the global financial and economic crisis, governments in a number of developed countries are seeking ways to limit growth in — if not reduce — their expenditures while continuing to deliver the same or improved services to their residents. Improving the efficiency with which services are delivered is one means of meeting this challenge. Canada’s federal government has adopted various approaches designed to improve efficiency, such as conducting spending reviews and studying reforms that could reduce “red tape.” In this context, the Committee invited specific witnesses to share their views about the federal actions that should be taken to improve government efficiency.

A. Background

1. Responsibility for Efficiency within the Federal Government

The [Office of the Auditor General of Canada](#) (OAG) defines the term “efficiency” as “how well an organization uses its resources to produce acceptable goods and services in comparison to a norm, target or standard.” Efficiency is improved, for example, when more goods and/or services of a given quality are produced with the same or fewer labour and/or other inputs. The main elements of efficiency are shown in Figure 19.

Figure 19 – Main Elements of Efficiency



Source: Figure prepared using information obtained from: Office of the Auditor General of Canada, [Auditing of Efficiency](#), October 1995, p. 4.

According to the [OAG](#), efficiency is one of three dimensions of the performance of the federal government. The other two dimensions are economy and effectiveness, both of which are linked to efficiency. “Economy” requires that inputs of appropriate quantity and quality be obtained at least cost. The economic acquisition of resources contributes to efficiency by minimizing the cost of inputs used. “Effectiveness” both overlaps with, and extends beyond, efficiency into the impacts of programs. Efficiency is closely linked to

effectiveness because it is a factor in determining the least-cost method of achieving desired outcomes.

In the federal government, responsibility for managing with due regard for efficiency is shared by central agencies — the Privy Council Office, the Treasury Board of Canada Secretariat and the Department of Finance — and departments. Central agencies are responsible for establishing and assessing government-wide opportunities to provide better services, while departments are responsible for delivering specific federal programs or services with due regard for efficiency.

2. Spending Reviews

As part of the federal [strategic review](#) process launched in 2007, departments and agencies review all of their programs with a view to ensuring that programs and services are focused on their core mandates, streamlining internal operations and achieving better results for Canadians. Between 2007–2008 and 2010–2011, more than \$2.8 billion in annual savings were generated by four strategic reviews.

In the 2011 federal [budget](#), the government launched a comprehensive review of departmental spending with the objective of achieving at least \$4 billion in annual savings by 2014–2015. In the 2012 [budget](#), the government announced that \$5.2 billion in annual savings by 2014–2015 had been identified as part of the spending review announced a year earlier.

3. Red Tape Reduction Reports and Red Tape Reduction Action Plan

The federal government administers roughly 2,600 regulations. These regulations affect the daily lives of Canadians on matters ranging from the goods and services that they buy, to the government services that they receive, to the quality of the air that they breathe and the water that they drink.

In January 2011, the [Red Tape Reduction Commission](#) was launched. Headed by the Minister of State for Small Business and Tourism, the Commission was asked to identify irritants to business stemming from federal regulatory requirements, and to provide recommendations to reduce systemic and specific compliance burdens.

In September 2011, the Commission released its first report, entitled [What Was Heard](#). The report analyzed the results of the consultations that the Commission had undertaken, and identified some potential reforms. The Commission then worked with independent experts to evaluate the viability of these potential reforms. In January 2012, the Commission released its second — and final — report, entitled [Recommendations Report](#). The final report contains 90 recommendations directed at 18 federal departments and agencies.

On October 2012, the government released the [Red Tape Reduction Action Plan](#), which identifies six reforms, as outlined in Table 3.

Table 3 — Reforms Proposed in the Red Tape Reduction Action Plan

A one-for-one rule requiring regulators to offset new administrative costs imposed on businesses with equal reductions in administrative costs associated with existing regulations.
A small business lens approach requiring regulators to take into account the impact that regulations have on small businesses and providing for the publication of a 20-point checklist focused on efforts to minimize the regulatory burden on small business, avoid bureaucratic duplication and communicate regulatory requirements in clear, plain language.
Departmental “forward plans” highlighting upcoming regulatory changes over a 24-month period, thereby providing businesses with predictability.
Service standards setting targets for the timely issuance of high-volume licences, certifications and permits.
A feedback mechanism for business users of licences, certifications and permits.
An annual scorecard providing a public report on the implementation of “red tape” reduction reforms, particularly the one-for-one rule, the small business lens approach and the targets for services standards.

Source: Table prepared using information obtained from: the Treasury Board of Canada Secretariat, “[Red Tape Reduction Action Plan](#),” October 2012.

B. Changes Proposed by Witnesses Invited to Address “Improving Government Efficiency”

The witnesses invited by the Committee to speak about the topic of improving government efficiency focused on strengthening parliamentary oversight of government spending and two particular areas where “red tape” could be reduced.

1. Strengthened Parliamentary Oversight of Spending

According to the [Canadian Taxpayers Federation](#), Cabinet receives detailed, long-term cost information in relation to proposed legislation; [it](#) suggested that the federal government should amend the *Financial Administration Act* to require that Parliament be provided with a detailed lifetime cost forecast when legislation is introduced.

The [Canadian Union of Public Employees](#) argued that the government should be more transparent, and should provide parliamentarians and the Parliamentary Budget Officer with the information they need to hold the government to account for the results it achieves with taxpayers’ money.

2. Specific “Red Tape” Reduction Opportunities

In its brief provided to the Committee, the [Cambri Development Group Inc.](#) suggested that the federal government should reinstate the e-registration system for property transactions on First Nations land. In its view, this successful pilot project — which was cancelled — had resulted in a two-day approval period for transactions and a reduction in the paperwork required to complete the registration.

According to the [Canadian Union of Public Employees](#), the government could reduce red tape by eliminating the P3 Canada Fund and stop subsidizing the privatization of public services.

C. Changes Proposed by Witnesses Invited to Address Issues Other Than “Improving Government Efficiency”

The Committee’s witnesses were invited to speak about a particular topic. When they appeared, they often made comments about one of the other five topics selected by the Committee, as indicated below.

1. Fiscal Sustainability and Economic Growth Witnesses

The [Investment Industry Association of Canada](#) urged the federal government to pursue the co-operative securities regulator that it is proposing; in its view, the result would be streamlined regulation and lower administrative costs for businesses.

The [Certified General Accountants Association of Canada](#) and the [Chartered Professional Accountants of Canada](#) encouraged the government to require businesses to adopt standard business reporting for all government filings.

2. Rural and Urban Communities Witnesses

The [Canadian Convenience Stores Association](#) and [Credit Union Central of Canada](#) highlighted that over-regulation and red tape compliance are burdens for small retailers and co-operative financial institutions respectively. [Credit Union Central of Canada](#) provided two examples — complying with the requirements of Canada’s anti-money laundering regime and with the proposed anti-spam regulations — and suggested that federal government regulations should be implemented in a manner that is cost-effective for co-operative financial institutions.

3. Employment Opportunities for Canadians Witnesses

The [Quebec Employers’ Council](#) asked that new regulations in specific areas — the transportation sector, and consumer protection in the telecommunications and financial services sectors — adhere to the one-for-one principle so as to preserve the competitiveness of Canadian companies when they compete with foreign businesses that have not invested in existing infrastructure.

D. The Committee's Recommendations

The Committee recommends:

42. That the federal government vigorously and continually review spending of taxpayers' money to eliminate all waste and inefficiencies, including through the elimination of government programs that no longer serve their purpose or achieve their intended results. This review should include an ongoing review of corporate assets to obtain the most effective and efficient use of government resources, thereby ensuring value for taxpayers.

43. That the federal government continue to implement the recommendations of the Red Tape Reduction Commission, such as the "one-for-one" Rule, to reduce irritants to business that impede growth, competitiveness and innovation. Government efforts could include exploring the possibility of standardizing business reporting language, known as XBRL, to reduce compliance costs for taxpayers and enhance federal data collection.

44. That the federal government continue to work cooperatively with willing provinces and territories towards establishing a co-operative capital markets regulator in order to better protect Canadians and promote the integrity of Canada's financial system. These efforts should build on the progress of the agreement with Ontario and British Columbia.

CHAPTER SEVEN: MAXIMIZING EMPLOYMENT OPPORTUNITIES FOR CANADIANS

The Canadian population is aging, which — all other factors remaining the same — will create labour shortages in specific occupations and regions of the country. Ensuring that jobseekers are aware of vacant positions, that vacant positions are filled, and that people have the skills and abilities needed by employers will be important to Canada's future economic growth. In this context, the Committee invited selected witnesses to share their views about the federal actions that should be taken to maximize employment opportunities for Canadians.

A. Background

1. Labour Force Participation

According to [Employment and Social Development Canada](#), expanding the number of job seekers to meet projected job openings in many regions and occupations will be challenging in future years. Some of the anticipated labour shortages could be addressed by increasing labour force participation rates, perhaps especially among groups that are underrepresented in the labour force. Furthermore, workers with higher-level skills and more credentials tend to be more productive and competitive, earn higher wages and remain in the labour force longer. Table 4 shows the labour force participation rate for various groups; the data reflect 2011, except for the disability figures, which reflect 2006.

**Table 4 – Labour Force Participation Rate,
by Group, Canada, 2011 (%)**

	Participation Rate
Aboriginal identity	61.3
Non-Aboriginal identity	66.2
Immigrant	62.2
Non-immigrant	67.3
15–24 years	60.4
25–54 years	85.8
55+ years	37.4
With disability	56.0
Without disability	80.0

Note: The rates for people with or without disabilities are for 2006, for those aged 15 to 64. The labour market participation rate is the number of people in the labour force, including both those who are employed and those who are unemployed but looking for work, divided by the population, including those people who are out of the labour force, such as retirees, full-time students and discouraged unemployed people who have ceased looking for work. The unemployment rate is the number of unemployed people divided by the number of people in the labour force.

Sources: Table prepared using information obtained from: Statistics Canada, [Participation and Activity Limitation Survey of 2006: Labour Force Experience of People with Disabilities in Canada](#), Catalogue No. 89-628-X, No. 7; and Statistics Canada, 2011 National Household Survey, Data Tables.

Most federal spending on skills training occurs through three programs for which Employment and Social Development Canada is responsible: [Labour Market Development Agreements](#), [Labour Market Agreements](#) (LMAs) and [Labour Market Agreements for Persons with Disabilities](#).

2. Labour Market Agreements and the Proposed Canada Job Grant

LMAs, which are in place with all of the provinces and territories and which will expire on 31 March 2014, provide assistance for individuals who do not qualify for programs under Part II of the *Employment Insurance Act*. In the 2013 federal budget, the government announced that it would negotiate with the provinces and territories to create the [Canada Job Grant](#) under the renewed LMAs. Table 5 shows the number and types of interventions that occurred under LMA programs and services in 2009–2010.

