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Chair: Mr. Peter Fonseca



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• (1555)

[English]

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

Welcome, everybody, to meeting number 90 of the House of Commons Standing Committee on Finance. Pursuant to the order of reference of Tuesday, May 2, 2023, and the motion adopted on May 16, 2023, the committee is meeting to discuss Bill C-47, an act to implement certain provisions of the budget tabled in Parliament on March 28, 2023.

Today's meeting is taking place in a hybrid format pursuant to the House order of June 23, 2022. Members are attending in person in the room and remotely using the Zoom application.

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

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

Also, members and witnesses, if you are speaking, just make sure the red light is on so that all of what you have to say is captured by the interpreters and by the House.

Let me just begin by thanking our witnesses. I know you didn't have a lot of time before you were contacted to appear before our committee on the BIA, but we do appreciate that you were able to graciously be here for us to provide your testimony. I'll say that in advance on behalf of all the committee members and the clerk, the analysts, the staff and everybody who is here. We really do appreciate it.

With us today from Air Passenger Rights, we have Dr. Gábor Lukács, who is the president of the organization. We also have, from the Chamber of Commerce of Metropolitan Montreal, the president and CEO, Michel Leblanc. From Équiterre, we have Andréanne Brazeau, who is an analyst of climate policy; and from the

Macdonald-Laurier Institute we have Philip Cross, who is a senior fellow. Welcome.

Members, I didn't mention this yet, but we have the Canadian Home Builders' Association and the CEO Kevin Lee. We're still having some technical issues with the sound, and we're trying to get that rectified. Hopefully when others have given their opening remarks, we'll be ready for Mr. Kevin Lee to join us. We're also having some technical difficulties with Henderson Brewing and Mr. Steve Himel. We'll also try to rectify that before our last witness speaks and allow Mr. Himel to join us for this panel and make his opening remarks.

With that, we're going to start with Dr. Gábor Lukács of Air Passenger Rights, please, for five minutes.

Dr. Gábor Lukács (President, Air Passenger Rights): Mr. Chair and honourable members, Air Passenger Rights is Canada's independent, non-profit organization of volunteers devoted to empowering travellers. We have a track record of successfully predicting shortcomings and loopholes in legislation related to air passenger rights.

Five years ago, we testified before the House of Commons and the Senate respective committees and cautioned that the Transportation Modernization Act was inadequate. In 2019, we published a 52-page report with predictions of how airlines would likely exploit the air passenger protection regulations' shortcomings and loopholes. In December 2022, we cautioned that Canada's air passenger protection regime was broken, and we proposed specific legislative amendments as a solution. Mere days later, during the holiday season, Canadians witnessed a second meltdown of air travel that year, compounded by airlines' flagrant disregard for passenger rights under the APPR..

Our predictions are based on the experience of the passengers we help daily in their struggle to enforce their rights. They have been validated by the four years that have passed since the regulations came into force. Today, even the government acknowledges that our air passenger protection regime needs to be substantially strengthened. Unfortunately, the legislative amendments put forward in Bill C-47 have the opposite effect.

First, the government proposes to create a secretive, star chamber-like process for adjudicating consumer disputes between passengers and airlines with no right of appeal. The adjudication will be conducted on the basis of confidential information instead of evidence, with the exclusion of the public and the media. This is unheard of in consumer disputes.

Bill C-47 therefore violates Canadians' freedom of expression and the open court principle guaranteed by section 2(b) of the Charter, as well as the right to a fair hearing in accordance with the principles of fundamental justice, protected by section 2(e) of the Canadian Bill of Rights.

Second, proposed section 85.12 is effectively a Henry VIII clause that allows the Canadian Transportation Agency to change the law while bypassing the system of checks and balances set out in the Statutory Instruments Act. The agency will be able to make and modify guidelines affecting passengers' rights overnight without examination by the Clerk of the Privy Council and the deputy minister of justice, without publication in the Gazette and without scrutiny by Parliament's committees.

Third, Bill C-47 perpetuates existing loopholes and creates a new one. In spite of the government promise to the contrary, the bill retains the "required for safety purposes" excuse for airlines to avoid paying compensation and shunts that excuse into regulations. This made-in-Canada loophole has unnecessarily and disproportionately complicated adjudication of disputes between passengers and airlines.

Since evidence about the reasons for a flight disruption is in the airlines' exclusive control, passengers are at a great disadvantage in enforcing their rights to compensation. Bill C-47, however, shifts the burden of proof to the airlines in such disputes only if the passenger gives up their right to a fair and open hearing before an impartial judge and instead agrees to submit to the star chamber-like process.

Bill C-47 also creates a new loophole. Clauses 467 to 470 would allow airlines that sign a so-called compliance agreement to avoid paying penalties for violating passengers' rights.

To summarize, many of the government's proposed amendments to the Canada Transportation Act miss the mark, do the opposite of their stated purpose and will weaken not only air passenger protection but also fundamental rights in Canada.

We urge you lawmakers to amend division 23 and not to forgo this historic opportunity to create a robust air passenger protection regime in Canada. A suitable model for amending division 23 would be Bill C-327, a private member's bill to harmonize Canada's air passenger protection regime with the European Union's gold standard. Bill C-327 has been endorsed by Canada's leading consumer protection organizations, and it is what Canadians need.

Thank you.

• (1600)

The Chair: Thank you, Dr. Lukács.

Now we hear from the Chamber of Commerce of Metropolitan Montreal.

Please go ahead, Monsieur Michel Leblanc.

[Translation]

Mr. Michel Leblanc (President and Chief Executive Officer, Chamber of Commerce of Metropolitan Montreal): Thank you, Mr. Chair.

I would like to thank the members of the Standing Committee on Finance for giving me the opportunity to voice the concerns of the Chamber of Commerce of Metropolitan Montreal. As time is very limited, I will restrict myself to five items.

The first item, which is not new, is the business community's desire to know that there is a trajectory for the government of Canada to return to balanced budgets and to see this enshrined in official documents. If there isn't, it opens the door to the risk of a steeper, faster trajectory in the future, leading to fiscal pressure and tax increases. From a business point of view, what's important is predictability. Achieving a balanced-budget trajectory should be seen as an assurance of that predictability, not as a goal of rapid spending cuts or tax increases.

The second item that is very important from the business community's point of view - and it's also in this budget - is Canada's response to the U.S. Inflation Reduction Act, and to the very significant investments the U.S. is making in the green economy. Clearly, Canadian companies will have to be competitive. Our projects will have to move forward, and our investment strategies will have to be at least as robust as what we're seeing in the U.S. budget. We're very pleased to see that the Canadian response involves an investment-to-GDP ratio twice as high as that seen in the United States. For us, the Canadian response is very important. We believe that supporting the electric battery sector, which is very positive for the Montreal region, and supporting the green shift, from the point of view of urban SMEs, is very strategic.

As part of these major investments, we feel it's very important to also address issues related to the efficiency of government services. The past year has shown just how difficult it is for the government of Canada to deliver its often monopolistic services efficiently. Examples include the processing of temporary immigration applications, the issuing of passports and the situation at airports. We are asking that the budget bill include a strong commitment to disbursing funds to improve the efficiency of government services.

A fourth item is very important to us, and that's Canadian inter-provincial trade. For years, there have been strategies to encourage Canadian companies to export their products. We saw the tension surrounding the renewal of the free trade agreement with the United States. Canada has signed free-trade agreements with other regions of the world, yet within Canada, interprovincial trade is sub-par. Quebec and Montreal companies, especially the smaller ones, are not working as hard to enter markets in the rest of the country. Conversely, I'd say that companies from the rest of the country are less active in Montreal and Quebec. This budget includes funds to strengthen interprovincial trade. We're asking that these funds be disbursed quickly so that organizations on the ground can help our companies find new markets in the rest of Canada.

Let me conclude by pointing out that the budget does not contain a single line of expenditure that seems to be increasing in all other OECD countries, namely money needed for military equipment and national defence. The world is changing rapidly right now, not least because of international tensions, commitments to support Ukraine, pressure on our equipment and the realization that we have limited capacity to protect our territory properly, particularly in the Arctic. This budget provides no response to these pressures. We believe that now is the time to study how Canada will increase resources allocated to defence issues, without necessarily leading to an increase in taxes to finance this spending.

• (1605)

Thank you.

The Chair: Thank you, Mr. Leblanc.

[English]

Now we will hear from Équiterre and Ms. Andréanne Brazeau.

[Translation]

Ms. Andréanne Brazeau (Analyst, Climate Policy, Équiterre): Good afternoon, Mr. Chair.

Good afternoon, members of the Committee.

My name is Andréanne Brazeau and I'm a climate policy analyst at Équiterre, one of the country's leading environmental organizations, which this year is celebrating 30 years of environmental and climate action.

Our organization works on four key issues: climate, sustainable mobility, food systems and, finally, the consumer and waste management sector.

Équiterre aims to advance these issues in a way that benefits Canadian families and helps lower the cost of living, while helping to combat the climate crisis and the collapse of life.

Our organization is also a member of the Green Budget Coalition, which includes some twenty Canadian organizations whose mission is to promote a set of recommendations relating to the annual federal budget.

First, Équiterre salutes the various initiatives announced in the latest budget that promote social justice, such as the new Canada Dental Benefit. It also supports all the measures in Bill C-47 that aim to tighten penalties and monitoring to limit environmental

damage, as well as measures that encourage the consumption of durable goods.

For example, section 232 of Bill C-47, which amends section 36 of the Customs Tariff Act, proposes to add the General Preferential Tariff Plus to goods originating in a country that complies with international standards relating to sustainable development, labour rights and human rights. Équiterre believes that this is a major step forward in raising the socio-environmental standards of international trade.

Then, more generally, Équiterre believes that the federal government's budget presents several interesting measures for the transformation of our economy, including assistance for the decarbonization of the country's power grids as well as the conditions established for this assistance, particularly with regard to labour and the cost of energy for families. Tax credits in this sector are also good news, especially as they were a key demand of the Green Budget Coalition, of which Équiterre is a member.

