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• (1535)

[Translation]

The Chair (Mr. Joël Lightbound (Louis-Hébert, Lib.)): Good afternoon.

Welcome to meeting number 24 of the House of Commons Standing Committee on Industry and Technology. Pursuant to Standing Order 108(2) and the motion adopted by the committee on Friday, April 8, 2022, the committee is meeting to study the competitiveness of small and medium-sized enterprises.

Today's meeting is taking place in a hybrid format, pursuant to the House order of Thursday, November 25, 2021. Members are attending in person in the room and remotely using the Zoom application.

I would like to make a few comments for the benefit of the members attending in person as well as the witnesses. You are familiar with the public health rules in effect, so I would ask that you please follow them.

We have quite a substantial group of witnesses today. Thank you all for appearing before the committee. Some witnesses are appearing in person in the room and others are appearing via Zoom.

As an individual, we have Edward Iacobucci, professor and Toronto Stock Exchange chair in capital markets in the faculty of law at the University of Toronto. Also with us is Kevin Lee, chief executive officer of the Canadian Home Builders' Association; Anne Kothawala, president and chief executive officer of the Convenience Industry Council of Canada; Tony Bonen, acting executive director of the Labour Market Information Council; Eleonore Hamm, president of the Recreation Vehicle Dealers Association of Canada; and Patrick Perreault, chief executive officer of Table Métal Abitibi-Ouest. Good afternoon everyone and thank you for being here.

Without further ado, we will proceed with the opening remarks. Each organization will have five minutes.

Starting things off will be Mr. Iacobucci for five minutes.

[English]

Mr. Edward Iacobucci (Professor and Toronto Stock Exchange Chair in Capital Markets, Faculty of Law, University of Toronto, As an Individual): Thank you very much, Mr. Chair.

Thank you to the committee for inviting me to speak today.

I write and teach about competition law, and I want to take my time to share some views about the relationship between competition law and small and medium-sized enterprises.

Let me begin by just quickly reviewing why I think competition law is a valuable policy tool for Canada and then relate it to small and medium-sized enterprises in particular.

Competition is valuable to society because it compels firms to provide consumers with quality products at competitive prices. These are prices that roughly reflect their costs. This brings about economic benefits because it ensures that consumers who value the product more than it costs to produce are able to buy it. This creates gains from trade.

Competition law promotes competition that, in turn, encourages these social benefits, so competition law promotes competition in a variety of ways, and many of you will be familiar with them. I'll just quickly highlight three and focus on the third.

The first is that it deters price-fixing, where competitors substitute co-operation for competition and agree to set a certain price. It deters anticompetitive mergers. If two firms decide to merge rather than compete with one another, it is something that competition law authorities will scrutinize. Third, it prevents dominant firms from hurting competition by seeking to exclude competitors or limit competition.

It's the third that I want to talk about in its relationship with SMEs. Competition law accepts that vigorous competition on the merits may exclude some competitors. They just may not be able to keep up with the competition in the market. This is not just acceptable but kind of an inevitable by-product of healthy competition between firms.

How do we think about SMEs fitting within this framework? Acts by dominant firms that harm competition by improperly excluding SMEs and, indeed, other kinds of competitors, lie squarely within the domain of competition policy.

In a case called Nielsen, as an example, there was a dominant firm that signed up both its customers and its suppliers to a series of exclusive contracts. These exclusive contracts made it impossible for an entrant that wanted to come into the market to come into the market. It couldn't get the inputs, and it didn't have anybody to sell to, because the dominant firm had signed everybody up to exclusive contracts. The competition tribunal ultimately ordered Nielsen to stop relying on these exclusive contracts. This was a means to seek to promote competition within that market. The contracts essentially foreclosed competition by a smaller rival.

Protecting competition can indeed protect competitors, but, incidentally, the purpose is to protect competition, not competitors. Conventional competition law, then, would not seek to promote the welfare of SMEs or other competitors as a goal unto itself. Acts by firms that hurt SMEs but reflect vigorous competition on the merits are not and ought not to be within the domain of competition law.

If a dominant firm just happens to have a better product than a competitor, an SME or not, and as a consequence the SME or the other competitor struggles to compete, that is competition on the merits and is not a competition law issue. Competition law is intended to focus on protecting competition, not competitors. This focus on competition can help SMEs but is not the purpose of competition law.

Let me just close by saying that the idea that competition law has this focus on protecting competition and not competitors does not mean that the law writ large should not be looking out for the interests of SMEs in a variety of different ways. SMEs may have importance to the fabric of Canadian society that go beyond their relationship with competition. If that's true, which it could well be—and this committee, I'm sure, will hear lots about this today—then there are other legal instruments that I think are better suited to promoting the welfare of SMEs as a goal in and of itself.

Just to take an obvious example, if we want to promote the welfare of SMEs, we could look to tax law to promote that with a lower tax rate on small and medium-sized enterprises and on other kinds of firms.

Competition law is only one policy tool. I think if we try to change competition law to seek to protect SMEs, there would be the risk that we end up sacrificing consumers in the form of higher prices in order to promote this goal. There are other instruments that would be better suited to meeting the goal of promoting the welfare of SMEs, if that is, indeed, an objective of the government.

I will close there. I'll be happy to take questions as they come as this session unfolds.

The Chair: Thank you very much, Professor.

We'll move to Mr. Lee for five minutes.

• (1540)

Mr. Kevin Lee (Chief Executive Officer, Canadian Home Builders' Association): Thank you very much.

On behalf of the Canadian Home Builders' Association, representing some 9,000 member companies in residential construction from coast to coast, thank you for the opportunity to speak with you today. Our membership includes home builders, renovators, devel-

opers, trade contractors, manufacturers, suppliers and various service providers, and all of these members are being challenged by labour and productivity issues.

I would like to start by first speaking about the top issue our association is always concerned about, and that is housing affordability. This is, of course, directly affected by labour and material shortages and resultant price increases, but the biggest driver of house prices in recent times has been the lack of housing supply. The basic economics of housing supply and demand imbalances have been the key driver of accelerating house prices in recent times.

Fortunately, Canada's housing deficit of some two million homes is now widely accepted, and the federal government has now rightly identified that we need to build some 3.5 million homes over the next decade to catch up. To do so will require a doubling of our annual pace of housing starts. The big questions are how do we get there, and do we have the labour to do so?

I'll start by saying this. To get more supply online, labour is not our number one issue. Yes, labour is a challenge, but municipalities are actually at the nexus to unlock the ability to bring more housing supply online. They need to accelerate and streamline municipal processes, update municipal policies and zoning and combat NIMBYISM. All of these municipal affairs are the top issues we need to address to get our housing starts up to where they need to be. We're hopeful that the new housing accelerator fund will help to start to address these issues.

Related to these bottlenecks is labour, not only for the construction industry but for municipalities as well. Our construction industry is facing the challenge of about 22% of our labour force retiring over the next decade. Municipal building officials are retiring at an even faster pace. As many as 50% of officials are set to retire in the next 10 years, so part of the solution to labour is also ensuring that municipalities can replace departing employees and increase staff to be able to do more.

Regarding workers who build more homes, we recommend a three-pronged approach.

Firstly, we must continue all efforts to promote to Canadians careers in skilled trades. This includes promoting them to young people, their parents, teachers and guidance counsellors. CHBA asks that the government continue all actions to promote careers in skilled trades, including financial supports to companies to support apprentices, like the new Canadian apprenticeship service. Our association is continually working to address the trades gap, and government supports of this nature are very beneficial.

Secondly, we need to update our immigration system for skilled workers and target permanent immigration solutions. Skilled labour allocations for immigration must be increased, and pathways for temporary workers to become permanent workers are needed. We know ESDC is looking at such solutions now, which is critical.

Thirdly, and in the direct portfolio of this committee, we need to focus on increasing productivity in our sector. We need more innovations that will enable us to build more houses more quickly and with fewer people. Site-built construction is extremely efficient and cost-effective, but we need to make it more productive, with better technologies that require less labour. We also need to increase the amount of factory-built systems we use, be they modular, panelized or other emerging technologies. This is something government investment can help accelerate, especially since it is capital-intensive.

Regarding regulatory requirements and bureaucracy, there is a huge burden on our industry, and there is no doubt that it needs to be streamlined to allow the housing construction process to move more quickly. This must be improved at the municipal level, but there are also elements at the federal level that can help. Many political drivers are now putting pressures on the national building code, causing accelerated change and risking causing unintended consequences if not properly vetted. There are also code change adoption challenges for industry, and almost every code change increases construction costs.

We need to ensure that affordability is enshrined as an objective of the national building code and all of the standards it references, so that all regulatory changes that are considered look at their impact on construction costs. While the system is continually looking to make codes more stringent, a look at outdated regulations that could be eased is also needed.

Regarding supply chain constraints, I'm sure you're well aware of the issues across all industries. Residential construction is no different. I'm happy to talk more about those affecting our industry in the Q and A, but I'd like to point out one emerging issue, which is that a questionable drywall duty is up for renewal again in western Canada and it stands to increase yet again the cost of drywall for western Canadian homebuyers and homeowners when they can least afford it. We need to get our international trade issues in order to ensure they don't make matters worse.

● (1545)

Thank you for the opportunity to join you today. I look forward to answering any questions you may have.

The Chair: Thank you very much, Mr. Lee.

I will now move to Ms. Kothawala for five minutes.

Ms. Anne Kothawala (President and Chief Executive Officer, Convenience Industry Council of Canada): Thank you, Mr. Chair.

I'm Anne Kothawala. I'm the president and CEO of the Convenience Industry Council of Canada, also known as CICC, the chief advocate of Canada's convenience supply chain.

The study that you have undertaken to explore the challenges facing small and medium-sized enterprises is critical as we emerge from the COVID-19 pandemic. While the subject matter of your study directly impacts our stores, I would like to focus my comments on labour shortages, skyrocketing credit card swipe fees as well as regulatory changes that are needed to keep our businesses competitive post-COVID-19.

Convenience stores employ 212,000 Canadians and bring convenience to communities from coast to coast to coast. In many communities, we are the only store providing essentials to consumers, and while we were able to keep our doors open during COVID-19, we haven't been immune to the impacts of a pandemic.

Reduced foot traffic, coupled with increased overhead costs, has placed tremendous financial strain on our businesses. Right now our industry is facing a perfect storm of challenges—declining sales, labour shortages and changing consumer behaviour—which has forced locations to close across Canada. Concerningly, these closures are happening predominantly in rural and northern communities, the very places where these stores serve a critical role for Canadians looking to access essentials.

Our stores are struggling to find appropriately skilled retail clerks and other employees who constitute the convenience supply chain, including truck drivers for our distributors. The competition for workers has pitted the retail industries against one another.

