

THE STANDING SENATE COMMITTEE ON NATIONAL FINANCE

EVIDENCE

SAINT JOHN, New Brunswick, Wednesday, November 22, 2017

The Standing Senate Committee on National Finance met this day at 9 a.m. to study the Minister of Finance's proposed changes to the Income Tax Act respecting the taxation of private corporations and the tax planning strategies involved.

Senator Percy Mockler (*Chair*) in the chair.

The Chair: Welcome to this meeting of the Standing Senate Committee on National Finance. My name is Percy Mockler, a senator from New Brunswick and chair of this committee.

Honourable senators, being a senator from New Brunswick, I want to take this opportunity to officially to welcome you to New Brunswick and the most industrial city in New Brunswick, Saint John. We are the only official bilingual province in Canada. Our territory is shared by First Nations, Acadians, Loyalists, English-speaking New Brunswickers and multicultural communities. Samuel de Champlain had the first settlement in 1604 at l'Île-de-Ste-Croix, Ste-Croix Island near Saint John.

There is no doubt in my mind that each province in Canada has its particularities and its own distinctiveness, but permit me to relate to you some historical facts about New Brunswick. Here in New Brunswick, we do not shy away: the biggest refinery in Canada, Irving Refinery; the king of french fries, McCain Foods; and to share with you, fries and Moosehead beer, a delicacy; one of the biggest leaders in aquaculture salmon production in North America, Cook Aquaculture. Our universities partner with our business communities in leading many innovative projects in the fields of health care, agriculture, forestry, fisheries and high tech industries.

Honourable senators, I welcome you on behalf of the people of New Brunswick to the Province of New Brunswick.

And now, I would like to ask each senator to introduce themselves, starting at my left.

Senator Pratte: André Pratte from Québec.

Senator Oh: Victor Oh, Ontario.

Senator Neufeld: Richard Neufeld, British Columbia.

Senator Marshall: Elizabeth Marshall, Newfoundland and Labrador.

Senator Eaton: Nicky Eaton from Ontario.

Senator Cools: Anne Cools, Toronto.

(French follows -- Le président : Honorables sénateurs et sénatrices et le public, j'aimerais aussi...)

(après anglais – Senator Cools : Anne Cools, Toronto.)

Le président : Honorables sénateurs et sénatrices et le public, j'aimerais aussi présenter à ma gauche la greffière, Mme Gaëtane Lemay, et le chef-analyste du Sénat pour le Comité des finances, M. Sylvain Fleury.

Aujourd'hui, le comité continue ici à Saint-Jean, Nouveau-Brunswick, son étude spéciale de la modification proposée à la Loi de l'impôt sur le revenu. Au cours de l'été 2017 par le ministre des Finances, sa proposition de modification porte sur l'imposition des sociétés privées et la stratégie de planification fiscale connexe.

(anglais suit – The Chair cont -- The committee received an order of reference...)

(Following French – The Chair cont -- et la stratégie de planification fiscale connexe.)

The committee received an order of reference from the Senate of Canada, a mandate on September 26, 2017. With your permission, I will share the mandate.

(French follows – The Chair cont -- Que le comité sénatorial permanent des finances nationales soit autorisé à étudier, en vue...)

(après anglais – Le président cont – I will share the mandate.)

Que le comité sénatorial permanent des finances nationales soit autorisé à étudier, en vue d'en faire rapport de la modification proposée par le ministre des Finances à la Loi de l'impôt sur le revenu concernant l'imposition des sociétés privées et la stratégie de planification connexe, et plus particulièrement, la répartition du revenu, la détention du placement passif dans une société privée, et la conversion du revenu régulier en gains en capital.

(anglais suit – The Chair cont – The committee is also mandated...)

(Following French – The Chair cont -- et la conversion du revenu régulier en gains en capital.)

The committee is also mandated to take particular note of the impact of the government's proposed changes on incorporated small businesses and professionals, economic growth and government finances, the fairness of the taxation of different types of income and the other related matters; and that the committee submit its final report to the Senate of Canada no later than December 15, 2017 and retain all powers necessary to publicize its finding for 180 days after presenting the final report.

This morning marks our twenty-sixth public meeting dealing with the subject matter. Yesterday we were in Halifax and the day before we were in St. John's, Newfoundland and Labrador for full days of hearings. In Ottawa earlier this fall, we held 13 public meetings where we heard over 60 witnesses.

(French follows – The Chair cont – Il y a deux semaines, nous étions dans l'Ouest canadien.)

(après anglais – Le président cont -- we held 13 public meetings where we heard over 60 witnesses.)

Il y a deux semaines, nous étions dans l'Ouest canadien. Nos audiences ont suscité beaucoup d'intérêt tant du côté du monde professionnel, agricole et différentes autres petites entreprises.

(anglais suit – Le président cont -- This morning, honourable senators, we welcome the witnesses on our first panel.)

(Following French – The Chair cont -- agricole et différentes autres petites entreprise.)

This morning, honourable senators, we welcome the witnesses on our first panel. To the witnesses, thank you very much for accepting our invitation to share with us your recommendations, your views and your comments on the mandate received by the Senate of Canada.

This morning, honourable senators, we have with us Dr. Dharm Singh, President of the New Brunswick Medical Association; as an individual, Dr. Patti Forgeron, Specialist in Physical Medicine and Rehabilitation, Past President of the Medical Staff Organization Saint John Hospital; and Dr. Kelly Manning from the New Brunswick Dental Society.

I understand that you been made aware by the clerk that you five minutes each to make your presentation, but I'm sure I can be lenient a bit.

Dr. Singh, the floor is yours.

Dr. Dharm Singh, President, New Brunswick Medical Society: Honourable Senator Mockler and other honourable members of the Senate Standing Committee on National Finance, my name is Dharm Singh and I am the President of New Brunswick Medical Society. I am also the Chief of Urology and Campbellton Regional Hospital and St. Joseph Health Centre in Dalhousie. As the President of the New Brunswick Medical Society, I represent more than 1,700 practising physicians in New Brunswick.

I want to thank members of the committee for the opportunity to appear today and for the time they are dedicating to this very important issue. As doctors, our position on the measures proposed by the Minister of Finance is clear. We believe that the proposed changes will have an unfair consequence for doctors and for other health professionals such as dentists and pharmacists, as well as for many other small businesses.

We also believe that proceeding with these changes will cause health professionals to make business or personal decisions that will have a negative impact on the provision of care to the patients.

Finally, we believe, as do multiple other stakeholders, that the changes to Canada's tax regime and the potential impact are extremely significant. As said, the length and format of the government consultation process should have reflected the importance of the proposal.

While we appreciate the Minister of Finance's recent attempt on mitigating the unintended consequences of his original proposal of July 18, we still believe that the decision to proceed with the proposed rule changes, in whole or in part, will have a major impact on the recruitment and retention of doctors in New Brunswick.

Seventy per cent of doctors in New Brunswick are small business owners, not salary employed. They employ staff, purchase equipment and supplies, the rent and other purchases in offices, and pay insurance and tax out of the fee that they see for each and every patient visit. Unlike salaried employees, fee-for-service doctors do not have health benefits and do not have paid vacations. They do not have sick leaves or a pension plan. Doctors also take on a substantial amount of debt to earn their degree through ten years or more of medical education. They also take on significant debt when they start a practice. If these changes move forward, early career physicians will likely have greater difficulty setting up a practice.

Many of our members have told us that the proposed tax measures may cause them to seriously consider moving to another jurisdiction, work fewer hours or even retire early. This could have serious implications on

the health care system in the Province of New Brunswick and on the province's ability to deliver the care of the population aspects.

Of more than 500 New Brunswick doctors who answered a recent New Brunswick Medical Society survey, about 65 per cent said that they would consider reducing the numbers of hours they currently work if the proposed tax measures are implemented, 46 per cent said that they would consider moving their practice outside of New Brunswick and 25 per cent said they would consider retiring from the profession altogether.

Governments need to maintain a competitive playing field if they want to keep professionals in high demand occupations such as medicine from leaving from one jurisdiction to others.

New Brunswick has the third highest combined marginal tax rate after Quebec and Nova Scotia. While New Brunswick doctors have chosen to practise in the province despite these financial disadvantages, this may very well change if the additional punitive rules are implemented.

New Brunswick is also a province that has to face a rapidly aging population challenged by chronic illnesses requiring more and more health care demand. More than 50,000 New Brunswickers do not have a family doctor. Wait time to see a doctor in New Brunswick and waiting list for the medical procedures in New Brunswick are already some of the longest in Canada. Even losing a small number of physicians to other jurisdictions, either within or outside the country, will have a very real impact on the health care system in this province and the New Brunswick patients.

New Brunswick physicians are for tax fairness. However, we do not believe that the government proposal, even as amended, will truly address the fairness issue that may exist with the Canadian tax system. We believe that it would be irresponsible for the government to proceed with the proposed tax measures given the level of interest in the issue expressed by Canadians over the summer months. We do not believe that the tax reform should be done on a piecemeal basis. We believe that the proposed measures are unfairly targeting small businesses across Canada, including many groups of professionals.

If tax fairness in Canada is the objective, the best approach in our view would be for the government to drop its proposal and initiate a full review of Canada's tax system.

Thank you all.

The Chair: Thank you, Dr. Singh.

Now the chair will recognize Dr. Forgeron,

Dr. Patti Forgeron, Specialist in Physical Medicine and Rehabilitation, Past President of the Medical Staff Organization of Saint John Hospital, as an Individual: Thank you, Mr. Chairperson. My name is Dr. Patti Forgeron and I am a physician specializing in physical medicine and rehabilitation in the province of New Brunswick, based here in Saint John. I also provide outreach programs to rural communities such as Sussex and St. Stephen.

I want to thank the members of the committee for the opportunity to appear today. I am pleased to be able to speak to you both as an individual physician and as a past President of our Medical Staff Organization.

When the Minister of Finance released the document in mid-July regarding proposed changes to Income Tax Act respecting the taxation of private corporations, my immediate reaction was "How will we retain and recruit

physicians to our region, to our province and especially to more rural communities?” We initiated a survey of 310 fee-for-service physicians in our region. Sixty-five per cent of physicians reported they would consider leaving the province, 82 per cent reported they would consider reducing their hours and 38 per cent reported they would consider retiring early. Those numbers were extremely alarming, given our already over-burdened system,

In our region of New Brunswick, we are facing a large number of physicians reaching retirement age in the near future, with 30 per cent of family physicians and 23 per cent of specialists above the age of 60. Healthcare delivery will be destabilized in New Brunswick if physicians scale back their workloads, retire early or move to a less heavily taxed location.

I have heard personally from physicians within our region and across the province. I have been provided real life challenges faced by my colleagues, family physicians, emergency room physicians, surgeons, ophthalmologist, to name a few. They have all expressed to me their concerns and they have asked me to represent them here today.

As a proud New Brunswicker and as a physician, I firmly believe that the proposals are flawed, unfair and do not consider the risks to the economy, the impact on communities and the consequences on delivery of health care. As independent business persons, approximately 70 per cent of New Brunswick doctors have established private corporations under the existing laws. These rules provide the flexibility required to create our own safety net and retirement fund. For female physicians who want to raise a family, the rules provide flexibility to deal with loss of income associated with taking parental leave. Fee-for-service physicians do not have access to benefits available to salaried individuals such as a pension plan, sick leave or vacation time.

With the committee’s indulgence, I will provide some information pertaining to the medical profession in New Brunswick. I will also focus my testimony on my personal experience as a physician.

I grew up in rural New Brunswick. I invested 15 years, post-secondary education. I incurred a substantial amount of debt and started my career later than most other professionals, leaving me a limited number of earning years. I will be 50 years old in February and I am just starting to save for my retirement. In contrast, my father retired as a teacher at the age of 53. My mother worked for an Irving company and retired at the age of 57, both with full pensions.

I am a proud mother of three children. I had two children during my residency which was only possible by the extraordinary efforts of my husband. Many a night, my husband would bring a crying baby to my call room in the hospital so that I could breastfeed, as I only took four months and then six months for maternity leave so that I would not jeopardize my training or prolong my time to start my practise in an effort to reduce my debt burden.

When we moved to New Brunswick, I worked in a salaried position and we had our third child. I went back to work after two weeks part-time to keep a new program going. I then decided to move into a fee-for-service model so that I could expand my practice. The fee-for-service model has allowed me the autonomy to provide non-medicare funded services for the injured worker and for our veterans.

At around the same time, my husband gave up his IT career so that he could be home to help raise our family. My husband maintains my computer systems in my office, provides office maintenance, removes snow and even dealt with backed up sewage. He is on call for any disruption in services.

Physicians are entrepreneurs and employers in New Brunswick. Our ability to have passive investment is far from dead money. We require this money to allow for maternity leave, prepare for illness, save for business expansion with new technologies and plan for retirement.

Physicians throughout this province have been employers to rural communities through their medical practices as well as other business ventures. New Brunswick's doctors have invested in garden centres, greenhouses, restaurants, land development, agriculture and farming, to name a few. Without passive investment abilities, these endeavours would not be possible in a province with high unemployment rate. Investments of physicians in small business in our communities are the backbone of the New Brunswick economy.

Physicians and fee-for-service model also subsidize health care by providing necessary office infrastructure, staffing, equipment to deliver health care. It has been suggested by the Executive Director of the Canadians for Tax Fairness that we do not have a doctor shortage in Canada, we have a distribution problem. I would challenge the base of that opinion. We have thousands of patients without family physicians in Canada and lengthy wait times for specialty services and procedures, with the impact being felt the most in Atlantic Canada. If doctors reduced their hours or retire early, these waitlists will grow significantly.

It has been suggested that physicians do not incur the same risk as other small businesses, as there's a perception that we have a guaranteed income. I would challenge that most physicians like myself took a risk investing heavily in our education and assumed large debt loads. It takes years for new physicians to build their practices to be sustainable in a fee-for-service model. We have fewer years of earning capacity and we are the equity, meaning if we don't work, there is no income.

If I am diagnosed with an illness, my business ceases to have any income. With it comes a tremendous risk to my family and my employees. If a surgeon loses a finger, arm or eye, their career may end. Surgeons are at risk for lost income when ORs are cancelled or closed.

We should not compound the challenges already faced by new trainees deciding to enter high risk and highly demanding specialties by penalizing long work hours through taxation.

As a Canadian doctor, I believe in universal health care. I also believe in wealth distribution and in fairness in taxation. The federal government's approach to tax reform is putting these three very important principles at risk. I cannot stress enough how demoralized physicians are in this region. I was astounded that our Prime Minister stood in the House of Commons, singled out and referred to the Canadian physician community as "Wealthy doctors", further vilifying us.

A male orthopaedic surgeon confided to me that a patient referred to him as a lying tax cheat when he did not feel that a patient was a surgical candidate. I personally have spent weeks with feelings of regret and sadness as to why I sacrificed years of education, time away from my family, only to be demonized by my government for being successful.

I personally have looked at other career options outside of medicine and outside of this country. Just this week my youngest son was brought to tears when he overheard me discussing moving to another country.

We physicians have maintained from the onset that we understand that tax reform is necessary. We do not feel this government completed any economic analysis, nor did the government acknowledge the implication on health care delivery. If tax reform is really the objective of this federal government, let's start over. Take time

to do it right. Undertake a comprehensive and fair review of the entire system, keeping in mind all sectors and the need to maintain safety net provisions for independent business persons.