The budget announces the government's first steps towards the right to repair, a promising sector given that our economic system needs to be fully transformed to become carbon neutral, circular and more equitable. According to some data, the repair industry's revenues in 2030 could vary between \$47 billion and \$51 billion and create between 400,000 and 450,000 jobs in Canada.

Équiterre therefore welcomes these first steps, which aim to establish a targeted framework for household appliances and electronics in 2024.

However, as provided for in the Minister of Finance's mandate letter, Équiterre would still have liked to see the immediate introduction of a repair fund or fiscally green measures to encourage the growth of the repair sector, a sector of the future that will enable us to take concrete action to reduce household spending and consumption.

More generally, other items in the budget seem problematic in the context of the climate crisis. First, we feel that investments in the development of carbon capture and storage, an unproven technology, take up an inordinate amount of space in the government's finances this year. These investments divert attention from the real challenge at hand: the just transition to sustainable employment for workers in jobs that are doomed to disappear, at a time when the global economy is in the throes of transformation and Canada is falling behind.

For Équiterre, continuing to invest in the exploration of new hydrocarbon deposits in the Arctic is another inconsistency in the federal budget. Investments in the development of the hydrogen industry, including hydrogen produced from fossil fuels, are also problematic. Hydrogen is a form of energy with limited potential, and a niche product. So we mustn't fall for false solutions to the climate crisis.

On the transport side, it's mainly road transport that is responsible for the sector's greenhouse gas emissions. Équiterre therefore deplores the fact that the latest budget includes no new measures to develop, for example, public transit and active mobility, while the number and size of vehicles on our roads continue to grow.

In short, several elements of Bill C-47 seem interesting to us in terms of facilitating the transition to a carbon-neutral and equitable economy. Nonetheless, much remains to be done to ensure that the industries with the highest emissions contribute to prioritizing their reduction at their source and fostering a more equitable and sustainable society.

• (1610)

Larger sums will certainly have to be disbursed in the future to prepare Canada for the climatic hazards whose effects we are already experiencing from one end of the country to the other, in different, but no less serious ways.

Thank you for your attention and for listening. We'll be happy to answer your questions.

The Chair: Thank you, Ms. Brazeau.

[English]

Now we'll go to the Macdonald-Laurier Institute with Mr. Philip Cross, please.

Mr. Philip Cross (Senior Fellow, Macdonald-Laurier Institute): Thank you.

Canada is in the grip of its slowest decade for economic growth since the 1930s. This is evident in the average annual increase of just 0.8% in real GDP per capita over this period. This extended period of almost no growth has widened the gap between per capita growth in the U.S. and Canada. Since 2016, U.S. real GDP per capita rose a cumulative 11.7%, versus a 2.8% gain in Canada.

This divergence of growth between the two countries occurred before, during and after the pandemic. The ability of the U.S. to sustain growth over the past decade shows that Canada's stagnation was not the inevitable result of an aging population or the exhaustion of technological innovations, but instead reflects factors under Canada's control.

The most obvious sectoral sources of Canada's stagnation are in business investment and exports. Since 2014, business investment in Canada fell 17.6% in volume, compared with a 23.5% gain in the U.S. Meanwhile, after peaking in 2015, Canada's exports receded 0.4%, versus a 14% gain in the U.S. That's despite the stimulus from a 25% devaluation of the Canadian dollar.

Business investment in plants, equipment and exports of goods together account for 37% of Canada's economy. When over one-third of an economy contracts over an eight-year period, inevitably

overall growth will be significantly reduced. This is especially true for investment and exports, which contain Canada's most productive and innovative technologies, because they face the most pressure to compete and innovate. The prolonged slump of business investment and exports also reflects the limitations of monetary policy to influence the industry's structure.

Slumping business investment in Canada is a particular concern. There is a growing sentiment that Canada has wasted a decade of low interest rates on more government debt and housing, rather than business investment. Low levels of investment resulted in an outright decline in the net capital stock available per worker in manufacturing and economy-wide. The long-run implications of falling capital stock levels per employee are worrisome since, "In the long run, GDP and the capital stock tend to grow at the same rate".

Beyond the direct impact on overall economic growth, the persistent slump in both business investment and exports is symptomatic of structural shortcomings in Canada's economy. These include low rates of business formation, regulatory uncertainty and barriers to investment, restrictions on internal trade, faltering confidence of foreign investors in Canada, and low levels of productivity and innovation.

One manifestation of chronic weak business investment and low productivity is the OECD's forecast that Canada's per capita GDP growth between 2020 and 2060 will be the lowest amongst its 29 members. This underscores that Canada's economic growth will continue to falter for decades without fundamental changes in our approach to the economy. A return to sustained faster economic growth in Canada will not come from selecting from the menu of policies proposed by government advisers offering one-time boosts to incomes, but from harnessing the potential of Canada to innovate and from its entrepreneurs.

I'm going to skip a couple of paragraphs to save time here.

A return to sustained economic growth in Canada should be a bipartisan issue. Keir Starmer, the new leader of the Labour Party in Britain, acknowledged recently in an interview with *The Economist* that "economic growth is the absolute foundational stone for everything."

Conversely, Paul Collier summarized the effect of slow growth, such as we have seen in Canada in recent years, by noting that while “Growth is not a cure-all...lack of growth is a kill-all.” In the absence of growth, societies are prone to adopting policies that hamper further growth such as protectionism and a destructive focus on the distribution rather than the creation of wealth. Such policies create a vicious circle that weakens business investment, innovation and entrepreneurship.

Economists have only an incomplete understanding of the forces that sustain economic growth over long periods. Broadly speaking, they have pursued two approaches. One focuses on higher inputs and greater efficiency, which is the goal of most policy initiatives. At best, they provide a one-time boost to incomes and often not even that in the absence of the proper environment for growth.

• (1615)

The second approach emphasizes innovation, which is more the product of a culture that encourages entrepreneurship. In the absence of such a culture, even adopting policies that should strengthen growth such as the free trade deals Canada has with all the other G7 nations, high rates of immigration and a high level of education will fail to raise growth.

The Chair: Could I ask you to start to wrap up, Mr. Cross, please?

Mr. Philip Cross: It is long overdue that Canada acknowledges its growth crisis and undertakes to create a culture in which innovation flourishes.

Thank you.

The Chair: Thank you very much for that. You'll have more time to elaborate when it gets to members' questions.

Members, I have the Canadian Home Builders' Association. I want to say that Kevin Lee had made a superhuman feat while others were giving their opening remarks. He ran out to get an approved headset and is back here with us.

Mr. Lee, thank you so much for doing that. Now we're going to hear from you.

Mr. Kevin Lee (Chief Executive Officer, Canadian Home Builders' Association): You're very welcome. I'm in Vancouver, so I didn't even know where I was going. It worked out okay.

Thank you very much, Mr. Chair and members of the committee, for the opportunity to speak today.

As you likely already know, we are in a construction slowdown thanks to the interest rate increases of last year. As they rose, sales slowed to a trickle. As a result our CHBA housing market index now suggests that we could see as much as a 30% drop in housing starts, which corresponds to other data we're collecting, like 23% of members cancelling projects and some 59% expecting to build fewer homes this year.

This is the opposite of what is needed given the housing affordability crisis in Canada, driven in large part due to the severe housing shortage. CMHC analysis shows that to make up our housing deficit we would need to build 5.8 million homes over the next

decade, which would require more than doubling our housing starts.

How do we get back on track?

Firstly, let me say there is no silver bullet. We need a comprehensive approach from all angles and from all levels of government. The focus should be on three key areas. We need to fix the mortgage system so well-qualified young people can buy new homes and, in response, industry can build more. We need to stop government policies that add costs to housing and find ways instead to reduce costs, and we need to address the labour shortage.

Regarding the mortgage system, Canada has been so worried about its financial system's stability that we have taken away the ability of young Canadians to buy homes. We've overcorrected at the cost of dropping home ownership rates from nearly 70% in 2011 down to about 66% in 2021. One would expect this would all be to protect against what would be rising mortgage defaults, but instead the mortgage arrears rates have fallen to historic lows of about 0.15%. Furthermore, young Canadians have the lowest risk profile of any mortgage borrower.

As this budget looks at its oversight of OSFI, all government departments, regulators and agencies should be tasked to work together to balance risk with the need to build more homes, address affordability and return home ownership to being an attainable dream for more Canadians.

It's not time for OSFI to tighten mortgage rules still further. In fact, it's quite the opposite. It's time to find ways to relax the stress test on both insured and uninsured mortgages responsibly. It's also a time to allow mortgage insurers to return to 30-year amortization periods to enable well-qualified first-time buyers to be able to access the market. This will enable more housing to be built, thereby avoiding cost acceleration and enabling the home ownership rate to turn around as it should.

Governments also need to stop adding costs to homes and instead need to do their part to reduce the price of homes. The GST rebate on new homes hasn't changed since its inception in 1991. In the over 30 years since that time, the price of homes has more than doubled. It's time to double the GST rebate thresholds themselves. I would add that the first-time homebuyers plan, the tax-free home savings account and renovation tax credits are all good steps as well, given that every little bit helps.

Also, regarding the GST, we need to zero-rate purpose-built rental construction, as we do groceries, since GST cannot be collected on rent. Currently, the GST translates to higher construction costs and higher rent. Capital gains and capital costs allowance treatment also harm the business model of purpose-built rental. Developers are far better off building condos. Tax reform on rental is therefore needed to fix the broken business model of purpose-built rental and get the hundreds of thousands of units we need under construction.

Meanwhile, every code or standard change these days, and there are many, is increasing the cost of construction. It's time to make affordability a core objective of the national building code and only allow cost-neutral changes. If the change is important but it's more expensive, we need to invest in R and D to make it affordable before regulating.