Further complicating our labour shortage is the decrease in immigration during the pandemic. The convenience industry often offers newcomers to Canada their first work experience. For many new Canadians, convenience stores serve as an introduction to the community, and they serve as a stepping stone to owning and running their own business.

In addition to labour challenges, our stores are grappling with keeping prices competitive for customers at a time of high inflation. Keeping prices modest becomes more difficult as the cost of doing business continues to rise. A practical example of this added cost of business is Canada's high credit card fees, which continue to penalize small and medium-sized businesses.

The use of credit and debit cards has never been higher. Our members already experienced exorbitant interchange fees before COVID-19. Now, the move to touchless payments and increased credit card usage during the pandemic have resulted in even higher costs for our small businesses. After real estate and payroll, interchange fees are the third-highest cost of conducting business.

While other countries, including Australia and the EU, have capped their rates, Canadian small businesses continue to pay exceptionally high fees. Credit card fees range anywhere from 1.5% to 4% per transaction. This is in comparison to the EU and Australia, which have capped rates at 0.3% and 0.5% respectively.

In a recent survey, CICC asked our retailers about their awareness of the 2015 and 2020 voluntary commitments by credit card companies and whether they saw any changes. The response from our membership was unanimous—any costs savings that may have occurred have been eroded by the introduction of new fees introduced by banks and/or processors. Companies are simply just passing costs directly to the merchant through new fees.

Our small and medium-sized businesses really need action on this. It has been long promised but not delivered, and our stores would stand to save tens of thousands of dollars, on average, were fees to be reduced. With the cost of everything on the rise, this is an important action not just for businesses but also for consumers.

Speaking of rising prices, I'd be remiss not to mention the unlevel playing field our small and medium-sized business are on when it comes to the retailing of tobacco products in Canada. The unregulated sale of illegal tobacco continues to undermine the legal retailing of these products, which impacts our stores but also results in lost revenue to government, as taxes go uncollected on these products. Increased investment in enforcement and federal provincial coordination is required.

Last, the federal government can also support small and medium-sized businesses by adopting smart regulations that take into consideration the impacts that will be felt at the retail and store levels. Forthcoming regulations, for example, around energy drinks, as well as legacy commitments around front-of-pack labelling have a direct impact on our retailers. Involving Canada's convenience retailers in the development of these regulations, rather than consulting them after they've been developed, would help provide some predictability for our businesses.

- (1550)

In closing, Canada's small businesses are at a critical juncture. COVID-19 has shown that we need to create an environment that will help small businesses meet the needs of Canadians in a post-COVID environment. When local convenience stores are in peril, it has a ripple effect. It impacts tourism, hurts communities and reduces the number of tax dollars collected.

We're on the corners of Canadian communities. We need the federal government to be in ours.

I'm happy to take your questions. Thank you very much for the opportunity.

[*Translation*]

The Chair: Thank you, Ms. Kothawala.

We now go to Mr. Bonen for five minutes.

Dr. Tony Bonen (Acting Executive Director, Labour Market Information Council): Good afternoon.

I would like to thank the members of the committee for inviting me today.

It is a real honour to speak to you about the most pressing labour market challenges facing all of Canada, and the labour market information ecosystem.

I represent the Labour Market Information Council, or LMIC for short. LMIC is an independent organization that was formed on the initiative of the federal, provincial and territorial governments.

[*English*]

Specifically, we are supported by the labour ministries across Canada, as well as Statistics Canada. Our mission is to ensure Canadians have access to high-quality, relevant, labour market information to support their decision-making. At LMIC, we work in close collaboration with our federal, provincial and territorial counterparts to bring together a variety of players in the labour market information field. These include career development and employment service organizations, employer bodies such as sector councils, unions, researchers and organizations involved in training Canadians to succeed in the workforce.

I suspect that "labour market information" is probably not part of your daily vocabulary, as it is mine. Therefore, I'd like to explain what I mean by this. First and foremost, it is the data we use to track labour market developments and outcomes, but it is also the concepts, categories, taxonomies and ways we talk about labour markets. Why does it matter? Labour market information helps us tell the story of what's really happening in the world of work. It enables us to get beyond anecdotes and conjecture, into a quantitative, data-driven assessment of current reality and a more accurate picture of what to expect in the future.

Let me turn, now, to the top priority in labour market information issues today, and a big concern for small and medium-sized enterprises, although the data is a bit lacking for them. That is, of course, labour market tightness. There is little doubt that we're facing the tightest market in decades. The share of core-age adults working—those between 25 and 54—is the highest it's ever been. Unemployment is at the lowest it's ever been, essentially. As I'm sure you all know, job vacancies have skyrocketed as we've emerged from the pandemic. According to Statistics Canada, vacancies are roughly 80% higher now than they were prepandemic.

I have no doubt there are many businesses facing labour shortages. However, we avoid describing the current labour market conditions as generally and necessarily beset by labour shortages, and that's for two reasons.

First, there's no common definition of, or way to measure, labour shortages. For example, the latest data shows there's about one and a half unemployed people for every job vacancy. Of course, it would be unrealistic to say there's not a shortage, because we have more people looking for jobs than openings. That ratio of 1.5 unemployed people to job openings is currently the lowest it's ever been, and even lower in provinces like Quebec and British Columbia.

Second, and more importantly, there's a critical distinction to be made between labour shortages and skill shortages. At LMIC, we define “labour shortages” as a lack of applicants—a literal lack of bodies coming through the door. In past months, there have been many stories and anecdotes describing this very situation. A “skill shortage”, in contrast, is when there are applicants for a job opening, but the employer cannot find a candidate with the sufficient experience, skills, education and so on to fill that role.

We're a small organization. We have faced challenges, numerous times, trying to attract diverse talent over the past four years of our operation. As a labour market information challenge, the problem is that labour shortages and skill shortages appear the same in the data. It's a vacancy in the survey. It's a job posting in online job-posting data that we leverage and work with.

Despite these two challenges appearing the same in the data, the policy challenges and potential solutions are markedly different. Labour shortages require responses to entice more applicants. Maybe that's higher wages or better working conditions to increase the available pool of labour. Skill shortages need to be addressed primarily through training and education systems. That presents an implementation challenge, because scaling up programs or shifting the direction of training requires time to implement. By the time newly skilled workers are brought to market, there's a risk that labour market needs have shifted.

I think we are definitely facing both labour and skill shortages. I can explain why, with some key data points, in the question and answer period. I would simply like to say that, in preparation for this meeting, I tried to dig up some specifics on small and medium-sized enterprises, and on vacancy and job-posting data. We have a lack of information on that. We're working with our partners at Statistics Canada, right now, to see what we can dig up to share with the committee, because it's an important topic. We don't have specific data and insights on that now.

Finally, I want to close by cautioning members that, given current macroeconomic conditions and shifting policy stances by central banks around the world, the situation we're facing might change dramatically in the coming year or two. There's a big risk of a global slowdown in growth and potentially a recession, which could reverse the labour market tightness we are concerned with today. If we have learned anything from the past two years, it's just how rapidly labour markets can change, in terms of both plummeting and rebounding.

• (1555)

We therefore need to be thinking about long-term strategies to support evolving and dynamic systems of training, education and employment-matching services to meet the needs of employers in every province and territory.

Thank you.

[*Translation*]

The Chair: Thank you, Mr. Bonen.

We will now move to Ms. Hamm for five minutes.

[*English*]

Mrs. Eleonore Hamm (President, Recreation Vehicle Dealers Association of Canada): Thank you, Mr. Chair.

Good afternoon, and thank you for having me here before the committee today representing the Recreation Vehicle Dealers Association of Canada, otherwise known as the RVDA.

The RVDA is a national volunteer federation of provincial and regional associations and their members, which have united to form a professional association for all businesses involved in the RV industry. In other words, we represent small and medium-sized businesses across the country. Our core objective is to bring together and represent retail businesses and provide support to promote the welfare of Canadian RV dealers and maximize the potential of the industry for the benefit of all Canadians.

RVing in Canada has a considerable impact on the economy. In 2019, the RV industry supported 67,200 jobs. The total spending was \$6.2 billion, generating \$4.8 billion in added value to our economy.

While COVID-19 has made the past few years challenging, we thank Parliament for taking swift action to support businesses and workers across the country. We are on the road to recovery, but it will take time to bounce back and thrive.

Three obstacles ahead of us are critical issues impacting our industry. The first—and we've heard it already—is the shortage of skilled workers. The second is the need for critical infrastructure in our national parks. The third is relieving border and supply chain issues.

The shortage of skilled workers remains a key concern for the RV industry. COVID-19 and its various waves hampered the ability for apprentices to access training programs. Currently, there are actually only two programs in Canada that offer RV service technician apprenticeship training leading to Red Seal certification. They are located in B.C. and Alberta.

Currently, out of over 1,200 full-time RV service technicians throughout Canada, only 424 have their Red Seal designation. The existing programs reach full enrolment every year and often hold waiting lists for several dozen prospective students. Training programs are offered in other provinces, but they're not accepted as full apprenticeship programs, meaning that they don't actually lead to Red Seal certification. As a result, few RV service technicians who actually work in the industry are able to be classified as apprentices or certified technicians. This means that many small and medium-sized businesses are challenged to find and attract RV service techs, and students have a hard time starting their careers in a trade that is in high demand.

We applaud the government for the focus on skills and training in the previous budgets. While the government has made good progress, we believe they can do two things to support skilled workers in the RV industry. First, we are looking for the government to create an apprenticeship travel grant that could be used by those required to travel in order to undertake an apprenticeship program. Second, the proposed new labour mobility grant of up to \$4,000 a year to support temporary relocation within Canada by skilled tradespeople should be made available for those who are temporarily relocating to pursue their apprenticeship in Red Seal training.

The second obstacle facing the RV industry is the lack of infrastructure and tourism investments in our national parks. There are 119 federal campgrounds comprising over 10,800 campsites, but of these campsites 7,911, or approximately 80%, are not serviced. As the demand for campground services continues to rise, critical infrastructure needs, such as sizing requirements to accommodate larger RVs, access to the appropriate electrical outlets and waste disposal facilities remain unfunded.

As RVing is a large component of tourism, both internationally and domestically, investment in camping and RV infrastructure will play a crucial role in the overall contributions of the tourism industry to future economic development and prosperity post-COVID-19. Upgrades in infrastructure are essential if we want to ensure the future of this industry and make it more accessible to all Canadians. We recommend that Parks Canada receive dedicated funding for investment in its campground infrastructure.