Table 5 – Number of Interventions Related to Labour Market Agreements Programs and Services, by Type of Program or Service, Canada, 2009–2010

Program or Service Type	Number of Interventions
Employment services for employed and unemployed clients	240,207
Skills development and upgrading for unemployed clients	47,486
Work experience for unemployed clients	6,905
Combination of skills development and work experience for unemployed clients	88,159
Workplace-based skills development for employed clients	21,802
Total number of interventions	404,559

Source: Table prepared using information obtained from: Employment and Social Development Canada, [Canada's Labour Market Agreements: A National Report for 2008/09 and 2009/10](#).

B. Changes Proposed by Witnesses Invited to Address “Maximizing Employment Opportunities for Canadians”

In speaking to the Committee about maximizing employment opportunities for Canadians, the witnesses invited to address this topic made proposals relating to labour shortages, labour mobility and labour market information, as well as LMAs, the proposed Canada Job Grant and employee training.

1. Labour Shortages, Labour Mobility and Labour Market Information

Recognizing that Canada’s population is aging and that labour shortages may be a result, the [Canadian Labour Congress](#) requested that the federal government develop a national, tripartite skills development strategy to prepare for the consequences of the aging workforce, and to meet the needs of specific groups, such as Aboriginal people, recent immigrants and youth. The [Canadian Restaurant and Foodservices Association](#) advocated a federal/provincial/private-sector strategy to address future labour shortages.

In the view of the [Canadian Labour Congress](#), the government should — before intervening in labour markets through, for example, the Temporary Foreign Worker Program or subsidization of employers’ training costs — ensure that employers “put more skin in the game” by paying higher wages to their employees.

Regarding the upstream oil and gas sector, the [Canadian Association of Petroleum Producers](#) suggested that the government should strengthen programs to develop the domestic labour pool; in particular, it proposed “tightening the link” between post-secondary education and needed workforce skills, and ensuring the availability of foreign workers through two measures: strengthened programs for permanent immigration and an efficient Temporary Foreign Worker Program. [Unifor](#) urged the government to develop a strategy for the development of Canada’s resource sectors, with an emphasis on sustainable, long-run job creation.

In speaking about labour mobility and in an effort to reduce the cost of temporary relocation for employment purposes, the [Canadian Construction Association](#) requested the creation of a mobility tax credit for construction workers that would assist tradespeople seeking work in labour markets outside of their home jurisdiction. More generally, the [Canadian Association of Petroleum Producers](#) called for the government to reduce barriers to labour mobility.

Recognizing the need for additional data and information about the Canadian labour market, the [Canadian Restaurant and Foodservices Association](#) suggested that — in assessing the LMAs — informal training should be “tracked” and perhaps incorporated into the LMAs. Regarding the measure that should be used to assess the state of Canada’s labour market, [Unifor](#) proposed that the employment — rather than the unemployment — rate be the appropriate measure, as it recognizes the population growth rate.

2. Labour Market Agreements, the Proposed Canada Job Grant and Employee Training

Regarding the proposed Canada Job Grant, the [Regroupement des jeunes chambres de commerce du Québec](#) requested that the proposed measure have clear objectives and guidelines, as well as effective implementation in collaboration with the provinces and territories. The [Canadian Labour Congress](#) stated that LMAs are critical, and would only support the proposed Canada Job Grant if funds were not reallocated from the LMAs to finance the proposed measure. The [Canadian Restaurant and Foodservices Association](#) also commented on the proposed Canada Job Grant, arguing that the federal government should ensure that the number of job placements achieved as a result of the proposed measure is “tracked,” rather than just the manner in which funds are used by the service providers.

In commenting on employee training, the [Canadian Labour Congress](#) urged the government to invest in “second chance” retraining programs for older workers affected by changes in the job market and indicated its opposition to government support for employer’s training costs unless employers first provide more training opportunities for their employees. The [Quebec Employers’ Council](#) asked for a reduction in the employer portion of EI premiums for employers that provide structured training to their employees.

C. Changes Proposed by Witnesses Invited to Address Issues Other Than “Maximizing Employment Opportunities for Canadians”

The Committee’s witnesses were invited to speak about a particular topic. When they appeared, they often made comments about one of the other five topics selected by the Committee, as indicated below.

1. Fiscal Sustainability and Economic Growth Witnesses

The [Conference Board of Canada](#) suggested that — as labour force growth is expected to slow in the next several years — the federal government should invest in developing the skills of the workforce to improve Canada’s human capital, while the

[Canadian Council of Chief Executives](#) argued that the government should address specific skill shortages in certain sectors, regions and occupations.

2. Vulnerable Canadians Witnesses

The [Fédération Étudiante Universitaire du Québec](#) proposed the creation of a tax credit for new graduates working in regions where economic development is limited.

3. Research and Innovation Witnesses

[Polytechnics Canada](#) advocated the establishment of two Statistics Canada surveys — youth in transition from academic institutions to the labour force and workers voluntarily leaving the labour force — that would allow policy discussions on skills training to be based on evidence, and enable students, educational institutions and employers to access reliable information on future employment conditions. As well, [Polytechnics Canada](#) supported linking federal support for R&D with federal support for apprentices, and [it](#) argued that apprentices should be treated as learners, with support provided outside of the EI system. According to [it](#), the government should also support tradespersons, technicians and technologists as a way to promote demand-driven technology from people who use it on a daily basis.

The [Greater Kitchener Waterloo Chamber of Commerce](#) expressed support for the proposed Canada Job Grant to the extent that the proposed measure would provide assistance to workers who want to move into areas where labour shortages exist.

4. Government Efficiency Witnesses

The [Canadian Taxpayers Federation](#) requested the transformation of the current EI program, which subsidizes unemployment in regions of the country where it is easier to collect EI benefits at the cost of lower benefits for other regions, into individual employment insurance accounts.

The [Canadian Union of Public Employees](#) argued that the recent changes to the eligibility criteria for the EI program should be eliminated in order to protect unemployed Canadians better.

In arguing that increases in the CPP contribution rate have a direct impact on job creation by smaller firms, the [Canadian Federation of Independent Business](#) urged the government not to raise the rate.

D. The Committee's Recommendations

The Committee recommends:

45. That the federal government, in collaboration with the provinces and territories, continue its strong support and promotion of the skilled trades, such as working to implement the Canada Jobs Grant or exploring the feasibility and cost of tax incentives to help both skilled workers enhance their mobility and employers of skilled workers. These efforts should include continued support for Skills Canada to ensure the continued promotion of trades in all educational formats, and to address youth unemployment and underemployment. Key educational stakeholders within the trades, like Polytechnics Canada and the Association of Canadian Community Colleges, should be provided with support.

46. That the federal government explore options to reform and reorient Labour Market Agreements with the provinces and territories to better promote skills training and more effectively respond to labour market needs, such as in the construction sector. Consideration should be given to the recommendations of the Advisory Panel on Labour Market Information, as timely and accurate access to labour market information will be important moving forward.

47. That the federal government continue its modernization of Canada's immigration system to a "fast and flexible" system better focused on labour market needs, thus supporting economic prosperity for all Canadians. This modernization should include examining the processes for visas, continuing to improve foreign credential recognition for immigrants, and reviewing the minimum language thresholds of the Federal Skilled Worker Program.

48. That the federal government review the Temporary Foreign Worker Program to ensure that it better and more accurately responds to Canada's labour market needs, including the needs of regions where there are key skills shortages.

LIST OF RECOMMENDATIONS

The Committee recommends:

- 1. That the federal government, acknowledging the current fiscal situation, restrict new spending commitments in the upcoming budget and continue to reject new costly and irresponsible spending..... 15**
- 2. That the federal government remain focused on its plan to return to balanced budgets in 2015..... 15**
- 3. That the federal government introduce balanced budget legislation that will allow the government to meet the commitment to a balanced budget while simultaneously restraining spending. 15**
- 4. That the federal government reaffirm its already strong commitment to keep taxes low and to not impose new taxes on Canadians, especially any form of a carbon tax that would harm key sectors of the economy while passing the costs on to Canadian families. At the same time, the government should continue to ensure a competitive tax system to promote job creation and attract new investments, including through a continued commitment to small businesses and ensuring competitive personal income tax rates..... 15**
- 5. That the federal government continue to review public sector compensation and benefits to ensure their ongoing financial sustainability, and to align them more closely and make them more competitive with other public- and private-sector employers..... 15**
- 6. That the federal government and the Bank of Canada continue to support the current inflation-targeting framework. 15**
- 7. That the federal government explore ways to simplify the *Income Tax Act* to reduce the complexity and inefficiency of its administration. Additionally, the government should ensure the timely assessment of income tax returns and explore the possibility of permitting consolidated reporting. These actions should be taken to ease the burden on Canadian taxpayers..... 16**

- 8. That the federal government undertake a comprehensive review of the tax system and ensure its fairness, as well as its neutrality, by continuing to close tax loopholes that allow select taxpayers to avoid paying their fair share of tax. As well, the government should examine additional ways to better equip the Canada Revenue Agency to combat tax evasion while working collaboratively with law enforcement agencies to prosecute tax evaders..... 16**
- 9. That the federal government remain vigilant in examining ways to improve Canada’s international tax competitiveness, including through the continued implementation of the recommendations of the Advisory Panel on Canada’s System of International Taxation..... 16**
- 10. That the federal government continue to build upon the positive work that the Venture Capital Plan is doing to enhance Canada’s venture capital system..... 16**
- 11. That the federal government continue to pursue its aggressive trade agenda, including through continued pursuit of free trade agreements like the Canada–European Union Comprehensive Economic and Trade Agreement and the conclusion of tax treaties with foreign governments, to help eliminate barriers for Canadian goods and services in new export markets. 16**
- 12. That the federal government continue to encourage provinces and territories to eliminate internal barriers to trade and mobility within Canada. 16**
- 13. That the federal government continually review all relevant legislation and regulations to ensure the safety and security of the financial sector, thereby maintaining Canada’s standing as having the soundest banking system in the world. At the same time, the government should continue to explore ways to better protect consumers of financial sector products and services..... 16**
- 14. That the federal government further enhance the neutrality of the tax system by eliminating unnecessary fossil fuel subsidies, in line with Canada’s commitment to the Group of Twenty nations. 16**
- 15. That the federal government investigate the cost and feasibility of expanding the accelerated capital cost allowance to encourage the construction of domestic infrastructure in relation to downstream activities in the oil and gas sector, such as transportation, refining and upgrading, and projects like the Kitimat Clean Refinery. As well, the government should encourage and support the development of infrastructure in relation to liquefied natural gas exports. 17**

