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Chair: Mr. Peter Fonseca



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• (1630)

[English]

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

Let me begin by saying that it's great to see the entire team and all our colleagues. I hope you had an enjoyable summer and got the chance to be with family and friends and meet with your constituents throughout the summer.

I may be a little biased, but I was just saying to the clerk and others that we're probably the hardest-working committee on the Hill. You should pat yourselves on the back for the number of meetings we had—60-plus meetings—in the last session, and I know we're going to have a very busy session this time.

Welcome to meeting number 57 of the House of Commons Standing Committee on Finance. Pursuant to Standing Order 108(2), the committee is meeting to discuss the current state of fiscal federalism in Canada.

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.

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

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

I will remind you that all comments should be addressed through the chair. For members in the room, if you wish to speak, please raise your hand. For members on Zoom, please use the “raise hand” function. The clerk and I will manage the speaking order as well as we can. We appreciate your patience and understanding in this regard.

Go ahead, Mr. Beech.

Mr. Terry Beech (Burnaby North—Seymour, Lib.): I don't want to interrupt anything, but if it's an appropriate time, we have this administrative motion that was put forward by Mr. Baker.

It's within the 48 hours, but I don't think it's controversial. I think it was agreed upon by all of our whips, so I just want to see if there is unanimous consent to pass it. It states:

That the clerk of the committee be authorized to grant access to the committee's digital binder to the offices of the whips of each recognized party.

Apparently, it will make the jobs of the whips a little easier. If there's unanimous consent, that's great. If not, we can just wait for the 48 hours.

The Chair: I'm looking to the members.

Mr. Dan Albas (Central Okanagan—Similkameen—Nicola, CPC): No, there is no unanimous consent, Mr. Chair.

The Chair: We do not have unanimous consent.

Members, I'd now like to welcome our witness for the first hour. We have with us, from Climate Emergency Unit, the team lead, Mr. Seth Klein, who now will give us his opening remarks.

Mr. Seth Klein (Team Lead, Climate Emergency Unit): Thank you, Chair.

Good afternoon, honourable members. Thank you so much for this invitation.

I'm delighted to have this opportunity to share a new idea with you, a proposal for a new federal institution that, I believe, speaks to the challenges of fiscal federalism in the context of the climate crisis and the urgent need to transition our economy.

I am joining you from the unceded territories of the Musqueam, Squamish and Tsleil-Waututh nations, otherwise known as Vancouver.

As noted, I am the team lead with the Climate Emergency Unit. I'm also the author of the book *A Good War: Mobilizing Canada for the Climate Emergency*, which I believe most of you have received, because prior to the last election, an enthusiastic reader from Kingston purchased and delivered a copy to every sitting MP.

My book is structured around the lessons drawn from Canada's historic mobilization during the Second World War—an earlier existential threat—and applies those lessons to the climate emergency. Of course, that earlier mobilization in the face of fascism 80 years ago also had to navigate political differences, the challenges of Canadian Confederation and extraordinary financial challenges, and retool the economy—twice, in fact—and an entire workforce needed to be recruited and trained up. Indeed, as challenging as the transition we now face to tackle the climate crisis is, arguably the task we undertook then was greater.

The comparison is imperfect, of course, but I draw hope and inspiration from this historic reminder as we again face the need to retool our economy, as we again face a civilizational threat, and as the future of our children and grandchildren is once again profoundly put at risk. The World War II story provides a reminder of the extraordinary transformation we're capable of as we rise to this task of our lives.

MP Daniel Blaikie, as I understand, asked for me to be invited here today. In particular, he wanted me to share an idea from the book that speaks to fiscal federalism at this historic moment, and that is the idea for a new federal transfer, which I call “the climate emergency just transition transfer”. I provided the clerk with a short policy brief of the idea yesterday for distribution to you, but it probably still needs to be translated.

I should say that the idea for this new transfer came out of a discussion with the president of the Alberta Federation of Labour, Gil McGowan, when I was interviewing him for my book. He was rightly making the case that Confederation needs to recognize and appreciate that certain regions of Canada—notably the oil-producing provinces—have more heavy lifting to do when it comes to energy and economic transition in the face of the climate crisis. What we believe is an innovative solution emerged from that discussion.

First of all, why do we need a new transfer? At the Climate Emergency Unit, we talk about the six markers of emergency, the key policy indicators that a government is genuinely in emergency mode. The first two of those markers are that, one, it spends what it takes to win and, two, it creates new economic institutions to get the job done. A third marker relevant to this topic is a commitment to leave no one behind.

The problem is that while the federal government has started to take some meaningful climate action, it's not yet hitting those markers. We're still trying to incentivize our way to victory, and I fear it will not work. We are not on a path to bending our GHG emissions curve at the pace and pitch required. We're not spending what it takes to win. We're not creating new transformative institutions to get this job done. And, frustratingly, we have yet to make a compelling counter-offer to the thousands of people understandably anxious about what this transition means for their jobs and their livelihoods.

In the face of the climate emergency, Canada needs to make an audacious and hopeful offer to those workers and communities whose employment and economic security are currently tied to the fossil fuel industry, or, to a lesser extent, the traditional auto industry, or steel and concrete, or the agriculture industry, all of which

face substantial transition challenges, and to indigenous communities on the front lines of fossil fuel extraction.

As many have argued, and as is promised by the current federal government, we need a just transition act, but we also need this act to be paired with and backed up by a substantial investment in the jobs of the future so that the promise of just transition isn't a hollow one.

I believe a new federal climate emergency just transition transfer could be specifically linked to funding climate infrastructure projects that would create thousands of jobs, along with training and apprenticeships. Such a transfer could be a mechanism to re-new Confederation while rising to the climate crisis.

● (1635)

The transfer should mean that as we embark on this grand transformation, we would be able to say this to thousands who currently work in the fossil fuel industry: “None of you will be out of work. We need your help to meet this moment. Your skills and strength will be deployed in building renewable energy projects, retrofitting buildings, building high-speed rail and public transit, renewing existing infrastructure to make it more resilient to extreme weather, and managing our forest to reduce wildfire risks in the years to come.”

How should this be structured? I believe the new transfer should be at least \$25 billion a year, representing about 1% of Canada's GDP. It could and should fund much of the climate infrastructure needed in the coming years. The transfer would speak to a climate confederation conundrum, which is that most of the climate infrastructure needed logically comes under provincial, municipal or indigenous jurisdiction—energy, transit, housing—but it's the federal government that has the greatest capacity to pay.

Two features of the transfer would distinguish it from most other federal transfers. The first is that, unlike most transfers that allocate funding based on population, this transfer could distribute based on a formula linked to recent GHG emissions in each province, but fixed from that point forward so as not to perversely incentivize rising GHGs. Doing so would recognize that jurisdictions like Alberta, Saskatchewan and Newfoundland and Labrador face a more challenging task to transition their local economies. For example, Alberta, which currently produces 38% of Canada's GHG emissions, would receive 38% of the transfer money, quite a lot more than its share of the population.

The second distinguishing feature is that, rather than this transfer money being handed over to provincial governments, the funds would go to newly established just transition agencies, one in each province and territory, jointly governed by the federal government, by provincial, territorial and local governments, and by indigenous nations from each province, and with civil society representatives also on the boards. This would ensure that the transfer money isn't simply absorbed into provincial budgets or used to displace other infrastructure or training funds. It would ensure that the money is used for its intended purpose.

There are already models of joint governance structures like this in Canada, such as the port authorities. It may be that a separate transfer should be made directly to indigenous communities, but the benefit of structuring the transfer around local agencies like this is that it provides assurance that the projects undertaken are sensitive to the realities and needs of each locale. Each province and jurisdiction has a different GHG profile and its own local labour market and training needs. This model would allow for those differences.

There is a long list of worthwhile projects that a transfer like this could fund. The key is that the transfer would represent real dollars for actual transition and new jobs, not vague assurances and the historical false promises of just transition. An innovation like this could be a linchpin within an overall transition plan that is fair and just.

Thanks. I'd be happy to take your questions.

• (1640)

The Chair: Mr. Klein, thank you for your opening remarks.

We will now move to members' questions. In this first round of questions, each party will have up to six minutes to ask questions. We will start with the Conservatives.

MP Lawrence, you have six minutes.

Mr. Philip Lawrence (Northumberland—Peterborough South, CPC): Thank you very much, Mr. Chair. It is indeed a pleasure to be back here at the finance committee and to be serving the people of Northumberland—Peterborough South once again.

Mr. Klein, I haven't had the privilege of reading your book, but I would assume that, in your theory, one of the actions you would be for would be to end further exploration of oil and gas across our country. Is that a fair characterization, or am I off?

Mr. Seth Klein: It is a fair characterization.

Mr. Philip Lawrence: That will have a substantial impact on our country. The financial impact of that will be huge. Bay du Nord alone will have a financial impact estimated at \$3.5 billion for revenues for the government. You're calling upon the government to make a massive expenditure at a time when our deficit and debt are at record levels. I fail to see how that would be sustainable for Canada and for the government's finances.

Mr. Seth Klein: I hear in your question a couple of questions: One, how would we actually pay for this? As well, what would it mean if we...? And by the way, I don't envision an immediate turning off of the tap. I imagine a process of winding down an industry over a couple of decades. We have to prepare for that.

I want to invite you to think about what we mean if we assume that demand for our product, whether it's oil or gas, is actually going to continue to expand. I feel it to be, in the end, a fairly cynical assumption, because only one of two things is possible. One possibility is that global demand for our product is going to continue to increase. That will only be true if, as a world, we are going to blow past our Paris obligations and consign our children and grandchildren to a hellscape. The other possibility, and the more likely one, I would say, is that global demand is going to come steeply down. If we don't prepare those workers and those communities for that eventuality with a transfer like this, we are consigning them to a great deal of tumult and disruption.

Mr. Philip Lawrence: Thank you very much.