Supply chain issues are holding back small and medium-sized businesses across the country. Transportation bottlenecks and difficulty sourcing key inputs are leading to production slowdowns and delayed or cancelled sales. The overall effects of these supply chain disruptions and increased inflationary costs are estimated to be larger, broader and more persistent than initially anticipated and will continue to weigh on small and medium-sized businesses' ability to grow. The government needs to provide funding and financial support, and look for solutions to break up the bottleneck of supply issues. It must ensure that the border does not close again.

We would also recommend that the proposed \$1.9 billion for the national trade corridors fund to make Canada's transportation infrastructure more efficient and effective should make resources available to private transportation and trucking companies, so that they can better adapt to new technologies and increase the flow of goods in and out of Canada.

Thank you very much for your time.

• (1600)

[*Translation*]

The Chair: Thank you very much.

We now go to Mr. Perreault for five minutes.

We can't hear you, Mr. Perreault. Is your microphone on mute?

I think your headset may be defective. We will try to figure out a solution, but if we can't, we will invite you back another time.

My apologies for the inconvenience, and thank you for making yourself available this afternoon.

We will now begin the first round of questions with Mrs. Gray.

You have six minutes, Mrs. Gray.

[*English*]

Mrs. Tracy Gray (Kelowna—Lake Country, CPC): Thank you, Mr. Chair.

Thank you to all of the witnesses for being here today.

I'd like to start with Ms. Kothawala of the Convenience Industry Council.

You mentioned in your opening statement about merchant credit card fees. I was really shocked when you said that it's the third-highest cost of conducting business in your industry. You mentioned that there was an increase in credit card usage that took place over the pandemic, so the fees have increased a lot more for your members.

I want to ask you, on changing consumer behaviour and seeing direct delivery, for example, Uber Eats, not to single them out specifically, but with organizations like theirs and others, those are all credit cards that people would have to use in order to get those products. Of course, there would be the merchant fees plus the fees that those companies take, which would also cut into their margins.

Is this the new way of doing business? Is this impacting your members? Is this one of the ways that credit card interchange fees are impacting them?

Ms. Anne Kothawala: Yes. Thank you so much for the question.

You're absolutely right. That's why we are flagging it and are so concerned about it. We have seen that consumer behaviour has changed in a number of ways.

As we'll all recall, at the beginning of the pandemic, we didn't know if COVID could be transmitted by touching things, so people really steered away from using cash. We all know that consumers like their credit cards. They want to get points for travel. We understand that's important, but somebody ultimately has to pay for that. Our point is that it shouldn't be on the backs of merchants.

We've talked about this issue for a long time, and we really feel it is at a crisis point. We really need to see action, because the voluntary code is not sufficient to help out the small and medium-sized businesses.

Mrs. Tracy Gray: That's great. Thank you.

We know that, in budget 2021, the government said they would reduce these fees. In this budget, in 2022, it again said that they were consulting, but we haven't seen any action.

Are you disappointed that there's no action on these fees yet that was promised last year?

• (1605)

Ms. Anne Kothawala: We're pleased to see that there is a commitment to continue to bring stakeholders together. We understand that this is a complex issue, and it requires a number of groups to come together to figure out the best solution.

Our industry has been working directly with finance officials to share the information that we're getting from our members. We do feel that there are solutions. We are looking forward to continuing to work with government to get this across the finish line, as it were.

Mrs. Tracy Gray: Great. Thank you.

Another thing I've heard concerns on is regarding the GST or HST being added onto the credit card fees, causing another impact to small businesses and, of course, convenience store bottom lines as well.

Do you believe this is a fix that the federal government can tackle to help promote some relief faster on these fees?

Ms. Anne Kothawala: We have definitely called for that. Again, it's largely because of a number of products that we sell. Look at gas, for example. It's very highly taxed. Therefore, as an industry, as compared to another, maybe a grocery store retailer or a clothing store retailer, we pay a disproportionate level of tax. It absolutely does impact us in a greater way than it does other industries. If you look at some of our retailers in Atlantic Canada, for example, where the price of gas is regulated, credit card fees are really hurtful there.

Absolutely, we hope that there can be some movement on the tax component. Again, that is a really disproportionate impact on our industry.

Mrs. Tracy Gray: Thank you.

Next I'd like to go to Ms. Hamm from the RV Dealers Association.

I know that RVs and camping are of course very integrated. One of the concerns I've heard has to do with CRA changes to private campgrounds in treating them as investment properties, not small businesses. I was wondering if you could expand on how this change is impacting the RV sector.

Mrs. Eleonore Hamm: Yes, absolutely. Thank you so much for the question.

We work very closely with campground operators, obviously, because consumers purchase their RV, but they need some place to go and enjoy while touring Canada. What has happened is that there was a change in interpretation a few years ago, whereby campgrounds were being seen as investment businesses and not small businesses. CRA was looking at a number of campgrounds across Canada, reassessing them and saying that they were just investment properties. They didn't really look at the services being offered.

The issue with that becomes that these campgrounds could then potentially pay a tax rate of up to almost 50% as an investment business. You can appreciate that campground operators are generally open for only a small portion of the year—four or five months. They don't qualify to have five full-time employees because they're generally closed during the winter, so they don't qualify as a small business.

The concern from the campground operators is that this hasn't been amended in the tax code. They're always concerned that they're going to come back and be reassessed at a different tax rate.

We were talking earlier about investment in infrastructure in campgrounds. It's needed at all levels. Yes, we talk about Parks Canada, but for the private operators and the provincial parks, everybody needs to upgrade their systems. There's going to be that whole talk about EVs and where that is going and how does the industry address that. However, if they're so concerned about something like getting such a huge tax bill, we're finding that the campground operators are either not reinvesting, which is not good for the economy or, in some cases, actually closing their parks altogether.

The Chair: Thank you very much, Ms. Gray and Ms. Hamm.

We'll now move to Mr. Dong for six minutes.

Mr. Han Dong (Don Valley North, Lib.): Thank you very much, Chair.

I want to thank all of the witnesses for coming today and for sharing their insights.

The first question I have is for Mr. Bonen.

You shared some insights about the difficulty and the accuracy of collecting data. I want to hear your view on undocumented workers. We know that they are a large group in our labour force in Canada. Do you have any insight on it or is there any way to quantify them?

It's a major challenge to the accuracy of our labour force here in Canada.

• (1610)

Dr. Tony Bonen: Thank you very much for the question.

It is very difficult to get accurate information on anybody who is undocumented or in a non-standard living or working situation. The other example that comes to mind is the agricultural sector, where there are many people working in non-traditional arrangements or, for example, who are temporary foreign workers and people living in communal residences. It's just that the way standard surveys are done—like the labour force survey—doesn't capture that. It doesn't go to those homes. When it comes to undocumented workers, I would think that one of the biggest challenges there is simply people not wanting to respond to surveys or not being in the locations where surveyors are going.

I haven't seen any particular data on that, certainly not from official sources recently. Years ago, I remember seeing some estimates on those numbers, but I would have to dig that up and see what that is. Generally speaking, official statistics will miss people in that situation.

Mr. Han Dong: I can appreciate how difficult it is to put an exact figure on how many there are, but if there's any way for you to give us an informed estimate on how many are in our country, that would be very helpful.

If there were a pathway by IRCC to allow these undocumented workers who have been here for many years—obviously there is an intent to become a permanent resident—to obtain their PR, would you say that would be helpful in addressing the current labour shortage and would perhaps promote the mobility of skilled workers from industry to industry?

On top of that, obviously there is additional tax revenue. There is a benefit to them and to us, to the government. Would you agree with that?

Dr. Tony Bonen: It's hard to say, because we don't have clear information on where the undocumented workers are, how many there are or the skill sets they have. I will say that, if they were to go through a process with IRCC to become documented, we'd start having very good information on those people and would get a sense of who is missing as they go through that process.

Right now, there's just not enough information on that current set, but I think that across a large group of different, what we call, "under-represented" groups, that's one way we can be addressing labour shortages: by bringing in people who are maybe at the margins or outside of labour markets to support businesses and to meet their labour needs.

Mr. Han Dong: Do you have any particular views on the labour market opinion assessment by IRCC as one of their processing requirements? Do you have any opinion on that process?

Dr. Tony Bonen: No, I'm sorry. I'm not familiar with it.

Mr. Han Dong: Okay. Thank you.

I want to ask a question to Professor Iacobucci.

Your point of view was very interesting on the essence of the Competition Act. Do you think currently that the act provides or offers a fair playing field for SMEs to stay competitive? Because this study is about the productivity of SMEs.

Mr. Edward Iacobucci: Yes, I think there's obviously a huge range of factors, some of which we're hearing about, that go into SME competitiveness. I think I would put it in a narrower way, which is that competition policy, competition law, is about levelling the playing field across all kinds of competitors. We want entrants to be able to enter the market as freely as the fundamental economics will permit, and to be innovative and aggressive on pricing, all for the betterment of society as a whole. We're better off economically when there are competitive markets, not uncompetitive markets.

Where competition law, I think, is correctly calibrated is to protect SMEs, and other kinds of competitors frankly too, from practices that seek to limit competition. I used the example of those exclusive contracts where you're basically just trying to use exclusive contracts to make it impossible for other people to compete with you. That is not having a better product and that is not having a lower price. That's just trying to use a contractual tool—

Mr. Han Dong: I agree with that. I understand that.

I'm sorry I had to cut you off. I only have six minutes.

• (1615)

Mr. Edward Iacobucci: That's okay. That's fine.

Mr. Han Dong: From the macrolevel, what we've seen in the last two years—and we heard evidence today—is that small convenience stores or small SMEs are struggling to survive. Meanwhile, you have large corporations raking in historic profits. Do you think there's anything that we should do from the Competition Act perspective?

Mr. Edward Iacobucci: Your last point is the key one from the Competition Act perspective. There may be lots of things that are appropriate to do, and we're hearing some now—think about infrastructure for RV parks and the like—but from a competition law perspective, if large corporations are providing products at competitive prices and products that customers want, and SMEs are struggling to meet that competition, that is not a problem from a competition law perspective. Nor, at least from my perspective, do I think it ought to be a problem from that perspective.

There may be all sorts of other government tools that we should be thinking about to promote the well-being of SMEs for a variety of reasons, including the regional reasons that we heard about—northern Ontario, etc.—but it's not a competition law issue in my view.

Mr. Han Dong: That's a very interesting perspective.

On that note, I want—

The Chair: Mr. Dong, I'm sorry. We'll have to move to Mr. Lemire for six minutes. Your time is up.

Mr. Han Dong: I worked so hard on the preamble, and I missed my chance for the question.

[*Translation*]

The Chair: Go ahead, Mr. Lemire.

Mr. Sébastien Lemire (Abitibi—Témiscamingue, BQ): Mr. Dong, if you want to ask your question quickly, I don't mind.

[*English*]

Mr. Han Dong: Thank you very much, Mr. Lemire.