16. That the federal government work with the private sector to help Canadian businesses strengthen and grow, create jobs and improve exports.	17
17. That the federal government reaffirm its commitment, as it seeks to return to budgetary balance, not to reduce transfers to persons, including those for seniors, children and the unemployed, or transfers to other levels of government in support of health care and social services, equalization and the gas tax transfer to municipalities.....	31
18. That the federal government continue to identify ways to increase the labour market and economic participation of vulnerable Canadians, including youth, Aboriginal Canadians, and persons with a disability. Specifically, the government should actively explore proven programs to help these Canadians fill the skilled job shortages and address our shared priority of improving First Nations educational outcomes.....	31
19. That the federal government move forward with a First Nations property ownership act in order to provide Aboriginal Canadians with the same property rights as other Canadians.	31
20. That the federal government continue to work with the provinces to implement Pooled Registered Pension Plans.	32
21. That the federal government explore the feasibility and cost of exempting additional in-study income from the Canada Student Loans Program’s assessment of borrowers’ assets.....	32
22. That the federal government continue to improve health research for the health care sector and health professions to further improve health care delivery for patients and reduce costs through improved efficiency. For example, consideration should be given to the development of pan-Canadian health indicators and the promotion of best practices, such as the innovative work that is being done at the Sunnybrook Health Sciences Centre.....	32
23. That the federal government continue to explore innovative ideas for greater charitable giving by Canadians, such as a stretch tax credit, building upon positive initiatives like the First-Time Donor’s Super Credit.....	32
24. That as Canada is one of four Group of Seven countries without a national dementia and Alzheimer’s strategy, the federal government move expeditiously on the creation and implementation of such a strategy.	32

25. That the federal government heed the call of numerous Canadian charities and allow these charities to use computers in their fundraising lotteries, a measure which would save them millions of dollars while costing the taxpayer nothing.....	32
26. That the federal government continue to support basic research and development, including through the federal granting councils and the Indirect Costs Program.	39
27. That the federal government continue to support applied research. In doing so, the government should examine the benefits of current programs that support research and development infrastructure in Canada, like the NextGen Biofuels Fund or Forestry Industry Transformation Program, and should look at new initiatives that focus on strengthening the capacity for digitally enabled research and partnerships with universities.....	39
28. That the federal government continue to promote the importance of health, sport and physical literacy by continuously supporting organizations such as ParticipACTION and Special Olympics Canada.	51
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- 44. That the federal government continue to work cooperatively with willing provinces and territories towards establishing a co-operative capital markets regulator in order to better protect Canadians and promote the integrity of Canada’s financial system. These efforts should build on the progress of the agreement with Ontario and British Columbia..... 57**
- 45. That the federal government, in collaboration with the provinces and territories, continue its strong support and promotion of the skilled trades, such as working to implement the Canada Jobs Grant or exploring the feasibility and cost of tax incentives to help both skilled workers enhance their mobility and employers of skilled workers. These efforts should include continued support for Skills Canada to ensure the continued promotion of trades in all educational formats, and to address youth unemployment and underemployment. Key educational stakeholders within the trades, like Polytechnics Canada and the Association of Canadian Community Colleges, should be provided with support..... 64**
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- 47. That the federal government continue its modernization of Canada’s immigration system to a “fast and flexible” system better focused on labour market needs, thus supporting economic prosperity for all Canadians. This modernization should include examining the processes for visas, continuing to improve foreign credential recognition for immigrants, and reviewing the minimum language thresholds of the Federal Skilled Worker Program..... 64**
- 48. That the federal government review the Temporary Foreign Worker Program to ensure that it better and more accurately responds to Canada’s labour market needs, including the needs of regions where there are key skills shortages. 64**

Aboriginal Peoples

[Alexis, Cameron](#)

[Assembly of First Nations](#)

[Atlantic Policy Congress of First Nations Chiefs Secretariat](#)

[Augustine, Roger](#)

[Big Brothers Big Sisters of Canada](#)

[Canadian Association of Elizabeth Fry Societies](#)

[Canadian Association of Social Workers](#)

[Canadian Association of University Teachers](#)

[Canadian Co-operative Association](#)

[Canadian Dental Hygienists Association](#)

[Canadian Diabetes Association](#)

[Canadian Literacy and Learning Network](#)

[Erasmus, Bill](#)

[First Call: BC Child and Youth Advocacy Coalition](#)

[Food Secure Canada](#)

[LeBourdais, Michael](#)

[Nelson, Andrew](#)

[Ontario Federation of Indian Friendship Centres](#)

Agriculture, Food and Fisheries

[Canadian Beverage Association](#)

[Canadian Biodiversity Institute](#)

[Canadian Federation of Agriculture](#)

[Canadian Fertilizer Institute](#)

[Canadian Meat Council](#)

[Canadian Vintners Association](#)

[Canadian Wildlife Federation](#)

[Canola Council of Canada](#)

[City of Powell River](#)

[Credit Union Central of Canada](#)

[Food Secure Canada](#)

[National Farmers Union](#)

[Prince Edward Island Fishermen's Association](#)

[Sliammon First Nation](#)

Arts and Culture

[Alliance of Canadian Cinema, Television and Radio Artists](#)

[Association of Canadian Publishers](#)

[Canadian Actors' Equity Association](#)

[Canadian Artists' Representation](#)

[Canadian Arts Coalition](#)

[Canadian Arts Presenting Association](#)

[Canadian Association of Research Libraries](#)

[Canadian Crafts Federation](#)

[Canadian Dance Assembly](#)

[Canadian Museums Association](#)

[Culture Montréal](#)

[Directors Guild of Canada](#)

[Fédération culturelle canadienne-française](#)

[Festivals and Major Events Canada](#)

[Independent Media Arts Alliance](#)

[Opera.ca](#)

[Orchestras Canada](#)

[Pointe-à-Callière, Montréal Museum of Archaeology and History](#)

[Professional Association of Canadian Theatres](#)

[Visual Arts Alliance](#)

[Youth Employment Services](#)

Business Taxation and Regulatory Issues

[Association of Canadian Academic Healthcare Organizations](#)

[Calgary Chamber of Commerce](#)

[Campus Stores Canada](#)

[Canadian Advanced Technology Alliance](#)

[Canadian Apparel Federation](#)

[Canadian Association of Petroleum Producers](#)

[Canadian Bankers Association](#)

[Canadian Construction Association](#)

[Canadian Convenience Stores Association](#)

[Canadian Council of Chief Executives](#)

[Canadian Federation of Agriculture](#)

[Canadian Federation of Apartment Associations](#)

[Canadian Federation of Independent Business](#)

[Canadian Fertilizer Institute](#)

[Canadian Home Builders' Association](#)

[Canadian Housing and Renewal Association](#)

[Canadian Life and Health Insurance Association Inc.](#)

[Canadian Renewable Fuels Association](#)

[Canadian Vehicle Manufacturers' Association](#)

[Canadians for Tax Fairness](#)

[Certified General Accountants Association of Canada](#)

[Chartered Professional Accountants of Canada](#)

[Conair Consumer Products Inc.](#)

[Credit Union Central of Canada](#)

[Deloitte LLP](#)

[Desjardins Group](#)

[Explorers and Producers Association of Canada](#)

[Green Budget Coalition](#)

[Imperial Tobacco Canada Limited](#)

[Investment Funds Institute of Canada](#)

[Medical Reform Group](#)

[National Allied Golf Associations](#)

[Nelson, Don](#)

[Port Metro Vancouver](#)

[Portfolio Management Association of Canada](#)

[Quebec Association of ICT Freelancers](#)

[Retail Council of Canada](#)

[Spirits Canada](#)

[Tax Executives Institute, Inc.](#)

[Thermal Insulation Association of Canada](#)

Charities, Charitable Giving and Volunteerism

[Association of Fundraising Professionals](#)

[Blumberg Segal LLP](#)

[Calgary Chamber of Voluntary Organizations](#)

[Canadian Association of Gift Planners](#)

[Canadian Bar Association](#)

[Canadian Museums Association](#)

[Centre d'action bénévole D'Autray inc.](#)

[Chakma, Amit](#)

[Earth Rangers Foundation](#)

[Fédération franco-ténoise](#)

[GIV3](#)

[Heart and Stroke Foundation of Canada](#)

[Hope Air](#)

[Imagine Canada](#)

[Johnson, Donald K.](#)

[Ménard, L. Jacques](#)

[Multiple Sclerosis Society of Canada](#)

[Orchestras Canada](#)

[Philanthropic Foundations Canada](#)

[Professional Association of Canadian Theatres](#)

[SickKids Foundation](#)

[United Way of Canada](#)

[White, B. Jean](#)

Children, Youth and Families

[Big Brothers Big Sisters of Canada](#)

[Boys and Girls Clubs of Canada](#)

[Canadian Federation of University Women](#)

[Citizens for Public Justice](#)

[Fédération de la jeunesse canadienne-française](#)

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[First Call: BC Child and Youth Advocacy Coalition](#)

[Food Secure Canada](#)

[Habitat for Humanity Canada](#)

[REAL Women of Canada](#)

[Sandbox Project](#)

[YWCA Canada](#)

Disabled Persons

[Canadian Chiropractic Association](#)

[Canadian Mental Health Association](#)

[Canadian National Institute for the Blind](#)

[Community Living Manitoba](#)

[Council of Canadians with Disabilities](#)

[March of Dimes Canada](#)

[National ME / FM Action Network](#)

[Special Olympics Canada](#)

Education and Skills Training

[ABC Life Literacy Canada](#)

[Assembly of First Nations](#)

[Association of Canadian Community Colleges](#)

[Association of Faculties of Medicine of Canada](#)

[Association of Universities and Colleges of Canada](#)

[Atlantic Provinces Community College Consortium](#)

[Automotive Industries Association of Canada](#)

[Boys and Girls Clubs of Canada](#)

[Building and Construction Trades Department, AFL-CIO](#)

[Canadian Alliance of Student Associations](#)

[Canadian Association for Graduate Studies](#)

[Canadian Association of Postdoctoral Scholars](#)

[Canadian Association of Student Financial Aid Administrators](#)

[Canadian Bureau for International Education](#)

[Canadian Consortium for Research](#)

[Canadian Electricity Association](#)

[Canadian Federation of Nurses Unions](#)

[Canadian Federation of Students](#)

[Canadian Federation of Students \(Manitoba\)](#)

[Canadian Federation of Students \(Newfoundland and Labrador\)](#)

[Canadian Federation of Students \(Nova Scotia\)](#)

[Canadian Federation of Students \(Ontario\)](#)

[Canadian Home Builders' Association](#)

[Canadian Museums Association](#)

[Canadian Psychological Association](#)

[Canadian Society for Medical Laboratory Science](#)

[Canadian Steel Producers Association](#)

[Collège communautaire du Nouveau-Brunswick](#)

[Engineers Canada](#)

[Fédération des communautés francophones et acadienne du Canada](#)

[Federation for the Humanities and Social Sciences](#)

[Fédération franco-ténoise](#)

[Funeral Service Association of Canada](#)

[Greater Kitchener Waterloo Chamber of Commerce](#)

[International Association of Fire Fighters](#)

[Inuit Tapiriit Kanatami](#)

[Manitoba Aviation Council](#)

[National Aboriginal Caucus](#)

