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# Standing Committee on Finance

EVIDENCE

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Chair: Mr. Peter Fonseca





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Monday, May 2, 2022

• (1100)

[English]

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

Welcome to meeting number 40 of the House of Commons Standing Committee on Finance.

Pursuant to Standing Order 108(2), the committee is meeting on the subject matter of Bill C-19, an act to implement certain provisions of the budget tabled in Parliament on April 7, 2022 and other measures.

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

I'd like to take a few moments to make a few comments for the benefit of the witnesses and members.

Please wait until I recognize you by name before speaking. For those participating by video conference, click on the microphone icon to activate your mike, and please mute yourself when you're not speaking. For interpretation for those on Zoom, you have the choice at the bottom of your screen of the floor, English or French. For those in the room, you can use the earpiece and select the desired channel.

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

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

I request that members and witnesses treat each other with mutual respect and decorum.

I would now like to welcome today's witnesses. We have a contingent of officials with us today from 12 agencies and departments. They are the Canada Border Services Agency; Canada Revenue Agency; Correctional Service of Canada; Department of Citizenship and Immigration; Department of Employment and Social Development; Department of Finance; Department of Foreign Affairs, Trade and Development; Department of Industry; Department

of Indigenous Services; Department of Justice; Privy Council Office and Treasury Board Secretariat.

Members, with so many agencies and departments, if your question is being directed to a particular agency or department, please make sure that you inform that agency or department how you're directing your question.

Before we move to members' questions, we'll have a formal introduction of our officials by Mr. Nicholas Leswick.

Mr. Leswick, the floor is yours.

**Mr. Nicholas Leswick (Associate Deputy Minister, Department of Finance):** Thank you, Mr. Chair.

I am Nick Leswick, associate deputy minister at the Department of Finance. I am flanked by other officials from the Department of Finance, in our financial sector policy area and tax policy and social policy areas. We have a number of officials on the line to help navigate the lines of questioning throughout the next hour with officials only, and then the minister will appear for the second hour.

I am here to help quarterback the administration of the meeting. I have no other substantive comments.

Thank you, Mr. Chair.

**The Chair:** Thank you.

**Hon. Ed Fast (Abbotsford, CPC):** On a point of order, Mr. Chair, just in terms of process, can you help me understand how many days we have set aside to review this piece of legislation, which involves \$56 billion of new spending?

Today we have, I believe, 56 officials arrayed before us. We have essentially been given one hour to ask them questions, and then we have the minister coming for one hour—not two hours as is normal. Therefore, you can understand the disappointment that we Conservatives have in not being able to exercise the oversight and apply the accountability that should normally be applied to a budget of this magnitude.

Can you tell me how many days have been set aside for us to ask questions of the officials?

**The Chair:** Thank you, MP Fast.

As of this week we have scheduled today and tomorrow for hearings. We're also scheduled for Thursday, and then we will be setting the schedule moving forward. But the priority is the BIA and keeping to previous years practice in studying the BIA, and the hours that have been put in, be they for hearing from officials, the minister and witnesses, will be in keeping with that tradition.

Just to clarify, we'll be doing parts I to IV tomorrow and part V on Thursday.

MP Albas.

• (1105)

**Mr. Dan Albas (Central Okanagan—Similkameen—Nicola, CPC):** Yes, well, in keeping with tradition, Mr. Chair, the previous chair occupant, Mr. Wayne Easter, used to say, this section will take so much time and we'll go through this number of rounds. Usually there would be some sections where there would be very little interest, so the chair would just ask members to raise their hands. We would find that some sections would go faster and some sections would go slower because of the varying interest of committee members.

I would just say that it was a very good process. Obviously, when you have the minister present, it's a little bit different. A little more structure, I think, holds us all to a bit of a higher standard.

While I do have the floor, Mr. Chair, I move that the Standing Committee on Finance invite the commissioner of the Canada Revenue Agency to discuss the agency's reported handling of advance pricing arrangements, among other things, and that the meeting be at least two hours.

**The Chair:** MP Albas, you cannot move a motion on a point of order.

**Mr. Dan Albas:** I believe I can. It's my intent, Mr. Chair, just to table it and leave it.

**The Chair:** No, you cannot. You could do that when your turn comes up, but at this time you cannot move it.

**Mr. Dan Albas:** All right. Well, then, we'll double up on it and use that time as well, Mr. Chair.

Thank you.

**The Chair:** MP Albas, you'll have an opportunity.

Yes, we have MP Fast.

**Hon. Ed Fast:** I actually wasn't allowed to finish my point of order. I'm questioning if in fact we're doing parts I through IV tomorrow, and then part V on Thursday.

**The Chair:** That is correct.

**Hon. Ed Fast:** What's left to be done after that?

**The Chair:** That is—

**Hon. Ed Fast:** You were saying that you have effectively allocated three meetings to complete the study of a bill of this magnitude and this size. Please, don't refer to precedent; this amount of new spending is effectively unprecedented. This and the previous year are unprecedented in terms of the amount of tax dollars that spent and the accountability that should be brought to bear on this kind of legislation.

If we don't do this right, then we're acting irresponsibly.

**The Chair:** MP Fast, it is the prerogative then of the committee to decide if we want to continue to have witnesses come in and discuss the BIA.

**Hon. Ed Fast:** As long as you're open to that, and the committee's open to extending these meetings....

**The Chair:** Yes.

MP Dzerowicz.

**Ms. Julie Dzerowicz (Davenport, Lib.):** Thanks so much, Mr. Chair.

I just want to say exactly that. Absolutely, I agree with Mr. Fast, and I think everybody here agrees on that. The budget implementation act is critical. We are spending a lot of money. There needs to be due oversight and we must have sufficient time.

My understanding is that we have a game plan for this week, Mr. Chair, and I know that on Thursday, we're going to be deciding on what additional meetings we want to have. If it is determined that we need some officials back on any sections as many times as possible, I think we can make that decision on Thursday. I know that I'm very open to that. I agree that we have to make sure we feel very comfortable with what has been introduced and what's in this budget implementation act.

I'd also say, Mr. Chair, I haven't been on the committee for that many years, but I know that sometimes we have our Minister of Finance with us for one hour, sometimes for two hours. I know that it changes depending on the topic and depending on our time limitations.

That's it. Thank you.

**The Chair:** Thank you, MP Dzerowicz.

With that, members, we'll move to our officials.

We do have the Conservatives. You have six minutes to question our officials.

MP Albas.

**Mr. Dan Albas:** Usually, again, Mr. Chair, there would be an introductory summary. I believe they said earlier that they're not going to be giving one today for this section. Is that correct?

**Mr. Nicholas Leswick:** I won't be providing any summary. The minister will have opening remarks when she appears in the second hour.

**Mr. Dan Albas:** Fair enough. You don't want to outshine the minister. I understand that.

In that case, Mr. Chair, since I do have the floor, let me take care of some business first.

I move that the Standing Committee on Finance invite the commissioner of the Canada Revenue Agency to discuss the agency's reported handling of the advance pricing arrangements, among other things, and that the meeting be at least for two hours.

**The Chair:** Thank you, MP Albas.

**Mr. Dan Albas:** I would like first like talk about the form and substance of this BIA, Bill C-19. I haven't seen before where we received a technical briefing. Props to my colleague Terry Beech for offering those to our parliamentarians, but usually that's done on the BIA.

Would you, sir, be able to tell me whether or not everything that is in C-19 is what was discussed in the ways and means motion, or are there extra measures in this budget implementation act?

• (1110)

**Mr. Miodrag Jovanovic (Assistant Deputy Minister, Tax Policy Branch, Department of Finance):** I can take this one. Thank you for your question.

There are some measures that were not necessarily announced in the last budget, but were announced in the previous budget. For instance, the immediate expensing measure, the disability tax credit measure and, I believe, the film and video production tax credits were not announced per se as new measures in the budget, but they are now in BIA No. 1.

**Mr. Dan Albas:** I do appreciate that you're going to try to answer as best you can. I do, by the way, appreciate everyone's work for our great country.

Sir, I have to say that you were little bit quiet, so I put my ear-piece on. I'm going to ask a variation of the same question, and hopefully we can get through this.

Can you please start by saying what is in Bill C-19 that was not in the previously tabled ways and means motion, on which a technical briefing was given over the course of two nights last week by the parliamentary secretary? If you could just itemize those, please, we will then get into which budget they fell under before.

**Mr. Miodrag Jovanovic:** I will have to turn to Lindsay Gwyer, because I am not in a position to answer that question.

**Ms. Lindsay Gwyer (Director General, Legislation, Tax Legislation Division, Tax Policy Branch, Department of Finance):** The technical briefing given last week was on the notice of ways and means motions. The items in part 1 of the bill—the income tax part—are all the same. What's in the BIA is the same as what was in the notice of ways and means motion, so there's nothing additional. My understanding is that it would be the same for the other parts, though I can only speak for certain with respect to part 1.

**Mr. Dan Albas:** I'm just going to ask that members of the committee bear in mind that, when I ask the same question of every single group to come forward, it is just to make sure that what we were given a technical briefing on is, in form and substance, exactly the same as what is in Bill C-19. If there are differences, I'd like to hear a rationale from the officials. That is a warning just to you and your colleagues.

You did mention earlier in your first response to me, which I had a little difficulty hearing, something about measures in this BIA that were in previous budgets. Could you recite that a little more clearly, please?

**Mr. Miodrag Jovanovic:** Yes, and I am sorry that I misunderstood the question at first.

There are some measures included that are just restating the measures that were announced before budget 2022, for instance, the immediate expensing measure, the disability tax credit and the film or video production tax credits. I don't necessarily have the entire list in front of me, but these are some of them. There is the post-doctoral fellowship income and a few technical items as well. It's not exhaustive, as I said.

**Mr. Dan Albas:** Okay.

Were the changes to the Senate and the positions that would be made available on the Senate side in the ways and means motion?

**Mr. Nicholas Leswick:** I don't believe they were in the ways and means motion, but I'd have to verify that for you, Mr. Member.

**Mr. Dan Albas:** Would you be able to supply the committee with a list of things that were in the ways and means motion that are also in Bill C-19, as well as other measures in Bill C-19 that were not in the ways and means motion, and under what category they would be captured?

I think the committee would be much better suited to understand how large this bill is, because it's my understanding that it's one of the largest the government has put forward. The government always says that better is always possible, so I would hope that the officials would agree that explaining that to parliamentarians, point by point, would be better.

