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• (1535)

[English]

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

Welcome to meeting number 137 of the House of Commons Standing Committee on Finance. Pursuant to the order of reference of Monday, March 18, 2024, and the motion adopted on Monday, December 11, 2023, the committee is meeting to discuss Bill C-59, an act to implement certain provisions of the fall economic statement tabled in Parliament on November 21, 2023, and certain provisions of the budget tabled in Parliament on March 28, 2023.

Today's meeting is taking place in a hybrid format, pursuant to Standing Order 15.1. 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 members and witnesses.

Although this room is equipped with a powerful audio system, feedback events can occur. These can be extremely harmful to interpreters and cause serious injuries. The most common cause of sound feedback is an earpiece worn too close to a microphone. We therefore ask all participants to exercise a high degree of caution when handling the earpieces, especially when your microphone or your neighbour's microphone is turned on, to prevent incidents and safeguard the hearing health of the interpreters. I invite participants to ensure that they speak into the microphone into which their headset is plugged and to avoid manipulating the earbuds by placing them on the table away from the microphone when they are not in use.

As a reminder, 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. We appreciate your patience and understanding in this regard.

All virtual witnesses for this meeting have been tested, and everybody is ready to go.

With us today, as we start our afternoon panels, from the Council of Canadian Innovators, we have Laurent Carbonneau, director of policy and research, and Nicholas Schiavo, director of federal affairs.

From the Daily Bread Food Bank, we have Neil Hetherington, chief executive officer.

From the Laurentian University Faculty Association, we have Fabrice Colin, president, and Linda St-Pierre, executive director and chief steward.

From the Union des municipalités du Québec, we have Martin Damphousse, president and mayor of Varennes, and Samuel Roy, strategic policy adviser. They are with us via video conference.

Welcome to all.

With that, we are going to start with opening remarks of up to five minutes.

We will start with the Council of Canadian Innovators.

Go ahead, Mr. Schiavo.

Mr. Nicholas Schiavo (Director, Federal Affairs, Council of Canadian Innovators): Thank you.

Good afternoon to the chair, the vice-chairs and members of the Standing Committee on Finance. Thank you for the opportunity to present today on Bill C-59 and the efforts to implement budget 2023 and the corresponding fall economic statement.

My name is Nick Schiavo, and I am the director of federal affairs for the Council of Canadian Innovators, or CCI. I am joined by my colleague Laurent Carbonneau, director of policy and research.

CCI is a national business council representing 150 of Canada's fastest-growing companies. Our member companies are headquartered here in Canada, employ north of 52,000 employees across Canada and are market leaders in the sectors of health, clean and financial technologies; cybersecurity; AI; and more.

There is no denying the tough economic position Canada finds itself in today. For years we've heard about this precarious position, often referred to as the great Canadian slump, as the lost decade or even most recently, by the senior deputy governor of the Bank of Canada, as a productivity "emergency". Regardless of the choice of words, the warnings are clear: Canada is facing a rising cost of living, stagnating growth and declining productivity. Taken together, these factors are having a negative impact on our GDP per capita and, by extension, the quality of life that Canadians expect.

Currently this stagnation is predicted to make Canada the worst-performing economy in the OECD from 2030 to 2060. Taken together with a variety of structural challenges facing our country, such as climate change, war and cyberwarfare, health care issues and a lack of competition, the status quo is simply not working. Canada needs to chart a new path forward for sustained growth and prosperity rooted in a strong innovation economy.

Looking back to budget 2023 and the fall economic statement and, more importantly, looking ahead to budget 2024 and beyond, Canada must develop and implement a smart industrial strategy that builds wealth, enhances productivity and aligns with our other strategic priorities. At the heart of this strategic lens must be industry-led reforms to Canada's research and development frameworks and procurement mechanisms at all levels of government, alongside other important innovation levers, including a patent box regime.

In the spirit of the government's central theme of budget 2023 to build a stronger, more sustainable and more secure Canadian economy for everyone, today I'd like to speak to two opportunities to do exactly that.