[National Association of Career Colleges](#)

[National Graduate Caucus](#)

[Partnership Group for Science and Engineering](#)

[Petroleum Services Association](#)

[of Canada](#)

[Polytechnics Canada](#)

[Quality Urban Energy Systems
of Tomorrow](#)

[Recreation Vehicle Dealers
Association of Canada](#)

[Ryerson University](#)

[Tourism Industry Association of](#)

[Prince Edward Island](#)

Employment, Labour Markets and Unions

[Big Brothers Big Sisters of
Canada](#)

[Brandon Career Symposium](#)

[Calgary Chamber of Commerce](#)

[Canadian Association for
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[Canadian Association of
Petroleum Producers](#)

[Canadian Association of Retired
Persons](#)

[Canadian Chamber of
Commerce](#)

[Canadian Council of Chief
Executives](#)

[Canadian Federation of Medical
Students](#)

[Canadian Federation of
University Women](#)

[Canadian Fertilizer Institute](#)

[Canadian Labour Congress](#)

[Canadian Literacy and Learning](#)

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[Lahey, Kathleen A.](#)

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[Northwest Territories Chamber
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[Winnipeg Career Symposium](#)

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Energy and the Environment

[Canadian Biodiversity Institute](#)

[Canadian Construction
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[Canadian Energy Pipeline
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[Canadian Federation of
Apartment Associations](#)

[Citizens for Public Justice](#)

[Ducks Unlimited Canada](#)

[Future of Howe Sound Society](#)

[Green Budget Coalition](#)

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[Calgary Chamber of Commerce](#)

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[Canadian Psychiatric](#)

[Association](#)

[Canadian Psychological
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[Canadian Taxpayers Federation](#)

[Council of Canadian Academies](#)

[Fédération des communautés francophones et acadienne du Canada](#)

[Financial Executives International Canada](#)

[Lenneard, Paul](#)

[National Coalition Against Contraband Tobacco](#)

[Nishiyama, Jason](#)

[Professional Institute of the Public Service of Canada](#)

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[Quebec Employers' Council](#)

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[Regroupement des jeunes chambres de commerce du](#)

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[Sport Matters Group](#)

[White, B. Jean](#)

Financial Services and Other Financial Issues

[ABC Life Literacy Canada](#)

[Canadian Association of Accredited Mortgage Professionals](#)

[Canadian Association of Retired Persons](#)

[Canadian Automobile Dealers Association](#)

[Canadian Bankers Association](#)

[Canadian Construction Association](#)

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[Ooi, Diana](#)

[Portfolio Management Association of Canada](#)

[Recreation Vehicle Dealers Association of Canada](#)

[Visa Canada Corporation](#)

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Foreign Aid and Foreign Policy

[Action Canada for Population and Development](#)

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[Engineers Without Borders Canada](#)

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[Forest Products Association of Canada](#)

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[PearTree Financial Services](#)

[Prospectors and Developers Association of Canada](#)

Health

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[BIOTECanada](#)

[Canadian Alliance on Mental Illness and Mental Health](#)

[Canadian Association of Speech-Language Pathologists and Audiologists](#)

[Canadian Cancer Society](#)

[Canadian Coalition for Action on Tobacco](#)

[Canadian Counselling and Psychotherapy Association](#)

[Canadian Dental Hygienists Association](#)

[Canadian Diabetes Association](#)

[Canadian Doctors for Medicare](#)

[Canadian Federation of Medical Students](#)

[Canadian Federation of Nurses Unions](#)

[Canadian Foundation for Healthcare Improvement](#)
[Canadian Health Food Association](#)
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[Canadian Hospice Palliative Care Association](#)
[Canadian Interuniversity Sport](#)
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[Canadian Mental Health Association](#)
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[Chronic Disease Prevention Alliance of Canada](#)

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[Heart and Stroke Foundation of Canada](#)
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[Leduc Beaumont Devon Primary Care Network](#)
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[Merck Canada Inc.](#)
[National ME / FM Action](#)

[Network](#)
[ParticipACTION](#)
[Partners for Mental Health](#)
[Professional Writers Association of Canada](#)
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[Sunnybrook Health Sciences Centre](#)
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[Fédération des communautés francophones et acadienne du Canada](#)
[Medicine Hat and District Chamber of Commerce](#)

[Progressive Contractors Association of Canada](#)
[Regroupement des jeunes chambres de commerce du Québec](#)

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[Association of Canadian Community Colleges](#)
[Association of Consulting Engineering Companies - Canada](#)
[Association of Universities and Colleges of Canada](#)
[Atlantic Canada Airports Association](#)
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[Canadian Airports Council](#)
[Canadian Consortium for](#)

[Research](#)
[Canadian Electricity Association](#)
[Canadian Hydrogen and Fuel Cell Association](#)
[Canadian Life and Health Insurance Association Inc.](#)
[Canadian Renewable Fuels Association](#)
[Canadian Urban Transit Association](#)
[Cement Association of Canada](#)
[City of Calgary](#)
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[BIOTECanada](#)

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[Canada Mining Innovation
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[Canadian Gas Association](#)

[Canadian Hydrogen and Fuel
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[Canadian Manufacturers and
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[Canadian Renewable Fuels
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[Canadian Steel Producers
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[Canadian Vehicle
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[CANARIE Inc.](#)

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[Centennial College](#)

[Certified General Accountants
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[Enbridge Inc.](#)

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[Federation for the Humanities
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[Information Technology
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[Intellectual Property Institute of
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[National Graduate Caucus](#)

[Natural Sciences and
Engineering Research Council
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[Nishiyama, Jason](#)

[Norton, Brent](#)

[Opera.ca](#)

[Partnership Group for Science
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[Polytechnics Canada](#)

[Queen's University](#)

[Ryerson University](#)

[Smith, Nelson](#)

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[University of Ontario Institute of
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[University of Saskatchewan](#)

[Windatt, Clayton Harold](#)

[University of Toronto](#)

[Writers' Union of Canada](#)

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[Canadian Manufacturers and Exporters](#)

[Canadian Vintners Association](#)

[National Marine Manufacturers Association Canada](#)

[Canadian Urban Transit Association](#)

[Chemistry Industry Association of Canada](#)

[Food & Consumer Products of Canada](#)

Military, and Public Safety and Security

[Boys and Girls Clubs of Canada](#)

[Canadian Convenience Stores Association](#)

[Hacking, Robert](#)

[Canadian Association of Elizabeth Fry Societies](#)

[Canadian Federation of University Women](#)

[International Association of Fire Fighters](#)

[Canadian Association of Fire Chiefs](#)

[Canadian Institute for Military and Veteran Health Research](#)

[Canadian Centre for Policy Alternatives](#)

[CHC Helicopter](#)

[City of Edmonton](#)

Parliament, Elections and Democracy

[Hacking, Robert](#)

Personal Taxation

[Automotive Industries Association of Canada](#)

[Canadians for Tax Fairness](#)

[Lapointe, Chantal](#)

[Building and Construction Trades Department, AFL-CIO](#)

[Consumer Health Products Canada](#)

[Medicine Hat and District Chamber of Commerce](#)

[Canadian Association of Accredited Mortgage Professionals](#)

[Deloitte LLP](#)

[Northwest Territories Association of Communities](#)

[Canadian Chamber of Commerce](#)

[Fédération étudiante universitaire du Québec](#)

[REAL Women of Canada](#)

[Canadian Real Estate Association](#)

[Institute of Marriage and Family Canada](#)

[Writers' Union of Canada](#)

[Canadian Retail Building Supply Council](#)

[Johnson & Johnson Family of Companies in Canada](#)

[Johnson & Johnson Inc.](#)

[Lahey, Kathleen A.](#)

Poor, Poverty and Income Inequality

[Campaign 2000 End Child Poverty in Canada](#)

[Canadian Association of Social Workers](#)

[Canadian Housing and Renewal Association](#)

[Canada Without Poverty](#)

[Canadian Federation of Apartment Associations](#)

[Canadian Nurses Association](#)

[City of Calgary](#)

[City of Edmonton](#)

[Co-operative Housing Federation of Canada](#)

[First Call: BC Child and Youth Advocacy Coalition](#)

[Funeral Service Association of Canada](#)

[Hockley, John](#)

[Homes for Women](#)

[Inuit Tapiriit Kanatami](#)

[Macerollo, Tony](#)

[Multiple Sclerosis Society of Canada](#)

[National Union of Public and General Employees](#)

[Northwest Territories](#)

[Association of Communities](#)

[Pasqualetto, Perry](#)

[YWCA Canada](#)

Retirement, Pensions and Seniors

[Canadian Association of Occupational Therapists](#)

[Canadian Association of Retired Persons](#)

[Canadian Association of Social Workers](#)

[Canadian Bankers Association](#)

[Canadian Labour Congress](#)

[Canadian Life and Health Insurance Association Inc.](#)

[Canadian Union of Public Employees](#)

[Coombs, Derrick](#)

[Financial Executives International Canada](#)

[Funeral Service Association of Canada](#)

[Investment Funds Institute of Canada](#)

[Investment Industry Association of Canada](#)

Rural, Remote and Urban Communities

[Alliance des radios communautaires du Canada](#)

[Canadian Climate Forum](#)

[Canadian Counselling and Psychotherapy Association](#)

[Canadian Dental Hygienists Association](#)

[Canadian Gas Association](#)

[Canadian Society for Medical Laboratory Science](#)

[City of Calgary](#)

[Fédération étudiants universitaire du Québec](#)

[Federation of Canadian Municipalities](#)

[Hacking, Robert](#)

[Heritage Canada Foundation](#)

[Public Service Alliance of Canada](#)

[Quality Urban Energy Systems of Tomorrow](#)

[Saskatchewan Association of Rural Municipalities](#)

Small and Medium-Sized Enterprises

[Aerospace Industries Association of Canada](#)

[Canadian Community Economic Development Network](#)

[Canadian Convenience Stores Association](#)

[Canadian Co-operative Association](#)

[Canadian Literacy and Learning Network](#)

[Canadian Media Production Association](#)

[Conseil canadien de la coopération et de la mutualité](#)

[Co-operative Housing Federation of Canada](#)

[MITACS Inc.](#)

[Regroupement des jeunes chambres de commerce du Québec](#)

[Vancouver Board of Trade](#)

[Writers' Union of Canada](#)

[Youth Employment Services](#)

Tourism

[Association québécoise de l'industrie touristique](#)

[Atlantic Canada Airports Association](#)

[Canadian Airports Council](#)

[Festivals and Major Events Canada](#)

[Hospitality Newfoundland and Labrador](#)

[Hotel Association of Canada](#)

[Tourism Industry Association of Prince Edward Island](#)

Trade and Investment

[Alberta Urban Municipalities Association](#)

[Automotive Industries Association of Canada](#)

[Canadian Association of Petroleum Producers](#)

[Canadian Bureau for International Education](#)

[Canadian Council of Chief Executives](#)