And I thank you for your time.

The Chair: Thank you very much, Dr. Forgeron.

Now the chair will recognize Dr Manning, please.

Dr. Kelly Manning, New Brunswick Dental Society: Thank you for allowing me to join you today. My name is Dr. Kelly Manning and I own and operate a dental practice here in Saint John. I am a Past President of the New Brunswick Dental Society.

I am deeply concerned about the proposed changes to the taxation of private Canadian corporations. They are both unfair to small business owners and will ultimately cause real harm to the Canadian economy.

I know this committee has travelled across Canada hearing various stories. I will briefly tell you mine.

Dentistry is a small business. Before I started practising and generating revenue, I spent eight years being educated. If I were graduating today, I would have spent nearly \$300,000 earning a degree. So I start my first day on the job down \$300,000. If I wanted to operate my own practice, it would mean spending \$500,000 to buy equipment to open my own, or to purchase an existing practice for at least that amount. So I am down \$800,000 before I generate my first dollar of revenue.

As Dr. Levin, the President of the Canadian Dental Association told you during your hearings in Ottawa, a dental practice operates like a small hospital. I need to pay wages of the people who work in my practice, as well as paying for their benefits. I rent office space, buy supplies, pay for lights and heats, snow plowing, lawn mowing and more. Dentistry is an expensive service to deliver. I pay for infection control, technological advances, equipment replacement, digital radiography, professional licensure and more. And unlike a salaried employee, I do not receive a pension or sick days or paid vacation. I also don't receive CPP payments or qualify for EI.

I have five children, but as a business owner I did not receive maternity leave benefits. So for some of my children, I could only take six weeks off to be with them and recover from childbirth. For others, I was required to take an unpaid leave of absence. To do this today, a female dentist would either shut down or sell the practice, or have to find and pay a replacement associate and continue to pay the operating costs for their practice. So their debt, which remember began around \$800,000, continues to go up if they choose to have children. No woman should be required to choose between having children and making a living.

The federal government is proposing tax changes that will have a disproportionately negative impact on women business owners. This is even more pronounced in the field of dentistry where the majority of dentists are female. In 2009, 58 per cent of dentists under the age of 30 were female with no maternity leave.

The Government of Canada talks a good game about supporting small business, but the reality is quite different. Under the current tax rules, I and other small business owners are penalized.

Owens MacFadyen Group ran an analysis that compared my situation with someone earning the same income as a salaried employee with the same lifestyle under the current rules. Same income, same lifestyle. Here's what they found. The total savings is more than doubled for the salaried worker compared to the dentist

during the working years. That's because a salaried employee earns CPP, paid in part by the employers, as well as in a defined contribution pension program, also paid in part by the employer. The business owner receives no funding from anyone but themselves. By age 60, the salaried employee will have a savings of \$4.3 million, compared to the business owner who only has a savings of \$1.4 million. The business owner runs out of money at age 70, while the salaried employee will fund their entire retirement and leave money to their children when they pass away.

I have attached a summary of this analysis and its assumptions to the copies of my remarks, and that's in Appendix A.

So all of this is under the current tax system. The current tax system is bad enough.

Prime Minister Trudeau and Finance Minister Morneau seem intent on making a bad situation even worse. From my perspective, this is driven by a misguided notion that the playing field of taxation is slanted toward the business owner, giving them an unfair advantage. In fact, the opposite appears to be true.

As you can see by the analysis I just provided, all things being equal, in Canada, a salaried employee actually comes out significantly ahead of the small business owner over the course of their lives. Now the government wants to punish small businesses by limiting the amounts of cash that can be held as retained earnings in the passive investment. I could end up paying 73 per cent tax on investment income held within my company under these rules, according to my tax accountant. Remember, I don't have a retirement plan that anyone else contributes to; not an employer, not the government. Anything I save funds my retirement, so my savings will be decimated.

My family has planned to fund our children's university education through income splitting of dividends sent through a family trust. This is an entirely legal strategy that's been used by countless people over the last two decades. Because we planned to use this approach and we are 25 years in, we have not invested in RESPs. So with the stroke of a pen, this previously approved strategy disappears and the cost of our children's education goes up nearly 50 per cent.

They also want to change the rules for income sprinkling. My father was a family doctor who worked from an office in our own home. My mother worked alongside him running the office. My dad encouraged all of us, my brothers and sisters, to be professionals, independent and self-sustaining. I would like to be able to confidently encourage my own children to be the same.

There are very few family businesses where everyone is not involved in some way; by actively supporting the business, by providing capital for growth or to cover losses in a bad month and perhaps most importantly, by sharing the risk of failure. These changes will only hurt businesses. I am from Saint John and I would like to work here until I retire, but we are also only an hour from the US border. I could easily work in Maine. And if I don't leave as a result of these punitive changes, some of my colleagues less entrenched in the community surely will.

What does that mean? Obviously there will be fewer dentists and some people will have to go without dental care, so there will be a very real public health impact. But it also means that these people and businesses fleeing Canada will pay no taxes here, not more taxes. We live in a global economy. People, particularly the highly educated, have never been more mobile. What is the true cost of driving away dentists and doctors and entrepreneurs?

What's more, governments spend millions of dollars each year training dentists and doctors in universities across Canada. If we subsidize their education and then force them to leave to practice in the United States, we are simply compounding the problem.

These proposed changes are both rushed and deeply flawed. I support the need for a comprehensive review of how businesses are taxed in Canada, but it is not something that can be done in a 75 day consultation period, snuck through in the height of summer vacations. This is important. We should take the time to get it right,

The proposed changes are nothing short of a full frontal assault on business owners and entrepreneurs in Canada. Being a business owner isn't easy; it's stressful and time consuming. And I also take issue with the tone with which these proposals were unveiled and defended by the government of the day. I resent being called a tax cheat by the Minister of Finance for working within the legal structure of the current tax system. I resent being portrayed as a criminal or someone cheating the system, particularly by a finance minister who has done the exact same at a much larger scale. I don't fault Minister Morneau for doing this. He was following the rules, as I am.

Demonizing small business owners to score political points is not the answer. Creating an even larger gap between salaried employees and self-employed people is not the answer. The answer lies in creating a system that is truly fair, that respects the risks that entrepreneurs take, and that encourages women and men to take initiative to create a strong and vibrant community. These proposed changes, even dialed back, do the opposite. They are punitive for people like me who made plans based on the rules of the current system. To change that system now with no grandfathering or without a phase in period of at least ten years is the definition of unfair.

So my ask for you today is simple. Let's hit pause on the process and instead launch a royal commission on tax reform. Everyone believes in tax fairness. The question is, how do we get there? It is something that an impartial Royal Commission can do by taking the politics out of the process and looking at the entire tax act. If our true goal is fairness, this is the appropriate way to achieve it.

Thank you. I would be happy to answer any questions you have.

The Chair: Thank you, Dr. Manning.

Honourable senators, the first questioner will be Senator Marshall, to be followed by Senator Eaton and Senator Pratte.

Senator Marshall: Thank you very much. I'm going to start with Dr. Singh and Dr. Forgeron, and hopefully I'll have time to ask questions of Dr. Manning.

Could you give the committee some background information on what's happening in New Brunswick right now? Does New Brunswick have a medical school, and if so, how many students are being trained and how many students are being retained?

Dr. Singh: In New Brunswick there are two satellite medical schools, one in Saint John which is attached with Dalhousie University and then there is Moncton with Sherbrooke University. They are recent schools that I think the first passed out students that was about two or three years ago only.

Another issue I was going to highlight is that the place where the students and residents are trained, there is more chance of these residents to stay in that province.

Now this is a good thing that we have satellite medical schools, but still we do not have a residency program in this province.

All the specialists who come to this province, who work in this province, are trained from outside either from other provinces or from other countries.

Senator Marshall: So you aren't training any of your own specialists, but are you training your own general practitioners?

Dr. Singh: So say it again. Excuse me.

Senator Marshall: I asked if your specialists are all trained outside the province.

Dr. Singh: Yes. There is no specialty training in this province except internal medicine which has two or three seats in Saint John. But the rest of the specialists train outside the province. It becomes difficult to recruit because as I said, it is well-known that the residents who are trained from particular provinces are going to stay as there's more chance that they're going to stay in that province.

Senator Marshall: So how many actually come back? Like would it be 50 per cent or 25 per cent?

Dr. Forgeron: Just to clarify a couple of situations with respect to the Dalhousie and Sherbrooke programs, we do have an internal medicine trained residency program here in Saint John. We have family physicians that are trained throughout the province through both of those programs.

The first batch of physicians that finished were in the last two years so they're in their residency programs. We probably have in Saint John one or two individuals from that graduating class of about four. And those data we can have for you.

The issue when it comes to taxation, with respect to what we're going to do with training. What you have to understand about medical education in New Brunswick is that fee-for-service physicians are not paid to teach. So I've already heard from physicians within our specialties who have said "If we're going to be penalized through a tax system, the things that we do pro bono will stop." We do get small stipends depending on what you do, but they don't even cover your overhead. For instance, if you go and provide an education session for three hours in the morning, a very small stipend is provided to you, which it would be one-eighth of what would cover your cost of maintaining your office for that particular day.

We haven't really spoken to that, but physicians are talking about it. Family physicians and specialists are talking about scaling back their teaching time for those residency programs.

But yes, we train family practice physicians in the province. We have emergency room physicians that are in the province practising. And it is proven that those trainees, if they practice and they're trained in the province, they will stay. So we have a large number of individuals so far, but this is in its infancy. We've just started the programs.

Senator Marshall: Oh, okay. Well, I'm trying to get a handle on it. I realize that for the implications for these tax changes, the physicians are saying they're mobile. They can move to another jurisdiction, whether

that's another province or another country, or they could retire or they could scale back on their number of hours. So I'm trying to get a handle on exactly how mobile doctors are? How mobile have your doctors been in the past? That would give you some indication as to if these changes go through, they're going to be even more mobile.

Dr. Forgeron: I can speak to our local situation. Several years ago, we had an emergency room crisis. As many of you, if you're from New Brunswick, know that Saint John is one of the tertiary care centres for the province. Several years ago we had a crisis in our emergency room here at the tertiary trauma centre whereby we didn't have emergency room physicians. I know this because they asked me to go down and do an emergency room shift. You know you're hard up when you start bringing specialists in. But what happened was that this community in Saint John went out and recruited physicians from England. And they recruited eight of them. Eight emergency room physicians are here from England because they recruited them based on the fact that we had an ability to incorporate. That was one of the pluses that they were able to come here different from their British taxation system.

I have met with those same eight physicians. They are the most portable and they have already talked about going to Dubai. I'm not talking about the U.S.; I'm talking about Dubai. They have already talked about leaving and going to the United States. In fact, the two physician groups that are most portable are emergency room physicians and anesthesiologists. They can go and they will go. There is nothing keeping them here.

You may not see it in the next two years, but these people are looking now. I just came back from Kuwait in September. I was there for the Royal College. And they're hiring. Dubai is hiring. We just had a neurosurgeon come back from Dubai and tell us "Listen, the doors are open. We can go and make tax-free dollars in those countries."

So we're not talking about going across the border here, we're talking about globally. And we're going to hit it first, it's going to be the OR rooms because the anesthesiologists are going to shut down and leave and the emergency room physicians are going to be there, as well.

Senator Marshall: Yes. That's the point I was looking for, because when we were in Manitoba and Saskatchewan a week before last, the physicians there were saying that 50 per cent of their physicians are foreign born, which means that they've already been mobile so they're very mobile. They could move south of the border or they could move to another country.

Dr. Singh, in your opening remarks you spoke about the number of New Brunswickers that don't have a family physician and I'm just trying to take a look at it. Fifty thousand. So how many do have? I'm trying to get a handle on it. What proportion of New Brunswickers have family physicians? We know 50,000 don't.

Dr. Singh: Thank you for asking this. The population of this province is around 700,000. If you go to 50,000, about 8 per cent of the population.

Dr. Marshall: Don't have family doctors?

Dr. Singh: About 8 per cent do not have family doctors.

Now one point I want to add here, this province has significant recruitment and retention problems. These tax measures are going to affect practitioners in all stages of their practice, especially the early career physicians which we have difficulty to recruit in this province.

Senator Marshall: I've asked this of other physicians at other meetings. There have been so many changes made that physicians have had to cope with, that they're always indicating that they have the option to move either to another province or to another country, but quite often they cope with whatever changes are put on them. So do you think that the majority of physicians will just cope with and adjust to the changes in the tax rules or do you think that there's a significant proportion that would actually move out of the jurisdiction or cut their hours? Because all of it is going to impact health care.

Dr. Singh: That's a great question and thank you for asking again.

When we did our survey, two thirds of physicians are saying they will reduce their work hours. About half of them saying they'll move. I will again emphasize the work hours. That will have a significant impact on the patient care in this province. It will increase the wait times; wait time in emergency room, wait time to have a surgical procedure, wait time to see a family doctor, and that will impact patient care in this province.

Senator Marshall: It will.

Dr. Singh: Already, the population is aging and there are multiple medical problems requiring more time in the office for each patient with their family doctor. I'll give you one example. There are many smaller communities in this province, smaller hospitals. I'm telling you the minimum number. I'm not doing the maximum. Suppose a family doctor reduces half an hour of their practice in a day that community has 20 family doctors. In half an hour, a minimum of two patients suppose the family doctor is seeing, so in one day 40 less patients are being seen in that community. Now out of 40, let us see only 25 patients are going to emergency on that day.

So first of all, fewer patients are being seen and then more patients are going to wait in emergency so ER wait times are going to increase. So this whole cycle is going to be more.

Senator Marshall: Yes. Is the average age of physicians also increasing? Is it a young workforce or is it an elderly workforce?

Dr. Forgeron: In our region, which is one of the larger regions, information I had gotten from our medical director who had run the numbers for this past fiscal year, and in my presentation I mentioned that out of the physicians that we have in this region, we have a large number, and our medical director said we have the perfect tsunami for retirement because the physicians that are over 60 in this region alone, 30 per cent of family physicians are over the age of 60.

Senator Marshall: Over the age of 60?

Dr. Forgeron: Thirty per cent. And 23 per cent of specialists in this region, which encompasses everywhere from Sussex to St. Stephen, are at retirement age.

I'll give you an example for any of you who are from New Brunswick, because I met with two MLAs locally about the situation in Charlotte County this summer. Charlotte County is a small community on the border to Calais, Maine. Eight of their family physicians are retirement age. We have not been able to recruit, and I see no foreseeable future for recruitment, which made me go and speak to the MLAs in that region specifically about that issue. You can copy that particular rural issue to any part of the rest of this province, and that is true.

We have an aging population, but our doctors are aging, as well.

Senator Marshall: Okay. Thank you.

I'm conscious of my time, Mr. Chair, so I'll ask Dr. Manning a question on the second round.

Senator Eaton: I have three quick questions.

Dr. Singh, you represent 1,700 practising physicians. How many physicians ideally should New Brunswick have? All patients should be well served.

Dr. Singh: I tell you at present there are about 85 to 90 physician positions which are vacant.

