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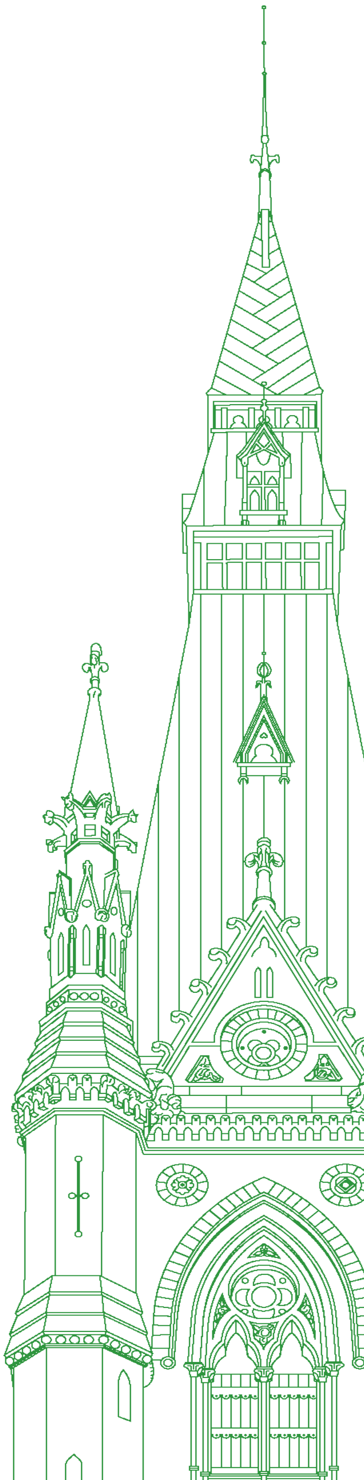

Chair: Mr. Peter Fonseca

Standing Committee on Finance

Tuesday, November 14, 2023

● (0850)

[*English*]

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

Welcome, everybody. This is meeting number 117 of the Standing Committee on Finance. We are meeting on our pre-budget consultations in advance of the 2024 budget.

For everybody's understanding, we have had a record number of submissions to our committee for this pre-budget consultation. Over 850 submissions from coast to coast to coast have come in, which is tremendous.

As you may or may not know, this committee has not travelled over the last five years due to the pandemic and other issues, but we're able now to travel across the country. We started in the Atlantic. We were in every Atlantic province. Yesterday, we were in Quebec City, Quebec, and today we are here in Ontario's capital, Toronto. We will continue to make our way across the country to Vancouver before members head back to their homes.

We have a whole team working with us. We have our clerk, Alexandre Roger. We have analysts, interpreters and technicians, etc., to make this all happen. All of this will be captured and will be part of our report that we will then submit to the House of Commons and to the finance minister. We are looking forward to hearing from you.

We are also a pioneering committee. We have something called an "open mike". Because we've had so many requests to appear before our committee but cannot accommodate everybody at the table, we have an opportunity to allow individuals and organizations to make their deputation, their statement, before our committee. You'll have about a minute, but take your time. We have six people who will be doing this now as an open mike.

We're going to ask that you take your seat at number 17. You will make your statement at that mike. I will ask our clerk to read out the name of the individual or the organization before they make their statement.

We're going to get started now.

The Clerk of the Committee (Mr. Alexandre Roger): We'll call Ms. Elizabeth Brown to come to seat number 17.

Take your time, please.

Ms. Elizabeth Brown (As an Individual): My name is Elizabeth Brown. I am the director of Single Seniors for Tax Fairness.

In our 2024 budget submission, we discussed the unfair taxation of single seniors and the inability for a single senior to transfer RRSP and RRIF assets to a beneficiary of choice without significant taxation.

Marital status is one of the prohibited grounds for discrimination under the Canadian Human Rights Act. We show that single seniors pay proportionately more in income tax than couples with the same combined total income. On $50,000, for example, a single senior will pay five and a half times the taxes of a couple. At other levels of income, they are more likely to exceed the thresholds for the clawbacks of benefits, such as old age security.

One of our supporters was surprised to see her taxes double when her spouse died. Others say the big-ticket items, such as mortgages, rent, property taxes, home and automobile repairs and gas, cost them the same as those of couples.

Please implement recommendation 115 from the finance committee's report, "Responding to the Challenges of our Time", and please implement the recommendations from our current 2024 submission.

Please leave alone the benefits that couples receive and focus on greater equality for single seniors. Show us that Canada's 2.8 million single seniors matter to you.

Thank you.

● (0855)

The Chair: That was excellent.

Thank you, Ms. Brown, for your statement and your testimony.

That has been captured by our analysts.

The Clerk: Thank you, Ms. Brown.

We will go to Jennifer Gerdt, please.

Ms. Jennifer Gerdt (As an Individual): Good morning.

I hope everyone enjoyed their breakfast. If you happen to have a food allergy, your decision of what to eat today would have been a life-or-death decision. With this medical condition, constant vigilance is required to prevent a severe allergic reaction and a trip to the hospital.

My name is Jennifer Gerdt. I'm the executive director of Food Allergy Canada, and I'm here representing the three million Canadians who live with food allergies.

The public and private burden of food allergy is enormous, with three million Canadians, of which 600,000 are children, and 50% of households impacted by this condition. It has an overall economic impact of $1.3 billion, but there is new and emerging research that is charting a path of hope for this community.

Food Allergy Canada has detailed plans to act on this knowledge. You will find them in the Food Allergy Canada national food allergy action plan in front of you.

We've put in a budget submission in 2024 to request $4.5 million in funding to initiate practical evidence-based measures that further food allergy education, improve treatment access, close gaps in ingredient labelling and take steps to prevent food allergies. This will reduce the incidence and the risk associated with food allergy, improve lives and alleviate the societal burden of this condition.

For more details on our written submission, please take a look at what we've submitted. I would be happy to answer any questions.

Thank you.

The Chair: Thank you to Food Allergy Canada for your submission and your testimony.

The Clerk: Thank you.

We will go to Kelly Gorman, please.

Ms. Kelly Gorman (As an Individual): Good morning.

My name is Kelly Gorman, and I'm with the Arthritis Society Canada.

There are six million Canadians living with arthritis today. That's one in five. Arthritis is the most common chronic disease in Canada, and the leading cause of joint replacement surgery.

Arthritis affects all ages. Over half of those living with arthritis are under the age of 65. It is the leading cause of disability and workplace limitations. There is no cure.

In October, we released our report card on the state of arthritis in Canada, and C was the highest grade awarded to a province or territory. Canada has an arthritis problem, and it needs attention.

We believe the federal government has a role to play. Specifically, arthritis research is underfunded. Only four dollars per person with arthritis is invested in research compared to $12 for a comparable chronic disease. We believe in and support the request by Research Canada and Health Charities Coalition to increase the base funding for the granting councils, specifically the Canadian Institutes of Health Research.

Arthritis data is not sufficient. The government should continue to accelerate the development of a pan-Canadian health data strategy, and we urgently need better health data regarding arthritis, which can be collected through StatCan and PHAC.

Thank you.

The Chair: Thank you, Ms. Gorman.

Thank you for your advocacy on arthritis.

The Clerk: Thank you.

We will go to Justine Kintanar from COSTI.

Ms. Justine Kintanar (As an Individual): Good morning.

I'm Justine Kintanar. I'm the associate director of marketing and communications with COSTI. I'm here on behalf of our CEO, Samina Sami.

COSTI commends the federal government's commitment to building an inclusive and prosperous Canada and an immigration strategy that both contributes to a resilient and prosperous country and responds to humanitarian crises. However, we also face challenges such as housing, skills gaps and barriers to opportunities for newcomers, refugees and marginalized groups.

To address these challenges, Canada's next budget must invest in these key areas.

First is continued investment in a sustainable settlement and resettlement services model to ensure that increasing immigration levels come with the infrastructure to support economic and social prosperity for everyone.

Second is affordable housing. Provide additional funding to provinces and municipalities in key regions to integrate housing and immigration policies and programs and invest in reception houses that provide cost-effective, long-term solutions for temporary accommodation.

Third is skills training and employment. Enhance the skills and employability of newcomers and marginalized groups by investing in agencies that offer tailored and accessible services that accelerate employment and reduce the systemic barriers to entering the labour market.

Last is inclusion. Promote social inclusion and welcoming societies. Best practice research tells us that we must create welcoming societies by design and policy to build successful integration and settlement.

By investing in these areas, Canada will create a more inclusive and prosperous nation with equitable opportunities for all our residents to succeed.

Thank you.

• (0900)

The Chair: Thank you, Ms. Kintanar.

Thank you to COSTI for the vital work that you do in our community.

The Clerk: Thank you.

We have three individuals for the Terry Fox Humanitarian Award program. We have Ms. Erika Campbell, Ms. Malena Mokhovikova and Ms. Philomena Szabo-Bonis.

You may come to the table and share the mike between the three of you for one minute.

Ms. Erika Campbell (As an Individual): Hello, everyone.

My name is Erika Campbell. I'm a constituent of Hamilton Centre, and I'm here on behalf of the Terry Fox Humanitarian Award program.

The program is seeking $20 million from the federal budget to ensure it's able to provide adequate funds to post-secondary students to cover the cost of tuition and living expenses while supporting them to continue their humanitarian work.

I received the award in 2016 during my undergraduate degree based on my advocacy surrounding mental health awareness and sexual violence prevention. The award enabled me to continue my humanitarian projects during my degree, while becoming the first person in my family to obtain a post-secondary education. In a few months, I will become the first person in my family to receive a Ph.D.

I grew up with complex health issues, which burdened my family and made paying for university, among other expenses, a concern. This award alleviated that concern through my ability to give back to my community and directly contributed to my academic success, which I'm carrying out today.

I urge you to support the Terry Fox Humanitarian Award program.

Thank you so much.

The Chair: Thank you, Ms. Campbell, and congratulations on all of the success you've had and all of your achievements on the things you've overcome. Terry Fox is a hero to all Canadians. We thank you for your testimony and your statement.

The Clerk: Thank you.

We have Insiya Mankani for the Action Canada Sexual Health & Rights group.

Ms. Insiya Mankani (As an Individual): Good morning, Mr. Chair and honourable members of Parliament. Thank you for the opportunity to speak before this committee today.

My name is Insiya Mankani. I am the public affairs officer at Action Canada. I am also a 29-year-old based in Ontario who is directly affected by the issue I would like to speak about today.

I have come forward today to share with you why I feel there is an urgent need for Canada to invest in the 2024 federal budget in a universal free contraception plan. Despite a long-standing history of universal health care in Canada, nearly half of all pregnancies remain unintended, and they can have serious and life-altering affects, including a higher incidence of negative health outcomes for both the mothers and the children.

In a time when people are dealing with everyday affordability crises, the unexpected addition of a family member can have huge impacts. Right now, the cost of preventing this from happening through the use of effective contraception is also out of reach for many people. Without private health insurance, the cost of an intrauterine device can be up to $400. Overall, people in Canada continue to use the least effective methods of contraception simply because they cost the least. Without a national drug care plan in place, many people fall through the cracks when it comes to contraception coverage. This is why the government must commit now to investing in the tools that people need to plan and manage their reproductive choices.

A universal free contraception plan would have clear public health impacts and, over time, would be a significant cost-saving measure for the government. The annual cost of investing in universal contraception coverage is estimated to be between $157 million and $500 million per year, but evidence from previous programs implemented in Europe and across the United States has demonstrated an overall positive return on investment, with the investment in a universal program becoming cost-neutral within two years of the onset of the program.

Equitable access to contraception is a human right, and it is also a smart policy choice that helps people, the economy and the health care system. I hope you strongly consider this opportunity for an investment in universal cost coverage for contraception in the 2024 federal budget.

The Chair: Thank you, Ms. Mankani, and thank you for your advocacy.

The Clerk: Our last person is J.P. Boutros, please.

• (0905)

Mr. J.P. Boutros (As an Individual): Good morning, members of the committee. Thank you very much. I thank the committee for its thorough consultation.

I'm a consultant for the Canadian Mortgage Brokers Association-National, which, in turn, represents tens of thousands, but I'm here as an individual who has been advocating for the mortgage-broking industry for over five years.

I ask that you please insist on a very simple and quick fix for the government and for Canadians who need a mortgage: that the Minister of Finance and OSFI put into effect the stress test changes announced in February 2020. The then minister of finance Bill Morneau announced changes to the benchmark rate used to determine the minimum qualifying rate for insured mortgages, also known as the “stress test”. They were expected to come into effect on April 6, 2020.

That new benchmark rate was to be the weekly median five-year fixed insured mortgage rate for mortgage-insured applications plus 2%. I ask that Minister Freeland implement this as soon as possible and that OSFI harmonize this change to guideline B-20 for uninsured mortgages. The failure to do so—what was announced by Morneau before the Bank of Canada began to raise interest rates in March 2022—led to a tremendous number of Canadians getting variable rate mortgages, because the existing stress test rule made that the logical financial choice for many, and that, in retrospect, was wrong. My community advocated for this repeatedly prior to the 2021 to 2023 mortgage rate hikes, whose consequences are now manifesting themselves.

I also agree with my colleagues in this sector who have advocated for eliminating mortgage stress-testing for excellent borrowers who will switch to lenders and don't need to borrow new money. The current rules remain anti-competitive and anti-consumer.

For now, I will leave it for others to advocate on these matters. If there are any questions, I welcome them.

Thank you very much.

The Chair: Thank you very much for your deputation.

The members know this, but for witnesses, we have another study going on in our committee around housing in Canada. Mortgages have come up quite a bit.

Thank you for what you presented here today. We appreciate it.

I think all those who came to the open mike deserve a round of applause from everybody.

Voices: Hear, hear!

The Chair: Amazing job.

Now we will introduce the witnesses who are with us today at the table for our pre-budget consultation.

As an individual, we have Mr. Joseph Polito with us. From the Association québécoise de l'industrie du disque, du spectacle et de la vidéo, we have president and chief executive officer, Andrew Cash, as well as executive director Eve Paré, and the director of public affairs, Simon Claus. From Butler Mortgage—we were just speaking about mortgages—we have Ron Butler, who is a mortgage broker. From the Canadian Gas Association, we have vice-president of strategy and delivery, Paul Cheliak with us. From the City of London, we have the city manager, Lynne Livingstone, as well as the executive director for London InterCommunity Health Centre, Scott Courtice.

Each of you will have an opportunity to provide a five-minute opening statement to the committee members, and then we will get into our question time.

We're starting with Joseph Polito, please.

Mr. Joseph Polito (As an Individual): Thank you to all of you for this invitation.

The following are strategies to end our musical chairs housing market by increasing construction and improving affordability. Part (a) relates to The Wall Street Journal, Adam Smith and two promising options.

The Wall Street Journal has a video—

The Chair: We will pause.

[*Translation*]

Mr. Gabriel Ste-Marie (Joliette, BQ): There seems to be some feedback.

[*English*]

The Chair: We have to check the sound. We are having some interpretation issues.

● (0905)

(Pause)

● (0910)

The Chair: We're going to get going again. Hopefully, everything will be in working order.

Go ahead, Mr. Polito.

Mr. Joseph Polito: Thank you.

The Wall Street Journal has a video of the invisible role taxes play in American's housing shortage. It rediscovers Adam Smith's 250-year-old strategy of the land value tax. Smith said, “A tax upon ground-rents would not raise the rents of houses. It would fall altogether upon the owner of the ground-rent, who acts always as a monopolist, and exacts the greatest rent which can be got for the use of his ground.” Economists call this excess monopoly profit unearned income or economic rent or wealth extraction. Smith's tax was designed to recapture the unearned income, yet 250 years later the housing industry still charges what the market will bear, extracting whatever the purchaser can afford, particularity in the case of dual-income families.

If general income rises, the sale price rises. Conversely, competitive markets are about wealth creation. If general income rises, people can buy more goods at the same price. Land speculators compound the problem. They do not produce land but hope to make speculative profit as the growing community invests in roads, schools, fire stations, hospitals, etc.

In 1950 my parents bought a modest home for $13,000, which has increased 14,000% to $1.8 million today. The Bank of Canada inflation calculator equates the 1950 price to $160,000. As a teardown, the lot would be $500 per square foot, yet the best farm land is $30,000 an acre, which is less than a dollar a square foot.

The shocking math of unaffordable housing cannot be bypassed.

The following recommendations are from brainstorming with my MP.

Recommendation one is that the federal government should partner with the provinces to build inexpensive campus residences on land owned by post-secondary institutions to free up off-campus residences.

Recommendation two is that the federal government should partner with the provinces and municipalities to build residences on their land.

Part (b) is that the land value tax encourages construction affordability. If property taxes were based on land value, it would encourage construction while discouraging land speculation. The current system is based on the buildings, which discourages construction. Higher land taxes make it too expensive to keep unproductive land, which would be sold to those who would develop the property fully.

Part (c) is about inclusionary zoning to address the flaw in the density strategy. In Professor Condon's article "Radical Pro-Affordability", he explains that Vancouver had a wonderful record from increasing density, but it had a terrible record on affordability. He has a graphic on the exponential land-price inflation despite high density. The increased density increases what a developer can pay for the lot, as per figure 12 in Condon's more detailed presentation. Inclusionary zoning enforces lower prices in rents, which reduce what developers can pay for land.

Recommendation three is to partner with provinces and municipalities to study inclusionary zones and the land tax, as California and Detroit are doing.

Recommendation four is to fund the expensive change in the property tax system.

Part (d) is that the role of banks is to fund housing bubbles while ignoring their own conservative high standards for business loans.

Recommendation five is to work with the banking industry to make it more conservative in its home appraisals.

Part (e) relates to a successful Canadian land tax precedent. I took a course with Marshall McLuhan in 1968. He liked to say that we drive into the future looking through the rear-view mirror. That's to remind us that we are not oracles and we must rely on our inventory of evidence-based knowledge, which we are prone to forget unfortunately. Adam Smith's land tax is a case in point. Smith's policy has repeated successes, including in Canada.

Professor England in "Land Value Taxation in Vancouver" explains how, in the early 20th century, land taxes curbed land and rent costs there, while increasing construction. Unfortunately, vested interests lobbied away the tax change, and Vancouver became extraordinarily expensive.