[Canadian Real Estate Association](#)

[Canadian Steel Producers Association](#)

[Canadian Vehicle Manufacturers' Association](#)

[Canola Council of Canada](#)

[Conseil canadien de la coopération et de la mutualité](#)

[Danier Leather Inc.](#)

[Hotel Association of Canada](#)

[Johnson & Johnson Family of Companies in Canada](#)

[Medicine Hat and District Chamber of Commerce](#)

[Merck Canada Inc.](#)

[National Airlines Council of Canada](#)

[National Marine Manufacturers Association Canada](#)

[Tourism Industry Association of Canada](#)

Transportation and Communication

[Canadian Ferry Operators Association](#)

[Canadian Gas Association](#)

[Canadian Shipowners Association](#)

[Cement Association of Canada](#)

[Northwest Territories Chamber of Commerce](#)

[Port Metro Vancouver](#)

[Railway Association of Canada](#)

[Société de transport de Montréal](#)

APPENDIX B LIST OF WITNESSES

41st Parliament – Second Session		
Organizations and Individuals	Date	Meeting
<p>As an individual Luc Godbout, Professor and Researcher, Fiscality and Public Finances Research Chair</p> <p>Association québécoise de l'industrie touristique Yan Hamel, Chairman, Board of Directors</p> <p>Canadian Centre for Policy Alternatives David Macdonald, Senior Economist</p> <p>Canadian Council of Chief Executives Ailish Campbell, Vice-President, Policy, International and Fiscal Issues</p> <p>Certified General Accountants Association of Canada Carole Presseault, Vice-President, Government and Regulatory Affairs</p> <p>Chartered Professional Accountants of Canada Richard Monk, Advisor, Past Chair, Certified Management Accountants of Canada</p> <p>Conference Board of Canada Glen Hodgson, Senior Vice-President and Chief Economist</p> <p>Financial Executives International Canada Peter Effer, Chair, Policy Forum</p> <p>Investment Industry Association of Canada Ian Russell, President and Chief Executive Officer</p> <p>Kitimat Clean Ltd. David Black, President</p> <p>University of Ottawa Kevin Page, Research Chair Jean-Luc Pépin, Faculty of Social Sciences</p>	2013/11/05	3
<p>As an individual Kathleen A. Lahey, Professor, Faculty of Law, Queen's University</p> <p>Assembly of First Nations Morley Googoo, Regional Chief</p>	2013/11/06	4

41st Parliament – Second Session

Organizations and Individuals	Date	Meeting
<p>Canadian Alliance of Student Associations Amanda Nielsen, Board Chair</p> <p>Canadian Medical Association Owen Adams, Vice-President, Research and Policy</p> <p>Canadian National Institute for the Blind Diane Bergeron, National Director, Government Relations and Advocacy Margaret McGrory, Vice-President, Executive Director, Library</p> <p>Canadian Nurses Association Rachel Bard, Chief Executive Officer</p> <p>Fédération étudiante universitaire du Québec Jonathan Bouchard, Vice-President Sociopolitical Affairs</p> <p>Imagine Canada Michelle Gauthier, Vice-President, Public Policy and Outreach</p> <p>ParticipACTION Kelly Murumets, President and Chief Executive Officer</p> <p>PearTree Financial Services Marilyn Anthony, New Business Development</p> <p>Special Olympics Canada Sharon Bollenbach, Senior Vice-President, Sport and Strategic Initiatives</p> <p>Whispering Pines Clinton Indian Band Michael LeBourdais, Chief</p>	2013/11/06	4
<p>Aerospace Industries Association of Canada Iain Christie, Executive Vice-President</p> <p>Association of Universities and Colleges of Canada Paul Davidson, President and Chief Executive Officer</p> <p>Canada Foundation for Innovation Gilles Patry, President and Chief Executive Officer</p> <p>Confédération des syndicats nationaux Jean Lortie, Corporate Secretary</p> <p>Deloitte LLP Natan Aronshtam, Global Managing Director, Research and Development and Government Incentives</p>	2013/11/07	5

41st Parliament – Second Session

Organizations and Individuals	Date	Meeting
<p>Forest Products Association of Canada Catherine Cobden, Executive Vice-President</p> <p>Greater Kitchener Waterloo Chamber of Commerce Art Sinclair, Vice-President</p> <p>Green Budget Coalition Andrew Van Iterson, Manager</p> <p>Information Technology Association of Canada Karna Gupta, President and Chief Executive Officer</p> <p>Polytechnics Canada Nobina Robinson, Chief Executive Officer</p> <p>Sunnybrook Health Sciences Centre Michael Julius, Vice-President, Research</p> <p>U15 - Group of Canadian Research Universities Elizabeth Cannon, Vice-Chair, President and Vice-Chancellor, University of Calgary</p>	2013/11/07	5
<p>Agence métropolitaine de transport Nicolas Girard, Chief Executive Officer</p> <p>As an individual David Hulchanski, Professor, University of Toronto</p> <p>Calgary Chamber of Commerce Justin Smith, Director, Policy, Research and Government Relations</p> <p>Canadian Convenience Stores Association Alex Scholten, President</p> <p>Canadian Real Estate Association Gregory Klump, Chief Economist Gary Simonsen, Chief Executive Officer</p> <p>Credit Union Central of Canada David Phillips, President and Chief Executive Officer</p> <p>Desjardins Group Daniel Roussel, Consulting Director, Senior Vice-President, Cooperation and Corporate Affairs</p> <p>Federation of Canadian Municipalities Brad Woodside, First Vice-President, Mayor of the City of Fredericton</p>	2013/11/19	7

41st Parliament – Second Session

Organizations and Individuals	Date	Meeting
<p>Saskatchewan Association of Rural Municipalities David Marit, President</p> <p>Solidarité rurale du Québec Claire Bolduc, President</p> <p>Sunnybrook Health Sciences Centre Barry McLellan, President and Chief Executive Officer</p> <p>Tourism Industry Association of Canada David F. Goldstein, President and Chief Executive Officer</p>	2013/11/19	7
<p>Cambri Development Group Inc. Cecelia McGuire, Controller, Talasa at Sun Rivers</p> <p>Canadian Federation of Independent Business Monique Moreau, Senior Policy Analyst</p> <p>Canadian Taxpayers Federation Gregory Thomas, Federal Director</p> <p>Canadian Union of Public Employees Paul Moist, National President</p> <p>Canadians for Tax Fairness Dennis Howlett, Executive Director</p> <p>Retail Council of Canada Karl Littler, Vice-President, Provincial Government Relations and Strategic Issues</p>	2013/11/20	8
<p>Canadian Association of Petroleum Producers Alex Ferguson, Vice-President, Policy and Environment</p> <p>Canadian Construction Association Michael Atkinson, President</p> <p>Canadian Energy Pipeline Association Brenda Kenny, President and Chief Executive Officer</p> <p>Canadian Labour Congress Angella MacEwen, Senior Economist, Social and Economic Policy</p> <p>Canadian Manufacturers and Exporters Martin Lavoie, Director, Manufacturing Competitiveness and Innovation Policy</p> <p>Canadian Restaurant and Foodservices Association Garth Whyte, President and Chief Executive Officer</p>	2013/11/21	9

41st Parliament – Second Session

Organizations and Individuals	Date	Meeting
Institut de recherche et d'informations socio-économiques Éric Pineault, Professor	2013/11/21	9
Northam Brands Ltd. Jayson Columbus, Director, Finance and Administration		
Quebec Employers' Council Norma Kozhaya, Director of Research and Chief Economist		
Regroupement des jeunes chambres de commerce du Québec Julie Labrecque, Vice-President		
Unifor Jim Stanford, Economist		
United Steelworkers Erin Weir, Economist, Canadian National Office		

***No witness appeared before the Committee during the 41st Parliament – First Session**

APPENDIX C LIST OF BRIEFS

41st Parliament – First Session

Organizations and Individuals

ABC Life Literacy Canada

Action Canada for Population and Development

Aerospace Industries Association of Canada

Alberta Urban Municipalities Association

Alexis, Cameron

Alliance des radios communautaires du Canada

Alliance of Canadian Cinema, Television and Radio Artists

Alzheimer Society of Canada

Assembly of First Nations

Association of Canadian Academic Healthcare Organizations

Association of Canadian Community Colleges

Association of Canadian Publishers

Association of Consulting Engineering Companies - Canada

Association of Faculties of Medicine of Canada

Association of Fundraising Professionals

Association of Universities and Colleges of Canada

Association québécoise de l'industrie touristique

Atlantic Canada Airports Association

Atlantic Policy Congress of First Nations Chiefs

Atlantic Provinces Community College Consortium

Augustine, Roger

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Organizations and Individuals

Auto21 Inc.

Automotive Industries Association of Canada

Big Brothers Big Sisters of Canada

BIOTECanada

Blumberg Segal LLP

Boys and Girls Clubs of Canada

Brandon Career Symposium

Building and Construction Trades Department, AFL-CIO

Calgary Chamber of Commerce

Calgary Chamber of Voluntary Organizations

Campaign 2000 End Child Poverty in Canada

Campus Stores Canada

Canada Foundation for Innovation

Canada Mining Innovation Council

Canada Without Poverty

Canadian Actors' Equity Association

Canadian Advanced Technology Alliance

Canadian Airports Council

Canadian Alliance of Student Associations

Canadian Alliance on Mental Illness and Mental Health

Canadian Apparel Federation

Canadian Artists' Representation

Canadian Arts Coalition

Canadian Arts Presenting Association

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Organizations and Individuals

Canadian Association for Community Living

Canadian Association for Graduate Studies

Canadian Association of Accredited Mortgage Professionals

Canadian Association of Elizabeth Fry Societies

Canadian Association of Fire Chiefs

Canadian Association of Gift Planners

Canadian Association of Occupational Therapists

Canadian Association of Petroleum Producers

Canadian Association of Physicists

Canadian Association of Postdoctoral Scholars

Canadian Association of Research Libraries

Canadian Association of Retired Persons

Canadian Association of Social Workers

Canadian Association of Speech-Language Pathologists and Audiologists

Canadian Association of Student Financial Aid Administrators

Canadian Association of University Teachers

Canadian Automobile Dealers Association

Canadian Bankers Association

Canadian Bar Association

Canadian Beverage Association

Canadian Biodiversity Institute

Canadian Bureau for International Education

Canadian Cancer Society

Canadian Centre for Policy Alternatives

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Organizations and Individuals

Canadian Chamber of Commerce

Canadian Chiropractic Association

Canadian Climate Forum

Canadian Coalition for Action on Tobacco

Canadian Community Economic Development Network

Canadian Consortium for Research

Canadian Construction Association

Canadian Convenience Stores Association

Canadian Co-operative Association

Canadian Council of Chief Executives

Canadian Counselling and Psychotherapy Association

Canadian Crafts Federation

Canadian Dance Assembly

Canadian Dental Hygienists Association

Canadian Diabetes Association

Canadian Doctors for Medicare

Canadian Electricity Association

Canadian Energy Pipeline Association

Canadian Federation for the Humanities and Social Sciences

Canadian Federation of Agriculture

Canadian Federation of Apartment Associations

Canadian Federation of Independent Business

Canadian Federation of Medical Students

Canadian Federation of Nurses Unions

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Organizations and Individuals

Canadian Federation of Students

Canadian Federation of Students (Manitoba)

Canadian Federation of Students (Newfoundland and Labrador)

Canadian Federation of Students (Nova Scotia)

Canadian Federation of Students (Ontario)

Canadian Federation of University Women

Canadian Ferry Operators Association

Canadian Fertilizer Institute

Canadian Foundation for Healthcare Improvement

Canadian Gas Association

Canadian Health Food Association

Canadian Healthcare Association

Canadian Home Builders' Association

Canadian Hospice Palliative Care Association

Canadian Housing and Renewal Association

Canadian Hydrogen and Fuel Cell Association

Canadian Institute for Military and Veteran Health Research

Canadian Institutes of Health Research

Canadian Interuniversity Sport

Canadian Labour Congress

Canadian Life and Health Insurance Association Inc.