**Mr. Nicholas Leswick:** Thank you. I think that's a great approach, and we'll come back very quickly with an itemized list in accordance with the framework the member outlined.

**Mr. Dan Albas:** Okay.

Again, the doubling of the allowable qualifying expense limit under the home accessibility tax credit was something that was in budget 2021, was it?

• (1115)

**Mr. Miodrag Jovanovic:** That was in this budget, 2022.

**Mr. Dan Albas:** Okay. I thought that....

Thank you.

**The Chair:** Thank you, Mr. Albas. That is your time.

Now, we'll move to the Liberals.

We have MP Baker up for six minutes.

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

Thank you to all of our officials who are here today, both on screen and in person, and for your hard work every day on behalf of Canadians.

In my riding of Etobicoke Centre, a lot of folks are concerned about fiscal responsibility. They want us to make sure that we have the programs in place that are needed to support Canadians, to grow our economy and so on, but they also want to make sure that we're fiscally responsible. One of the components that I get asked about regularly is debt management.

In the budget, there is an annex that speaks to the debt management strategy. I'm just wondering if you could walk us through what our debt management strategy is in terms that my constituents can understand. What are our plans going forward as far as the federal debt goes?

**Mr. Nicholas Leswick:** Thank you for the question. I'm happy to do that at a high-level, in broad terms.

Over the course of the pandemic, it was necessary for the government to issue a lot of debt to fund COVID emergency response programs and to fill in gaps from the interruption of revenues over the course of the pandemic and, obviously, the economic contraction through 2020 and into 2021.

The government had committed to funding this debt program through the extension of the term structure of the debt, edging more into the long end of the yield curves with longer duration bonds. You see that reflected in the debt management strategy.

As interest rates are at historic lows—albeit creeping up gradually as the economy strengthens—a bulk of the debt was funded at the long end, so you see that reflected in the chapter you referenced.

**Mr. Yvan Baker:** What I hear you saying is that interest rates are low. Generally speaking, yields or interest rates on bonds, which is the mechanism through which the government borrows, tend to be higher the longer the term of the bond. Given that rates are low, however, what I hear you saying is that the government has tried to borrow over longer term periods at lower rates to keep the cost of servicing that debt low in the future. Is that right?

**Mr. Nicholas Leswick:** That's exactly right. We extended the term to maturity of the entire debt stock. To execute that, we issued more bonds at the longer end so there are more 10-year, 30-year and even the ultra-long bonds to extend that maturity structure of the debt.

**Mr. Yvan Baker:** If I were trying to relate this back to my own personal finances, I might think about Canadians who have bought homes and had to go out and get a mortgage. They can relate to this, right? You can get a mortgage at a variable rate, or you can lock it in for two years, four years or five years, and generally speaking, if you lock in for five years, that's the longest term that a bank will offer, but it allows you to have a lower rate for a longer period of time.

What I hear you saying is that we're locking it in over, in some cases, 30 years, to make sure that Canadian taxpayers for 30 years into the future are paying at today's lower rate.

Is that right?

**Mr. Nicholas Leswick:** Yes. Those are the principles. We're cautious as well. We're trying to find that sweet spot between managing the cost and risk dynamics. There is a rollover risk dynamic that

I think you're referencing, and then just the actual cost structure as well. Obviously, when you borrow shorter, it's cheaper, and when you borrow longer, it's more expensive. We're trying to find that sweet spot, but fundamentally the government has chosen to extend the term structure of the debt to play into the principles that you speak to.

**Mr. Yvan Baker:** Again, for my constituents, what's the benefit of that to them? What's the benefit of locking in these lower rates over the longer term? Why should that matter to my constituents?

**Mr. Nicholas Leswick:** Obviously, if you aim to lower public debt charges, if you think your base case is a perfect prediction of the future.... Economists including me have never been all that great at predicting the future path of interest rates, so I'm cautious about being too dogmatic on anything I say in this regard.

Again, it plays to the principle that when interest rates are low, and you can lock in some debt at those low rates, that is beneficial for your overall interest charges and what the outlook is for those are going forward.

**Mr. Yvan Baker:** Right, and presumably that leaves more resources available to the federal government for other programs.

Is that right? The lower that servicing cost, the more money we have for other things.

**Mr. Nicholas Leswick:** Right. Interest charges are one portion of what the government spends money on, and the lower those are, I guess, the greater the availability to spend money on other things.

• (1120)

**Mr. Yvan Baker:** I think I have about a minute left.

This is a question written to our folks at Global Affairs whom I believe are represented here today.

In the act, there is a measure that would allow Canada to seize and cause forfeiture and disposal of assets held by sanctioned people and entities.

Do we know approximately what the value is of the assets that are held by those people and entities sanctioned by Canada because of their support for Russia's invasion of Ukraine?

**Ms. Isabelle Jacques (Assistant Deputy Minister, Financial Sector Policy Branch, Department of Finance):** I do not have those numbers, but I will turn to colleagues from Global Affairs. They may be able to provide additional comments on this.

**Dr. Lynn McDonald (Director General, International Economic Policy, Department of Foreign Affairs, Trade and Development):** Good morning. I hope you can hear me. My name is Lynn McDonald, director general of international economic policy at Global Affairs Canada.

In fact, those numbers are disclosed to the RCMP. We are not in possession of the latest figures, but those would be disclosed by Canadians' financial institutions and others as a result of the dealings prohibition of SEMA, and they would be directed to the RCMP, whom I understand keep a careful up-to-date record of the latest information in that regard.

Unfortunately, I'm not in a position to disclose that information because we may not have the most recent figures.

**The Chair:** That's the time we have.

Now we will have questions from the Bloc.

MP Ste-Marie, the floor is yours for six minutes.

[Translation]

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

Good morning, everyone.

Thanks to all the officials for being here.

My first questions are for the people from the Department of Finance and concern the new tax on certain luxury items such as motor vehicles, aircraft and boats.

First, I would like to know whether the department has assessed the economic impact the creation of this tax will have on Canada's manufacturing sector. What effect will the tax have on turnover and sales? Will there be job losses?

**Mr. Miodrag Jovanovic:** We haven't done that type of assessment. However, the government has conducted an exhaustive consultation of the sector to ensure it minimizes the impact the tax will have on the private sector.

**Mr. Gabriel Ste-Marie:** Thank you for that answer, even though I find it really disturbing.

We agree on the objectives because they're noble. However, a 20% tax can have a significant impact on many jobs, on many segments of the industry. I find it appalling the government hasn't done an assessment. I think it's unacceptable.

My second question is also for the departmental representatives.

Apart from the tax, do you know any other ways to achieve the same goals without putting so much pressure on jobs and economic activity in the crucial manufacturing sector?

**Mr. Miodrag Jovanovic:** The tax was designed to have marginal impact on vehicles sold at very high prices.

I have nothing more to say on that question.

**Mr. Gabriel Ste-Marie:** All right, thank you.

Now I'm going to be more specific.

The entire aerospace industry in Quebec and Canada, as well as the Quebec business community, really seem to be up in arms here.

With respect to the interpretation and application of the tax, there's considerable concern and uncertainty about the aircraft that will be exported and about the part concerning personal use relative to business use, which is fixed at 90%.

I addressed this point several times during the briefings on the notice of ways and means motion. The industry is still up in arms, and we have to get some answers and clarification on the application of this tax. As regards the 90% threshold, I was told many times during the briefings that it would depend on how the Canada Revenue Agency interprets it.

I'll repeat the examples I was given. I'd like to know whether the Department of Finance or the CRA can answer these questions. We have to get some clarification before we vote on the bill.

The business use threshold is currently set at 90%.

Let's say a business, which I'll call company A, purchases an aircraft for business use. When the aircraft isn't used by the business, it's leased to a charter flight business, which I'll call company B. Now let's imagine that company B leases that aircraft for personal use.

Can the officials at this meeting tell me whether that aircraft is considered as being used for personal or business purposes, given that company B subleased the aircraft to be used for personal purposes?

• (1125)

**Mr. Miodrag Jovanovic:** If the aircraft is used for personal purposes, the flight hours won't be included in the 90%. The purchaser's essentially responsible for ensuring, in the contracts, that the use of the aircraft is eligible and that the aircraft isn't being used for personal purposes, at least not more than 10% of the time.

So it's actually the responsibility of the purchaser.

**Mr. Gabriel Ste-Marie:** Thank you. That's the first time we've had such a clear response to that concern. However, that's not the answer the industry was expecting. Consequently, there'll be a lot of concern over this, but I'll be able to put the matter to the minister again in a few minutes.

The industry tells us that the aircraft manufacturer must ensure that the purchaser, company A, will be using it for business 90% of the time. However, company A doesn't have complete control over the hours during which the aircraft is being used because it doesn't do business with company B, which doesn't know in advance what the percentage of use will be.

We're being told this will be very difficult to apply. I hope regulatory or legislative amendments are made in short order. That would help make it all more flexible and usable. As we all know, the aerospace industry was hit hard by the pandemic.

The commercial aviation sector is recovering more quickly. So the entire cluster is relying on this, but we now have an act that raises more problems for the industry.

Having said that, I want to thank you for giving me a clear answer.

Mr. Chair, how much time do I have left?

[English]

**The Chair:** The time is actually up, Monsieur Ste-Marie.

[Translation]

**Mr. Gabriel Ste-Marie:** Thank you. Then I'll ask more questions later.

**The Chair:** Thank you, Mr. Ste-Marie.

[English]

Now, we're going to hear questions from the NDP, MP Blaikie, for six minutes.

**Mr. Daniel Blaikie (Elmwood—Transcona, NDP):** Thank you very much.

I want to start with a question about the proposed changes to establish an EI board of appeal or a new way of doing that. One of the mentions in the bill says that the board of appeal wouldn't be able to consider any questions of a constitutional nature. Now, I know that earlier this year the tribunal issued a decision highlighting sex discrimination in the EI Act, particularly in regard to maternity leave provisions and the way they interact with eligibility for regular benefits.

I'm wondering if that exclusion in the act would, first of all, mean that the tribunal could no longer issue decisions like that, which lean on the Constitution to provide feedback about the overall EI system, and whether that could have any retroactive effect on decisions like the one from earlier this year.

I'd put that question to whomever the most appropriate official from the Department of Employment and Social Development would be.