My concern, though, is the here and now. For example, if we look at Newfoundland and Labrador, Bay du Nord is expected to contribute, as I said, \$3.5 billion. According to the PBO, if we look to 2046, their debt-to-GDP will be over 100%, and we're going to cut into their revenue. By the way, we're going to promote higher-carbon oil and gas—dictator oil—so by shutting this off we're going to be reducing the amount of revenue that our country is spending, and then you're calling for a massive amount of expenditure.

There isn't an endless amount of money. At the end of the day, all the money comes from the same place, and that's the people of Canada. I just fail to see how your idea of spending these billions of dollars while knee-capping our revenue is at all sustainable.

• (1645)

Mr. Seth Klein: Well, you mentioned off the top that you hadn't read my book. I invite you to, because I think that, like me, you would find some inspiration there. The task of what we did there in terms of both expenditures and the retooling of the economy and retraining of a workforce... What we are up against now actually pales in comparison. What we did then actually presaged a couple of decades of the strongest economic performance in Canadian history. I would also say that what I'm talking about now actually pales in comparison to what we did not that long ago in that first year of the pandemic.

You're asking how we're going to pay for this. I think we would pay for this through some combination of tax increases on windfall profits and wealth, but also a role for the Bank of Canada.... In that first year of the pandemic, the Bank of Canada was buying up federal government securities to finance the emergency response to the tune of about \$5 billion a week—

Mr. Philip Lawrence: I apologize, but my time is short. I do not mean to be rude, but I have to jump into that. We've seen what the printing of money has done. We've put in place the largest tax increase Canadians have ever seen. That's called the "inflation tax". We are now seeing food going up at 10%. Printing more money is simply not the answer, but my time is running short.

Could you say whether or not you're in favour of the Bay du Nord project?

Mr. Seth Klein: I'm categorically against it, and we're going to have to disagree on monetary policy, because I don't think that's the main source of inflation.

Mr. Philip Lawrence: Okay. Well, that would be against every single monetary crisis that has ever occurred. Every time inflation has occurred since the Weimar Republic, it has been the responsibility of two things: printing money and poor government management. We've seen both here.

On your idea of just spending money, money comes from somewhere. It comes from the production of goods and services. We can't just simply create that. How we create wealth in this country is not just by printing money—my goodness. It is by creating more goods and services and by letting the power of the free market reign. Your idea that we can just continue to go to the taxpayer and take billions and billions of dollars is not sustainable. In my opinion, it's not the way to fight the very real challenge of climate change.

Mr. Seth Klein: Let me offer an observation.

First of all, we share a concern about rising food costs, and if climate change continues, that is going to continue to drive increased food costs. Most economists don't believe that this is a demand-side origin inflation, but rather, it's a supply-side origin inflation. One of the drivers is increased energy costs and record oil and gas profits, so why not tax that and put it to work?

The Chair: That's your time.

Thank you, MP Lawrence and Mr. Klein.

Now we're moving to the Liberals and MP Dzerowicz for six minutes.

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

I want to say that it's great to be back and it's nice to see everyone.

Mr. Klein, I want to say a huge thank you to you for being here today. I really appreciate your creative ideas. I think we're going to need all of them in order for us to be able to achieve our Paris accord target to get to net zero by 2050.

I feel an extraordinary urgency to act on climate change. I can tell you that in my riding of Davenport the clear message that comes from people is that they're absolutely worried about inflation and they're worried about the geopolitical crisis around the world, but their very clear direction to me is, "Do not slow down on tackling emissions, on reducing emissions and on moving quickly and urgently towards achieving our Paris accord targets, as well as moving toward net zero."

In the context of that, I again want to say thanks to you and thanks for your book. I have not had a chance to read it, but I have read some articles on it. Here's my first question for you: Is there a country that maybe serves as a model for the type of climate transfer agency that you're looking to create?

Mr. Seth Klein: First of all, thank you for your comments and your words. I share your urgency.

I don't see another whole country hitting the six markers of emergency that I describe, although at the municipal level, there are places that are.

There are certainly countries, even within the G7, that are doing substantially better than we are. I would note that the two G7 countries that have made the most progress on reducing emissions are the U.K. and Germany. Much of that has been under conservative governments that haven't made climate into the wedge issue that it's too often made here.

In the case of the U.K., which is the best performer when it comes to lowering emissions, a big piece of that relevant to the work of your committee is the introduction of carbon budgets—going back some years now—where they have rolling five-year carbon budgets that decline over time. There is also an independent oversight committee, which ensures that the whole mechanics of government is meeting that goal.

Think about the work that your committee does now on the fiscal front. Your committee tours the country and solicits input. You meet with provincial governments. We have a Treasury Board that makes sure governments stay within their budgets. We have a Parliamentary Budget Officer who tries to inform all of this with the best evidence-based projections. That's what we need for climate, too, in order to vigorously drive down those emissions.

• (1650)

Ms. Julie Dzerowicz: Part of your proposal for the just transition transfer is that the money would be fed down to the province. There would be an agency that is created, and it would work with the province to make sure that the dollars are spent the way they're supposed to be spent.

There is provincial leadership across this country that doesn't fully believe in the urgency of climate action. How do we set up a joint body that would produce results?

I'll provide a bit of an idea as well. In the United States, President Biden, in delivering infrastructure dollars, has very much tied it to sustainability and to reducing emissions. I wonder whether your proposal might incorporate something similar.

Mr. Seth Klein: That's a really good question too.

When we think about those provincial or territorial just transition agencies, it is up to the federal government to figure out how to structure it in the end, but one piece of it could be that the provincial governments are asked to match and ante in. Where they aren't prepared to do that, you would proceed working with indigenous communities and municipalities, in some ways as you already do with some transit projects.

You could also approach this the same way as the federal government did with the child care deals. You could move forward with the transfer one province at a time with those that are ready to move forward with you and, eventually, everyone comes along.

I don't want to underplay that it is hard to find agreement, but—forgive me—because of the nature of my research, I often sound like everyone's weird uncle and go back to the war. In the war, Prime Minister Mackenzie King also dealt with a lot of premiers who often disagreed with him, and many strongly disliked him, yet something remarkable happened in the nature of co-operation across the board and across the political spectrum. That is because that's what ultimately happens when people come to terms with the reality of an emergency.

Ms. Julie Dzerowicz: We are already increasing training and re-training to the tune of billions to the provinces. Do you not think that is being adequately targeted?

In the last election, we promised \$2 billion in a futures fund for Alberta, Saskatchewan and Newfoundland to support local and regional economic diversification. Do you think such a transfer could also be used to help retrain workers?

Mr. Seth Klein: I definitely think training and apprenticeships should be a part of it, although the bulk of it should be investments in infrastructure itself. More than training and apprenticeship support, what workers want to see are the actual jobs.

In reference to the two points you made.... First of all, the futures fund promise of \$3 billion for Alberta, Saskatchewan and Newfoundland is certainly welcome, but I would say it's not nearly enough, as I've laid out. Also, while it's true that Alberta, Saskatchewan and Newfoundland and Labrador need the most support, including for the reasons that the first MP raised, everyone faces transition challenges. We need money for this to go to every province, but in the formula that I'm proposing, a disproportionate share of the money would go to those provinces that face the highest transition challenges.

On the existing training, we should disagree, because—

• (1655)

The Chair: Thank you, Mr. Klein.

Now we are moving to the Bloc.

[*Translation*]

Mr. Ste-Marie, go ahead.

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

I want to begin by greeting all my colleagues.

It is a pleasure to see you, including Ms. May. Since this is our first committee meeting of the fall, I want to greet and thank all the employees who help our meetings run so smoothly. I am thinking in particular of our beloved interpreters, but also of Mr. Clerk, of course, the analyst team and everyone else. It is truly a pleasure to see you again, and I want to thank you for all that you do.

I'm sorry, Mr. Klein, but I will start with a point of order. I have briefly consulted my colleagues, and I believe we could agree that

next Monday's meeting would be a subcommittee meeting to discuss the planning of work for the upcoming meetings.

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

[*English*]

I am looking around. I do see some hands that have gone up. I see a thumbs-up, but I also saw a hand go up.

MP Blaikie, go ahead.

Mr. Daniel Blaikie (Elmwood—Transcona, NDP): Thank you, Mr. Chair.

I'm very happy to do that. I think it makes sense to try to initiate a formal conversation about committee business as soon as possible. I'm also wondering about the Wednesday, because if we are going to have a study day, I'm sure the clerk might appreciate having some idea. I know the inflation study is a standing study here. There's been some recent discussion in the media around grocery prices, and I think some good articles, so I might throw into the proposition, if it doesn't delay us too much, the idea that we could take up a study of food prices on the Wednesday as part of the standing inflation study.

The Chair: Thank you, Mr. Blaikie.

Mr. Klein, it might feel to you like this is the first day of school here for all of us. We're seeing each other again, and we want to thank the clerk and the analysts and the interpreters and everybody here who does just a tremendous job.

There are Monsieur Ste-Marie and Mr. Blaikie, and I see Mr. Albas's hand up now on the screen. I will bring in Mr. Albas. He has put forward a proposal.

What I want to say is that because we've worked so well as a committee, that does help, I'm sure, with the work the clerk and others need to do when it comes to getting witnesses. It's not easy, especially when it comes down to the last minute, so thank you, gentlemen, for that.

We're now going to hear from MP Albas, from the west coast.

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

Hello, colleagues.

I'll be very brief in this. I just want to congratulate MP Blaikie for trying to swing the direction of next Wednesday to his cause. I would just remind everyone that we do have private members' business, and those members will probably be available for Wednesday, as probably will the bureaucrats who, I'm sure, will want to give their view on those bills.

However, I do want to support the suggestion of my colleague from Quebec regarding a business meeting. I don't want to leave it to you alone, Mr. Chair, to have to make these lonely decisions.

Some hon. members: Oh, oh!

The Chair: Thank you, MP Albas. I never feel lonely. It's great. As I said, we are a team and we want to set our path, and that's what we will be doing, but it's good to hear all the suggestions.

I see another hand up.

MP Beech, go ahead.