Canadian Literacy and Learning Network

Canadian Manufacturers and Exporters

Canadian Meat Council

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Organizations and Individuals

Canadian Media Production Association

Canadian Medical Association

Canadian Mental Health Association

Canadian Museums Association

Canadian National Institute for the Blind

Canadian Nurses Association

Canadian Psychiatric Association

Canadian Psychological Association

Canadian Real Estate Association

Canadian Renewable Fuels Association

Canadian Retail Building Supply Council

Canadian Shipowners Association

Canadian Society for Medical Laboratory Science

Canadian Steel Producers Association

Canadian Taxpayers Federation

Canadian Union of Public Employees

Canadian Urban Transit Association

Canadian Vehicle Manufacturers' Association

Canadian Vintners Association

Canadian Wildlife Federation

Canadians for Tax Fairness

CANARIE Inc.

Canola Council of Canada

Cement Association of Canada

41st Parliament – First Session

Organizations and Individuals

Centennial College

Centre d'action bénévole D'Autray inc.

Certified General Accountants Association of Canada

Chakma, Amit

Chartered Professional Accountants of Canada

CHC Helicopter

Chemical Institute of Canada

Chemistry Industry Association of Canada

Chronic Disease Prevention Alliance of Canada

Citizens for Public Justice

City of Calgary

City of Edmonton

City of London

City of Powell River

City of Summerside

Coalition for Canadian Astronomy

Collège communautaire du Nouveau-Brunswick

College of Family Physicians of Canada

Colleges Ontario

Conair Consumer Products Inc.

Conseil canadien de la coopération et de la mutualité

Consumer Health Products Canada

Coombs, Derrick

Co-operative Housing Federation of Canada

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Organizations and Individuals

Council of Canadian Academies

Council of Canadians with Disabilities

Credit Union Central of Canada

Crohn's and Colitis Foundation of Canada

Culture Montréal

Danier Leather Inc.

Deloitte LLP

Desjardins Group

Directors Guild of Canada

Ducks Unlimited Canada

Earth Rangers

Enbridge Inc.

Engineers Canada

Engineers Without Borders Canada

Erasmus, Bill

Explorers and Producers Association of Canada

Federal Active Transportation Coalition

Fédération culturelle canadienne-française

Fédération de la jeunesse canadienne-française

Fédération des communautés francophones et acadienne du Canada

Fédération étudiante universitaire du Québec

Fédération franco-ténoise

Federation of Canadian Municipalities

Festivals and Major Events Canada

41st Parliament – First Session

Organizations and Individuals

Financial Executives International Canada

First Call: BC Child and Youth Advocacy Coalition

Food and Consumer Products of Canada

Food Secure Canada

Forest Products Association of Canada

Funeral Service Association of Canada

Future of Howe Sound Society

GIV3

Greater Kitchener Waterloo Chamber of Commerce

Green Budget Coalition

Habitat for Humanity Canada

Hacking, Robert

Heart and Stroke Foundation of Canada

Heritage Canada Foundation

Hockley, John

Homes for Women

Hope Air

Hospitality Newfoundland and Labrador

Hotel Association of Canada

Imagine Canada

Imperial Tobacco Canada Limited

Independent Media Arts Alliance

Information Technology Association of Canada

Institute for Quantum Computing

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Organizations and Individuals

Institute of Marriage and Family Canada
Intellectual Property Institute of Canada
Interagency Coalition on AIDS and Development
International Association of Fire Fighters
Inuit Tapiriit Kanatami
Investment Funds Institute of Canada
Investment Industry Association of Canada
Johnson & Johnson Family of Companies in Canada
Johnson & Johnson Inc.
Johnson, Donald
Lahey, Kathleen A.
Lapointe, Chantal
LeBourdais, Michael
Leduc Beaumont Devon Primary Care Network
Lenneard, Paul
Macerollo, Tony
Manitoba Aerospace Association Inc.
Manitoba Aviation Council
March of Dimes Canada
MATCH International
McGill University
McMaster University
Medical Reform Group
Medicine Hat and District Chamber of Commerce

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Organizations and Individuals

Ménard, L. Jacques

Merck Canada Inc.

Merit Canada

Mining Association of Canada

MITACS

Multiple Sclerosis Society of Canada

National Aboriginal Caucus

National Airlines Council of Canada

National Allied Golf Associations

National Association of Career Colleges

National Coalition Against Contraband Tobacco

National Farmers Union

National Graduate Caucus

National Marine Manufacturers Association Canada

National ME / FM Action Network

National Union of Public and General Employees

Natural Sciences and Engineering Research Council of Canada

Nature Conservancy of Canada

Nelson, Andrew

Nelson, Don

Nishiyama, Jason

Northwest Territories Association of Communities

Northwest Territories Chamber of Commerce

Norton, Brent

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Organizations and Individuals

Oleson, David

Ontario Federation of Indian Friendship Centres

Ooi, Diana

Opera.ca

Orchestras Canada

Oxfam Canada

ParticipACTION

Partners for Mental Health

Partnership Group for Science and Engineering

Pasqualetto, Perry

PearTree Financial Services

Petroleum Services Association of Canada

Philanthropic Foundations Canada

Pointe-à-Callière, Montréal Museum of Archaeology and History

Polytechnics Canada

Port Metro Vancouver

Portfolio Management Association of Canada

Prince Edward Island Fishermen's Association

Professional Association of Canadian Theatres

Professional Institute of the Public Service of Canada

Professional Writers Association of Canada

Progressive Contractors Association of Canada

Prospectors and Developers Association of Canada

Public Service Alliance of Canada

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Organizations and Individuals

Quality Urban Energy Systems of Tomorrow

Quebec Association of ICT Freelancers

Quebec Employers' Council

Queen's University

Railway Association of Canada

REAL Women of Canada

Recreation Vehicle Dealers Association of Canada

Regroupement des jeunes chambres de commerce du Québec

ReStore

Retail Council of Canada

Ryerson University

Sandbox Project

Saskatchewan Association of Rural Municipalities

SickKids Foundation

Sliammon First Nation

Smith, Nelson

Social Sciences and Humanities Research Council of Canada

Société de transport de Montréal

Special Olympics Canada

Spirits Canada

Sport Matters Group

Sunnybrook Health Sciences Centre

Tax Executives Institute, Inc.

Thermal Insulation Association of Canada

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Organizations and Individuals

Tourism Industry Association of Canada

Tourism Industry Association of Prince Edward Island

Township of North Glengarry

U15 - Group of Canadian Research Universities

United Way of Canada

University of Alberta

University of British Columbia

University of Calgary

University of Manitoba

University of Ontario Institute of Technology

University of Saskatchewan

University of Toronto

University of Windsor

Vancouver Board of Trade

Visa Canada Corporation

Visual Arts Alliance

Wabash Building Society

White, B. Jean

Windatt, Clayton Harold

Winnipeg Career Symposium

World University Service of Canada

Writers' Union of Canada

YMCA Canada

Youth Employment Services

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Organizations and Individuals

YWCA Canada

Zwicker, Barry

APPENDIX D LIST OF BRIEFS

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Organizations and Individuals

Association of Universities and Colleges of Canada

Association québécoise de l'industrie touristique

Cambri Development Group Inc.

Canada Foundation for Innovation

Canadian Association of Petroleum Producers

Canadian Energy Pipeline Association

Canadian Medical Association

Canadian Nurses Association

Canadians for Tax Fairness

Fédération étudiante universitaire du Québec

Forest Products Association of Canada

Godbout, Luc

Greater Kitchener Waterloo Chamber of Commerce

Hulchanski, David

Imagine Canada

Institut de recherche et d'informations socio-économiques

Investment Industry Association of Canada

Kitimat Clean Ltd.

Lahey, Kathleen A.

PearTree Financial Services

Quebec Employers' Council

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Organizations and Individuals

Saskatchewan Association of Rural Municipalities

Special Olympics Canada

Sunnybrook Health Sciences Centre

Tourism Industry Association of Canada

United Steelworkers

MINUTES OF PROCEEDINGS

A copy of the relevant *Minutes of Proceedings* ([Meetings Nos. 3, 4, 5, 7, 8, 9, 14 and 15](#)) is tabled.

Respectfully submitted,

James Rajotte
Chair

Budget 2014: NDP Pre-budget Consultation Supplementary Report

Building a fairer, greener, more prosperous Canada for all

Introduction

As Canada continues to grapple with the impacts of the most severe economic downturn since the Great Depression, Canadians are looking to their government to propose real solutions. As elected representatives, Canadians expect us to work together to help make life more affordable; to help families save and invest for their retirement; and to help create good, middle-class jobs. New Democrats believe that with an approach that's balanced, sustainable and fiscally responsible, we can do just that.

The majority report contains many important summaries of witness testimonies. Regrettably, however, the recommendations contained within the committee's main report fail to present comprehensive solutions to the important issues raised in these hearings. Like successive federal governments before it, the current government has watched as a generation of middle-class jobs have continued to disappear, without doing anything to create the next generation of middle-class jobs. The committee's main findings have failed to present a clear path forward to meet the challenges we face. Therefore, we respectfully present this supplementary report.

Apart from substance, several witnesses also raised objections with respect to process. Consultations conducted by the Standing Committee on Finance are one of the few opportunities Canadians have to influence many of the most important initiatives the government will undertake in a normal fiscal year. Yet, once again, they find that the format for submissions has been made unnecessarily limiting, both in terms of the questions posed and length of the submissions permitted. Limiting interventions to this extent does not allow for Canadians to participate in the Budget process in the fullest and most comprehensive fashion. This is a concern that the NDP shares.

Finally, New Democrats remain gravely concerned with regards to the transparency and accountability of the budget process as a whole. We call on the federal government to introduce more transparency to the budget process as recommended by the Parliamentary Budget Officer. We renew our call for legislation to establish the Parliamentary Budget Officer as a fully independent officer of Parliament.