Senator Eaton: So you would bring that up to 1,800 practising physicians?

Dr. Singh: Well, I can provide this data later on but what I'm saying, that in spite of vacant physician positions, it is so hard to recruit in this province.

Senator Eaton: Right.

Dr. Singh: And this tax measure will not facilitate the recruitment. Actually, it will be in opposite direction.

Senator Eaton: We've listened to quite a bit of testimony from medical people; Ottawa, out west, here. Most of them, when we've asked the question, have thought of themselves as small business people or part of the middle class. And if you listen to the government, they feel that closing these loopholes will benefit the middle class. Would you consider yourselves middle class? Would you consider your income middle class or that you represent the middle class?

Dr. Forgeron: The short answer, I am not 1 per cent. I think that if you look at my particular income and how much my gross income is versus what I net home, is extraordinarily different. What this government has failed to understand is that they're hitting the workhorses. The people between 45 and 55 in the health profession are the workhorses. You are going to affect how the trainees decide to practice. And who in their right mind would go into medicine and sacrifice all those years and call and away from family to be penalized by a tax system for long hours? But they will probably adjust. It will affect how people practice in the future. And let's see if we can get people to do obstetrics or high onerous call like orthopaedic surgery.

Now the workhorse between 45 and 55, you're looking at her. This individual has worked from being a young girl right straight through and put herself through university and I'm attempting to put my two kids through university and one to go, based on a system. I have now been told by my accountant and tax experts that at the minimum, at the minimum I will have to work an extra ten years to be able to retire. And even at that, even at that, I may only have enough money until I'm 82. My parents retired at 53 and 57 with a full pension, and my dad was a smart man. Do you know what he told me when I was looking at going into medical school? He said "You're crazy." He said "Because you won't be able to make up that difference."

Now the people who are retiring, sure it's going to be grandfathered, but can you imagine being grandfathered to a system where you have planned your retirement to income split with your spouse, as any other pension plan in the country has done; meaning if you have a pension plan, right now you can income split with your family or your spouse. We know those marital rules. In this particular situation, physicians have not realized that under the current rules that they are trying to impose, that you will now not be able to income split with your spouse, which is a huge deal. So not only are you penalizing, you're penalizing the workhorses

because you have made me now have to look to another country and leave my family for two years to make up the difference so that I can retire, and that is shameless.

Senator Eaton: So you really consider yourself not 1 per cent?

Dr. Forgeron: Not right now, I'm not.

Senator Eaton: Dr. Manning, you gave us a very interesting analysis in your appendix.

Dr. Manning: Yes.

Senator Eaton: Could you take us through it?

Dr. Manning: I certainly could.

My personal experience was my dad wanted us all to be professionals. I wanted to be a teacher. He didn't think we should do that because teachers have to work with children and then you'd have to not be your own boss. My dad was all about being your own boss. So I wanted to know. And I've always said to my dad --

Senator Eaton: Before you start, do you consider yourself part of the 1 per cent?

Dr. Manning: Absolutely not. No. Middle class.

Senator Eaton: Thank you.

Dr. Manning: So I had my financial planners draw out what it would be for a woman in my education level, who has a pension and maternity leave benefits, how far ahead am I? I'm thinking I'm ahead because my dad always told me I would be ahead, to be my own boss. And I had my doubts. I know not everybody has five children. We had twins at the end. That kind of puts up our numbers. So I wanted to walk through and see. My sister who has a pension feels she's well behind the 8-ball and I said "No, I think you're well ahead of me." So we did this little scenario where someone who graduates, I think it was a business student graduated with six years university and \$120,000 debt, and this scenario is having me at \$200,000 debt. So most grads coming out now would have \$300,000 debt.

Some of this is more complex than I can explain, which is why I have tax accountants and financial planners because I am a dentist and I fix teeth all day. So the bottom line is that when you come out to savings, the owner has \$1 million in savings, the salary person has \$2 million in savings. The total assets are significantly different because my asset is my dental practice and their asset is their pension plan.

Senator Eaton: But can you sell your dental practice?

Dr. Manning: I can sell my dental practice. I differ from a physician, and my siblings who are physicians remind me of that all the time.

Senator Eaton: But you start with a much higher debt though.

Dr. Manning: I started with \$500,000 as opposed to their \$100,000 to set up. Maybe I'm minimizing what it takes them to set up a practice. But I had significantly higher technological costs to set up a dental practice.

My capital's exhausted at 70. The salaried person carries on until they die and has their pension. The total taxes paid while worked are quite similar, actually. They're only off by less than \$300,000. And then it explains the reasons why I would be at a disadvantage having a higher debt starting out, having to buy the dental practice and having to repay it. The employee versus the employer contributions to saving vehicles. I'm the only person who can put money in for myself. If I take dividends out as being paid instead of salary, there's no CPP for me. If I take salary then I get some CPP but that wasn't my plan in the way I structured my finances.

The dentist owns no maternity benefits. So for benefits for maternity, the men who graduated with me are about ten years ahead in their savings as opposed to me because I had responsibilities with my children. I did take time off. I had short maternity leaves. I worked part-time. I had different structures that I was able to work through to keep my hands in it, because dentistry's a very tactile and you don't want your dentist taking ten years off to go have children and then come back. So I kept my hands in it and I was very fortunate that my husband was very hands-on with our children, as well, and that worked for us.

Senator Eaton: Thank you very much.

Senator Pratte: Thank you. I have a couple of questions.

First, as some of you mentioned, there were changes to the original proposals that were made and my impression is that the changes don't really change your perspective on the reformed package, but still I'd like you to be maybe clearer, especially on the passive income proposal because the change that was announced by the minister was substantial, therefore I'd like to know whether that particular change, that is the \$50,000 threshold, whether that changes anything and if not, since the minister has announced that he intends to go forward, I understand that the three of you would rather the whole reform just to be put aside, but the minister has said that he would go forward whether any other changes would be as alternatives preferable, for instance on passive income, a higher threshold for instance or any other change?

Dr. Singh: Thank you, senator, for asking this question. I understand that changes in the original proposal were announced on October 16 and that was announced after the consultation period ended.

First of all, I'm not sure in 10 working days how much analysis was done for thousands and thousands of opinions during consultation period. That's one concern.

This \$50,000 limit we still believe is not enough. As a society, we believe in broad and comprehensive tax reform by extending the consultation period and by dropping the original proposal altogether, and pressing the reset button so that a broader reform in Canadian tax system can be done effectively.

Dr. Forgeron: Can I speak to that component of it?

Senator Pratte: Sure.

Dr. Forgeron: With respect to passive income investment and the changes they have made, I would concur that we don't quite know what it means. There hasn't been a great analysis as to what that means for us, because when I talk with my accountant and tax experts, they're not quite sure. You will hear testimony I believe from some of the tax experts later about what that means when you compare what the changes will be for individuals. I can tell you from a personal standpoint that again back to the workhorses, between ages 45 and 55, it does not help us because we are ramping up to try and save for our retirement. We are still paying for our kids' universities. We are still trying to, in some cases, pay down debt in some cases. And what has happened with that amount is it's not just the amount that you're allowed to save, it's basically what happens

when we want to retire and we take that money out of our savings or out of our corporations when I'm 75 or 82 or whatever it is. It's still going to be taxed at a fairly high amount that has already been taxed when it was in the corporation. And this is coming from my tax experts, which you can talk to them about.

When I look at my own personal situation, I made decisions based on the previous rules. So I have a family trust for which I planned to fund my kids' university through. When I first started practice, I had zero money to put in an education or retirement fund, because I was paying for my education for many, many years. Ten to 14 years after I finished. So now that they're changing the game, what I have set up for me at 50 years old, how can I possibly impart those changes to allow me to retire at a decent time? It's not going to happen. Even with those changes, my tax people tell me I'm going to have to work for another ten years. That's extraordinarily scary. I lose sleep over this. And that's why I'm considering going to another country so that I can work for a couple of years and make what I need to retire, and maybe come back and retire decently.

So what it has effectively done, with a stroke of a pen, by January 1, 2018, these changes directly affect the workhorses between ages 45 and 55 because we've already set up the plan to make our money in a certain way. So if there's going to be reform, it has to be phased in because there is no way I can possibly make up that amount. Anybody my age cannot make up that amount in that time frame.

Dr. Manning: I would echo what Dr. Forgeron said. I feel that I am in my NHL years right now and I am trying my damndest to put money away. And \$50,000 a year at this point, I know that seems like a lot to a lot of people but when you have nothing in your savings pot and you're planning ten years to start putting it in, it's just not adequate for the reasons of paying off debt and paying off family expenses and childhood education. There are reasons that I planned this, but I'm in it for the long game. I'm not a government that changes every four years and changes my strategy every four years. I planned to have children. I planned to have a practice. I bought my first practice at 39 after working in different situations. This is the time I'm planning to make my money for retirement and I really have to work really, really hard. Money doesn't grow for me. I have to put my hands in someone's mouth and fix a tooth to make some money. It's hard work and I have to work hard to make that money.

Senator Pratte: Thank you. I have a comment also, and you may comment on it.

I notice that in a lot of the comparisons that have been made today, but in many of the witnesses that we've had before us, the comparison is always made between the business owner and a salaried person, but the salaried person that we talk about is always someone with a nice pension, a defined benefit plan or whatever, and that's a very small portion of Canadians that have these nice pensions. They're usually government employees and so on or unionized employees, but that's a very small proportion of Canadians. Most Canadians don't have access to those --

Dr. Manning: Do you have a number of what that would be? Do you have a number of how many people would have that? Because I think if we're going to talk numbers, we need to talk numbers.

Senator Pratte: Well, I know. But I know it's a small contribution. Government employees is a small portion of --

Dr. Manning: I'm not talking government employees. I'm talking employees --

Senator Pratte: -- employees are about 25 per cent of private sector, private sector employees. I'm not minimizing the problem, I'm just saying it's a small proportion of Canadians who have a --

Dr. Manning: -- to see numbers on that if we're going to talk numbers.

Senator Pratte: Okay. Good. Thank you.

The Chair: If you permit the chair, the number I guess, Dr. Manning, that we're being given is about 30 per cent across Canada.

Dr. Manning: Thirty per cent would have any form of a pension plan whatsoever?

The Chair: Yes.

Dr. Manning: And everybody else is either on their own retirement, on RRSPs or has only CPP?

The Chair: Yes. That's right,

Dr. Manning: Okay.

The Chair: That's the number they were giving us.

Now the chair will recognize Senator Neufeld, to be followed by Senator Oh.

Senator Neufeld: Thank all three of you for your presentations. Much the same as we've heard across Canada. It's maybe put in different words, but the drift that we got whether we were in Vancouver, Saskatoon, Calgary, Nova Scotia or in Ottawa, we're hearing much the same thing. So you're saying exactly what a lot of other people in Canada are saying. I have just a couple of questions.

Dr. Singh, when you say 70 per cent of doctors in New Brunswick are small business owners, not salaried employees, the other 30 per cent of doctors, are they all salaried or what happens there?

Dr. Singh: So when I say around 70, talking about 70 per cent of fee-for-service.

Senator Neufeld: I got that. I understand that.

Dr. Singh: The last 30 per cent are salary employed.

Senator Neufeld: They're salaried?

Dr. Singh: Salary. So 70 per cent are fee-for-service and the rest are salary. Some of them are a fee, we call it, ultimate funding model, but they also get payment.

Senator Neufeld: So those are 30 per cent then that are salaried would have pensions provided?

Dr. Singh: That's right.

Senator Neufeld: And those kinds of benefits, health benefits?

Dr. Singh: Correct; sick leaves, maternity leaves.

Senator Neufeld: When we were in Nova Scotia, the folks that were there told us that 75 per cent of fee-for-service doctors in Nova Scotia are incorporated. What would the percentage be in New Brunswick?

Dr. Forgeron: I would say close to that number because fee-for-service physicians in this province are incorporated.

Senator Neufeld: Yes.

Dr. Forgeron: And incorporation in New Brunswick, and I checked this with our local college, physicians have had the ability to incorporate since the 1980s. So the majority of physicians who are fee-for-service physicians would be incorporated physicians. So that would be similar to Nova Scotia, 70 per cent or so.

Senator Neufeld: So were physicians in New Brunswick given the right to incorporate, you said in the 1980s, as a top up to their salary rather than actually --

Dr. Forgeron: It's a little bit different. I don't know the Ontario situation very well, but when I spoke with our college director, and I did speak with him before preparing for this committee, it was in the 1980s and I think Alberta was the only other province that had early incorporation. The ability to incorporate was not part of the fee-for-service negotiation, but it was a way to recognize that physicians are small business owners and that they have risk and that they have overhead and whatnot, so that they would incorporate, and that it was a mechanism where individuals could save for their retirement and for maternity leaves and for sick and vacation leave, recognizing that that tool was available to them. And that has been since the 1980s.

So for physicians in New Brunswick that was the norm. Incorporation is the norm for physicians in New Brunswick.

Senator Neufeld: So it is different than what took place in Nova Scotia?

Dr. Forgeron: My understanding it is, because we've been incorporated since the 1980s. And so any fee-for-service negotiation that occurs at the New Brunswick Medical Society level is independent of that sort of structure with respect to incorporation; recognizing though that the next time we go back to negotiation, it will be a different story because, you know, we as physicians recognize that other jurisdictions will be looking for a fee increase. I've already spoken to a number of MLAs and written to our Premier and said that we understand, physicians in this province understand that we don't have the capital to spend more on doctors' salaries and that we have a failing infrastructure of our hospital buildings, and we understand that. To redirect this fee change will come directly on the province and will hit the province, and that's a real concern because there is no extra money in the pot in the Province of New Brunswick to pay doctors more.

Senator Neufeld: You anticipated my next question so thank you for answering it ahead of time. Very much so, because I think that is going to be a huge problem.

When I say I come from British Columbia, most people think you come from Vancouver or lower mainland. I don't. I come from rural B.C., way up north where doctor shortage is a problem and recruitment is a problem, and it really bothers me when we have a federal government that actually targets professionals, as yourselves, and says you're making too much money and that we have to change the tax system just for you, cherry pick just out of the system just a few people. And to me, that's entirely wrong. And I know what it's like to go without a family doctor. My kids know what it's like to go without a family doctor where I come from.

So anything that affects the doctors or professions, dentists I mean along with it, does worry me a lot. And so I thank you for asking those questions or answering those questions, I should say.

Senator Oh: Thank you, doctors, for being here.

You professionals, you're probably one of the most respectable professional person. I respect my doctor. I do have a small problem. I've had my personal doctor for many years. She might retire before me. And you have gone through many years of education, hard-working citizens.

Doctors say, "My family has planned to fund our children's university education to income splitting of dividends sent to a family trust. This is an entirely legal strategy that has been used by countless people over the last two decades"

Dr. Manning: Yes.

Senator Oh: And this probably refers to all of you. "I resent being called a tax cheat by the Minister of Finance for working within the legal structure of the current tax system. I resent being portrayed as a criminal or someone cheating the system, particularly by a Minister of Finance who has done exactly the same thing on a much, much larger scale." Would you tell the committee anything we do know about this, probably might help to change the tax system?

Dr. Manning: How anything we know about Mr. Morneau or anything that we know about my --

Senator Oh: Anything that you want to elaborate on.