Cities need to stop adding costs to construction by continually increasing development costs and taxes. They need to change their approach and accelerate development. The rollout of the housing accelerator fund is an important step in encouraging that change. The tying of infrastructure and transit investment dollars to housing supply outcomes also needs to move forward.

We also need to cut red tape that adds costs. Simply, industry needs to be exempted from the underused housing tax. Our members are filling out thousands of forms for nil returns for the underused housing tax for no reason.

Finally, and very importantly, there's the labour shortage. The Canadian apprenticeship service, the labour mobility deduction and the doubling of the deduction for tool expenses are all good steps, but we still need many more people. The plans of the government to focus immigration on skilled workers, especially for home construction, are critical to getting more homes built faster. Even with that, we will not have enough workers to double housing starts.

We need to increase productivity through factory-built solutions, but that will take investments and the volatility of the market makes that investment risky. CHBA is beginning an industry transition strategy that will outline the types of changes required, the risks involved and the way the federal government can help support that transition.

• (1620)

We recommend that the government prioritize and support investment in modular and other factory-built technologies, similar to the most recent federal budget's emphasis on clean technology investments through tax credits and strategic funding.

With that, I'll end it.

Thank you very much. I look forward to answering any questions you may have.

The Chair: Thank you, Mr. Lee. Again, thank you for your efforts to be with us and to get that headset. We heard you very clearly.

We are going to go to the rounds of questions from members now with the first round of six minutes to each party.

We're starting with the Conservatives. We have MP Morantz for the first six minutes.

Mr. Marty Morantz (Charleswood—St. James—Assiniboia—Headingley, CPC): Thank you, Mr. Chair.

I'm going to direct my initial questions to Mr. Cross.

It's a delight to see you in person. We have spoken a few times over the last few years over Zoom, so it's great to have you before the committee.

I want to give a bit of history. When I was first on the finance committee, very early on, we had the outgoing governor of the Bank of Canada, Mr. Poloz, at the committee. I asked him about his program of quantitative easing and whether historically that sort of thing had been inflationary. He insisted it wasn't and that we should be worried about deflation. Then we had the current bank governor, Mr. Macklem, who said in one of his press conferences about a year and a half ago that interest rates would remain low for a long time.

I find it interesting, with the greatest respect, that sometimes economists get to say all kinds of things and it's probably the only profession in which you can be so wrong and get to keep your job.

However, now we have a situation in which we have massive inflation and interest rates are high, so I'd like to get your confirmation on a number of issues. For example, would you agree that the quantitative easing combined with profligate government spending over the course of this government is a factor in inflation in Canada?

• (1625)

Mr. Philip Cross: It is undoubtedly. There's no question that the Bank of Canada acknowledges that inflation is caused by demand outstripping supply. Demand growth was deliberately fuelled by what was believed to be stimulative fiscal and monetary policies during the pandemic. The pandemic obviously did some damage to supply, more than economists thought, so it's the combination of the two.

It's quite refreshing—you should look up what Mervyn King, the former governor of the Bank of England, said. He very clearly stated—unlike a lot of the obfuscation you get from central bankers here in Canada—that we increased the money supply, which increased demand, and that increased inflation. It's that simple.

Mr. Marty Morantz: Thank you for that answer.

I couldn't get the current bank governor to say that. He's happy to say that quantitative tightening is a great tool to help control inflation, but he wouldn't confirm quantitative easing as being the cause of it.

Would you agree, then, with the claims of the Prime Minister and the finance minister that inflation has come to our shores because of external factors? Is that accurate?

Mr. Philip Cross: Clearly the initial onset might have been due to some supply disruption, but we're now two years in. In the latest inflation report that was released by my former colleagues at Statistics Canada on Tuesday, services have now replaced goods. You can no longer say this is supply chains, computer chips and all those things or even food and energy. Inflation is increasingly embedded in the service sector of the economy, and that's driven by domestic factors and wage inflation.

Mr. Marty Morantz: I'm going somewhere with this. I don't mean to interrupt you, but now we have homegrown inflation. We're two years in with a government that's willing to spend endlessly. It has doubled the national debt. It's adding another \$60 billion in spending over the next five years, just over and above what they announced in November. Because of that, the Governor of the Bank of Canada has, despite saying interest rates will stay low for a long time and people shouldn't worry about that, now raised the bank rate to 4.5%.

I know it seems self-evident, but I just want to get confirmation from you on the record. Is there a direct correlation between inflation and the bank increasing interest rates?

Mr. Philip Cross: Unquestionably. Even a bank would say, of course, that's why we're raising interest rates; it is to bring inflation under control.

Mr. Marty Morantz: There's a direct correlation between increased interest rates and how much people pay on their mortgages.

Mr. Philip Cross: Undoubtedly. The Bank of Canada gave a briefing on that very subject today.

Mr. Marty Morantz: There's a direct correlation between inflation, which is largely caused now by domestic spending policy, and the price of housing. Yes...?

Mr. Philip Cross: Do you mean the price of housing or the cost of owning a home? They're two different things.

Mr. Marty Morantz: It's the cost of owning a home.

Mr. Philip Cross: On the cost of owning a home...yes.

Mr. Marty Morantz: Groceries...?

Mr. Philip Cross: As for groceries, that's one area where I think it's a reach. Food is determined more by supply factors than by demand. I think it's unique in that respect.

Mr. Marty Morantz: Fair enough. Thank you for that.

I want to go to Mr. Lee for a second.

The Chair: You have 30 seconds.

Mr. Marty Morantz: Okay. It will be a quick one.

Mr. Lee, you said that housing starts have dropped 30%. Have you ever seen that happen before in your career?

Mr. Kevin Lee: Yes. Over time, we have seen starts tail off, for sure. What I'm saying is that our housing market index is suggesting they could drop by 30% moving forward. We're seeing the slowdown now. We look at the lag of sale starts.

Mr. Marty Morantz: What could government do to fix that?

Mr. Kevin Lee: It's pretty much everything I outlined. It has to come at it with a multipronged approach.

The Chair: Thank you, MP Morantz.

Now we'll go to the Liberals.

MP MacDonald, you have six minutes.

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

I'll follow up with Mr. Lee again. For all the hard work you did to get here, we should accommodate you as much as possible.

You talked about the mortgage default question. Arrears are at an all-time low, which is very interesting. We've heard over the past couple of years what was going to happen to the housing market and the defaults that were going to take place. Hearing you say that is very interesting.

I'll let you expand on that a little bit, but I have a couple more questions for you.

• (1630)

Mr. Kevin Lee: You're absolutely right. There was the mortgage deferral cliff that the past-president of CMHC was warning about, and nobody was agreeing with that at the time either.

There's so much risk aversion right now with respect to the financial system writ large. We lost sight of the fact that housing is a good financial investment, and the debt that comes along with that servicing is actually creating financial wealth for Canadians. Houses aren't supposed to accelerate at the rate that they have been. That's another issue. That's not why people buy houses. People buy homes not to get rich but to put a roof over their heads. We really need to make that available to the next generation. All of the mortgage rule tightening has really locked out the next generation. We've overcorrected.

Mr. Heath MacDonald: I think we were in an unprecedented time, so it's very interesting to look back now as kind of a history lesson for us going forward.

You also mentioned the amortization period. Can you give me a couple of examples of how this could possibly stabilize young persons getting into their first-time homes?

Mr. Kevin Lee: About 12 years ago now, we made our final march down, from 30-year amortizations down to 25, coming down from 40, which was probably too high. That last hit, from 30 down to 25, really knocked thousands of potential buyers out of the market.

We suggest that it is time to return to 30-year amortizations for insured mortgages for first-time buyers. It gives them extra purchasing power. At this time, when we look to double housing starts, we can't just build houses with nobody able to buy them. The days of building spec homes are not really upon us. We're going to need to make sure we have qualified purchasers.

When you're looking at entry-level homes, getting first-time buyers into the market with 30-year amortizations would make a lot of sense. They're not going to drive the entire housing market crazy. In fact, it's a little bit of a chicken-and-egg.... You need more homes, but you can't have more homes unless people can afford them.

Let's enable those young people to get in. They're going to be in the mortgage market for more than 25 years anyway. They're going to get in, live in that house for a few years and then get a move-up home, at which point, ironically, they can get a 30-year amortization or a 35-year amortization on their next home. Somehow we're not allowing young people to get into the market in the first place.

Mr. Heath MacDonald: Thank you.

You talked a bit in your reaction to budget 2023 about ratcheting down the stress test. It was a somewhat controversial item at the time. Now that we look back and we have seen the interest rate crawl up to 4.25%—and the stress test was based, I believe, on 5% or 5.25%—I'm wondering if that was a good move at the time.

Can you provide any details on how quickly we should reduce that stress test level? Are there any statistics, or is there anything you have that you can provide me with?

Mr. Kevin Lee: When you look at it, certainly, if you are on the side that thinks the stress test is very good, you would say, "Look at the arrears rate." Conversely, if you are on the side that thinks we need more Canadians able to buy homes, you'd say that the arrears rate is at a historical low. We've gone too far. It's finding that happy medium.

There's been a lot of talk, ever since it came in, saying that it was a little too strenuous and it should be adjusted. One of the ways we've always suggested it be adjusted is that it be ratcheted down with longer-term mortgages. Right now, a five-year fixed mortgage is the most common, and we don't see much of seven-year and 10-year mortgages.

However, if we were to ratchet down the stress test to around seven-year and 10-year terms, you could encourage people to lock in for longer. It creates more stability in the marketplace. By the time they're at seven or 10 years, household incomes have probably gone way up and you have much more equity in your home. You're in a much better financial position, and you've taken away a lot of the risk while creating stability in the market.

That would be one of our recommendations around the stress test.