Growing Economic Uncertainty

Canada's economy continues to underperform.

- Unemployment remains stubbornly high hovering near 7% across Canada, while youth unemployment remains nearly twice that high. Several provinces still have double digit unemployment and the total unemployed still number over 1.3 million – nearly 300,000 higher than before the recession.
- Household debt has reached dangerously high levels and continues to worsen. In September of this year, Canadian household debt hit a record high of 166% of disposable income, and Canadian household debt now stands within hailing distance of U.S. levels just before the crash of 2008. The Bank of Canada has called household debt the “biggest domestic risk” to the Canadian economy.
- Just as global economic threats have showed some signs of easing, Canada is facing new challenges at home. The IMF has downgraded its growth forecast for Canada in 2013 and said that Canada now has the most over-valued housing market in the world.

- At a time when families are struggling to make ends meet, hundreds of thousands of Canadians are being forced to rely on part-time and precarious contract work when they would rather have full-time, permanent jobs. A recent study found that in Toronto alone, as much as half the working population can't find a stable, full-time job.
- The job vacancy rate has worsened dramatically in the last year, up from 5.2 unemployed workers per available job in August, 2012 to 6.4 unemployed workers per available job in August of this year.
- Many witnesses noted the weakness of the job market pointing out that, in light of population growth, there has been no increase in the employment rate and that the recovery has stalled.
- The government's job creation strategy is unbalanced and limited. The oil & gas sector accounts for an important 6% of our economy; however, the government has put virtually all of its emphasis on this extractive industry and exports while neglecting both the development of other sectors and the creation of value added jobs within the resource sector.
- The austerity measures introduced by the Conservative government undermine the economic recovery, slow the level of economic activity and therefore exacerbates the vulnerability of Canadians.
- The government must guarantee the fiscal sustainability of the federal government in a manner that does not jeopardize the economic recovery or the sustainability of the provinces.
- Canada has pledged to balance the budget by 2015-1016 and reduce the federal debt-to-GDP ratio to 25% by 2021. A policy criticized by former PBO, Kevin Page, who said a race to a balanced budget is not relevant unless this ratio [debt-to-GDP] gets out of control, which is not the case in Canada. Once again, the Conservatives are putting their political agenda ahead of sound economic management.
- The Conservatives have also pushed on with cuts to the EI program and in August hit a historic record low in the percentage of unemployed Canadians able to access EI benefits. At the same time they have abolished the independent Canadian Employment Insurance Financing Board and are on track to once again use EI funds to cover their deficit. It is imperative that Employment Insurance funds must be there for those who contribute in it, not to serve the government's political needs
- Rather than developing the skills of Canadian workers and matching our unemployed to these vacancies, the government has put the emphasis on recruiting Temporary Foreign Workers (TFW)—even going so far as a failed attempt in last year's budget process to allow Temporary Foreign Workers to be paid as much as 15% less than Canadian workers doing the same job. This has the effect of undermining pressures to increase wages for Canadians in high-demand occupations.
- Poverty also remains unacceptably high in Canada, with over 15% of Canadian children living in poverty and over 833,000 Canadians currently using food banks on a monthly basis. This is a national disgrace.
- At the same time, the government is downloading massive costs to provinces and individuals through its \$36 billion in cuts to provincial health care transfers and by raising the age of eligibility for OAS/GIS from 65 to 67. As a result, provincial governments will have difficult choices to make in respect of social programs and public healthcare.

Moving Forward with Solutions

While a thriving private sector will always be at the heart of Canada's economy, New Democrats believe there is a common sense role for government in providing basic services on which Canadians rely: investing in infrastructure, education and innovation; providing tax credits to small and medium-sized businesses that create jobs; and working with provinces, municipalities and Aboriginal communities to build a Canadian economy that thrives in the 21st century.

Investing in innovation, economic development and high quality, middle-class jobs

- Work with the private sector to help Canadian businesses strengthen and grow, create jobs and improve export performance in glob markets.
- Continue to build on the existing job creation tax credit for small and medium-sized businesses.
- Develop a comprehensive strategy to deal with persistent structural youth un- and underemployment and implement a youth hiring and training credit to help businesses create jobs for young Canadians. Crack down on the abuse of unpaid internships to ensure that young people are paid for the work that they perform.
- Reverse the damaging cuts to tax credits for credit unions and labour-sponsored venture capital funds, given their important roles in the Canadian economy.
- Work with the provinces to build a long-term skills training strategy to fill the skilled job shortages and to bring provinces, employers, labour and educational organizations together to improve existing Labour Market Development Agreements.
- Provide stable and predictable funding for the successful Aboriginal Skills and Employment Training Strategy (ASETS) model and for other programs to help First Nations and other Aboriginal groups fill the skilled job shortages.
- Fix the Temporary Foreign Worker program: improve monitoring – with the participation of the provinces – of issues relating to rights and compliance. HRSDC and CIC must be able to deny employer Labour Market Opinions and withdraw work permits and must set out a path for citizenship for TFWs.
- Improve supports for voluntary labour mobility within the country – where there is a short or long-term need that a Canadian worker can fill.
- Provide explicit, transparent criteria for the “net benefit to Canada” test in the Investment Canada Act, with an emphasis on assessing the impact of foreign investment on communities, jobs, pensions and new capital investments.
- Conduct a study into methods to encourage value-added domestic production in the energy sector.

Infrastructure & communities

- Immediately begin to address Canada's staggering infrastructure deficit by reversing the \$5.8 billion in cuts to local infrastructure enacted in the last budget.

- Work with the provinces and territories to address the erosion of the municipal tax base by developing a stable, long-term infrastructure plan for urban, suburban and rural communities.
- Set aside proceeds from the upcoming 700mhz Spectrum auction for strategic reinvestment in the deployment of broadband infrastructure in Canada's rural and remote regions.
- Simplify the process for rural communities to apply for and receive funding for infrastructure projects.
- Take action to address Canada's growing productivity gap with the United States by investing in modern infrastructure by doubling the gas tax transfer to municipalities from \$0.01 to \$0.02.

Investment in the 21st century, clean-tech economy

- Restore the ecoEnergy energy efficiency home retrofit program.
- Support renewable energy sectors to help Canada grow and succeed in a new global economy.
- Help industry capture the benefits of clean technology markets by supporting green R&D.
- Commit to an action plan to eliminate the current \$1.3 billion in fossil fuel subsidies.
- Support skills training to prepare Canadian workers for the clean technology jobs of the future.
- Conduct a study into methods to encourage value-added domestic production in the energy sector.
- Provide better access to information and greater transparency regarding the application of, and respect for, environmental laws.

Helping Canadians save and invest for their retirement

- Immediately reverse the federal government's plan to raise the retirement age for Old Age Security and the Guaranteed Income Supplement to 67.
- Move forward on proposals from provincial and territorial finance ministers to increase basic public pension benefits under the Canada and Quebec Pension Plans, and implement a plan to begin phasing in such an increase without delay.

Making life more affordable and reducing household debt

- Implement strong regulations to stop abusive practices by banks, lenders and credit card companies including ensuring that all Canadians have access to at least one low rate credit card with an interest rate capped at prime plus 5%, prohibit pay-to-pay billing practices and cap ATM fees at \$0.50 per transaction.
- Require all banks and credit unions to utilize the dispute resolution mechanism of the Ombudsman on Banking Services and Investment;

- Crack down on the abusive practices of payday lenders.
- Simplify, clarify and standardize mortgage documents to make it easier for customers to understand the implications their mortgage options.
- Working with the banks to develop a mandatory code of conduct on lending and create an independent body to recommend measures to end anti-competitive practices.
- Work with provinces to improve debt counselling services.

Providing the services that Canadians rely on

- Reverse the devastating decision to cut provincial healthcare transfers by \$36.
- Reverse changes to the Employment Insurance system including damaging new rules requiring Canadian workers to accept as much as a 70% reduction or risk losing benefits.
- Develop consistent and effective mechanisms to maintain the “insurance principle” of the EI regime, set fair and effective contribution rates and protect the monies in the fund.
- Allocate sufficient resources to recover the estimated billions of dollars of lost revenue resulting from tax evasion, tax avoidance and the use of tax havens and to prosecute more tax evaders.
- Close tax loopholes including the stock option deduction tax loophole that is costing the federal government over \$700 million annually.
- Develop a national housing strategy as expressed in bill C-400 (MC Morin).

SUPPLEMENTARY OPINION OF THE LIBERAL PARTY OF CANADA

We would like to thank the hundreds of individuals, businesses and organizations who took the time to share their experiences and ideas with the Committee. More often than not, their testimonies and [written briefs](#) called on the government to make substantive changes and introduce new policies in the upcoming federal budget. Despite these efforts, the recommendations adopted by the Committee still encourage the government to “continue”, “maintain”, or “reaffirm” its commitment to existing policies. By limiting its recommendations in this manner, the Committee has missed an important opportunity to provide the government with meaningful advice on how to address the economic and social challenges facing Canada.

JOBS AND THE ECONOMY

The most serious challenge facing Canada is the shrinking economic prospects of the middle class. According to [Kevin Milligan](#), there has been “a hollowing out of the labour market” in Canada where “big slices of the population don’t benefit from economic growth.” [EKOS Research](#) has noted that fewer Canadians now identify themselves as “middle class”, and, for the first time, a majority of Canadians “feel they are worse off than their parents.” The Committee [heard](#) that Canadian middle-class families are struggling with stagnant incomes, and that increases in consumer spending are being driven by rising household debt, not rising incomes. According to [Statistics Canada](#), the average Canadian household now owes a record high \$1.66 for every dollar of disposable income.

One of the drivers of household debt accumulation is the parental subsidization of adult children who are not yet financially independent. Young Canadians have fewer economic opportunities today as they have generally been excluded from the recent economic recovery. Statistics Canada’s [latest employment figures](#) show that there are now 251,800 fewer jobs for young Canadians compared with September 2008 (before the recession). During that time period, the labour force participation rate of young Canadians fell from 68.1 percent to 63.2 percent and their employment rate fell from 60.5 percent to 54.8 percent. There are even fewer jobs for young Canadians now compared with July 2009 (the trough of the recession). Earlier this year, [TD Economics](#) estimated that the recession’s legacy of prolonged youth unemployment and underemployment will cost the Canadian economy \$23.1 billion. They argued that high youth unemployment and underemployment can have a long-lasting impact on the career prospects of young Canadians by denying them marketable job experience. [Media reports also show that](#) young Canadians are being pressured into taking unpaid work in order to gain that job experience.

The most important thing the federal government can do to help the middle class is support the creation and preservation of good paying, Canadian jobs. Unfortunately, a number of the government’s current policies are doing the opposite and placing these jobs at risk.