Part (f) is another tax change to discourage land speculation. I left this one for the end because it's a tax. Why do land sales qualify for capital gains exemptions? Land is not capital. Capital gains incentives are for productive ventures, not for land speculation.

Recommendation six is, to discourage land speculation and land-price inflation, slowly change our capital gains tax rules for commercial real estate sales so the land value gains are taxed as ordinary income.

Last, some other expert resources—I'll just say for now Milton Friedman, several Nobel Prize winners, major publications like The Economist magazine and the Financial Times—have all promoted the land value tax.

Thank you very much. I'll be happy to answer any questions later.

● (0915)

The Chair: Thank you, Mr. Polito.

Now we go to the Association québécoise de l'industrie du disque, du spectacle et de la vidéo. I understand that the time is being shared by Ms. Paré and Mr. Cash, who was formerly MP Cash.

[*Translation*]

Mrs. Eve Paré (Executive Director, Association québécoise de l'industrie du disque, du spectacle et de la vidéo): Good morning, ladies and gentlemen.

On behalf of the 200 member companies of the Association québécoise de l'industrie du disque, du spectacle et de la vidéo, ADISQ, I'd like to thank you for having us here to speak with you today.

My name is Paré, and I'm the executive director. Here with me is my colleague Simon Claus, the director of public affairs, and my counterpart from the Canadian Independent Music Association, Mr. Andrew Cash, the president and chief executive officer, who will also have a few words to say.

We are here today because the entire independent music industry is currently in an extremely worrisome situation. The proliferation of platforms has completely transformed how we discover and listen to music. As consumers, we have millions of songs at our fingertips. And yet, our artists have to compete against major international stars with vast marketing and promotional resources. Connecting with audiences has never been so difficult.

The entertainment industry is in the same boat. Since the pandemic, consumer habits have changed. People are buying tickets at the last minute. Economic circumstances have forced many households to reduce their spending on culture. Added to that is the labour shortage in a sector that was already having trouble recruiting staff. This has been undermining our companies' ability to invest and take risks. Hardest hit are original francophone productions by emerging artists and artists working in niche markets.

In 2018-19, a $10 million increase had been awarded over a period of five years by the Canada Music Fund, the CMF, to meet industry needs. It's important to point out that this was not emergency pandemic-related assistance. After that, the Liberal Party, during an election campaign, made a commitment to increase the annual contribution to the Canada Music Fund to $50 million by 2024-25, to meet the industry's financial requirements and to make its funding more predictable.

It's worth noting that the Canada Music Fund contributions are broken down as follows: 60% goes to the anglophone market, through FACTOR, and 40% to the francophone market, through Musicaction. In view of declining revenue, Musicaction has already had to make significant cutbacks to its programs. That, in fact, is why we are here today. The music sector needs a level of support that can address the problems it is currently facing.

To ensure enhanced and more stable funding, we are requesting a $60 million increase in annual contributions to the Canada Music Fund. This request is based on a commitment in the 2021 Liberal platform to increase the annual contribution, and it also factors in inflation, labour shortages, and the unique circumstances specific to live entertainment. This support would keep companies competitive at a time where financial margins are tightening, and would enable their artists to develop long-term careers and stand out from the foreign competition.

I'm giving the floor to Mr. Cash now.

[*English*]

Mr. Andrew Cash (President and Chief Executive Officer, Canadian Independent Music Association, Association québécoise de l'industrie du disque, du spectacle et de la vidéo): Thank you.

I have one quick word. I believe that in the interpretation it was said that the Liberal promise was to increase the Canada music fund to $500 million, but it's actually $50 million.

I just wanted to clarify that.

Voices: Oh, oh!

● (0920)

The Chair: Okay. Thank you.

Mr. Andrew Cash: Mr. Chair and honourable members of the committee, thank you for having us here today.

Here are a few artists' names: Jessie Reyez, The Weeknd, Tanya Tagaq, Feist, Patrick Watson, Jeremy Dutcher, George Canyon, Cadence Weapon, Blue Rodeo. They're just a few names you may recognize. They come from different genres and different parts of the country, but they all have been recipients, either directly or through the music companies they work with, of early career investments through the Foundation Assisting Canadian Talent on Recordings, otherwise known as FACTOR, the private non-profit organization that administers funds from Canada's private radio broadcasters and the Department of Canadian Heritage's Canada music fund, which is why we're here today.

Over the last five years, FACTOR has supported over 6,500 artists. These investments have been nothing but a groundbreaking, industry-building cultural success story, and it's all about to unravel. With plummeting radio revenue, if the Canada music fund does not receive a promised increase, FACTOR is at risk of seeing its annual operating budget cut in half over the next two years.

If that happens, companies will close. Those that don't will shed staff and release fewer artists. This will result in fewer shows across the country, harming an already precarious live music sector, affecting local economies and reducing revenues to government. Perhaps most significantly, the future Daniel Caesars, Aysanabees, Serena Ryders and The Beaches may go undeveloped and unnoticed.

Our sector already faces major challenges with the constant disruption due to new technology, changing consumer behaviour, the impacts of AI and the continued effects of the pandemic on the live sector, as well as market imbalances due to decades of global corporate consolidation of the music industry. Investing in FACTOR and Musicaction by the Canada music fund is the critical tool that has enabled the Canadian independent music sector to survive and thrive against such strong headwinds. This is what we've all built together, and this is what we are at risk of losing if the promised modest increased investment to the Canada music fund is not fulfilled in budget 2024.

Thank you.

The Chair: Thank you, Mr. Cash and Ms. Paré.

Now we'll go to Ron Butler, please.

Mr. Ron Butler (Mortgage Broker, Butler Mortgage Inc.): I want to thank the committee for having me back.

As a quick note, I spent a day observing how things work in Ottawa, and I have to say, people show up on time, stay late, are prepared and ask good questions. The clerk and his team do a great job. I spend 40 hours a week immersed in social media and nobody takes as much abuse as politicians, so I salute you for the work that you do.

I try to stay reasonable, although I've been somewhat adolescent towards the Bank of Canada governor.

You all do really important jobs. I apologize for what happens within social media, even though I'm not totally responsible for it.

The Chair: I think we may have to give Mr. Butler some extra time.

Voices: Oh, oh!

Mr. Ron Butler: To refresh a few ideas that I've spoken to the committee about previously, the banning of short-term rentals is a fantastic idea. Even though it falls mainly within the provincial world, maybe there's some way to adjust or consider federal-provincial transfers in a way that would encourage provinces to bring an end to this terrible scourge—effectively, illegal hotels—which removes inventory for first-time homeowners and removes inventory from long-term rentals. That is all a good thing, and illegal hotels are just a bad thing.

Realistically, and somewhat to Mr. Polito's point, provincial and municipal approvals for new homes and new developments are ridiculously long, laborious and complicated. We built so many homes in the seventies. Roughly 250% more than today is what we built in the seventies, and approvals were fast. They were efficient. Inspections were quick.

What's happened is the opposite, so why has it happened?

A lot of it has to do with the development of enormous bureaucracies at municipal levels. They have to justify their work and to find a reason to exist, and it's become incredibly complicated to have new homes and new developments approved. This doesn't really make any sense. We need the housing, so there has to be a way—again, not necessarily in the federal purview—to speed it up.

With regard to changes in mortgage rules, I've discussed this before. It makes no sense that you can do 100% financing for a rental property. You can extract money from your existing residence through a line of credit or through another mortgage, go out and get a mortgage on the balance and effectively end up with a 100% funded rental property. This is fantastically different from what a first-time homebuyer has to do to come up with the cash to find the down payment. They're, therefore, at a great disadvantage.

That has to be an easy move—it's a simple move—for the bank regulator to make, and it's actually technically simple to check off.

There is a massive imbalance between ongoing property taxes in most municipalities and development fees. This is really a crazy concept, because the people who pay property tax typically enjoy the use of their municipal services for years, if not decades, yet they are underwritten by astronomical costs associated with new homebuyers purchasing in new developments.

This is a very strange idea, but it develops from the fact that municipal councils want to protect their seats, and they know that the maddest people are the people who get increases in property taxes. Why burden new homebuyers and long-term rental people with unmanageable development fees: $170,000 for a condo unit in Toronto. On the housing side, it goes much higher. A townhouse can sometimes reach up to $300,000 in taxes, levies and development fees. This is putting new homebuyers behind the eight ball.

I believe that some things can be addressed by the committee, some of them the federal government can address and some of them are provincial matters, but it's still vitally important to try to level the playing field for people who want to get into the housing market.

Thank you.

● (0925)

The Chair: Thank you, Mr. Butler.

Now we'll hear from the Canadian Gas Association and Mr. Paul Cheliak.

Mr. Paul Cheliak (Vice-President, Strategy and Delivery, Canadian Gas Association): Thanks.

I'll echo Ron's point about social media.

I would also like to commend the committee for travelling. I know it's not easy. I know it takes agreement among all of you. As I would call it, “the cast of characters” you have here today is quite unique. I'm learning something. I appreciate being able to be in Toronto to see you versus in Ottawa. I know Canadians respect and honour the time they get to spend with you.

By way of background, the Canadian Gas Association members deliver natural gas to 25 million Canadians. We meet 40% of all the energy used in the country. We do so through around 600,000 kilometres of infrastructure that spans the country.

The scope and scale of its contribution to Canada's energy needs is not well understood. We're the largest source of energy for the building sector, such as we're in today, the manufacturing sector and the industrial sector.

Our success is largely because we're affordable and our infrastructure is buried underground. When there's inclement weather, the gas doesn't go out. Further, our domestic story is only improving—

The Chair: Excuse me, Mr. Cheliak.

Members, do we need to suspend for sound issues?

[*Translation*]

Mr. Gabriel Ste-Marie: The volume is too low for the interpreters to do their work.

[*English*]

The Chair: It looks like we got a thumbs-up.

We did stop your time, but we're going to get started again.

Mr. Cheliak, you're on.

Mr. Paul Cheliak: Canada's domestic story is one that's only improving. We produced and consumed record volumes of our product in 2022. We produced record volumes of renewable product, which is known as renewable natural gas, and hydrogen in 2022. In 2025, we'll enter the global market for natural gas with the first exports of liquefied natural gas off the coast of British Columbia.

The question is, how can Canada position itself to take advantage of this opportunity? I bring to you today two recommendations. The first is around Canada's proposed investment tax credit regime, and the second is around pending federal interest deductibility legislation.

On the first, the committee is aware that the U.S. has taken the clean-tech world by storm with the Inflation Reduction Act. Canada has in turn responded through proposed investment tax credits, which we believe are both economically feasible and a productive way of tackling the clean-tech challenge. The issue is that, for industry, traditional funding programs are lengthy. Investment tax credits, which we highly support, leave the decision to industry. They are more efficient. They take bureaucracy out of the system, and they allow business to do what business does best, which is to pick economic projects that meet the needs of their shareholders.

However, we believe the ITCs as outlined have some deficiencies. The clean hydrogen investment tax credit excludes a central technology solution called “methane pyrolysis”, which allows you to take natural gas and create hydrogen and something called “carbon black”. The benefit of pyrolysis is that it requires no underground geological storage, so in parts of the country such as where we are today, without the liberty that Alberta has to put carbon underground, you can monetize methane pyrolysis.

Second, we need a biofuels investment tax credit. Biofuels were noticeably absent from the ITC regime. We're recommending that they be brought in and that, specifically for our industry, there be a renewable natural gas investment tax credit. Renewable natural gas is being produced all across Canada from landfills and waste-water treatment plants. There's a facility here in Toronto in which they take that gas and put it into garbage trucks as a renewable fuel. The garbage trucks do their deliveries, and they go and refill again at the landfill where there's a collection site for that methane that is produced organically from the landfill.

The U.S. Inflation Reduction Act has fairly rich incentives for renewal natural gas. Should we not bring in a comparable ITC in Canada, capital will continue flowing to the U.S. versus staying in Canada.

Third, we have to get them done. These have been proposed. We know that the enabling legislation and regulation is coming, but every week that we're not at the table with an investment tax credit regime that is real and signed into law is a week in which, frankly, the United States eats our lunch. We recommend that Canada introduce both the methane pyrolysis addition and a biofuel investment tax credit in or before budget 2024.

The second is about the interest deductibility legislation. I don't know how much this committee has worked with that. It's known as EIFEL. EIFEL proposes to limit the amount of interest on debt that can be deducted from a corporate tax sheet. Our issue is that, as a utility industry, we are told by our regulators how much debt we can have. We don't get to pick it. We're heavily debt structured: 50% to 75% of all the business we do is debt. By law, all of the interest on our debt is passed on directly to end-use energy consumers in Canada, not from a dividend and not from share buybacks. It's simply a pass-through cost to consumers.

We and Electricity Canada, who serve every single voter in this country with electricity and/or natural gas, are recommending an exemption from the proposed interest deductibility legislation, which we believe will be coming in its final form in near weeks or months.

Thank you.

● (0930)

The Chair: Thank you, Mr. Cheliak. There will be a lot of time during the questions from members to expand.

Now we'll hear from the City of London, before we get into our questions.

Go ahead, please.

Ms. Lynne Livingstone (City Manager, City of London): Good morning.

Thank you, Chair and honourable members of the committee, for the opportunity to speak with you this morning.

In addition to having our roles in our organization, Scott and I also chair—

The Chair: I'm sorry, but we have an issue again.

Do you want to start from the top?

Ms. Lynne Livingstone: Sure. I was just saying thank you for the opportunity this morning.

In addition to the roles that Mr. Courtice and I play in our organizations, we also co-chair our community's efforts to address our health and homelessness crisis, and that's what we'd like to speak with you about this morning.

London is experiencing a desperate and devastating health and homelessness crisis. You may be somewhat familiar with what's happening in our community, because we've received some recent national media attention, both for our problem but also for our whole-of-community response to address the crisis.

In our community, since 2020 over 200 homeless individuals have died on our streets. As of this morning, that number is 43 for 2023 alone. Since 2020, the number of people living unsheltered has more than doubled, from 900 to over 2,000, and the number of people living with the most complex needs—terrible physical health, mental health and substance use problems—has grown from 100 people to 600 people.

The impacts of this are devastating, not only for the individuals and their families but for our health care system, first responders, businesses and our neighbourhoods.

To put that into perspective, I will share this. Our base system of shelters and homeless-serving organizations is absolutely overwhelmed and beyond capacity. This population results in 10 to 11 EMS calls per day. They have 100% interaction with police, 6,300 emergency room visits a year and businesses are closing in areas that are most impacted. We've had a spread of encampments beyond our downtown core, affecting many more neighbourhoods across our community.

We know that this problem was not created overnight—not even over the last few years. This is decades in the making, and it transcends many governments and political parties. This crisis impacts your communities.

We know that London is not unique in the challenge, but we believe our solution is. Designed by over 200 individuals from 70 local organizations, spanning health and social services, business, land and housing development and levels of government, and supported by a very generous donor family who believe in this plan and have dedicated $25 million to it, we have created what we call a whole-of-community system response. This is government, community and philanthropy working together to address the problem.

The solution is focused on those with the most complex needs who are causing the greatest impacts—the 600 people. It's anchored in two foundational elements: hubs and highly supportive housing.

Hubs exist to help people move safely indoors, access supports and become sustainably housed. Every single interaction in a hub is designed to help the person to their next step to housing through accessing a range of supports, from basic needs to physical health and addiction supports to transitional beds as they prepare for housing.

The second component of the solution is highly supportive housing. We know that by providing these individuals with keys to an apartment, it won't be successful. Time and time again, it has been demonstrated that it's not successful for them or their neighbours. Many will, at least initially, need 24-7, on-site support to be stably housed.

To meet the needs in our community, we believe we need up to 10 hubs and approximately 600 units of highly supportive housing. Now while we only began developing this solution a year ago, we are already implementing. Two hubs will open next month, and last month 70 people moved into new, highly supportive housing units. We have a plan, we are executing the plan and we believe we are making a difference for our community. We also believe that our plan could be a blueprint for other communities across the country.

We need your help. To address this crisis, it will take all of us. We have leveraged all municipal dollars, available provincial and federal allocations and significant donations from Londoners. We are grateful to be the first city in Canada to receive the housing accelerator funding, which will significantly assist with much-needed capital, but it not enough to address this crisis.

What every community needs help with is sustainable and predictable operating funds to support new and creative solutions for this problem. This could be an increase to the annual allocations for Reaching Home or a similar program designed to address this crisis across Canada.

For London, this would mean a commitment of $6 million in Reaching Home funding or a similar program. This would allow us to stabilize our programs and bring on more hubs and highly supportive housing for the most marginalized and chronically homeless people in our community.

With this much-needed assistance, London can continue to implement our whole-of-community system response and meaningfully address the crisis we are experiencing. We can also offer a blueprint for other communities across the country in a time when challenges are dire and there is an urgent need for new and creative solutions.

● (0935)

I'll conclude by thanking you for the opportunity to be here today to share our experiences: both our problems and our solutions. We believe we are on the right path and are making a meaningful difference. With your help, we will address our crisis and help other communities to address theirs.

Thank you.

The Chair: Thank you, Ms. Livingstone.

Witnesses and members, before we get into questions, I will note that we started a little late, and then we did have some technical difficulties and some interruptions, so we'll add on another 10 minutes to our time. This first panel will go to 10:40. We have one hour right now for questions.

With that, we'll start the first round. Each party will have up to six minutes to ask questions of the witnesses.

We are starting with MP Chambers for the first six minutes.

● (0940)

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

I appreciate everybody attending, in addition to those who made individual deputations at the beginning. Thank you very much.

I know that some of you have made formal submissions and have made submissions in previous years, which I know we consider, so thank you very much.

Mr. Butler, I want to follow up with you, but I want to give everyone else a fair shot here.

I'm going to spend a couple of minutes with Mr. Butler and then I'm going to ask if anyone else has recommendations that don't cost any money. I'd like a couple of ideas. You can put up your hand, and I'll go to you.

Mr. Butler, you mentioned using borrowed money to purchase an investment property—a rental property, as an example. Would you differentiate between retail investor money that's paying to build or fund new construction versus investor retail money that is purchasing existing stock? Or would you just say, look, it's a simple rule—just freeze it for everybody?