• (1635)

Mr. Heath MacDonald: I'm going to touch on labour really quickly, because it's obviously an issue. In my home province, I'm starting to see the Construction Association of P.E.I. do some things we've never seen it do before. It's using virtual reality to train people, and programs set up for newcomers. You're going to start to see

growth in that sector. It's going to take some time, obviously, with the government allowing the trades to be part of the immigration model and opening those doors up.

We all want it to be faster, for sure. However, it was almost like the housing market hit the perfect storm over the past few years, and COVID-19 really exposed that in some instances. Is there anything else? I listened very closely to your preamble, and I was very impressed with some of the ideas you had.

Is there any one idea that may stand out more so for getting more people—immigrants—into the workforce more quickly if you're not seeing that somewhere, like in Vancouver if that's where you are today?

Mr. Kevin Lee: I think what we really need to do is focus on the right people, and we need to listen to employers when it comes to immigration, as well, to bring in the right skills. Sometimes it's just the right disposition. In residential construction, we don't always need a Red Seal carpenter, for example. We can take labourers and turn them into framers, and they can do some great work. I think we need to focus on people who are going to be inspired to work in construction.

To your point, we need to do even more work to make sure we overcome the language barrier, and we're very good in the industry at taking care of health and safety. In no place is health and safety more important. You have to make sure you get the language stuff right, so we are doing much more work.

To your point on virtual reality, animation and all those things, where images and videos and everything can help people learn, this is going to be very important. As I was also saying, I think to build a lot more housing, we're going to need to change our—

The Chair: Thank you, Mr. Lee.

Thank you, MP MacDonald.

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

[*Translation*]

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

First, hello to all the witnesses. Thank you for joining us on such short notice. This is a high-calibre group of witnesses.

Thank you, Mr. Leblanc.

Mr. Lukács, your presentations and all the work you do are always greatly appreciated.

I'd like to respond to our colleague Mr. Morantz. He had some very harsh words to say about economists. As an economist by training, I was greatly hurt. I would say to him that when economists are wrong, they always have excellent reasons to explain why the forecasts were off.

Some hon. members: Ha ha!

• (1640)

Mr. Gabriel Ste-Marie: On that note, Ms. Brazeau, I offer my congratulations to Équiterre on its 30th anniversary. It's amazing how quickly time flies.

My first questions have to do with the Canada Growth Fund and investments in the green economy, namely the \$80 billion to support the energy transition announced in the last budget in response to the U.S. Inflation Reduction Act.

I had asked a question of the department on March 30, and we received a reply on May 2 with a breakdown of sorts of the \$80 billion amount. We learned that there was \$12.5 billion for carbon capture, \$17.7 billion for hydrogen production and \$25.7 billion for electricity, which includes nuclear, including small power plants and modular reactors.

How do you react to this?

Before hearing your response, I'd like to remind you that, in Bill C-47, the transfer or disbursement of this \$80 billion will not happen all at once. First and foremost, two institutions will be created to administer the sums the government plans to invest. As a result, these sums will no longer be under the control of parliament. We, the members of Parliament, the legislators, will no longer be able to vote on these sums.

I'd like to hear what you think about all this.

Ms. Andréanne Brazeau: Good afternoon, and thank you very much for those questions.

I'll start with hydrogen. It doesn't need to be repeated, but I'm going to anyway: clearly, the era of fossil fuels is over. This means we have to work on the development of the next sectors, the sectors of the future, namely clean energy. The only form of hydrogen that is truly clean is green hydrogen.

Yet government still plans to support investment in other types of hydrogen, such as grey hydrogen or blue hydrogen, and therefore maintain this dependence on fossil fuels. Certainly, if we want to sustainably transform our economy, we have no choice but to focus solely on green hydrogen. This is what we're strongly recommending to the government. It would necessarily involve the government revising its hydrogen strategy.

Second, and I think you understood it from my presentation, carbon capture and storage are false solutions. Instead of investing in transitioning workers who drive the Canadian economy, we're locking them into a sector that's doomed to disappear anyway. Carbon capture and storage is unproven, extremely expensive, and leaves us with the false hope that we can continue to increase oil extraction in Canada. For Équiterre, this is tantamount to abandoning

people. Last year, Quebec was very courageous when it passed a bill putting an end to oil exploration. This shows the way forward for many countries around the world, including Canada.

As for the last point, there are different parts to it. I haven't studied the fund's governance in detail. I could send you more specific comments. There are certainly advantages to depoliticizing and making independent the management of certain funds according to established scientific and rigorous criteria, which are compatible with getting rid of fossil fuels. On the other hand, not knowing all the details of this fund's governance, I can't say without a shadow of a doubt that I'm in favour of it either.

I'll stop here, but I'm curious to hear what you also think about it.

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

I have a few seconds left. I'd like to know what you think of the investments going to Volkswagen, which plans to manufacture electric vehicle batteries in St. Thomas, Ontario.

Do you support that? The energy used will come from hydrocarbons. What's your position on this type of development?

Ms. Andréanne Brazeau: We must transform the Canadian automotive industry if it is to remain competitive in the economy of tomorrow. That's clear. However, when it comes to the quantity, format and size of batteries or vehicles that we want to see built in the future, we need to focus on sobriety if we want to reduce our energy consumption. That's for sure. Furthermore, the fact that the energy used comes from fossil fuels is clearly incompatible with achieving net zero.

I feel we still have some thinking to do as a group about the vehicles we want to see on our roads in the future. If the trend continues, by 2028, all we'll have on our roads will be light trucks like pickup trucks or SUVs. We would like robust measures to be taken to ensure that compact vehicles remain within our reach, that we can still buy them. It's also a matter of social justice, since compact vehicles are more affordable.

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

[English]

The Chair: Thank you, MP Ste-Marie.

Now we're going to go to the NDP. We have with us MP Bachrach.

Welcome to our committee. The floor is yours.

• (1645)

Mr. Taylor Bachrach (Skeena—Bulkley Valley, NDP): Thank you, colleagues, for allowing me to sit in on the finance committee.

Shifting our discussion a little bit to the topic of air passenger rights, I want to start by thanking Dr. Lukács for his tireless work on behalf of Canadian air passengers. He does this as a volunteer, and over the past several years has emerged as Canada's foremost consumer advocate in the air passenger space. I think a lot of the advancements that we've seen are due to his work. I'm very pleased that he's joined us today to talk about the portion of Bill C-47 dedicated to this government's attempt to finally fix Canada's air passenger protection regime.

Dr. Lukács, you and I worked closely on developing Bill C-327, the Strengthening Air Passenger Protection Act. I wonder if you could comment a little on the contrast between what is in that private member's legislation and what we see in Bill C-47 today.

Dr. Gábor Lukács: Thank you for the question. It's a pleasure to be here.

There are two main differences that are worth mentioning. The first and the most important one is about closing the loophole with respect to the "required for safety" reasons. Bill C-327 would hard-code in the primary legislation that compensation is the norm and that the airline can avoid compensation only in truly extraordinary circumstances. Those circumstances are spelled out in Bill C-327 clearly. They are not left to anybody else to decide.

In sharp contrast, the budget bill retains the loophole. It makes four references to the "required for safety" reasons if you do a search in the electronic text. On the longer timeline, it shunts the list of exceptions to the Canadian Transportation Agency in the form of regulations where we know—we have already heard just yesterday or the day before from the airlines—they would like to see the same loopholes retained, claiming that safety is so important that airlines should never have to pay compensation when a flight is cancelled due to so-called safety issues.

A second important difference relates to the burden of proof. In Bill C-327, it is clear and unambiguous that it doesn't matter whether the passenger goes to small claims court, provincial superior court or a class action in federal court, the burden of proof will always be on the carrier to show why a flight was delayed or cancelled or why a passenger was bumped.

In sharp contrast, in the budget implementation bill, that burden of proof is shifted only if the passenger agrees to forgo their right to due process before an impartial judge, agrees to a star chamber-like secretive process and goes through the Canadian Transportation Agency's kangaroo court.

Mr. Taylor Bachrach: What the minister tells us and what the department tells us is that they're going to close the loophole using exemptions the Canadian Transportation Agency will be developing and that this will become evident around the next corner.

Is the CTA well positioned to craft these exemptions for the airlines?

Dr. Gábor Lukács: Unfortunately, the past four or five years have shown that the Canadian Transportation Agency is well positioned only to act in the airlines' private interests and does not serve the public interest. We have seen that recently during the pandemic in the refund versus voucher controversy. The agency lacks independence. It doesn't act in the public interest. It acts more as an ex-

cuse or as a cover for the government to avoid responsibility and say, "It wasn't us. It was them. It was the arm's-length body." But that is actually a very stubby arm.

The Canadian Transportation Agency should not be entrusted with this. Furthermore, as it stands, there is nothing to legally prevent that agency from keeping the same requirement for a safety loophole, which has been causing such a tremendous amount of difficulties and a massive amount of backlog.

Mr. Taylor Bachrach: Thank you, Dr. Lukács.

The government has claimed that Bill C-47 and this new approach to air passenger protections will make this the strongest air passenger protection regime in the world. Do you feel like that's a fair statement, given what you've seen of the legislation?

• (1650)

The Chair: Dr. Lukács, can you hear us?

We are going to suspend just for one second.

• (1650)

(Pause)

• (1650)

The Chair: We will reconvene.

Dr. Lukács, you can continue there. I don't know if you heard the question.

Mr. Taylor Bachrach: I'm not sure if Dr. Lukács heard all of my question, but I could repeat it.

The Chair: Go ahead, MP Bachrach.

Mr. Taylor Bachrach: The question, Dr. Lukács, was that the government has claimed that this legislation is going to be the strongest air passenger protection regime in the world. Do you feel that's a fair statement?

Dr. Gábor Lukács: I'm afraid I'm unable to agree with that. The government is unfortunately perpetuating existing loopholes, creating a new loophole that would allow airlines to avoid paying a penalty or paying a fine when they are caught breaking passenger rights, if they sign a so-called compliance agreement. They are not closing the burden-of-proof loophole properly either, unfortunately.