Mr. Terry Beech: I will also be quick. A subcommittee sounds great. I think we had discussions last session about inflation, and I think specifically all of us talked at one point about groceries. I'm sure we'll talk about private members' business in the associated subcommittee meeting, but based on what you just said about getting witnesses in, I'm very happy to support getting groceries on the table and talking a little bit more about inflation.

The Chair: Thank you, MP Beech.

I'm looking to see if we have consensus among members on this in terms of the Monday and Wednesday. I just want to see where everybody's at. I think we do have some planning to do. Of course, we have pre-budget consultations and many other things coming before us. As well, we still have a date left for that inflation study, and I know there is also the discussion on groceries. A lot of discussion has been around inflation.

Now we're going to move back to Mr. Klein.

• (1700)

Mr. Dan Albas: Mr. Chair.

The Chair: I'm sorry, Mr. Albas. Go ahead.

Mr. Dan Albas: I just want to comment that there is one witness on the inflation study we have not heard from yet, so you might wish to inquire regarding the Honourable Chrystia Freeland. She was asked to attend for three hours on Wednesday. I'm ready to meet next week. It would be great if you were to check with her as well.

The Chair: Thank you for that, MP Albas. I'll pass that on through the PS, who is MP Beech.

Mr. Klein, you're back on.

I did stop the time, MP Ste-Marie. You have six minutes.

[*Translation*]

Mr. Gabriel Ste-Marie: I am very happy to hear that the Minister of Finance will come answer our questions on inflation, next Wednesday, if she is available, of course.

Mr. Klein, I am really sorry we have gotten away from the topic you are here to discuss today. I am very happy you managed to find the time to come talk to us about this very important issue.

I would like to better understand your proposal, which is very interesting. Of course, the issue of climate change is inescapable, and we must do much more to change things. If I understand correctly, the new transfer to the provinces you are proposing would not be on a per capita basis, but rather on the basis of needs and efforts. Is that right?

[*English*]

Mr. Seth Klein: That's correct.

[*Translation*]

Mr. Gabriel Ste-Marie: Okay.

I am listening to you.

[*English*]

Mr. Seth Klein: Just to elaborate, I want to acknowledge that in such a scenario as I've proposed, where the funding is linked to greenhouse gas emissions, your province and my province would get less than our share of the population. That's the nature of this. It's in recognition of where the greatest challenge is faced, because of the GHG profiles in this place.

There's another element as well, which is part of why your province and my province, and to a lesser extent MP Daniel Blaikie's province, tend to have lower greenhouse gas emissions per capita. It has to do with the dumb luck of our geography. We have mountains and rivers, and that's been a big help to us. The formula in some ways recognizes that too.

[*Translation*]

Mr. Gabriel Ste-Marie: Thank you very much. It makes perfect sense.

Let's take the western provinces, for example, which are currently dependent on hydrocarbon development. In order to meet climate targets, you suggest that this production should cease and be replaced by another economic activity. If I understood you correctly, it would be up to the people and the provincial government to choose the projects. Can you explain to us what the economic diversification of those provinces could be? What could replace that economic activity, with the support of the transfer payment that you are proposing?

[*English*]

Mr. Seth Klein: First of all, just to clarify, I'm not saying that the oil and gas activity would cease. I'm saying that it would phase out over a couple of decades.

I also want to clarify that I'm not saying that the work of the transfer agencies would be governed by the provincial government in each of those places. I'm saying that it would be governed by a joint governance body, one that includes the federal government, the provincial government, municipal governments, indigenous governments and so on, but mostly that those local governance groups could determine an investment package that speaks to the reality of the GHG profiles in that province and the labour market realities in that province.

In Alberta and Saskatchewan, it's obviously going to focus in particular around transition from oil and gas. In Ontario, it may be investments in retooling auto lines to get them fully electrified. In other places, it may be about driving the transformation of the agricultural sector. It depends what the realities are. You would want to have a body that is making investments aligned with the fastest, most ambitious path to drive down emissions in that province.

• (1705)

[*Translation*]

Mr. Gabriel Ste-Marie: Thank you. That's interesting.

What are your thoughts on small modular nuclear reactors, which some groups say could reduce greenhouse gases and carbon capture by sinks? Is this the kind of project that could be supported with the new transfer payment you are proposing?

[*English*]

Mr. Seth Klein: It's a very good and important question.

To become your strange uncle again, I'll say that in the war, Mackenzie King famously had this line in the conscription referendum: "Not necessarily conscription, but conscription if necessary." That's kind of how I feel about nuclear: Nuclear if necessary, but not necessarily nuclear.

I will make the observation that we've seen a fixation, I think, on tech solutions like small nuclear, carbon capture and storage, and hydrogen. There's a small role to be played by hydrogen and carbon capture and storage in sectors that cannot be easily electrified. There is this odd tendency too often on display these days to fixate on these unproven technologies, when the non-sexy, yet cheaper and effective solutions are already there, sitting on the shelf and waiting for us to invest in them big time. I'm talking about solar, wind and geothermal. We know how to do these things.

The next few years are all about speed and scale, and these alternatives lend themselves to that.

[*Translation*]

Mr. Gabriel Ste-Marie: Mr. Klein, I must unfortunately interrupt you. My time is up. Thank you very much for your answers.

Mr. Chair, you can give my next turn to my colleague and friend Elizabeth May, who will also have questions for Mr. Klein.

Thank you.

The Chair: Okay.

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.

As some colleagues have mentioned already, it's nice to see everybody.

I say a big thank you to the staff who have reassembled here.

Thank you to Mr. Klein for appearing today and getting grilled by the committee for an hour, which, I'm sure, is a peculiar kind of pleasure.

I want to come back to some of the discussion that Mr. Lawrence started around the economy. He said that wealth is generated by real production and the production of real things in the economy, which I would agree with. He might find some disagreement, particularly by proponents of Bitcoin and other cryptocurrency, who are big on value that is not rooted in the real economy or real production, but purely speculative. He may want to check in if he

knows anyone who's big on that and how they feel about his statement.

Of course, the other thing that is critical to the economy is demand. You've talked already about some of the progress the other G7 countries have made in reducing their emissions. They're projecting further emissions reductions, which means a reduction in demand over time from the folks we hear some in the House say we should be selling our oil and gas to, particularly in this time.

Do you want to speak a bit about what it means for Canada in this moment to be structuring its economy to meet what may be transitory demand and ultimately going to where our allies are moving away from? What kinds of real production and value can Canada use to produce wealth for all of us by going where the puck is heading in terms of the global energy economy?

Mr. Seth Klein: That's a great metaphor, and it's exactly right. I think we have to offer real hope, not false hope.

People, understandably, are feeling anxious if their current livelihoods are tied to these industries. It is a source of frustration to me—and related to my presentation—that the federal government has yet to make that compelling counter-offer to those folks, but we must. Global demand for oil and gas has to steeply drop off in the next years. It must. If it doesn't, our grandkids and children are fried, so we should dearly hope that it will.

However, if it is, we have to offer some hope to those people who are currently employed there that they're not going to be left behind. If we simply let the market determine that demand without preparation, we are consigning them, as I said earlier, to a great deal of upheaval and disruption.

• (1710)

Mr. Daniel Blaikie: What's happening in the United States right now is that there is a certain amount of demand that is changing as individuals in the market make their own choices, but we are seeing a very intentional, structured change in the market down south under the Biden administration.

What does it mean for Canada to not be making similar kinds of investments? What does it mean to allow the U.S., for the foreseeable future, to begin restructuring its own economy and its own supply chains toward a lower-emission economy, and not to have Canada show up at the table or mobilize businesses and workers in order to participate in that restructuring? What does that mean for the future of Canada's economy?

Mr. Seth Klein: Well, it would mean trouble. I do think they are now on the cusp of moving quite a lot faster than we are.

In fairness, I don't want to say that the federal government is doing nothing, but I would highlight a difference in approach in what we're seeing from the Biden administration and what we've seen in our own.

The flagship policy that we currently have remains the carbon price. I'm in favour of carbon pricing, to be clear, but it's not the end-all and be-all, and the approach that Canada has taken to tackling this crisis is to try to incentivize our way to victory. We send price signals, we offer rebates and we encourage and cajole. What we don't do is require, and what we aren't doing is spending what it takes to win at the scale required, and we're not creating brash new institutions like this transfer or new Crown enterprises that would mass-produce electric heat pumps or electric buses or what have you.

In contrast, you're seeing the Biden administration start to spend what it takes to win by an order of magnitude more than we are and directly investing in wind, electric and so on.

Mr. Daniel Blaikie: Before my time is elapsed, one thing that has come up recently is that the federal government has not yet acted on the metrics, let's say, that were required in their signature climate legislation to date, their sustainability act. I'm wondering how a new federal transfer might be able to motivate better metrics, better reporting and better accountability at all levels of government in order to ensure that Canada meets the moment in respect to the climate crisis.

Mr. Seth Klein: What I'm proposing with the transfer is only one piece of what has to be part of a package. It's not the end-all and be-all. I actually think the carbon budgeting idea that I offered in answer to a previous question is another important means of achieving that accountability.

The transfer is simply about making sure that we spend what it takes to win and that the money gets where it needs to go. So much of the federal government spending on climate infrastructure right now is tied up in the Canada Infrastructure Bank, which just adds years and complication to the process—instead of, for example, the kind of fleet-of-foot spending that we saw all parties unite behind in the first year of the pandemic.

The federal government is spending on climate, but they're not spending what it takes to win. It's sometimes hard to get at these numbers. My former colleagues at the Canadian Centre for Policy Alternatives have done a good job with this, and if you generously tally up all of the funding that we've had to date and annualize it, it comes in generously at about \$12 billion a year. Now, that sounds like a lot of money, but it's about 0.4% of GDP. Sir Nicholas Stern has proposed that governments spend about 2% of GDP on the climate emergency, which in Canada's case would be about \$56 billion. We're not spending a little less than we should; we're spending less by about a fourfold to fivefold magnitude.

The Chair: Thank you, Mr. Klein.

Thank you, MP Blaikie.

