



**The Parliament of the
Commonwealth of Australia**

**Report of the Australian Parliamentary Delegation
To Singapore and Canada**

Senate Economics Committee

7 – 18 December 2014

Members of the Delegation:

Senator Sean Edwards (Delegation Leader)

Senator Matthew Canavan

Senator the Hon. Kim Carr

Senator Chris Ketter

South Australia, LP

Queensland, NATS

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Delegation Secretary:

Dr Sean Turner

Delegation report: overview

1.1 In December 2014, members of the Senate Economics Legislation Committee and Senate Economics References Committee (hereafter 'the committee') visited Singapore and Canada. The trip took place from 7 December to 18 December 2014, and consisted of two legs:

- Singapore, arriving on 7 December and departing on 9 December; and
- Canada, arriving on 10 December and departing on 16 December (arriving back in Australia on 18 December). The committee's time in Canada was divided between Toronto and Ottawa.

1.2 The delegation was led by Senator Sean Edwards, Chair of the Economics Legislation Committee and Deputy Chair of the Economics References Committee. Three other members of the committee also took part: Senator the Hon Kim Carr, Senator Matthew Canavan and Senator Chris Ketter.

1.3 The committee had a full program of meetings and engagements in both Singapore and Canada, and the delegation proved informative and highly productive. In Singapore, the committee met with the senior leadership of seven government agencies, representatives of the Australian banks and key Australian businesses based in Singapore, a range of academic and private sector economists, and members of the Singapore-Australia Parliamentary Friendship Group. The committee also met senior representatives of the Singapore Business Federation, the Australian Chamber of Commerce and Austrade.

1.4 In Canada, the committee held a range of discussions with provincial and federal authorities and agencies, think tanks, private sector interest groups, and chambers of commerce. The committee also met with members of Canada's Senate Committee on Banking, Trade and Commerce, and toured the Canadian War Museum.

1.5 Key issues covered over the course of the delegation included: the finance sector and capital market regulation; tax reform and pension policies; science and innovation; energy and extractives sector management; digital currency; affordable housing; and, more broadly, emerging challenges and opportunities in the Asia-Pacific region. The committee also enjoyed a number of in-depth discussions with academics, private and public sector economists, senior public officials, business leaders and parliamentarians in both Singapore and Canada regarding how Australia and the two respective countries could build on already strong bilateral relationships and economic ties.

Background to delegation

1.6 Since 2009 the Presiding Officers have included an annual parliamentary visit to two Asia-Pacific countries (excluding New Zealand and the United States of America) as part of the outgoing delegations program. The aim of the annual visit is to

provide an opportunity for a parliamentary committee to explore issues relevant to its work in two countries in the region. The visit is also intended to enhance the parliament's contacts within the region. As the visit is part of the official outgoing delegations program, funding is provided by the Department of Finance.

1.7 The committee submitted a nomination for the 2013 visit, and received notification that its nomination was successful in February 2013. While the visit was originally scheduled to occur in 2013, as a result of the 2013 Federal Election and other considerations it was not possible to undertake the visit that year. Following a request from the committee to defer the delegation, the Prime Minister approved the visit as part of the 2014 outgoing delegations program.

1.8 In its letter of nomination, the committee highlighted similar characteristics in the Australian, Singaporean and Canadian economies. These similarities included relatively low systemic credit risk, the importance to each economy of industries which compete on a global scale, and strong growth potential of the each respective economy. The committee further noted that Singapore is a key international and Southeast Asian financial hub. The committee indicated that its interest in Canada was partly due to similarities in the Canadian and Australian financial and banking sectors, along with the importance of the resources sector in both nations. The committee also noted that the three countries are linked as members of the Asia Pacific Economic Cooperation forum.

Assistance provided to the delegation

1.9 The success of the visit would not have been possible were it not for the professionalism and dedication of staff in Australia's diplomatic missions in Singapore and Canada. While the committee extends its gratitude to all staff in those missions who helped organise and facilitate the trip, it is particularly indebted to several individuals. Australia's High Commissioner to Singapore, HE Mr Philip Green OAM, was generous with his time and hospitality. A number of Mr Green's colleagues took time out of their busy schedules to meet with and assist the committee, including Mr Adrian Lochrin, Deputy High Commissioner, and Mr Chris Rees, Senior Trade Commissioner, Austrade. Mr Michael Feller, Third Secretary, accompanied the committee throughout its time in Singapore, and provided invaluable assistance before, during and after the trip.

1.10 The committee is also grateful for the hospitality and assistance provided by Australia's diplomatic personnel in Canada. In particular, the committee would like to thank HE Mrs Louise Hand PSM, the then High Commissioner, who warmly hosted the delegation on several occasions and provided valuable insights into the Canadian political and economic scene. The committee would also like to extend its thanks to the Mr Adrian Morrison, Deputy High Commissioner, and Ms Portia Maier, Consul General and Senior Trade and Investment Commissioner. Ms Stephanie Aeuckens, First Secretary, accompanied the committee in both Toronto and Ottawa, and provided assistance and advice to the committee that was consistently of the highest standard.