I was going to go to Ms. Kothawala, because the study is on the productivity and also addressing the labour shortage with SMEs.

With the professor's explanation, what's your point of view? Do you think there is a need to look at it from a Competition Act perspective and from a government regulations perspective, as opposed to a simple tax cut? Is there any way that we can, from those perspectives, help your industry and SMEs broadly?

Ms. Anne Kothawala: I think, from our perspective, the issues that I raised are the levers that we think government can use to address the fundamental problems, and those are addressing credit card fees, helping and looking at a number of ways to address labour shortages, and ensuring that we have smart regulations and that industry is consulted when new regulations come into force. I think those are the three key levers that we would say will be helpful for our industry.

Mr. Han Dong: You're not necessarily asking for some reform of the Competition Act.

Ms. Anne Kothawala: We haven't really weighed in on the Competition Act. I don't think that's necessarily relevant to our industry.

Mr. Han Dong: Thank you.

I want to say thank you to Sébastien.

Thank you, colleague.

[*Translation*]

Mr. Sébastien Lemire: Thank you, Mr. Dong.

My question is for you, Mr. Bonen. You gave an informative presentation. It helped us understand the labour market situation.

I gather that your organization does research to ascertain what the needs are. You don't talk about a labour shortage; instead, you refer to a skills shortage. I appreciate that distinction.

LMIC is active in every single province and territory of Canada. Would you say you are able to provide a service that, on the whole, can be useful to the government? Specifically, I'm referring to the statistical data on what is happening in every sector.

[*English*]

Dr. Tony Bonen: There are a number of tools out there already. Certainly, this is primarily the domain of Statistics Canada to be collecting this and providing that.

One of the reasons we were created by the federal-provincial-territorial ministries was to better meet the needs in the provinces and territories, since they are responsible for so much of the labour market policies. One of the programs we have, a joint program with the Future Skills Centre, is to develop a labour market data hub that feeds into a variety of programs. It's not something that is on our website. It is something that's supporting tools in different provinces, different organizations and appointment service providers. That's precisely the idea there.

Ideally, we also partner with sector organizations, as they have a lot of detailed information on what's going on in their sector, and we integrate that with the official data that StatsCan collects, which is limited in a number of dimensions just because of the realities of collecting data. We really have to partner with those local organizations that know what's going on and that can identify the skills needs they have, and then combine that.

This is a longer-term project, but that's the idea. Our emphasis is really on building those partnerships to bring everybody together on the various insights and data that others have.

[*Translation*]

Mr. Sébastien Lemire: Did you reach out to Statistics Canada to request that data in order to better understand the labour market situation in Canada's various regions?

• (1620)

[English]

Dr. Tony Bonen: We work very closely in partnership with Statistics Canada to identify what the labour market information needs are of various organizations. They're focused on delivering that data and that information out there, but we help them identify what's missing and relevant.

I mean, this committee is a good example of that. The job vacancy survey doesn't have cuts by firm size or enterprise size. It's one of the things that we are working to extract with them, because in theory it's potentially available in that survey. That's a labour market information need that I wasn't aware was out there. We can work with them to try to fill that gap.

[Translation]

Mr. Sébastien Lemire: Quebec has its own labour market ecosystem. It was developed by the Quebec government, the Conseil du patronat du Québec, the export manufacturers and the various labour market sector committees.

Labour market research is carried out. From your remarks, I'm realizing that other provinces could do the same thing. For employers who rely on foreign workers, having to apply for a labour market impact assessment is a cumbersome process. Mr. Dong talked about that.

Businesses have to wait months before they get the labour they need. In many cases, they have spent tens of thousands of dollars to bring the workers here.

I think your organization could seize this opportunity to bolster its mandate. If labour market needs could be identified quickly, perhaps it would help reduce wait times.

There is a consensus around the labour shortage. If the government wanted to take direct action, you could provide the government with recommendations swiftly.

Dr. Tony Bonen: That is an important question.

[English]

I would say that there are a number of factors that we play at. One is trying to identify the best practices in different provinces. Indeed, I would agree that Quebec is a very advanced ecosystem of organizations. Of course, Institut du Québec collects its own information as well.

I would say that this is a common challenge across provinces. There's a lot of information held by, for instance, workforce planning boards or it could be employers, or it could be those bringing people in from abroad or what have you. That information is out there, but it's not being collected and being leveraged.

That is exactly something that we want to work towards, but again, we're a small organization. Our role is really bringing those players together and sharing the best ways to do that.

[Translation]

Mr. Sébastien Lemire: What's interesting is that you work with the provinces, because labour is an area of provincial jurisdiction.

Thank you, Mr. Bonen.

The Chair: Thank you, Mr. Lemire.

We now go to Mr. Masse for six minutes.

[English]

Mr. Brian Masse (Windsor West, NDP): Thank you, Mr. Chair.

Thanks to the witnesses for being here.

Canada has a voluntary code of conduct for banks, and it's basically proved as useless as a glass hammer.

We see now the repercussions taking place with regard to the fees. When I questioned the BDC about this.... The BDC has been historically the bank of last investment when private banks have not provided the leverage or the borrowing rates for SMEs. I asked them about why they haven't looked at a credit card policy or credit card fee processing policy.

I'll start with Ms Kothawala.

Do you think that your members would take an uptake on the BDC if it provided a low-cost program for service fees similar to what's enjoyed from many other developed nations?

We are getting totally fleeced, and it's an inefficiency in the economy because the profit margins on transferring funds is not where the real work is being done. It's being done in your stores and the supply chain issue you're facing.

Ms. Anne Kothawala: I think it's a very interesting question, but not one that, frankly, I've really thought a lot about.

One challenge for us as convenience stores is that we're in the business of what we call choice and convenience, so we need to be able to offer that choice to our customers to be able to pay in the manner that they want to pay.

We recognize that there is value for them in their using their credit cards. Our challenge, as you said, is that the voluntary code of conduct has not achieved what it initially set out to achieve. We found that it's not just about the fee. It's about people finding other ways in part of the payment's ecosystem, if you will. They're just passing down the cost and, ultimately, it's on retailers' backs.

I'd be happy to explore that idea a little bit further, but just on first blush, we would still have to accept other credit cards because that's what our consumers want to use.

• (1625)

Mr. Brian Masse: Sure, and we've seen the battles with Walmart and others that have gone front and centre on some of these things to address it.

What the BDC could do.... It was interesting because I had just thought up the idea on the spot when we were having committee, and it turned out that they don't even know when they canvassed their own users at the BDC about that issue. They couldn't even tell me a date for it.

What's amazing about this is, as we all started with higher prices for gas, supply chain issues, shortage of personnel and staff and so forth, the credit card industry and these fees have not been subjected to those costs. They have not been affected, but their profit margins are enormous on that, and they've even enjoyed government largesse through Mastercard, for example, getting a \$50-million government grant to do security things that they could have done.

I guess what I'm getting at is that you'd think there would be a serious look at this, whether there was another product out there similar to credit unions getting into credit cards and lowering their interest rates, giving consumers a second choice.

Do you think that small and medium-sized businesses might look for a product that's a little bit better regulated?

Ms. Anne Kothawala: They well might. I'd obviously need to talk to my members. Like I said, it's certainly an idea that would be worth exploring.

Mr. Brian Masse: I'll go to Mr. Iacobucci.

With your background, what's your perspective on competition in the banking sector and products like that? I'm really interested in what you feel about that. I find that our financial regulation industry has not been sufficient to deal with the competition or lack thereof. That the same as collusion—just don't have competition.

That's just my perspective but, please, yours would be appreciated.

Mr. Edward Iacobucci: Yes, I have a bunch of thoughts.

It's very difficult for me to feel confident about saying whether there is vigorous competition in the market, soft competition, collusion or something else going, so I am not going to comment on any particular industry, including the banking industry.

I do think there is a kind of modesty to competition law. I've been describing this already, but here is another way there is a kind of modesty to it.

Some markets are not going to be able to support many players. Let's suppose there are scale economies or regulatory barriers to entry, which may well be relating to financial services. There may be circumstances where there aren't a lot of players in a particular market. If that's true, then it's unsurprising that the firms take each other's conduct into account. They say things like, "If I'm really aggressive on price, what's my rival going to do? They will probably be aggressive on price back, and there is a small number of us, so why don't we just carry on quietly and not be that aggressive?"

That, I think, is a very real concern in oligopoly situations. It's something that competition law actually does not do a very good job of addressing.

Competition law looks for specific kinds of practices that exclude competition, but it doesn't look to the exploitation of what commerce would call market power. If you end up being in a posi-

tion where you're somewhat insulated from competition because there aren't that many firms, you can charge a price that's a little higher than your costs. Competition law is not price regulation. Competition law tends to steer away from that.

I think if you find yourself in a position like that and there is an industry of public concern, competition law is probably not going to supply the right kinds of answers. It's not institutionally equipped to do things like price regulation. There may be other kinds of institutions that are better equipped or maybe these other institutions could be created.

I think the modesty that I am calling for in this one little space—competition law—need not extend to the law more generally. I think there are hard questions to be asked and answered, but my point is really just an institutional policy instrument choice.

Mr. Brian Masse: Thank you very much.

Thank you, Mr. Chair. I know I'm out of time.

The Chair: Thank you very much.

We'll move to Mr. Williams for five minutes.

Mr. Ryan Williams (Bay of Quinte, CPC): Thank you very much, Mr. Chair.

I'm loving the discussion today. I'm going to jump right into it.

Mr. Iacobucci, we talked about Canada's competition laws and we're going to talk about the example of credit card fees. It seems the EU took on the credit card companies. It enacted legislation that allowed those credit card fees to be capped at 0.3% and 0.5%, including swipe cards.

Is Canada's competition law coming from our government able to enact the same kind of legislation to cap those fees here?

● (1630)

Mr. Edward Iacobucci: I think that's not a natural for competition law. Competition law doesn't regulate prices. Other kinds of laws, regulation and institutions look to price caps and the like. That's the first point.

The second point is what I said earlier to Mr. Masse. I have no expertise on whether the price-cost relationship is out of whack in the credit card companies. That's not something I would speak to.

The third—

Mr. Ryan Williams: Just to go deeper into that, the European Union talked about antitrust laws. Would antitrust and competition laws be separate?

Mr. Edward Iacobucci: No. I was going to get to that as my third point. Those are the same thing.

Their approach to competition or antitrust—which are usually used synonymously—is much more aggressive on a variety of fronts. That is not, I think, a good path for Canada to follow.

Let me just give one example. It may well relate to what you're talking about. In Europe, a high price in and of itself is potentially understood to be abusive of a dominant position. That's not true in Canada. A high price in and of itself is not treated as an abuse of dominance.