First is enhancing the scientific research and experimental development tax credit to maximize the full benefits of R and D performed in our country, and second is reforming Canada's outdated procurement processes to spur economic growth and better service delivery for Canadians.

CCI has spent months engaging with Canadian innovators and the tech ecosystem to develop comprehensive research reports to enhance both SR and ED and procurement in Canada. These timely reports are tabled for the committee alongside these opening remarks.

Canada's scientific research and experimental development tax credit, or SR and ED, is the single largest science and innovation policy lever in the federal government's tool kit. For over five years, CCI has called on the government to update this critical innovation program, and we are pleased to see the ongoing consultation at this time. With an expected budget of nearly \$4 billion in 2024, it is 10 times larger than any other science and innovation policy tool. Now more than ever, in a constrained fiscal environment, the government should be seeking to maximize the long-term benefits of SR and ED for the national economy.

Unfortunately, despite the long history of SR and ED dating back to the 1940s and other research tax incentives, gross expenditure on research and development and business enterprise R and D, also known as BERD, is low in Canada by the standards of other advanced economies. In 2020, Canada's BERD was the second lowest in the G7 after Italy, despite having more generous tax support for business R and D than all but the U.K. and France. Canadian firms also make less use of intangible assets compared to global firms. For context, intangible assets like intellectual property make up 70% of the value of firms listed on the TSX and over 90% on the S&P 500.

As such, Canada should incentivize early investment in IP development and protection so that firms maintain the ability to export into large markets. This is referred to as the freedom to operate, and

it is critical for companies looking to scale, export, compete globally and ensure strong economic growth for the Canadian economy.

Additionally, SR and ED needs more transparency. The net benefits of the program to Canada should be made public on an ongoing basis so that Canadians understand what SR and ED is doing for their economy. Wherever possible, more of the benefits should flow directly to firms performing innovative activities and less to intermediaries such as tax preparation consultants by simplifying administration.

Similarly, the current culture of government procurement, both federally and provincially, is not serving the Canadian economy and is not serving government's own purposes. In fact, in 2021, procurement amounted to 14.6% of Canada's GDP, translating into billions of dollars and a meaningful force that shapes our economy. Canadian governments especially struggle to buy innovative, novel products and services, which does little to help Canada's other innovation problems.

● (1540)

There is no single solution to improving our performance in government technology procurement. However, the government should begin by tackling the big problems—excessive risk aversion, processes that don't allow for iterative innovation, low capacity and expertise and a lack of pathways from procurement to the market—and use a variety of tools to address them in tandem.

Ultimately, governments across Canada need to build a culture where an empowered public service can find novel solutions to the problems they face, where innovators are confident that selling innovative products and services to government will be worth their time and will help grow their business and where the public ultimately benefits from more agile, solutions-oriented government.

Thank you. I look forward to your questions.

The Chair: Thank you, Mr. Schiavo.

Next we're going to Mr. Hetherington of the Daily Bread Food Bank for five minutes.

Mr. Neil Hetherington (Chief Executive Officer, Daily Bread Food Bank): Good afternoon.

I have the awesome privilege of being the CEO of the Daily Bread Food Bank. We are Toronto's primary food bank, and we have a clear vision that one day every Canadian's right to food will be realized.

I am grateful to have the opportunity to share with you what we are seeing on the ground and to share with you why, as policy-makers, you should be gravely concerned about the state of food insecurity in Canada now and in the coming months.

Before the pandemic, we saw about 65,000 client visits per month. This was problematic. The pandemic doubled that to a crisis level of 120,000 client visits per month. Then inflation took hold, and in February 2023 it was 215,000. Finally, this past February, we were horrified that there were 301,000 client visits in Toronto alone. I do not have the words to describe the state that we currently face.

The national numbers are also concerning, as they show 30% year-over-year growth, and there was 40% growth in Ontario this past year. The trend cannot continue, but it is. Where we used to see 2,000 individuals in Toronto each month make use of a food bank for the first time, we are now seeing 13,000 people every single month coming to a food bank for the first time.