Mr. Ron Butler: Reasonably, it's freeze it for everybody. The bottom line is that it's overly leveraged money. You have 20% or 25% that's coming from another residence, so that's borrowed and mortgage interest is being paid on it. Then you have another 75% or 80% mortgage on the rental property you're purchasing or [*Technical difficulty—Editor*].

The Chair: We'll suspend again, please. I apologize.

Okay. We're back up.

Mr. Ron Butler: Whether it's new construction or an existing property, 100% financing of a rental purchase is essentially unreasonable. You're borrowing money that you're paying mortgage interest on and making payments on for the down payment, and then you're also getting a mortgage on the property itself. It's 100% financing.

In the United States, they've effectively banned this practice. You can't do it in the United States. It's not acceptable in their banking laws, both federally and by state. It really makes no sense that we would allow it to happen in Canada, and there are very easy mechanisms to stop it from happening.

Mr. Adam Chambers: Thank you.

You mentioned that they stopped doing this in the United States. What actually happened in the market in the U.S. after they banned it in terms of investors getting together? What happened to the types of homes that were built and the professionalization of the rental market?

Mr. Ron Butler: The rental market changed into one in which groups of investors formed companies and built small townhouse units, effectively, small townhouse groupings, and also low-rise five-storey and six-storey buildings for multi-families. It was professionally run.

Here's another terrible thing about what we do in Canada. These are individually owned. These units purchased at 100% are owned by families and individuals. When their situation changes and they no longer want to own that property, they have to evict the tenant or they have to sell it. It creates this ongoing mobility among renters, who are constantly being thrown out of their places.

Mr. Adam Chambers: I have a last question before I open it up to the panel. You spend a lot of time in the mortgage market. I see a lot of people on social media saying that interest rates are going to come down in the spring. What do you think is going to happen? What do you think Canadians should be planning for?

Mr. Ron Butler: We experienced it last year or earlier this year, I should say, when interest rates dropped from the fives and sixes into the fours, and there was a sudden burst of activity in the housing market. Purchases started happening.

It's going to be a little different this time. If you read the economic tea leaves and if this really is a recession that we're entering into in a meaningful way, people won't be quite as eager once mortgage rates drop if they're concerned about the future of their employment. We may not see as big a burst of activity, but we may get one.

● (0945)

Mr. Adam Chambers: Thank you very much.

Are there any recommendations on regulations or additional things the government could do at the moment that don't cost any money?

Mr. Paul Cheliak: I would pick up on the interest deductibility issue. The utility industry, gas and electric, has in the tens of billions of dollars of debt that it uses to finance wires, pipelines, transformers, etc. The carrying cost on that debt, the interest, is what's being proposed to be remitted federally. We're suggesting that this not happen.

It's an element of the money either going to the federal treasury or staying with consumers. I would argue that's a saving for consumers because they don't have to pay it to the federal treasury. Therefore, the treasury doesn't have it to spend. It's probably a net-neutral, but the point is, why do we pay it if it's going to go into the coffer and then be allocated out?

Mr. Adam Chambers: Thank you very much.

Mr. Polito, I'm quite interested in some of the suggestions you're making.

Here is one of the challenges I have. When we talk about a land value tax, in many municipalities, certainly outside of Toronto, a million-dollar home gets you a tax bill of at least $10,000, and sometimes even $15,000. A lot of people would say that they already pay tax on the value of their property every year with property tax. It's Toronto, actually, that has a problem, where that million-dollar home only gets you a property tax bill of $6,500.

In 20 or 30 seconds, could you—

The Chair: Give a short answer, please.

Mr. Joseph Polito: The concept is that you are taxing the land so it would be used for the best value. If I have a parking lot in Toronto, I'm being taxed for the lot. The same-sized lot beside me, with a great building and lots of residences, is being charged a much higher rate.

What Smith was suggesting was that you tax the lot, not the improvement. Milton Friedman said the exact same thing. The best tax, he said, was.... The “least bad tax”—those were his actual words—was a land value tax, for that reason. It encouraged construction. The current system discourages it.

Mr. Adam Chambers: Thank you for clarifying.

The Chair: That's the time.

Thank you, MP Chambers.

Now I'll go to MP Baker, please, for six minutes.

Mr. Yvan Baker (Etobicoke Centre, Lib.): Joe, you can stay right there. Nice try.

I want to follow up on the.... There are a number of recommendations you've made.

First of all, your first recommendation touches on partnering with provinces to build campus residences on land owned by post-secondary institutions. I think that's pretty clear. You also recommend that the government partner with the provinces and municipalities to build residences on their land. That recommendation is fairly clear.

I'd like to come back to the land value tax. Before we talk about the reasons you recommend this, just so we're all on the same page, how would a land value tax work? How would it be determined who pays it?

Mr. Joseph Polito: It's been done in the past in Vancouver. It was very successful in Vienna. Professor Condon has a book on it, and I've done many presentations on this. He's going all the way back to Adam Smith. When you tax the land of a landowner, the landowner is already charging what the market will bear, so he or she can't pass it on to the homeowner or the renter. Therefore, all the tax is being paid by the owner.

The result is that it is now not in that person's interest to own land to gain value in the land. They're going to have a very viable business renting property to people who want and need a residence, and they'll get a fair return on that business but will no longer get the land appreciation. My parents bought a place for a dollar a square foot, and today it sells for $500 a square foot for the land. That will stop that appreciation.

Obviously, we can't collapse the housing market. People have a lot of money invested, but this would allow you to freeze it going forward. In terms of buying new land and so forth, you wouldn't have what happened with the release of the protected land. All of a sudden, that land went way up in value because it was now going to be available to the public to buy, and the developer would be able to really increase the margin for that land. The price of land would stay the same.

In the example that we discussed—Mr. Baker is my MP—he mentioned that, in Etobicoke, the municipality leases the land around the Kipling subway station to a developer, and there are affordable housing provisions, so that land is never going to go up in value. The rent will be very reasonable from now on, and it will start out reasonable.

That's how it works. It keeps the price of land down; therefore, it keeps the cost of housing down, and that money can be used for more productive purposes.

● (0950)

Mr. Yvan Baker: Let's talk about someone who owns a piece of land, a private owner. What I hear you saying is that, if we're taxing the value of the land, then there's a strong incentive for the developer—let's call them “the owner”—to develop the land, I guess, for two reasons. Tell me if this is right. First, as the value of the “developed” property goes up, they're still paying tax on the land, the land value. Am I right?

Mr. Joseph Polito: Yes.

Mr. Yvan Baker: Okay. The taxes aren't climbing as quickly, so there's a greater margin for them. Then, second, because of that margin, that potential profit, their incentive is to develop.

Mr. Joseph Polito: Right. They're not going to be taxed on all that productive revenue-generating building. They'll just be taxed on the land.

Mr. Yvan Baker: I don't know if this is where MP Chambers was going, but I just want to make sure we're clear. What happens from a government revenue perspective? What would the impact of that be on municipal governments' revenues?

Mr. Joseph Polito: In the past, it was done as revenue-neutral. I think in Pittsburgh it worked very successfully for a long time. Eventually, vested interests tweaked it so it didn't work as well, but the revenue stayed fine, construction increased and homeowner costs stayed very low. That was in Pittsburgh.

Mr. Yvan Baker: If folks are paying property taxes under the current system on the assessed value of the land and buildings.... That's how property tax is determined. It's the market value.

Mr. Joseph Polito: Yes.

Mr. Yvan Baker: Let's say you had tax only on the land and, as you pointed out, the value of the land.... My question is this: Is the municipality going to make up that revenue somewhere?

Mr. Joseph Polito: Yes. What they found in Pittsburgh was that they maintained the revenue and acquired the needed revenue. Many people actually had a reduced tax. The heavy landowners who weren't using the land were taxed more.

In The Wall Street Journal video I referred to, they said there were thousands of unused lots in the city of New York, and there was no incentive for those people to develop those lots. They were just waiting for those lands to appreciate. That tax would be much higher on those unused lots. It would make it a poor investment, and they would sell those to someone who would develop them.

Mr. Yvan Baker: I only have five seconds. This is a yes or no.

What I hear you saying is that the municipality would ensure that the revenue pool is the same as it is in the current circumstances. They would assess a land tax rate that would allow them to achieve that same pool.

Mr. Joseph Polito: Right.

The Chair: Thank you, MP Baker.

Now we'll go to MP Ste-Marie, please.

[*Translation*]

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

I'd like to welcome all the witnesses. They are a thought-provoking group of representatives.

My questions will be for the music industry representatives, hence Ms. Paré and possibly Mr. Cash and Mr. Claus.

Thanks to all three of you for being here. Your presentation painted a rather discouraging picture of the current state of the industry. Among other things, you mentioned the problems faced by independent producers and artists in competing with big American stars because of the ready availability of music on online platforms. I know that part of your revenue also comes from traditional radio broadcasting rights. But then many traditional radio stations are shutting down.

How has this been affecting your industry?

● (0955)

Mrs. Eve Paré: I can speak for Musicaction, the francophone component that receives funding.

Musicaction receives contributions from two sources. Firstly, it receives public funds through the Canada Music Fund. That's why we are here today. It also receives private funding. Up until now, these contributions are essentially based on radio revenue and what is called tangible benefits. This means that when there is a transaction between two broadcasting groups, Musicaction receives a grant for a seven-year period.

In both instances, revenue is declining. Broadcasting revenue has been experiencing downward pressure for several years now. When the CRTC has completed its consultation process, platforms should be paying out the contributions received. However, we don't yet know what the level will be, when it will happen, or what conditions might be attached. At the very least, it would restore a degree of equity between radio stations and the platforms in terms of music distribution. It would therefore contribute to the development of Canadian content.

It's really the private funding side that is declining at the moment. This once again demonstrates why Canadian Heritage should increase the funding allocated to the Canada Music Fund.

Mr. Gabriel Ste-Marie: Thank you. It's clearly important to take action.

As you said, there were programs of this kind before the pandemic. There is a commitment by the Liberal Party, and you are asking that it be adjusted for inflation.

It's clear that inflation has been affecting everyone. How, specifically, is it affecting your industry?

Mrs. Eve Paré: The industry was already operating on very slim margins. You could call it a scissor effect. Inflation affects household discretionary budgets for spending on culture, meaning their capacity to pay for tickets to live shows or to listen to music.

That also affects production costs for tours, wages, live shows and sound recordings. Margins that were already very tight are now even more so. Without these margins, businesses are having even more trouble reinvesting in projects for emerging artists or in niche market projects because there is no room for risk-taking.

Mr. Gabriel Ste-Marie: It means that you suffer from a double hit because of the scissor effect. Households are affected by inflation and go out less often, and the shows are more expensive to produce. It's tough.

There is basically own-source revenue, and leverage with government assistance. The situation is difficult in view of what's happening in the world of media. You have to carve out a place for yourself online while awaiting the outcome of the CRTC's work.

You also mentioned labour shortages. Things were already difficult before the pandemic, and after the pandemic hit, you told us that you were going to lose your skilled workers. The situation right now is dire.

Mrs. Eve Paré: That's definitely the case, at two levels. On the one hand it affects touring and the technicians, but there's also what happens between companies.

When we refer to specific skills, we are talking about needs. The current context, with its many different platforms, requires companies to spend even more on marketing. You need people who know about marketing in the music business and who have the right social media, data analysis and business intelligence skills.

The big multinationals have access to these skills in spades, but others have trouble acquiring them. These resources are readily transferable to other sectors, and we lost a lot of them during the pandemic. Some businesses don't have the means to offer attractive salaries that can compete with other sectors in the Canadian economy.

It amounts to a major skills drain.

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

Can you briefly explain to us what the breakdown of the $60 million would be? To which sector of the industry would the money go?

● (1000)

Mrs. Eve Paré: Certainly.

Last summer, we submitted a brief in connection with the pre-budget consultations. As usual, the breakdown was 40% for Musicaction and 60% for FACTOR.

The aggregate data refers to funding of $30 million for the production and marketing of sound recordings. We were just talking about marketing.

It involves $12 million in financial support for the production and marketing of live shows, $12 million for the retention and development of skilled workers, and $6 million for exports, for a total of $60 million.

Mr. Gabriel Ste-Marie: Thank you very much.

[*English*]

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

We'll now go to MP Green for six minutes.

Mr. Matthew Green (Hamilton Centre, NDP): Thank you very much, Mr. Chair.

Hearing these testimonies today kind of gives me flashbacks to my time as a recovering city councillor.

I'll share with you that it may have been seven or eight years ago when MP Dzerowicz and I were on a delegation to the UN's Habitat III. They were introducing concepts of land value capture and land value tax as a way to combat the regressive nature in which property tax tends to have fluctuations and unpredictability with operating budgets in municipalities.

I'm brought back to that moment and listening with interest to your testimony, sir, around the land value tax. I always get a kick out of hearing Adam Smith quoted outside of his typical contexts, but I do believe that general fairness applies across all economic principles when it's scientifically applied.

I want to go back to that process.

In your opinion, how do you think a land value tax would help with the predictability, fairness and general distribution of cost across municipalities? Reflecting, to the best of your ability, sir, without expecting to be an expert on the matter, the way in which particularly commercial property taxes have been shifted in their way to residential property taxes, how do you feel this would alleviate some of those discrepancies?

Mr. Joseph Polito: Let me first say that this is a partnership with inclusionary zoning.

Professor Condon pointed out that Vancouver had a wonderful record of building and creating more density and still had a huge problem with price. Therefore, inclusionary zoning is a part of that component.

Mr. Matthew Green: If you would please pause for one second, I think this is an important distinction.

In your opinion, does CMHC's use of the average market cost under affordability meet the actual market reality of people's ability to pay, or would you agree that it's quite disconnected from the average worker's ability to pay?

Mr. Joseph Polito: I think it's quite disconnected.

Mr. Matthew Green: Do you have another model that would help, for instance, people's ability to pay as being affordable? What would be your consideration for benchmarking affordability in communities?

Mr. Joseph Polito: Professor Condon refers to the median income, and even 80% of the median income, in terms of inclusionary zoning, as a standard.

Mr. Matthew Green: Is it correct that it would be roughly 30% of somebody's income on rental that would be considered affordable?

Mr. Joseph Polito: Yes.

Mr. Matthew Green: Would you also agree with the assertion that affordability in terms of the purchase price of homes used to be something like three times the income, and now it's something like 10 times the income? Would you agree that is not an affordable market solution to the housing issue?

Mr. Joseph Polito: Yes, absolutely.

Mr. Matthew Green: Okay. Please proceed with your other analysis.

Mr. Joseph Polito: The land tax would shift the tax burden more fairly onto the land hoarders and the landowners.

You mentioned business. We want productive businesses. We want people to use their money to increase our standard of living, to have good commerce and to have the free enterprise system work. We unfairly tax businesses, and we discourage business investment. We want to encourage business investment.

Adam Smith was a big supporter of free markets—we all know that—but he meant free of economic rent, free of monopoly and free of extraction of wealth. That's what this tax is designed to do. That was his approach. That's why Milton Friedman was a big fan, and many—

Mr. Matthew Green: I apologize. I'm not doing this to be rude, but we have limited time.

I'm particularly interested in your analysis of capital gains. I agree with your assessment and I've seen that first-hand.

Can you talk a little bit about the unfairness of shifting the tax burden onto people who earn income by hours times wages—actual work, actual production, actual wealth creation—versus capital gains, which is this kind of imaginary bubble that floats around out there?

I'll give you an example. In my neighbourhood 15 years ago, when houses went for $200,000, the average worker who built the house was making $42 a hour as a unionized carpenter. Now that house goes for $800,000 and the average worker, the carpenter who built that house, is now making $48 an hour. The surplus value of labour clearly is being captured, but not by the worker.

Can you please talk about capital gains for me?

● (1005)

Mr. Joseph Polito: That's very well said.

Capital gains is a useful thing, although there is some question as to whether every dollar earned should be taxed at equal rates, as has been proposed for many years, but it is useful in incentivizing entrepreneurs, innovators and capital investors to increase our standard of living.

Capital gains being applied to land makes no sense at all. Land is a gift of nature. We don't produce it. There's no capital investment in producing it. It's not capital, so it should not apply to land. It's a distortion of the purpose of that tax.

Mr. Matthew Green: In closing, if you could, just talk about two pieces, or I guess one: how banks fund the housing bubbles, with specificity.

Mr. Joseph Polito: I mentioned dual-income families. As soon as dual-income families became popular, the banks saw that, oh, they can afford larger loans now. They were allowing people to qualify for more money, and people were in this auction process of bidding up the price of houses.

We don't do that with cars. We don't do that with computers. If your income goes up, you can buy two cars or you can buy two computers. In the housing market, it is, as Mr. Smith described, monopolistic behaviour: selling at what the market can bear.

Mr. Matthew Green: That's excellent.

Thank you very much.

The Chair: Thank you, Mr. Green.

Members and witnesses, we are moving into our second round of questions. Our time is a little different on this round. We are starting with MP Lawrence for five minutes.

Mr. Philip Lawrence (Northumberland—Peterborough South, CPC): Thank you, Mr. Chair.

It's a pleasure to have such great witnesses here today.

I'm going to start with you, Ms. Livingstone. I wanted to talk to you a bit about the challenges that certainly the City of London has, but also, we just had a report out today that, here in Toronto, one in 10 Torontonians has to use the food bank. They've said that they are a city in crisis. There are significant words and real challenges there.

We are looking at a couple of issues that are driving that. Of course, we have the most vulnerable and what you've talked about, but this is affecting even middle-class Canadians, who now have to go to food banks. Increasingly, there are numbers of educated people who have jobs and who have to use food banks. I'm wondering if you could talk a bit about the impact of inflation both on helping the most vulnerable and on how it's hurting the most vulnerable.

Mr. Scott Courtice (Executive Director, London Inter-Community Health Centre, City of London): Hi. I will give Lynne a break and answer that one.

I work at a community health centre. We work with highly marginalized people. We've seen a concerning trend over the past year as inflation has increased, particularly where we've had senior citizens who have never had any challenges with income or food start trying to access our services. We're seeing significant affordability challenges across the spectrum, including with middle-income families being able to afford just the daily cost of living.