1.11 The committee would like to thank the staff in the International and Community Relations Office who helped facilitate the trip.

1.12 Finally, and most importantly, the committee would like to thank the many individuals and organisations in Singapore and Canada who met with the committee. The committee found all of its meetings and engagements highly informative. These meetings helped committee members gain a stronger understanding of the economic challenges and opportunities in Singapore, Canada and the broader Asia-Pacific region. Just as significantly, the committee believes such meetings are critically important in helping to build and maintain the Australia's strong, productive relationships with both Singapore and Canada.

Chapter 2

Singapore

2.1 The committee visited Singapore from 7 to 9 December 2014. This chapter provides an overview of the committee's meetings and other engagements in Singapore, and outlines some of the key themes and observations to emerge during this leg of the delegation.

Summary of meetings and other engagements

2.2 The committee met with officials from the Central Provident Fund, in a meeting chaired by Mr Chang Long Kiat, Senior Director, Housing and Healthcare. The Central Provident Fund is a comprehensive social security system that enables working Singaporean citizens and permanent residents to set aside funds for their retirement. In addition, it addresses healthcare, home ownership, family protection and asset enhancement.

2.3 The committee also met with the Singapore Business Federation, with the meeting hosted by the SBF's Chief Executive Officer, Mr Ho Meng Kit. The Singapore Business Federation is Singapore's apex Business Chamber which assists more than 19,000 members with business facilitation, representation and capacity building initiatives and services.

2.4 The committee travelled to the offices of two key agencies in Singapore's innovation policy portfolio: the Agency for Science, Technology and Research (A*STAR), which is the lead agency for fostering scientific research and technology innovation; and SPRING Singapore, an enterprise development agency under the Ministry of Trade and Industry. The meeting at A*STAR was hosted by Professor Raj Thampuran, Managing Director. The meeting at SPRING Singapore was hosted by Mr Tan Kai Hoe, Chief Executive.

2.5 The committee held discussions with Singapore's Economic Development Board, the lead agency for planning and executing strategies to enhance Singapore's position as a global business centre. The meeting was hosted by Mr Koh Jin Hoe, the Economic Development Board's International Director, Asia Pacific.

2.6 The committee spoke with representatives of three of Singapore's key financial and regulatory agencies: the Monetary Authority of Singapore, the Competition Commission of Singapore and the Accounting and Corporate Regulatory Authority. Each of these meetings were attended by senior officials of the respective agencies, including: Mr Ravi Menon, Managing Director, Monetary Authority of Singapore; Mr Lee Cheow Han, Assistant Chief Executive, Competition Commission of Singapore; and Ms Julia Tay, Deputy Chief Executive Officer, Accounting and Corporate Regulatory Authority.

2.7 In addition to meetings with the abovementioned organisations and agencies, the committee met with representatives of Australian banks in Singapore, including the Commonwealth Bank, Westpac, ANZ and Macquarie Bank, and received a briefing from Austrade on Australian industry in Singapore and the region. The committee also held a roundtable lunch meeting with a group of industry and academic economists, including representatives of the Institute of Southeast Asian Studies, the Asian Trade Centre, Goldman Sachs, Moody's Investors Services and Centennial Asia Advisors.

2.8 The High Commissioner hosted the committee for dinner on its first night in Singapore, as well as two other events during the trip. On Monday evening, the committee had dinner with four Singaporean parliamentary members of the Singapore-Australia Parliamentary Friendship Group. The following day, the committee lunched with members of the Australian Chamber of Commerce, including the Chamber President, Mr Guy Scott, and a group of prominent business leaders from the Chamber. Both events provided great insight into the opportunities and challenges for Australia and Australian businesses in Singapore and the broader region.

2.9 Finally, the committee was privileged to be able to attend the launch of the Hon Tim Fischer AC's new book, *Maestro John Monash: Australia's Greatest Citizen General*. The book launch, which coincided with the committee's trip, was held on 9 December 2014 at the Australian High Commission, and included remarks and a reading by Mr Fischer.

Key themes and learnings from the Singapore trip

Understanding Singapore's strengths and weaknesses

2.10 Overwhelmingly, the committee received a positive message about the Singaporean economy. The committee heard that Singapore maintains its strong economic position through a long-term focus on the part of government and business on competitiveness, productivity and innovation.

2.11 In many ways, Singapore's success can be attributed to its unique political economy, and its ability to leverage its geographic and geopolitical position in the region. In the latter respect, a number of organisations and individuals suggested to the committee that Singapore has been particularly effective in positioning itself as a 'hub' for the ASEAN economies. The Singapore Business Federation, for instance, noted that it had observed a lot of interest from Australian businesses seeking to use Singapore as a base to access the broader Southeast Asian market. The Economic Development Board also noted that many of the countries that are looking to invest in Singapore are not focused on the Singaporean market per se, but rather wider regional opportunities.