Dr. Manning: Well, I think that the tax loopholes that were referred to when this was first announced that small business was using tax loopholes is a very tainted word, when it is tax law that we were following and tax law that's very complex that I could not fill out my own corporate tax return because the tax law has become so onerous that it's not possible for me to do it without professionals helping me. My specialty is dentistry and I think most professionals have complex structures in place to help them maximize the profitability of their business while contributing to a tax system that's fair.

I think for Mr. Morneau, he was probably doing the same thing with his money, with his company. And I just think to call someone a tax cheat when I am trying to be someone my patients trust and come to me for their dental care and hope that I'm not overcharging them for things. I'm in a different scenario than a physician in that my patients come to my office and they have to open their wallet to pay for my procedures, and they feel a real sense of trust that I'm not doing things inappropriately. When it comes out in the way that it did that I would be perhaps using my company and my corporation to somehow evade taxes is really insulting to me. I found that very hard to explain to patients without getting very passionate. I'm a very passionate person, and I took it very personally that I would now have to explain myself to my patients.

Dr. Forgeron: So I have to say that for being a proud Canadian and a proud New Brunswicker, the whole process really did sadden me. I worked extremely hard coming from rural New Brunswick. People could argue: Did the minister use "tax cheat" as words? Probably not. But politics are politics and the perception of the public was that we weren't carrying our fair share. Those are comments. When a physician is told by a patient, because they won't perform a surgery like the example I provided with an orthopaedic surgeon, and he's a young grad, and he had a female patient come to him and he said that the surgery would not fix her particular problem, she turned around and said "You're nothing but a lying tax cheat."

You know words are words. Perceptions are perceptions. And this government made it perceived that we weren't paying our fair share and that we were using loopholes and we were tax cheats, and that's the perception.

Having said that, I think most of my patients know me as a physician and patients like their own physicians, and I have had nothing but support. Do I talk politics? Not before now. But it's extremely hurtful when you're a Canadian and your own government, your own government has painted you the particular way that they have and that has made me not to want to be loyal and that I will go and look after myself and my family elsewhere.

Dr. Singh: Honourable senator, through this committee I want to tell the health policy makers that do not measure the health care by dollar and cent. When the patient is in front of us, we think about how we can diagnose the patient and how we can provide the best quality treatment for the patient. We do not think about dollar and cent.

Please do not punish the hardworking doctors or small businesses. Do not punish the health care. Thank you.

Senator Oh: I'm very good friends with my dentist, and he always tells me, "Victor, everybody has the biggest workspace. Mine is the smallest. Only six square inches." And how many hours a day do you work, all of you? Can you tell the committee?

The Chair: Question. Dr. Singh?

Dr. Singh: So the place where I practice is called Campbellton, and I'm the only urologist there. I practise in Campbellton, Restigouche County. I'm the only urologist covering about 40,000, 50,000, 60,000. So I'm on call almost every day if I'm in the town. Because if I'm not on call, there's nobody there.

The Chair: The question was how many hours, doctor, please?

Dr. Singh: I practise almost nine, ten hours a day, I would say.

The Chair: Dr. Forgeron?

Dr. Forgeron: On average, I work about 12 hours a day and my paperwork is done on weekends.

The Chair: Dr. Manning?

Dr. Manning: I work four days a week, 32 hours.

Senator Oh: Thank you, chair.

The Chair: Thank you, Senator Oh.

Now the chair will recognize Senator Cools, please.

Senator Cools: I wish to thank the three of you for your stunning testimony and your clarity of mind. You're very clear-minded and you have thought about these matters very deeply, and they're also touching you very deeply. And I am very well aware of the fact that physicians, as a group, spend the longest period of time in training before they could be considered full-fledged professionals. And your testimony today has shown this committee and us, and I think we should talk about this, Mr. Chairman, that the issues before us are larger than these income tax proposals, because what we're looking here is the fact that these tax proposals are afflicting the health care system.

When we sit later on to discuss some of this, I think we should consider bringing the federal Minister of Health before us, because this issue is larger than I thought it was, and health care itself is a pretty large one. So I can commit to you that I will do my best to enlarge on the study of this matter so that we can get a good look at what is going on in the whole health care program, because this is more than the private lives of doctors or the private investments of doctors. It's much larger than these income tax proposals; it's the entire society and the future of health care in Canada. So I thank you for coming before us.

Dr. Forgeron: Can I make a comment in that regard?

Senator Cools: Absolutely.

Dr. Forgeron: So with respect, very early on in this game, as you know, a lot of talk came out of this region and I was talking to our local MPs about how the changes and the tax reform were going to reflect, and what they haven't taken into account is how health care is funded in Canada.

We provide infrastructure. I have said to MPs and MLAs, are they willing to put ophthalmology equipment in every office? It costs at least \$700,000 when they come out, an ophthalmologist, to put it in their office. Can they put that infrastructure in every office? Can you provide pension and overtime to all physicians? Absolutely not. You would cripple the health care system overnight.

I do want to mention about physicians that have testified in this committee because I have read their testimony and I have actually listened to them and I know the four individuals that spoke for tax reform in this province. And if you really listen to their testimony, the testimony had nothing to do really with tax reform. Their testimony was about a failed system and those individuals understand a failed system, and they understand that we have social determinants of health that are not being addressed by this country. And the social determinants of health will not be addressed by trying to tax it. You have to look at health care reform and that is very important.

The Chair: Thank you, Honourable Senator Cools.

In order to complete questions in our time frame, I will recognize one question for each senator on the second round

Senator Marshall: Thank you very much.

Dr. Manning, I'm going to scoop everything up in my question. For the questions that I initially asked on Dr. Singh and Dr. Forgeron, give us an idea of dental care and the dentists, like the number of dentists, whether there's a shortage. Is it adequate or inadequate? What's happening now in New Brunswick with regard to dental services?

Dr. Manning: Within New Brunswick I think there are 270 dentists, close to 300. We do have an issue with keeping dentists in rural areas. We do provide services to all different walks of life. We have some people who get insurance, that have dental insurance. We provide care to people who don't have insurance, and we provide social programming in concert with the Province for underprivileged children and people on social assistance.

So the dentists themselves, their practices make up a different component of patient base but I wouldn't say there is a shortage of dentists other than there's a shortage of rural dentists, trying to keep people in communities that are declining.

Senator Pratte: Mr. Chair, just for the record, according to the latest data from Statistics Canada, the percentage of Canadians with a pension plan, be it public or private, was 38 per cent in 2015.

You mentioned, I think all three of you, or at least the medical doctors, that MDs would leave for other countries, some may leave the country, which I understand, but also that some may leave New Brunswick for other provinces if these reforms came forward, which is harder for me to understand. It's harder for me to understand why someone would leave New Brunswick for another province because this is a federal proposal. Would you elaborate on that?

Dr. Forgeron: I can speak to that because I've looked at all the provinces. For example in Alberta, the highest tax, I believe it's \$303,000 that you can make in Alberta before you're at the highest tax rate and here in New Brunswick it's \$200,000 or \$202,000 before you're at the highest marginal tax rate. So that alone, individuals will look at other provinces.

You have to understand that in different provinces, the health care system is also less challenging or more challenging depending on where you are. Would I move to Ontario right now? Absolutely not, not with what's going on there. Have I looked at Alberta? Absolutely. There is a position in Saskatchewan and Alberta in my specialty that I would make a salaried position, a salary amount that would be more than I'd make here in a salaried position and my overhead costs would be covered.

Physicians look at other jurisdictions. For the province of New Brunswick where we can hardly cope with the situation as it is, unfortunately other provinces are going to be able to extract and recruit physicians from this province because of our high marginal tax rate and with the tax system that has been changed.

For example, in New Brunswick, and I don't know that any of you are aware of this but for me, as a mother with three children in university and one to go, the tuition changes that the provincial government has made here now that we cannot claim tuition for our children and also the monthly allowance for books and living allowance, that's not claimed on the provincial level anymore. That's gone.

At the federal level, they still have your tuition benefit tax credit but they have disallowed the monthly allowance for students. So going simply to another province like Alberta, I'm that much farther ahead because my overall tax burden is less.

So in New Brunswick and Atlantic Canada, that's what physicians are looking at because it's not feasible to stay in a very high taxed province where tax credits have been taken away. You have to look at whatever savings you can to make ends meet and to be able to provide for your family.

The Chair: Thank you, honourable senators and to the doctors.

Can you wrap up in 30 seconds each what you would recommend to this committee? We have heard what you have put forward for the committee. So as I said, thank you very much for accepting our invitation and I'll give you 30 seconds each to wrap up with what you've heard and the questions you've heard.

Dr. Singh: Senators, New Brunswick doctors love New Brunswick. They love Canada. They want to practise here. But we also know that our population is aging with multiple medical problems. Health care demand is going to increase with time. The health care system is already stressed out. The multiple regulations, paperwork, provincial, federal government regulations doctors have been facing; this tax measure will not be good for the future of health care in this province, so please drop this proposal and have a broad and comprehensive tax reform.

Dr. Forgeron: The committee members have heard a lot of testimony across Canada, and you have been willing to listen and I thank you for that. I will say that my biggest wish for this committee is actually to step back and think about this. This is the single biggest issue in the last decade or more that has huge, substantial impacts for the economy and health care of Canada. And it must be “The buck stops here”, and this Senate has an ability to make some very real and big changes. I thank you.

Dr. Manning: I would agree that stepping back and doing tax reform on a Royal Commission basis would really be beneficial for small business and for our health care system and for practising professionals to maintain them in North America.

The Chair: Doctors, thank you very much.

Honourable senators, on our second panel, we now have with us, from the Fredericton Chamber of Commerce, Ms. Krista Ross, Chief Executive Officer; from the Saint John Region Chamber of Commerce, Mr. David Duplisea, Chief Executive Officer; from the Conseil économique du Nouveau-Brunswick, Mr. Thomas Raffy, Chief Executive Officer; and from the New Brunswick Federation of Labour, Ms. Nancy Arseneau, 2nd Vice President.

I am informed by the clerk that the first presenter will be Ms. Ross, to be followed by Mr. Duplisea, Mr. Raffy and Ms. Arseneau.

Ms. Ross, the floor is yours.

Krista Ross, Chief Executive Officer, Fredericton Chamber of Commerce: Good morning. Thank you very much, honourable senators, for the opportunity to speak with you this morning about this issue that will directly or indirectly affect all 960 of our members.

I can say without hesitation that this has been the matter that has concerned members the most in my 15 years with the Fredericton Chamber of Commerce. We are concerned that the communications from government do not demonstrate a nuanced understanding of the fundamental differences between being self-employed and being an employee. The comparisons included in the original discussion document are not apples to apples. A person’s tax burden should be considered on an overall basis, considering both personal and corporate taxes where applicable. Tax professionals tell us that under the current system their clients will pay tax equal to an employee and any difference is simply about timing. Business owners that have incorporated do not have the same tax situation or benefits as an employee nor do they have the same income certainty. The current attempt by the government to make their situations “fair” simply misses the point. What the original discussion document tries to do is make the situations exactly the same when they clearly are not. As we all know, the government has tried several times to refine their proposals and their messaging.

A good example is the \$50,000 cap on passive income earned. It is true that most small businesses won’t reach that figure, but the idea that small business would be happy that reforms would only affect the top 3 per cent of corporations is wrong headed. Small business relies on larger businesses as their customers through the supply chain. Small businesses also recognize the importance of large business as an economic driver. The economy works best when all sectors and strata of the business community are firing on all cylinders. The relationship between different industries and size of business is symbiotic and integrated. In Fredericton, we are known as the startup capital of Canada and many of these startups rely on mature businesses for their seed funding and as early adopters of innovative technologies. Do we want to stifle this germination of the ecosystem?

One of our members, Germaine Pataki-Therriault, owns Gallery 78, a small private gallery and has stated that she doesn't expect to be directly affected by the proposals, but realizes her customers will be and this type of discretionary spending is one of the first things to go. Non-profits and charities are similarly anxious and rightfully so. Their funding relies on the business community being successful and it's one of the reasons our organizational vision is Community Prosperity Through Business.

The proposals could also hurt the economy in undetectable, insidious ways. Imagine you own a very successful business and you are ready to grow again, create more jobs, and support more small business through the supply chain. The uncertainty of the business and tax environment is currently so unsettled that people will delay investments perhaps indefinitely or look to other jurisdictions as a place to invest. And perhaps some will think twice about whether they wish to arrive at that threshold. Growing your business is not an easy task in the first place. Maybe you decide it's not worth the additional risk. What about outside investors? If Canadian businesses are nervous, you can bet that outside investors are thinking long and hard about whether this is the best environment to put their money.

The World Bank Group just released their fifteenth annual "Doing Business" report measuring business regulation and ease of doing business which ranked Canada eighteenth, but in 2009, we were eighth, and the types of punitive taxes being proposed will likely push us further down this ladder.

Other big questions remain: has an economic impact study been conducted on the proposed changes? Has government evaluated the increased compliance burden and financial cost to small business? Has government evaluated the increased cost and administration for CRA? How will the proposed changes be managed?

From the first day that the government's original discussion paper and draft legislation was released, businesses across the country felt attacked by their government. From the offensive language used in the document to government officials' dismissive attitude towards business concerns, trust with the federal government has been badly eroded. Business owners were told that the very tools provided by the federal government to encourage entrepreneurship and growth were loopholes and needed to be closed. Business owners feel that the implication is that they are tax cheats. Meanwhile, people had organized their entire financial lives around these rules. I don't see how any trust can be regained until the proposals are taken completely off the table and the government starts over with a proper process.

We echo the Canadian Chamber of Commerce's call for a Royal Commission. Rushing through reforms is the worst-case scenario for all parties. Just yesterday we learned from the Auditor General Michael Ferguson, who incidentally is a Frederictonian like myself, that CRA is currently only able to field one third of calls coming in from Canadians and are giving incorrect advice 30 per cent of the time. This is beyond alarming already and now the government is proposing to increase the workload of CRA employees by making the tax code even more complicated and adding the responsibility of deciding reasonable compensation for the spouse of a business owner. Business owners are already reluctant and apprehensive about working with CRA or asking questions and this fear will only become worse with the suggested changes and current lack of detail. At what point will businesses simply throw in the towel deciding it is not worth what they must give up and/or invest to be self-employed, and consequently, take jobs with them.

In closing, it is evident from the ever increasing complexity of the tax code that tax policy is a political tool and it really shouldn't be. If the government's concern is really fairness, then let's have a full conversation and review through that lens. There is no chance that more tinkering and cherry-picking certain parts of tax policy will lead to the road to fairness. There are just too many moving parts to be able to do this on a piecemeal basis. So let's hit the pause button on these proposals, let's engage in a full review and ensure that any new proposals

should be straight-forward, simple and efficiently implemented by CRA and easily administered by small business.

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

Mr. Duplisea, please.

David Duplisea, Chief Executive Officer, Saint John Region Chamber of Commerce: Good morning. My name is David Duplisea and I'm the CEO of the Saint John Region Chamber of Commerce. We represent close to 37,000 people in the Greater Saint John Region who work for our member companies.