I think part of the reason we're trying to attempt to solve this for some of the most marginalized people is that the cost of serving those folks right now and the way we're serving those folks are burdening, really, the cost of the delivery of service. There are multiple levels of government that solve that problem, but there's only one taxpayer, and that taxpayer is not getting a good return on investment currently.

By proposing or doing the solutions that we are asking for, we're trying to not have emergency services and police—the most expensive and least effective services to address the problem—on the front line and are shifting to services that can make a difference for a lower cost and reduce the burden on the taxpayer, which then allows us to invest in services to help more middle-income folks, including on the affordability of housing.

● (1010)

Mr. Philip Lawrence: Yes, certainly, getting inflation under control.... We heard about transitioning a little bit. We heard from Tiff Macklem, the Governor of the Bank of Canada, that one of the ways to reduce inflation immediately would be to reduce or pause the carbon tax.

I want to talk more generally about taxes, regressive taxes like GST and the carbon tax, because it's my belief—in fact, I've seen it in our constituency—that these taxes actually hit people particularly hard, because marginalized individuals often don't file income tax returns. What this means is that they don't get carbon tax rebates and they don't get GST rebates. When we up the taxes on those, often they have to pay them, because if you're paying your heating bill, you're paying the carbon tax.

Would you be in a position to support reducing costs by reducing or eliminating the GST and the carbon tax on home heating?

Mr. Scott Courtice: I'm a health care person. I'm not a carbon-tax expert. However, generally, people who are most marginalized receive most of their benefits through the delivery of the tax system, and not everybody files taxes. Anything that can be done to help reduce the burden on people right now, particularly those who are most marginalized...but again, I'll leave the tax implications to individuals who are very well versed in that.

Mr. Philip Lawrence: Maybe, with the last 30 seconds, could I get the Canadian Gas Association.... If I could quickly do the switch there, Mr. Chair.... I thank you for your forgiveness.

I just want to ask you a brief question: Would the Canadian Gas Association support an elimination of the GST and carbon tax from home heating?

Mr. Paul Cheliak: For us, the piece of analysis that hasn't been done thoroughly is the options available to Canadians. Moving to a heat pump costs $20,000. Buying an EV has an incremental cost that is out of reach for most people. The economic theory is that, if you tax people, they will make behavioural changes. When the behavioural change is out of reach for all of the reasons that we're discussing today, I think it's time to revisit that initial premise of “we will tax it and people will make a switch”. We need to relook at the initial assumptions that went into this thinking and come up with a better solution.

Mr. Philip Lawrence: Thank you.

The Chair: Thank you, MP Lawrence.

Now we go to MP Dzerowicz for five minutes.

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

I want to thank all of the presenters for their excellent presentations. I'm actually going to start off with Musicaction and the Canadian Independent Music Association. The power and the need for music in our arts is critical to Canada's mental health, our quality of life, our social cohesion and our national unity, and it's vital to our economy—unequivocally. We don't hear enough about it, but it's absolutely vital, and I say that genuinely.

I hear your ask, which is basically to increase funding to $60 million. Thank you for clarifying the $500-million comment. Maybe I'll direct my comment to Mr. Cash.

At a time when we have an affordability crisis and a housing crisis, could you explain why we should continue to make—and I believe we should make it a priority—funding the arts, funding music, a priority?

Mr. Andrew Cash: First of all, we have to look at this as investing in a very robust sector of the Canadian economy. These are not handouts. Study after study of investments in the arts and culture sector in this country shows a net benefit to government revenue. Setting aside the soulful reasons why we may want to support our culture—and, in this instance, the Canada music fund—this makes economic sense right across the country.

We can talk about the fact that most workers in the arts and culture sector, and certainly in the music space, are working under the poverty line in this country. We have an opportunity that we've displayed over the course of time—since 1982—that FACTOR has been in existence that, time after time, when we invest in our artists, when we invest in the infrastructure that supports artists—which is music companies—this enlivens not just the sector but the communities that artists live in. I think every one of you has these important events in your communities for which you lean on artists and the arts and culture sector to bring communities together. Regardless of our partisan stripes here today, we know that bringing people together right now is a very important thing.

● (1015)

Ms. Julie Dzerowicz: Thank you so much, Mr. Cash.

[*Translation*]

Ms. Paré, Mr. Claus, is there anything else you might like to add briefly?

Mrs. Eve Paré: We did a study on music industry companies. It was before the pandemic and we weren't able to update the data.

We found that total government contributions amounted to 15% of revenue.

Where it makes a difference is in the risk-taking and the diversity of physical products marketed. Otherwise, we would essentially be doing what our American friends do.

[*English*]

Ms. Julie Dzerowicz: Thank you so much.

I'll turn now to Ms. Livingstone and Mr. Courtice.

You made a very emotional plea to us. I think the story in London is right across our country. We're doing another housing study, and we're learning a lot through that. One of the things I'm realizing—and the question I always have in my head—is that the federal government has actually allocated $82 billion in a number of programs. Some programs are working well, and some are not. It's money just sitting there.

One thing that's come as a recommendation is that, in each of the regions, there should be all three levels of government getting together to say, “Here's what we can put on the table”, looking at some of the small things that might be stopping some of the money from flowing. The coinvestment fund is one of them for CMHC, and a number of other issues, but there are also issues at the provincial level that are just small irritants that maybe, if we could address them, we could unlock.

Do you think that would be a good idea to pursue? Again, it would be in each region. I don't believe in big summits to have big conversations. It really would be regional meetings with all three levels, where you're literally saying, “Let's put everything we have on the table. What's working? What's not working? How do we make adjustments so that we can flow these dollars faster?”

Ms. Lynne Livingstone: The answer is yes. That would be incredibly valuable. We talk about a whole-of-community response. We need a whole-of-government response. We need all three levels working together on whatever funding and tools. The municipalities do not have the tools, let alone the funding, to manage this project alone.

Ms. Julie Dzerowicz: Thank you so much.

The Chair: Thank you, MP Dzerowicz.

We'll go to MP Ste-Marie, please.

[*Translation*]

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

Ms. Paré, last week, the big ADISQ Gala event for all Quebec artists, was held. We had some wonderful performances by notables like Ginette Reno, and a young rapper. It was wonderful. We've been able to build that over the years, thanks in part to the Canada Music Fund and Musicaction.

Can you tell us about the industry you've managed to create?

Mrs. Eve Paré: Well, I'll begin by pointing out that 95% of francophone music is put out by independent companies. It's really a distinctive market that is completely different from anywhere else on the planet.

The industry structure grew over several decades from the early 1980s onward. Musicaction provided support for the industry, making it possible to build a very stable star system in the francophone marketplace. Examples include established artists like Ginette Reno, or emerging artists like the indigenous artist Kanen, who already has two awards to her credit. It's a tool that definitely helped the industry develop into a strong star system.

We've reached a turning point. The current media crisis is obvious, and the music sector is being affected too. More than ever, we need government support to keep our music alive and have it resonate, for our parents and our children.

Mr. Gabriel Ste-Marie: Thank you very much.

As my colleague Ms. Dzerowicz said, it's important to support culture if we want to preserve our identity.

From the financial standpoint, the industry generates money for the government.

Mrs. Eve Paré: Absolutely.

I don't have the economic impact studies in front of me, but this industry is extremely important in the regions. You hear about access to culture in the regions and organizing tours to certain regions where it makes no sense from an economic standpoint. Through these contributions, exports give exposure to our music in other countries. Musicaction supports initiatives and events that showcase our artists abroad.

According to the 2021 annual report, about 500 songwriters and composers received support from Musicaction. So it's not just the companies that benefit, but rather the entire ecosystem.

● (1020)

Mr. Gabriel Ste-Marie: Thank you very much.

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

[*English*]

Please feel free to submit to the committee any of those numbers in terms of economic impact. That would be great.

Now we'll go to MP Green.

Mr. Matthew Green: Thank you.

Ms. Livingstone, as city manager, I'm going to put a series of questions to you rather quickly. I'm going to ask you to answer them as directly as you possibly can.

You heard the assessment around property tax. What is London's proposed property tax increase for next year?

Ms. Lynne Livingstone: We do a multi-year budget at the City of London. We're one of the few communities.... We've not yet released it, so I'm not in a position to share it with you.

Mr. Matthew Green: In Hamilton they're talking about double digits. Is it safe to say that, coming out of COVID, the downloading of responsibilities from successive provincial and federal governments has led to an untenable property tax position for the City of London?

Ms. Lynne Livingstone: I would agree that it has put significant pressures on our tax base. We don't have the tools.

Mr. Matthew Green: You spoke a bit about operating funds for housing. I was a former treasurer of city housing for Hamilton, and I would put it to you that, in fact, capital funding is also very important. Could you talk a bit, to the best of your ability, about the deferred maintenance of the City of London's social housing stock?

Ms. Lynne Livingstone: It's significant with Middlesex and London community housing. However, in our last multi-year budget, the city council of the day invested significant funds in the deferred maintenance component, and we built it in going forward.

What we also need assistance with, though, is the building of new, highly supportive housing.

Mr. Matthew Green: You'll recall that the CMHC in the seventies and eighties—in fact, coming out of World War II—built a tremendous amount of housing stock, and then social housing stock. That was downloaded to the provinces, and provinces then downloaded to municipalities.

Is it safe to say, 30 or 40 years later, that housing stock is also at the end of its capital life cycle?

Ms. Lynne Livingstone: Yes, we're seeing that.

Mr. Matthew Green: Do you have any idea of what that capital deferred investment looks like globally in your budget?

Ms. Lynne Livingstone: No, I don't have that for you.

Mr. Matthew Green: Would you say it's significant?

Ms. Lynne Livingstone: Again, I would say we began planning for it in our last multi-year budget, so we're not new to it.

Mr. Matthew Green: Sure, but you certainly couldn't catch up in four years for maintenance. Is that right?

Ms. Lynne Livingstone: Oh, no. There's an infrastructure—

Mr. Matthew Green: Have you had to sell off any social housing?

Ms. Lynne Livingstone: No, we have not.

Mr. Matthew Green: Okay. That's good.

Around affordability, particularly, would you agree with the assessment that the average market rate is not a way to predict affordability within the municipality of London?

Ms. Lynne Livingstone: I would agree with the answer that was provided earlier.

Mr. Matthew Green: Would you agree that inclusionary zoning ought to have affordability landmarked against people's ability to pay, and not the average market rent?

Ms. Lynne Livingstone: I don't think I can comment on that.

Mr. Matthew Green: Okay. That's fair enough.

As it relates to federal dollars, you talked about operating funding. Would you agree that in transit, in particular, where the federal government can support the purchase of buses, LRTs or any other things, that operating funding and having that predictable, multi-year budgeting would also be a huge help to municipalities like London?

Ms. Lynne Livingstone: From a transit perspective...absolutely.

Mr. Matthew Green: Okay.

The Chair: Thank you, MP Green. You got a lot in there. It was quick-fire.

We're going to MP Chambers now for five minutes.

Mr. Adam Chambers: Thank you very much, Mr. Chair.

He missed his calling as a prosecutor.

Mr. Cheliak, I have a couple of questions for you, and then I'll go back to Mr. Butler.

As I understand it, renewable natural gas comes from landfills. It could be feedstock from a farm. Once it's done its processing, you can use the existing natural gas infrastructure to put it back into the system. Is that correct?

Mr. Paul Cheliak: Yes. Renewable natural gas is methane, or CH_4. It's the same product that is pulled from our reserves in Canada, so it's just a renewable form of the same molecule that flows through our pipelines to our furnaces today.

Mr. Adam Chambers: Renewable natural gas was not included in the first round of ITC—investment tax credit—eligibility. Is that correct?

Mr. Paul Cheliak: That is correct.

Mr. Adam Chambers: The renewable form of a fossil fuel, which is obviously greener than the actual fossil fuel, because we're using feedstock from existing operations or existing activities today, is not eligible for a tax credit that's supposed to green the economy.

● (1025)

Mr. Paul Cheliak: That's right. In the entire biofuel industry—ethanol, biodiesel and renewable natural gas—there is no ITC currently proposed for any of those.

Mr. Adam Chambers: Do you expect that one will be announced, or are you unsure about what the future holds?

Mr. Paul Cheliak: Natural Resources Canada was asked to look at the issue, and we've helped it better understand the viability of it and the need for it. Whether or not it comes to fruition is to be determined.

Mr. Adam Chambers: I also heard a stat. I wonder if you can confirm this for me. If 25% of China's coal plants were converted and replaced with LNG, the entire world would see a reduction in emissions equal to the total amount of emissions produced in Canada.

Is that a stat you've ever heard before?

Mr. Paul Cheliak: It's 20% of coal.

Mr. Adam Chambers: It's 20%. That's actually even better. If we were to reduce China's coal plants by 20% and replace them with LNG.... It doesn't have to be Canadian LNG but any natural gas. I think we'd like it to be Canadian LNG, or some of us would.

Remember, pollution doesn't recognize borders—that's what we were told at the very beginning of the whole climate discussion—but we could save the entire planet the equivalent of the entire emissions produced by this country every year.

Mr. Paul Cheliak: That's correct, and maybe I'll build on the stats for you. On the shipping fleet that docks and unloads in Vancouver, if you were to put LNG into those ships versus marine bunkering fuel, you would save the entire emissions of British Columbia if you did it with LNG.

Mr. Adam Chambers: I'm sorry. Is that already happening? For all the ships that are leaving today in the port, if you replace with LNG the existing fuel, the traditional fuel they're using, you'd save the entire emissions of the province of British Columbia.

Mr. Paul Cheliak: Yes. They fill up in Singapore and Rotterdam. They traverse the ocean, and they dock in Vancouver and unload and go back to their reloading facilities in Asia. If you had LNG versus bunker C, which is quite literally one step above asphalt in the spectrum, you'd save the equivalent of B.C.'s entire GHG emissions inventory.

Mr. Adam Chambers: Wow. You wonder sometimes what we're fighting over.

Mr. Butler, my final question is for you. This may be outside of your area of expertise, but I'm going to try anyway because you mentioned it yesterday on your Twitter.

As a taxpayer, how do you feel about learning about a $1.3-billion courthouse being built in Ottawa that has three courtrooms?

Mr. Ron Butler: The original budget was a billion dollars, but it's already over budget. It's six or eight years away, so we'd have to guess that it's about $1.3 billion or more. Personally, I think it's crazy. That's all I can say.

Mr. Adam Chambers: Do you think there are better uses for that money?

Mr. Ron Butler: There are a million different better uses for the money—yes, absolutely.

Mr. Adam Chambers: There are only three courtrooms there. Is that right?

Mr. Ron Butler: There are only three courtrooms. That's what the whole plan calls for, just three courtrooms.

Mr. Adam Chambers: There was a new courthouse built close by here that's going to cost a billion dollars, but there are more than three courtrooms.

Mr. Ron Butler: I think there are about 25 or 30.

Mr. Adam Chambers: Thank you very much, Mr. Chair.

The Chair: Thank you, MP Chambers.

Now we'll go to MP Baker for five minutes.

Mr. Yvan Baker: Thanks very much.

Joe, I'd like to invite you back, if you'd be so kind.

His popularity here in this committee is surmounted only by his popularity in Etobicoke Centre.

Voices: Oh oh!

Mr. Yvan Baker: Joe, I want to go back to the land value tax. Could you speak a bit about any other jurisdiction that has implemented a land value tax?

Mr. Joseph Polito: Again, Professor Condon has illustrated that in the last hundred years it's been used in numerous places. He talks about Vienna. He talks about Pittsburgh. He talks about Vancouver.

The impact was always positive. It meant more construction and lower rents, but once it was tinkered with or vested interests who were trying to make money on land got involved, it fell apart. Pittsburgh has retained somewhat....

He has also mentioned that in Cambridge, Massachusetts, they have established a 100% inclusionary zone region, and that's a big part of this process of a land value tax. It works very well. The two work very well together.

● (1030)

Mr. Yvan Baker: I think that one of the things I want to drill down on is the impact on all the various groups of folks who are touched by this. This won't be an exhaustive list, but we talked earlier in my previous line of questioning about the impact to the municipality's revenue pool. The way you proposed implementing land value taxes is that, at that same revenue pool, the tax would be set in such a way that the city would be receiving the same amount of revenue as it currently does through property taxes. That's how I understood it.

Can we talk about this briefly? I'm going to go through this pretty quickly. The landowners or the developers presumably have a stronger incentive to develop the land now, because they're paying the same land value tax whether they have a building on it or not.

Mr. Joseph Polito: That's right.

Mr. Yvan Baker: They're going to want to optimize the value of that land and, therefore, build to the greatest economic benefit to them and to maximize the economic value. That could be the value of the overall development and/or it could be any economic activity like storefronts, businesses or whatever other economic activity, I presume.

Let's look at the consumer for a moment, or the individual, or the constituents like mine in Etobicoke Centre where we live, and others. Could you just tell us quickly what would be the benefit of this to the average constituent?

Mr. Joseph Polito: They'd be living in a more affordable community. One of our big problems is that a lot of people can't afford to live in the community in which they work. This would make that community more affordable. They would be living in a community where the business sector would be able to develop more, provide more jobs, produce more goods and services, increase our standard of living and, therefore, increase the income of the people living in that community. It's a win-win.

Mr. Yvan Baker: Is that because you're creating an incentive for greater maximization of the use of land?

Mr. Joseph Polito: Yes. You're removing the barrier to development. You're removing the barrier to build and removing the incentive for people to hoard land and make it idle because they're looking for speculative value. It's like collecting paintings or something and putting them away. Obviously, this is for a universal need—housing and real estate construction.

Mr. Yvan Baker: If we follow that logic through, there is less incentive to speculate. Is it fair, then, to conclude that as the result of less speculation...? Some folks who've come before this committee have said, look, the speculation that we see, whether domestically driven or by investors from elsewhere, leads to housing prices or land prices going up more quickly than they would have otherwise.

By what you've said, you're suggesting if we have less land speculation, that suggests that we would have less of an effect of climbing housing prices.