• (1130)

**Ms. Rouba Dabboussy (Director General, Benefits and Integrated Services Branch, Department of Employment and Social Development):** Good morning.

Any cases that are already in the system will continue to their conclusion without any impact. New cases that have constitutional elements will go directly to the second level and will be heard by the SST appeals division.

**Mr. Daniel Blaikie:** Okay, so it's not that cases like that couldn't be heard at all; it's just that they would proceed immediately to the most senior level of appeal. Is that a fair understanding of what's being proposed in the bill?

**Ms. Rouba Dabboussy:** That is absolutely correct.

**Mr. Daniel Blaikie:** Thank you.

In respect of measures in the act that are essentially assuming the burden of what was in Bill C-17, there's health transfer money there for surgery backlogs, and also some money for a combination of housing and transit. It's not exactly clear the terms and conditions under which that money is supposed to be provided to provinces and, therefore, I think it's kind of hard for parliamentarians to know what they're being asked to authorize in that provision.

Can someone from the department give some character to how they see funds rolling out—I think it's \$750 million total in that

package—and what the plans are for reporting on that money and what's been secured with that money?

**Ms. Alison McDermott (Assistant Deputy Minister, Federal-Provincial Relations and Social Policy Branch, Department of Finance):** I'm happy to take that question.

Your question was about how the original payment authority, which was included in Bill C-17, was essentially—I think to answer that in simple terms—just merged into this new bill so that when this bill receives royal assent, the government will have the authority to make those payments.

You then had some questions about what the requirements were. The government wanted to provide this funding to help municipalities deal with the revenue shortfalls associated with the public transit ridership declines that occurred during the pandemic. They wanted to do a little bit more in terms of incenting provinces to support housing construction as well. So, there are a couple of broad requirements that were asked of provinces in order to be eligible to receive the funding. There is a requirement to match the federal contribution. There was a requirement to allocate more or less according to transit ridership among their municipalities, so it's to pass on that funding to municipalities to achieve the objective of the payment. That was meant to be used towards transit operating shortfalls or could be used towards investments in transit capital or investments in housing.

There was an understanding or a request that provinces agreed to undertake to work with their municipalities to accelerate their efforts to improve housing supply in collaboration with those municipalities.

**Mr. Daniel Blaikie:** I guess that's where I'm trying to figure out how the money really is to be spent. Saying that the federal government wants to continue to support operating funding shortfalls for transit authorities across the country is pretty straightforward. We've seen the government do that from time to time during the pandemic.

How does the federal government see these potential housing interactions take place? Can you give a concrete example of a policy that a province or a municipality could adopt that would satisfy the federal government that there is some kind of meaningful investment in housing that's somehow related to transit? I think we're a little starved for examples of what the government has in mind.



**Ms. Alison McDermott:** To give you a sense of what was actually asked of provinces, there were exchanges of letters with provincial governments, and conversations. Basically, the federal government asked them to commit to taking further action on housing, working with their municipalities. We have letters from all the provinces, committing to do that. They also committed to report publicly on the kinds of changes they make.

Through the Canada-B.C. expert panel on housing—but Ontario also has its own panel—the kind of advice we've received from these experts suggests that a lot of the impediments to housing development are actually at the municipal level. This is why the federal government thought that, in providing some housing support to municipalities, it would be useful to get some assurances back from them that they're committed to—

• (1135)

**Mr. Daniel Blaikie:** Why wasn't the national housing strategy used to deliver that?

**The Chair:** We're well over time. Thank you, MP Blaikie.

We're moving now to our second round of questions. We have, first up, MP Chambers for the Conservatives, for five minutes.

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

Thank you to all the officials who've joined us today. It takes a lot of work to put together a bill of this size. It's one of the largest we've seen, so thank you for all of your hard work. I'm glad we're not billing by the hour with the number of people we have, but it's good to have so much intellectual capacity here.

My colleague Mr. Baker started by talking a little bit about fiscal responsibility, so perhaps I'll take the opportunity just to ask a few high-level questions. What is the spending growth from this year, projected, versus the year just before COVID? That's the 2019-2020 year versus the 2022-23 projected year.

While we look it up, I'll give you the numbers I see. Maybe we can see whether they're correct. In 2019-20, it was \$360 billion. In 2022 it was about \$450 billion. I'm rounding some these numbers. That includes the debt management charge. Is that about right?

**Mr. Nicholas Leswick:** That's correct.

**Mr. Adam Chambers:** Okay, thank you. That's 25%. If we want to talk about fiscal responsibility, that's a 25% increase in spending postpandemic versus prepandemic, and that doesn't include any of the spending that's part of COVID. It's ignoring that.

Second, what's the average spending growth year over year from 2015 to today? My numbers say it's about 7% to 8%. Is that correct?

**Mr. Nicholas Leswick:** I think that would be in the ballpark. I don't want to verify that specifically, but let's say it's 6% to 8%.

**Mr. Adam Chambers:** Perfect.

Going forward, though, from this budget projecting out through the forecast, we have spending growth projected at somewhere between 2% to 3% per year. Is that in the ballpark?

**Mr. Nicholas Leswick:** I'll agree, just based on.... I don't have a calculator in front of me, but based on—

**Mr. Adam Chambers:** That is what the calculations show. Can we confirm that there's no money for pharmacare in this budget?

**Mr. Nicholas Leswick:** Correct.

**Mr. Adam Chambers:** There's no money for sustained long-term increases to the Canada health transfer. There was the one-time \$2 billion.

**Mr. Nicholas Leswick:** Correct, yes. That's right.

**Mr. Adam Chambers:** There's no money for other promises that are part of, perhaps, the agreement with the NDP or other promises that may come up next year.

**Ms. Alison McDermott:** Could I just add one caveat to your statement about health care? As a result of the stronger economic growth that we've seen coming out of the pandemic, and as a result of the government's actions, GDP growth is much higher than it was in the prepandemic state. The amount of CHT that will go to the provinces is about \$12.6 billion higher than it was before. That's included in this budget forecast.

**Mr. Adam Chambers:** Thank you.

I'm really glad you raised that because we're asked to believe, after the government has had seven to eight per cent spending increases per year, every year, that all of a sudden there's a new-found fiscal restraint religion that will keep expenditures increasing only by two to three per cent per year, but we are reminded that there is inflation and growth that will give the government more revenue to spend.

How much more revenue does the government have to spend over the next five years that it did not project from just one year ago.

**Mr. Nicholas Leswick:** I certainly follow your line of questioning. I can't offer the—

**Mr. Adam Chambers:** No problem. I've done the math, so if we look at budget 2021 and compare the revenue from budget 2021 and the budget revenues from budget 2022 projected out through the forecast, there's \$170 billion in extra revenue that the government is going to get over the next five years, or is projected to get, versus what it thought it was going to get last year.

In fact, the entire fiscal plan of the government is based upon inflation. You don't have to answer that question. That's more of a political statement and not a question fair enough for officials.

However, the entire fiscal plan of the government is based on inflation staying high because that's the only way they're going to be able to pay for any spending promises. That to me is an interesting observation.

How many civil servants have we decided or are projecting to add through the forecast, on a gross and net basis, over the next five years? Is that a number that we could get?

I recognize that my time is up, Mr. Chair, but if we can't get that here today, it would be very helpful if we could get that in writing from the Treasury Board Secretariat.

• (1140)

**The Chair:** Thank you. We can look for that answer.

We're moving now to the Liberals and MP Dzerowicz for five minutes.

**Ms. Julie Dzerowicz:** Thank you so much, Mr. Chair. I also want thank all of the officials for their excellent work and for being here today.

As Mr. Chambers said, these budgets are huge amounts of work, and I really appreciate everybody's being here.

I just want to comment off the top very quickly. I think Mr. Chambers asked some really excellent questions, and I think we'll get some additional information from you.

For those who are listening, it's really important, when we're making comparisons with the time before COVID to take into consideration the geopolitical situation and crisis that's under way right now, and the high levels of inflation that haven't been seen in almost three decades, which we're experiencing right now.

We're still fighting COVID. We're still helping the Canadian economy to recover in many ways. As to whether inflation will stay high for the next five years, I don't think anybody can make any prediction given the fact that the world is highly unpredictable right now. I just wanted to provide some of those additional comments because I think it's important for us to have those in mind as we have this conversation.

My first question is about the labour market and jobs recovery. My understanding is that Canada has recovered quite well in terms of jobs recovery to where we were when COVID first started. My understanding is that we recovered about 112% of the jobs, whereas in the United States, I think their employment levels are still 2.3% below pre-pandemic levels.

Can someone confirm that, please?

**Mr. Nicholas Leswick:** Thank you for the statement. Yes, I can confirm that.

**Ms. Julie Dzerowicz:** Thank you.

We still have one million unfilled jobs. These are the numbers. There are one million jobs that still need to be filled in Canada, and so there are a lot of small businesses and businesses in general that are saying, "We are looking for people, and we're looking for talent. We are looking for more Canadians." Is there anyone here in the room or someone from the Department of Citizenship and Immigration or Employment and Social Development who can speak to what is in budget 2022 that's going to help address the significant labour shortages that we have right now?

**Mr. Nicholas Leswick:** Thank you for the question. I'll take a shot at it.

You're exactly right. The labour market recovery has exceeded expectations on all sorts of labour market metrics, whether it be employment creation, hours worked or participation rate. We're completely outperforming where we thought we'd be six or 12 months ago.

It's exacerbated into some of these labour markets shortages that we're seeing on a pan-Canadian basis. The government has made efforts on two fronts really: pure labour supply, which is how many hours are worked in the economy, and then addressing elements of skills matching and skill shortages in certain areas.

In labour supply, there are a couple of things. One is that the government made a huge effort in moving forward to implement the national early learning and child care program last year, which would hopefully catalyze the participation of new parents into the workforce. Likewise, there is a pretty ambitious immigration program as well, which brings new workers into the country. Again, that's just from a pure labour supply perspective.

On skills, it's a combination of skills training programs, sectoral support programs that were announced in the last budget, foreign credentials recognition and temporary foreign workers, which I know straddles both labour supply and skills matching. There have been a number of initiatives to advance on both of those streams.

**Ms. Julie Dzerowicz:** Thank you. That's excellent. It's very helpful.

Housing has been an increasing crisis in our country, and I know that it is true for the residents in my riding of Davenport.

In the budget, we are applying a GST/HST to assignment sales. First, can you explain the assignment sales so that the general public understands them, and how does applying a GST/HST to assignment sales help address the housing situation in Canada?