Mr. Taylor Bachrach: Thank you, Mr. Chair.

The Chair: Thank you, MP Bachrach.

Members and witnesses, we are going to our second round of questions. We're starting with MP Lawrence for five minutes.

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

My questions will be directed toward you, Mr. Cross. Thank you for joining us today, especially on such late notice. Mainly, we'll focus on the article you wrote, I believe, on May 10. Lots of those comments were given in your opening comments, which is fine, but I'd love to give you the opportunity to elaborate a little bit more on those.

Just to reiterate what you said in your opening comments, we are in the worst economic growth rate, real GDP growth rate, since the 1930s. That's a true, empirical fact.

Mr. Philip Cross: That's based on Statistics Canada data, which is among the best in the world.

Mr. Philip Lawrence: Our GDP growth for the last decade has been 0.8% per capita.

Mr. Philip Cross: That's right, but that 0.8% per capita is on average, per year.

Mr. Philip Lawrence: Yes, thank you. It's 0.8% per capita per year.

Perhaps that's made even worse, because if we compare it to the United States, they have done far better over the same period of time. Is that correct as well?

Mr. Philip Cross: That's right. That's fundamental to the argument that this is not something that's been imported. We have to look within Canada for the reasons for this.

Mr. Philip Lawrence: As dim as that is, perhaps it even looks worse for the future as we are predicted to have the lowest economic growth in the OECD to 2060. Is that correct as well, Mr. Cross?

Mr. Philip Cross: That's right. It's the OECD that makes that forecast that Canada will have the worst productivity growth rate over the next 35 to 37 years.

Mr. Philip Lawrence: I'll make a couple of quick comments, and then we'll maybe get to some of the root causes, which you discuss as well in your article.

It must be shocking or somewhat surprising to you whenever you listen to the Minister of Finance talk, and she says things like the economy is roaring, the Canadian economy is strong, or we are doing exceptionally well. My favourite line of hers is when she actually mentions the ratings agency basically saying that we're not going bankrupt. I'd like to do better than that as a country. I'd like to actually grow, going forward.

Could you just summarize some of the root causes of Canada's productivity issues?

• (1655)

Mr. Philip Cross: First of all, I'm certainly not surprised that anything finance ministers say is going to be self-serving. I am encouraged that there is an increasing awareness out there that there is this gross problem in Canada. The Globe and Mail recently, just a couple of months ago, had an editorial that talked about Canada's sclerotic growth. There was a professor at University of Western

Ontario who had an op-ed in the Globe this week, in which he compared Canada to what he called disasters in Argentina and countries like that. I think that's a little overstated, but I am encouraged.

Andrew Coyne has talked about Canada's growth crisis. I think it's getting into the conversation. It took a while. Some of us have been talking about this for several years, but after 10 years I think increasingly people are saying we've had 10 years of policies in which we have said deficit spending was going to fuel growth. We have had years in which we've said we didn't have to choose between the environment and economic growth, and it turned out we're not getting either. It's been noted that we've had—

Mr. Philip Lawrence: They made the worst choice and we got neither. You're exactly right.

Mr. Philip Cross: —nine climate change plans since 1992. Emissions have gone up steadily. My close friends at Équiterre, I'm sure, are no happier with the outcome than I am. We have rising emissions and no economic growth. I don't know how you could have a worse outcome.

Mr. Philip Lawrence: I want to try to connect. I also have tremendous respect for your writing and your intellectual abilities. I also have tremendous respect for Mr. Lester of the C.D. Howe Institute. He's talked about a disincentivization of work in Canada. When we look at the marginal effective tax rates even for low-income earners, they're often well over 50%. When you add claw-backs plus taxation, you have people who are earning \$40,000 or \$50,000.

It's not my contention, Mr. Cross, that the average worker looks at their tax return and says, "I'm only earning 33¢ on this dollar" although in some cases it's true, but I believe it's starting to creep into the ethos of Canada that we're disincentivizing, or that Canadians are starting to feel as though they're no longer getting ahead. Could this disincentivization of work have an impact on productivity in our country?

Mr. Philip Cross: Yes, but I think there's a bigger problem with taxation. I'm going to quote Paul Wells. I go back to how there is an increasing recognition in the public debate in this country that something has gone wrong. Paul Wells put it that if you run a successful business in this country, you're made to feel that you've done something wrong. That's what high taxation does. It's not the disincentives to ordinary people, although those are there. There's this broader signal that we discourage success.

Mr. Philip Lawrence: I couldn't agree more.

Thank you.

The Chair: Thank you, Mr. Cross.

We're going to go to the Liberals with MP Baker. Just before I do that, I want to inform members and thank Mr. Michel Leblanc since he has to leave here. He has a cut-off in two minutes.

Thank you for coming before our committee.

Now we go over to MP Baker for five minutes.

Go ahead, please.

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

Thank you to all of the witnesses for being here.

[*Translation*]

I'm going to start with the Équiterre representatives.

I would remind the members that, in response to the 2023 budget, Équiterre said that it welcomed the decarbonization of the country's electrical grids and supported federal assistance in doing so.

How will this support the growth of a clean economy? Can you talk about how important these investments are to Canadians?

● (1700)

Ms. Andréanne Brazeau: Thank you for the question.

It will help the Canadian economy in a number of ways.

First, by decarbonizing our energy system, we're making huge environmental gains and curbing climate change here at home. That prevents a whole host of repercussions we are well aware of.

If we dig a little deeper into what's been announced, the conditions put in place are extremely worthwhile. For example, we will have to ensure that the wages are competitive and workers have training opportunities. These are very interesting factors that contribute to higher quality government programs.

There's also the offer to assist provinces only if they can show that electricity decarbonization projects will reduce the bills. It's a strong social measure to combat the rising cost of living, which is still going up.

For all these reasons, this program makes a lot of sense and will certainly help transform the Canadian economy for the better.

Mr. Yvan Baker: Thank you very much.

Many Conservative members have attacked the pollution pricing system that our government has put in place.

Do you want to respond to their criticism of the pollution pricing system?

Ms. Andréanne Brazeau: Yes, absolutely.

Any pollution should come at a cost. Pollution has a huge impact on society, so putting a price on pollution only sends the right message about the changes that need to be made in our society. Specifically, the carbon tax has been shown to be the most effective way to reduce greenhouse gas emissions. From an eco-taxation point of view, it's therefore crucial that Canada have a system like this. Quebec, on the other hand, has its carbon market.

The fact is, the United States still doesn't have a tax like this and has made investments of a more industrial nature. That's their choice, of course, but it's not powerful like something as effective as a carbon tax. It's therefore essential to keep the carbon tax, but in 2023 that's not really up for debate.

Mr. Yvan Baker: It shouldn't be, anyway.

I have just one minute left, so I'm going to continue on the same subject.

Why is the U.S. approach less effective than a carbon tax?

Ms. Andréanne Brazeau: First of all, I'd like to add that Canada's carbon pricing system is also a good thing because the money goes back into Canadians' pockets. That's another very interesting point.

With respect to the United States, most of their commitments are massive and very significant. It's really great that they have finally taken this step, but they don't have many regulatory measures. These are mostly investments in incentives. They're using the carrot much more than the stick. Once again, it's far more efficient to send a price signal on emissions, like we're doing with carbon pricing.

Mr. Yvan Baker: Yes. It's important to change not only how industry behaves, but how we all behave, and to make sure that we do less damage to the environment, right?

Ms. Andréanne Brazeau: Absolutely. Including people in this process also means businesses must then adapt to respond to what people are asking for. Obviously, if a carbon tax is in place and people change their behaviour, it will also encourage the use of less polluting alternatives in return. So we have to look at it from a systemic perspective.

● (1705)

Mr. Yvan Baker: Thank you very much.

[*English*]

The Chair: Thank you, MP Baker.

Now we'll go to MP Ste-Marie.

[*Translation*]

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

I am very sad to learn that Mr. Leblanc has left us. I had some questions for him, but I understand that the Chair and the clerks didn't know that he would have to leave now. We can certainly invite him back.

Ms. Brazeau, Bill C-47 amends the Canadian Environmental Protection Act. Currently, the federal carbon tax, which is paid by large emitters in the provinces where it is enforced, is to be used to finance green projects in the province where it is collected. If there are no projects at the end of the year, the tax is lost and it goes back into the consolidated fund, if I understand correctly. Bill C-47 seeks to amend the act so that this money can be put into a fund to be used for future projects. I would like to know Équiterre's analysis of this measure.

Do you think it's a good measure? Does it encourage the oil companies, for example, to take their time? We know that when Ottawa gives money to municipalities for infrastructure work, if it's not done before March 31, the money is lost.

If you don't have an answer now or if you'd like to answer us in writing, you can take note of my question and give us your opinion when you've had time to do the analysis.

Ms. Andr anne Brazeau: Could you just clarify why the oil companies would be inclined to behave in a particular way in relation to the amendment?

Mr. Gabriel Ste-Marie: In the provinces where the federal tax applies, the tax is paid and it must be used for an environmentally friendly project. Right now, if the project is not completed before the end of the year, the money goes back to the government, if I understand correctly. Under Bill C-47, that money will be put into funds that will enable these projects to be carried out later.

The question is whether this measure will encourage companies to take their time to develop green projects, or whether this is something that you support. I can ask you again in writing to get your opinion. I'm curious.

Ms. Andr anne Brazeau: At first glance, given that the target is a 40% to 45% reduction by 2030—it's now 2023—I think you have a good read of the issue. I also believe that we shouldn't be allowed to postpone projects, at least not too far into the future, if we want to give ourselves a chance to meet those targets.

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

[English]

The Chair: Thank you, MP Ste-Marie.

Now we'll go to the NDP.

MP Bachrach, please go ahead.

Mr. Taylor Bachrach: Thank you, Mr. Chair.