Mr. Joseph Polito: Right. That should freeze the housing market so that it's not going up and down. It may even knock it down a little.

The other thing is that, if the banks aren't funding these vastly overpriced housing bubbles, then they're going to be funding productive industry. They're going to be putting their money toward productive use, things that return investment like [*Technical difficulty—Editor*].

[*Translation*]

Mr. Gabriel Ste-Marie: We didn't hear the last response, since the witness's mike is switched off.

[*English*]

The Chair: Can you please repeat what you just said?

Mr. Yvan Baker: You were saying that there would be less speculation.

Mr. Joseph Polito: If the banks are not funding the housing bubble, then they will be investing the money in productive industries. They'll be raising our standard of living. They'll be putting the money toward capital. There's a big concern that Canada's productivity hasn't been keeping up because there hasn't been enough investment in capital. That money could be redirected to capital investments.

● (1035)

The Chair: That's the time. Thank you very much.

Thanks, MP Baker.

We're getting close to the end of our time for the first panel. We have just enough time for each party to ask one question of our witnesses.

We'll start with MP Lawrence for the question.

Mr. Philip Lawrence: Perfect.

I would ask either Ms. Livingstone or Mr. Courtice to retake the hot seat, as it were.

Mr. Scott Courtice: It will be my turn.

Mr. Philip Lawrence: Perhaps I got a little too specific in my last question, but for the benefit of the most vulnerable and for all the individuals in the city of London, would you support policy generally that reduces the cost to heat one's home?

Mr. Scott Courtice: Yes.

Mr. Philip Lawrence: Thank you.

The Chair: We'll move to MP Dzerowicz for the next question.

Ms. Julie Dzerowicz: You can stay in the seat, Mr. Courtice.

One thing I struggle with personally is that our federal government has genuinely really worked to reduce income inequality and to really adjust all of our supports on the lower end of the income scale. We've triple increased the Canada workers benefit. We've introduced the Canada child benefit. We've introduced national child care. We've increased OAS by 10%. I could go on with the list. We've actually done a significant amount of money to really support.

The only way I can see that all of.... So much of that has been eliminated through a massive increase in housing—and we are not controlling that—mental health supports and the lack of, and the ongoing inflation. Food costs are going up higher then...because all of these are indexed to inflation. They're all indexed to inflation, so you would ideologically believe that it should keep up.

Perhaps you could help us to maybe figure out whether it's really a bit of inflation or a bit of each of those. Maybe you can help us understand. Why is the struggle so much harder and our support programs not being as effective as they need to be?

Mr. Scott Courtice: It's a very complex question.

I'll lean back to what Lynne said, which is that these complex issues require a coordinated response across levels of government. As I said, the taxpayer is not getting a great level of investment because we're not having all of the levers of government working together in a coordinated way.

It's frustrating trying to make change. I'm sure it's frustrating for you making those investments and not seeing the changes. We all need to be working together in a more coordinated way.

The Chair: Thank you, MP Dzerowicz.

Now we will go to MP Ste-Marie, please.

[*Translation*]

Mr. Gabriel Ste-Marie: Mrs. Paré, if annual contributions to the Canada music fund weren't increased as you're requesting, what consequences would that have for your industry?

Mrs. Eve Paré: They would be disastrous to say the least.

Earlier I mentioned a $10 million increase that had been granted over a five-year period, which is now coming to an end. Then the Liberals promised $50 million that would include that $10 million.

We don't even know right now whether that additional $10 million will be carried over. If it weren't, that would shrink the francophone market by $4 million. It represents approximately 30% of the amounts received from the Canada music fund.

That would have a major impact that would inevitably lead to significant cuts and layoffs.

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

[*English*]

MP Green, you'll be the final questioner for this excellent first panel.

Mr. Matthew Green: Thank you very much, Mr. Chair.

Former MP Cash, I picture you as a young punk artist coming to Hamilton and playing The Casbah or This Ain't Hollywood. I think about Sonic Unyon and Cadence Weapon, which you referenced. I think about folks such as the Arkells, Terra Lightfoot, Harrison Kennedy and LTtheMonk. All of them are incredible artists.

Can you talk a little bit about why investments in art and artists, particularly for the constituents in Hamilton Centre, are going to be vitally important for this upcoming budget?

Mr. Andrew Cash: Absolutely.

I think that for a city like Hamilton, and many others—London, as well—these investments have a spinoff effect for the community, not only economically but also culturally. You have a Terra Lightfoot, a Sonic Unyon or all manner of different types of artisans and entrepreneurs in Hamilton, who are building a new industrial sector in their city. I think that's really key.

I want to add that the Canada music fund was set at $25 million in 2005. Adjusted for inflation today, that would be $47 million. We're asking for $60 million.

Thank you.

● (1040)

The Chair: Thank you.

On behalf of the finance committee, all the members and everybody who helps make this committee happen, we thank you.

We had a diverse group of witnesses here today—artists and gas and mortgages and municipalities, etc. The passion was felt. Your expertise is welcome to help inform our study on pre-budget consultations in advance of the 2024 budget. Thank you so much. We really appreciate it.

On that, we are going to suspend as we transition to our second panel of witnesses.

We're going to take five minutes.

● (1040)

_____________________(Pause)_____________________

● (1050)

The Chair: We're back, everybody.

We are with the second panel for our pre-budget consultations. For those who weren't here earlier, I explained that we are crossing the country. We started in the Atlantic. We did every province. Yesterday, we were in Quebec City, Quebec. Today we're here in Toronto, the capital of Ontario, and we'll be making our way across the country all the way to Vancouver and back. That will conclude the testimony we will hear for this study.

Some of the witnesses we have as we cross the country.... The analysts will be capturing all of that information. We have many people who make this committee happen. Our clerk, of course, is Alexandre Roger, and we have our technicians and interpreters. Our technicians and interpreters want to make sure everybody has their devices. English is on channel 2 and French is on channel 1, for your information.

Now we are going to introduce our witnesses.

From the Canadian Bankers Association, we have Alex Ciappara, vice-president and head economist, financial stability and banking policy. From the Canadian Federation of Independent Business, we have Corinne Pohlmann, executive vice-president, advocacy. From Inclusion Canada, we have Jeff Ferguson, executive director, knowledge mobilization and transformation. From MaRS Discovery District, we have Krista Jones, chief delivery officer, ventures and ecosystems group. From the Toronto Region Board of Trade, we have Reid McKay, policy director. From the Université de l'Ontario français, we have Pierre Ouellette, president.

We will start with an opening statement from the Canadian Bankers Association for five minutes.

Mr. Alex Ciappara (Vice President and Head Economist, Financial Stability and Banking Policy, Canadian Bankers Association): Thank you very much.

Thank you for inviting the Canadian Bankers Association to appear this morning to participate in the committee's pre-budget consultations. As you said, my name is Alex Ciappara, and I am the head economist at the CBA.

The CBA works on behalf of more than 60 domestic and foreign banks operating in Canada and their employees. The CBA advocates for effective public policies that contribute to a strong banking system that benefits all Canadians. We promote financial literacy to help Canadians make informed financial decisions, and we work with banks and law enforcement to protect customers against financial crimes and to promote fraud awareness.

A healthy banking system is the cornerstone of helping customers and households manage their finances, of spurring growth for small businesses and of promoting Canada's economy internationally. Our submission, which the committee has received, offers the banking industry's views and recommendations in areas that are of interest to the committee to support vibrant communities and clean, sustainable economic growth.

Canada's banks have a long-standing track record of supporting the Canadian economy. In 2022 they contributed approximately $70 billion or 3.6% to Canada's economy, paid close to $18 billion in taxes and provided $26 billion in dividend income that went to Canadian seniors, families, pension plans, charities and endowments. They have invested approximately $115 billion in technology across Canada over the last decade.

Additionally, at the end of 2022, Canadian banks had lent in total close to $1.6 trillion in residential mortgages and authorized $1.7 trillion in business credit. In business credit, $278 billion was authorized to small businesses. Canadian small businesses are well served by the financial sector owing to robust competition. In fact, in 2021, according to Statistics Canada, 94% of debt financing requests for small businesses were approved, and since 2010 the debt approval rate has been consistently above 80%.

Our recommendations for the 2024 budget revolve around five key areas.

The first is productivity and tax reform. We support removing the financial institutions tax and the Canada recovery dividend to give investors in the banking industry confidence that Canada is committed to attracting new investment. We also suggest that the federal government undertake a comprehensive review of Canada's tax system with the objective of improving labour productivity, meeting the needs of Canada's evolving economy, ensuring that Canada can compete internationally and recommitting to tax neutrality. Bank-specific taxes hinder the industry's ability to positively impact Canada's productivity.

Our second recommendation focuses on the market conduct of unregulated and under-regulated financial service providers. We encourage the federal government to develop financial consumer protection standards for unregulated or under-regulated providers, such as e-commerce platforms and similar entities, for provincial adoption, and to work with the provinces to adopt these standards. To the greatest extent possible, the standards should emulate relevant FCAC regulations to which FRFIs must adhere.

Third, housing is top of mind for all Canadians right now. To correct supply-demand imbalances, which contribute to the affordability crisis, we suggest that the federal government pursue greater policy coordination through a forum for relevant stakeholders including federal, provincial and municipal officials responsible for housing, infrastructure and immigration as well as representatives of the construction industry and advocacy groups.

Fourth, financial crime and fraud continue to be a significant issue in Canada. We recommend that the federal government build, implement and maintain a comprehensive, single, pan-Canadian beneficial ownership registry, which would include information on both federally and provincially regulated corporations and other legal arrangements, including partnerships, trusts and associations.

We also need to ensure that legislation progresses to allow resources and activities to be targeted at areas of highest risk to facilitate collaboration and the lawful sharing of information between financial institutions and from FINTRAC and law enforcement to financial institutions. We also suggest allocating additional funding to organizations like the federal government's cyber centre to increase individual cybersecurity awareness and cross-industry collaboration.

Finally, on the transition to net zero, the CBA applauds the government for its commitment to achieve net-zero emissions by 2050. The financial sector is central to securing an orderly transition to a low-carbon economy. By financing the climate transition, banks are helping Canada meet its net-zero ambition while helping meet interim energy demands in a volatile global context. A national or harmonized process is needed for Canada to meet its climate goals and enhance productivity and economic growth.

● (1055)

Businesses, governments and individuals working together on the fundamental reshaping of our economy and society is critical in achieving these goals. Banks look forward to opportunities to support the generation of more clean energy, to grow our economy and to cut emissions in Canada.

Thank you for your time. I'm happy to answer any questions you may have.

The Chair: Thank you, Mr. Ciappara.

We'll now go to the Canadian Federation of Independent Business.

Ms. Corinne Pohlmann (Executive Vice-President, Advocacy, Canadian Federation of Independent Business): Good morning. Thank you for the opportunity to be here.

The CFIB represents 97,000 small and medium-sized, independently-owned Canadian companies. They come from every region of Canada, and they are found in every sector of the economy.

CFIB data shows that many small businesses continue to face persistent challenges, including high levels of pandemic-related debt, insufficient domestic demand, high interest rates, inflation and increased labour costs. Many are struggling to keep their heads above water, let alone make headway in reducing the debt that they incurred during the pandemic.

Late last month, Stats Canada revealed that more businesses have closed as a result of the COVID-induced economic downturn than during the 2008 financial crisis. Another report from the Office of the Superintendent of Bankruptcy found that business bankruptcies in September were up more than 40% compared to the same month last year. Clearly, a significant number of small businesses have closed down, with many simply having no choice but to walk away from their businesses.

The CFIB's latest monthly business barometer, which tracks business confidence over the next year, has sunk to lows not seen since the early days of COVID, with just 47% of small business owners feeling like their business will be doing better a year from now. We normally want to see that index sitting somewhere between 65% and 70% when the economy is growing at its potential.

As small and medium-sized businesses represent more than half of Canada's GDP and employ over 80% of Canadians in the private sector, these business losses can have a significant impact on Canada's economy, and governments need to pay attention.

In a recent survey, we asked small businesses what they want the federal government to focus on to help them address their business priorities. The top issue cited by two-thirds is to reduce the overall tax burden to help them address rising costs. Second was more flexibility around the repayment of CEBA loans to help them address their debts. Third was reducing red tape to help them be more productive, followed by helping them deal with labour shortages.

The CFIB's budget recommendations will focus on ways that may help address these concerns, with the exception of CEBA, as we understand that any decisions around CEBA, the Canada emergency business account loan, will have to be made sooner than the budget. Just so you know, we continue to press for an extension of the CEBA repayment deadline to maintain the forgivable portion to the end of 2024 to give small businesses more time to recover.

Over the last year, not only have businesses' costs gone up, but so have government taxes. While EI was frozen during COVID, it was increased in 2023 and will again increase in 2024. Every year for the last few years, there were increases in CPP premiums, carbon taxes and alcohol excise taxes.

To help address and offset some of these costs, the CFIB recommends, among other ideas, first, lowering EI premiums for smaller employers, which are more sensitive to payroll tax increases than larger firms. One way to do this would be to replicate a program from 2015-16 called the small business job credit. It provided rebates to businesses with less than $50,000 in EI premiums that were equivalent to what they would have paid if they had only paid 1.2 times what an employee pays—normally, they pay 1.4 times.

Second, you can increase the small business deduction threshold to $700,000 from $500,000 and index it to inflation so that more small firms can access the small business tax rate.

Third, you can freeze the carbon tax and fix the unfairness that results in small businesses paying about 40% of the carbon tax while less than 10% is set aside for them. Only a small fraction of that amount has ever been returned to them. We would ask that the $2.5 billion that has already been earmarked for small businesses and collected from them be immediately returned to all small businesses, not just a select few, and that the formula be reconfigured to make it more fair for small businesses. If this cannot be done, then the current carbon tax should really be scrapped.

Next, the CFIB found that the most effective methods to address labour shortages are immigration and automation. Knowing this, the CFIB recommends, among other things, that we allow temporary immigrants already in Canada to work or work more.

Second, we recommend that you help small businesses invest in automation by extending the accelerated investment incentive for a few more years. We would also encourage the government to extend or make permanent the immediate expensing provision that allows Canadian control of private corporations to expense up to $1.5 million in the year the asset is put into use, which is set to expire at the end of this year. This would give small businesses more time to capitalize on this tax measure, help make them more productive and keep them competitive with their U.S. counterparts that have a similar tax measure that has already been made permanent.

Third, we need to enhance incentives to work for older workers, so that they stay in the workforce longer without losing their benefits. I'm happy to elaborate on that and how that could be done.

Finally, putting together a greater emphasis on reducing regulatory burden could help address productivity, lower costs and free up time so that entrepreneurs can focus on building their businesses. You could try to identify examples of red tape and then fix them one by one. However, new ones will always emerge. To really address this issue, you also need to implement a process that requires regulators to not just create but also actively manage regulations.

In our experience, we have found that governments that are successful in reducing the regulatory burden do three things well.

First, they make red tape reduction a political priority. Without leadership from the top, nothing will get done.

● (1100)

Second, they measure and report on the total number of rules that exist, because once they're measured, you can more effectively start to reduce that burden.

Third, you place constraints on regulators. While there is already a constraint on regulators at the federal level called the one-for-one rule, it needs to be updated to include not only those rules found in the regulations but also those in legislation, guidelines and policies.

Those are just some of the many recommendations that could help small businesses grow and be more productive during a difficult time, which not only helps them and their communities but also helps grow and extend Canada's economy overall.

Thank you.

● (1105)

The Chair: Thank you, Ms. Pohlmann.

We will now go to Inclusion Canada, please, for five minutes.

Mr. Jeff Ferguson (Executive Director, Knowledge Mobilization and Transformation, Inclusion Canada): Thank you very much for this important opportunity to speak with you today to provide input into the 2024 federal budget.

I'm pleased to join you today from the traditional territory of many nations, including the Mississaugas of the Credit, the Anishinabe, the Chippewa, the Haudenosaunee and the Wendat peoples.

I'm here to speak to a matter of utmost importance: the funding of the Canada disability benefit. The organization I represent, Inclusion Canada, was founded over 60 years ago. We are a national federation of 13 provincial and territorial member organizations, over 300 local associations and more than 40,000 members across the country, which supports people with intellectual disabilities and their families.

We argue that no person with a disability in our country should have to live in poverty. Inclusion Canada submitted to the committee its pre-budget recommendations in a brief that specifically focused on the Canada disability benefit.

For decades, provincial and territorial disability income assistance programs have kept people with disabilities in legislated poverty. More than 40% of people who live in poverty in Canada have a disability. Even worse, 75% of adults between the ages of 18 and 64 with an intellectual disability who live outside the family home live in poverty. In every jurisdiction throughout the country, people with disabilities who rely on social disability assistance programs are struggling to live in conditions of deep poverty.

With unanimous all-party support, we finally have the first-ever national disability benefit in Canada. The benefit is about bringing people with disabilities out of poverty. We must now work together to ensure that the Canada disability benefit is able to do what it is intended to do.

It can only serve to do this if the benefit is budgeted and adequately funded. To seriously reduce poverty among people with disabilities requires an ongoing and substantial commitment of federal expenditures. Time today does not permit me to go into details about each of our recommendations; however, our primary recommendation is that the finance minister and the Government of Canada make a budgetary provision that would ensure the immediate and adequate funding of the Canada disability benefit beginning in the 2024-25 fiscal year.

Lifting people out of poverty requires a substantial financial commitment. The government has made substantial investments to reduce poverty before. We have seen the old age security and the guaranteed income supplement programs for seniors, and the Canada child benefit, CCB, for families with children.

To be truly effective in supporting the financial security of adults with disabilities, the CDB, like the OAS, the GIS and the CCB, must be significant income supplementation. We recommend that the federal government provide a top-up to what individuals receive on provincial and territorial disability monthly assistance. This total combined amount would ensure that eligible persons with disabilities would receive a minimum amount of $2,400 monthly.

Based on the number of people on provincial and territorial social disability assistance, along with the proposed top-up amount, we estimate the total ask for the 2024 budget to be between $24 billion and $26 billion. The Canada disability benefit would require a significant investment from the federal government.