Members, I'm looking at the time. We are moving into our second round of questions. We don't have enough time for a full round, so we'll do as we've done in the past. We'll break it up by party and

evenly, so that there will be about three and a half minutes or so for each party. We'll start with the Conservatives.

I have MP Albas for approximately three and a half minutes.

• (1715)

Mr. Dan Albas: Thank you.

Thank you, Mr. Klein, for coming in today.

Fiscal federalism is usually defined by understanding which functions and instruments are best centralized and which are best placed in the sphere of decentralized levels of government. I take from your book and from your presence and discussion here today that you are more on the centralizing side when it comes to transfers and to climate. Is that correct?

Mr. Seth Klein: No, not necessarily. I actually think that a lot of the key tools for what we need to do are in provincial hands and, to a lesser extent, municipal hands. That's the point of the transfer. For most of the climate infrastructure we need, those assets will actually be in provincial or municipal hands, but it's the federal government that has the greatest capacity to pay. I'm trying to figure out how to crack that nut with a transfer idea like this.

Mr. Dan Albas: Do you believe the federal government is cooperating, consulting, and working hand in glove towards a Canadian response to climate change?

Mr. Seth Klein: I see signs of that, yes, but not at the level required. This is my point about the incentivizing approach that was taken. We're doing things without wanting to spend what it takes to win, and a lot of those provincial, municipal and indigenous governments need to see the money in order to do what we need them to do.

Mr. Dan Albas: Let's switch gears. We're both from British Columbia, and it's always great to hear from someone from British Columbia. The European Commission has said that natural gas is a transitional fuel. In the United States, according to the Energy Information Administration, they've been able to pull about 100 gigawatts of energy away from coal by displacing it with natural gas.

Are you a supporter of natural gas?

Mr. Seth Klein: I'm not.

First of all, let me acknowledge that you are from a riding that knows the climate emergency. I've heard you speak well on the fact that we need this federal money for climate adaptation infrastructure, and your riding needs it as much as anyone's.

There was a time, maybe 20 or 30 years ago, when one could have made a reasonable case for natural gas as a bridge fuel. But the bridge was to now. We ran out the clock. That is why organizations like the International Energy Agency and the Secretary-General of the United Nations keep saying there is no longer any room for any new fossil fuel infrastructure, and they include gas in that.

Mr. Dan Albas: Okay. Well, I do believe that if we look at what's happening in Germany right now.... If a country as advanced as Germany is not able to transition towards those other things to allow their population to keep themselves warm and to fuel their industry, I think it's going to be very difficult not to utilize things like natural gas.

But we can agree to disagree. Thank you for your presence here today.

I'm just going to ask that the rest of my time go to my colleague Scot Davidson so he can ask some Ontario-based questions.

The Chair: You have 30 seconds.

Mr. Scot Davidson (York—Simcoe, CPC): Okay. I guess I'll just make a comment.

Thank you, Seth.

I represent the soup and salad bowl of Canada, which is the Holland Marsh. I can tell you that right now—this is how behind Canada is—half of my farmers are still burning propane. We can't even get the infrastructure in for the bridge fuel, natural gas. We can't even get people passports or get our airports organized. To talk about training thousands of workers and more government agencies and this, that and the other thing.... We are behind the curve right now.

I have more comments, but.... Thanks, Chair.

The Chair: Thank you.

Mr. Seth Klein: I would just say—

The Chair: Mr. Klein, we're moving to the Liberals.

I have MP Baker for three and a half minutes.

Go ahead, please.

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

Mr. Klein, thank you very much for being with us here today. I found this discussion very interesting.

One of the things you spoke about in your exchange with one of my colleagues early on in this hearing was the price on pollution. You have said multiple times today that you support that concept. I'm thinking, not just for the members in this room but also for my constituents and others who might be watching this at home, why is the price on pollution an important mechanism that works, in your view?

Mr. Seth Klein: Well, I think there's a basic principle at stake, which is that we shouldn't be able to use our shared atmosphere as a free garbage dump and that pollution should be paid for. I think it does send a signal, both at the household level and at the industry

level, about how people might want to shift, and, importantly, I think it's a source of revenue for what we actually need to do.

However, I don't put as much stock in it as some people do, because I am trying to approach this crisis with a new framework pulled from that wartime story. Imagine if we had mobilized in the face of fascism by trying to encourage, by sending price signals, by offering people rebates. It would have been a different outcome, and people looking back at it would shake their heads. It's not how you prosecute a fight like this.

● (1720)

Mr. Yvan Baker: I hear you. I'm going back to the price on pollution because I really think it's important that we leverage your expertise on this particular topic. I'm not dismissing what you've been saying about the other element of it. I just want to make sure we benefit from your knowledge and thoughts specifically on the price on pollution, so that's why I'm coming back to this again.

Again, for those of my constituents in Etobicoke Centre who are watching or Canadians who are watching, what does the price on pollution do, and why does it help fight the climate crisis?

Mr. Seth Klein: Well, it is a tool that's helpful because, as the price of natural gas in our homes or the price of fuel increases, it may signal, particularly when both industry and consumers are facing a capital change of their vehicle or their furnace or whatever, that this pricing factors into it. But, again, I don't think we should overstate it.

The main thing I want to say to all of you across parties is that the climate emergency demands that we move forward. We cannot keep re-prosecuting old fights. We urgently need to move forward with every tool in the tool box. I'm proposing tools that are different from carbon pricing, because those incentivizing approaches aren't going to do what we need to do.

Mr. Yvan Baker: Okay. I hear you.

I believe I have about 30 seconds left.

I have a constituent named Mr. Green, who on many occasions has spoken to me about geothermal energy. I know that we don't have a lot of time, and I know that you don't want to focus on technological solutions, but for the sake of my constituent and advocate to fight the climate crisis, Mr. Green, what would you say about the role that geothermal can play in our fight against the climate crisis?

The Chair: Please make it a very short answer.

Mr. Seth Klein: It absolutely plays an important role. There you go—nice and short.

The Chair: That's great. Thank you.

Thank you, MP Baker.

We are moving over to the Bloc, but MP Ste-Marie has offered up his time to MP May.

MP May, you have three-plus minutes.

Ms. Elizabeth May (Saanich—Gulf Islands, GP): Thank you, Mr. Chair, and thank you, Gabriel.

Hello, Seth. I have read your book multiple times. I think we have an interesting moment here, because many of my colleagues, and they are all friends at this table, think that the climate crisis can be resolved through measures that are incremental and inadequate. We have recent science, even as recent as last week, that the tipping points are closer and more dangerous.

I wanted to ask you to reflect on a wonderful quote in your book from C.D. Howe. When asked, “This is costing too much. How much can we afford to spend on this war?”, he said, “If we don’t win the war, nothing else matters.”

You referred moments ago to the hellscape our children would experience. Can you perhaps try to inject into this discussion, at this committee table, the risks of not acting with appropriate urgency and appropriate resources?

Mr. Seth Klein: Well, it’s one of my favourite quotes, too, from C.D. Howe—he was, of course, an icon in the Liberal Party government during the Second World War—that if we lose the war, nothing will matter. That is certainly true of the climate crisis. If we do not do what we have to do, the conversations about what seems reasonable and how much we can actually do.... You know, our grandkids are going to shake their heads and wonder what we were thinking.

The point I was also making, or trying to make, in response to Mr. Albas is that if we fail to do this, the cost of the devastation that’s coming will far surpass the cost that we’re talking about now. The Fraser Valley in the wake of the atmospheric rivers last November knows that full well. I guess what I’m inviting all of you to consider out of that story in the book is the kind of cross-partisan unity that occurred. I would say this even to the Conservatives on this panel. The Conservatives were also in opposition during the war. They critiqued, rightly, the government, but mostly they critiqued the government for failing to prosecute the fight enough. I think that’s what we’re going to need today.

• (1725)

Ms. Elizabeth May: On the question of just transition, former environment minister Catherine McKenna commissioned a panel chaired by Lois Corbett of New Brunswick and Hassan Yussuff, who now sits in the other place. They actually went into all of the communities where people are dependent on coal mining. I feel as though those communities must be so enraged, because they shared what they felt they would need as individual workers and as communities if and when coal was shut down.

In the 40 seconds that remain, can you tell me how duped those communities were when the Liberals have done nothing to provide a just transition after all the advice that was provided?

Mr. Seth Klein: In the case of Alberta, we saw some support for the coal transition—not enough—and of course far more went to the coal companies than to communities and workers. This is what I’m trying to get at. There’s stuff that’s happening, but we need that hopeful and compelling alternative, that counter-offer. That’s what I hope people will see in the proposal that I’m making to you.

Honourable members, this is the “make it or break it” decade for us and our kids. Again another civilizational threat is on our doorstep. You have all been elected at a historic time. A couple of decades from now, when you find yourselves in conversation with your kids and grandkids and nieces and nephews about your time in office, they’re going to be curious. You’ll all no doubt have things to point to, accomplishments that you feel some pride in. Then they will realize that you were elected into leadership in the first half of this decade. They’re going to want to know what we did on this file.

The Chair: Thank you.

Mr. Seth Klein: I guess what I’m saying is that your role in bringing this about, with a transition transfer like this, is something that you could point to.

The Chair: Thank you, MP May and Mr. Klein.

We will now go to our last questioner for this panel.

We thank you, Mr. Klein, for taking so many questions.

MP Blaikie from the NDP, it’s over to you.

Mr. Daniel Blaikie: Thank you very much.

You touched on this a bit in your exchange with Ms. May, but I thought it might be helpful for you to come back to the cost of inaction, specifically the financial cost. We often talk as if investing in climate solutions is compared to a status quo that doesn’t involve extraordinary costs.

Can you paint a brief picture of what it means to not meet this moment and not spend what we need to spend in order to win? What are the costs that are coming down the line for us? We’ve seen some already, whether they’re measured in the amount of money that had to be spent, in the case of wildfires, or in lost economic opportunity, when the Port of Vancouver was shut down for an extended period of time, for instance.

Could you put a bit more context around that for the committee?