I've been with the Chamber of Commerce for a number of years now and I have to tell you that I have never seen a reaction like this from our membership. We've had daily phone calls and emails from concerned businesses all across the region as well as from other parts of Canada. In fact, for the first time in decades, our new membership is up by 30 per cent in the last quarter alone and the majority of these have indicated that the primary reason for joining is now advocacy. Although I've heard from government and some elected officials that the response has died down and that the changes are not as much of an issue as they once were, I assure you this is not the case and I question the motivations for promoting such a narrative. Changes to the structure of the tax system in Canada is a major undertaking and I'm not here to speak of specific changes and how each one of them could affect individual businesses. I will leave that to others who will speak of their specific circumstances. In fact, we have six of our member organizations that will be speaking as part of this hearing process on various aspects of the proposed changes and together with the Fredericton Chamber of Commerce and our members, our presentations will provide a genuine reflection of our members' views and concerns.

We do appreciate this attempt to change the model and taxing small and medium-sized businesses in Canada. The current model has been in place for decades and it is not in dispute that the changes are required to reflect the dynamics of the Canadian economy and the evolving nature of business itself. When the initial package was released, it seemed as if the Finance department had proposed tax measures that would affect the maximum number of businesses using the most complicated avenues only to collect minimal revenues. There is no question that the minister has made a number of changes since the initial release however, we are concerned that there is so little detail in the announcements that it's difficult to arrive at consistent interpretations and to determine how they would be applied. Key areas I would like to draw your attention to are first, communications. Communications over the proposed changes could have been better handled from the very, very beginning. It appears that the federal government chose to set one class of Canadians against another purely for political purposes. The result is a portrayal of small business owners and professionals as tax avoiders in a system filled with loopholes creating the impression that small businesses are cheating their fellow Canadians.

Second, this has become a targeted attack on a small group of business people. Why is the government restricting their attack on tax policies they refer to as loopholes only to small business owners? Recent reports in the media and by leading authority show that there is major tax avoidance being undertaken by wealthy individuals and companies in Canada but nothing is being done about this class of individuals. The federal government should not promote class divide by targeting certain groups while allowing others to escape scrutiny. And third: process. We question the decision of the federal government to commence a 75-day consultation period in the middle of the summer with limited background material available outlining their intention. The Finance department provided information that was general in nature with very broad statements of intention on what they wanted to accomplish with the changes. Limited specific information has resulted in owners and professionals having to seek advice and direction from tax planners who could only provide

potential outcomes in a very general sense and not what would be expected of changes that when enacted are specific in nature and subject to interpretation. The federal government must focus more on these three areas and to assist in this effort, we would like to propose the following steps to assist: first, undertake a comprehensive tax review. If the federal government is looking to get more revenue from the tax system, then they should look at the entire tax system to see who and where the real loopholes need to be corrected. To target small business owners when many struggle to make a living, face many challenges and have no safety net to protect them as employees do all the while as the media is full of stories of off-shore investments going on tax or family trust, holding family fortunes away from the tax man. If the government wants to close loopholes, let's do it for everyone and not just a select group.

Protect the entrepreneurial spirit: If the federal government wants to promote and encourage the entrepreneurial spirit, then they need to identify and develop a tax system that encourages entrepreneurial activity in Canadians, one that respects the risks that they take and the lack of traditional safety nets. Our economy is changing with more individuals working multiple jobs, more term and casual positions, more women in the workforce and especially more benefits for public employees while private sector workers lose benefits. We cannot afford to have our young people seeing government positions as the only way to see their futures. To penalize the very entrepreneurs who are the most successful, those that motivate others to do better, to strive to achieve, the dreamers, will only create a system of mediocrity. There are probably a small percentage of people taking advantage of the tax rules for business when they shouldn't, but to attack an entire sector of economy is wrong and demands a proper recognition by the government. Failure to do so tanks the purpose of government action and undermines the people involved in this sector. It is neither good government nor good policy.

In closing, I congratulate all the honourable senators and your committee for coming out of Ottawa, for travelling the country and listening to what Canadians have to say. Thank you.

The Chair: Thank you, Mr. Duplisa.

Now the chair will recognize Mr. Raffy, please.

(French follows – Mr. Raffy up in full: Merci, monsieur le président et chers membres du comité. Je tiens à prime abord à vous remercier...)

(après anglais – The Chair -- Now the chair will recognize Mr. Raffy, please.)

Thomas Raffy, président-directeur général, Le Conseil économique du Nouveau-Brunswick : Merci, monsieur le président et chers membres du comité. Je tiens de prime abord à vous remercier de cette initiative pancanadienne de consultation avec les divers acteurs économiques et parties prenantes de notre pays au sujet de la réforme fiscale du ministre Morneau. Ce dossier concerne autant les petites et moyennes entreprises néo-brunswickoises que les autres PME des autres provinces du Canada et de ce fait, nous apprécions votre passage ici au Nouveau-Brunswick.

Tel que mentionné, mon nom est Thomas Raffy et j'ai le privilège d'être le président-directeur général du Conseil économique du Nouveau-Brunswick et je suis accompagné aujourd'hui par l'un de nos administrateurs, M. Michel Noël, présent dans la salle, qui est également conseiller en gestion de patrimoine avec la firme Owens MacFadyen Group, à Moncton, au Nouveau-Brunswick. Alors, pour les fins de ma comparution, je répondrai principalement aux questions posées par le comité, cependant, et si vous me le permettez, j'inviterai M. Noël à prendre la parole pour des questions d'ordre plus techniques et fiscales étant donné que c'est son domaine d'expertise.

Depuis 1979, le Conseil économique a pour mission de représenter les intérêts de la communauté d'affaires francophone et aujourd'hui, nous représentons les intérêts de près de 1 000 membres, soit environ 80 per cent d'entre eux qui sont des PME. S'il y a bien un élément que les propriétaires de PME ont en commun, c'est l'esprit entrepreneurial. Cet esprit se manifeste par le choix de se lancer en affaires, de prendre des risques, d'investissement de temps, d'énergie et d'argent pour soutenir leur projet d'entreprise, et nous ne connaissons aucun membre du Conseil économique qui s'est lancé en affaires avec l'objectif d'économiser de l'impôt. Toute réforme se doit de se protéger et de préserver l'esprit entrepreneurial des Canadiens, car sans cela, nos provinces ne connaîtraient pas de croissance économique. Récemment, nous avons souligné qu'au cours des 15 dernières années, la croissance de l'emploi dans les secteurs outre que l'administration publique, l'éducation ou la santé n'a augmenté que de 0,6 per cent au Nouveau-Brunswick alors qu'il a augmenté de 62,6 per cent au Canada. Au Nouveau-Brunswick, il existe un défi de croissance d'emploi, et par conséquent, le Conseil économique a invité le gouvernement provincial à se concentrer sur l'amélioration du potentiel de croissance économique à long terme et à un climat favorable aux affaires pour nos entreprises qui sont des moteurs économiques et les principales actrices de la création d'emploi.

L'un des défis majeurs que nos PME rencontrent depuis plusieurs années est la hausse des coûts d'exploitation. Les frais et les coûts augmentent et ce sont nos entreprises qui doivent malheureusement en ramasser la facture. Depuis les douze derniers mois, les PME néo-brunswickoises ont connu une hausse de taxe de propriété, du salaire minimum, de la TVH, des cotisations de Travail sécuritaire au Nouveau-Brunswick et elles se préparent entre autres à de potentielles hausses du salaire minimum, du taux de cotisation de Travail sécuritaire en plus de la tarification du carbone. Malgré toutes ces hausses, nos PME continuent leurs opérations et maintiennent leur esprit entrepreneurial, certes, mais jusqu'à quand?

Les statistiques démontrent que ce sont les trois à cinq premières années d'existence qui définissent la survie et la longévité d'une entreprise. Durant ces trois à cinq années, les entrepreneurs font bien souvent des sacrifices au niveau du revenu avant d'arriver à un revenu stable et intéressant qui couvrira les premières années difficiles. De ce fait, et en raison du projet de réforme fiscale, ces derniers seront plus fortement imposés alors qu'ils tentent autant que possible de rattraper le revenu sacrifié des premières années. Par le biais de notre sondage, nos membres nous ont clairement indiqué que le projet de réforme fiscale est un frein aux occasions d'investissement et un obstacle à la création d'emploi. En imposant davantage les revenus en placement passif, les PME ne peuvent pas investir en recherche et développement, en innovation, en recrutement ou formation d'employés. La décroissance démographique, le vieillissement de la population et l'immigration vers les centres urbains, voilà des défis qui concernent le Nouveau-Brunswick et ce sont des facteurs qui affectent grandement les entreprises néo-brunswickoises francophones en milieu rural. Nos entrepreneurs font le choix de se lancer en affaires et en employant des personnes de leur communauté assurant ainsi la vitalité de l'économie locale. De ce fait, toute mesure fiscale qui affecterait les entreprises touche par la même occasion la vitalité de nos communautés rurales francophones.

Finalement, au moment de la publication du projet de réforme fiscale, les Canadiens ont appris qu'ils n'avaient que 75 jours pour soumettre leurs commentaires et préoccupations. Si l'objectif est réellement de collaborer avec nos PME, d'entendre et surtout comprendre leur réalité, nous sommes alors d'avis qu'un processus de consultation aurait dû avoir lieu avant la rédaction et la présentation d'un quelconque document ou projet de réforme. Les Canadiens se sont vus imposer un document sans participer à des discussions préliminaires quant à sa rédaction. Nous tenons également à souligner notre incompréhension quant à la précipitation du gouvernement fédéral dans ce dossier. Soixante-quinze jours de consultation et ensuite de soudaines modifications au projet initial de réforme fiscale dans les deux semaines qui ont suivi l'échéancier du 2 octobre 2017 alors que plus de 22 000 lettres et mémoires ont été déposés auprès du ministre. Quel message cette pratique a-t-elle envoyé aux entrepreneurs canadiens?

Au nom du Conseil économique, je vous remercie une nouvelle fois pour cette occasion de vous présenter les préoccupations des PME francophones. Pour les fins de notre comparution aujourd'hui, nous avons soumis un mémoire détaillé qui inclut également nos recommandations auprès de votre comité et je tiens plus spécifiquement à remercier M. le président, le sénateur Mockler, du Nouveau-Brunswick, qui s'est assuré de la participation d'un organisme francophone tel que le Conseil économique dans le cadre de ses consultations. Je vous en remercie.

Le président : Merci, monsieur Raffy.

Maintenant, je passe la parole à Mme Nancy Arseneau, s'il vous plaît.

(anglais suit – Ms. Arseneau up in full : Thank you for the opportunity to be here to give New Brunswickers and Canadians a voice in this issue.)

(Following French – The Chair -- Maintenant, je vais reconnaître madame Nancy Arseneau, s'il vous plaît.)

Nancy Arseneau, New Brunswick Federation of Labour: Thank you for the opportunity to be here to give New Brunswickers and Canadians a voice in this issue. Canada's unions are welcoming the federal government's plan to close tax loopholes for very high income earners who use the CCPCs to avoid paying their fair share. The proposed measures are an important first step toward bringing more fairness to Canada's tax system.

Current tax rules allow wealthy Canadians, especially self-employed professionals, many of whom are lawyers, doctors, dentists and accountants to pay less in personal income taxes by setting up CCPCs -- Canadian control private corporations. The rules make it possible for someone earning \$300,000 to save more on their taxes than the average Canadian worker makes in a year, and that is fundamentally unfair. The federal government wants to address three ways CCPCs are used to avoid higher tax rates income sprinkling. High wage earners who own CCPCs can split or sprinkle their income among lower-income family members, paying them salaries or dividends even though they often don't even actually work for them, to take advantage of their lower tax rates. This is not something other working families can do.

Exploiting capital gains: high income earners who own CCPCs can pay themselves in capital gains, only 50 per cent of which are taxed at the personal tax rate instead of individuals which face higher taxes.

Passive investing: CCPCs offer the wealthiest Canadians another tax advantage others don't have access to, more capital for their investment portfolio. Many CCPC owners are parking income in their businesses so it is taxed at a lower business rate leaving them more capital to invest in passive investments like mutual funds. But lower tax rates for businesses are meant to encourage reinvestment and job creation, not to help the wealthiest Canadians make more out of their retirement portfolio.

This kind of tax avoidance is costing the federal government as much as \$500 million a year. Taxes pay for the vital services that we all rely on, from physical security, food security, health care, education, disaster relief and Canadians expect everyone to pay their fair share.

Further reforms are needed. These measures are an important first step, but more is needed to make Canada's tax system truly fair. We need to ensure that the top 1 per cent in corporations pay their fair share too which means a more aggressive clamp down on tax havens and corporate tax dodging. That would include eliminating regressive and ineffective tax loopholes by cancelling stock option deductions, fully including capital gains in taxable income and cancelling the flow through shares deduction, taxing foreign e-commerce companies to level the playing field for Canadian providers, increasing taxes on banks and finances which have

received windfall profits from corporate income tax cuts over the last decade and a half, introducing wealth taxes and making income taxes more progressive. Thank you.

The Chair: Thank you.

The first round of questions will begin with Senator Marshall, to be followed by Senator Eaton and Senator Pratte.

Senator Marshall: Thank you very much.

We've heard a lot of testimony over the last several weeks and most of the testimony has been focused on two aspects of the tax changes. One is the income-splitting and the other one is the passive income but the federal government also announced a reduction in the small business tax rate and I would like your views on that proposed change and whether you feel this is positive and also whether you feel it negates the impact of the other proposed changes that are on the table. And I would like to hear the response from all of our witnesses. Thank you.

Ms. Ross: Certainly a decrease in the small business tax rate is welcomed, but it won't drive investment. On a \$500,000 profit, the change is \$7,500. It doesn't begin to address the increased taxes on passive investments inside the company. It's not even close. The first \$50,000 is going to be taxed at a 49 per cent to 55 per cent tax level and then above that at 73 per cent. That's not fair and a \$7,500 decrease on the first \$500,000 in profit, it doesn't touch it.

Senator Marshall: Perhaps you could just address this point. Some of our witnesses -- and we've had very limited discussion on the reduction in the rates -- but some of our witnesses are telling us that the tax credit on the dividends is going to be changed so that that will take into consideration any savings in the corporate tax and I don't know if you've heard that. I haven't seen the details, but some of our tax experts are saying that, so perhaps you could also address that aspect of whether that's been raised as an issue.

Ms. Ross: I'm hearing that as well. I am not a tax expert, but you are going to be hearing from some in the next set of witnesses and I think they'll be able to answer that more eloquently than I am, but I am hearing that what has been given on one hand is being taken away on the away so that's a balance that is not fair.

Mr. Duplisea: I would echo very much what my colleague Krista has said. We do welcome the reduction in the small business tax rate, absolutely. Anything at that point is welcomed. The numbers that I was looking at was \$1,500 per \$100,000. Really it's nothing. It doesn't do much at all and in looking at that scenario, the reduction in the small tax rate, they should also be looking at things like productivity ratios, innovation, investments kinds of thing which is still amongst the lowest of any other country, so this nominal reduction in the small business tax rate really won't accomplish much of anything, and there are those that are saying "well, government will just take it out on the other end." So, it doesn't really matter, and I echo very much what my colleague Krista has said.