• (1145)

**Mr. Miodrag Jovanovic:** First, an assignment sale takes place typically when you are holding a title to acquire a piece of real estate, let's say a condo that you purchased at phase of construction, for instance. Prices have increased. Now you have an interested buyer. What you're doing is assigning this contract to the buyer for additional compensation. So if you first purchased that for \$300,000, let's say, and now it's worth \$500,000 or \$600,000, the new buyer will give you an additional \$200,000 or \$300,000. That's typically an assignment.

Right now, if the intent to originally purchase that property was to occupy it as your principal residence, the person doesn't have to pay GST/HST on that additional value. We were a bit concerned, particularly now given the state of the market, that relying on that intent was probably a bit weak as a position. The proposal is to basically require, on all assignment sales, regardless of the intent, charging GST and HST on the appreciated value. That would ensure that it's applied evenly across all transactions and in a way that will help deal with speculation in the market.

**Ms. Julie Dzerowicz:** How would that [*Technical difficulty—Editor*] supply?

**The Chair:** That's your time.

**Ms. Julie Dzerowicz:** If we don't have time. If you could please respond to that in writing, it would be really great. Thank you.

**The Chair:** Now we're moving to the Bloc and Monsieur Ste-Marie for two and a half minutes, please.

[*Translation*]

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

[*English*]

**Ms. Julie Dzerowicz:** I have a point of order, Mr. Chair. There's a lot of chatter in the room, and I often couldn't hear the answers of our guests who were speaking before.

Could we please make sure that we keep talking to a minimum? Thanks.

**The Chair:** Thank you, MP Dzerowicz.

Yes, we want to hear all of the answers to the many questions.

MP Ste-Marie, please continue.

[*Translation*]

**Mr. Gabriel Ste-Marie:** Thank you once again, Mr. Chair.

Once again, I'm going to discuss the luxury tax that would apply to aircraft used for personal purposes.

We realize the tax applies to sales made in Canada, not to sales of aircraft for export. However, the tax is designed in such a way that the manufacturer pays the tax on all aircraft, including those that are exported, and is reimbursed once they've been exported. It's all done on a quarterly basis, as we were reminded during the technical briefing.

However, industry representatives tell us the quarterly basis is a problem because, in actual fact, an aircraft sold to a person outside Canada may remain in Canada for several additional months to be modified as the purchaser wishes and therefore may be in the country far more than three months longer.

For the primary manufacturer that exports these aircraft, the exported portion represents a very high percentage of its production, approximately 90%. That therefore reduces the manufacturer's cash flow because it's required to pay the luxury tax on every aircraft produced, whereas a very small portion of its production is sold in Canada or to Canadians. That causes a liquidity problem.

In real terms, as a result of months of waiting, this may represent hundreds of millions of dollars that have to be advanced because that's how the tax is designed.

My question is for the Department of Finance representatives.

Was this problem considered, and what solutions were proposed?

**Mr. Miodrag Jovanovic:** Yes, that issue was raised. We're well aware of it and understand the problem. We're studying it to determine whether there's ultimately a way to propose minor adjustments.

It's certainly an issue that we've recently discussed with the sector and that we now understand more clearly. It's under review.

• (1150)

**Mr. Gabriel Ste-Marie:** All right. Thank you.

[*English*]

**The Chair:** That is the time, MP Ste-Marie. Thank you.

We're moving now to the NDP and MP Blaikie for two and a half minutes.

**Mr. Daniel Blaikie:** Could I just get someone to confirm the date the Canada emergency sickness benefit and the Canada recovery caregiving benefit are coming to an end? I imagine somebody from ESDC has that date ready at hand.

**Mr. Nicholas Leswick:** I want to say May 7, but I want to be very cautious. I would invite someone from ESDC just to speak up.

**Mr. Daniel Blaikie:** I believe it is indeed May 7. I don't want to lose all my time having ESDC trying to find the right person to answer the question.

**Mr. Nicholas Leswick:** That's fair enough.

**Mr. George Rae:** That's correct, Mr. Blaikie. They are scheduled to end May 7.

**Mr. Daniel Blaikie:** Thank you.

When it comes to the large employer emergency financing program, I'm wondering what the date of expiration for that program is.

**Mr. Nicholas Leswick:** I apologize. I'd have to get back to the member. Again I'm just cautious about dates of new financing arrangements and when the facility will close.

**Mr. Daniel Blaikie:** In that case I'm wondering whether there even is a date. I'm noticing that when it comes to larger companies—I think they have to have a revenue of at least \$300 million in order to qualify for the large employer financing program—there doesn't seem to be a date, or at least I'm not aware of one, whereas the workers' support measures are coming to an end on May 7. I just wonder how it is that the government can believe, on the one hand, that the pandemic is over with respect to workers and how it can believe that it continues with respect to large companies. Surely, if one no longer requires support it would stand to reason that the others no longer require support.

Maybe there's somebody who's a little bit more familiar with the details of the large employer financing program who could explain why it is the pandemic continues for well-resourced companies but not for workers.

**Mr. Nicholas Leswick:** Again, I apologize to the member. I don't have the dates. I don't believe there's anyone on the line who could speak to the dynamics of the LEEF facility.

**Mr. Daniel Blaikie:** I would happily accept a follow-up in writing for the committee on that question.

I'm also curious to know from ESDC how many people have been accessing the Canada emergency sickness benefit and the caregiving benefit in 2022. Again, if they'd like to follow up in writing with the committee, I'd be happy to receive that information in writing.

**The Chair:** Okay. We could have a follow-up.

Thank you, MP Blaikie. That is the time.

Members, I'm just looking at the time. To the top of the hour, we have about seven minutes left.

In this round, I have the Conservatives and the Liberals up, so we'll split that into three and a half minutes each, and that will take us to the top of the hour.

Next is MP Stewart.

**Mr. Jake Stewart (Miramichi—Grand Lake, CPC):** Thank you, Mr. Chair.

Thank you to the officials for being here today.

I want to paint a little picture of where I live—Miramichi-Grand Lake in New Brunswick—and how this budget affects it.

Miramichi-Grand Lake, my riding, is the size of Prince Edward Island. There are probably about two places to plug in an electric car. Most people who order them are waiting a year—and sometimes two—because they can't get them and, of course, the government has basically stood by and watched China grow its ability to produce lithium.

The people where I live drive SUVs, trucks and muscle cars. They have boats. We have a marina. We live on one of the greatest salmon-fishing rivers in the world.

We're not seeing the million jobs referred to here today. It's nice to hear. We don't see them in Miramichi-Grand Lake. In Miramichi, we were a port facility, dating back to the mid-1800s and right up until the early 1990s, and then it slowed, so in recent years, the river hasn't been dredged. A company from Quebec wanted to dump \$12 million on their own dime into the port. They were called "Groupe Gagné". The government's role was to fix the navigational aids for \$1.5 million. They said no, which stifled a minimum of 15 to 20 companies that would have been producing wood pellets, lobster, wood products, steel, fabrication products.... Basically, the current government has stifled every economic opportunity we had locally.

Now, with respect to this budget, inflation is currently at 6.7%, but it's 7.4% in New Brunswick, so it's much worse in my home province—as I've said—with no sign of it slowing down.

I don't see immediate relief for Canadians inside of this budget, but I'm going to ask the officials today, what in Bill C-19 is going

to address the inflation crisis that Canadians and Miramichi-Grand Lakers are facing today?

Thank you.

● (1155)

**Mr. Nicholas Leswick:** That's a difficult question to answer, quite honestly. I don't think I could pick any one element out of this bill.

From a macroeconomic objective—this isn't much of a response in consideration of the local and regional issues and hardships faced by your community, Mr. Member—it's to take the edge off inflation over the coming quarter and get it back to target and to normalize those physical and monetary policies so that the economy is operating at full capacity, but there are these negative spillovers from high inflation affecting households and businesses, for sure.

**Mr. Jake Stewart:** Do I still have time, Mr. Chair?

**The Chair:** You still have one minute.

**Mr. Jake Stewart:** Thank you.

I'm not sure really if there was a response in there. I can't fault the officials for the political decisions of the government either, but with private investment already down.... I've told you about the project that was stifled locally: \$12 million out of the pockets of a private company and \$1.5 million for the government to pay for the buoys. That's a drop in the bucket for the federal government. For this government in particular, that's a minor drop in the bucket.

Did the department consider how part 4 of this bill will impact private investment in the economy? If so, what did you consider and how did you go about it?

Thank you.

**Mr. Nicholas Leswick:** Listen, again, it's not very region- or locale-specific. The government, in the department, does their best—

**Mr. Jake Stewart:** I'm sorry. I don't mean with respect to the region. I just mean with respect to the bill itself.

**Mr. Miodrag Jovanovic:** You're referring to the select luxury items tax act. As I previously mentioned, we don't have a specific estimate. We believe that with the way the measure has been designed so that it really targets the top higher end of luxury vehicles, boats and aircraft, the impact would be reasonable.

**The Chair:** Thank you, MP Stewart.

I see that the minister has arrived. She's in the room.

We are going to go to the Liberals.

MP Chatel, you have one question for officials, and then we'll move to the minister.

Thank you.

[Translation]

**Mrs. Sophie Chatel (Pontiac, Lib.):** Would it be possible to provide some context for the settlement with Australia that resulted in the repeal of the excise tax exemption for Canadian wineries?

**Mr. Miodrag Jovanovic:** Bill C-19 would repeal the current exemption, and that's the result of an agreement reached in 2018 in response to a complaint that Australia filed with the World Trade Organization. The agreement stipulated that the exemption would be repealed by the end of June of that year. The proposal was to repeal it for products made and packaged as of that date. In return, Agriculture and Agri-Food Canada introduced a two-year \$101 million program.

[English]

**The Chair:** Thank you, MP Chatel.

I want to thank the officials on behalf of the finance committee. Thank you very much for coming before us. I know that members had many questions, and there is some follow-up information that I'm sure the officials will be looking to gather to be able to provide to this committee, to the members, so thank you very much.

You are free to go on with your day, and have a great day.

**Mr. Nicholas Leswick:** There will be a few of us who will stay at the table while the minister is giving her testimony.

**The Chair:** Oh, you will be staying. All right. Great.

Now we have our minister with us. Welcome to the Honourable Chrystia Freeland, our Deputy Prime Minister and Minister of Finance. Thank you for coming before our committee, Minister.