Mr. Seth Klein: I don’t have all the costs at my fingertips, but they’re huge. To give you just one example, the atmospheric river event that happened last November here in this province had a total public and private cost in the billions. That’s one event. There are the costs....

There are mountains of evidence and research out there to get at your question. I want to close by emphasizing the human cost. The other thing that happened in my province a year ago, in June, was that 600 people died in the space of a week in the heat dome. That was the most deadly weather event in Canadian history. Not to get obscene about this, but they cooked in their homes. A few weeks ago, we saw flooding in Pakistan, where a population virtually the same size as the whole of Canada’s was displaced from their homes.

This is only going to get worse. We are on a path where, if we do not get serious about this, it will be catastrophic and deadly for hundreds of thousands. It is deeply disruptive for everybody. As the Secretary-General warned everyone two days ago, it is quite possibly unmanageable.

If we lose this war, nothing else matters.

Mr. Daniel Blaikie: Thank you very much.

The Chair: Thank you, MP Blaikie.

On behalf of the committee, we want to thank you, Mr. Klein, for answering so many questions. We really appreciate it. Your testimony will help inform this report on fiscal federalism. Thank you.

With that, members, we are going to suspend for a minute or two to bring on our second panel.

• (1730)

(Pause)

• (1730)

The Chair: I call the meeting back to order. Welcome back, everybody. We are here with our second panel on this discussion on the current state of fiscal federalism in Canada.

Before us, we have the Canadian Health Coalition. We have the national director of policy and advocacy, Stephen Staples, and Keith Newman, an economist. From the Canadian Union of Public Employees, we have Angella MacEwen, senior economist, national services. From the Canadian Taxpayers Federation, we have Mr. Jay Goldberg, who's the director here in Ontario.

We'll start with the Canadian Health Coalition for opening remarks, please.

Mr. Steven Staples (National Director of Policy and Advocacy, Canadian Health Coalition): Thank you, Chairperson and members of the House of Commons Standing Committee on Finance. My name is Steven Staples. I am the national director of policy and advocacy for the Canadian Health Coalition, and I am soon to be joined by my colleague, board member and economist Keith Newman.

The Canadian Health Coalition was founded in 1979 to defend and expand public Medicare in Canada. We are composed of front-line health care workers, unions, community groups and experts.

I am delighted to speak to you on the topic of the current state of fiscal federalism in Canada. The aspect we would like to address today is public health care spending. Today we would like to make three recommendations to the government through this committee: first, that the federal government must oppose increased reliance upon for-profit delivery of health care services; second, that the federal government should increase its funding to provinces and territories while ensuring accountability and outcomes for health care dollars; and third, that the federal government should deliver on its long-promised health care programs, especially a national universal pharmacare program.

Let's take these step by step. The Canadian Health Coalition is very concerned by statements made and actions taken by some premiers to the effect that they intend to devote more public dollars to private, for-profit health care providers. While these measures are

occurring within their respective jurisdictions, the federal government is not a bystander. The government must state its opposition to this for-profit direction clearly and strongly, and take action by using the tools at its disposal to defend public Medicare. This starts with increasing enforcement of the Canada Health Act's principles and conditions, which govern funding to the provinces through the Canada health transfer, or CHT.

The impasse between the federal government and the provinces and territories over funding formulas is preventing urgently needed action to address the crisis faced by patients, families and health care workers.

We support the call for more funding for health care by all levels of government. The federal government should increase its funding to provinces and territories. At the same time, federal dollars should not come without strings, and we expect accountability from the provinces and territories for health care dollars. Premiers should not use federal health care dollars for non-health care spending, such as tax cuts or rebates, and certainly they should not decrease their health care spending after receiving more federal dollars.

Along with increasing funding through the CHT, the federal government must work with provinces to ensure improved outcomes for people in Canada, and this can be accomplished by establishing new, long-promised universal programs such as pharmacare. Pharmacare, in particular, will create savings through reduced drug costs, which now account for as much health care spending as doctors do. Furthermore, public universal pharmacare will reduce the strain on our system. Full prescriptions mean empty emergency rooms.

Finally, we would like to suggest that the path through this crisis can be found in the commitments made by the government in its accord with the NDP. The confidence and supply agreement—or the CASA, as we call it—has four important health care commitments: public dental care, universal pharmacare, health care investments, and safe long-term care. Most, if not all, of these will require cooperation between the federal and provincial governments.

If it were negotiated alongside a commitment for increased CHT funding, which the provinces have been requesting, we can see the potential for a “grand bargain” on health care. The federal government would provide more health care funding. In exchange, provinces and territories would co-operate on new programs such as pharmacare. Parts of this bargain must include a focus on building our public health care system and not increasing the corrosive effects of for-profit delivery.

Thank you for inviting the Canadian Health Coalition to present today. We look forward to your questions.

• (1735)

The Chair: Thank you, Mr. Staples, for your opening remarks.

We'll now hear from the Canadian Union of Public Employees and Ms. MacEwen for five minutes.

Ms. Angella MacEwen (Senior Economist, National Services, Canadian Union of Public Employees): Thank you very much.

The Canadian Union of Public Employees is Canada's largest union. It has over 700,000 members. CUPE members take great pride in delivering quality services in communities across Canada as they work in a broad cross-section of the economy, including health care, education, municipalities, libraries, universities, colleges, social services, public utilities, emergency services, transportation and airlines.

For all of our members, the pandemic has brought forward many underfunded, inadequate and altogether missing systems to the forefront. Now these workers need action. From our broken long-term care system, which still allows for-profit operators and poor working conditions, to the inadequate employment insurance system, we need substantial change to better serve workers in the services that we all rely on.

New programs such as the child care agreement, a national pharmacare program or a just transition require significant federal leadership and funding in order to be successful.

I recognize that borrowing in the current environment would be considered inflationary by the Bank of Canada and so lead to a further hiking of interest rates. However, the federal government has cut taxes for corporations and the wealthy over the past 20 years, which means that we have significant room to increase these taxes.

The tax rate for large profitable corporations was cut from 27% in the year 2000 down to 15% in 2007. The capital gains inclusion rate was cut from 75% to 50%. Just for the information of the members and those watching, capital gains is income from selling an investment asset, like real estate, other than your primary residence, or stocks. It's treated differently than employment income is. This is one way in which our tax system privileges wealth over income. The inclusion rate is used to calculate what portion of the profit is considered income for tax purposes. Research shows us that 90% of the benefit from this goes to the top 10% of income earners.

Stephen Harper also made steep cuts to the federal government's fiscal capacity, cutting the GST by two percentage points before the 2008 recession. Together, these cuts under Jean Chrétien, Paul Martin and Stephen Harper resulted in the federal government's revenue falling from 18% of GDP in the year 2000 to 14% in 2010. Under

the current government, this percentage has risen slightly, to 15%. Just for reference, 1% of GDP is around \$24 billion. That is, in current dollars, a significant amount of money.

This left a huge hole in the federal budget and has had a ripple effect across provincial budgets. When Stephen Harper cut the GST, he suggested that provinces could easily recover the lost revenue by raising provincial sales taxes, but provincial governments have faced backlash at the ballot box when they attempted to do so, and they've only managed to maintain the status quo on revenue as a share of GDP. It's much easier for the federal government to raise revenue than it is for provincial governments, which face real competition in terms of tax prices with their neighbours.

The result is that provincial governments have picked up a larger and larger share of total government spending in Canada, with no additional revenue sources to fund the critical services they provide. Restoring federal revenues to 2000 levels would mean at least an extra \$50 billion a year to fund expanded public services. We recognize that with this additional funding it's essential that there be strong conditions to ensure that it is additional financing and not merely replacing what provinces are already spending.

This is especially true in health care, which is under threat of further privatization. We need strong national standards on how provinces and territories are allowed to spend these funds. CUPE wants to ensure that provinces and territories are prevented from using Canada health transfer funds on privatized health services, including for-profit medical facilities and for-profit care delivered through virtual health care systems.

Finally, municipalities own or control about 60% of Canada's core infrastructure. They should have the funding and authority to manage it and maintain it publicly. The federal government could play an important role in this by scrapping the current privatization mandate of the Canada Infrastructure Bank. The bank would better fill its purpose for the public if it prioritized direct financing to help local governments build public infrastructure.

Thank you very much.

• (1740)

The Chair: Thank you, Ms. MacEwen.

Now we're going to hear from the Canadian Taxpayers Federation. We have Mr. Goldberg for five minutes, please.

Mr. Jay Goldberg (Director, Ontario, Canadian Taxpayers Federation): Good evening.

The pandemic has renewed calls for major changes to Canadian fiscal federalism on pretty well all sides. The motion currently under consideration definitely calls for a reform of current challenges.

I do think it's important to look back historically and recognize that Canadian fiscal federalism is incredibly far from where the system was designed to be almost 150 years ago. The trend in recent years has been for the federal government to increase transfers to the provinces to face growing health care system issues. The problem here is that doing that obscures accountability and allows the level of government with the greatest revenue, in this case in Ottawa, to exert control over choices provincial policy-makers can make.

In a paper that I wrote when I was in the Ph.D. program at the University of Toronto, we spoke of the dangers of what we called "entanglement". This is the idea that while one level of government has the taxation power to fund programs, there is a constitutional responsibility to another level of government. By having different levels of government funding and operating social programs, Canadians are in many ways losing out on the ability to hold the appropriate level of government accountable for failures within the system when they do occur.

We've known about funding problems within the framework of Canadian fiscal federalism for decades. The Rowell-Sirois Commission, which made recommendations on the state of fiscal federalism in 1940, noted that there was a significant imbalance between the revenue-generating capacity and spending responsibilities of the federal government and those of the provincial governments. I think we can consider the fact that in 1937, when the commission was created, the federal government generated revenues amounting to double those of all the provincial governments combined. The Rowell-Sirois Commission made some sweeping recommendations for reform, and most of them were never actually adopted. What we've ended up with is a complex web of transfer payments from the federal government to the provinces. Canadian fiscal federalism in many ways is broken.