(French follows – Mr. Raffy: Je pense que je voudrais juste répéter les commentaires qui ont été émis par mes collègues. Je pense qu'il faudrait...)

(après anglais – M. Duplisea -- ... and I echo very much what my colleague Krista has said.)

M. Raffy : Je pense que je voudrais juste répéter les commentaires qui ont été émis par mes collègues. Je pense qu'il faudrait regarder en fait cette décision-là dans son ensemble par rapport à l'impact que la réforme

fiscale a aussi. C'est sûr que si on prend ça individuellement, c'est une bonne chose, c'est louable pour les entreprises. Les entreprises vont certainement apprécier ça, mais je pense que l'impact de la réforme, globalement, c'est de donner quelque chose pour le retirer à une autre. Ce n'est pas nécessairement pratique et réalisable pour nos entreprises.

(anglais suit – Senator Marshall : Ms. Arseneau?)

(following French – Mr. Raffy -- Ce n'est pas nécessairement pratique et réalisable pour nos entreprises.)

Senator Marshall: Ms. Arseneau?

Ms. Arseneau: Unfortunately, I won't be able to answer that.

The Chair: Senator Marshall, another question?

Senator Marshall: Yes.

Several of you referenced the impact analysis and we know that the federal government -- well, they haven't confirmed they conducted one, so my understanding is there's been no economic impact analysis -- so I'm wondering if any of your organizations have conducted any kind of analysis or survey or assessment of your members to get an impact of what this is going to do to your businesses?

Ms. Ross: I'll answer that. I would suggest that it would be very difficult to do an actual economic impact assessment because we have no details either. The details are so thin that even our accounting professionals, tax specialists, finance people are unable to give us the exact impact. We are being asked to respond and to speak on behalf of our members. Our accounting professionals are telling us that it's going to impact upwards to 90 per cent of their clients, our members believe that it will impact every one of them either directly or indirectly but in terms of the actual dollars and cents, how can we predict that when we have not been given the specific details of how it will be implemented?

Senator Marshall: So, was that a formal survey or is this just something that you've heard verbally from your members because some organizations are thinking actually about the positions that some of them have conducted surveys. So, would that have been done as a formal survey or was that more of an informal basis?

Ms. Ross: Informal.

Senator Marshall: More informal.

Mr. Duplisea.

Mr. Duplisea: Thank you.

You mentioned impact analysis studies and there are a number of different studies that we would be looking for government to look at doing. The impact on women, the impact of women in the workplace, the impact on health care, the impact on innovation, the impact on investment, all of which need to be done to fully understand the situation. In terms of my membership, as Krista had indicated, the new estimates are that about 90 per cent of my membership could be affected. The reason we know that it's affecting our members is because we've held a number of different information sessions. We've held public sessions where we've brought in tax experts, we've brought in various professionals that would be able to comment on what it is that

we know so far, where some of those holes are and based on the number of members at least in my region that attend those sessions and follow-up with us, I would say that it is a very high number of people that suspect that they are going to be impacted or equally as important, their customers and their clients are going to be impacted, which means that it's almost a domino effect.

Senator Marshall: The impression that you're giving me is that your members do not think that this is going to be confined to the high-income earners.

Mr. Duplisea: Pardon me? Could you repeat that?

Senator Marshall: It's not going to be confined.

Mr. Duplisea: No, it's not going to be confined to the top 3 per cent. It's going to have a domino effect. As you said, it's going to affect their customers, it's going to affect their investments, their investors, it's going to affect all of them, so it's a trickle-down effect, and to penalize the top 1 per cent or the top 3 per cent is to penalize the dreamers, the motivators. These are the people that smaller businesses look up to. They strive to emulate them and if you're going to start demotivating that sector as the business economy, then it's a very slippery slope.

Senator Marshall: Mr. Raffy.

(French follows – Mr. Raffy : Pour ce qui est d'une étude d'impact, je vais attendre. Pour ce qui est d'une étude d'impact économique...)

(après anglais – Senator Marshall : Mr. Raffy.)

M. Raffy : Pour ce qui est d'une étude d'impact, je vais attendre. Pour ce qui est d'une étude d'impact économique, je vais être honnête avec vous. On avait environ 75 jours pour soumettre un mémoire, donc le temps qu'on prenne pour vraiment étudier la question surtout étant donné qu'une grosse partie de ce 75 jours-là est pendant l'été ou les personnes qui voudraient faire cette étude-là sont peut-être en vacances pour l'été, il faudrait peut-être attraper ces gens-là et s'asseoir avec eux et faire l'étude. Donc, on n'avait pas assez de temps déjà pour le faire, pour répondre à votre question. Donc nous, on a fait un sondage auprès de nos membres pour avoir leurs impressions. Je peux vous dire une chose, c'est que nos membres ont eu déjà de la difficulté à comprendre exactement ce que le ministre Morneau cherchait à faire, donc il y avait vraiment un travail d'éducation à faire déjà ou des communications d'éducation à faire. Ils ont dû aller rencontrer leur comptable, leur fiscaliste, s'asseoir, comprendre ce dossier-là, donc il y a eu vraiment un travail qui a été précipité, qui a été accéléré en très peu de jours, pas 75, mais vraiment les jours où les gens sont revenus au travail, pour vraiment comprendre ce dossier-là. Donc, je pense qu'à ce niveau-là - et mon collègue a parlé de l'impact à différents niveaux, la condition féminine, l'innovation -- moi, je voudrais rajouter aussi au niveau de la francophonie ici au Nouveau-Brunswick, les entreprises rurales, le secteur rural. Presque la moitié de la population néo-brunswickoise vit en milieu rural. Donc, qu'est-ce que ça veut dire pour nous ça? Donc, il y a vraiment un impact qui devrait être fait, qui devrait être étudié, qu'on invite justement le gouvernement fédéral à faire ces études-là avant de prendre une décision sur quoi que ce soit. Si vous me le permettez, madame la sénatrice et monsieur le président, j'ai avec moi mon administrateur, M. Michel Noël, comme je l'ai cité, peut-être qui peut répondre à votre première question concernant la facturation de revenus, si c'est possible, monsieur le président.

Le président : Merci, monsieur Raffy.

(anglais suit – Le président cont -- We have been joined by Mr. Michel Noel...)

(following French – The Chair cont – Merci, monsieur Raffy.)

We have been joined by Mr. Michel Noel, Administrator of the Conseil économique du Nouveau-Brunswick.

Mr. Noel, the floor is yours.

(French follows – Michel Noel up in full : Merci, monsieur le sénateur Mockler. Pour répondre à votre question, effectivement, lorsqu'il y a une réduction dans le taux...)

(après anglais – Le président -- Mr. Noel, the floor is yours.)

Michel Noël, administrateur, Le Conseil économique du Nouveau-Brunswick : Merci, monsieur le sénateur Mockler. Pour répondre à votre question, effectivement, lorsqu'il y a une réduction dans le taux d'imposition pour les petites entreprises, il y a toujours un ajustement correspondant au taux d'imposition sur les dividendes. À la fin de la journée, disons que le principe -- c'est ce qu'on appelle le principe d'intégration - un dollar gagné à l'intérieur d'une corporation versus un dollar gagné personnellement est taxé au même niveau lorsqu'on prend les deux paliers d'imposition.

(anglais suit – Le président : Ms. Arseneau, do you want to say a few words? No?)

(following French – Mr. Noel -- ...versus un dollar gagné personnellement est taxé au même niveau lorsqu'on prend les deux paliers d'imposition.)

The Chair: Ms. Arseneau, do you want to say a few words? No?

Senator Marshall, last question.

Senator Marshall: I don't have a question. I just want to make the comment that I realize in asking the question that it's the broad parameters of the tax changes that have been released so far and we're not expected to see the details on the budget 2018 but there is enough information out there that would indicate to small businesses as to the direction that the government is going in and that's what I was very interested in. Ms. Arseneau, do you have any comments with regard to the impact on businesses because it could impact employees also. What is happening in small business could also impact our health care system.

Ms. Arseneau: Well, it could definitely impact the health care system, but the Federation of Labour represents 40,000 union workers. It is not really recognized under the umbrella of small businesses, but definitely, we see the other side of the spectrum in that there would be more fairness, right. We know that high earners in Canada mostly are male so there would be that fix for the inequality for women and the basic for us, it's simple and it's hard to explain, but it's basic fairness and to have the same opportunities as the others.

Senator Marshall: I think we are going to need the impact analysis.

Ms. Arseneau: Yes, I think.

Senator Marshall: On one hand, some businesses and individuals are saying it's going to impact all small business regardless the level of income while others think it's only going to impact the top 3 per cent or the top 1 per cent. Thank you very much.

The Chair: Senator Eaton, to be followed by Senator Pratte.

Senator Eaton: Both Minister Morneau and Prime Minister Justin Trudeau said the proposals would grow the middle class and those who want to join it. You have said madame Ross that small business owners are the middle class, whether they are earning \$50,000 a year or \$500,000 a year and you also gave in your speech how small businesses are affected also by large businesses, so what happens to large businesses inevitably has a trickle-down effect to smaller businesses. Could you give us some tangible examples for instance amongst your members of how this would happen? Do you have some tangible examples in your head how this would happen?

Ms. Ross: I guess the tangible examples would be small businesses owned by a couple where one spouse is contributing in ways that are less able to be quantified but contributing nonetheless. Perhaps they are holding down a full-time job elsewhere just to make ends meet. When you start a business -- and I owned a business for eight years -- and when I first started the business, I was told "Oh, you own a business now, you only have to work half-days" and I thought "what? I'm doing it wrong" and then the person said "whichever 12 hours you prefer." I was the small business owner that didn't get a paid mat leave. I was the small business owner that owned less than 50 per cent of my business. I owned 49 per cent because my partner owned 51. I didn't work full-time all the time because of other commitments but we had to take our incomes in that way and to penalize people who are making these choices and growing the economy and employing people and having people in their businesses that are truly like our families, our chamber represents over 25,000 employees. These people will all be impacted

Senator Eaton: But can you give us an example, with your business, because you started small, how these taxes affecting the larger businesses would also trickle down to a family.

Ms. Ross: Absolutely. There is such a thing as a supply chain. If you have a large business that is impacted, they are going to hire fewer people, they are going to buy fewer products, they are going to hire fewer small consulting businesses. All the way down the supply chain, it is going to be less. When a big business in our community hires an extra 50 people, that impacts every single one of us. These people buy houses, they buy cars, they shop at our local grocery stores, all of the things that impact every small business along the way, they eat at our restaurants, they eat at those small businesses where the people who own those businesses, they are also struggling to become part of the middle class. It is a huge impact.

Senator Eaton: You paint a very good picture.

Do you have anything to add Mr. Duplisea?

Mr. Duplisea: Again, I would echo what my colleague Krista says, but you did raise an interesting concept here -- and I call it rhetoric -- grow the middle class, let's grow the middle class. Everybody is striving to be in the middle class and that has become so content-free that we don't even really know what that means.

Senator Eaton: My colleagues have asked minister Morneau every appearance before the Senate Finance Committee if he would define the middle class. He was supposed to do so.

Mr. Duplisea: Exactly. If our own finance minister is unable to define that and it is clear that he can't define because he is so far removed from that class, it's just difficult to understand how they are using this as a catch phrase for everything is "Oh, the little people should strive to be middle class now when if you look at some of the average salaries for example of small business owners, it is not astronomical, and one could argue it's not even what some standard definitions of middle class would be. So I think it's very rhetorical and more political marketing than anything.

(French follows – Senator Eaton: Monsieur Raffy, vous avez quelque chose à ajouter?)

(après anglais – Mr. Duplisea -- So I think it's very rhetorical and more political marketing than anything.)

La sénatrice Eaton : Monsieur Raffy, vous avez quelque chose à ajouter?

M. Raffy : Juste pour réitérer les commentaires par rapport à la classe moyenne, que c'est une terminologie tellement vague et tellement fluide dans l'air que c'est difficile de vraiment avoir une idée concrète et réaliste de ce qu'est la classe moyenne et comment on peut tous plus ou moins s'y retrouver dedans et par conséquent, comme mon collègue l'a souligné, c'est facile d'utiliser ce mot-là et dire que telle personne ne l'est pas ou telle personne l'est.

Pour revenir quand même au point de ma collègue, Mme Ross, je pense que c'est très important aussi de vous donner des exemples d'entreprises qui sont en milieu rural au Nouveau-Brunswick, des entreprises qui sont dans le domaine, par exemple, des ressources naturelles, que ce soit dans le domaine forestier. Des communautés entières dépendent de ces entreprises-là. Vous avez des communautés, un couple, où un des deux ou les deux personnes de ce couple-là travaillent pour cette entreprise-là, et par conséquent, leurs enfants dépendent de cette entreprise-là, l'épicerie du coin, et cetera. Donc, il y a vraiment des communautés ici, des poches de communauté qui sont dépendantes de ces entreprises, de ce fameux 3 per cent. Et pourquoi est-ce que j'appelle ça le fameux 3 per cent, c'est que j'aimerais savoir en fait qu'est-ce que ça veut dire ce 3 per cent là. Est-ce que c'est 3 per cent de toutes les entreprises qui existent au Canada, ça veut dire incluant les entreprises qui ont été incorporées, mais qui n'ont pas d'activité? Qu'est-ce qu'est ce 3 per cent spécifiquement de ce bassin-là d'entreprise? Ce n'est pas très clair.

C'est vraiment une occasion. Au lieu de tirer sur ces 3 per cent là avant de leur tirer dessus, il faudrait les célébrer. Ce sont des entreprises qui sont des modèles à suivre. Ce sont des entreprises qui réussissent. C'est le succès canadien, et il faut soutenir ces entreprises-là qui réussissent. C'est l'esprit entrepreneurial qui est la force et le moteur de notre pays, et il faudrait les soutenir au lieu de les critiquer ou de dire que ça ne va pas ou que ça ne marche pas. Merci.

La sénatrice Eaton : Madame Arseneau?

(anglais suit – Mme Arseneau : At the other end of the spectrum, I would say ensuring tax fairness. An example would be that it will be essential to preserving...)

(following French – Senator Eaton: Madame Arseneau?)

Ms. Arseneau: At the other end of the spectrum, I would say ensuring tax fairness. An example would be that it will be essential to preserving the ability of the government to maintain its role in funding our health care system, our housing, child benefits, the coast guards, I mean, other essential services or programs of which Canadians rely on so those at the other end are things that this issue could help out and give good examples of.

(French follows – Senator Eaton: Monsieur Noel, Vous avez quelque chose à ajouter à monsieur Raffy)

(après anglais – Mme Arseneau -- so those at the other end are things that this issue could help out and give good examples of.)

La sénatrice Eaton : Monsieur Noël, vous avez quelque chose à ajouter à M. Raffy?