Inclusion Canada also recommends that a firm commitment must be made to ensure the benefit is delivered in 2024. We are recommending a three-year fiscal plan that would allocate a specific amount of funding, starting in fiscal 2024-25 and projected through to fiscal 2026-27, and that would be indexed to inflation. The timeline would provide a clear target for the implementation of the Canada disability benefit. It illustrates the government's and all parliamentarians' commitment to this initiative.

There is currently considerable anxiety in the disability community with the slow pace of implementing the design and regulations of the Canada disability benefit legislation. Since the bill's passing in June, there has been very little progress made, and the frustration is mounting.

As you prepare your pre-budget consultation report, I urge you to include a strong and unequivocal statement on the necessity of adequately funding the Canada disability benefit. The inclusion of such a statement would send a powerful message to all Canadians about the government's commitment to creating a more equitable and inclusive society. It also sends much-needed reassurance to the disability community, which eagerly awaits the realization of this important benefit.

Let's together seize this historic opportunity.

Thank you.

The Chair: Thank you, Mr. Ferguson.

Now we'll go to MaRS Discovery District.

● (1110)

Ms. Krista Jones (Chief Delivery Officer, Ventures and Ecosystems Group, MaRS Discovery District): Good afternoon.

I apologize. What I sent is a lot longer than what I'm going to talk about. In my practice, I was over five minutes, so it might not be great for the translation.

Thank you very much for having me today. As the chair indicated, I'm Krista Jones, and I'm the chief delivery officer for MaRS Discovery District, which is North America's largest innovation hub.

MaRS specializes in the commercialization of intellectual property that is developed in our state-of-the-art universities, hospitals and research labs across Canada. We support thousands of Canadian entrepreneurs' start-ups that have the potential to become category-leading companies in technology, climate and the life sciences industries. These industries are critical to long-term Canadian prosperity.

I want to spend a minute on the type of work we do, explaining the much misunderstood term “commercialization”. Simply put, commercialization is the messy business of taking a product or service to market. Note that it's not the act of turning this technology or science into a patent or a product. That's innovation or development—the “D” in R and D.

Commercialization is the crucial and often ignored next step in converting great research into leading companies. The C.D. Howe Institute analysis of federal budgets since 2012 found that research and innovation are mentioned 30 times more often than commercialization.

Commercialization is finding investors to catalyze your business, hiring the right team, creating a growth-oriented business model, finding and understanding your customers and driving sales at scale. The commercialization engine that we have built at MaRS includes experienced founders and operators who have been in the trenches and have successfully scaled companies to become category leaders.

We have built a globally unique set of capabilities that provides start-ups with really practical and tangible supports that enable them to compete on a global scale. A recent independent study of the economic impact of MaRS-supported start-ups showed that over the past 12 years, they contributed $29.6 billion to the GDP, with an annualized revenue growth rate of 20.7%. Their contribution to the GDP is growing at more than 10 times Ontario's compound annual GDP growth rate.

This growth rate is what will build major knowledge-based economies, fuel Canada's future prosperity and build it around our existing strengths in creating globally leading IP.

I want to emphasize my appreciation for the support the government has provided by funding research and development. It it why Canada punches above its weight in research in many emerging tech sectors and why international companies establish their R and D centres of excellence here.

However, at MaRS, we believe that these investments alone will not create sufficient conditions to improve economic output. We need a commercialization ecosystem to translate the IP developed in our universities and in our start-ups into viable commercial assets. Current market conditions are threatening to erase the hard-won gains of the last five to seven years for Canada.

Another major issue is that Canadian businesses and our government are lagging behind their global peers in the adoption of critical digital infrastructure, especially our homegrown IP. Even though Canada is the leader globally in the research and development of AI, KPMG reports that only 35% of Canadian businesses surveyed are using AI in their operations, compared to 72% in the U.S.

When you consider that, according to Gartner, by 2030, every dollar of GDP created anywhere will be influenced by AI, Canada simply cannot afford to miss this valuable economic opportunity.

Unfortunately, this situation is not isolated to AI. Canadian firms in most innovation sectors often derive more revenue from the United States, even at the very early stages, due to a lack of domestic customers and adoption. For example, as little as 19% of the revenue earned by MaRS climate-tech ventures comes from domestic sources. They're getting the revenue and the climate change impact. This is why we need at least equal investment into the commercialization of IP and into growing domestic category leaders as is being invested into branch plants for foreign multinationals. Our future really depends on it.

Our key recommendations for investment in the 2024 federal budget are the following.

Increase and coordinate commercialization funding to enable regional organizations with a national platform to supercharge start-ups across the country, taking advantage of regional strengths. More funding is urgently needed to combat the heightened risk of IP migration resulting from the scale of the U.S. CHIPS Act, which is impacting way more than the semiconductor industry.

● (1115)

We think we need to create more independent wet-lab space to enable the commercialization phase of our life sciences innovation.

We need to increase deep tech and climate early-stage funding. Number one, we're hoping for a rapid resolution of the situation at SDTC in order to continue that money flowing. We also think we need to incentivize more catalytic, philanthropic and private investment directly into early-stage climate tech companies.

We believe we should create incentive programs for the responsible—and I emphasize “responsible”—adoption of Canadian AI technologies. A few examples are extending the pan-Canadian AI strategy to include commercially focused incentives, artificial intelligence being part of the step program and providing incentives to help Canadians start up some businesses.

My last point is to also increase government procurement of Canadian tech.

The Chair: Thank you, Ms. Jones.

There will be plenty of time during questions to expand on what you had to say.

Now we'll hear from the Toronto Region Board of Trade.

Mr. Reid McKay (Director, Policy Innovation and Fiscal Policy, Toronto Region Board of Trade): Good morning, honourable members of the finance committee.

Thank you for inviting me to speak. On behalf of our 11,500 members, the Toronto Region Board of Trade welcomes the opportunity to make a deputation today regarding the federal government's forthcoming budget.

Canada's waning economic competitiveness is of primary concern for the board and our members. Canada, once a beacon of prosperity, now faces a precipitous decline in productivity, with the nation now having suffered a declining GDP per capita for the fourth straight quarter. This is not a fleeting challenge but an urgent call for decisive action.

In addition to removing oft-cited barriers to internal trade and competition, we feel there are three immediate areas where the federal government should focus its efforts to bring Canada's weak productivity and investment growth back in line with leading OECD economies and reverse this concerning trend.

One is increasing support for manufacturing capital development projects that stand to markedly increase the region's productivity and bolster industrial development opportunity.

Two is lending greater support for the City of Toronto's capital projects and services, which facilitate economic development for the broader region and nation.

Three is ensuring taxes on technology and digital services remain aligned with international precedents and encouraging technology development, commercialization and adoption.

To begin, the American Infrastructure Investment and Jobs Act, the Inflation Reduction Act and the CHIPS Act have catalyzed a significant surge in U.S. manufacturing construction spending, particularly in high-value sectors such as computers, electronics and electrical manufacturing. Since 2022, these policies have quadrupled investments in these sectors, markedly enhancing America's competitive edge in manufacturing key components for the future global economy.

In contrast, Canada's manufacturing sector, which contributes approximately 10% to our national GDP, is at a pivotal juncture. To remain competitive, especially in advanced manufacturing, our businesses need support akin to their American counterparts. The exceptional return on labour presented by advanced manufacturing offers an excellent opportunity to invest in boosting our nation's productivity.

A prime example of this potential is the electric vehicle industry, notably Toyota's commitment to establish a battery factory in Canada. This venture is more than an investment in green technology. It's a strategic leap towards a sustainable future and a stronger technologically advanced industry. Federal support in this sector is essential. It will create new, highly productive and good-paying jobs, and it will position Canada as a leader in the global EV market—a market that promises cleaner air and reduced carbon emissions. Inclusion of Ontario's largest OEM automotive manufacturer in this vision will be critical to aligning our technological, environmental and economic objectives.

Turning to the City of Toronto's financial crisis, we are reminded of the vulnerabilities that our urban centres face. The truth is that Toronto's budget is broken and we need a new deal. We applaud the government for joining the new deal working group, but we want to emphasize that fixing Toronto's finances is not something the city can do alone. After more than a decade of surging population increases, Toronto finds itself choking on growth. As a result, federal goals related to public health, climate, mobility, housing and supply chain resiliency are increasingly out of reach. The financial challenges confronting Toronto are not isolated incidents but symptoms of broader systemic issues that threaten the economic health of not just Toronto but other major urban centres in Ontario.

The federal government's recognition and support of the city's investments in social support, transportation and economic development are crucial. Toronto is at the heart of an economically interconnected region. That's why investing in Toronto's infrastructure builds the financial network that sustains the economic vitality of regions extending well beyond the city limits. Enhancing community safety goes beyond traditional policing. It's about creating environments conducive to the well-being and productivity of every individual, thereby reinforcing the economic and social fabric of our society. These initiatives, though locally rooted, have far-reaching impacts that enhance the economic and social health of both the province and the nation.

In the realm of technology and digital services, the federal government must ensure its tax and regulatory policies are aligned with international precedents. This alignment is crucial. It fosters a predictable and stable environment for businesses, particularly those operating on a global scale. Companies thrive when they can anticipate regulatory landscapes, not just domestically but also in markets they serve internationally. Adhering to international standards helps in avoiding the complexities and potential conflicts that arise from a patchwork of unilateral regulations. This is particularly relevant in the digital domain, where services and products often transcend national borders. A harmonized approach reduces administrative burdens and compliance costs for businesses, encouraging them to invest more in technology development and commercialization.

As we consider the support for Toyota's EV battery factory, we deliberate on the means to avert Toronto's financial crisis and look to cultivate a national technology development ecosystem. It's essential that the principles of innovation, collaboration and sustainability guide decision-making.

Thank you.

● (1120)

The Chair: Thank you, Mr. McKay.

Next, we'll go to the Université de l'Ontario français.

[*Translation*]

Mr. Pierre Ouellette (President, Université de l'Ontario français): Thank you very much, Mr. Chair.

Thanks to the members of the committee for agreeing to have me here this morning.

My name is Pierre Ouellette, and I am the president of the Université de l'Ontario français.

First I want to thank the Government of Canada for its innovative decision to provide 50% of the funding needed to start up our university, the first French-language university managed by francophones in central and southwestern Ontario.

I'd like to update you on what the federal government is getting in return for its investment in the Université de l'Ontario français, which was established in the midst of the pandemic.

Even though we are just starting our third year, our university already has 230 students.

This past September, we introduced a new teacher training program and have already enrolled twice as many students in it as we had anticipated. Next September, we will be adding a sixth program to our degree options, a specialized bachelor-level program in business administration, which will be offered in cooperation with the Collège La Cité. Shortly thereafter, we intend to add a mental health program, and, in the meantime, we are in the process of creating a specialized bachelor's degree in social work.

The new programs that the Université de l'Ontario français has created are in response to the pressing labour needs in the Canadian economy, more specifically in Ontario, and the shortage of French-language teachers across the country. Our programs can also accommodate the thousands of students currently enrolled in immersion programs in the greater Toronto area and the entire region, which will be a significant win for the development of the francophonie in Ontario and across Canada.

In research, the Université de l'Ontario français last week received confirmation that it will receive a UNESCO Chair in Migration and Francophonie in a Minority Context. Last week, it also established the Observatoire sur l'immigration francophone au Canada together with Toronto Metropolitan University and the Centre francophone du grand Toronto.

Francophones living in language minority communities across the country need to acquire, analyze and disseminate knowledge about francophone immigration in order to provide you political decision-makers, as well as researchers and practitioners, with data, analyses and tools designed to support and promote immigration.

Researchers must generate relevant knowledge based on everyday governance, like the movement that led to the founding of the Université de l'Ontario français in 2018. The future of the francophonie in Canada depends on the creation of this knowledge, which will guide the decisions that you will be making about immigration in the next few years.

As you can see, your investment, and that of Ontario, in the Université de l'Ontario français are already producing results, and we need to act quickly. Ontario's more than 600,000 francophones are by far the largest group of francophones outside Quebec. More than one third of that number, 36% to be more exact, live in central and southwestern Ontario. Continuing funding for the Université de l'Ontario français and its development will be critical in supporting the vitality of one of the largest francophone communities outside Quebec.

We are aware that French-speaking Ontario will grow in large part as a result of immigration. If francophone newcomers do not have access to a full range of services in their language, including high-quality university programs, they may be anglicized in short order, and that will weaken the francophone community.

The Université de l'Ontario français is building a tradition of university education in French in Toronto and the surrounding region, a long-term project that is essential to the development of our community. Continued financial support is a must.

The community needs the Université de l'Ontario français to support the development of the largest francophone community in Ontario. I believe that Canada also needs to continue supporting the development of a French-language university in the largest city in the land in order to support its identity as a bilingual country and the trademark image that is attached to it.

In the new Official Languages Act, Canada has committed to supporting francophones living in minority language communities so that they can acquire an education in their language throughout their entire lives.

● (1125)

We request that the government act on the recommendation made by the Association des collèges et universités de la francophonie canadienne that it permanently increase the funding it provides to the post-secondary sector in official language minority communities to $80 million a year.

In conclusion, I sincerely want to thank the federal government for the support it has provided to the Université de l'Ontario français. The results of that support are already making themselves felt, and we are rapidly pursuing the institution's development. To continue playing a leading role in one of the largest francophone communities outside Quebec, to welcome francophone newcomers more warmly and to continue creating and disseminating knowledge in French across the country, we hope that our university can continue to rely on the federal government's financial support.

Thank you.

[*English*]

The Chair: Thank you, Monsieur Ouellette.

We're about to get into questions.

For everybody's information, due to our transition time and some of the technical challenges that we had, we will be finishing this meeting today at about 12:20, just so everybody is aware of the timing.

In our first round, each of the parties will have up to six minutes to ask the witnesses questions. We are starting with MP Lawrence.

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

Good morning, everyone. I'm going to start my questioning with Ms. Pohlmann.

First of all, can you repeat and reiterate the cost of the carbon tax for small business owners and your members?

Ms. Corinne Pohlmann: Sure.

We have determined, through our own calculations—and we'd love to be corrected on this—that 40% of all the carbon tax revenues being collected in the provinces in which it applies are being collected from small business owners. About 10% is earmarked to go back to small business owners in some form. However, only a fraction has gone back to small business owners in the form of a program back in 2019. The rest of it has been sitting. I think it's $2.5 billion.

There is, I think, a plan now to eventually distribute it to businesses that are trade exposed, but we believe that it needs to be redistributed back to small business owners. It doesn't matter who pays. Everybody should get it, just as Canadians do. The entire carbon tax structure should be rethought so that small businesses get a fair share of the amounts that are collected.

Mr. Philip Lawrence: The government announced a limited carve-out for home heating oil, disproportionately, of course, benefiting people in Atlantic Canada.

Would you be in support of a carve-out for small business owners that would treat them equally and equitably?

Ms. Corinne Pohlmann: Yes, absolutely.

We have seen support for the federal carbon tax plan go down quite dramatically over the course of the last year. We had fifty-fifty support across Canada. That has gone up to about 80% now who are opposed to it. Times have changed, and things have become tougher. Smaller businesses are realizing they're paying a lot, but they're not getting anything in return. It's been a real challenge. It's coming up more and more now as an issue they'd like to see changed.

Mr. Philip Lawrence: Of course, another carve-out that's currently, unfortunately, being held up by Liberal or Progressive senators is Bill C-234, which would give farmers an exemption from the carbon tax with respect to natural gas and propane.

Is that something that your organization and your members support?

Ms. Corinne Pohlmann: Yes. We have supported Bill C-234 from its inception in the House. We will continue to do so and are encouraging senators to pass it quickly.

Mr. Philip Lawrence: Thank you very much for that.

We are now talking about numerous carve-outs that, I believe, would be beneficial.

What about just scrapping the tax altogether? Do you think that would benefit your members?

● (1130)

Ms. Corinne Pohlmann: We believe that, if the carbon tax can't be fixed in its current form, the best next solution is probably to scrap it and start over, so that it is a bit more fair to smaller companies.

Mr. Philip Lawrence: I want to spend a bit of time talking to Ms. Jones with respect to the commercialization ecosystem. I found some of your comments really interesting.

I share your belief, and I think several others on the panel do as well, that Canada is in a productivity crisis—and I'm not putting words in your mouth there—and that one of the keys to getting out of that is innovation. I also share the belief that we have some of the best post-secondary education and some of the best minds in the entire world right here in Canada, but there's a gap between those ideas being generated and our being able to fully commercialize or exploit them.

Could you talk more specifically about what's in that commercialization ecosystem, or what's missing? We have the Canadian Bankers Association right there, in addition to members of the government. I'm sure they'd all love to hear this.

Ms. Krista Jones: That's a big question. Thank you very much for it.

When you think of our natural tendency as a culture in Canada, we are risk averse. We covet our banking system, which is very risk averse in a lot of ways. The terms in the system for providing loans to small business entrepreneurs to get them the funding and to get from the research to.... We fund the research well, but it's when they actually need the money to pay salaries and to scale that we don't have a lot of early-stage investment into some of our deepest technology companies, whether it's from private individuals or enough venture capital to sustain the amount of research that we need to globally compete on an annual basis. It's not equal.

Personal guarantees by entrepreneurs are expected. They have to put up their homes and their personal situation to actually get their businesses started. It's issues like these that I think are at the really early stage and are part of the commercialization challenges we have.

Then it starts to compound. What we have seen is that, with the restrictions we put on the early stage of companies, by the time they get to.... We have a momentum program that helps companies do $100 million in revenue. By the time they get to that stage, they've already predetermined that the company will leave Canada and the economic benefits will be accrued to other jurisdictions. We have to fix the early stage. That requires regulations. It requires loan guarantees. It requires the removal of loan guarantees and other things at the early stage, so we don't compound the issue.

Our challenge in Canada is that we don't have any foreign multinational in the high-growth industries of technology and life sciences to be the acquirer of IP. If you look at where IP ends up, over 60% of commercially viable IP ends up in the hands of these global multinationals.

When we don't protect what I call that messy middle—that wealth generation piece that nobody in Canada likes to talk about—and when we don't solve for those true business problems, we are just setting up the situation where they will end up doing the best thing for the commercialization of their technology.

Mr. Philip Lawrence: Thanks very much for that.