2.12 Singapore's success in attracting business activity and direct investment has been partly a function of its low taxation environment, and the availability of tax-based incentives that target certain types of foreign investment and research and development. However, the committee heard that there are further factors that explain

Singapore's success. These include strong legal and governance frameworks—such as a robust intellectual property system—and Singapore's excellent infrastructure and connectivity to the region. Investors also place a premium on the efficiency of Singapore's public services and its highly skilled and educated population. Singapore's government recognises the importance of its human capital in attracting investment, and is prepared to co-invest in skills, research and industry development to foster the growth of critical strategic industries.

2.13 Moreover, incentives such as grants, concessional loans and tax credits have enabled Singapore to achieve a critical mass in a range of key industries, in some cases to the point whereby government inducements to invest were no longer necessary. Key industries include aviation, finance, shipping and logistics. Singapore has also fostered development in certain niche sectors of the bio-pharmaceutical and health technology sectors. Moreover, Singapore has developed one of the world's largest hubs for currency and commodity trading, trans-shipment and oil and gas refining.

2.14 The committee received a useful overview of Singapore's investment in science, technology and research in a meeting with Professor Raj Thampuran, Managing Director of A*STAR. The committee was told that funding in Singapore's innovation portfolio is approximately 1 per cent of GDP, which places Singapore in the top ten countries in this respect. The committee was also informed that Singapore uses a five year funding model for its innovation portfolio expenditure, which provides a measure of consistency and stability that would not be available over a shorter time frame.

2.15 The Economic Development Board identified several of the sectors that it was currently focused on. These include 'big data', robotics and automation, nanotechnology, space and satellite technology, and e-commerce.

2.16 In a number of conversations, participants discussed the rise of China and its implications for Singapore and the region. While it was generally acknowledged that the rise of China offered new opportunities for Singapore, it was also suggested that Singapore would need to navigate a changing and in some respects more complex geopolitical and geo-economic environment.

2.17 The trip also provided Senators with valuable insights into the challenges confronting Singapore, and how Singapore is responding to them. For instance, the committee learned that loose foreign labour laws had placed pressure on Singapore's tacit social contract. However, the introduction of tighter foreign labour laws in response to public concerns regarding foreign workers had created new difficulties for the Singaporean economic model. Reconciling the need for popularly supported foreign labour laws and the economic imperatives of access to foreign workers was an important test ahead for Singapore.

2.18 The Economic Development Board provided the committee with some examples of how Singapore managed to remain competitive despite being a relatively

high-cost business environment. For instance, while Singapore could not compete on the cost of power, its power generation and supply network was more stable and reliable than many of its neighbours, which provided it with a significant competitive advantage. Similarly, Singapore's labour costs are higher than other countries in Southeast Asia, but it nonetheless offers a premium in terms of its talent.

2.19 The committee heard that Singapore faces a significant test in maintaining its hard won advantages in advanced manufacturing. Manufacturing businesses often find it difficult to constantly innovate and reinvent themselves, and Singapore generally is struggling to stay competitive in certain sectors. Senators also heard that while the Singaporean government's target was productivity growth of 2 to 3 per cent per annum, in reality productivity growth was flat. Some people expressed the view that Singapore would need to invest further still in research and development, and government and business agencies would need to stay well ahead of the curve in determining where and how to devote resources to develop advanced manufacturing capabilities.

2.20 Singapore is not cost-competitive in a number of manufacturing sectors. As such, a number of individuals and organisations the committee met with emphasised the importance of carefully targeted investment in innovation in key economic sectors. One of the mechanisms through which Singapore targets such investment is through SPRING Singapore. During his talk with the committee, Mr Tan Kai Hoe, the Chief Executive of SPRING, explained that the agency works with partners to help enterprises in financing, capability and management development, technology and innovation, and in accessing new markets. For instance, SPRING has partnered with polytechnics and research institutes to establish seven sector-specific Centres of Innovation. These centres support innovation projects aimed at helping small and medium enterprises within the relevant sector test and enhance their technology innovation capabilities. The committee also heard that SPRING's program funding has been increased to help facilitate the transition from traditional low-cost manufacturing to advanced manufacturing in certain sectors.

Australia, Singapore and Southeast Asia: Opportunities and challenges

2.21 The committee received valuable advice from expert analysts and senior business and government officials on how Singaporean businesses and investors view Australia. Singaporean investors are particularly interested in certain sectors of the Australian economy, including education, information and communications technology (ICT), and biotechnology. Singaporean investors also expressed interest in emerging opportunities for investment in agribusiness in northern Australia.