M. Noël : Je voudrais faire un point additionnel. On a parlé ce matin d'entreprises à succès au Nouveau-Brunswick. On a parlé des Irving, des McCain, mais dans notre membership on a aussi beaucoup d'entreprises à succès. Des Westco dans votre région, monsieur Mockler, qui sont des leaders dans le domaine de la volaille, on a MQM qui sont des leaders dans le domaine des entreprises d'usinage de métal. Ces entreprises-là sont imposées à des taux supérieurs à ce que les compagnies publiques sont imposées, donc lorsqu'on fait \$500,000 de plus ou \$500,000 de profit et plus, on est imposés à un taux de 29 per cent, donc qu'on soit une compagnie privée ou une compagnie publique, on paie le même taux d'impôt. Par contre, lorsqu'on accumule des argents dans une corporation, la compagnie publique va payer sur ses revenus d'intérêt, ses revenus de placement 29 per cent tandis que la compagnie privée paie présentement 53 per cent au Nouveau-Brunswick puis éventuellement 72 per cent, alors comment voulez-vous que nos entreprises privées qui ont du succès compétitionnent contre les compagnies publiques. Puis, ça revient à ce que M. Raffy disait tantôt. Nos communautés rurales dépendent des entreprises locales et on ne peut pas dépendre des compagnies publiques qui ont des « *head office* » à l'extérieur du Canada.

(anglais suit – La sénatrice Eaton : There was a quote: “This isn’t about business...”)

(following French – Mr. Noel -- ... des compagnies publiques qui ont des « *head office* » à l'extérieur du Canada.)

Senator Eaton: There was a quote: “This isn’t about business not paying its share. It’s about people using a corporate structure to shield their income and gain a tax advantage.” Minister Morneau was quoted in the Canadian Press, but have any of you done any cost analysis of what this cost of compliance, if this comes into being in January, what it is going to cost you in time and money? Have any of you done any studies of that? Well, that’s a fast answer.

Ms. Ross: We haven’t, but what I can tell you is that our members already feel the pain of compliance with CRA. They already feel the pain of government regulatory systems. They tell us one of their number one issue is red-tape and compliance, so to complicate things even more, to add more complicated levels, our tax professionals are telling us that they don’t know the answers and again, I’ll mention again, the CRA being unable to answer their phones and giving incorrect responses more than 30 per cent of the time doesn’t lend a person faith in the system that they will be able to go forward and be able to comply in an easy way. It’s going to be more complicated.

Mr. Duplisea: That is a very good question and it’s speaking with respect to analysis whether it be impact analysis, compliance analysis and things like that, I’m wondering is that the role of business or should that be the role of business. It’s government that is implementing these tax changes.

Senator Eaton: If you are fighting back, you might want to be able to sit with the government and say this is what the impact is.

Mr. Duplisea: Exactly, what the impact would be on certain members. And the difficulty is that the devil is in the detail. It is difficult to find exact numbers on what compliance would be when there are so many unknowns. As we know, this legislation on one piece is going to be rolled out in January of 2018, legislation on a second piece may not come until the middle of 2018, so it’s rolling out by piecemeal and the difficulty is finding a scenario where we could actually create an impact analysis on all of the changes and second, shouldn’t government already have an idea or a handle on what some of those impacts should be or even the costs in order to follow their rules?

(French follows – Mr. Raffy: Je pense que si les 75 jours qui ont amené au dépôt des lettres et des mémoires étaient toute une indication...)

(après anglais – M. Duplisea -- what some of those impacts should be or even the costs in order to follow their rules?)

M. Raffy : Je pense que si les 75 jours qui ont amené au dépôt des lettres et des mémoires étaient toute une indication du montant de travail et de consultation que les entreprises ont dû avoir avec leur comptable et leur fiscaliste, je pense que ça donne déjà une image de ce qui va nous attendre au niveau de l'impact que ça va avoir si la réforme est mise en place.

Juste pour faire écho, je pense à un de mes membres qui est basé dans la péninsule acadienne qui a une distillerie. Il travaille sept jours semaine. Il n'arrête pas. Il est passionné par son travail, mais il est le premier au travail, le dernier sorti, il passe sa journée à travailler et à créer ses produits, à trouver un nouveau marché et à faire vivre son entreprise, et là, on lui impose encore plus de paperasse. Il en a plein la tête, si je peux dire ça comme ça, donc, il faut qu'il fasse affaire avec toute sorte de paperasse déjà pour toutes les hausses des coûts d'exploitation que je vous ai citées dans mon introduction et là, on lui arrive avec une autre réforme où il faut qu'il remplisse encore plus de formulaires et surtout comprenne un système fiscal qui je l'avoue pour moi-même, n'est pas facile à comprendre. Donc, il va y avoir un impact. On n'a pas fait d'étude, mais on peut déjà voir qu'il y aura des conséquences.

(anglais suit – Senator Pratte : I want to go back and have you comment...)

(following French – Mr. Raffy -- On n'a pas fait d'étude, mais on peut déjà voir qu'il y aura des conséquences.)

Senator Pratte: I want to go back and have you comment on part of the rationale for the government coming with those changes to the tax system.

The government had noticed a significant increase in the number of CCPCs over the last 15 years and also an impressive concentration of passive income at the higher level of income, that is 85 per cent of CCPCs have no taxable passive income at all and 1.6 per cent of CCPCs have 80 per cent of the taxable passive income. In the increase of CCPCs, a large number of new corporations are in the professional services, especially the medical profession. So the government seems to think that a large number of these new corporations, especially the professionals, are using the CCPC for other purposes than business purposes and especially for taxation purposes. I would like you to comment on the fact that there has been a large increase in the number of CCPCs in recent years and it is concentrated in the professional sector and that there is really an impressive concentration of passive income in a very small number of CCPCs.

Ms. Ross: I would comment on that. We have nearly 750 of our members that have fewer than 20 employees, so you are right, they probably don't have a lot of income saved in their passive income. But isn't the point to grow our economy? Isn't the point to be innovative? Isn't the point to have a stronger economy in our country where we can employ more people and have more dynamic economic growth? We need to encourage these businesses to grow. We don't need to set thresholds that will tell them "stay down, don't grow." The other part that you questioned about the increase in CCPCs, particularly in the professional sectors and with regards to physicians, Senator Pratte, my understanding is that in Ontario, physicians were given that as an alternative to other tax planning measures when they were declined on other areas. They were told "this is a way that we will allow you to incorporate." And so a lot of that did happen because it was given to them as a legitimate and reasonable tax planning measure. They were told "this is the way that you can go forward." So, I

believe that these were legitimate and fair tax planning measures that have been in place since the sixties, and yes, they have grown more recently, but that's because of changes in Ontario that had encouraged that change.

Mr. Duplisea: Although 85 per cent of my membership is what is classified as small to medium-sized businesses as well and you quoted some numbers and increases in numbers of professional corporations and businesses that are growing, and it's increasing and you cite your belief and the reasons for that growth. I believe that an increase in the number of businesses in Canada is a good thing. I believe that an increase in the number of professional corporations in Canada is a good thing and we should be encouraging people to start their own business. We should be encouraging entrepreneurship and not necessarily questioning their motivations for starting those corporations. Yes indeed, there will always be a small portion of the population who are not in it for the most ethical of reasons, but to paint an entire sector as just creating professional corporations and small business solely to take advantage of loopholes I believe is irresponsible and I can't think of too many small business owners that say "okay, I am going to work 14 hours a day and I'm going to invest my savings. I'm going to have my wife working her tail off as well because we want to get a tax break." So I don't think this is necessarily cause and effect.

(French follows – Mr. Raffy: Juste faire un écho, il faut des mises en garde par rapport au danger de la généralisation et qu'en fin de compte, au Nouveau-Brunswick...)

(après anglais – M. Duplisea -- So I don't think this is necessarily cause and effect.)

M. Raffy : Juste faire un écho, il faut des mises en garde par rapport au danger de la généralisation et qu'en fin de compte, au Nouveau-Brunswick -- je peux parler pour le Nouveau-Brunswick -- c'est important d'augmenter le secteur privé. Notre province présentement est trop dépendante du secteur public, de la création d'emploi dans le secteur public, ce qui fait en sorte qu'on est dans l'état où on est aujourd'hui économiquement au Nouveau-Brunswick. Donc, s'il faut faire la promotion, il faut faire la promotion du secteur privé, de la création et de la mise en place de petites et moyennes entreprises, et donc, par conséquent, je veux juste souligner cette généralisation-là. Je trouve que c'est dangereux surtout s'il faut inclure des petites et moyennes entreprises qui sont membres de nos organismes, mais qui nécessairement ne se retrouvent pas dans les bonnes intentions du ministre Morneau par rapport à cette réforme-là. Mais au niveau technique, je voudrais déférer ça, si c'est possible, à M. Noël par rapport à répondre à la question de sénateur Pratte si c'est possible.

M. Noël : Ce qui ne me paraît pas clair dans les propositions qui ont été faites, c'est ce qui est nécessairement visé. Est-ce qu'il y a des professions spécifiques qu'on cherche à viser, et si c'est le cas, adressons ce problème-là si problème il y a. Je suis d'avis qu'il n'y en a pas puis on a entendu ce matin de la profession médicale l'impact que ces changements-là pourraient avoir sur eux autres. Donc, si c'est ça le problème, on devrait adresser ce problème-là, mais ceci étant dit, il ne faut pas oublier que les professionnels sont des entrepreneurs aussi, puis ça, ça été dit à quelques reprises que parfois, les professionnels ne sont pas des gens d'affaires. Qu'on soit avocat, dentiste, médecin, tous ces gens-là sont des gens d'affaires et ont des décisions à prendre. Ils prennent des risques, créent de l'emploi, alors je ne suis vraiment pas d'avis, lorsque j'entends ces choses-là, que ces gens-là devraient être pénalisés.

(anglais suit – Le sénateur Pratte : I just want to make clear that I did not use the word "loophole.")

(following French – Mr. Noel -- lorsque j'entends ces choses-là, que ces gens-là devraient être pénalisés.)

Senator Pratte: I just want to make clear that I did not use the word "loophole." That is not my language. I understand that the government used that language. That's not a generalization that I made. The government

introduced this idea of a threshold of \$50,000. I understand that you're not happy with that idea, but the minister, when he appeared before us, made it clear that he was moving forward with that proposal. If the government moves forward with this idea of a threshold, would you have any suggestions that you could make to this committee of an alternative proposal, idea or recommendation besides "Okay, let's put all these ideas aside," but I don't think the government will do that so are there alternatives on passive income that you could suggest, whether a higher threshold or a different kind of threshold or whatever?

Ms. Ross: My comment on that is what happens if rates jump? Will this be indexed to inflation? How will we manage this going forward? I think the number is not a high enough number. It needs to be a higher number or as you suggested, yes, grabbed altogether, and if I may, may I refer back to the previous question just for a moment?

I want to just comment that money saved inside a business, passive income, it's not there to avoid tax. It's to support operations during downturns. It's to invest in new equipment, new processes, new employees, new ventures, jobs, capital investments, and I want to give you an example because real examples are easier to understand.

A business in Fredericton, J. Clark and Sons car dealership, a fifth generation business, he was on a panel of business people in our community that spoke in addressing the media and our members after minister Morneau came to Fredericton in September and what Mr. Clark told us is that the money that was inside their business - and remember, fifth generation, that passive income -- it kept them from laying off employees and even closing their doors during several economic downturns that we've experienced in this country. People like John Clark, they employ people in our communities, they donate to charities, they are the backbone of our communities and the money that is inside their business is what allows them to keep that business operating and flowing during the ups and downs and economic downturns. They are also the people that invest in new startups, new technology, contributing in every way to our community. Is there passive income inside businesses for reasons other than not paying a tax? Absolutely. All the other reasons are the most important ones, in my opinion.

Mr. Duplisea: Very good question. In terms of what is the number, \$50,000, is it too low, is it too high, and some of our businesses, they say that's fine, some say it's not enough, so it really depends on the specific of each individual what that number should be. I would like to echo a comment as well. The purpose of that passive investment is to provide for a rainy day and it's these passive investments that allow the businesses to invest in innovation, to invest in productivity tools and that is where it is needed in the small business market. Where Canada needs to continue to be productive and to be competitive in the world is to increase those tools. By defining a number simply because of tax ramifications is not the whole story and we did have a conference call with Finance Canada and we had four of their tax people on there and we specifically asked them the question, "please justify to us why you chose \$50,000 because we need help understanding this and we need help explaining this to our members, because they are asking this." Do you know that not one person on that Finance call, from Canada Finance could adequately explain or interpret where the \$50,000 comes from. It appears that it was almost just pulled out of the air.

(French follows – Mr. Raffy : Deux points, juste pour réitérer le point que le montant de 50 000 \$ n'est pas clair...)

(après anglais – M. Duplisea -- It appears that it was almost just pulled out of the air.)

M. Raffy : Deux points, juste pour réitérer le point que le montant de 50 000 \$ n'est pas clair, son origine, d'où ça vient, ce que ça veut dire spécifiquement parlant, donc il y a une question vraiment qui est posée par rapport à ce montant-là, et deuxièmement, la citation de Mme la sénatrice Eaton, quand elle a dit la citation,

elle a utilisé le mot « bouclier ». Donc, c'est pas mal imagé comme terme que le ministre Morneau a utilisé le terme « bouclier » dans le sens qu'un bouclier, c'est utilisé quand on est attaqué, donc, il y a vraiment une question de violence, il y a une question d'attaque, alors qu'en fait, ces montants-là, ce n'est pas vraiment pour se protéger contre toute attaque, c'est pour investir dans l'entreprise et aider l'entreprise à grandir. Donc, il y a vraiment cette image-là qu'il faut cesser de vraiment diviser un peu les Canadiens en pensant que les entrepreneurs mettent cet argent-là pour se le mettre dans les poches, mais au contraire, pour réinvestir dans leur entreprise, dans leur employé ou dans leur communauté.

(anglais suit – Senator Neufeld : Thank all of you for your presentations..)

(following French – Mr. Raffy -- pour réinvestir dans leur entreprise, dans leur employé ou dans leur communauté.)

Senator Neufeld: Thank all of you for your presentations. A lot of good information and much of the same thing that we've been hearing in every part of Canada, regardless of whether you're from the West, the East or Central Canada, we're hearing very much the same thing so I'm always hopeful -- I guess I'm that way -- that the minister will maybe listen to a little bit of what's coming generally from all Canadians coast to coast and actually do some of the things that folks like yourself are asking to be done which is let's hit the pause button, let's have a look at the whole process and let's not just pick on a particular group.

I am going to read to you first a little quote from the minister. The minister of Finance told the committee that "the government recognizes the need to retain funds within a corporation for business purposes" -- and Mrs. Ross, you referred to that -- "but it wants to discourage using private corporations to save for retirement." Now, I've been in small business myself. I did try to save some money. There wasn't much to save, but whatever I tried to save I thought some day might help me in my retirement. I think that's probably on the minds of most people that are in small business. We heard that from the doctors just a little while ago. You hear that from doctors all across the country that they want to save. Do you find it interesting that the minister would say you shouldn't save for retirement and maybe I would like to have all of you just comment on that a little bit please.

Ms. Ross: I think it is interesting that private business owners typically do not have pension plans and if they chose to leave their retained earnings, their profits inside their company and use that as a vehicle to save for their retirement, I think that's commendable. If they take their money out and invest it into an RRSP and then they need that money to keep that business running -- and that can happen -- then they have to draw it out, pay the highest tax rate at that time to put it back in the company. That doesn't even make sense. It makes the most sense to leave it in the business until such time as it is required by the business. When you own a business, you don't have a pension. Your business is your retirement. It's the ability that you have to retire, hopefully, before the age of 80.