The reason we don't treat it as an abuse of dominance in Canada is not that we like high prices, but that it's really difficult for competition authorities to know what the optimal price should be. At the limit, we're going to have competition authorities trying to set prices in a range of markets where there might be some market power. That's a difficult enterprise for an institution that's not that well equipped to address it.

What we've done historically—and I think it's the right approach—is if there are sectors where we think there ought to be price regulation, then we regulate prices. Energy production is a historical example. However, we don't do it in an across-the-board manner. Europe does and I think it's questionable. It would not be something I would recommend for Canada because I just don't think the institutions are well suited for it.

Mr. Ryan Williams: There are a lot of lawsuits from that. It seems when you're talking about competition law you are protecting the rights of consumers because they benefit the most from competition. It would seem that might be a way to look at it, but it will be up to further conversation.

Thank you very much. I'll move on to Mr. Bonen.

Right now you talked about some stats. Do you know right now roughly what the participation rate in Canada is, how many workers who can work are working? We know that you've talked about how between 25 and 54 it was almost at capacity or maximum. Is that right?

Dr. Tony Bonen: Yes, for core-age workers, which is 25 to 54-year-olds, the ratio of people employed to population of that age group is roughly around 82%, which is about the highest we've ever seen.

Mr. Ryan Williams: Okay. Do you know approximately how many people are still on employment assistance in Canada at this point? Are you getting that data from the government?

Dr. Tony Bonen: It's accessible to us. I haven't looked at it closely, but like I said before, there are about one and a half unemployed people for every job vacancy right now.

Mr. Ryan Williams: When you talked about gaps in data, can you make recommendations? I might ask you to submit them in writing. What data gaps are you seeing from Statistics Canada, from the government, and what recommendations would you make to change that?

Dr. Tony Bonen: There are a number that we would identify. One we're working on with them and ESDC is information on the demand for bilingual workers, especially outside of Quebec. We're thinking about the francophone populations in official language minority communities and how we can leverage potentially online job postings or maybe update some of the job vacancy surveys to capture that information, but there are a number of others.

Mr. Ryan Williams: Thank you very much.

My last question is for Mr. Lee. If I don't have time to get these from you, can you please submit them in writing to us afterwards?

What is your industry worth, so GDP and number of jobs? How many skilled positions are Canadian home builders short, and what are those positions exactly?

Mr. Kevin Lee: The industry is worth about \$180 billion. We're about 1.2 million jobs direct and indirect. About half of those are directly on site. About 22% of those are set to retire. In terms of what we're missing and the gap, it's across the board. It's a demographic issue as much as anything, so pretty much every age category is aging out and we need more young people coming into the system.

Did that capture all of them?

• (1635)

Mr. Ryan Williams: That's pretty good. Thank you very much, sir.

Thank you, Mr. Chair.

The Chair: Thank you, Mr. Lee and Mr. Williams.

We'll move to Nathaniel Erskine-Smith for five minutes.

Mr. Nathaniel Erskine-Smith (Beaches—East York, Lib.): Thanks very much. I'm going to try to share a bit of time with Iqwinder, so we'll see how it goes.

I want to start with Mr. Iacobucci.

This Friday we are going to hear from some experts in relation to the BIA amendments as they relate to Competition Act reform. I wonder if you have any thoughts on those amendments and the process today.

Mr. Edward Iacobucci: I do. To be concise I think I would put it this way. I think some of the changes directionally make sense. I think some of the changes I was quite surprised by. I'll give you one example. I was surprised by the AMPs, the maximum AMPs, for an abuse of dominance going up to quite high levels in a way that surprised me.

There's lots and I find it hard to answer that without getting into the weeds.

Mr. Nathaniel Erskine-Smith: In the interest of time it would make sense, given your expertise in this space, and I know you were involved with not only C.D. Howe but with the senators' consultation process, as well, if you could share in writing some thoughts that you have on the proposal. It would be appreciated.

You mentioned competition law a lot, in terms of that competition law can't do everything. Of course, it can't do everything. Competition policy is different from competition law, of course. You see President Biden have a competition policy be an executive order. It doesn't just touch on competition law.

If I think of the telecommunications sector, for example, here in Canada we would have the MVNO policy, which is about competition, but competition law doesn't inform it per se, whereas right now we have Rogers and Shaw merging or potentially merging and that is competition law, specifically.

One challenge to competition law in respect to that merger is the efficiencies defence. My understanding is that you've been a bit more of a defender of that defence as far as it goes, but it strikes me that, if the Rogers and Shaw merger is approved on the basis of the efficiencies defence, that efficiencies defence should die a fairly speedy death.

Walk me through why you think it's a good idea to have this defence and why it's sustainable today.

Mr. Edward Iacobucci: I'm not going to comment on Rogers-Shaw at all, but I'll speak about the efficiencies defence in the abstract.

My view of it is that there's an economic basis for the Competition Act. It is attempting to grow the size of the pie for Canadians. It's not concerned, and this is what I've said in different ways at different times already today, as much about the distribution of that pie. The concern about the efficiencies defence, which it sounds like you're quite familiar with, is that maybe you'll grow the size of the pie, but in terms of distribution it looks unattractive because maybe jobs—

Mr. Nathaniel Erskine-Smith: No. Pause. That's not my challenge to the efficiencies defence.

My challenge is with the prospect of economies of scale and the prospect that you'll see efficiencies that will not only increase profits but also potentially reduce prices, because you're producing those efficiencies. What we've seen in practice.... This is what I have in front of me. John Kwoka, a competition policy expert, analyzed over 3,000 mergers and found that in mergers that led to six or fewer significant competitors, prices rose in nearly 95% of cases.

It strikes me that, in a country of oligopolies like Canada, we have to be especially concerned about further consolidation and that the efficiencies ultimately don't, in practice, translate to lower costs for consumers.

Mr. Edward Iacobucci: There are two things. Ours is also a medium-sized country where scale economies are going to be more difficult to come by in domestic markets, so that's a consideration.

The other consideration is that I think those big studies are the wrong studies to look at when it comes to evaluating the efficiencies defence. I have some problems with the way the law has been interpreted. I won't get into those, but I would say that the right question is this: When efficiencies have been proven in a tribunal proceeding or to the satisfaction of the Competition Bureau, are they realized?

That's separate from these broad-scope studies that look at the efficiencies, where they haven't gone through any kind of legal vetting. It's an announcement by a firm saying that one of the reasons they're merging is that they think they'll realize efficiencies, and somebody *ex post facto* says, "No, you didn't."

This is a very narrow subset where you're putting their feet to the fire. I think the law could be clearer that it's up to the firms to prove that the efficiencies are likely to come about. That would be a different sample, I think, from the sample that you're quoting—

Mr. Nathaniel Erskine-Smith: How do you square that with someone like Professor Larkin, who came before our committee

and said that Canada is increasingly seeing consolidation? We're seeing fewer IPOs and we're increasingly seeing mergers. With that consolidation, the broad effects mean higher prices, worse innovation and less burden in terms of research and development and business expenditure.

In the broad context of Canada's economy, isn't that kind of consolidation something we should want to avoid?

• (1640)

Mr. Edward Iacobucci: Again, there are two things. First, I want to know those studies. I want to get into the weeds of those studies, because they often rely on things like industry codes, which are not the same thing as markets. I'm not denying it, but I'm not sure. From what I've seen, I think there are competing views on that. That's point A.

Point B, if we're thinking about competition law, I take your point. There are lots of ways in which we can influence competition outside of competition law. However, if we're looking at competition law's impact, I think that, even if there were a trend toward more concentration, I'd want to interrogate whether or not competition law and its enforcement had anything to do with that.

I worry sometimes that people go down a chain of reasoning too quickly from, first of all, there are increasing concentration and profit margins, to this is the result of a failure of competition law enforcement. I think both of those steps are contestable. I'm not saying they're not there, but they're contestable.

The Chair: Thank you very much, Professor Iacobucci.

We'll move to Mr. Lemire.

[Translation]

You have two and a half minutes.

Mr. Sébastien Lemire: Thank you, Mr. Chair.

I was in Alma, in the Lac-Saint-Jean region, yesterday. My fellow members Mr. Mario Simard and Mr. Alexis Brunelle-Duceppe were hosting a major gathering on the labour shortage. The participants in my panel included civil society representatives, elected officials and farmers.

Everyone was focused on what to do about the regional labour shortage. It's a challenge particular unto itself. In many cases, support programs are not suited to the realities in regions. Obviously, the issue of temporary foreign workers in the farming sector was discussed, as was the need for flexibility.

Another challenge that came up had to do with experienced workers. How do we bring young retirees back into the workforce? These are people who already have the knowledge certain sectors need.

Mr. Lee, you said earlier that you expected 22% of the workforce to retire in the next 10 years.

Couldn't we introduce tax or other incentives to encourage those workers to return to the workforce, incentives they don't currently have?

Having access to that pool of workers would help the construction industry, for example, alleviate the labour shortage it is facing. Don't you think so?

[*English*]

Mr. Kevin Lee: I believe we're going to have to have all kinds of solutions. We're going to need to have workers who can move around, for sure. I think in most cases, we end up with people wanting to stay in places permanently though, and that's an important part of the process.

We need harmonization of skilled trade credentials, so that you can move throughout the country. We saw that as a problem at various times when we had low employment rates in Atlantic Canada, but a real need in Alberta during the boom, and in every area. Not being able to move around the country was really important.

The ability to assess not only the current situation, but future situations in terms of the labour market information is really important. We were talking about it a bit before we started. Statistics Canada is very good at measuring what's currently going on, but less good at looking at the future. That takes a regional perspective, talking to industry participants, predicting what will come and what is seen as needs, and putting all of that together to talk about labour market information that's a little bit more predictive and looks down the road.

[*Translation*]

The Chair: Thank you, Mr. Lemire and Mr. Lee.

We now go to Mr. Masse for two and a half minutes.

[*English*]

Mr. Brian Masse: Thank you, Mr. Chair.

With apologies to my committee colleagues, I'll ask another border question.

This is for you, Ms. Hamm, with regard to the challenges you're facing.

Can you provide a little more detail about what's taking place? Even before COVID-19, there were ongoing issues with the border. Trying to get a safe border task force going was an idea of the Canada-U.S. border alliance and others. Can you highlight what's happening at the border, with respect to you and your members?

Mrs. Eleonore Hamm: Sure. In the RV industry, our dealers, obviously, sell RVs, which are primarily manufactured in the United States. There need to be more Canadian manufacturers, but unfortunately, most of the manufacturing has moved to the U.S. I think 96% or 97% of the product sold in Canada is manufactured primarily in Indiana.