2.22 The relative stability of the Australian public policy environment is a draw for Singaporeans looking for secure and low-risk markets in which to invest. At the same time, the committee heard that some Singaporean business leaders view Australia as a slower, more difficult place to do business than other nations in the region.

2.23 A central theme in many of the committee's discussions was that just as Singapore looks to the world to develop best practice in its business and regulatory environments, it also looks to Australia to build partnerships and capacity.

2.24 A subject raised in a number of meetings was *Project 2025*, a new comprehensive strategic partnership between Australia and Singapore announced at the Eighth Meeting of the Singapore-Australia Joint Ministerial Committee in August 2014.¹ The individuals and organisations the committee met with expressed strong support for *Project 2025*.

2.25 Some of the main sectors that present opportunities for Australian businesses in Singapore include: aerospace; engineering, building and construction; oil, gas and commodity trading; healthcare, including e-health and health technologies; food and beverages, and consumer businesses generally; ICT; and education, including vocational training.

2.26 Committee members were told that while Australia's market share of foreign students from ASEAN countries was stable, this does not mean that Australia can neglect the market or take it for granted. Australian higher education providers need to continue to innovate and build on their strengths. Steps already taken in this direction include Australian institutions offering services outside of Australia—for instance, by partnering with campuses in the ASEAN region—and building on Australia's strengths in vocational training.

2.27 As well as the direct economic benefits of attracting high numbers of foreign students to study in Australia, there is a lasting benefit in terms of relations between Australia and the nations of the region. It was noted, for instance, that there are roughly 130,000 alumni of Australian universities in Singapore, and approximately 300,000 in Malaysia. Many of these alumni are leaders in the respective fields, including politics and public policy, finance and business, and science and technology.

2.28 Concern was expressed that whereas Singapore's future leaders previously undertook their undergraduate studies in Australia and postgraduate studies in the United Kingdom, it was increasingly the case that they do not undertake any study in Australia. This is in part due to the improved quality of Singaporean universities and growing competition for foreign students from other countries. However, the committee heard that it also underlined the need for Australian higher education providers to ensure their offerings were attractive and competitive.

2.29 Some business leaders and economists raised concerns in meetings with the committee that too few Australians appeared to recognise business opportunities in Asia, whether in Singapore or the region more broadly. While Australia has built a very successful trading relationship with Singapore on the back of the resource sector,

1 See Joint Communique of the Eight Singapore-Australia Joint Ministerial Committee, 22 August 2014, http://www.foreignminister.gov.au/releases/Pages/2014/jb_mr_140822a.aspx?ministerid=4.

it has proven a reluctant investor and business-builder in the region. Certainly, there were some notable exceptions, and companies like ANZ Bank, Leighton Holdings and Lend Lease have worked hard to build a presence in Asia. However, on the whole Australian companies (big and small) have proven reluctant to expand into different cultural and business environments, or had become complacent due to profitability at home. While some of the individuals the committee met with noted the need to break down the barriers discouraging Australian investment in Singapore and the region, others suggested that many of these barriers were imagined rather than real.

2.30 Despite these concerns, the message to committee members regarding the prospects for Australian businesses in Singapore and the region was overwhelmingly positive. Where Australian businesses were willing to pursue new opportunities in Asia, the prospects for higher growth and profitability were considerable. Committee members thought this message particularly timely given the transition underway in the Australian economy, and the need for Australia to position itself to take advantage of new economic opportunities in the Asian Century.

Chapter 3

Canada

3.1 The committee visited Canada from 10 to 16 December 2014, dividing its time between the country's most populous city, Toronto (10–14 December), and its capital, Ottawa (14–16 December). This chapter provides a summary of the committee's itinerary in Canada, and in turn notes some of key learnings to emerge from this part of the delegation.

Summary of meetings and other engagements

3.2 The committee met with a number of organisations and agencies in Canada's mining and resources sector. In Toronto, the committee held a breakfast meeting with Mr Nadim Kara, the Senior Program Director of the Prospectors and Developers Association of Canada (PDAC). PDAC is a national organisation with more than 9000 individual members and 1200 corporate members, and represents the interests of the Canadian mineral exploration and development industry. The committee also met with senior officials from the Ontario Ministry of Northern Development and Mines, with the meeting chaired by Ms Christine Kaszycki, Deputy Minister. In Ottawa, the Australian High Commission hosted a lunch meeting between the committee and representatives of extractive industry organisations and agencies. The groups represented at the lunch were: the Canada Mining Innovation Council, a national not-for-profit industry organisation that coordinates and develops research and innovation projects and programs in the mining sector; the Canadian Association of Petroleum Producers, a peak body for the upstream Canadian oil and natural gas industry; the Mining Association of Canada, a peak body for the Canadian mining industry; and Natural Resources Canada, the Canadian government ministry responsible for, among other things, the energy sector and minerals and metals sector.