Mr. Duplisea: I think that Krista hit the nail right on the head when she said "your business is your retirement." It's your life, it's your future and it is your retirement and I don't quite understand the minister's comments when he says "well, you shouldn't be using passive income as retirement." As Krista has said, there are no retirement plans, there are no safety nets for small businesses and they are just trying to find that balance with keeping enough funds in the small business so that they can invest and that they can save for a rainy day as well as looking after themselves in their own retirement.

(French follows – Mr. Raffy: Le désavantage à passer en troisième, c'est que les points sont déjà faits avant vous.)

(après anglais – M. Duplisea -- as well as looking after themselves in their own retirement.)

M. Raffy : Le désavantage à passer en troisième, c'est que les points sont déjà faits avant vous.

(anglais suit – Senator Neufeld : You'll understand. I'm fourth here.)

(following French – Mr. Raffy : Le désavantage à passer en troisième, c'est que les points sont déjà faits avant vous.)

Senator Neufeld: You'll understand. I'm fourth here.

(French follows – Mr. Raffy: Exactement. Mais je veux rajouter un autre point. Je ne veux pas...)

(après anglais – Le sénateur Neufeld: You'll understand. I'm fourth here.)

M. Raffy : Exactement. Mais je veux rajouter un autre point. Je ne veux pas nécessairement répéter ce qui a été dit, je voudrais rajouter un autre point. C'est par rapport à la retraite. Oui, les fonds peuvent être utilisés pour investir dans l'entreprise et garder ça dans les cas où les choses ne vont pas bien, mais par rapport à la retraite, qu'est-ce que ça veut dire une retraite aussi? Je pense que c'est ça qui est important. C'est qu'une retraite, ça permet à la personne d'arrêter de vivre de six heures du matin à neuf heures du soir, de prendre sa retraite et de profiter de sa vie ou du reste de sa vie, mais ça permet aussi à la prochaine génération de venir. Et ça, c'est très important. Ça, c'est une question de la relève entrepreneuriale et ça, c'est un dossier qui est très, très important pour nos communautés francophones, surtout les communautés rurales du Nouveau-Brunswick.

Les entreprises francophones, contrairement aux entreprises anglophones au Nouveau-Brunswick sont seulement à leur deuxième, peut-être troisième génération alors qu'on a des entreprises anglophones qui sont dans leur quatrième, cinquième voire plus génération. Donc, par conséquent, on a un défi de la relève entrepreneuriale dans la francophonie au Nouveau-Brunswick et donc, permettre à ces entreprises francophones de pouvoir sauver de l'argent et prendre leur retraite, c'est aussi permettre aux jeunes de rester dans nos communautés et d'être la relève de nos entreprises. Donc, il faut penser vraiment à long terme ici, à plus long terme que la retraite de la personne. On parle de la vitalité de nos communautés. Merci.

(anglais suit – Mme Arseneau : I know it's not businesses. We're talking about working families...)

(following French – Mr. Raffy -- On parle de la vitalité de nos communautés. Merci.)

Ms. Arseneau: I know it's not businesses. We're talking about working families, but most New Brunswickers don't even have a pension plan and most of them don't even have a job and I agree that in rural francophone areas where I'm from also, there is no jobs, so we have to create jobs also to be able to do this. Even the ones that have a pension plan, that are professionals -- I say a nurse is a professional -- if you are in an area where there is no job and you are not full-time, you don't accumulate pension. In the last few years we were lucky, casuals have. For example, I'm a 33 year-old work employment nurse and I only have 17 years into my pension because I was casual, because there were no jobs in the years I was working and casuals did not accumulate in the pension plan. So I agree, there are the jobs that are needed, but also it's difficult for your working families to be able to do all this, at the other spectrum anyway.

Senator Neufeld: Thank you.

The other part that bothers me -- and we've heard it from the professionals -- is that it seems as though the minister has said and has targeted, the government has targeted doctors, professionals, those people saying that they are the ones that are trying to get a hold of, yet, having spent some time in the provincial government in British Columbia, I know who picks up the biggest share of the cost of health care. It is not the federal government. It is the provincial government, regardless of where you are at in Canada, that picks up the lion share. When we start messing with doctors -- and I can only take them at their word - who say and told us today -- you may have heard -- that they may leave, curtail hours. All of those things really bother me.

I don't come from Vancouver. I come from very rural BC. We're always short of doctors. We never have enough doctors, so when that starts to happen, it really starts to bother me, that the government would publicly stand up and say "we want to attack that group." In fact, most provinces search the world for doctors to bring them to their particular province, and then we have a government that says "but we want to attack them." What do you think about that? Do you think that's really good common sense for a government to actually do those kind of things?

Ms. Ross: In Fredericton, I can speak most directly. In Fredericton, we have a large waiting list of orphaned patients, people who have no family physician and I know it's worst in the smaller rural areas.

In New Brunswick, we also have an archaic system of billing numbers where we can't get physicians because there are no billing numbers for them to use, and now we are putting physicians who are using perfectly legal and recommended tax planning methods, they are telling us, and we have a physician recruitment committee at our chamber where we actually work with the medical society to try and recruit doctors to our area because there are so many patients without physicians and now we are going to put them into this predicament where they basically are overtaxed to the point that they will leave. It is unfathomable. It's absolutely unfathomable. We have a lot of members who are physicians and we actually put on workshops to help young physicians learn how to run a business. We do that collaboratively with the Medical Society. These are young business people. The business that they are in is health, but they are business people and they have a business to run and they shouldn't be penalized for using tax methods that have been in place since the 1960. It's wrong.

The Chair: Mr. Duplisea.

Mr. Duplisea: Now, if we were on this side, we would get to have all the good points that Krista gets to talk about first.

Senator Neufeld: Why don't you trade chairs?

Mr. Duplisea: I know.

I do have an observation. You made a very good point when you said that the province is left holding the bag for a lot of the health care costs and that's very true. Throughout Canada, the costs are being downloaded to the province, so speaking just specifically in New Brunswick, when you download those costs to the province, you are downloading the cost to the small businesses that support that province, and in a province as economically challenged as New Brunswick is at this moment, there is already no more room whatsoever. We have looming carbon taxes coming. We have Worksafe NB premiums that could hit as high as 70 per cent increases. We've got minimum wage increases. All of these have created a scenario where small business just doesn't have any more room to support these government initiatives and if it's going to mean that there will be a decrease in the health services that the government is able to provide, then that is going to be one of the consequences of this.

Another observation that I did want to make is that just the overarching attitude and tone towards these proposed tax policies. I've always believed that government and tax regimes should be there to encourage dynamic business growth. They should be there to encourage investment. They should be there to encourage entrepreneurship and yet, the tone that we're seeing now is completely the opposite. We are hearing terms like "penalize." We've got to penalize this sector. We've got to go after this sector. We've got the top percentage that are this and it is very, very much a negative, negative tone and I don't believe that's a responsible approach for government to take. It should be the opposite. Government should be creating tax regimes and tax scenarios that encourage the growth of entrepreneurship and encourage the growth of business as opposed to vilifying them.

(French follows – The Chair: Monsieur Raffy.)

(après anglais – M. Duplisea -- and encourage the growth of business as opposed to vilifying them.)

Le président : Monsieur Raffy.

M. Raffy: Merci.

Au dernier sondage de Statistiques Canada, on a vu qu'en 2016, le Nouveau-Brunswick était la seule province canadienne qui a connu une décroissance démographique. On est une province qui a une population vieillissante, donc ça veut dire que les besoins en santé vont juste s'accumuler. Déjà que la santé prend une grosse part du budget provincial, en plus de ça, il faut s'apprêter à offrir encore plus de services de santé à une population qui va en avoir besoin, donc qui aura besoin de médecins. Ça, c'est une chose. La deuxième, c'est qu'on entend que des médecins disent qu'à cause de cette réforme fiscale, ils vont décider de partir, moi, je pense surtout aux étudiants -- le docteur Singh a dit plus tôt ce matin qu'il y avait deux facultés de médecine au Nouveau-Brunswick -- moi, je pense à ces étudiants-là qui sont en train d'étudier et qui entendent ce qui arrive. On le sait, la population jeune est plus volatile, donc elle est plus prête à quitter la province et même quitter le pays, donc, ça, ça veut dire qu'on va perdre notre population plus jeune, on va perdre notre main d'oeuvre de demain. Donc, il y a un impact là aussi. Il y a des régions qui vont se vider. Il y aura des entreprises qui ne vont pas pouvoir trouver des entrepreneurs, et si les médecins sont les premiers à décoller, qui sont eux-mêmes -- et comme M. Noël l'a dit -- sont des entrepreneurs, il y aura d'autres entrepreneurs qui vont suivre aussi la même cadence et la même décision. Merci.

(anglais suit – Le sénateur Neufeld: Thank you. Just quickly, as I know...)

(following French – Mr. Raffy: il y aura d'autres entrepreneurs qui vont suivre aussi la même cadence et la même décision. Merci.)

Senator Neufeld: Thank you.

Just quickly, as I know time is marching on, I have one statement. When we were in the West, there was one company -- and we are talking about investment in jobs -- that had already invested in the West doing what they were doing and they were going to expand to Ontario which would have created between 200 to 400 jobs. Without even finding out exactly what the government is going to do -- this is a small Canadian-controlled corporation -- they said due to the uncertainty, we've moved that to the U.S. Those 200 to 400 jobs will be in the U.S.A. and they will export their product into Canada, and I can't for the life of me figure out how that makes sense. That's more of a statement than anything but I would ask Ms. Arseneau, when you talk about getting rid of the flow through shares, I'm not quite sure why you'd want to do that.

In my previous experiences as Energy minister in British Columbia, Energy and Mines, flow-through shares were great because what it did was enable people in British Columbia that go out and actually look for that next huge mine that creates hundreds and hundreds of jobs and thousands of spin-off jobs. I can't imagine for the life of me why we would think we should do that, because that's available to anyone. I don't care who you are. You can be working at the mill. You can invest in flow through shares if you want to take the chance. It's similar to an angel investor. What would be wrong with continuing to have flow through shares? I fought for those every year and you are saying "poof, we should get rid of it" and yet, that creates jobs and the opportunity for wealth's growth.

Ms. Arseneau: Well, I don't think getting rid of it totally. It's just about the fairness of it all. I'm not the best one to answer that question. My notes came from the Canadian Labour Congress and I think they will speak to you guys or they have already in Toronto or in Ottawa.

Senator Neufeld: Okay.

Ms. Arseneau: My portfolio is really social justice and social policy so it's a little bit difficult for businesses.

Senator Neufeld: Well, flow-through shares are a very good thing, to be perfectly honest. They are great for any province or anybody.

The Chair: Thank you, senator.

Senator Oh, looking at the time, you have one question.

Senator Oh: Actually, I have two important ones. My first question is for our friend Nancy Arseneau.

You said earlier, "Don't worry, the government will look after health care." This tax reform is precisely because government is running out of money. That's why they are looking for new money. There is not enough money to spend now. We've got to look for new taxes and there will be more coming, trust me.

My question for you is: This is the real world that we live in. If there was no entrepreneurship, no investment, no manufacturer, no businessman -- and this is all private sector -- we wouldn't have labour congress or unions today. Yes or no? If no, please explain.

Ms. Arseneau: We know that the taxes that are paid are used for the health care, like I was saying, for the health care, for the education and disaster relief. Everybody has to put their monies in and by diminishing the taxes that we are receiving from the 1 per cent or 3 per cent that they are putting more into income-splitting or capital gains or passive, we are not receiving that. I'm just saying that if there are more taxes coming back to the government, if the government can save, then we can put more in the health care system. But I agree, it's on the provincial, it's not necessarily on the federal, because the transfers and the health accord and everything has been on standby and on hold and the responsibility is more for the provincial, I agree, but I'm just saying that more monies would be found in the pockets of the government that could put more on these reliefs.

Senator Oh: I don't think there is money to be found in both pockets.

Ms. Arseneau: I know. It's difficult.

Senator Oh: That's why they are looking for new money.

My second question is for the panel. Would you agree that Minister Morneau fulfill a commitment to undertake a gender-based analysis before seeking to adopt any proposed any tax changes? This gender-based analysis would provide everyone with a better understanding of how the proposed tax changes will impact men and women and boys and girls in different ways along with other interesting factors like age or income. Right now, it seems that if the proposed changes go forward without this analysis, the greater impact of this assessment will not be understood until issues have emerged or have been accelerated. Can you comment on this?

Ms. Ross: My comment would be that it does not appear that any analysis of this nature has been undertaken and it certainly should be and it seems in certain of the areas that it is unbalanced in terms of female business owners, female shareholders with regards to maternity leaves, these sorts of things, so certainly, there is a greater impact I would say, and I don't think that that's been fully uncovered by any studies.

Mr. Duplisea: I would concur as well and we've heard a number of comments and questions on impact analysis, and I think specifically gender-analysis, as you've indicated, is critical just from the Saint John Region Chamber of Commerce. As we've said, we are 85 per cent small and medium-sized business and our number one demographic is now female and that speaks to the fact that more females are creating businesses, more females are owning businesses and more females are in the workforce than ever before in ownership and entrepreneurial positions. So, that's just one example of many of the impact analysis that I think that we need to look at, just put a hold on things to understand a little better what the ramifications are and then design a tax scenario that accomplishes the outcomes you desire.

(French follows – Mr. Raffy: Je pense que pour réitérer mon point que j'ai fait durant mon introduction, les canadiens se sont...)

(après anglais – M. Duplisea -- and then design a tax scenario that accomplishes the outcomes you desire.)

M. Raffy : Je pense que pour réitérer le point que j'ai fait durant mon introduction, les Canadiens se sont retrouvés à être imposés un document sans qu'il y ait de discussion ou d'étude ou d'analyse qui avait été faite. Donc, c'est sûr que par rapport à la condition féminine, il aurait dû y avoir une analyse qui aurait été faite parce que justement, on parle beaucoup des fonds qui sont pour la retraite, mais ne faut-il pas aussi des congés de maternité? Donc, les femmes doivent prendre des congés de maternité ou elles voudraient en prendre. Elles devraient pouvoir en prendre, et par conséquent, c'est quelque chose qui aurait dû être analysé et étudié effectivement.

(anglais suit – Le président : Ms. Arseneau, any comments?)

(following French – Mr. Raffy -- ... c'est quelque chose qui aurait dû être analysé et étudié effectivement.)

The Chair: Ms. Arseneau, any comments?

Ms. Arseneau: No comments. The same. Women.

The Chair: We will finish with one question from Senator Marshall.

Senator Marshall: When you had a conference call with the Department of Finance, did you get into the issue of the definition of passive income? Do people have an understanding of what can be included in passive income?

Mr. Duplisea: Definitely, what came up in the conversation as well is what does it mean, and there was inability to actually define what is rental income, whatever, what is exactly in the passive income and that was an area of ambiguity.

Senator Marshall: So you didn't get a definite answer.

Mr. Duplisea: No, we didn't.

The Chair: Honourable senators, this brings us to the end.

To the witnesses, thank you very much for being here to share your views, your comments and your recommendations. It was certainly very educational and informative. If you feel that you want to add additional information before we table our report to the Senate of Canada on December 15, please do not hesitate to do so through the clerk.

(The committee adjourned.)