At the time of Canada's founding, the provinces were given responsibility over issues like health care and education. These were seen as more minor issues at the time. These costs have ballooned, and that has led to ballooning spending at the provincial levels, as many have mentioned, but ultimately the taxation power is still in Ottawa. To fund these programs effectively but to also allow for greater responsibility, the federal government should look at transferring taxation points to provincial governments so they can raise the revenue, spend it, and then be accountable to the voters with respect to how that money is being spent.

The status quo in equalization is also in need of reform. We have taxpayers from some provinces who have ended up sending money to other provinces with little in return. Again, the issue is account-

ability. Provinces that receive equalization funding don't have adequate incentive to strive for improvement. The program is unfair to many provinces, not just Alberta. We've noticed, for example, that Newfoundland and Labrador has been considered to be a "have" province but at the same time has received a \$5.2-billion backdoor bailout from the federal government. This is a program as well that has discouraged resource development in provinces other than those provinces that have used that revenue, which has then been transferred to other provinces as part of the equalization formula.

Ultimately, the Canadian Taxpayers Federation, which has been around for more than 30 years now, believes that accountability is one of the most important things you can have in government. If we are going to have government deliver important health care, education or other services, it ought to be the case that voters, when they go to the ballot box, are able to hold politicians accountable for whether or not they've delivered on their priorities, whether those are health care, long-term care, or other areas.

Obviously, the pandemic has certainly brought about a conversation about the appropriate extent of government involvement in health care, the delivery of health care and issues involving long-term care, and I think those are all conversations that can be had. However, the major danger we have gone through here in Canada over the past several decades is having one government sending money to another level of government without an adequate level of responsibility and without being held accountable at the ballot box. If voters cannot hold the appropriate level of government accountable for problems with our health care system, well, that's what's leading to so many of the broken things we see today.

• (1745)

I will just close by saying that we think it's absolutely essential that the government that is delivering services be at the same level as the government that is funding those and that it can be held accountable for the mistakes and the problems that are happening in those areas. That's not the case now, and it's something we need to rectify.

The Chair: Thank you.

Thank you to our second panel of witnesses for their opening remarks.

We are starting with our first round of questions. In this round, each party will have up to six minutes to ask questions. We are starting with the Conservatives.

I have MP Lawrence for six minutes.

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

Thank you to all of our witnesses for appearing today. It's greatly appreciated.

I will direct most of my questions to Mr. Goldberg. I'm very intrigued by his comments on entanglement, and I will get there, but I want to start by quoting from Jack Mintz's Financial Post article and asking a question about that. Mr. Mintz writes, "At one stage all resource revenues were included in the formula but when that meant Ontario would become a 'have not' province only half of resource revenues were counted."

My first question is, would he agree with Mr. Mintz's characterization? Second, does he believe that the changing of formulas with respect to equalization is helpful or not helpful to national unity?

• (1750)

Mr. Jay Goldberg: Equalization and the changes we've seen in recent years, as Dr. Mintz noted, have created tremendous problems. One of the things this does is punish provinces that are developing resources, such as Alberta. It also serves to discourage other provinces that have potential natural resource capacity. We've seen in Quebec, for example, that there's a lot of potential there. It's discouraging those provinces from trying to move forward in generating those natural resources. That's, in part, because of the way the funding agreement is structured. It not only damages provinces like Alberta, but discourages development in other parts of the country, which could then lead to more balanced revenue and to less of an impulse to have these equalization payments in the beginning.

Mr. Philip Lawrence: You skilfully and diplomatically corrected me. It is Dr. Mintz. I appreciate your kindness there, sir.

On that, another quote from Dr. Mintz is this: "The equalization program is a tax on economic growth, especially for the smaller 'have-not' provinces." It creates a moral hazard, in other words. Is that right? You already talked about that a bit in your previous answer, but could you expand upon that?

Mr. Jay Goldberg: Absolutely. The reality is that most of the resource development that we have in Canada is focused at the moment in Alberta and Saskatchewan, but we certainly have the capacity in other provinces. We've spoken about Newfoundland and Labrador and the potential that is there, although there have been funding issues. We've spoken about resources that are currently in Quebec. There are some in Ontario, as well.

The problem with this equalization formula is that it's punishing natural resource development, which is discouraging it. Again, that's not just a problem for Alberta or Saskatchewan in this case. It's punishing those provinces fiscally but, again, it is discouraging provinces all across the country from also pursuing resource development, which could allow for economic outcomes to start being more similar across the country as opposed to the disparity.

This is exactly why: It's discouraging resource development, and it's going to perpetuate equalization and the money that is being taken out of Alberta and Saskatchewan and sent elsewhere in the country.

Mr. Philip Lawrence: I was very intrigued by your "entanglement". I haven't read your Ph.D. thesis, but perhaps I'll get the opportunity to.

So that I and some of my constituents can fully understand it, your thesis, broadly put, is about the fact that—correct me if I'm wrong—a central, federal government that continues to creep into

provincial jurisdiction through the use of leveraging the funding of this will make the federal government or the provincial government less accountable, because now you have a disparity between the person operating it and the government funding it.

Have I caught that correctly? Please expand if you can.

Mr. Jay Goldberg: Yes. I'm very happy to expand on that. That's precisely the issue. What we've seen is that these are areas of jurisdiction, particularly health care, that in the Constitution were outlined as areas of responsibility for the provinces. The provinces, obviously, are doing a lot of the spending and the management of delivery, while the federal government is sending billions of dollars to provincial governments every year.

The issue that you see when that occurs is a lack of accountability. If the state of hospitals within a province is unacceptable, if we're unhappy with what's going on in long-term care or if we're unhappy with the delivery of health care, the provincial government can simply turn around and say, "We don't have enough funding from Ottawa", so ultimately it's Ottawa's fault and not the province's fault.

What you would do by transferring tax points is let the level of government that is constitutionally responsible for delivering these services deliver and fund them, and then you can hold the appropriate level of government accountable when they fail to do so. This simply allows for politicians at different levels to blame each other without achieving the proper results.

Mr. Philip Lawrence: I believe I have 30 seconds left, and I have one last question.

Knowing that sometimes governments jealously guard their tax points, as you stated there, and that this might be difficult to achieve, would it perhaps be beneficial to have, as the Province of Quebec has been asking for, fewer strings attached to transfers to the provinces?

• (1755)

Mr. Jay Goldberg: Certainly you could have fewer strings attached. The issue, again, would be the accountability issue. Perhaps it would be somewhat lessened if the federal government said they were going to give this money without conditions, and therefore it would be up to the provincial government to accept responsibility, but it's a similar issue in that you're sending money from one level to another level to then deliver services, whereas voters are not able to hold them accountable.

So perhaps that would allow for a bit less of an issue, but again, provincial politicians will still take the opportunity to blame the federal government for a lack of funding.

The Chair: Thank you, Mr. Goldberg, and thank you, MP Lawrence.

We'll now have questions from the Liberals.

MP MacDonald, you have six minutes.

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

I want to continue this conversation just a little bit with the Canadian Taxpayers Association. In one phrase, you talked about accountability and then you related it to health care. We're actually dealing with accountability issues in health care on transfer payments to the provinces.

I'm a little confused by your comments. You're talking about accountability in one sense, but in the other sense, it's a confusing message. I just want you to clarify the accountability measures in health care and the transfer payments to the provinces.

Mr. Jay Goldberg: This is exactly the point. There are two kinds of accountability here. One kind of accountability is that if there are strings attached to funding, the federal government is making sure that the provincial government is doing what the federal government wants. The primary mechanism of accountability that's lacking is for voters and constituents, who expect to see the delivery of those services, to actually judge the results.

There's a difference between being accountable to a federal government that can pick any of its own criteria when it wants to judge where provincial spending is going.... It is not the same kind of accountability when you have the average citizens at the local level, who do not feel that the operating of their system is sufficient.

Mr. Heath MacDonald: Thank you.

I'm going to flip right to the Canadian Health Coalition.

Look, this is all kind of entangled, to use that term loosely. We've seen that some provinces, such as Quebec and British Columbia, are calling for large Canada health transfers and for increases while cutting taxes and running large surpluses. The Canadian Centre for Policy Alternatives has published a report noting that the Province of Ontario, for example, has reduced its own revenues by \$7.5 billion.

What role do provinces play in our health care systems? Could the Canadian Health Coalition respond to that, please?

Mr. Steven Staples: I'll defer a little bit to my colleague Keith Newman about this. He is an economist, and he may have some comments.

I actually find myself in agreement with Mr. Goldberg, because the problem has been that the provinces have successfully managed to play a bit of a blame game here and point the finger at the federal government for areas that they are responsible for. I think the federal government and Mr. LeBlanc quite rightly pushed back on that over the summer, following the meetings of the premiers in Victoria, by saying, look, we do fund a lot, and we expect to see some outcomes. They took issue with the numbers.

Our current, modern health care system wasn't even envisioned in 1867. While it does fall largely to the provinces, it is a shared responsibility. The federal government does have a role in it. Its major role is through the landmark legislation that governs the billions of dollars in transfers, which is the Canada Health Act. The five principles of the Canada Health Act are designed to make sure that we don't have the kind of balkanization and disparities in our country that I think some of the measures Mr. Goldberg is putting forward would result in.

You know, I'm from New Brunswick. We are part of a national project here. We want to have a Canada Health Act that ensures that health care services are accessible and affordable across the country. The federal government plays an essential role in that.

So yes, the federal government is putting up money. It has historically come to arrangements with the provinces. But it does have the right, I think, to ensure that there's accountability for that and to look for some outcomes under the Canada health transfer and, at a minimum, the five principles of the Canada Health Act. Plus, bans on extra billing and user fees have to be in place. We need to see a strengthening of the Canada Health Act in particular, but also special programs for health care programs like the ones we're seeing with dental, we've seen with child care, and we would hope to see with pharmacare, where outcomes are guaranteed for the federal dollars. Increasingly, I think, that's what Canadians are looking for.

● (1800)

Mr. Keith Newman (Economist, Canadian Health Coalition): Could I add a point on that?