3.3 The committee discussed affordable housing matters in a meeting with the Ontario Ministry of Municipal Affairs and Housing and the City of Toronto Affordable Housing Office. The meeting was attended by senior officials of both agencies. Mr Lou Rinaldi MPP, a member of the Legislative Assembly of Ontario and the Parliamentary Assistant to Ontario's Minister of Municipal Affairs and Housing, also attended the meeting.

3.4 A number of the committee's meetings were focused on Canada's financial markets and financial services sector, including regulatory issues in the sector. A meeting with the Investment Industry Regulatory Organisation of Canada (IIROC) was led by IIROC President, Mr Andrew Kriegler. IIROC is a national self-regulatory organisation that oversees investment dealers and trading activity on Canada's debt and equity marketplaces. The committee also met with the Ontario Securities Commission (OSC), an independent Crown corporation responsible for regulating capital markets in Ontario. The meeting was chaired by OSC's Executive Director, Ms Maureen Jensen. The committee visited the Toronto Stock Exchange (TSX), and

met with Mr Steven Mills (Regional Head, TSX Services) and several of his colleagues at the TSX.

3.5 In Toronto, the committee had a lunch meeting with members of the Canada-Australia Chamber of Commerce, which was chaired by Mr Greg McNab, Chair of the Canadian Chapter of the Chamber. The meeting was also attended by Mr Bob Onyschuk, past Chair of the Canadian Chapter of the Chamber; Mr Mark Romoff, President and Chief Executive Officer of the Canadian Council for Public-Private Partnerships; and Ms Marsha Josephs, Vice President, Corporate and Public Affairs, Futurepreneur Canada. Futurepreneur Canada is a non-profit organisation that provides financing, mentoring and support tools to support aspiring business owners aged 18 to 39.

3.6 The committee visited the offices of the Liquor Control Board of Ontario (LCBO), and met with LCBO's Acting Director (Corporate Affairs), Mr Ian Loadman, and Director (Wines Business), Ms Carolyn O'Grady-Gold. The LCBO is an Ontario government enterprise and one of the world's largest buyers and retailers of alcoholic beverages.

3.7 The committee held a lunch meeting with two representatives of the C.D. Howe Institute in Toronto, an independent not-for-profit policy research organisation. In Ottawa, the committee met with another think-tank focused on economic research, the Conference Board of Canada. The meeting was attended by several representatives of the Conference Board, including Mr Glen Hodgson, Senior Vice-President and Chief Economist, and Mr Paul Darby, Executive Director.

3.8 A number of the committee's meetings were focused on policy issues that fall within the broader innovation policy space. In Toronto, the committee met with the Ontario Ministry for Research and Innovation, with the meeting chaired by Mr Bill Mantel, Assistant Deputy Minister, Research, Commercialization and Entrepreneurship Division. The committee also toured the MaRS Discovery District in Toronto. MaRS is a not-for-profit corporation which provides expertise, facilities, early-stage capital and other resources to help local entrepreneurs and start-ups commercialise medical research and other technologies. The tour was led by Mr Earl Miller, MaRS' Director, Global Initiatives. In Ottawa, the committee met with representatives of the U15 Group of Canadian Research Universities, a body similar in function to the Group of Eight (Go8) in Australia.

3.9 Upon its arrival in Ottawa, the committee was given a tour of the Canadian War Museum by Dr John Maker, Historian. The tour included the museum's Fighting in Flanders special exhibition, and an exhibit on First Nations and early Canadian history. The committee found the tour most insightful, and of particular interest in the lead up to the Anzac centenary commemorations.

3.10 The committee met with Finance Canada in Ottawa, and discussed pension policy, financial advice regulation, transfer pricing, alcohol taxation, and a range of

other policy issues. Mr Geoff Trueman, General Director, Tax Policy Branch, hosted this meeting.

3.11 The committee was provided with a tour of the Parliament of Canada, and met with members of the Canadian Senate Standing Committee on Banking, Trade and Commerce. The members in attendance were the Hon Irving Gerstein (Chair), the Hon Paul Massicotte and the Hon Pierrette Ringuette. A range of issues were discussed, including digital currency, an issue that is currently the subject of inquiries by both committees. The committee also discussed issues relating to digital currency in a meeting with representatives of the Bank of Canada, Finance Canada, the Canada Revenue Agency, and the Royal Canadian Mint.

3.12 Immediately prior to its departure, the committee attended a working lunch with representatives of Canadian business associations, including the Canadian Chamber of Commerce, the Canadian Council of Chief Executives and the Canadian Council for Public-Private Partnerships. The lunch was hosted by Australia's High Commissioner to Canada, HE Ms Louise Hand PSM.