The underlying reasons for this are complex, but I can summarize them in one sentence: People do not have enough income to afford the most basic costs of living, and this at a time when unemployment continues to be low. This should be worrying to you. In the past, food bank usage was always correlated to unemployment, but that's no longer the case. As a result, I have a lot of grey hair from thinking about what will happen if unemployment begins to rise.

For those interested in reducing the numbers, here are three policy buckets for your consideration.

The first is providing assistance to those on disability benefits. If you take nothing else from my testimony today, please consider the challenge of my friend Bobby Giles. Bobby, like one in five food bank clients, derives his income from disability benefits. He receives about \$1,300 a month to survive on, which is a full \$1,000 below the poverty line. Bobby's reality is common not just in Ontario but nationally too. Indeed, there are over one million Canadians who rely on disability benefits, and we as a nation legislate each one of them, like Bobby, to live in deep poverty.

We at the Daily Bread Food Bank have been part of a coalition of dozens of organizations from coast to coast to coast that have said that enough is enough. It is time to fully fund the all-party-supported Canada disability benefit on Tuesday, April 16.

Disability Without Poverty recently released an Angus Reid poll that found 91% of Canadians across all party lines support this benefit. Why is there unanimous support for the Canada disability benefit? It is because it aligns with our values as Canadians, because we know we can no longer outsource food insecurity to charity, because we know that targeted benefits are effective and because we know that not addressing poverty costs more. Indeed, poverty is estimated to cost some \$30 billion in Ontario annually.

The second policy bucket I want to speak about is affordable housing. Of clients at food banks, 70% are paying more than half of their income for housing, putting them at high risk of homelessness. Almost one in five food bank clients is putting 100% of their income towards housing, leaving absolutely nothing for food and other expenses. The fall economic statement and recent announcements present opportunities for investments that recognize and seek to remedy the challenges we are all facing nationally when it comes to housing. We applaud these efforts.

The third and final policy bucket is providing support for employed Canadians who cannot make ends meet. We at the food bank are seeing a rise in the number of people with employment as their primary income source. In fact, food bank usage among this segment doubled this past year from 15% to 33%. Within that group are people who generally have precarious employment in temporary or contract roles, low wages and few or no benefits. The government announced a process to reform EI, but we have not yet seen the outcomes. As a result, thousands of Canadians continue to not qualify, because the program does not reflect the modern reality of work, which includes gig work and self-employment.

In summary, solving poverty is complex. However, the good news is that we know what will work. Targeted benefits like the Canada child benefit and the guaranteed income supplement have had significant impacts and have reduced the severity of food insecurity. We have it within our power as a nation to eliminate poverty and food insecurity among Canadians with disabilities through the Canada disability benefit.

• (1545)

I implore you to seize this opportunity. Until food bank usage begins to subside, we will be there for everybody who needs it. I also implore you to think about these three policy buckets as you consider the financial distribution and resource allocations ahead of you.

Thank you.

The Chair: Thank you, Mr. Hetherington.

Now we'll go to Laurentian University Faculty Association. We have Mr. Colin and Ms. St-Pierre.

I believe you're going to be splitting your time.

[*Translation*]

Mr. Fabrice Colin (President, Laurentian University Faculty Association): Thank you, Mr. Chair.

Members of the committee, thank you for the opportunity to speak with you today. I'm joined by my colleague Linda St-Pierre, and we represent the Laurentian University Faculty Association, or LUFA.

Laurentian University is located in Sudbury, Ontario. The LUFA union represents over 500 academic staff. Tomorrow marks exactly three years since one dark Monday in April 2021, when nearly 200 people lost their jobs and 69 programs were cut, including nearly 30 French-language programs. In February 2021, Laurentian University became the first publicly funded university to file for protection under the Companies' Creditors Arrangement Act. The impact on students, workers and the community has been profound and devastating. Among other things, the cuts affected the indigenous studies program as well as the only bilingual midwifery program in the country. The disruption was felt throughout northern Ontario, which obviously relies heavily on the university. Franco-phone and indigenous communities have been disproportionately affected.