You have an opportunity now for opening remarks and then to receive questions from members, so thank you very much for joining us here today.

The floor is yours.

[Translation]

**Hon. Chrystia Freeland (Deputy Prime Minister and Minister of Finance):** Mr. Chair and members of the committee, thank you very much for inviting me to speak to Bill C-19, Budget Implementation Act, 2022, No. 1.

I apologize for joining you virtually. I was supposed to be with you in person, but my flight was cancelled this morning as a result of fog in Toronto.

The budget I tabled last month was published during Canada's quick and remarkable recovery from the recession caused by COVID-19. Canada has experienced one of the fastest employment recoveries in the G7. We've recovered 115% of the jobs we lost during those terrible first months. By comparison, the United States has recovered only 93% of lost jobs.

More than three million jobs have been created or recovered, and our unemployment rate has fallen to 5.3%, its lowest point since we began collecting comparable data nearly 5 decades ago. Our real GDP is 1.5% higher than it was before the pandemic. According to the International Monetary Fund, the IMF, Canada will have the strongest economic growth of all the G7 countries this year and in 2023.

I have some good news: last Thursday, S&P once again confirmed Canada's AAA credit rating. We owe that in part to the emergency support measures we put in place to keep Canadians and the Canadian economy afloat. We also owe it to the remarkable courage and determination Canadians have shown in the past two years.

● (1200)

[English]

But we still do have challenges ahead.

Inflation, a global phenomenon, is making things more expensive in Canada too. Snarled supply chains have driven prices higher at the checkout counter. Buying a house is out of reach for far too many Canadians. Russia's illegal and barbaric invasion of Ukraine is directly contributing to higher food and energy prices both here at home and around the world. This impact is hitting the most vulnerable the hardest.

We need to do better as a country at innovating and encouraging small businesses to grow. We need to continue to address the existential threat of climate change, which is why, with the investments outlined in this budget and through Bill C-19, our government is focused on growing our economy and making life more affordable for Canadians.

One of the pillars of our plan is investing in the backbone of a strong and growing country, our people. People need homes in which to live, but Canada simply does not have enough of them.

This budget represents the most ambitious plan that a federal government has ever put forward to tackle that fundamental issue, and it will put Canada on a path to double the number of new homes we will build over the next 10 years.

We also need to make the housing market fairer, which is why, for example, Bill C-19 will legislate a two-year ban on foreign investors. Homes need to be for Canadian families to live in. They cannot be a speculative asset class.

We will also make all assignment sales of newly constructed or renovated housing taxable for GST and HST purposes.

As well—and this is something that I know members of this committee care about deeply—Bill C-19 will help seniors and people with disabilities live and age at home by doubling the home accessibility tax credit's annual limit to \$20,000, which will make upgrades such as wheelchair ramps more affordable.

[Translation]

A country and a growing economy also require an expanding labour force. Thanks to Bill C-19, we'll be making it easier for skilled immigrants, whom our economy needs, to settle in Canada. This will help increase the government's ability to select candidates from the express entry system pool who meet the needs of Canadian businesses.

We will also be investing in the talented and determined workers who are already here and making it more affordable for specialized tradespersons to move here and find jobs.

Under the bill, we propose to establish a labour mobility deduction to enable tradespersons to relocate temporarily to a work location. This measure will grant tax deductions of up to \$4,000 per year for transportation and temporary relocation expenses in an effort to reduce labour shortages in the specialized trades.

• (1205)

[English]

Bill C-19 will also continue our government's work to ensure that we have a robust tax system in which everyone pays their fair share. Through this legislation, our government will speed up the creation of a public registry of federally incorporated corporations to happen before the end of 2023, two years earlier than planned, to help counter illegal activity, including money laundering, corruption and tax evasion. Let me point out that this is only a first step.

This work is particularly pressing as Canada works hard with our allies through the new Russian Elites, Proxies, and Oligarchs Task Force to target the global assets of Russia's elites and those who act on their behalf.

This brings me to how Bill C-19 will allow the government to cause the forfeiture and disposal of assets held by sanctioned people and entities and to use the proceeds to help the people of Ukraine. Canada is leading the way on this effort as part of a group of allies. We would be the first member of the G7 to take this important step, and I can think of few better ways to pay for the very expensive rebuilding of Ukraine than with the seized assets of Russia's leaders.

[Translation]

To save time, I will quickly state some of the other measures set forth in Bill C-19. I'm certain these measures will be supported by the members of this committee and my colleagues in the House.

Bill C-19 provides for the introduction of a tax on luxury motor vehicles, aircraft and boats.

It proposes a tax cut for businesses engaged in zero-emission manufacturing activities.

It will also entitle employees to 10 days of medical leave in certain sectors such as air, rail, road and marine transportation, as well as banking, postal and delivery services.

It will put money back into the pockets of Canadians even more—

[English]

**Mr. Adam Chambers:** I have a point of order, Mr. Chair.

**The Chair:** There is a point of order.

**Mr. Adam Chambers:** I'm sorry, Deputy Prime Minister, and Mr. Chair, but there's an expectation at the committee that if someone is appearing for two hours, there's a 10-minute opening statement. That's what we've gone with.

**The Chair:** The minister has—

**Mr. Adam Chambers:** I would love to have the minister come back for more time, and I'm sure we can talk about that later, but now we have less than 50 minutes or so left for questions.

**The Chair:** I'm sure the minister is close to concluding her opening remarks. We want to hear from the minister with her opening remarks, and we were just at eight minutes.

Minister Freeland, you have the floor.

**Hon. Chrystia Freeland:** Thank you very much. My clock says it's 12:08 and I am coming to a conclusion.

[Translation]

It will put money back in the pockets of Canadians even more often by changing the frequency of the climate action incentive payment. The payment will now be paid every three months instead of once a year at tax time.

Lastly, the bill will help the provinces and territories clear their surgery backlogs by providing an additional \$2 billion to the Canada Health Transfer.

[English]

Mr. Chair, Bill C-19 will make a real difference in the lives of Canadians. It will help to grow our economy, it will create good jobs, and it will help us to continue building a Canada where nobody is left behind.

I hope that all honourable members here will support its swift passage through the House in the weeks to come.

[Translation]

Thank you very much.

[English]

Let me just thank the finance officials who are with you there. They have worked so hard on this budget, on supporting Canadians, and I'm grateful to them for their presence today.

I'm happy to answer your questions.

**The Chair:** Thank you, Minister Freeland.

One thing I can say for our committee, and for all parliamentarians and Canadians, is that we stand with Ukraine. It was great to hear those remarks.

We are going to move into our rounds of questions.

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

• (1210)

**Hon. Ed Fast:** Thank you, Mr. Chair.

Thank you, Minister, for appearing virtually. I wish we had you here in person, and hopefully you'll come back for another hour before we finish our study on the BIA.

My first question is, when will the budget be balanced going forward?

**Hon. Chrystia Freeland:** Mr. Chair and Mr. Fast, let me point out that one of the strengths of this budget is the clear fiscal responsibility, with declining debt-to-GDP ratio and declining deficits. As I pointed out in my opening remarks, S&P on Thursday reaffirmed Canada's AAA credit rating. It doesn't get better than that.

**Hon. Ed Fast:** Well, Minister, I didn't ask about the credit rating, and you know that. I asked you a very specific question: when will the budget be balanced? I'll give you a break. Is it in the short term, medium term or long term? Just give us an answer. I know we've asked you this question before. You are the finance minister. You should have an answer to that.

**Hon. Chrystia Freeland:** Mr. Fast, I gave a very clear answer on the issue that is important to Canadians, which is to be assured that this budget presents, as it does, a clear and responsible fiscal track. That is indicated by the fact that the debt-to-GDP ratio is steadily declining. By a steadily declining deficit, we have the lowest debt-to-GDP ratio in the G7. Let me reaffirm here, S&P—

**Hon. Ed Fast:** So you have no answer.

**Hon. Chrystia Freeland:** —a ratings agency that is paid to determine the fiscal responsibility of countries, reaffirmed our AAA credit rating. That's what should matter to Canadians.

**Hon. Ed Fast:** The question wasn't on the credit rating. You know that.

I'll go to my next question.

In an earlier mandate letter from the Prime Minister to you, you were very specifically instructed not to engage in any new permanent spending. Since then, the economy has improved, government revenues have improved, and yet you have engaged in new permanent spending programs. Why?

**Hon. Chrystia Freeland:** Mr. Fast, I'm glad to hear an acknowledgement of the fact that the Canadian economy has gotten stronger and therefore federal revenues have gotten stronger. That is absolutely the case and is, again as I said, reflected in our strong credit rating.

What our government believes in is a responsible fiscal path, which we have absolutely demonstrated in this budget, and also making the necessary investments in Canadians which strengthen our economy. One of those, let me point out, is early learning and child care. We now have deals with all provinces and territories.

This is particularly valuable today as Canada faces labour force shortages.

**The Chair:** MP Fast, you still have two minutes.

**Hon. Ed Fast:** Thank you.

Minister, I'd like to ask you a question on the luxury tax. You are familiar, I'm sure, with the law of unintended consequences, and many in the boat business, many in the aircraft business and many in the car business are saying that the law of unintended consequences is going to catch up to you on this luxury tax. It is a complicated tax. It's a tax on not only boats. It's a tax on not just aircraft. It's also on improvements made after the fact to those products.

So my question is this. There are serious fears that this is going to undermine the competitiveness of those industries. There are serious concerns that the timing and implementation of this tax are going to mean that contracts are going to be lost because many of these products are custom-made to a purchaser's specific requirements, and they are now starting to cancel contracts because the tax has been applied after the fact, after these contracts have actually been finalized.

Has Finance Canada done an assessment of the economic impacts this tax will have on the boat, car and aircraft manufacturing sectors in Canada, and if so, what did those assessments show?

**Hon. Chrystia Freeland:** It's very interesting, Mr. Fast, to hear a Conservative criticism of the luxury tax. We have a very clear mandate from Canadians to introduce this tax. Our government first proposed it in the budget last year, and it was clear in the campaign that this was something we intended to do. I certainly found widespread support at the door for this measure, so I think Canadians would be very interested to hear that Conservatives oppose it.

This is an absolutely reasonable measure that ensures that everyone in Canada pays their fair share.