The Chair: Thank you MP Lawrence.

MP Dzerowicz.

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

I want to thank all of our panellists for their excellent presentations. I'm going to start off with a couple of comments.

Mr. Ferguson, I want to let you know that I agree one hundred per cent with immediate funding for the Canada disability benefit. It's been a long time coming. Residents in my riding of Davenport fully support it.

I'm also going to address this, because Mr. Lawrence talks a lot about the price on pollution here. I think it's important to note that in Ontario.... I'm just reading from the Financial Accountability Office of Ontario, which put out a statement after the cap and trade was cancelled by the Ford provincial government. They said, "the Province's annual budget will worsen by...$3.0 billion" over three fiscal years. Then there is less money going to the provincial government because of the cancellation of the cap and trade system.

The reason I mention that is that it's important to remind all Ontarians that the only reason we have a price on pollution in Ontario and the only reason our small businesses or anybody are paying that price is that the provincial government in Ontario actually cancelled the cap and trade system. It was worse for them. It was worse for everybody in Ontario. On top of that, we have to fight climate change. Climate change is real.

I'm going to go to Ms. Jones, but the question is for all of you.

Ms. Jones, I work a lot around innovation. We do not have a culture around IP in this country. I personally do not believe that we have an understanding that we've moved from a tangible economy to an intangible economy. I do not believe that is fully recognized within the broader population here.

Do you believe that the federal government has a role in promoting IP education, generation and retention?

● (1135)

Ms. Krista Jones: Having an IP culture is a fundamental prerequisite for the commercialization phase of it. I do believe that Canada needs to do more, but it's not necessarily educating in the start-up world. In the science start-up world that I deal with, the majority of our companies come to MaRS with their patent strategies and IP already in place. I think the issue exists in our general business community, which doesn't actually have that culture of business R and D and the ability to protect and do what they need to do inside businesses that might not have started based on technology and science.

Ms. Julie Dzerowicz: Thank you.

Just because I'm limited in time, I would really encourage you.... It's something I'm trying to promote as well. If you have specific recommendations on how we do that, that would be helpful. It could be that, for any of the funding we have for innovators, it include that we pay for some of the patenting and trademarks, which often are expensive to actually do.

The other thing I'm realizing is that we give a lot of money around research in research dollars and innovation dollars. What I've realized—and this comes from some universities—is that we don't incentivize our researchers to team up with Canadian innovators. Many of our research dollars are teaming up with some of your international companies abroad, and a lot of them are patenting those ideas that the Canadian government is actually funding.

Do you agree with that? Do you think we should be providing some of those incentives, as we're giving those research dollars, to actually team up with Canadian innovators?

Ms. Krista Jones: Yes, I agree one hundred per cent that we should be giving those incentives.

I think there's an "and" to that: We actually don't have enough Canadian business innovators to match all of our R and D researchers to. There's a program by the CPA whereby they're training financial professionals on how to deal with high-growth situations. We need to do that with CEOs, with business people and with marketing, not just with engineering and software developers.

We actually have to focus on developing the capabilities in our professionals, such that the researchers can team up with business people who know how to specifically grow through the high-growth phases.

Ms. Julie Dzerowicz: If you have any ideas or recommendations around how we can incentivize Canadian businesses to support Canadian innovators—because right now that's not happening enough—and if you have some suggestions for us, I think we'd be very much looking forward to that.

I'm going to shift over to the Toronto Region Board of Trade.

Just over a year ago, I met with your former recent chair or president. She showed me a presentation. It showed that Ontario labour productivity is 42% lower than in the U.S. and 16% lower than the U.K.'s. We know that productivity has been a long-standing issue in Canada. Business investment has been a long-standing issue in Canada.

What would be the recommendations from the Toronto Region Board of Trade around how we improve our productivity and how we incentivize more businesses to invest? I think they're correlated.

I'll leave that to you.

Mr. Reid McKay: Yes, I definitely agree with MaRS and Krista that transitioning innovation from R and D into commercialization and deployment is definitely key.

In addition to that, and recognizing the vast manufacturing sector that is supported by southern Ontario, we feel that aiding investment in capital infrastructure for the manufacturing sector, particularly as it pertains to technology, robotics and AI, could help to drastically boost that productivity. We've seen that happen in the States with the various acts I mentioned, but yes, we're hopeful that we can realize the same gains in Canada.

Ms. Julie Dzerowicz: Can I have one quick question, Chair? Okay. Next time....

Thank you so much.

The Chair: Yes, it will be in the next round. Thank you.

We have Monsieur Ste-Marie.

[*Translation*]

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

Greetings to all the witnesses and thank you for being here. All of your testimony is very interesting. I imagine that many of your recommendations will wind up in the committee's report.

My first questions are for Pierre Ouellette, the president of the Université de l'Ontario français.

Thank you for reminding us of the progress you've made and for telling us about the growth you're experiencing, among other things.

You cited a statistic that struck me. You've apparently enrolled more than twice as many students as expected. Am I right?

● (1140)

Mr. Pierre Ouellette: Yes. We introduced a new bachelor of education program in September. As you know, there's a shortage of French-language teachers virtually across the country, including in Quebec. So that's the first program that UOF has added to the four initial programs that the university introduced in 2021. Ontario's Ministry of Colleges and Universities originally granted us 40 spaces, and then we promptly received 145 applications, with very little time to advertise the program.

That means that more than 80 students enrolled in the program this past September. We worked quickly with the Ministry of Colleges and Universities, which agreed to double the number of spaces, bringing it to 80.

It was an overnight success, which isn't that surprising considering the shortage, but it's nevertheless a nice win for UOF.

Mr. Gabriel Ste-Marie: That's fantastic.

Can a francophone student in Ontario easily study in French these days? What's the situation of these students?

Mr. Pierre Ouellette: Absolutely not. It's a terrible situation.

As I said in my presentation, the central and southwest regions of Ontario represent 36% of all francophones in Ontario. Nearly 4 out of 10 francophones are from our region, and the movement that led to the founding of the Université de l'Ontario français resulted from that fact.

Toward the end of the 2010s, we conducted what we called a gap study to determine the percentage of French-language programs that francophones could access as compared to anglophones. The gap between the two ranged from 0% to 3% in central and southwestern Ontario.

It's critically important that we quickly add more significant programming. The purpose of the financial support we're requesting is to expand the range of programs offered in order to make us an attractive option for francophones and newcomers. As I said in my presentation, it's also extremely important because the City of Toronto attracts a lot of francophone immigrants. If they can't study in French upon arrival in Toronto, in central and southwest Ontario, they'll very quickly be anglicized.

Francophone newcomers don't come here to speak French; they come to improve their quality of life, and they can easily choose to study in English.

Mr. Gabriel Ste-Marie: Thank you.

So the Université de l'Ontario français has enjoyed a wonderful history and strong growth, but you're telling us that growth has to be sustained in order to meet the needs of francophone students and newcomers.

Do you think that francophone newcomers in Ontario, particularly in Toronto, will continue living and studying in French given the present situation?

Mr. Pierre Ouellette: I'm a Franco-Ontarian. I was born in a small town called Kapuskasing, in northern Ontario. I've lived all my life in Ontario. I've studied and I've always worked in French in Ontario.

I'm very optimistic by nature, but I have to tell you that the situation troubles me. We acknowledge that the greater Toronto area and central and southwestern Ontario are the places where francophone immigrants arrive, and we acknowledge how important immigration is for the vitality and growth of Ontario's francophone community. If we don't provide access soon—and I mean soon—to French-language programs, whether at colleges and universities or French-language schools, and to French-language health services, there's a significant risk that those francophones, who should be adding to the vitality of francophone community, may move over to the anglophone side. That wouldn't help us expand the community.

We saw in the 2021 census that the demographic weight of francophones outside Quebec had fallen to 3.3% of the population from 6.1% 50 years earlier.

Consequently, we need to act very quickly so the community can develop.

Mr. Gabriel Ste-Marie: Message received. Let's hope that policies are adopted for that purpose.

Research is a very important component at the university level. You briefly mentioned that in your presentation. Would you please go back to the situation regarding French-language research at universities in Ontario?

Mr. Pierre Ouellette: That's an extremely important question.

There are fewer and fewer French-language publications. We can see that. The research shows that there are fewer and fewer scientific publications in French. Obviously, a university such as ours, which is managed by and for francophones and offers programs in French, supports research in French.

Our mandate is to conduct research in French and to publish it in French. However, it's a downward trend because less and less research is being conducted in French at universities, and a university such as the Université de l'Ontario français can help reverse that trend.

● (1145)

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

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

[*English*]

Now we'll go to MP Green.

Mr. Matthew Green: Thank you very much, Mr. Chair.

I note that some of the witnesses were here for the last section. Comments were made about my prosecution style of questioning. It will be a prosecution, but it will not be of the witnesses, Mr. Chair.

I'll put this through to Mr. Ferguson, with whom I'm going to spend the bulk of my time.

We heard you speak today about the Canada disability benefit.

I want to share with you that I am very proudly representing Hamilton Centre, a community that has some of the highest density of people living with disabilities. We have organizations like the Disability Justice Network, the Roundtable for Poverty Reduction and countless others, including the Campaign for Adequate Welfare and Disability Benefits, which for decades have been advocating for the dignity of people living within my community.

I want to start there.

You spoke about legislated poverty. Let me ask you this question. How long ago, in your recollection, was the Canada disability benefit introduced? How many days would you estimate?

Mr. Jeff Ferguson: How many days? Now, that is a good question.

Mr. Matthew Green: Would you be shocked if I told you that it's been 1,145 days—

Mr. Jeff Ferguson: No, I would not.

Mr. Matthew Green: —since it was first introduced some three years ago?

Would you be shocked that this is a government that introduced, campaigned and ran on it? Many MPs ran on this disability benefit, yet three years later, they still haven't tabled it and still haven't funded it.

In your estimation, over the last three years, what kind of impact has that had for people in Canada living with disabilities?

Mr. Jeff Ferguson: For quick clarification, the actual benefit legislation has been passed, so that's a good thing.

Mr. Matthew Green: Funded...?

Mr. Jeff Ferguson: It hasn't been funded. You are correct.

It is completely devastating. Poverty knows no bounds, and certainly for people with disabilities in Canada, it's a greater level of poverty for them. Stats Canada calculates poverty based on the market basket measure, and even that measure cannot adequately quantify poverty for people with disabilities because it doesn't take into consideration all the additional costs that someone in poverty has. Medication is not taken into consideration. There's accessible transportation and accessible housing. The list goes on. They're costs that the able-bodied do not have that are not taken into consideration.

From a time point of view, it is long lingering. I think we were on a pretty good trajectory once the bill was passed, but we're anxious. We're definitely anxious.

Mr. Matthew Green: Talk a bit about the timing, which was three years ago. If you recall, we were coming out of the height of COVID. Many members were talking about having amnesty on the $450 billion that went out through wage subsidies, rent subsidies and worker subsidies, yet people living with disabilities were left out.

In your recollection, what was the economy like for people living through COVID with disabilities? We know they are on fixed incomes. In Ontario, ODSP, if I recall, is somewhere around $1,300. Did costs go down for them over COVID?

Mr. Jeff Ferguson: No, costs certainly went up.

Mr. Matthew Green: Costs went up. Their wages are legislated. Their income is legislated. It's legislated poverty. It's well below both LICO and the food basket you've identified, yet they had no support in a global crisis. Is that correct?

Mr. Jeff Ferguson: That is correct. There was an additional amount given to people with disabilities, but for the most part—

Mr. Matthew Green: It was something like $500.

Mr. Jeff Ferguson: —provinces and territories clawed back that benefit.

Mr. Matthew Green: Let's talk about the clawback. How important is it for you?

By the way, as a city councillor, I found it obscene—talking about ODSP, or even Ontario Works for that matter—that there is this mechanism within the provinces so that, if somebody who is on ODSP or Ontario Works finds a bit of meagre employment somewhere, it is immediately clawed back.

Now we have premiers like Doug Ford threaten this in the same regard.

What is your position on the clawback of the Canada disability benefit? How much of a disaster would that be for the federal government to be able to provide people with money, only to see it snapped back by provincial premiers?

● (1150)

Mr. Jeff Ferguson: Our position, 100%, is against any clawback by any provincial or territorial government. The federal government has been clear with the legislation. It's a supplement, not a subtraction. It's meant to provide people with disabilities with that extra bit of support that they need to get over the poverty line, so if provincial-territorial governments look at it as a subsidy for them, for their own programs, that's a disaster.

Mr. Matthew Green: It's an absolute disaster. I agree.

I would state that looking at some of the provincial experiments and pilot projects.... Being from the city of Hamilton, you'll recall that we were a pilot city for basic income. Again, that's legislated poverty. It was still below all measures of objective poverty within the province, but it was better. I think about Michael Hampson, who was a disability expert. He was somebody who survived disability. He was an advocate and a champion. I think about the dignity it brought him and others in my community.

I want you in your last 30 seconds to talk about how providing either a disability benefit or a guaranteed basic livable income would not only lift people out of poverty but give every Canadian in this country the dignity they deserve.

Mr. Jeff Ferguson: I would go back to some of the people we've talked to with disabilities. We did a bit of a consultation process with all people with disabilities around the Canada disability benefit, and we heard from a lot of people. The thing that struck me the most was individuals who spoke about getting by on just one meal a day. Two meals to them would be a luxury. It's not a luxury for us, obviously, but just surviving on basically nil food.... Can you imagine?

This is Canada. This is the country Canada. Why should anybody be starving and living on the streets in poverty in our country? It is unfathomable.

The Chair: Thank you, MP Green.

Members and witnesses, we're just moving into our second round of questions. The timing is a little bit different with this round.

We're starting with MP Chambers for five minutes.

Mr. Adam Chambers: Thanks very much, Mr. Chair.

I'll stick with Mr. Ferguson, if I can.

There are multiple ways in which we, the government, can support those living with disabilities. You mentioned a significant number of adults with intellectual disabilities. The government has funded over the years supports for employers through Ready, Willing and Able that would help increase labour force participation.

Are there any investments you think the government could continue to make in that category that would help those who are able to work to enter the workforce?

Mr. Jeff Ferguson: Thanks for the question.

The government has certainly funded the Ready, Willing and Able program, which is a program under Inclusion Canada and the Autism Alliance of Canada, and we're quite thankful for that. We have a great program that's country-wide, working with national employers and even some local employers. The assistance there has certainly helped.

When you look at people with intellectual disabilities, you see their employment rate is very low. It's about 20% or so compared to 75% to 85% for the average Canadian. Any additional support that all levels of government can provide to programs like that is very beneficial, because it gets them off income support and into employment, paying taxes and contributing to the economy.

One thing that we've indicated in our budget brief around the Canada disability benefit, which has an employment aspect, is generous employment exemption areas—the GIS, for example, or the old age security plan. Most income support programs have an exemption for employment. I think the OAS is $21,000. We're suggesting somewhere around $35,000, which is very generous. It enables someone who has a disability to actually go and work and contribute to the economy up to a certain level before their support would be reduced. That's an employment measure that we've put before this committee for the Canada disability benefit, actually.

Mr. Adam Chambers: Thank you very much. That's a very interesting proposal.

You mentioned that you were hoping to see the government fund the disabilities act at least for three years, but do you have a ballpark range in your mind that you would be happy to see provisioned on an annual basis?

● (1155)

Mr. Jeff Ferguson: We've outlined that in our brief. Our start would be around $22 billion annually, indexed to inflation of course. We're not economists at Inclusion Canada, for sure, but we based it on the number of people on social disability supports in the provinces and territories. What we suggested in our brief is that the minimum monthly amount would be $2,400. That is a combined amount, so that is the provincial-territorial disability assistance, and then the federal top-up on top of that.

Mr. Adam Chambers: The federal portion would be at $20 billion.

Mr. Jeff Ferguson: That's correct.

Mr. Adam Chambers: Okay. Thank you very much.

For CBA, you're an economist. Is that right, sir? Have you ever witnessed an industry where an increase in taxes has resulted in a reduction of the prices or fees to the end consumer?

Mr. Alex Ciappara: I think that gets to our first recommendation around the need to have a comprehensive tax reform. The tax system that we have right now has been around for decades, and I think it needs to be updated to address questions around the net-zero transition, labour productivity and these sorts of things. That's why the first recommendation in our submission is around tax reform.

Mr. Adam Chambers: Thank you very much. I think I have about 30 seconds left.

Ms. Pohlmann, the government announced a top-up to the rural carbon tax, which is supposed to be funded from the 10% of the carbon tax that was supposed to be set aside for businesses. That's my understanding.

Is that what your understanding is?

Ms. Corinne Pohlmann: We actually tried to get that validated. What we came to understand, after many discussions with finance, is that it's not going to be funded from the $2.5 billion that's already been earmarked. From what I understand, I think it's going to be an excess amount that they determined was going to be brought in, in the future, and they were going to take that out. That was the explanation we were provided with.

Mr. Adam Chambers: Thank you.

The Chair: Thank you, MP Chambers.

MP Baker, please, you have five minutes.

Mr. Yvan Baker: Super.

Thank you all for being here today.

I won't have a chance to ask all of you questions, but I think we're learning a lot from your testimony on a diverse and important set of topics.

[*Translation*]

Thank you very much.

I'd like to go to Mr. Ouellette first.

Mr. Ouellette, I was an Ontario MLA when the Ontario government supported the founding of your university, and I have another connection with your university in that my fiancé, Amanda Simard, fought for this project to be become a reality when she was an Ontario MLA too. She says hello to you and your team, by the way.

My riding of Etobicoke Centre is a suburban Toronto constituency. It has a small francophone community. As you can see, I've learned French. My family isn't francophone. My parents paid for me to learn French when I was young. Earlier you mentioned anglicization, but I can assure you Amanda is francizing me.

On a more serious note, for those of my fellow citizens who are watching, would you please tell us why your university is important?

Mr. Pierre Ouellette: Thank you for your question. Please say hello to Ms. Simard for me.

That's an important question, and I'm quite regularly asked it. As I said earlier, I was born in Ontario, I've spent my entire life here, and I believe all Ontario francophones think it's important to support the vitality of the francophone community in Ontario.