Figure 1: Senators Chris Ketter, Sean Edwards, the Hon Kim Carr and Matthew Canavan in the Senate Chamber, Parliament of Canada, Ottawa



Key themes and learnings from the Canada trip

Opportunities for cooperation

3.13 In most of the meetings, participants remarked on the close bond and friendship between the people of Canada and Australia, and the strength of cross-country professional, cultural and diplomatic relationships. The overriding message was that these relationships form the bedrock for cooperation between the two nations, both in the public and private sectors, and in bilateral and multilateral settings.

3.14 The visit also underlined some strong parallels between the Australian and Canadian economic and regulatory environments, and the opportunities and challenges for both countries in this regard.

3.15 Some of the individuals and organisations the committee met with emphasised that Australia and Canada can learn from one another in developing trade relations in particular markets. For instance, Canada can learn from Australia's experience in accessing Asian markets, just as Australia can benefit from Canada's experience in accessing the US market. Even in areas where Australia and Canada are competitors—such as agribusiness and resources—there are strong complementarities which offer opportunities for both nations.

Canada's resource and energy sector

3.16 The visit highlighted some of Canada's main preoccupations in mining and energy sector. These included, for instance, pipeline infrastructure and access to Asian markets. Committee members also found numerous opportunities to explore challenges in the mining and energy sector common to both countries, including: the impact of falling or volatile oil and commodity prices; increasing exploration and production costs (including those associated with the relative depth of deposits); managing or accommodating interests of various stakeholders, such as local communities, indigenous and environmental groups; skilled labour shortages; and accessing and operating in remote locations and extreme climates.

3.17 The committee heard how the mining and energy sector in Canada was cutting back, not just because of falling commodity prices, but also due to cost overruns by the majors. There was a concern that a combination of these factors could shock the ecosystem of companies dealing with resource extraction. Some of the people and organisations the committee met with also suggested that restructures and cut-backs in the bureaucracy had reduced the capacity of the mining and energy sector in Canada to manage big, complex, long term projects. Others suggested that Canada's Mineral Exploration Tax Credit was better at attracting new investment to the sector than the Australian system, which tended to reward existing investors. PDAC did not necessarily see the tax credit as a subsidy for exploration, but rather as an incentive for venture capital investment. Canada also provides a tax credit for research and development in the sector.

3.18 There was a view expressed by some that the mining and energy sector had been relatively slow to modernise and had generally failed to respond to challenges by adopting innovative new mining techniques and operating models. At the same time, the committee heard that parts of the industry were becoming more heavily involved in research and innovation, with some companies sponsoring research chairs at major universities. Canadian companies were also active in AMIRA International (the Australia-founded minerals industry research association), which was looking at possible new methods in underground mining, alternatives to ball mills, and management and disposal of tailings.

3.19 The approach to indigenous communities in the planning and approvals process for new resources projects—both exploration and development—was complex and still evolving. Companies were constitutionally required to consult with indigenous people where mining activities would infringe on treaty rights, but definition of these rights is often open to interpretation. Early negotiation is required to obtain the social licence to go forward with a project proposal (including for access to conduct environmental assessments and so on). While the obligation to consult did not mean there had to be a formal arrangement or agreement, the existence of an agreement could help to fast-track approvals. Given this was becoming more the norm, the Ontario Ministry of Northern Development and Mining was starting to consider guidance for industry on inclusions for such agreements, including an attempt to standardise offers of compensation and to ensure greater transparency. There was also a need to improve community awareness of the difference between exploration and production, and therefore the likelihood and timing of revenue flow from a given project, to manage expectations and demands.

3.20 It was noted by some that the resource companies in Canada generally recognise the value of a consultative and cooperative approach to native title issues. In contrast, adversarial processes often prove highly costly, and ultimately do not serve anyone's interests.

3.21 Senators heard that the focus and priorities of communities with regard to mining and energy projects often differed and were difficult to accommodate. Indeed, several major projects in Canada had not proceeded due to the opposition of environmental or indigenous groups. A regional negotiation with nine communities over Ontario's major mining prospect, the Ring of Fire, had to date failed to achieve a consensus. Meanwhile, in Manitoba some communities had formed surface rights organisations to negotiate collectively for compensation for land access.

The financial sector and capital market regulation

3.22 Meetings with IIROC, the OSC, Finance Canada and the TSX, along with discussions with private and public sector economists, highlighted the complexities in Canadian finance sector and capital market regulation. A key challenge for Canada is that there is no single national regulator, and enthusiasm for cooperation and harmonisation varies from province to province. Existing self-regulatory organisations (like IIROC) and federal and provincial authorities had overlapping jurisdictions and

interests, in a system that some described as 'patchwork' in nature. The committee heard that while the Canadian Securities Administrators (CSA) existed as an umbrella organisation, it had no authority over the provincial agencies or regulation. However, it had been instrumental in efforts to harmonise rules across provinces. Following the failure of an attempt to establish a national regulator through legislation in 2013 (the move was deemed unconstitutional), British Columbia and Ontario signed an Agreement in Principle with the federal government to establish a joint regulator. Draft legislation for this body was released for public comment in September 2014, with plans for the regulator to be operational by the third quarter of 2015.