• (1215)

**Hon. Ed Fast:** On a point of order, Mr. Chair, the minister has unfortunately misconstrued my comments. This was not a question about opposing this particular luxury tax—

**Mr. Yvan Baker:** Point of order.

**Hon. Ed Fast:** —but rather about the implementation of that tax. She knows that—

**The Chair:** There's another point of order.

**Mr. Yvan Baker:** That was not a point of order, Chair.

**The Chair:** Yes, it was not a point of order.

We are moving now to the Liberals and MP Chatel for five minutes.

Go ahead, please.

[*Translation*]

**Mrs. Sophie Chatel:** Good morning, Deputy Prime Minister. Welcome to the committee.

We are witnessing a global economic transition to a greener digital economy. Some are even calling the next decade the "decade of action".

Would you please inform this committee about the government's measures to assist small and medium enterprises in making the transition to a green economy? I'm referring especially to small and medium enterprises in more rural areas. How will the government help them carve out a prime position in tomorrow's economy?

**Hon. Chrystia Freeland:** Thank you for your question.

Ms. Chatel, I want to thank you for your hard work on this committee and in your rural riding.

I completely agree with the two ideas you proposed in your question.

First, the green transition is of key importance for Canada and the entire world. Second, it's absolutely essential that we include the rural economy in that green transition, and the budget absolutely tends in that direction. I want to emphasize that much work remains to be done and that I'm eager to forge ahead with you.

I want to point out that a provision outlined on page 84 of the budget concerns the rural economy and the measures we're taking. We understand that there are special needs.

I'm going to talk about a few important measures, the first of which is the critical minerals strategy, which represents a \$3.8 billion investment. It's important for the entire country, but especially for the rural communities. Furthermore, the decision to double the labour mobility tax deduction to \$4,000 will be very effective in helping people move around the country. This is a very important decision concerning the labour shortage in rural communities.

There are a lot of other measures, but I'll stop there so you can ask another question, if you wish.

**Mrs. Sophie Chatel:** Thank you very much, Deputy Prime Minister.

One of the very important aspects of the budget is investment in housing. As you know, the housing crisis is also raging in rural areas, not just urban areas.

We've been told there are many problems with the applications being made to certain existing programs. Announcements have been made through the budget, but I'd like to hear what you have to say about helping rural communities access government housing support.

**Hon. Chrystia Freeland:** Thank you for your question.

To begin with, I'd like to say that I agree with you that housing is a key issue for all Canadians, both in major cities such as Toronto, where I am today, and in rural communities.

It's an extraordinarily important challenge because Canada is a country that believes in population growth. Our country believes that immigration is an integral part of our society and of our economic growth plan. However, a country with a growing population has to build more houses. That's a fundamental challenge.

Certain measures will really help people living in rural communities. The tax-free first home savings account is very important for young families.

I also want to discuss a measure for creating strong rural communities. We're going to increase the maximum amount of forgivable Canada student loans by 50%, which means up to \$30,000 in loan forgiveness for nurses and up to 60,000 for doctors working in rural communities. As you very well know, that's very important for young families that want to stay in rural communities and for seniors.

● (1220)

**The Chair:** Thank you very much, Ms. Chatel and Deputy Prime Minister.

[English]

We are moving to the Bloc and MP Ste-Marie for two and a half minutes, please.

[Translation]

**Mr. Gabriel Ste-Marie:** Mr. Chair, my speaking time should be six minutes, since we're starting a new round.

[English]

**The Chair:** Oh, I was just moving, MP Ste-Marie, into the third round.

I was moving through the third round the same way, so I did provide five minutes to the Conservatives and five minutes to the Liberals, with a little bit of overrun—

[Translation]

**Mr. Gabriel Ste-Marie:** With all due respect, Mr. Chair, I appeal your decision.

When a minister appears in committee to answer our questions, we traditionally start another round of questions in the second hour. I won't really have the time to address the issues of concern to me in two and a half minutes.

I appeal your decision, and I ask that all the members present be allowed five minutes.

[English]

**The Chair:** Thank you, MP Ste-Marie.

I am looking to the members, and yes, everybody is in agreement.

Okay. It's MP Ste-Marie for five to six minutes.

[Translation]

**Mr. Gabriel Ste-Marie:** Thank you very much, Mr. Chair. I apologize for the inconvenience.

Good afternoon, Minister. Thank you for being here and for your presentation.



My team and I have begun to examine the budget implementation bill. It's very long and complex but contains a lot of interesting measures. So I see it as a positive.

As my speaking time is limited, even though it was just doubled, my questions will focus more on problems.

I'd like to have some clarification of what Mr. Fast said.

The Bloc Québécois agrees with the principle of the tax on certain luxury items. However, about an hour ago, the finance department representative confirmed that no study had been done on the potential impact this tax would have on the sales, jobs and revenues of the manufacturing sectors and thus on gross domestic product. We obviously condemn the fact that no study was done before the tax was introduced.

Now I would like to discuss more specifically the luxury tax that would apply to luxury aircraft. It wouldn't apply to an aircraft that's to be used for business but would if it were used for personal purposes. The entire aerospace industry in Canada and Quebec, as well as the Quebec business community, are up in arms because the bill, as drafted, raises many concerns and doubts about the application of this tax.

Those doubts and concerns may be summed up in two points. The first is the 90% threshold for business use. The second is the fact that the tax has to be paid on all manufactured items, including those that'll be exported.

I won't dwell on the first part, which concerns the 90% threshold.

This issue was raised by the industry. An hour ago, the department representatives told us that, when company A purchases an aircraft for business purposes, it will often assign management of that aircraft to company B when it's not using it, given the high cost of the aircraft. Company B then leases the aircraft to other clients, to business people. However, it may also lease it for personal purposes. The department representatives told us an hour ago that, when that aircraft is subleased for personal purposes, it falls within the 10% margin and isn't considered as being used for business.

Is that correct?

• (1225)

**Hon. Chrystia Freeland:** Thank you for your question.

We agree, as would nearly all Canadians, that a luxury tax is a good idea. The tax is fair and equitable. At the same time, it's important to support Canadian industries. The reality is that this is a new tax. It's very important to consider carefully all the details of its implementation.

I want to emphasize that the first return of the proposed luxury tax would not be due until the end of January 2023. I know your team and mine have previously discussed your detailed questions. We're also talking with the industry. We're absolutely prepared to continue the discussion to ensure the measures do what they're supposed to do. Everyone agrees on that.

**Mr. Gabriel Ste-Marie:** Can you guarantee us that we and the industry will get the answers to our questions before we vote on the budget implementation bill? I'm referring in particular to the tax on

imported items that will have to be paid in advance and to the application of the 90% threshold.

This is major point for us, for the industry and for Quebec's economy. For the moment, we have more questions than answers.

**Hon. Chrystia Freeland:** I can assure you we're aware of those two issues.

You mentioned the two most important ones. I've asked my officials to review the situation. We absolutely understand how important it is to continue the discussion with you and the industry.

I want to stress that we're absolutely convinced of the importance of this tax. It's a fair and equitable tax. During the election campaign, I found, as I hope you did as well, that Canadians understand the idea behind this tax. Since it's a new tax, it's important to clarify all the details. That's what we're going to do.

**Mr. Gabriel Ste-Marie:** Thank you.

**The Chair:** Thank you, Mr. Ste-Marie.

[English]

We are moving to the NDP and MP Blaikie for six minutes.

**Mr. Daniel Blaikie:** Thank you very much.

Minister, I want to follow up on a question having to do with the GIS clawbacks. I understand there is a small part of this bill that is meant to make some tweaks to help ensure that seniors aren't penalized for having availed themselves of pandemic benefits.

However, there isn't anything similar for working-age families who rely on the Canada child benefit, who have also experienced clawbacks of the CCB as a result of having taken CERB or other kinds of pandemic income support. I want to ask what your government's plan is to address those folks.

I've had meetings with parents who have been affected by that CCB clawback. One thing that's come out loud and clear from that group is that, unlike some of the seniors who were quite prepared to come forward and tell their stories, there are a lot of recipients of the Canada child benefit who are worried about telling their story. They're worried about the stigma and shame that can come with being a working-aged person who's been facing difficult circumstances and now having to ask for help. They've expressed concern about people their kids go to school with hearing about them and being made fun of on the playground if their parents are telling stories of hardship publicly. It's made it harder to make the issue a political issue for the government, because they haven't been willing to come forward and tell their stories. However, their suffering is no less real.

I'm asking you what the government's plan is to address families who have been affected by the Canada child benefit clawback.

• (1230)

**Hon. Chrystia Freeland:** Thank you very much for the question, and thank you for your hard work and the collaboration. Thank you for pointing out the work we have done together on the GIS and seniors who received the CERB. I think there was a widespread consensus in Canada that our most vulnerable seniors were particularly hard hit by the pandemic, and the hardship it imposed and that this was an important action to take. We're glad to be following up on it.

This was something we were very clear about before tabling the budget. When it comes to further measures associated with pandemic support, it was very important in this budget to turn the page. It was very important to be clear that we had undertaken extraordinary spending during the pandemic. That was the right thing to do. It supported a lot of vulnerable people. We're also seeing that it was economically the right policy. We prevented scarring, and Canada's economy really has come roaring back.

It was also very important to make clear with this budget that the period of extraordinary pandemic support was over. We were facing a new set of economic challenges. I'm very sensitive—and you make a very strong point—about families and children and the inappropriate but real social shame that people may feel if they are poor. That's wrong, and I want to acknowledge that I'm grateful to you for making that point.

I will say this is a budget that believes in supporting working people. The Canada workers benefit will start to be delivered to people and will make a real difference.

Finally, I also want to point to the fact that unemployment today, at 5.3%, is at the lowest level it has been since comparable figures were collected. That is a real accomplishment of our whole country and supports working people very much.

**Mr. Daniel Blaikie:** Do you want to jump in again before my time is over?

Campaign 2000 has done excellent work in advocating for a low-income repayment amnesty on CERB. I think one of the really important points on this file—I think there are some obvious moral arguments, but I think from a financial point of view, the question is how much does the government think it's owed for CERB repayments and how much does it actually anticipate collecting from low-income folks who are being asked to repay this money, and how much in resources does it anticipate spending in order to chase that money that it may well not get back? I appreciate that you may not be in a position to answer that right at the moment, but I would appreciate a written response with those three components for the committee. So what is the outstanding debt for CERB and CRB repayments as the department sees it; how much does it actually expect to get back and over what time period, and how much does it anticipate having to spend in terms of staff time and resources in order to chase that money? I think with those answers, we can get a sense of the value of a CERB low-income repayment amnesty, which certainly needs a better title. I think this is a really live question in terms of how much in government resources is going to be spent over the next five, ten, fifteen or twenty-five years in order to recover a relatively small amount of money that's not going to make a big difference in the life of the government or in the gov-

ernment books but that is going to have huge consequences for the people who are being asked to pay that money back. I would ask for a follow-up in writing on that.