Mr. Heath MacDonald: Sure.

Mr. Keith Newman: The idea that we would have a balkanized system with every province running about doing its own thing, I obviously don't agree with. There are things that have to be coordinated nationally. For example, my colleague mentioned pharmacare. Well, with a universal public pharmacare plan, we could, as a country, negotiate our prices. Now, we have 110,000 plans. We'd be much better off having one plan that we can bargain with for the drugs, for prices and for access and all these kinds of things. It makes no sense to have a super balkanized system. Frankly, I'm confused about that.

Second, this whole pharmacare thing, because it would be a national plan with all these various benefits, would save massive amounts of money: according to the Hoskins report, \$16 billion a year just for employers. I mean, yay, employers will save \$16 billion a year. Individuals will save \$6 billion or \$7 billion a year. Now, it's true that the federal government will pick up some of that money, but it will be able to save all of us a lot of money: at least \$5 billion a year, probably more. That's a great thing. That would be a federal government program, and there is no alternative to that.

The Chair: Thank you, MP MacDonald and Mr. Newman. That is the time.

We are moving now to the Bloc and MP Ste-Marie for six minutes.

[Translation]

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

I have a few remarks before I begin my questions, which are for Mr. Staples. My remarks are unrelated to my questions.

Firstly, I would like to remind my colleagues that the provinces are grouped for negotiating drug prices in order to reduce costs. So there is some leverage.

Secondly, in response to what Mr. Goldberg said, I never suggested that Quebec would be unwilling to develop its natural resources in order to receive higher equalization payments. I am dumbfounded by that statement; I cannot believe it. It shows how little is known about Quebec.

Quebec develops its natural resources. That includes mines, hydraulic resources, forestry and fisheries. Clearly, we do not have the same resources as other parts of the country. Quebec does develop its resources, however, and does so sustainably, at least that is my commitment.

We also want to develop our manufacturing sector. Yet it is very difficult to develop the manufacturing sector when only half the government supports it. The federal government focuses more on other areas of economic development, especially if you factor in the value of our currency, the Canadian dollar. This is known as Dutch disease.

When the value of the dollar climbed on the strength of natural resource exports, starting with hydrocarbons, that really hurt the manufacturing sector, which was a strength of Quebec's economy.

Considering what the federal government does in terms of economic development, stimulus and mobilization of its apparatus, equalization payments are poor consolation. We would rather see our sectors of the economy achieve their full potential.

I wanted to make that clear. It is absolutely not the case that Quebec does not develop its resources in order to receive equalization payments. Even someone with advanced degrees needs to do their homework on this topic.

I will now move on to my questions for Mr. Staples.

In the first hour of our meeting, we heard from Mr. Seth Klein. We know his sister wrote the book, *The Shock Doctrine*, which suggests that crises are created in order to get people to accept privatization, for instance.

Mr. Staples, you say you are opposed to privatization, as is Ms. MacEwen. Would you agree that chronic underfunding may have led to the degradation of public services, which in turn leads the provinces to turn to the private sector because of that underfunding?

If so, do you understand that federal budget cuts to health care date back to the 1990s, when the federal government wanted to wipe out its deficit by reducing health and social services transfers?

My questions are for Mr. Staples, But Ms. MacEwen may also answer if she wishes.

• (1805)

Mr. Steven Staples: Pardon me, but there was no interpretation. Perhaps Mr. Newman can answer for me.

Mr. Keith Newman: Thank you, Mr. Staples.

Thank you for your question—

[English]

The Chair: I'm going to interrupt, Mr. Newman.

Mr. Staples, did you select the interpretation for English? There should be a globe at the bottom of your screen, and interpretation. I want to make sure you capture everything that's being said.

Thank you.

Mr. Steven Staples: Thank you.

The Chair: You may continue, Mr. Newman.

[Translation]

Mr. Keith Newman: Thank you.

You are completely right in saying that the federal government failed in its responsibilities, so to speak, in the 1980s. It did indeed try to reduce its budget deficit on the backs of Canadians, which was obviously a very bad thing. We were completely opposed to that.

Austerity was a pretext. The government said it had to balance the federal budget, which is by no means necessary. As we have seen recently, the issue is not accounting. The federal government is responsible for balancing the Canadian economy, not on the basis of some financial figures, but rather in accordance with the needs of all Canadians and Quebecers, and it failed to do so. You are completely right.

Our organization, the Canadian Health Coalition, does in fact push the government to fund national programs across the nation, including insurance for prescriptions and dental care, and so forth. As an economist, I would say that these programs are much more effective when they are centrally administrated and funded, by the federal government, and when they are not for profit, a point I wish to emphasize.

We are not necessarily opposed to the private sector, but we are opposed to making profits on the backs of the sick. In this regard, we would like the federal government to set rules for...

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

[English]

We've gone well over the time, but thank you.

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

Go ahead, please.

Mr. Daniel Blaikie: Thank you very much.

Mr. Goldberg, I thought it would be useful for the committee's deliberations if you could itemize for us or give us a list of the provinces you think are actively discouraging natural resource development in order to maintain their equalization revenue.

Mr. Jay Goldberg: If I could give an itemized list...?

Mr. Daniel Blaikie: Yes. Which of the 10 provinces do you believe are actively discouraging resource development in order to maintain their equalization revenue?

Mr. Jay Goldberg: Well, what we've seen is that there are provinces all across the country that haven't done enough to develop natural resources.

Mr. Daniel Blaikie: Could you name one, please? Ideally, you could name all of those that you think belong to that category, but you could start with one and then carry on to the others.

• (1810)

Mr. Jay Goldberg: Well, you know, we spoke about some of the projects that could be developed in Quebec, for example. We've spoken about projects in other regions, in Atlantic Canada. I think Premier Legault and others have talked about wanting to get away from equalization and better developing local economies.

Mr. Daniel Blaikie: Is it your contention that those governments are actively seeking not to develop their natural resources in order to maintain their equalization revenue? You mentioned the Atlantic region, so I take that to mean Newfoundland and Labrador, P.E.I., New Brunswick and Nova Scotia, as well as the Province of Quebec. Are there any other provinces you'd like to add to that list?

Mr. Jay Goldberg: I would not like to make a specific list. What I would say is that there are provinces that have been standing in the way of resource development or of getting resources to market. That's a simple fact. If these provinces were to improve in terms of resource development and if they had greater economic growth, then, naturally, there would be a change to the equalization formula, and that's what happens inevitably when resources are developed.

Mr. Daniel Blaikie: Thank you for the value of that contribution.

I would like to ask now, Mr. Staples—

Mr. Philip Lawrence: Mr. Chair, I'm sorry. It's not appropriate to badger a witness. That's just inappropriate.

The Chair: Continue, Mr. Blaikie.

Mr. Daniel Blaikie: I wouldn't characterize that as badgering. I would characterize that as offering thanks to the extent it's due.

What I'm hoping to get at with Mr. Staples is some understanding of the health accord model. We've talked a fair bit about jurisdiction and the requirement to have an interaction between the federal government and provincial governments with respect to health spending. We had a model for this in 2004. It was a 10-year agreement.

When we talk about the Canada health transfer, increases in health funding and how to structure that, I wonder if you could speak to what you think there was of value in the health accord model. What lessons were learned from that period between 2004 and 2014, when it was unilaterally ended by the then federal gov-

ernment under the Conservatives? What could a model look like to introduce some of those questions of accountability between governments for health funding?

Mr. Steven Staples: Thank you very much. I may engage with Mr. Newman, as well, on this. He has more historical knowledge than I do.

I would say that, for one thing, the tax transfer system that was employed for health care funding in previous accords did not really yield very much benefit. The federal government still gets blamed for not spending enough, even though it tried to redo the calculations.

I think there has been a lot of fudging of these percentages over the last number of months with the provinces, because it's cases of... The fifty-fifty split, for instance, was originally envisioned for doctors and hospitals, but the health care envelope has expanded a great deal. They're being blamed for not doing it fifty-fifty, but the overall calculation is being used for all health care costs. I think there is some fudging around the numbers here.

Essentially, we have to have some kind of negotiation. We have to find some way to break through this stalemate that we have, because the crisis continues in terms of the wait times and the terrible toll being taken on frontline health care workers. Meanwhile, it's just a blame game going on, which we saw in Victoria this year, and we need to somehow break through this impasse between the federal government and the provinces.

I believe the key is in the terms of the confidence and supply agreement between the Liberals and the NDP. The four health care points are excellent, and I think they can help us rise to a new level of negotiation between the levels of provinces and the federal government to get both programs that have deliverable outcomes and investments in the Canada health transfer that are governed by the terms of the Canada Health Act and the five principles. Bans on extra billing and user fees are absolutely critical if provinces are going down this for-profit privatization model.

Go ahead, Keith.

Mr. Keith Newman: Thank you very much.

We need a model with the federal government demanding accountability—I totally agree with that—for the money that is spent, as long as it's spent on health care and not used to do other things, such as reducing taxes. For example, I live in the province of Quebec. The Charest government—I think it was in 2004, but I forget right now—provided us with a tax break of \$600 million. The Conservative government was appalled by that, because it had sent the money for the health care system. So what happened? Personally, I had no health problems, and I got a tax break.

However, that's not the kind of country I want to live in. I believe in a country that takes care of its people. We have a duty to our country to care for people and to help those in our community. Cutting back on these programs and finding ways to engage in double-talk and blame the next guy is wrong.

I would add this. If the federal government has a good program and offers good money with strings attached, would somebody tell me that the provincial governments will not say, “Okay, we’re going to reject \$5 billion, or \$3 billion, or whatever it is for health care or for pharmacare”? Of course they won’t. They will take the money as long as the federal government maintains its availability and the strings that must be attached.

• (1815)

The Chair: Thank you, Mr. Newman and MP Blaikie.

Members, we are moving to our second round. As in our first panel, in this panel we’re down to about 12 minutes or so left. I’m just looking at how we do it. We will divide the time equally. In the second round, there will be three minutes per party. We’re starting with the Conservatives.

I have MP Albas for three minutes.