It's a huge issue, right now, because there are no drivers. Most of the drivers bringing product into Canada.... If they're Canadian drivers, they tend to be vaccinated, but these tend to be one truck bringing one RV. The multi-drivers, who have flatbeds with several units, tend to be from the U.S. side. Indiana has a very high popula-

tion of Amish people and, for reasons, they currently choose not to get vaccinated. That's been an issue.

Just trying to find people to bring product, even before COVID-19.... We just had a board meeting where I asked about 10 of our board members.... Ten dealers have 450 units sitting in fields in Indiana, right now, which they cannot get delivered into Canada. That's only 10 of them. We have about 400 dealers across the country, so you can imagine. These units have been built. They're sitting in fields and they've been invoiced. The dealers are spending.... They're already being charged interest on them.

Unfortunately, because the season is short, people want their units now. If, when September comes, the units are still sitting in the U.S., it's going to be detrimental to the industry.

• (1645)

Mr. Brian Masse: Hopefully, part of the solution can be a domestic manufacturing policy, because those microtrailers are taking off like there's no tomorrow. The innovation is incredible.

Thank you to the witness.

Thank you, Mr. Chair.

[*Translation*]

The Chair: Thank you.

We now go to Mr. Deltell for five minutes.

Mr. Gérard Deltell (Louis-Saint-Laurent, CPC): Thank you, Mr. Chair.

Good afternoon, ladies and gentlemen, and welcome to your House of Commons.

I want to discuss the labour issue with Mr. Lee first.

You talked about provincial harmonization, which, of course, leads to labour mobility, where workers can move from one province to another. The national building code is paramount to your industry, housing construction, and each province has its own responsibilities in that area. That means that, on top of interprovincial barriers to the flow of goods and worker mobility, you have to deal with different rules at the provincial level.

What do you recommend to make it easier for workers to move between provinces and to harmonize the various codes?

[*English*]

Mr. Kevin Lee: I think, with respect to the....

[*Translation*]

Thank you for your question.

[English]

The building code is headed in a decent direction right now, with different provinces looking to harmonize around the national building code. There are more efforts in that direction.

Honestly, I think the bigger problem, right now, in terms of code harmonization—because the provinces are headed in the right direction—is municipalities doing what we call “code by other means”, trying to implement things that are actually building code measures through local requirements. That becomes very difficult to handle. It's very difficult to work in different municipalities. Frankly, it can become dangerous, as well, because municipalities aren't well set up to look at all the unintended consequences of doing one thing.

I'll give you an example. In Alberta, right now, we have issues around something that was done for fire safety, which resulted in moisture in attics and moisture coming through ceilings. I won't go into the details, but that's what happens when you're not going through a proper code process.

To your question about how to harmonize to make it easier, the provinces are headed in the right direction. I think we need municipalities to follow provincial building codes that are, in turn, based on the national building code. That will help a lot in terms of productivity and standardization.

It's the same with products and materials. Some provinces have different requirements for different products—different standards. That's a big problem if you're a manufacturer in Canada. For example, we have some great window manufacturers that have to manufacture to different standards depending on what province they're going to. At the same time, if a window is staying within a province, it doesn't have to adhere to the Energy Efficiency Act. We could definitely clean all of that up. That would make for much better productivity.

Mr. Gérard Deltell: Thank you so much, Mr. Lee. My conclusion from your comments is that I will not say that it will be a never-ending problem, but it looks like that.

Mr. Kevin Lee: I will say that I think we're headed in the right direction. There is a lot of talk around harmonization. It is not easy, especially when building codes are the jurisdiction of the provinces.

For everybody to now be looking to really truly lever the national building code is a step in the right direction. What we don't need is a bunch of differentiators now at the municipal level.

Mr. Gérard Deltell: Thank you for your observations, Mr. Lee. I hope municipalities and provinces listen to us today.

I would like to address another issue with Madame Hamm from the RV industry.

Madame Hamm, we all know that your industry was very affected by the pandemic—the first to get out and the last to get in. Now things are going better, but RVs move by gas and now we see gas prices rising very high. How do you think it will affect your industry?

• (1650)

Mrs. Eleonore Hamm: Thank you very much for the question. We do get asked that a lot.

There are a few different things. I think we've seen previously that people are concerned, obviously, about gas consumption and gas prices. Generally what happens when the prices rise is that the consumer utilizes their RV in a different manner. They tend to take shorter trips. They stay closer to home. They don't go quite as far. Campgrounds are getting full this summer. We anticipate that people will be utilizing their vehicles. You do have to keep in mind that when the price of gas rises, it affects every type of travel. RV vacations are still very affordable.

We are, as an industry, starting to look at electric vehicles. Obviously, most of the industry is towable, but for motorized, some of the large manufacturers actually do have some electric vehicles out on the market now. It's slow going, and it's a little bit behind the auto industry, but we hope that within the next 10 years we'll be seeing more of that and the industry will grow and expand in different ways and be less dependent on gas.

[Translation]

The Chair: Thank you, Ms. Hamm and Mr. Deltell.

We now go to Mr. Gaheer for five minutes.

[English]

Mr. Iqwinder Gaheer (Mississauga—Malton, Lib.): Great. Thank you, Chair.

Thank you to the witnesses for making time.

Dean Iacobucci, it's a pleasure to see you. We actually met before, at the 2016 admitted students weekend at Victoria College. I do apologize, because I did end up going somewhere else.

For my first question, I'd like to very humbly push back against the premise of your statement. You said that the purpose of antitrust law is to protect “competition”, not to protect individual competitors. Couldn't one rhetorically argue that one of the best ways to protect competition is to protect individual competitors, and that one of the best ways to avoid the adverse effects of competition—price-fixing or the limitation or control of production, share markets or sources of supply applying to similar conditions and to equivalent transactions—would be to protect individual competitors?

Mr. Edward Iacobucci: First of all, I'm sorry about your decision about law school. I hope it had nothing to do with our encounter.

Thank you for your question.

I think at times they can be quite consistent—that is, that protecting a competitor from certain practices helps promote competition. The danger, though, is that you start protecting competitors from what is in fact vigorous competition. I should be clear that this line is not always super easy to draw. There's contestation over a practice that some people argue is competition on the merits and other people argue is just a way to exclude or prey on a competitor. I'm not saying the line is easily drawn, but I think the concepts are actually reasonably clear.

Competition on the merits—a better product, a lower price—can be really hard on a competitor. If your product isn't as good or if your costs are higher and you have to charge a higher price, then that better product and those lower prices are bad for you. This is what I mean by saying that competition law is not concerned about the competitor, *per se*. That is, if that competitor is just not able to compete on price or quality, that's not the kind of competitor that's going to thrive in this market. That is actually just a manifestation of competition. Competition can be quite harmful to competitors. That's the whole idea. They're all trying to outdo one another, so that can cause harm to one another.

That's the distinction. Competition policy is trying to protect the competitive process. It's trying to protect competition. That will, in some circumstances, limit certain practices that harm competitors, but it will allow and indeed promote and encourage other kinds of practices that may harm competitors but are vigorous competition on the merits.

Mr. Iqwinder Gaheer: Thank you for that explanation. I can think back to law school where all the professors would say that most of the law is a line drawing exercise.

Mr. Edward Iacobucci: It is. There is judgment at the margins, for sure.

Mr. Iqwinder Gaheer: You said that there are other legal tools that can protect SMEs, for example, tax law.

Can you expand on the tax law point? What are the other legal tools?

• (1655)

Mr. Edward Iacobucci: I'm not an expert on tax law. It's one of those things that.... Even as we heard today, for competition policy it's certainly true. This would also be true in other contexts. The particular industry might have certain needs that could be attended to. There are certain practices that would have cross-market effects, like tax law. The other practice is things like improving infrastructure in national parks, which might have other impacts on SMEs in the RV business.

It's a very broad range of things that you can imagine affecting the financial health of small and medium-sized enterprises. Labour laws are going to affect it. Health and safety regulations and the quantity of regulation generally are going to affect it, as are conditions at the border and all kinds of things.

I think that there is a wide range of tools that are available to think about promoting the health of SMEs and other aspects of our markets.

Mr. Iqwinder Gaheer: Thank you, Dean. It's always a pleasure.

[*Translation*]

The Chair: Thank you.

Go ahead, Mr. Généreux. You have five minutes.

Mr. Bernard Généreux (Montmagny—L'Islet—Kamouraska—Rivière-du-Loup, CPC): Thank you, Mr. Chair.

I'd like to thank all the witnesses. The discussion has been very informative.

Mr. Iacobucci, why exactly do you not want to talk about the Rogers–Shaw deal?

[*English*]

Mr. Edward Iacobucci: No. As I said earlier about the banking question and even to Mr. Erskine-Smith, I think it's very difficult, unless you're immersed in a particular case, to comment on it. I steer clear because these are very fact-driven exercises, and should be. I'm steering well clear.

Mr. Bernard Généreux: Okay. That's fine.

[*Translation*]

You talked about other tools the government might have related to the Competition Act. If you were suddenly to become the industry minister and it was your job to amend the act, what would be the first changes you would make? What tools would you use to improve the current situation?

[*English*]

Mr. Edward Iacobucci: Is that to improve the situation for SMEs in particular? This is probably outside my very narrow areas of expertise. What I would think would be the easiest priority but probably harder to discover in practice is looking at the kinds of obstacles to the health of SMEs that have other problems with them.

If there is—and it's an if—overregulation of certain elements of the housing market, if approvals are too difficult for small contractors to make inroads, those are the kinds of things that probably make sense in their own right but will also promote the health of SMEs.

Discovering those sorts of things would be the ideal, but that's easy to say and it's probably harder to cover things that don't serve a useful purpose and are easily changed.

[*Translation*]

Mr. Bernard Généreux: Thank you.

Ms. Kothawala, you said that credit card fees in Australia and England, I believe, were between 0.3% and 0.5%, but that in Canada, they ranged from 1% to 4%. Do you know whether the governments in those countries brought in legislation to cap the rates, as opposed to introducing a code of conduct, for example?

I would note that, in Canada, back when Mr. Flaherty was minister, he introduced a voluntary code of conduct.

[English]

Ms. Anne Kothawala: It's a very good question. We do work with the associations that represent convenience store retailers in both Australia and the U.K., because we're obviously very interested to see how their experiment has gone. They are starting to run into problems similar to ours. This is why we're saying that, in our view, it's not enough to just cap the fees. Again, the banks, the processors and all the members of the payment ecosystem will find another way to make up the difference. All of a sudden, there is a hidden fee or some new fee. That eventually gets passed on the retailer to deal with. I think the question is good, and it does flag the fact that we can't look at just solely capping fees.

• (1700)

[Translation]

Mr. Bernard Généreux: At this time, you don't know whether Australia's or Britain's Parliament passed legislation to cap the rates.