It's also very important for Canada to continue supporting the francization of the population of central and southwestern Ontario because, as I said in my opening remarks, 36% of francophones outside Quebec live here in this region. It's the largest group of francophones in Canada outside Quebec. I realize they aren't necessarily easy to find because there aren't really any francophone enclaves or islands in the city of Toronto, but a very large group of francophones lives here in Toronto, in greater Toronto and in central and southwestern Ontario.

It would be a bad sign for the francophonie outside Quebec if we weren't in a position to support the development of francophone leadership by establishing a university. If we want a symbolically and actually strong francophonie across the country, we need to produce the next generation of francophone leaders. The best way to do that is to establish a French-language university.

● (1200)

Mr. Yvan Baker: In answering Mr. Ste-Marie, you said that urgent measures should be taken to protect the French language. Apart from supporting your university, what are those measures?

Mr. Pierre Ouellette: I'm going to name one because I don't want to name too many.

One thing would be very useful to Toronto francophones, and that would be to have a gathering place. As I said earlier, Toronto francophones are dispersed here and there over a very large area.

We represent a small percentage of the population, and the fact that we don't have a place where we can gather is a risk for us. So that would be an extremely important project. I think it would be very important to have a place that's clearly indicated as the place where francophones meet for community celebrations, for example, so that a kind of life exists in French outside the university.

[*English*]

Mr. Yvan Baker: I have 30 seconds left.

[*Translation*]

Is French-language instruction as important at other levels?

Mr. Pierre Ouellette: It's extremely important, as are immersion programs.

I mentioned in my opening remarks that there were twice as many students in immersion programs as in French-language programs. So if we want to offer job opportunities to students who are in immersion programs, the university is extremely important. It definitely has its place.

You have to consider that potential and continue supporting French-language instruction at all other levels, starting in kindergarten and continuing through life-long learning.

Mr. Yvan Baker: Thank you.

[*English*]

The Chair: Thank you, MP Baker.

MP Ste-Marie, go ahead, please.

[*Translation*]

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

Ms. Pohlmann, you warned us about the problems associated with repayment of the Canada emergency business account loan.

If the figures I have here are accurate, 19% of SMEs—that's 200,000—will be in serious trouble if the repayment schedule isn't pushed back a year.

We've often confronted the government on this, and we have the sympathy of many ministers, but there seems to be a problem with Ms. Freeland and the senior officials on her team. They think it would cost too much, and they want to turn the page on programs that were offered during the pandemic. We wonder what the costs associated with the bankruptcies of hundreds of thousands of SMEs would be.

What would you tell the minister to convince her to delay repayment by another year?

[*English*]

Ms. Corinne Pohlmann: If we don't delay, as you identified, we believe that there will be about 18% or 19% of businesses at risk of closing. In addition, there's about one-third in total who are saying that there's no way they're going to be able to pay by January 18. It's going to be a struggle for them to figure out how they're going to pay it.

We're already seeing all kinds of statistics showing that small businesses are closing their doors. We've seen more door closures—since 2008—over the last two or three years. Bankruptcies are up 40% year over year. Bankruptcies are just a small fraction of it. They're the tip of the iceberg. Most businesses just simply close their doors and walk away.

We're concerned that if we don't delay the year, more businesses will go bankrupt, which means the government will not get that money. If we give them more time, hopefully more of them will be able to pay it back; they will be able to honour their commitment.

Being able to keep the forgivable portion is really important. For many people, that's good. It's a large amount of money for a small business to have to come up with. If they have a $60,000 loan and they have to pay back all $60,000, even at 5%, that's going to be rough to do over.... The extra year has been great. It will be three years now to pay it off, but it's still going to be a real struggle for many of them.

If we can give them a little more time to get the forgivable portion and then have another two years after that to pay the rest, I think that would go a long way towards helping many of them.

● (1205)

[*Translation*]

Mr. Gabriel Ste-Marie: Thank you.

So you think that pushing the deadline back another year might then be a benefit for the government. Is that correct?

[*English*]

Ms. Corinne Pohlmann: Yes, we believe that it will probably be a benefit. We believe that some businesses will end up going out of business and government will never be able to recover the money they would have owed in the first place. We believe that it will be of benefit to the government.

[*Translation*]

Mr. Gabriel Ste-Marie: Thank you.

[*English*]

The Chair: Thank you, MP Ste-Marie.

MP Green is next, please.

Mr. Matthew Green: Do I have two minutes?

I have two and a half. I'll take that extra 30 seconds. Thank you very much.

I want to talk a little bit about banking.

You mentioned under-regulated or unregulated markets. I want to speak specifically about the payday loan market and the impact it's having on the community.

You would know, of course, that section 347 of the Criminal Code ranks 60% interest as usury. Is that correct?

Mr. Alex Ciappara: Yes.

Mr. Matthew Green: I believe that in your industry the high-cost credit is 32%.

Is that correct? What would you consider to be a high-cost credit?

Mr. Alex Ciappara: That sounds about right.

Mr. Matthew Green: I just got it off the Internet, so I think we're good.

For $15 for every $100 within the payday loan framework, it's 390% annualized interest for the most vulnerable people, unbanked people, people who, quite frankly, when your industry abandoned inner-city cores, had to turn to these because they couldn't cash things like the ODSP and Ontario Works.

What's your comment on that?

Mr. Alex Ciappara: Canadians are well served by Canadian banks. About 99% of Canadians have a bank account, probably the highest percentage in the entire world.

Mr. Matthew Green: That's not what I asked you. I asked you a very specific question.

Let's talk about the 1%, the people who have to turn to usury—what I would call "predatory lending" to be polite, and "parasitic lending" to be more accurate.

What do you say about the fact that people have to turn to predatory lending in order to cash their meagre social assistance cheques every single month?

Mr. Alex Ciappara: Canadians are able to cash their cheques into their bank account and obtain their—

Mr. Matthew Green: Every Canadian can access a mainstream bank?

Mr. Alex Ciappara: Yes, they can.

Mr. Matthew Green: Everyone can, without obstruction or delay?

Mr. Alex Ciappara: There are certain requirements, but those requirements are minimal.

Mr. Matthew Green: Are they minimal enough to exclude a certain percentage of the population?

Mr. Alex Ciappara: No.

Mr. Matthew Green: Is it your assertion here at committee that people are choosing to go to a payday loan rather than cash their monthly cheque at, say, the Bank of Montreal or CIBC? There are no barriers at all. Is that your testimony here today?

Mr. Alex Ciappara: Canadians are able to open a bank account, and cash their cheque at their bank.

Mr. Matthew Green: What would be a barrier for Canadians to open an account?

Mr. Alex Ciappara: Maybe not having the right ID is one example.

Mr. Matthew Green: Would you agree that 390% is usury?

Mr. Alex Ciappara: It's what...?

Mr. Matthew Green: Would you call for higher regulations on the predatory payday loan industry?

Mr. Alex Ciappara: That is something the government should look at.

Mr. Matthew Green: Would you consider them under-regulated?

Mr. Alex Ciappara: Probably.

Mr. Matthew Green: Do any of the mainstream banks have any financial connections with any of the payday loan industries?

Mr. Alex Ciappara: I don't know. I can't comment on the financial dealings of our members.

Mr. Matthew Green: Thank you.

The Chair: We'll now go to MP Lawrence.

Mr. Philip Lawrence: Thank you.

My questions are for Mr. Ciappara. I want to talk a bit.... Across the aisle, we've had lots of discussion about productivity, costs, etc. One of the things that, of course, productivity requires is capital, and massive amounts of capital, because new equipment is not inexpensive. We need to attract capital from around the world.

When we introduce uncertainty in the tax system, such as retroactive taxation, even if it's with the best of intentions, it's my assertion, sir—and I'm looking for either your agreement or disagreement—that it has a negative impact of rejecting capital or having less capital, which will actually hurt some of the most vulnerable Canadians because those are investments in manufacturing and quality jobs for individuals who are not in the middle class but wish to join it.

Would you share my assertion, or would you challenge it?

● (1210)

Mr. Alex Ciappara: We would agree with that assertion. I would also add that we disagree with the idea of sector-specific taxes like the ones that were incurred by our industry last year. Yes, we are against retroactive taxation as well as sector-specific taxation.

Mr. Philip Lawrence: Thank you for that.

As I alluded to with Ms. Jones, I believe there is an opportunity for Canadian banks to take on additional responsibility with respect to the ecosystem Ms. Jones talked about with respect to innovation. We should take a bigger risk appetite, if I could be so bold, in order to help Canadian ideas go to Canadian businesses.

What would be your response to that?

Mr. Alex Ciappara: This is part of the tax reform we were recommending in our pre-budget submission. Increasing investment in machinery and equipment innovation is critical. Unfortunately, our tax code was written several decades before intangible assets were part of the lexicon. I think there needs to be a review of the tax code.

In terms of bank participation, banks participate in the venture capital ecosystem. They've contributed to the Canadian business growth fund that was established a few years ago. They're contributing in that way. They're contributing in terms of advice. They are contributors.

Mr. Philip Lawrence: Thank you very much for that.

There is one clarification that I might add. It's actually been over 50 years now since there was a significant reform to the tax code. It was a white paper with the introduction in 1970 of the capital gains tax. It's been actually half a century since any significant reform there.

Mr. Alex Ciappara: You're proving my point.

Mr. Philip Lawrence: Exactly.

Ms. Pohlmann, in your survey, you stated that the majority of your members put the first issue of concern as taxation. Philip Cross, who came before our finance committee, said that in addition to all of the technical issues that plague the Canadian economy, like the lack of capital, regulatory reform and overtaxation, there's also a cultural issue. We need to be rewarding those business owners.

When we heard what happened at the onset of the mandate of the Trudeau government, that business owners were in fact tax cheats, what type of dampening effect do you think that had on your business owners? No one works harder than business owners, working 24-7 just trying to stay aboard.

Ms. Corinne Pohlmann: Certainly business owners want to feel as though they're being supported and recognized for the risks they're taking to open, run and grow a business and employ people. When words, whatever they may be, are said that make them feel that they are not respected for that, it can have a very big dampening effect on their enthusiasm.

Mr. Philip Lawrence: On a more rational side of things, it only makes sense to me that, if we were to reduce the burden on Canadian businesses, nearly every economist from Keynes to Milton Friedman would agree that we would get more prosperity. Would you agree with that?

Ms. Corinne Pohlmann: Generally speaking, yes, that would be true.

The Chair: Thank you, MP Lawrence.

MP Dzerowicz, go ahead for five minutes.

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

Thanks to the panellists for all of their testimonies and their patience today.

I'll continue with you, Mr. McKay.

The presentation I received last year from the former president also talked about congestion and how congestion around the whole city of Toronto area is really a huge disincentive for people and goods being able to move. Is there a role for the federal government to help support that? If you have a recommendation on that in terms of alleviating some of that congestion, I would love to hear it from you. If you do not, I'd love something in writing to us moving forward.

Mr. Reid McKay: We can certainly send you something by email, but suffice it to say the board definitely sees a role for the federal government in alleviating the congestion problems—everything from just facilitating innovative ways to ensure that goods and people move more quickly through our system to supporting the capital and servicing costs of major highway arteries through the city.

● (1215)

Ms. Julie Dzerowicz: I look forward to very specific recommendations from you. I think those would be very helpful.

I'll turn my attention to Mr. Ciappara.

Is the CBA supportive of open banking?

Mr. Alex Ciappara: We're supportive of responsible innovation. Canadians have a tremendous amount of trust and confidence in their banking system and in their financial system. I think we have struck the balance in this country between providing excellent customer experience and having stability in the financial system. That should continue with whatever reforms are brought to this sector. We understand that the report is sitting with the Minister of Finance and we're willing and able to help the Minister of Finance with whatever the government decides.

Ms. Julie Dzerowicz: How is the banking sector transforming its lending and investing activities to line up with Canada's efforts to decarbonize and to actually help invest in green finance or sustainable finance?

Mr. Alex Ciappara: There are a few things. Recently OSFI, the Office of the Superintendent of Financial Institutions—our regulator—put in place new regulations around the climate transition: guideline B-15. That outlines expectations around boards and the institutions they manage with respect to the climate transition. Those include increased disclosure around carbon footprints—not just theirs but also those of their customers. They're working that out right now. Guideline B-15 was implemented just this year. It's still early days. We as an organization are beginning to speak to several groups to help us understand how they're dealing with this. For instance, last week we spoke with CMHC to understand how they're dealing with transitioning to a greener model when it comes to mortgage financing. We had that conversation, and I think the big thing about that is that they're updating the regulations, and we're in the process of doing that.

In terms of our clients, we're helping them and providing them with financing if they need or want to transition to greener technologies.

Ms. Julie Dzerowicz: I'll just stop you there, Mr. Ciappara, because I have only so much time. I think that largely there is a belief—and I don't know if this is true or not—that banks aren't moving fast enough in terms of transitioning their lending and investing to make sure they're really investing more in financing the transition to a more sustainable green economy. We need billions of dollars to be able to do that transition, and I really encourage the banking sector to do that. If there's something we as the federal government can do to help accelerate that, please let us know.

I have another question and again maybe you can spend 30 seconds on this. How are banks supporting the clean energy and technology tax incentives that we announced in 2023? Is there something more we can do to better support banks to actually accelerate that support to the industry?

Mr. Alex Ciappara: In short, it's ultimately our customers who use those tax credits, and we're informing our customers of the tax credits that are available to them.

The Chair: Thank you, MP Dzerowicz.

Just like we did with our first panel, members, we're going to give an opportunity to each party for one final question of our witnesses or for a comment.

We're starting with MP Chambers.

Mr. Adam Chambers: I wish I had more time with all of you.

Ms. Jones, you brought up the SDTC. I'm just curious. Does the industry still have confidence in the leadership of SDTC?

You can add any comments you'd like.

Ms. Krista Jones: In the industry, we did a survey of a lot of the companies in our FINTRAC portfolio on what was going on with SDTC. Everybody is supportive of the intention behind what the investments need to be. Everybody is also supportive of making sure that it's run in a conflict-free way that doesn't get in the way of delivering the benefits that it's intended to do. Everybody wants a rapid resolution and the ability to move forward with that program.

• (1220)

The Chair: Thank you.

Thank you, MP Chambers.

MP Baker, you can have one question or a comment.

Mr. Yvan Baker: Mr. Ciappara, I'd like to come back to you, if I may.

Just for background, I spent some time working for the Bank of Nova Scotia as a commercial banker. I used to be a management consultant with PCG and did a lot of consulting in the financial services sector. I heard your earlier point about sector-specific taxation and your concern about that. The challenge I have is the following one.

The Canadian banking sector is, to a great degree, in my view—for a bunch of reasons—relatively protected, from foreign competition especially. I believe there is inadequate competition in a number of sectors in this country. Banking is one of them. Telecoms and airlines are others. The consequence of that, for me, is that consumers pay higher prices than they would otherwise, the quality of service is less than it would be otherwise and the array of financial products available to businesses and consumers is less than it would be otherwise.

Therefore, there's a cost to be borne by our economy and our society for that lack of competition. When I think about the financing that a lot of companies need at the early stages of development, it's tougher to get it from the Canadian financial sector. There are a bunch of reasons, but I think competition would probably help alleviate some of that problem.

I guess my question to you is this: If your argument is that we shouldn't have sector-specific taxation, are you in favour of greater competition in the banking sector in Canada?

Mr. Alex Ciappara: Absolutely. We have 80 banks in this country, and they compete against credit unions, financing companies, government-owned entities, venture capital...but you need to step away. You could look at the banking system, but you need to look beyond the banking system and look at other financial service providers to see the amount of competition that takes place in this country.

The Chair: Thank you, MP Baker.

Next is MP Ste-Marie.

[*Translation*]

Mr. Gabriel Ste-Marie: Mr. Ciappara, given all the mortgage renewals and rising interest rates, the Office of the Superintendent of Financial Institutions has seen fit to take a prudential approach and tighten up certain rules. In particular, it's concerned about the sharp rise in loan-to-value ratios that may exceed 100%, and it's focusing specifically on rising instances of negative amortization.

I'd like to hear your comments on what's happening in that area.

[*English*]

Mr. Alex Ciappara: Yes, I think you're referring to variable-rate fixed-payment mortgages and, I think, to the renewal of mortgages in general. The banks are reaching out to their customers proactively to help those customers who are feeling impacted by the interest rate shock. There are a number of things that banks can do to help out their customers: moving into a fixed-rate mortgage, increasing the payments and helping them with lump-sum payments.

In the end, Canadian banks don't want to own a home. They'll do everything they can to help their customers stay in their homes. You only have to look back to the early days of the COVID crisis, when the industry negotiated I think 800,000 mortgage deferrals.

This is something they do on a regular basis in terms of helping out their customers, and they intend to do so in this period of high interest rates.

[*Translation*]

The Chair: Thank you, Mr. Ste-Marie

[*English*]

MP Green, you'll be the final questioner for the second panel and for our session here today.

Mr. Matthew Green: Thank you.

There was $750 billion in liquidity supports that went out over COVID. You listed that $17 million was paid out in taxes. Is that correct?

Mr. Alex Ciappara: It was $18 billion.

Mr. Matthew Green: Okay, $18 billion was paid out, and there was $750 billion in liquidity supports. You would have gotten CEWS as well and rental subsidies as well, yet you paid out $40 billion in dividends. Is that correct?

Mr. Alex Ciappara: There was $22 billion in dividends in 2022.

Mr. Matthew Green: In 2022, there was $22 billion in dividends on top of the government subsidies. The government collected $17 billion in taxes. Are you saying with a straight face that the taxes are the problem here, not the capital gains loopholes?

Mr. Alex Ciappara: I'm saying that there were a number of factors impacting the banking industry. It has to manage capital requirements and liquidity requirements with taxes included. These are all things that the banks have to manage.

The Chair: We have to conclude there. Thank you very much.

Thank you, MP Green.

We also thank our witnesses for their testimony and for all the information that they provided to us here in this pre-budget consultation. We're delighted to be here in Toronto, Ontario's capital, as we make our way across the country. We hope you have an excellent afternoon. Thank you very much for your testimony.

Thank you.