Dr. Luk acs, we have this legislation in front of us. Based on that legislation, the government promises to craft regulations, but one of the clauses in Bill C-47 empowers the CTA to also establish guidelines setting out the manner and extent to which the regulations are applied, so now we're kind of two steps away from the legislative process.

Do you have concerns about the CTA essentially getting to write their own guidelines for the manner and extent to which these regulations are applied?

Dr. G abor Luk acs: Yes, we do have serious concerns about this, because this would be not just guidelines, as the name claims. When you look at the fine print, this will be legally binding, and legally binding guidelines that effectively alter the meaning, the extent and the way the regulations work.

When you look at proposed subsection 85.12(4), it also circumvents the Statutory Instruments Act, which is a system of checks and balances that ensures that regulations are made properly.

We propose and urge lawmakers to delete proposed section 85.12.

Mr. Taylor Bachrach: You were quick to highlight the confidentiality clause in the legislation that prevents passengers or airlines from discussing the matters that are part of the mediation process. The government's view is that passengers may wish to discuss sensitive personal information during mediation, hence the reason

for confidentiality. They also say that confidentiality is a common feature of most mediation processes.

What do you make of these arguments?

• (1710)

Dr. G abor Luk acs: The arguments are misleading, because this is not mediation. When you look at the process at proposed subsection 85.06(1), the end result is a legally binding order, just like in a court or in any tribunal that issues a regular binding decision.

Mediation is, of course, confidential. There is nothing wrong with that, but once a legally binding decision has been issued, it is subject to the open court principle that is subject to section 2(b) of the charter and, as the bill currently stands, it does, in our view, violate section 2(b) of the charter. It violates freedom of expression. It violates freedom of the press. It creates a secretive process where a binding decision is issued without the media and the public being able to scrutinize how the decision was made, what evidence it was based on and what the reasons for that decision were.

This is unprecedented in consumer disputes.

Mr. Taylor Bachrach: Thank you.

The Chair: Thank you, Mr. Bachrach.

Now we're going to hear from the Conservatives.

MP Morantz, you have five minutes.

Mr. Marty Morantz: Thank you, Mr. Chair.

Mr. Cross, you made a comment about Paul Wells, who said that, if you run a successful business, you feel like you've done something wrong. That really hit home for me. I come from a small business family, and since I've been elected to Parliament, all I hear from the government and opposition parties is that you just have to pay a little bit more, or we're going to tax you and put a luxury tax on your cars, your boats and your planes.

I think that small business people in this country should be lauded and applauded, so I want to thank you for that comment.

To your article on April 11, I also read Mr. Morneau's book and I think, from what you've written here, that your response is probably going to be self-evident, but I just want to get it on the record. Do you think that this government has behaved in a fiscally responsible way?

Mr. Philip Cross: Obviously not. It's something Mr. Morneau acknowledged extensively in his book. Repeatedly, for example, the Department of Finance would make proposals about support for people during the pandemic, and even with the highest estimate they put forward, the PMO would come back with something higher. There's a structural problem here.

Mr. Marty Morantz: You quoted from his book. You said former finance minister Bill Morneau in his recent book "described how the absence of a fiscal target and constant meddling from the Prime Minister's Office 'shattered any pretense of fiscal restraint.'" Obviously, you wrote that and you agree with that comment.

We had the finance minister here a couple of days ago, who insisted that she was fiscally responsible over and over again, but I don't see any evidence of that. Do you?

Mr. Philip Cross: None whatsoever.

What's discouraging is that groups like the Bank for International Settlements have warned about overreliance on short-term stimulus since 2014-15, yet that is one of the reasons we've gotten into this problem. We resort only to short-term monetary and fiscal stimulus to create growth. We don't look at creating the conditions for innovation, entrepreneurship or the growth of small businesses—what's called gazelles—into larger businesses. That's where real growth comes from in the longer term.

In fact, the BIS repeatedly noted that to the degree you rely on short-term fiscal and monetary stimulus, you actually subtract from growth in the long term. After 10 years of slow growth, guess what. We're living in the long term.

Mr. Marty Morantz: Exactly.

The 2022 budget acknowledged the growth problem. It had the chart in there, showing us last in the OECD. In the finance minister's speech, she said that this is Canada's Achilles heel. One would think that, in that budget and then again in this budget a year later, there would be substantive policies to create more growth.

Do you see any evidence of that in budget 2023?

Mr. Philip Cross: No, and like you and a lot of observers, I was surprised that there seemed to be recognition in the 2022 budget: "Houston, we have a long-term structural problem with productivity." One would have thought that would be the beginning of a process, and that seems to have been forgotten.

We've gone back to the "same old same old" policies that got us into this fix in the first place.

• (1715)

Mr. Marty Morantz: In that time, I want to get you on record about this. The nexus between fiscal and monetary policy, which you talk about in the article, as it relates to getting inflation under control....

We saw inflation tick up a bit this week. Notwithstanding that the government projects that the average inflation rate over the course of this year in the budget will be about 3.5%, and the bank governor said it's going to be down to 3% by the summer, it's actually gone up.

What you talk about here is that there needs to be a marriage between fiscal policy and monetary policy in order for our monetary policy to be effective. Would you agree that, at this point in time anyway, budget 2023 is at cross purposes with the efforts of the bank governor to wrestle inflation?

Mr. Philip Cross: Because of time limitations, I will point people to a paper I recently wrote, published by the Fraser Institute, on the need to coordinate fiscal and monetary policy.

Even people like Paul Volcker would say, fundamentally.... Everybody looks at Volcker and says, "Oh, it's monetarism that brought inflation under control." He'd be the first to say that, no, it

was working with fiscal policy during that period and deregulation that produced the success in bringing in inflation.

The Chair: Thank you, Mr. Cross and MP Morantz.

Now we go to MP Chatel, for five minutes.

[*Translation*]

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

I had a lot of questions for Mr. Leblanc as well. I'm a little disappointed that he wasn't able to stay. Since we haven't really had a chance to talk to him, I'd like the committee to invite him back, if possible.

Mr. Cross, thank you for citing the data from the Organisation for Economic Co-operation and Development. I don't know if it comes from the report I have here, the 2023 Economic Survey of Canada. The survey recognizes that Canada has the lowest net debt-to-GDP ratio of all the G7 countries. It's one of the factors economists use to determine the financial health of a country. In that respect, we have a good rating.

As for the budget deficit, the survey recognizes that it is shrinking. Among other things, it says the following:

A general government deficit of 1.7% of GDP is expected for 2022, after 11.4% in 2020. Public debt still stands above the pre-pandemic level... but is expected to decline rapidly. Canada fares better than most countries in this regard.

Do you agree with the OECD on that, or do you have more of a selective approach?

[*English*]

Mr. Philip Cross: There are two problems with the OECD's...and I'm not sure I would criticize them for this. I think they would always note.... People who look at budget deficits always note that Canada has the most decentralized government structure of any of the major G7 nations.

[*Translation*]

Mrs. Sophie Chatel: No, they're combined.

[*English*]

They combine.... It's provincial and federal.

Mr. Philip Cross: Okay.... Anyway, it's a much different situation. The 1.7% you cited, for example, if my memory serves correctly, was a federal—

[*Translation*]

Mrs. Sophie Chatel: No, it's a general government—

[*English*]

Mr. Philip Cross: In any event, one has to look at, particularly when making international comparisons, the total government sector. You can't just look at the federal.

Mrs. Sophie Chatel: Agreed.

Mr. Philip Cross: The other problem is that you have to look at gross debt, not net. You can't net out the savings in our pension plans, which are, obviously, set aside. You can play a lot of games with numbers—

Mrs. Sophie Chatel: I'll just correct something very important, and thank you for raising that. The reason we have to use the net debt is because pension funds in Canada are fully capitalized. In Europe, they are not capitalized. If you do that, you make a huge mistake, and you compare apples with oranges.

I will go on, continuing with the OECD report.

[*Translation*]

Implementing the child care systems reform is one very important factor it brings to the fore. It will require additional funding. The survey says that the reform could “strengthen labour force participation, particularly among women, and boost living standards” for Canadians, increase productivity and partly solve Canada's labour problems.

Do you agree with the OECD on that?

• (1720)

[*English*]

Mr. Philip Cross: I have a question I would ask them. That's been the justification we've heard for a lot of government spending over the last 10 years: Child care will pay for itself. Infrastructure spending will pay for itself.

My question is this: If these government spending programs pay for themselves, why are we still running historically large deficits, and if they were supposed to enhance productivity, how come, when I look at the productivity numbers, they are awful?

[*Translation*]

Mrs. Sophie Chatel: Someone explained something quite interesting to me.

Let's say I own a business. If I don't invest in the technology of the future, my business will go bankrupt, because I will no longer have a market. If I invest, I'm going to double my market share with the new technology.

So an entrepreneur might be told not to invest because it would increase their deficit or their debt. However, in a few years, their business will unfortunately no longer be competitive.

Is that your recommendation?

[*English*]

Mr. Philip Cross: I would never tell a business person how to run their business because it's their money. If they are willing to put their money at risk and they go bust, it's their money and they're not coming to me for reimbursement. The problem is that when it's government money I can't avoid that.

[*Translation*]

Mrs. Sophie Chatel: So you recommend not investing in the future of Canadians so that they have good jobs and are competitive.

[*English*]

The Chair: Thank you, MP Chatel. That is all the time you have. I know it was a good discussion.

We are going to Mr. Lobb.

MP Lobb, welcome to our committee.

Mr. Ben Lobb (Huron—Bruce, CPC): Thank you. It's been many years since I've had the chance to sit at the finance committee so I'm glad to be here.

I just wanted to touch on something that my colleague, Ms. Chatel, said. It's in regard to debt, net debt versus gross debt. I always believed that the government should list its gross debt. I think for net debt, when you get fooling around with CPP and the Quebec pension plan it's no different from a publicly traded corporation that has pensions within their corporation. Any way you look at it, it's not really their money. It is the workers' money and it is for their pension.