Ms. Anne Kothawala: I'm not entirely sure.

Mr. Bernard Généreux: All right.

If we start playing that game, other sectors could come calling on the government to cap various fees. Could that help or potentially hurt other types of industries, as well as your own?

[English]

Ms. Anne Kothawala: Again, I think the fundamental issue is that our industry is very impacted and, as I said, disproportionately impacted by these high credit card fees. Again, I think we need to be creative. As industries, as government, we need to work together, and we need to find ultimately a solution that will be helpful to industries like ours, for us to be able to remain competitive. I just pick up on some of the other questions around the impact of the price of gas and the impact on the RV industry. Again, these things are very much interconnected.

The point that I tried to make in my presentation is that when convenience stores can't compete...and because those convenience stores are often in those rural communities, if you're going on a road trip with your family, it's going to become problematic if there's no convenience store or gas station to stop at.

Mr. Bernard Généreux: It's already the case in lots of municipalities. It's the small ones in the regions.

Ms. Anne Kothawala: Exactly.

[Translation]

Mr. Bernard Généreux: That's the case all over Quebec, especially in the regions.

Would you mind providing the committee with your research on other countries that have passed similar legislation? It could inform

our discussion and perhaps change how we view this important legislation.

[English]

It's a piece of legislation that we could eventually implement, or government could implement as well.

[Translation]

Ms. Anne Kothawala: Absolutely. I would be happy to share all the information we have.

Mr. Bernard Généreux: Thank you.

Do I have any time left, Mr. Chair?

The Chair: You still have some time. You can ask one last question.

Mr. Bernard Généreux: I have a question for Mr. Lee.

We talked about housing affordability. You said the government planned to build 3.5 million homes for Canadians. You didn't talk about

[English]

social housing. Is there a difference, for you? Do you see that as different, or is housing any kind of housing?

Mr. Kevin Lee: We need both, and we need more of both. Social housing, though, requires different solutions than housing affordability.

Housing affordability is really about whether Canadians can afford to buy a house that they want to live in. Can they afford to rent without any kind of subsidy? When we look at what's happened to house prices across the country and housing affordability in general over the past decade, we see it's gotten worse and worse.

One of the biggest drivers is supply. Development taxes are another huge one, but a the 3.5 million target is really about helping to get demand and supply in balance. That also helps avoid more and more people needing social housing, because if you don't fix housing affordability, you have more and more people lining up all the time.

We can't build our way out of the social housing dilemma. We have to fix housing affordability at the same time, and then we also have to find the best ways to support people who are in core housing need and need some sort of government assistance, not-for-profit assistance, to help them get the housing they need. Hopefully, one day, they'll also get to a better place over time where they don't need that. There's an affordable place to move into, to rent, or there's a rent-to-buy program or something like that that can help them move up and out. Even shared appreciation mortgages from not-for-profit organizations have been a great way of helping people who are stuck in social housing. Once they have a more steady income, they can get into home ownership.

[Translation]

Mr. Bernard Généreux: Thank you.

The Chair: Thank you, Mr. Généreux and Mr. Lee.

Go ahead, Mr. Erskine-Smith. You have five minutes.

[English]

Mr. Nathaniel Erskine-Smith: Thanks very much.

Mr. Iacobucci, I'm sure you're tired of talking about the efficiencies defence.

I want to turn to Tervita, because you indicated you had some concerns about the interpretation. We've had some evidence before this committee that the court unnecessarily emphasized a quantitative approach versus a qualitative approach, and there's the street-light effect that suggests that it may not be the best approach.

Is that a concern you share?

• (1705)

Mr. Edward Iacobucci: I completely share it.

When you look at Tervita itself and the outcome in that case, where there was a merger with a proven price increase, there was a predictable price increase with negligible efficiencies, yet somehow it succeeded on the efficiencies defence as a result of this requirement. The bureau didn't quantify quantifiable evidence.

I'm not sure what "quantifiable" means, for one thing. Everything is quantifiable, in theory. That's a problem. It puts this unnecessary enforcement burden on the bureau. I completely agree with them about that. If they have shown there's a substantial lessening of competition, I think the onus should shift to the parties to prove that they realize efficiencies that would offset those anticompetitive effects. I agree with those expressing concerns about Tervita.

Mr. Nathaniel Erskine-Smith: You mentioned that we should examine each of these deals closely to see whether the efficiencies in actual fact did overcome the substantial lessening of competition. One unfortunate thing with Canada though, as far as I understand from speaking to lawyers in the space, is that their best advice to clients is to hold off on doing anything for a year. After a year, the bureau can't review the merger. Play nice for a year. The FTC can review six or eight years later.

Shouldn't we as policy-makers, if we want to get it right, make sure we get it right and say, "If this merger is actually problematic for competition, we'll make sure the bureau has the tools to undo it"?

Mr. Edward Iacobucci: I think there will always be a bias to *ex ante* review rather than to *ex post* examination. I think that's for good reason, which is that the costs *ex post* of breaking something up are pretty significant, whereas the costs of stopping something from happening are going to be much lower.

That said, I personally would be open to more kinds of *ex post* review. I'll give you an example of a really thorny kind of problem. It sounds as though you've been looking at these a lot. There is the nascent competitor problem, when you have the acquisition of a small competitor. One of the things that I like about the changes in the BIA—I'm not sure about that process, but I will say—is the idea that there could be an abuse that's good for a competitor but harmful to the competition. That can now be covered by abuse of dominance. I think something like serial acquisitions of nascent competitors might be something that we have to look at *ex post*, and I would look at it as an abuse. We've done that before in Laidlaw, and then case law kind of made that impossible, but that's an example.

I'm sorry. That's a long-winded answer, but yes.

Mr. Nathaniel Erskine-Smith: No, it's a good one though.

In a different context and at the intersection of privacy, data and competition, we saw the acquisition of, say, Instagram by Facebook. Facebook was privy to data that other competitors that could have potentially acquired Instagram did not have. There are challenges, from a competition perspective, to that kind of acquisition as well with nascent competitors.

When you talk about oligopolies and the need in some cases for consolidation in a country like Canada, depending upon the space—airlines are an example, potentially—when we look at other jurisdictions, we aren't alone in this challenge. We have evidence that Amazon is increasing the fees they're charging to small businesses on their platform. That's a problem. It's a problem of the dominance of the platform.

Similarly though in Canada we have grocery stores that are squeezing their suppliers. Other countries like the U.K., for example, impose codes of conduct. If competition law isn't going to be the answer, they find a different answer. In an oligopoly setting where we can't encourage greater competition by way of the law, do you think a codes of practice or a code of conduct is a ready solution?

Mr. Edward Iacobucci: I'm skeptical, but I'm not saying no.

There are two kinds of skepticism. One—and this goes back to something Mr. Masse said—is that voluntary codes of conduct may not have the force that you might want them to have.

Mr. Nathaniel Erskine-Smith: I don't mean voluntary.

Mr. Edward Iacobucci: Okay, so these are imposed. These would be imposed on them and enforced.

Mr. Nathaniel Erskine-Smith: Yes, because you said the bureau may not be the best place to talk about excessive pricing, but there may be a regulator that is enforcing a code of conduct that would have greater insight into that particular sector. Then they could talk about excessive pricing in a more serious way.

Mr. Edward Iacobucci: Fair enough. I have two hesitations. I'll get to my second one, which is that it's really hard to do it well. It's just really hard to do it well, but I wouldn't rule it out.

Again, think about the old utility model of energy generation, trying to figure out a fair rate of return regulation and what prices should be set for kilowatt-hours. This is not a straightforward exercise. For the government to take on doing this in more and more sectors where we see an absence of competition, it is going to be challenging. I'll just say that.

As always, will you do more good than harm? That, I think, would be a very open question. To me, it's the right question. Let's not have these competition law institutions trying to do something they weren't built for.

• (1710)

Mr. Nathaniel Erskine-Smith: Thanks very much.

The Chair: Thank you very much.

[*Translation*]

Over to you, Mr. Lemire, for two and a half minutes.

Mr. Sébastien Lemire: Thank you, Mr. Chair.

Mr. Lee, in December, I attended a meeting in Washington having to do with issues related to the Build Back Better Act.

The American bill would have a wide range of repercussions on trade between Canada and the United States. The construction of electric vehicles and the softwood lumber dispute are two areas that would be affected.

I know that the National Association of Home Builders is an ally of Canadians. Are you working with your American counterparts to find solutions?

Can we expect that the battle will eventually be won?

Mr. Kevin Lee: Thank you. It's a tough question because there isn't really a good answer, in my view.

[*English*]

I mean, the softwood lumber dispute has been going on for 30 years. It's the same deal every time. The international tribunals always agree that Canada is in the right. The American lumber lobby is superpowerful and convinces the government to uphold and delay. It's a ridiculous situation. Yes, we work closely with our American colleagues and the home builders who are adamantly opposed to the tariffs.

I wish I could tell you I saw a future where that wasn't going to happen. It's something that both governments should really be working on.

I think the Canadian governments, of all stripes, have worked very hard over the years to try to come to terms with it, but it never goes away. I don't know how it ever will, but hopefully this current one will get settled soon.

[*Translation*]

Mr. Sébastien Lemire: As I see it, producing wood products that fall outside the World Trade Organization framework is one possible solution. That could benefit members of your association. Say the federal government were to invest in small mills based in forestry regions, which would obviously have kilns on site to manufacture two-by-fours and other equipment used to build homes and infrastructure.

Might that help bring down the price of materials and, by extension, help your membership overcome supply issues?

[*English*]

Mr. Kevin Lee: It's such a tricky situation. I think those types of ideas and looking at different alternatives are important.

Canada has a tremendous lumber resource, and there's more we can do. There are more structural elements that can be made with wood, and we're starting to go there. We were going to go there in faster fashion before lumber prices went up. Now it becomes questionable as to whether they can even be class-competitive with some of the more basic materials they would compete with, like steel.

I think some out-of-the-box thinking in that industry to support Canadian lumber—and the entire industry that could be wrapped around that—would be very beneficial.

[*Translation*]

Mr. Sébastien Lemire: Thank you.

The Chair: Thank you.

We now go to Mr. Masse for two and a half minutes.

[*English*]

Mr. Brian Masse: Thank you, Mr. Chair.

Mr. Iacobucci, I'm sorry if this is redundant. I got dumped off the system and just got back on in time here.

In talking about voluntary agreements versus mandatory agreements and so forth, on the right-to-repair issue, the automotive aftermarket, right now we have a CASIS agreement, which is voluntary. The new EV vehicle entrants are not actually prescribing to it right now.

Do you have any suggestions on how to deal with that and whether or not enforcement should be the policy? It shows the weakness, because for vehicle repairs, Tesla, for example is opting out, whereas other OEMs are opting in. It becomes a complication.