Thank you, Mr. Chair.

• (1235)

**The Chair:** Thank you, MP Blaikie.

Thank you, Minister.

Since we did that reset to the first round, we're now moving into our second round. I have MP Albas up for five minutes.

**Mr. Dan Albas:** Thank you, Mr. Chair.

Minister, thank you for being here.

Minister, back in the 41st Parliament, I tabled a bill on “Free My Grapes” to break down trade barriers for the wine industry. It was a three-page bill including the cover sheet, the summary and the actual bill. That took an hour in front of the Finance committee that day. Here, you've introduced a 421-page bill and you're here for only an hour. Do you feel that provides ministerial accountability?

**Hon. Chrystia Freeland:** It's very good to see you, Mr. Albas. I won't speak for you, but let me suggest that you may be glad to see in this bill that we're eliminating the excise duty on low-alcohol beer effective July 1, 2022. Preparing for this conversation, I thought of you and I thought that was something I would highlight.

**Mr. Jake Stewart:** On a point of order, the question was about the time that's being provided—

**Ms. Julie Dzerowicz:** On a point of order, that's not a point of order.

**The Chair:** It's not a point of order, yes.

**Mr. Jake Stewart:** Well, she didn't answer the question, so....

**The Chair:** MP Albas, go ahead.

**Mr. Dan Albas:** Thank you, Mr. Chair.

Minister, I notice that you didn't answer that.

Second, let's talk about what is in here for wineries. Minister, we're nine weeks before July 1, which is when the exemption for 100% Canadian content ends. Many, many wineries that have opened up since 2007 have never paid a cent in excise and now they will be charged for that.

Minister, your own budget implementation act here, on page 106, talks about a grandfathering for product that is made before. However, supply issues are making it so that people cannot bottle their wine; they can't find the bottles. Do you take some responsibility for this? Will you support an amendment to allow for product that has been made before July 1 but that is not bottled to still be considered excise-exempt?

**Hon. Chrystia Freeland:** Thank you for the question. Look, I think that everyone around this table agrees that the growth of Canada's wine sector over the past 15 years or the past couple of decades is a huge national success story and we support that sector.

Mr. Albas, you're sitting next to Mr. Fast, a former trade minister. I think you will also agree that honouring our international trade obligations is essential to Canada's economy and to our credibility as an international player.

As you know, the excise tax repeal stems from a WTO obligation and a dispute we settled with Australia in July 2020. We committed, as part of that settlement, to the repeal of the exemption by June 30, 2022. I'm sure no member of this committee would wish Canada to be offside on our trade obligations and commitments.

**Mr. Dan Albas:** Well, Minister, if you don't do something, many businesses that have never paid this tax will have a huge tax bill, with very little profit from previous years to pay for it. What I would also suggest, Minister, is that the Minister of Agriculture and you have not put forward a replacement program.

Do you take responsibility for that?

**Hon. Chrystia Freeland:** What I take responsibility for, Mr. Albas, is supporting the Canadian economy and Canada's fair and honest participation in the rules-based international trading system. It's important for us to be reliable players who keep our word. This is a dispute we settled with Australia in July 2020.

Let me also point out that, as we announced last year in budget 2021, we will be providing over \$100 million to support wineries in adapting to ongoing and emerging challenges.

**Mr. Dan Albas:** Again, the wineries say that's not going to match.

Let's move on, Minister.

Page 56 of the BIA refers to an assignment of agreement to housing sales, whereby you collect HST now. Minister, are you aware that this will likely cause housing costs to go up, as well as government revenues?

• (1240)

**Hon. Chrystia Freeland:** Our housing plan is about bringing fairness to the system, ensuring that everyone pays their fair share, and cutting down on speculation. The change on assignment sales is a very important part of that.

Again, I think Canadians would be very interested to hear that the Conservative Party supports speculation in the housing sector. We certainly do not. We think homes should be for Canadian families, not a speculative financial asset.

**The Chair:** That's the time, MP Albas.

We will now move to the Liberals and MP Baker for five minutes.

**Mr. Yvan Baker:** Thank you very much, and thank you very much, Deputy Prime Minister, for being with us here today.

As we all know, over two months ago, Russia began a full-scale, further invasion of Ukraine. We know that the Ukrainians have been outmanned and outgunned. Despite that, they've shown great

courage in defending their homeland. I think that courage has inspired Canadians and people around the world.

Notwithstanding that courage and resolve, the situation in Ukraine is, of course, dire. This is an existential issue for the Ukrainian people. It's a humanitarian disaster, with Russia committing war crimes every day, and committing genocide, in my opinion. It's a threat not only to Ukraine's security but to global and Canadian security.

Ukrainians are not just fighting for themselves—for their own freedom and homeland—but for all of us, and we need to fight for them. You, Deputy Prime Minister, have been helping to lead that fight. Some of that has been in public. Much of that has been behind the scenes, as it is for ministers and MPs in our democracy. I want to thank you for your leadership on this issue. *Dyakuyu*.

My first question for you is regarding the fact that you allocated \$500 million in funding for military aid to Ukraine and \$1 billion in loans to Ukraine in the budget. I want to thank you for that. President Zelenskyy indicated that Ukraine urgently needs heavy weapons.

Could you tell us how soon the \$500 million in funding could be deployed?

**Hon. Chrystia Freeland:** Okay. *Dyakuyu*.

Thank you very much Mr. Baker for the question.

Look, our Parliament, our political discourse in Canada, is naturally adversarial, and that is part of us being a healthy democracy, but there are issues where we all agree.

I have to say that I'd like to thank you, Yvan, for your work on Ukraine, but I also want to recognize the Conservatives, the Bloc and the NDP for their support of a very strong Canadian position on Ukraine, for the clarity with which Canada has recognized that this war is illegal, that it is barbaric and that war crimes are being committed, and for the unanimous consent on the genocide motion.

I've discussed all of these measures and really the unanimous Canadian support for Ukraine directly with Prime Minister Shmyhal, and it really does make a difference. It makes a difference in terms of encouraging other countries to support Ukraine. It makes a difference for the Ukrainians to know that we as a country are there for them, and that, really, this is one point on which we agree.

Thank you, everyone.

On the military aid, I agree with you, Mr. Baker: It is the Ukrainians who are fighting and dying. They are fighting our fight. It is our responsibility to be sure they have the tools to do the job. That's why we did specifically earmark \$500 million in the budget for military aid. That aid is being sent from Canada. Our allies are sending aid as well.

Last week, Minister Anand announced, for example, that Canada has finalized a contract for eight armoured vehicles manufactured by Roshel. As I know you are aware, Canada is also providing M777 howitzers, and we have provided Carl-Gustaf anti-armour ammunition.

• (1245)

**The Chair:** Thank you, Minister.

Before you commence, MP Baker, the bells are ringing, members. I see that we have the minister for another 15 minutes still. I'm looking for unanimous consent to continue.

**Some hon. members:** Agreed.

**The Chair:** We have unanimous consent.

Continue, MP Baker.

**Mr. Yvan Baker:** Do I have about 40 seconds? Is that right, Chair?

**The Chair:** You have about a minute, yes.

**Mr. Yvan Baker:** Minister, if the BIA were passed, it would allow the Government of Canada to seize and cause the forfeiture and disposal of assets held by sanctioned people and entities.

In the remaining time, could you speak to why you included the measure in the BIA this year? Do you know what the approximate value is of the assets that are held by those people and entities sanctioned by Canada because of their support for Russia's invasion of Ukraine?

I'm asking this because I'm interested in knowing how much in assets Canada could possibly seize.

**Hon. Chrystia Freeland:** This is a very important part of the BIA. It is a new step when it comes to the reach of sanctions. It's an area where Canada is definitely providing leadership to our allies around the world. We moved first, and we're now seeing other partners also put forward similar legislation.

I will point out, Mr. Baker, that just a few days after we tabled the budget announcing that we intended to do this, President Zelenskyy addressed a group at the World Bank and called on countries to put forward such legislation. The fact is, rebuilding Ukraine will cost tens if not hundreds of billions of dollars. It is highly appropriate for some of that funding to come from the seized assets of the country that has been doing the destroying and the killing.

**The Chair:** Thank you, MP Baker and Minister.

We're moving to the Bloc and MP Ste-Marie for two and a half minutes.

[*Translation*]

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

First, I have a comment I want to make. I was really moved by the exchange we just witnessed between the Deputy Prime Minister and Mr. Baker. We obviously support the Ukrainian people too. I can't imagine, even today, that this conflict can last. I'm obviously talking about the Russian invasion of Ukraine and its impact on those millions of people. Our hearts go out to them.

Getting back to the luxury tax on aircraft, the 90% business use criterion is a problem. I briefly mentioned that. There's also the fact that, even if the tax doesn't apply to aircraft that are exported, it's first paid by the manufacturer before being reimbursed on a quarterly basis. The industry reminds us that the delays are often longer. For example, an aircraft must often be modified to the client's satisfaction and must therefore remain in Canada for six more months before being exported. Since most products are exported, the manufacturers wind up with very significant cash flow and liquidity problems.

Does the minister think she can provide the industry and us with specific and satisfactory answers before the vote on Bill C-19?

**Hon. Chrystia Freeland:** Thank you for your question.

Briefly with regard to Ukraine, I've explained to my Ukrainian counterparts that they have the support of the Bloc Québécois and the Quebec nation. The Ukrainians were moved to learn that, and I was moved too. I believe we have a clear mutual understanding on that issue. I very much appreciate that.

I want to emphasize that you and I are in philosophical agreement on the luxury tax and the aerospace sector. We understand the importance of both the aerospace sector and a fair and equitable tax system. The luxury tax is part of that kind of system. Direct exports by registered vendors are subject to the luxury tax. I want to emphasize that. We're aware of the technical points you've raised. We're discussing them at the department, and the analysis is ongoing. We're obviously in talks with the industry and are prepared to continue this discussion with you.