When you look at the numbers we're at, closely approaching \$2 trillion, can you just put that into context as to how catastrophic and how much it's going to handcuff the country going forward?

Mr. Philip Cross: I'm glad you raised that matter. It goes back to how—if I learned anything in 36 years at Statistics Canada it is this—you cannot understand the world through statistics. They are a very limited way of understanding the world.

For example, you talked about gross versus net. I'm not going to bore people with that. I agree with your statement about CPP and QPP, but there's another unfunded liability out there: the civil service pensions. The C.D. Howe Institute has published a gazillion studies on how that is not accounted for at all or it is not properly accounted for in the government books. There's a large unfunded liability out there that the government has never acknowledged. That's an example of how you can look at gross debt, but even that's missing some important things in the real world out there.

Mr. Ben Lobb: The other thing is regulation. I had a meeting this week with Picton Terminals, which is in eastern Ontario. It's quite a success story. It's a small business with owners who developed this old Bethlehem Steel port. It has the ability to take containers all the way to the Netherlands. It's a great story, except for the fact that the Minister of Public Safety will not grant the terminals the ability for a customs officer to clear some of the containers.

Picton Terminals is prepared to pay all of the costs, the cost of the office, the cost of having the officer there—everything. That would create a tremendous amount of opportunity, even for people in my riding who ship edible beans all over Europe and Asia. These would be specifically for Europe, obviously.

Can you speak to regulation? Because it seems to me—again, I don't want to simplify it, but if I were the Minister of Public Safety, who I know has a big job, obviously, with lots of issues—at least somebody could be there to get this done and make this happen. This happens every day.

Could you talk about regulation and how it negatively impacts our GDP?

• (1725)

Mr. Philip Cross: Yes, very much so.

I hate to remind myself that I spent 36 years in government but one thing, now that I have been outside of government for 11 years, is that I can see the difference in the mentality. The mentality of government is to find barriers, to think of problems that don't exist and then to base regulations on them, rather than thinking how it is we can help move this project forward, which is very much the private sector's perspective on things.

Mr. Ben Lobb: Yes.

Mr. Philip Cross: It's increasing.... It's not government tax rates. It's not government spending, and it's not government deficits. It's this increasing intrusion of this mentality into our society that, to me, is increasing what I'm talking about. I'm looking for reasons. Why has growth stalled over the last 10 years?

Mr. Ben Lobb: I read a book, and I am sure there are many people around the table—and maybe you—who have read it themselves. It's one of Galbraith's books on the crash in 1929 through to the early part of the thirties.

Mr. Philip Cross: I've read it multiple times.

Mr. Ben Lobb: I read it, and I think to myself, wow, we are really.... You hear economists say that we're really in the first or second innings of what is going to actually happen to the Canadian economy. I read this book, and I think that it's not exactly the same, but there are a lot of similarities.

I just wonder if you have any thoughts on that.

Mr. Philip Cross: Thank you for asking because I wanted to get back to Monsieur Ste-Marie about the culpability of economists in the current situation. I think it's much greater than you indicated. I think economists are not honest enough about our shortcomings.

I just touched, for example, on how the Bank for International Settlements has for years stressed that emphasizing short-term demand stabilization policies created problems for long-term growth. We're now seeing that come to fruition. We've seen the Federal Reserve Board openly acknowledge that they do not have a working model of inflation. That's one reason they....

Mervyn King, Larry Summers and some other economists just looked at this overall stimulus monitoring fiscal policy—they didn't have a specific model linking unemployment to inflation—and just said, “Come on. With all this stimulus, there is going to be inflation.” They were right.

Economists notoriously never forecast recessions. That's probably too much to ask. They can't forecast shocks, but they've shown that they don't have a good grasp of a lot of things. I think people turn too much to economists for specific answers. Economists are not honest enough about saying, “We don't know everything. We don't know much, actually.”

Mr. Ben Lobb: Thanks.

I think it's customary that new members get eight minutes for their first round.

The Chair: It's good to have you here, MP Lobb.

Now we're off to MP MacDonald for five minutes.

Mr. Heath MacDonald: Thank you.

I will go back to Équiterre and to Andréanne Brazeau, please.

I want to talk to you a little bit about the government funding to help reduce GHGs in the form of nitrogen fertilizer. It's important to clarify that we're not seeking to reduce the amount of fertilizer farmers can utilize to produce their quality products, but rather to explore ways to reduce GHGs that are produced in the application of fertilizer.

We currently have a sustainable agriculture strategy, co-chaired by the Canadian Federation of Agriculture, which represents over 20 agriculture groups. Farmers are at the leading edge of climate adaptation efforts and know more than anyone the impacts of a warming climate.

How can we continue to support farmers in their efforts to promote sustainability without hampering them in their efforts to remain competitive in producing world-class products?

• (1730)

Ms. Andréanne Brazeau: Thank you for the question.

I do think that was done in relation to nitrogen fertilizer. In the last budget, it was a very good advancement.

Unfortunately, since we were notified very late about this meeting today and since I am not our agriculture expert, I wouldn't be able to fully answer your question. However, I will get back to you with my colleague's answer on another day.

Mr. Heath MacDonald: Thank you.

I know you were speaking previously about carbon storage. I know there are ways, obviously, that farms are leaving grasslands, mainly in places like Alberta, where we have the Canadian Cattle-men's Association.

Obviously, there is a lot of emphasis being put on farms and how they are actually reducing their GHG emissions.

Would you agree that leaving land untouched, basically for roaming livestock to some extent, is actually a form of carbon storage that should be captured for farmers across the country in regard to how they are reducing their GHG emissions?

Ms. Andréanne Brazeau: If I understand your question correctly, I would say that untouched land is definitely a form of carbon capture and storage. It's a natural one. That's why we think that any kinds of policies and measures that support soil health are beneficial for the future of Canada, whether in terms of affordability for food or for climate action and other social benefits like that.

Once again, I will stop here because my colleagues are more informed than I am on this topic. I will simply repeat that nature-based solutions, which also include agriculture, are really key and are a good form of carbon capture to reach net zero eventually.

Mr. Heath MacDonald: I'm going to change the pace a little bit for you. I'll get off agriculture.

We've heard several times about investments in corporations. I want to get your opinion on this: If a specific industry or sector aligns with government challenges—let's say, climate change—should governments be prepared to invest alongside private corporations?

Ms. Andréanne Brazeau: Absolutely. I think that government needs to show leadership when it comes to climate action. For sure, it needs to set the pace and it needs to set the right targets and the right price signals to ensure that the entire economy will follow.

However, I do think that the industries that are responsible for the climate crisis and contributed to it a lot historically, or still do today, need to do their fair share. The government, which also means every single Canadian, doesn't have to pay for the entire transformation of these industries if they are to transform in a way that's sustainable.

There is a balance to find there. I do think that regulation from the federal government is a strong tool. That's why we are waiting for regulations on the just transition, on the emissions cap and on the zero-emission vehicles mandate. Those are the ways that I think that our government should take the lead when it comes to decarbonizing.

Mr. Heath MacDonald: Thank you.

I want to go to Mr. Cross for a moment.

Mr. Cross, I want to read something by... I'm trying to figure out who the author was. I'll get it to you before we're done. It's Daniel Workman. He talks about—and I think it's extremely important, personally, and we may disagree on this—gauging exports on how the economy is doing.

Canada sold 596.9 billion dollars' worth of exported products in 2022. That's up 18.5% from \$503.9 billion the year before. Even this week, I believe we came across the fact that manufacturing exports are up almost 1% in the month of March.

Of course, we know what our five biggest export products are. We've seen large investment in Volkswagen, obviously, just recently. Those are one of the top five exports. Crude oil is another one as are gold, automobile parts and accessories. Cars are a large investment that we just made. Parts and accessories are a large investment we just made. We know that we have a \$3.8-billion strategy on critical minerals in 200 mines across the country. I think there are 60 different minerals that we're dealing with.

You look at larger businesses and larger corporations. Take the Irvings, for example, in my area. They farm. They own grocery stores. They own trucking companies. It's all inclusive. You start to see a growth sector. When you look at the investments that government has made over the past year in some of these sectors, would that not fit the bill to be more self-sufficient and more challenging,

including the continued growth of our exports? That, to me, is a gauge that we need to follow relatively closely.

I'll take back the deficit—

• (1735)

The Chair: Thank you, MP MacDonald. We've gone well over time.

If you want to give me a very tight, short answer, Mr. Cross, you're welcome to.

Mr. Philip Cross: Yes, one I was talking about was the volume of exports, not the price. The price is not something we control. The fact that the crude oil price goes up is not something that reflects government policy here in Canada.

More broadly, I would just say that we tried this approach with clusters, with innovation, R and D and accelerated credits. We've been doing these government-directed attempts at innovation for 10 years, and the end result is the worst growth we've had since the 1930s, so I don't see this as working well.

The Chair: Thank you, MP MacDonald.

We're going to MP Ste-Marie, please.

[Translation]

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

First of all, Mr. Chair, I want to say that I feel you were very harsh with Mr. MacDonald interrupting him the way you did as he laid out his reasoning. You are the timekeeper, but that really shocked me.

My last questions are for you again, Ms. Brazeau. They're related to what you said at the beginning of the meeting and your recommendations for the latest budget.

You talked about the importance of the circular economy and creating a restorative fund. It was mentioned in budget 2023. This initiative is not yet in Bill C-47, but it's coming. A Conservative colleague has also introduced a private member's bill, and that's really great.

You mentioned food, agriculture, and mobility. Our colleague Mr. MacDonald also talked about them. In Quebec, you're running a major mobility campaign to reduce the size of vehicles, as you said in your presentation.

If you would, I'd like you to remind us of the major action the government could take on mobility to reduce our carbon footprint.

Ms. Andréanne Brazeau: Thank you for the question.