One such policy is unnecessarily high payroll taxes. The [Canadian Federation of Independent Business](#) told the Committee that “payroll taxes have by far the greatest impact on growth. Why? Because they’re a tax on jobs.” [Quebec Employers’ Council](#) testified that high payroll contributions “(put) the brakes on investments and job creation.” Similarly, the Conservatives’ 2008 election platform stated that:

“...payroll taxes should not exceed the amount necessary to properly fund Employment Insurance because unnecessarily high payroll taxes are a tax on job creation. Lower payroll taxes encourage hiring and business expansion.”

Nonetheless, in September 2013, the government announced it is freezing EI rates at 1.88 until the end of 2016. According to the [Parliamentary Budget Officer](#) (PBO), the government is “(freezing) EI rates at higher than necessary rates in 2015 and 2016” resulting in “an estimated \$4.2 billion in additional revenues” beyond the amount necessary to fund Employment Insurance. The PBO estimates the government could lower EI rates from \$1.88 to \$1.81 in 2015, and then to \$1.59 in 2016, and still balance the EI account. Employers such as the [Canadian Restaurant and Foodservices Association](#) believe that lower EI premiums in 2015 and 2016 would be preferable. We agree.

In addition to competitive tax rates, good paying Canadian jobs depend on strong exports and the ability to attract foreign investment. Unfortunately, the government’s [deliberate opacity](#) on Canada’s investment rules is creating a chilling effect that is driving away investment and the Canadian jobs that go with it. CIBC figures cited by [Postmedia News](#) show that, after the government announced its changes to the *Investment Canada Act* in December 2012, foreign investment in Canada’s oil and gas sector fell 92 percent and mergers and acquisitions fell 81 percent. In her appearance before the Committee, [Ailish Campbell of the Canadian Council of Chief Executives](#) called on the government to provide a “clearly articulated policy towards foreign direct investment”. We support this recommendation.

The government’s refusal to implement a meaningful plan on climate change is also placing Canadian jobs at risk. For example, [CIBC](#) estimates Canada is losing out on \$15 billion per year in revenues due to a failure to move forward on the Keystone pipeline project and other bottlenecks in Canada’s pipeline capacity. Canada needs a sensible policy to reduce carbon pollution in order to secure the long-term access to export markets that Canadian economic prosperity depends upon. Therefore, we believe that the government should introduce and implement a meaningful climate change policy that includes placing a price on carbon.

Another risk to Canada’s economy is poor business succession planning. [CIBC](#) estimates that half of all Canadian business owners will leave or transfer control of their businesses within the next ten years. In recognition of this challenge, [Regroupement des jeunes chambres de commerce du Québec](#) called for “a measure that facilitates the transfer of Canadian businesses... and... (gives) young entrepreneurs access to

business opportunities.” We agree that the facilitation of good succession planning would not only help strengthen the economy but could also provide young Canadians, in particular, with important economic opportunities.

EQUALITY OF OPPORTUNITY

Large groups of Canadians are being excluded from Canada’s economic recovery and are becoming more pessimistic about their ability to join the middle class. The key to ensuring their upward economic mobility and equality of opportunity is accessible, high-quality public education.

While education generally falls under provincial jurisdiction, the federal government helps fund public education through transfers to the provinces and territories and retains responsibility for education on reserves. In 2004-05, the federal government separated the Canada Health and Social Transfer (CHST) to the provinces and territories into two separate transfers: the Canada Health Transfer (CHT) and Canada Social Transfer (CST). The CST helps fund provincial and territorial post-secondary education, early learning and childcare, and other social programs. According to [Finance Canada](#), CST transfers to the provinces and territories grew from \$8.3 billion in 2004-05 to \$12.2 billion in 2013-14, for an average annual increase of more than 5 percent. By way of contrast, federal funding for Aboriginal education is capped at 2 percent annually.

Numerous written submissions and testimonies called for greater financial support for Aboriginal education and skills training. In his appearance before the Committee, [Chief Morley Googoo](#) of the Assembly of First Nations noted that:

“Since 1996 federal funding in first nation education has been capped at 2% per year, despite a steady growth in both inflation and the first nation student population. Over the same period of time, provincial and territorial school systems have invested more than 4% per year, even though most systems have realized a significant decline in student enrolment.”

The Assembly of First Nations issued a [fact sheet](#) calculating the First Nations education annual funding shortfall at \$747 million as of 2010-11. Similarly, former Prime Minister Paul Martin, as cited by [TD Economics](#), estimated that on-reserve schools face a funding gap of \$2,000 to \$3,000 per student when compared with other remote and rural schools in Canada. We believe that it is unconscionable for the government to shortchange Aboriginal peoples by chronically underfunding their education.

Another area that is both key to equality of opportunity and chronically underfunded by the government is early childhood education. During the Committee’s study on income inequality earlier this year, [TD Chief Economist Craig Alexander](#) told the Committee that:

“The rate of return on the investment in early childhood education is enormously high. In terms of the rate of return, for every dollar you invest, most academic studies show anything from \$1.50 to \$2.50 of economic and social return, and if you focus on people from disadvantaged backgrounds, it’s quite possible to have a double-digit return. Within the OECD, Canada ranks dead last in terms of investment in this area at a mere quarter point of GDP.”

During the Committee’s pre-budget consultations, the [Canadian Federation of University Women](#), [Campaign 2000](#), [First Call](#), [YWCA Canada](#), [Citizens for Public Justice](#), [Canada Without Poverty](#), [Canadians for Tax Fairness](#), [Inuit Tapiriit Kanatami \(ITK\)](#), and [Professor Kathleen A. Lahey](#) all called for the government to increase funding for early childhood education and care (ECEC) programs. We agree that the government should increase support for affordable, high-quality ECEC across Canada.

A scarcity of affordable housing also hurts equality of opportunity. Over the past few years, the government has refused to renew many social housing operating agreements as they expire. According to the [Federation of Canadian Municipalities](#), 600,000 housing units are at risk of losing their federal funding as a result of expiring agreements. It is estimated that one-third of the families living in these units will be unable to afford their home once that support is cut off. The [Canadian Nurses Association](#) stated that:

“Housing is a metric for measuring to social infrastructure. It is directly connected to health and quality of life and contributes to employability and job retention. \$500 million in social-housing funds are set to expire each year from 2014-2019. The federal government should commit to renewing this investment to prevent a deepening of Canada’s affordable-housing crisis.”

Numerous other organizations, including the [Alberta Urban Municipalities Association](#), [Calgary Chamber of Commerce](#), [Co-operative Housing Federation of Canada](#), [City of Edmonton](#), and [City of London](#) also called on the government to extend these agreements. We agree that these important investments in affordable housing should be extended.

Finally, the recent proliferation of non-refundable federal personal income tax credits is contributing to greater income inequality in Canada. In order to benefit from these tax credits, Canadian tax filers must earn enough income to owe federal income tax in the year they wish to claim the credit. By their very design, these tax credits perversely provide the least benefit to Canadians who need it the most. [Fédération étudiante universitaire du Québec](#), [Professor Kathleen A. Lahey](#), [Canadian Centre for Policy Alternatives](#), [Citizens for Public Justice](#), [CARP](#), [Council of Canadians with Disabilities](#), and [Multiple Sclerosis Society of Canada](#) either opposed some of these tax credits outright or called on the government to make them refundable so that low-income Canadians could also benefit. We believe the government should refrain from

introducing additional non-refundable personal income tax credits until existing credits have been made refundable. More specifically, we agree with the Council of Canadians with Disabilities, CARP, and Multiple Sclerosis Society of Canada that the government should move toward making the Disability Tax Credit and Family Caregiver Tax Credit refundable.

OMNIBUS BUDGET LEGISLATION

The government's use of omnibus budget legislation is an abuse of process that prevents Parliament from fulfilling its proper oversight function. Since the 2011 election, the House of Commons Standing Committee on Finance has heard from countless individuals, business and organizations denouncing this government's use of omnibus legislation. More recently, the [Canadian Bar Association](#) shared its concerns with the Committee:

The CBA has steadfastly objected to omnibus legislation like Bill C-4. Enacting important changes in diverse and unrelated subject areas in a single bill precludes meaningful comment and debate.

We agree that the government should immediately cease its use of omnibus legislation.

RECOMMENDATIONS

The Liberal Party of Canada recommends:

- 1. That the federal government recognize the plight of young Canadians, who still face a significantly weaker labour market than before the recession, and introduce a youth jobs strategy that includes:**
 - a hiring tax credit to stimulate new employment for young Canadians;
 - greater protection for vulnerable Canadians who are being pressured into taking unpaid work;
 - a significant expansion of the Canada Summer Jobs program and the reopening of youth employment centres;
 - a youth business mentorship program and new incentives to invest in young entrepreneurs; and
 - a joint federal-provincial skills training program that reflects the needs and priorities of provinces, employers and workers.
- 2. That the federal government support job creation in Canada by lifting its freeze and allowing EI premiums to fall as soon as the EI account balances in 2015 (instead of keeping EI premiums frozen at an artificially high rate until the end of 2016).**
- 3. That the federal government support job creation in Canada by providing an immediate clarification of Canada's foreign investment rules.**

4. That the federal government support job creation in Canada by reversing its decision to eliminate the Labour Sponsored Venture Capital Corporation (LSVCC) tax credit.
5. That the federal government support job creation in Canada by introducing and implementing a meaningful climate change plan that includes a price on carbon.
6. That the federal government consider extending Flow Through Shares (FTS) beyond the mining sector into other promising sectors such as clean-tech, bio-tech, and other high technology industries.
7. That the federal government recognize the economic potential of young Aboriginal Canadians and work in partnership with Aboriginal communities on a plan to ensure that every Aboriginal student has access to a high-quality education. As part of this plan, the federal government should eliminate the funding gap for First Nations-led K-12 education, increase financial support for Indigenous language and culture education, and remove the 2 percent funding cap on the Post-Secondary Student Support Program.
8. That the federal government support equality of opportunity by providing significant new investments in affordable, high-quality early childhood education and care (ECEC) programs.
9. That the federal government renew its social housing operating agreements as they expire. If the government insists on letting these agreements expire, the government should at least reinvest this funding in affordable housing programs.
10. That the federal government, in order to move toward a fairer and more just society, explore the cost and feasibility of making the Disability Tax Credit and the Family Caregiver Tax Credit fully refundable so that low-income Canadians are not deliberately excluded from these programs.
11. That the federal government, in order to move toward a fairer and more just society, refrain from introducing new personal income tax credits until existing personal income tax credits — in particular, the Disability Tax Credit, Family Caregiver Tax Credit, Volunteer Firefighters Tax Credit, Children's Arts Tax Credit, Children's Fitness Tax Credit, Public Transit Tax Credit, and the education tax credits — are made fully refundable so that low-income Canadians can also benefit from them.
12. That the federal government recognize the responsibility of parliamentarians to provide legislative oversight on behalf of Canadians, and cease its undemocratic use of omnibus budget legislation.