• (1250)

**The Chair:** Thank you, Minister and Mr. Ste-Marie.

[*English*]

We're moving to the NDP, with MP Blaikie, for two and a half minutes.

**Mr. Daniel Blaikie:** Thank you very much.

Madam Minister, the budget set aside billions of dollars in funding for climate projects. It was somewhat vague on what projects in particular were meant to be funded, but it was very specific about how the money was meant to flow. It's meant to flow through the Canada Infrastructure Bank, except that the Infrastructure Bank has a pretty terrible record on project delivery.

The PBO, from time to time, has commented that it's not even close to being on track to spending its budgeted amount over the 10- to 11-year life cycle of its initial funding. Where it has had some success, to the extent that it has, it has been partnering with municipalities for the purchase of electric buses. However, that has been outside of its public-private mandate. In that area, which is also what the budget talks about—trying to attract private capital—the bank has simply not been a success.

I'm wondering why your government chose to use an unsuccessful investment vehicle as its principal way to deliver funding for projects that are meant to reduce our greenhouse gas emissions.

**Hon. Chrystia Freeland:** Let me underscore the extent to which this budget truly is a green budget with a very strong emphasis on investing in the green transition. I'm glad that you're posing the question from an economic standpoint. I think it's important for us as a country to understand the green transition, of course, as a moral obligation to fight climate change, but I think we also need to understand that this is an economic imperative. The world is going green. Canada is a trading nation. We need to be sure we're in the vanguard, not left behind.

Our government has invested heavily in the green transition. We've invested nearly \$100 billion in clean growth in many different ways. Some of those investments go through the SIF directly in supporting industries that are making the green transition.

I think the area you are focused on with this question is our Canada growth fund and our view that it's going to be very important to attract more private capital in the green transition. That is absolutely what the Canada growth fund will do. Our intention is that we should bring in, crowd in, \$3 of private money for every \$1 of public money that is invested. The reality is that the magnitude of the green economic transition is such that government funding alone will not be able to accomplish the scale of change we need, and so it is absolutely appropriate for us as a country to find ways to bring in that investment.

**The Chair:** Thank you, Minister. I know we have a lot to talk about on green.

Next up is MP Chambers for the Conservatives.

MP Chambers, you have five minutes.

**Mr. Adam Chambers:** Thank you, Mr. Chair.

Deputy Prime Minister, thank you for coming. Since it's the first time you've been at the committee since the start of the war, I want to commend the government for its actions in pushing back on the Russian Federation. I know you've done a lot of work on that. It's a cause that's personal to you. I want you to know that you'll have support to go even further. I think we can go further to be much harsher on the regime, and I hope we do.

I have a couple of simple questions that I hope we can get to. Do you believe that consumption taxes like the carbon tax are inflationary?

• (1255)

**Hon. Chrystia Freeland:** Let me just quickly acknowledge the point on Ukraine and recognize, as I did in speaking to Mr. Baker, that this is action that has cross-party support. I do also want to particularly recognize Mr. Fast's strong personal commitment to acting on Ukraine.

When it comes to a price on pollution, this is the most economically effective way to drive the changes we need in our economy. I do want to point out that the proceeds of this price on pollution are returned directly to Canadians.

**Mr. Adam Chambers:** I didn't hear an answer there. There are a number of officials who could give the technical answer to that question. Do you believe it's inflationary, yes or no?

**Hon. Chrystia Freeland:** As I said, the important elements of the price on pollution are two: one, that it is the most economically effective driver of change—

**Mr. Adam Chambers:** Okay, I'm going to continue because there's no answer there, Mr. Chair. I'm going to continue.

**Hon. Chrystia Freeland:** —and, two, that the price on pollution is very important. It's very important to note that this is revenue neutral and that the money is returned directly to Canadian families.

**Mr. Adam Chambers:** Mr. Chair, I'm not sure how you would like me to proceed here. It's true that—

**The Chair:** You have three minutes left.

**Mr. Adam Chambers:** —not all Canadians and businesses get a rebate. Businesses don't. Farmers don't get a full deduction on the carbon tax. It is inflationary. That's the correct answer to the question. The carbon tax is inflationary. It's been confirmed by the Bank of Canada. Not everybody gets a rebate.

In fact, the Parliamentary Budget Officer has said that a number of people, particularly in Ontario—over half—don't actually get back more than what they pay. I guess the next question then is why, when we're in an affordability crisis, does the government not take the single easiest measure it can take to reduce the costs to the economy, which is to reduce the carbon tax or reduce any kinds of taxes, especially when the government's awash in all new revenue?

**Hon. Chrystia Freeland:** Let me point out that our government believes in economic literate policy. It is a truth, widely acknowledged among economists, that a price on pollution is the most economically effective way to promote the green transition.

Second, let me point out that it is the Conservatives who have been obstructing, at every turn, the passage of Bill C-8. This is a bill that would support farmers on precisely these issues that you have raised when it comes to the rebate. That is a direct answer to the problems that Canadian farmers are facing.

**Mr. Adam Chambers:** With respect, Minister—

**Hon. Chrystia Freeland:** It's astonishing to me that the Conservatives are blocking it.

**Mr. Adam Chambers:** Minister—

**The Chair:** Minister, it is difficult with the crosstalk.

MP Chambers, do you have a question?

**Mr. Adam Chambers:** Let's talk for a second about the rebate for farmers in Bill C-8. Farmers will get about 20¢ on the dollar for the carbon tax through the rebate in Bill C-8. The Conservatives have called for a full deduction, which is already provided for diesel and regular fuel. For farmers, including one in my riding, Larry, whose carbon tax bill on natural gas just for the month of October was \$13,000, where do we think that money is coming from?

Further, we talk about prices going up and up. Do we not think that the carbon tax is leading to increases in transportation costs, in food costs?

Again, how is it possible...? This government has ignored, and you in particular have ignored, the warnings of inflation for the last year, despite hearing a number of people, including your mentor Larry Summers, who have been warning about inflation for 12 months or more. "It's global. It's transitory." It is clearly not any of those things.

There are some simple things that the government can do to make life more affordable, yet Canadians woke up the day after the budget with no immediate relief.

I find it hard to believe that this government is going to continue down that path.

**The Chair:** Thank you, MP Chambers.

We need a very short answer, Minister.

**Hon. Chrystia Freeland:** Let me just say that S&P reaffirmed our AAA credit rating. There are a number of measures on affordability in this budget, and the price on pollution is economically the most effective way to act on climate change.

**The Chair:** Thank you, MP Chambers.

We're going to the Liberals.

MP Dzerowicz, you are up.

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

Thank you, Deputy Prime Minister Freeland, for being with us today and answering our questions.

We have been spending a lot of time talking about the spend within federal budget 2022, but I believe that the vast majority of the budget, at least 60% of the budget, is allocated towards growing the economy in Canada.

Can you speak to what you think the key elements are for economic growth and why you think the focus on economic growth is so important?

• (1300)

**Hon. Chrystia Freeland:** Thank you very much, Ms. Dzerowicz. I am glad you are posing this question, because I know that this is an area you have worked on very, very hard, including in the development of the measures in the budget.

We were very clear, in putting together this budget and in presenting it to Canadians, that one thing Canada needs right now is a growth strategy.

I pointed out in my initial remarks that the IMF sees Canada as having the strongest growth in the G7 this year and next year. However, we also need to be candid with each other, as Canadians, that our country, medium and long term, needs to move to a higher gear when it comes to growth, productivity and investment.

Therefore, this budget proposes some key pillars that will help us do that. One is the Canada growth fund that we discussed earlier with Mr. Blaikie. This will crowd in private investment to the green transition. A second one is a new innovation and investment agency to help tackle this very Canadian challenge of translating our high degree of education, of excellent world-leading research, into commercialization and productivity for our businesses.

Then, finally, a really important element is the \$3.8 billion that we're investing in our critical minerals strategy, which is more important now than ever with Russia's war in Ukraine. The world needs critical minerals. Canada is an important supplier. This is important in the green transition, and we're investing to really drive that sector.

**Ms. Julie Dzerowicz:** Thank you so much, and I know that also our investment in our national child care program is going to help with economic growth moving forward.

The next thing I want to ask about is around inflation. If I go to the average Davenport resident, they would say to me that what they're worried about every single day is just rising costs, and also just the unpredictability about what's going to be happening as we move forward.

Given that it's top of mind not only for Davenport residents but also all Canadians, how do you think that key elements in budget 2022 are going to help Canadians with the current rising costs of many key staple items in Canada?

**Hon. Chrystia Freeland:** I will say that economic growth and having a job are key elements to affordability for every Canadian family, and the historically low unemployment rate is good news for us all.

There are also a number of specific measures in the budget to help with affordability: dental care; doubling the support provided through the first-time homebuyers' tax credit; the new multi-generational home renovation tax credit; the \$500 payment, one-off, for people facing particular housing affordability challenges; and, of course, you mentioned early learning and child care.

We now have deals with every province and territory in Canada. Fees are going to go down by 50% this year. You and I have campaigned together in your riding, and we talked to people standing outside on their lawns with their children and talking about how child care is like a second mortgage. For those young families, this is a real answer to the question of affordability.

**Ms. Julie Dzerowicz:** Thank you, and—

**The Chair:** Minister, thank you.

MP Dzerowicz, that is the time, and we are all looking to go to a vote.

We do want to thank the minister—

**Mr. Adam Chambers:** On a point of order, Mr. Chair, it's always nice to be joined by ministers at committees, but I just want to put out there for my colleagues that there is the inflation study before this committee, which had the minister appearing for three hours. I would welcome her back for that, but if we are hoping to get quick passage of this bill, I think we need to acknowledge that we do have this outstanding request. I would look forward to that. I would hate to see.... I want to see continued accountability with our executive branch.

• (1305)

**The Chair:** Thank you, MP Chambers.

We want to thank the minister.

We're sorry that there was a fog in Toronto and you were not able to make it in here in person, but luckily we are doing things virtually, and we've had you for this hour answering many questions.

Thank you very much, Minister, for coming before our committee, and thank you to all of your officials for the many questions they have answered. We really appreciate that at our finance committee.

Thank you, and have a great day.

[*Translation*]

**Hon. Chrystia Freeland:** I would briefly like to thank all the members of the committee as well as the officials from the Department of Finance. I want to thank them for their work and their questions. Lastly, thanks to the members of the committee for conducting this study.

**The Chair:** Thank you very much.

The meeting is adjourned.

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