Actually, the government can do a lot, both by looking at what the provinces are doing and what other countries are doing.

Obviously, encouraging active mobility and public transit and developing inter-regional transportation using other means than personal cars and trucks are the best ways to reduce our carbon footprint.

We also need to invest in rail transportation and developing all kinds of public transit and shared transportation initiatives to reduce the number of vehicles on our roads. That's really what's most important. Even on the freight side, we have a lot of work to do to optimize our networks and supply chains and to reduce emissions, which continue to rise in that sector.

As far as transportation is concerned, it's quite simple. As I said, we definitely need to focus on road transportation, but we also need to do it in a way that will help people. A number of reforms are already included in existing subsidy programs, such as the incentives for zero-emission vehicles, or iZEV, program, for electric vehicles. We're proposing various measures to improve it and make it fairer by including a cap on annual income to be eligible for subsidies, for example. This would direct the money to the people who really need the subsidy to buy a clean vehicle. We also feel that low-income families should get higher subsidies.

Another example of what we're recommending is a subsidy for electric-assist bicycles, which have enormous potential for getting people out of their cars and trucks. We have a pilot program called Velovolt that's been very successful. We lend electric-assist bicycles to organizations. Eighty-two per cent of people who try electric-assist bikes want one to travel between home to work.

There are truly all kinds of avenues to explore. We really need to get over this dependence on cars.

• (1740)

Mr. Gabriel Ste-Marie: That was fascinating.

Thank you very much, Ms. Brazeau.

[*English*]

The Chair: Thank you, MP Ste-Marie.

Now we're going to the NDP with MP Bachrach.

Mr. Taylor Bachrach: Thank you, Mr. Chair.

Finishing up on air passenger rights and in the interest of giving credit where credit is due, I wonder if Dr. Lukács could share with the committee which aspects of Bill C-47's portions on air passenger protection he feels the government has gotten right.

Dr. Gábor Lukács: Thank you for the question.

Clause 466 is correct. It increases the amount of maximum penalty. That's something we recommended recently.

Also in clause 465, proposed subparagraph 86.11(1)(b)(iii) corrects a drafting error with respect to baggage delay. We had actually flagged it for the government in 2017 or 2018.

Mr. Taylor Bachrach: Thank you very much.

This is my final question on this topic.

Do you feel that what the government has put forward is salvageable? Could the committee choose to amend what the government has proposed in a way that really protects Canadian air passengers?

Dr. Gábor Lukács: Yes, it is salvageable. It would take some work, and we have outlined in our brief the seven points of the amendments.

The first is that proposed sections 85.09 and 85.14 would need to be deleted, as well as clause 462.

In clause 459, in proposed subsection 85.06(1), the word "information" should be replaced with "evidence".

In clause 459, proposed subsection 85.06(2), should be amended to read, "(2) An order referred to in subsection (1) is an order of the Agency."

Proposed section 85.12 should be deleted, and proposed section 85.1 should be cleaned up in terms of its reference to proposed section 85.12.

Subclauses 465(1), (2) and (3) should read as do subclauses 4(1), (2) and (3) of Bill C-327, the private member's bill.

Proposed subsection 85.07(2) should read as does proposed section 85.2 in clause 3 of Bill C-327.

Lastly, clauses 467 to 470 in Bill C-47 should be deleted.

Mr. Taylor Bachrach: Thank you, Dr. Lukács.

Thank you, Mr. Chair.

The Chair: Thank you, MP Bachrach.

Now we go to MP Chambers.

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

Mr. Cross, I'd just like to follow up with you on a comment you made about how we've had a lower growth rate over the last 30 years. However, if you listen to the government, one of the things they say is that we're leading the G7 in growth. By the way, we're not leading the G7 in growth. There's at least one other country ahead of us.

How do you square that circle in terms of what the government is saying versus what some others are observing?

• (1745)

Mr. Philip Cross: I really can't. I'm not going to try to divine how this government thinks. I would just note it's the slowest growth over the last 10 years, not 30, as you indicated.

What's really important is not how we compare to countries halfway around the world. What's really important is how we compare to our neighbour to the south. We can see that every day. Every time we cross the border, every time we turn on the TV, every time we look at social media, we're comparing ourselves to the United States. The comparison that really counts is how we compare with the U.S. There we do very badly. All of this comes from Edmund Phelps and his work on innovation.

The U.S. is by far the most innovative economy in the world. When you go to Europe, they want to know how the Americans do it. How did they create Facebook, Apple, Google—these world-beating companies? How do they do this over and over again? Everybody wants to recreate that level of innovation.

We used to have world-beating companies. Ten or 20 years ago we had half of a dozen of the leading hundred companies in the world. Today we have one, Shopify, and it's had some trouble recently as we get away....

I think it's especially useful to compare ourselves to the U.S. We have the example right next door on how to do it right, and we don't seem to be looking at that at all. Instead we look at the U.S. and say, "Oh, they did this wrong or that. They're idiots about capital punishment and gun laws." They get innovation, and we should be learning from that.

Mr. Adam Chambers: Thank you.

There is one measure that we've heard a little bit about, although this government doesn't like to talk about it anymore. They used to put a chart of GDP per capita growth in the budget. That chart disappeared this year. This is my reading of it. In fact, if we do what you're doing, if we compare ourselves to the U.S. on GDP per capita growth, we're actually continuing to fall further and further behind. In fact, we're near the bottom of our OECD peers.

Can you tell us why GDP per capita growth is an important measure to consider?

Mr. Philip Cross: It's important because population growth by itself automatically increases GDP. People have to eat, have to be housed and have to put clothes on, so automatically, there's going to be more spending and more income from that.

What's interesting is that the only two countries that are growing rapidly these days in terms of population are Canada and the U.S. I go back to, again, the economists recently looked at the U.S. economy. They were lavish in their praise for its ability to innovate. They noted one of the strengths of the U.S. economy was that they had what they called a demographic advantage.

Isn't that interesting? We have an even better advantage. We have faster population growth. We have a higher rate of immigration. The Americans were able to turn that into an advantage and into more growth, yet in Canada we weren't.

I suspect the reason they dropped GDP per capita was that we had this record surge in population in the last 12 months, partly because of a catch-up going back to the pandemic shutdown. The population growth we've had in Canada in the last year was, I think, the 12th strongest in the world. We're up there with African nations

and Afghanistan. This 2.8% growth is a significant stimulus to growth, yet GDP does nothing.

Mr. Adam Chambers: Thank you very much.

I have a final question for Mr. Lee, if he can hear me.

Mr. Lee, you mentioned the cost of building going up. I'm wondering whether you've been consulted on the proposed building code amendments and changes that the National Research Council is considering. My understanding is that the industry believes it might add about \$30,000 per unit in new building costs. Is that something you're aware of?

● (1750)

Mr. Kevin Lee: Yes, of course. We are heavily engaged in all aspects of building code development. Yes, the move to net-zero ready levels would have cost about \$30,000 prior to the pandemic, but now that price escalation is upon us, it would be quite a bit more at this stage.

We're definitely concerned about all the things going on in the building code that are adding costs. We're hoping we can work together to find innovation to bring down the costs of those and hopefully not regulate too fast so that we can find ways to do all of this affordably.

The Chair: Thank you, and thank you, MP Chambers.

We have one final questioner and that is MP Baker.

MP Baker, please, you'll have the final five minutes.

Mr. Yvan Baker: Thank you very much, Mr. Chair.

I won't ask questions of you, Mr. Cross, but I will say, after hearing some of your testimony, sir, that I think it's important that we be focused on economic growth, and I think that's economic growth per capita and some of the other measures that have been discussed.

You've compared us a lot to the United States. My impression of your assessment is that we are lagging behind the United States in some key areas. I actually think we're ahead of the United States in many key areas. I don't accept your assertion that we don't have global-leading companies. I don't accept your assertion that GDP growth is an important metric and should be focused on to the exception of so many others.

For example, yes, the U.S. economy has grown, as has the Canadian economy, and those numbers are very similar. What's interesting is how that growth has been enjoyed by a much broader group of people here in Canada than it has in the U.S.

I spent a couple of years living in the United States. I have many friends in the United States. When you observe the Canadian economy, I think what we're seeing is a much higher participation rate in employment. You're seeing a much broader growth in terms of the number of people and the share of the population that's enjoying that growth and the quality of life, which I think is measured in part by GDP per capita, but it's also measured in other ways.

I just wanted to get that on the record, because there was a lot of discussion and I didn't have a chance to ask you questions.

I do want to bring my questions back to our friends at Équiterre and Madam Brazeau, if I could.

[*Translation*]

Ms. Brazeau, earlier we talked about the importance of the pollution pricing system. You then said that it proved to be the most effective system. Can you explain why?

Ms. Andréanne Brazeau: Yes, thank you.

I will also add something to the GDP discussion because, in 2023, it's important to use other measurement indicators. I invite all of you to visit the website Indicateurs.quebec, which presents all kinds of factors to consider, such as GDP per capita, of course, but also the social economy, the unemployment rate, the motorization rate per family, as well as various indicators related to land use and biodiversity. In short, I believe the way we calculate wealth must be

as close as possible to the classic vision of sustainable development, with the three pillars.

That said, I will now answer your question. Carbon pricing is very relevant because it sends a signal about pollution. In fact, it directly applies the polluter pays principle. Given all the social and health costs associated with pollution, it's important that the biggest corporate polluters pay the price. Various public policy research centres have done all sorts of tests that confirm that this form of eco-taxation is the best, not only for efficiency reasons, but also because the message it sends has a powerful impact on the public and businesses, among others.

• (1755)

Mr. Yvan Baker: Thank you very much.

[*English*]

The Chair: Thank you, MP Baker.

Thank you to our amazing witnesses. Thank you, again, for coming to us on such short notice. We really appreciate it. You had very fulsome answers to the many questions from members. Thank you for your testimony, which will help inform this study.

Thank you very much, members.

We are adjourned.

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