Mr. Edward Iacobucci: I'm sorry. I don't think I can say anything knowledgeable or insightful about that, other than it is problematic when regulation applies to one part of the market and not another. That is not something that promotes healthy competition if one has an advantage over the others because they just ignore or otherwise are regulated differently.

Mr. Brian Masse: Could that be used, then, as a competitive advantage by those opting out? I think that's maybe why you saw some of the increase in the AMPs, perhaps as the response.

Can companies use that as a wedge for dominance in the market if they opt out of these practices?

• (1715)

Mr. Edward Iacobucci: I don't know if there'd be enough to give them a sufficient advantage to establish dominance. I don't know nearly enough about the particulars.

However, there is something problematic when some players bear a cost that others don't and that's the result of either faulty regulation or people ignoring regulation. I can't speak to the particulars, but I share your instinct that there's a relationship with competition there.

Mr. Brian Masse: Thank you very much.

Thank you, Mr. Chair.

The Chair: Thank you.

We'll move to Mr. Kram for five minutes.

Mr. Michael Kram (Regina—Wascana, CPC): Thank you very much, Mr. Chair.

Thank you to all the witnesses for joining us today.

Mr. Lee, from the Home Builders' Association, you identified municipalities as the number one challenge facing your industry. Could you identify what some of the challenges are that municipalities bring to the building of houses? Are some municipalities more challenging than others?

Mr. Kevin Lee: Yes. Definitely, some municipalities are more challenging than others. There is a lot of process. Accessibility to developable land is a big challenge. Development taxes are another huge challenge.

We've actually done a municipal benchmarking study assessing different cities across the country for all of these different barriers or opportunities and looking at who has best practices that others could follow to help get more supply online. Certainly, when I was talking about the number one challenge when we're talking about getting more supply online, it ends up being that the bottleneck

most of the time is around the municipal processes and getting access to land.

Also, I think, to be fair, too, we have to talk about what the communities of the future are going to look like in terms of intensification. Any kind of development that's building up or in within city limits and neighbourhoods faces a ton of Nimbyism. Making sure that we have smart ways to deal with that, where the community concerns can be heard but also that it doesn't derail or completely stop projects, is really important. That's municipal process as well, but it's also tricky local municipal politics.

Mr. Michael Kram: Okay—understood.

In your opening statement, you also mentioned a drywall duty. I will admit that this is the first I've heard of that one. Could you elaborate on what the drywall duty is and how it is a challenge to your business?

Mr. Kevin Lee: Yes, it applies to western Canada. A certain manufacturer, the main manufacturer in all of western Canada, accused Americans of dumping drywall into Canada five years ago at the time when we were trying to rebuild Fort McMurray and other places. It was a big issue.

At that time, we were at least able to get the tariff reduced quite a bit by looking at the impact not only on the manufacturer but also on the end-users, principally homebuyers and homeowners. That duty lasted for five years. It has just in the past few days been determined by the CBSA that there is a likelihood of continued dumping, so it's going back to the trade tribunal to again assess what the duty should be.

Again, we would say that it seems like a questionable duty, because there's one company that basically has a monopoly in western Canada—speaking of oligopolies and trade competition and all the rest—and it's also at a time when we really can't afford to have even more impacts increasing costs of construction material. We'll be engaged heavily in that.

Mr. Michael Kram: Thank you very much.

I would like to shift gears now and go to Ms. Kothawala from the Convenience Industry Council.

You've mentioned quite a few times now the problem of credit card fees. I haven't quite got my head around where you're coming from. I've heard that other countries, such as Australia and the EU, have capped their fees and that there needs to be a cap on fees, but I also believe I heard you say that it's not enough to just cap the credit card fees because hidden fees and costs will creep up another way.

Are you in favour of the government putting a cap on the credit card fees? What should the government do when it comes to the credit cards?

Ms. Anne Kothawala: We're definitely in favour of cap on fees. We're just saying that now what we have seen as a result of COVID and a number of changes in the system is that simply capping the fees is not sufficient. We actually need to take a look at making sure that we close any loopholes so that other parts of the ecosystem don't then turn around and make up for that cap and charge a fee in some other way.

● (1720)

Mr. Michael Kram: Can you give us a heads-up as to what some of those loopholes may be? Are there any obvious culprits that we should be aware of?

Ms. Anne Kothawala: Again, I'm not the expert, but this information came out of talking to our members and surveying our members to better understand it.

Did the voluntary code of conduct work? They basically said that the voluntary code of conduct somewhat worked, in a sense that the fees were kept at the rate that they were supposed to be at voluntarily; however, the credit card companies and processors found other ways to charge for transactions.

Again, I'm happy to share with the committee afterwards a few of the tangible examples of where we're seeing that creep in terms of hidden fees.

Mr. Michael Kram: If you could provide a written submission of some of those tangible examples, that would be very helpful.

Mr. Chair, I believe I'm out of time, so we'll leave it at that. Thank you.

The Chair: Thank you very much.

Finally, for our last round of questions, we'll have Mr. Fillmore for five minutes.

Mr. Andy Fillmore (Halifax, Lib.): Thanks, Chair.

I'm going to direct my questions to you, Mr. Lee. I see you're an architect and an engineer. I'm a planner and an architect, so I'm sure we'll have a very enjoyable conversation—outside of the committee as well.

There's a housing crisis, so a healthy home-building association and ecosystem is really important right now. You've talked about a number of challenges that you're facing. I wonder if you could tell us the things that are in the purview of the federal government, like the building code and the GST. I'm interested in the GST/HST cost effect that gets passed on to homebuyers.

Are you able to quantify that impact? Let's pause on that one for a minute. Is it a percentage of an average house in Canada? For a new build, what is the GST/HST?

Mr. Kevin Lee: When you look at just the GST/HST component, one of the big issues that we've had for a long time, since its inception, is that there is a new housing rebate, but it gets capped out. Up to \$350,000, you don't have to pay and it goes down from there. Since it was introduced in the 1990s, it was supposed to be indexed as house prices went up. It's never been indexed. Unfortu-

nately, it's sometimes hard to find a house in many cities at \$350,000 or even \$450,000, where you're even going to be eligible for that GST rebate. We've been saying forever that it needs to be indexed.

When you talk about the overall taxation rate on housing, a lot of it comes in at the municipal level. In some cases, especially in the GTA.... Our GTA association did a study and the worst one was Markham, where about 25% of the sale price of a home is government-imposed charges and taxes. If you buy a million-dollar home, \$250,000 of that is tax.

Mr. Andy Fillmore: Okay, so this is something we can work on.

It has been explained to me by the not-for-profit housing sector, and it's for the profit sector as well, that building fees, permit fees and taxes can, in some jurisdictions, be as much as 25% of the cost of the product, which is remarkable. It seems like that's one way the federal government could have an impact.

Is there anything in the building code that would be related to housing affordability? What do you need there?

Mr. Kevin Lee: I think one challenge with the building code right now is that there are a lot of good-intentioned things that are trying to be put into the building code, but every single one of them increases the price of a house.

Right now, we're saying we have this housing affordability crisis, but we also have a climate change crisis, so there's an accelerated push to get to net-zero really fast. That is good, except it's really expensive. We have our net-zero council, and we have the best leaders in the industry working on this solution all across the country.

Our point in all of this is that we really need innovation and we need to do it in such a way.... We need R and D. We can't regulate based on having to get to this point no matter what the cost, especially in new housing where we build 200,000 or ideally 400,000 houses a year, but there are 14 million existing housing units in Canada, many of which are very inefficient. They're very beautiful but very old.

We really need to focus on the existing housing stock and make sure that when we're doing something to the national building code, we do it in a step-fashion. If we say that we want to get to here, but it's going to be really expensive to get there for new homebuyers, let's figure out how we can do it. Put the money into R and D to find the solutions before we regulate something that's going to dramatically increase the cost of home ownership for people.

We're working very hard on that at the association. We're working with the Department of Natural Resources on innovation, but the regulatory marches on.

How do we avoid making home ownership even harder to attain? Let's make sure we don't do things in the code before their time.

• (1725)

Mr. Andy Fillmore: Okay.

Many jurisdictions are now finding that provincial governments are interfering in municipal business to try to accelerate the production of housing. In Nova Scotia, the premier created a special housing commission that is, in effect, discarding municipal plans that have been heavily consulted on with community. This is causing Nimbyism. That's one of the challenges we have faced.

Are the responses to the housing crisis, the appropriateness of where things get built and whether they observe planning rules things your board and your membership discuss?

Mr. Kevin Lee: Yes, all the time. A lot of the time municipal plans are actually in place and fine, and a development is going to start, and then the Nimbyism starts. The development actually complies with the plan, but local politics enter, and as I was saying earlier, for municipal officials it can be hard. You're caught as an elected official. The plan says to build something. Let's say it's supposed to be a 10-storey building. The community finds out, and then they start fighting it. You're in a tough position.

For the leadership from the federal government to say we need 3.5 million homes built over the next decade, that's a really important number. We need to double housing starts. It can't all just be new greenfield developments. Some of it has to be infill, so then you get provincial governments weighing in.

I'll take the opposite view. I think municipalities need help because the local politics are tough, so when the provincial government comes in and says, "We need to do something, and this includes infill," that's an important message as well. At the local level, we need things like as-of-right zoning, where you don't get to go back to city hall to fight it, because once it's zoned for six storeys, the fact that a six-storey building is going in can't be fought. There's no discussion anymore on a main thoroughfare. If a six-storey is

supposed to go in, it's going to go in. As much as we're saying that it's a challenge for us at the municipal level, there's no question that municipal politicians are in a tricky spot too.

I would say that higher levels of government can lend a hand by saying, "These are the targets we need. It involves intensification. I think we all need to work on this together," and help explain to Canadians what new vibrant communities can look like too. There are some wonderful intensification projects that bring new people into a community, new shops, new stores, things that never would have been able to be there if we didn't have more people living there, and of course they bring in the transportation and the public transit at the same time.

Mr. Andy Fillmore: Your response to the housing crisis is infill and intensification in existing communities, not the greenfield stuff. That's the mistake my province is making.

Mr. Kevin Lee: Build smartly, upwards, inwards and outwards. Just get the right balance, and we'll have great communities.

Mr. Andy Fillmore: Thank you.

[*Translation*]

The Chair: Thank you, honourable members.

Thank you to all the witnesses for sharing their insights with us today.

The meeting was very enlightening for the members of the committee.

I am very happy to say that we are ending on time and on budget, which is always a good thing in Ottawa.

Thank you to the witnesses, the honourable members, the analysts, the clerk and the technical support staff.

The meeting is adjourned.

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