3.23 The lack of a cohesive, comprehensive regulatory system for the sector was viewed as significant by some, but it was noted that the issue was not particularly high on the current political agenda. Senators were also told self-regulatory organisations were seen by some companies as an additional administrative burden, and as a result support for such organisations was waning.

3.24 IIROC conducts around 60 to 70 prosecutions per year, with most relating to provision of unsuitable advice or unauthorised discretionary trading. Smaller firms apparently present a greater risk of misconduct, and therefore are examined more regularly. But self-regulating organisations had few 'teeth' with which to enforce rulings. Adverse rulings could drive members to a sector not subject to restrictions or oversight, and in a number of cases brought to hearing, many opted simply to leave the industry. IIROC lacked legal authority in all provinces to compel payment of fines and therefore only collected around 10 per cent of fines issues.

3.25 The OSC informed the committee that it has formed a joint enforcement team with the RCMP (the Canadian federal police) and provincial law enforcement, to investigate and prosecute quasi-criminal and criminal activity. This measure has led to nine charges in the space of 14 months. The RCMP planned to move its white collar crime division in Ontario to co-locate with the OSC.

3.26 The industry was looking at possible reforms to financial advice standards, with a recent push to change from the current suitability standard to a fiduciary standard or statutory best interests standard. The CSA had released a consultation paper in 2012 to initiate stakeholder discussion on the issue, but it remained unsettled. Consistent low level 'misbehaviour' on the part of advisors and industry was leading a push to change, but there had been no high profile financial advice scandals as yet. Still, the IIROC felt that it would be hard to argue against a fiduciary standard, and considered it inevitable, even if the evidence indicated it might not be the best approach. Another change was the transition of firms from a commission to a fixed-fee basis for remuneration, although compensation remained a very sensitive issue for industry. Industry was also introducing a new client relationship model, which required more comprehensive disclosure and a discussion with clients of compensation and fund performance. The challenge was how to get the information in a usable or digestible format for consumers. Within the next two years, the industry would be compelled to provide standardised statements, known as 'Fund Facts', to all clients.

3.27 The TSX was working on ways to get rules for dual-listed public companies in Canada and Australia to fit together better—the objective was not to make them identical, but at least equivalent, providing companies with a 'passport', which, provided certain conditions were met, would allow dual-listing companies policy waivers in the areas of governance and/or transactions. There were considerable differences between the two exchanges due to different corporate and securities laws, corporate governance systems and corporate practice. For example, rights offerings were much more common in Australia, whereas in Toronto they were seen as financing of last resort; private offerings were much more common. There were also different approaches to trading halts—North American markets tended to allow only for short halts (30 minutes) for the announcement of news, whereas the ASX offered two-day trading halts. This was not possible in Canada.

Digital currency

3.28 The issue of digital currency was raised in several of the committee's meetings, including with the Senate Standing Committee on Banking, Trade and Commerce which, like its Australian counterpart, is currently conducting an inquiry on the issue. Like Australia, Canada treats digital currencies such as bitcoin as commodities and transactions using digital currencies as barter transactions. Some of the regulatory risks related to digital currencies were discussed, which in the case of bitcoin were sometimes harder to perceive given it was still in a growth phase. Interestingly, Canada has 25 per cent of the world's bitcoin automatic banking machines, mainly due to the fact that the manufacturer was based in Vancouver.

3.29 Taxation of digital currency was also discussed at several points during the committee's visit. The committee heard that bitcoin owners are not self-reporting, and there is no easy way to capture the currency. Therefore, if the use of digital currencies continued to grow, it was likely the tax base would shrink. There are also questions around the currency's durability, particularly as computing power increased, meaning security and encryption would have to evolve to stay ahead of digital currency 'thieves'. It was not clear that bitcoin would be able to stand up to a single 'counterfeiting' (or hacking) attempt. Paper currency, however, was relatively resilient. It was also noted that digital currency does not provide for a 'lender of last resort'.

3.30 With regard to digital currencies, consumer protection remains a significant concern at this stage. The current approach by governments in Canada and Australia seemed to be 'use at own risk', but central banks or governments would still get the blame if something went wrong. On the other hand, if bitcoin were regulated, it would be considered legitimate. Initially in Canada, bitcoin users were blacklisted by chartered banks. The banks' reasoning was that this was due to the laundering risk, but some have suggested it was likely also because of competition.

3.31 The broader adoption of bitcoin could actually force banks to provide a better 'product' to compete with it. This might mean making traditional payments easier or instantaneous—with less tolerance for banks to hold money for several days for an

electronic transfer of funds when an instantaneous transaction should be feasible. Some traditional banks were starting to adopt bitcoin technology for instant transfers.