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

Thank you to all of our witnesses for participating in today’s study.

I’m going to start with you, Mr. Goldberg, and probably finish with you, because I don’t have a lot of time.

First of all, you mentioned the concept of entanglement. Could you just explain again what “entanglement” means?

Mr. Jay Goldberg: The concept of entanglement is the idea that you have one level of government providing money to fund a service and another level of government trying to deliver that service, and there is a lack of accountability when it comes to everyday Canadians being able to hold a particular level of government accountable for that service delivery. In addition to that, it’s getting levels of government involved in the areas where constitutionally they’re not given the right to do so.

Mr. Dan Albas: Thank you.

You’ve written a report along with Sean Speer, which you’ve been referencing throughout this. Would you be able to supply that to the committee so we can include it as evidence in our discussions?

Mr. Jay Goldberg: Certainly.

Mr. Dan Albas: Thank you.

Now, specific to this particular motion, we’re not just talking about fiscal federalism. Again, this was originally an NDP proposal, talking about “fiscal federalism in Canada, including but not limited to fiscal equalization payments, the Canada health transfer, the Canada social transfer and the possibility of a new federal transfer to equalize the disproportionate costs of climate mitigation and adaptation across Canada’s provinces and territories”.

I’d like to focus a little bit here, because you’ve talked about entanglement and some of the issues of direct accountability and whether it should be provincial or the Canadian voters holding their government to account. How would your concerns around entanglement be adapted to some of the discussion we’ve had today around some sort of new climate mitigation/adaptation transfer?

Mr. Jay Goldberg: Well, I think it would be a similar situation to what you have right now with health care. I think it would be about the environment and the priorities, and what happens in terms of natural resources and in terms of climate change. Obviously, it’s going to affect different provinces in different ways, but again, this is something where, if the provincial governments are taking the leadership in dealing with these issues, then the provincial governments should be those levels of governments that adopt policy.

Mr. Dan Albas: Okay.

How much time do I have, Mr. Chair?

The Chair: You have 20 seconds or so, MP Albas.

Mr. Dan Albas: Okay.

Maybe I’ll just take the time to thank the witnesses for being here today, to again say that it’s good to see everyone back, and to add my thanks to the staff that make our FINA committee run.

The Chair: Thank you, MP Albas.

Now we are going to hear questions from the Liberals.

I have MP Chatel for three minutes, please.

• (1820)

[*Translation*]

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

I would like to say something about the first hour of our meeting. In view of the current climate crisis, I am very pleased that we welcomed Mr. Klein. This is not the first time we have faced crises, and, as we have seen a number of times before, it is also an opportunity to emerge stronger.

If we look at all the major economies in the world, they are all making the transition to a green economy, and I do not want us to miss the boat. A responsible plan will truly focus on innovation so that we can come out ahead. As with all transitions, there are winners and losers. I don’t know about you, but I would like to be among the winners.

I am very pleased that we had this discussion.

[*English*]

I’ll turn to the question for Mr. Staples.

I have one question. What would be the impact, in your view, of providing dental care, but also day care, as you mentioned? Also, is your coalition supportive?

Mr. Steven Staples: Thank you very much for the question.

Absolutely, we are in support of the public dental program that’s being proposed. It is definitely an issue that we have long monitored. We have greater expertise on pharmacare, but these are equally parts that were left out of the original medicare system. I think this is an excellent opportunity to address some of those gaps through this dental program.

Millions of Canadians are now going to benefit from that. I think that's very good for people who are trying to deal with affordability issues right now—as everybody is—with rising inflation and interest rates. This is going to be a great help. These programs also help relieve pressures on our own health care system, because if people let dental care issues go for too long, they end up in emergency rooms, and that's not where we want to be.

I would add that we are supportive of universal social programs. We do recognize that this will help many people, many Canadians, but not everybody. We are concerned that at the end of this, there may still be some gaps. We have spoken to some members of Parliament who do support this eventually being a stepping stone to a universal program under which everybody is covered, and we're certainly hopeful for that. We realize that getting this program through will help a lot of people and also pave the way for the other commitments that are in the confidence and supply agreement.

As you know, the four health care commitments are spread out over time—the three years of the agreement—and next in line is pharmacare. We should be seeing a draft of a Canada pharmacare act this fall. I hope that we have a good discussion with the committee again when that comes, so certainly it's good all around.

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

Another question—

[Translation]

The Chair: Your time is up.

[English]

Mrs. Sophie Chatel: Oh, okay. Thank you.

The Chair: Thank you. I know that the time goes fast.

We are moving over to the Bloc. MP Ste-Marie has offered his time up to MP May.

You have three minutes.

[Translation]

Ms. Elizabeth May: I would like to thank the Bloc Québécois.

Holy smokes, what a great day for the Green Party and the Bloc Québécois! Solidarity!

[English]

I have a question for Steven Staples from the Canadian Health Coalition.

I want to say right now, because my constituents would want me to say it, that we have a crisis. I'm 68 and I don't have a doctor. My husband is 74 and he doesn't have a doctor. We don't have a family doctor, and I worry, because although we're really young and vigorous, there are older people who have to worry.

I don't believe that the problem of health care and the crisis are solely about money. One of the doctors in my riding uses this expression: "What's the bed-to-bureaucrat ratio?" Would you use your imagination to tell us how one might construct measurable indicators of how a province spends money to make sure that we reduce the bed-to-bureaucrat ratio?

Mr. Steven Staples: That's a great question, and we certainly do need measurements of performance outcomes. I think those are very important. In fact, some studies by the OECD and so on that I've seen say that there is a discrepancy between the amount of money we spend and the kind of performance we get from our health care system versus the case in other countries, so that's certainly an area of concern.

One of the points I want to make is that, increasingly, as provinces move to for-profit providers to try to stem the very real issue of getting these wait times down, there's a great concern among health care advocates like me and my colleagues that there is no indefinite pool of doctors out there. You're going to have doctors, nurses and health care professionals move from the public system over to the private system, and for good reason. We understand that working conditions may be better and more manageable; however, it's going to make the problem worse. It's one of these perfect storm situations in which we try to solve things over here and we make the problem worse over there, in our public systems.

• (1825)

Ms. Elizabeth May: I want to get in one quick question, because I agree with you. We're in violent agreement.

How would the situation for Canada with private versus public be affected by CUSMA? While we have a health care crisis, the U.S. private health care industry looks at us as a market. How is our position different from that of, say, the U.K. or other countries in Europe?

Mr. Steven Staples: That's a great question.

I haven't looked at that as closely, so I wouldn't want to venture a determination, other than the fact that we all know our health care program makes us really unique. Without our public health care, our medicare program, we're not that different from our colleagues and our cousins down south of the border. The influence of big pharma, which is largely from the United States and other European countries, has been a barrier to our moving forward on pharmacare.

The Chair: That's time, MP May.

Thank you, Mr. Staples.

We will now move on to our final questioner, MP Blaikie from the NDP.

Mr. Daniel Blaikie: Thank you very much.

To start, I'll direct my question to Ms. MacEwen, who I think hasn't had an opportunity to answer many questions. If there's time remaining and folks from the Canadian Health Coalition want to jump in, I would invite them to do that.

I want to return directly to the question of privatization, first of all. I think Mr. Staples just touched on this. We're seeing right now a huge spike in the extent to which nursing agencies are used to fill vacancies in the public system. These are people who are available to work. They work in that industry. Canadians are actually paying outrageous premiums in order to hire these nurses right now from private nursing agencies that are making a profit on that expenditure to have them come and work in public institutions.

Clearly, there is a question about appropriate spending. One of the places we might hope to see some remedy for that, in the case of provincial governments that are bound and determined to carry on this expensive and broken course, is at a table that the federal government has the power to convene with its spending power for provinces to talk about best practices, including when it comes to privatization and the inordinate amount of spending that's going on through private nursing agencies right now.

Perhaps you can speak, first of all, to how Canadians benefit when governments pay for private nurses over public nurses, if they do at all—it seems to me perhaps not. How can the convening power of the federal government be used in order to establish some fairer criteria that are co-determined with the provinces that would govern the way new health spending is done in Canada?

Ms. Angella MacEwen: This is a fantastic example. CUPE has members right now—I was speaking to some in northern Ontario last week—who are working at facilities where full-time, 16-hour, get-lots-of-overtime agency nurses are working beside them. The agency workers don't necessarily have the history in the department either, so they actually ask the public workers to do more work, to take care of the agency nurses and to provide some of that continuity of care that is so important. The agency nurses can work between institutions and travel around to fill gaps, which might help the scheduling manager but doesn't improve the quality of care. It actually is very disrespectful to the workers who are at their home station. You're actually increasing their workload. You're not offering them the overtime opportunities, and you're paying them less than this person who's coming in.

It's also really expensive. Some of the nurses I was talking to are paid \$25 an hour. The agency nurses who are coming in to work alongside them are paid \$60 an hour. The temp agency that manages them gets an extra \$40 on top of that. We're paying four times the cost of a regular nurse to have this agency nurse there working alongside them, and that agency nurse doesn't have the same capacity to do the job because they're switching between organizations.

That is exactly the type of thing we would want to sit down to talk about at a table. We would gather data through CIHI in order to be able to make these types of decisions and have evidence-based discussions about where we're wasting money. I can tell you that nine times out of 10, we're wasting it by privatizing. It's a shortcut that we're trying to take to fix an immediate problem, to stopgap, which is actually creating cascading problems. Those nurses who aren't getting paid \$60 an hour are ready to leave the profession now, because they're just not getting the respect they deserve.

● (1830)

The Chair: Thank you, Ms. MacEwen, and thank you, MP Blaikie.

On behalf of this entire committee—the clerk, the analysts, the staff, the interpreters, and all of the members—I'd like to say thank you. I don't know if you know, but this is the hardest-working committee on the Hill, in our humble opinion, although we may be a little biased. Thank you for helping us kick-start our fall session as we study the current state of fiscal federalism here in Canada. We wish you a great evening.

On that, members, we'll adjourn the meeting. Thank you.

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