3.32 One potential benefit of digital currencies was to create financial inclusion and engage more people in finance. The net effect of M-PESA (African mobile-based instant money transfers), for example, had been an increase in cash circulation. With consumers around the world keen to take the banks out of the equation, there was no shortage of venture capital going into virtual currency innovations, with money also to be made in developing the ecosystem around the currency to allow it to work, such as e-wallets or exchanges. Even if bitcoin did not survive as a currency, it was likely the ecosystem and protocols would.

Innovation and entrepreneurship

3.33 Canada's innovation system was a major focus of the visit, in part reflecting the committee's current inquiry into Australia's innovation system.

3.34 Some of the individuals and organisations senators met with suggested that Canada had fallen behind somewhat in terms of innovation. In part, this was attributed to the view on the part of business that there was no great need to invest heavily in research and development in Canada, as innovation could be 'purchased' from the United States. Recently, governments at the provincial and federal level had begun to focus on research with a direct industrial outcome. Such research could potentially be funded, at least in part, by industry. However, discovery-based research has declined somewhat in recent years.

3.35 Officials from the Ontario Ministry of Research and Innovation, however, noted that in the past five years there has been a shift away from complacency regarding the importance of innovation. It outlined a range of priority areas for research and innovation investment in Ontario, including medical research and therapeutics. Another priority was supporting the Perimeter Institute of Theoretical Physics, which, together with the quantum computing faculty at the University of Waterloo, is positioning Ontario as a global leader in quantum physics research and technology. The committee also received information on a range of other activities supported by the Ontario Ministry of Research and Innovation, including the International Cancer Genome Consortium and the Centre for Commercialization of Regenerative Medicine.

3.36 A representative of Futurpreneur reported that the Canadian government had recently introduced an initiative to support the inclusion of young entrepreneurs on trade missions. As a result of this initiative, a recent mission by Canadian Trade Minister the Hon Ed Fast to China had included two young entrepreneurs. It was suggested that Australia might consider a similar initiative.

Housing issues

3.37 As noted earlier, in Toronto the committee met with the Ontario Minister of Municipal Affairs and Housing and the City of Toronto Affordable Housing Office for

a roundtable on affordable housing. In part, the committee's interest in the subject reflected its inquiry into affordable housing in Australia (the committee tabled its final report for the inquiry on 8 May 2015). The committee learned that Canada is dealing with many of the same challenges as Australia in terms of the provision and funding of affordable housing. These include ensuring an adequate supply of housing that is accessible and affordable within a broader context of declining housing affordability.

3.38 Discussions outlined the multi-year withdrawal of the federal government from provision of social housing, with responsibility for affordable housing and homelessness prevention increasingly being assigned to the municipal level. Officials were looking to address perverse incentives for people to remain in social or emergency housing indefinitely, rather than using these services as a temporary support while they sought more permanent housing.

3.39 The committee also received information from Finance Canada regarding the ability of Canadians to borrow up to \$25,000 from their Registered Retirement Saving Plan for a home deposit under the Home Buyers' Plan.

Canada's federal system

3.40 While the historical, cultural, political and economic similarities between Canada and Australia were highlighted by many of the individuals and organisations the committee met with, senators were made aware of some fundamental differences. Notably, differences in our respective federal constitutions have led to very different relationships between the countries' national governments and the states or provinces. Relative to the Australian states, Canadian provinces enjoy far greater powers within the federation. The substantial revenue-raising powers of the provinces, coupled with relatively unconditional equalisation transfers, provide them with far more autonomy than Australian states in governing and delivering services.

3.41 Senators were provided with frank assessments of the merits and disadvantages of the Canadian federal system. On the one hand, the Canadian model meant the federal government's footprint was relatively light for a nation of Canada's size and wealth. However, the same arrangements meant that differences between the provinces were sometimes exacerbated, leading to inefficiencies and inequalities that the national government struggled to properly address. Some observers suggested that the national government's inability to impose reforms on the provinces was one of the reasons for Canada's lagging productivity.

3.42 Some of the economists the committee spoke to during its visit expressed frustration regarding the effect of inter-provincial trade barriers in Canada. The committee heard that Canada's international trade in some products was freer than trade between certain provinces in the same product. Some provinces also pursued protectionist policies to support local industry and agriculture, with questionable benefits for the nation's overall growth and productivity.

Conclusion

3.43 As was the case in Singapore, the overarching message to the committee regarding economic conditions in Canada was positive. Like Australia, Canada is currently adjusting to changes in the global economic environment, not least declining commodity prices. However, Canada's overall economy remains robust, and is well supported by strong regulatory and governance arrangements. Moreover, the similarities between the Australian and Canadian economies, and the strong ties between the Australian and Canadian peoples, provide excellent opportunities for greater economic cooperation and integration between the two nations.

Senator Sean Edwards
Delegation Leader