The Auditor General of Ontario found that this use of the Companies' Creditors Arrangement Act was unnecessary, inappropriate, costly and destructive. This recourse was strategically planned by the administration, on the advice of an outside law firm, in order to circumvent the provisions of the collective agreement reached with the teachers' union. As a result, a piece of federal legislation was used to circumvent obligations under labour relations legislation.

If any job loss is devastating, recourse to the Companies' Creditors Arrangement Act has resulted in our members losing the additional protections and benefits to which they were entitled. The university used the courts to its advantage to protect itself, at the expense of students, workers and public education. One of our colleagues lost her job when she was nine months pregnant. Even worse, she was not entitled to maternity leave and the related benefits that her family was depending on. Many others have not only lost their jobs, but also their severance pay and group health insurance. Our students found themselves unable to complete their studies and their post-graduate research projects. In addition, their future prospects have been turned upside down.

• (1550)

[English]

Ms. Linda St-Pierre (Executive Director and Chief Steward, Laurentian University Faculty Association): The CCAA is designed as a remedy for commercial companies, not for our public universities. The public good that universities offer is undermined by an insolvency law designed for private companies that put the interest of big creditors ahead of the mission of our universities.

When Laurentian University filed for protection under the CCAA, it meant that decisions on what happened at a public university supported by taxpayer dollars were made based on a balance sheet and not what is best for students or public education and research.

Post-secondary institutions have commercial elements, but they are not governed by the market interest alone—or even primarily. They meet a variety of socio-economic considerations, such as linguistic and cultural diversity, and regional and equity development. Unless public post-secondary education institutions are removed

from being under the CCAA, they are at risk of being defined solely by commercial interests, which is the opposite of what they should be.

In the case of Laurentian University, the use of the CCAA also meant additional costs for a public institution. The process is needlessly expensive compared to the normal financial exigency option, where universities work collaboratively with the provincial government and the faculty association in times of true financial stress.

The Auditor General's report highlighted that Laurentian University administration spent tens of millions of dollars on lawyers and consultants to work through the CCAA process. Instead of using university funds—which come largely from government grants and student tuition fees—to save education programs and mitigate the damage of their financial situation, they went to lawyers and consultants.

Division 7 of Bill C-59 changes the definition of “corporation” and “company” in the CCAA and the Bankruptcy and Insolvency Act to exclude post-secondary education institutions. We were happy to see this included in Bill C-59. This is an essential step to making sure that what happened at Laurentian doesn't happen at another public institution. It creates a more secure future for post-secondary education.

I urge the committee to support this section of the legislation, particularly in light of the harsh lessons learned from Laurentian University.

Marsi. Meegwetch. Thank you.

The Chair: Thank you.

Now we will hear from Monsieur Damphousse from the Union des municipalités du Québec.

[Translation]

Mr. Martin Damphousse (President, Union des municipalités du Québec, and Mayor of Varennes): Thank you very much, Mr. Chair.

Ladies and gentlemen of the committee, I'd like to thank you for giving us the opportunity today to share our comments on important issues such as infrastructure, housing and transportation. With me today is Samuel Roy, strategic policy advisor at the Union des municipalités du Québec, whose members represent over 85% of Quebec's population and territory.

First, we would like to address the urgent need for action to ensure that the funds earmarked for the Canada community-building fund are paid out. These amounts are essential to funding municipal infrastructure through the gas tax and Quebec's contribution program.

In Quebec, our infrastructure is aging and in urgent need of attention. We are facing a \$45 billion deficit to maintain municipal water infrastructure assets. This figure doesn't take into account the additional costs required to extend pipes, increase the capacity of our infrastructure or adapt it to climate change. At present, infrastructure is at maximum capacity in many areas, slowing down or completely halting the construction of new housing units. In the context of a housing crisis, we can't collectively afford to put our infrastructure rehabilitation projects on hold.

As the construction season gets under way, it's vital that these funds be released without delay, without getting bogged down in major program revisions, and without adding new conditions. We're still waiting on an agreement between the federal government and the Government of Quebec. We reiterate that urgent action is needed.

On the housing front, faced with a 32% drop in housing starts and a vacancy rate of just 1.3% in 2023, it's crucial that Quebec benefit equitably from federal investments. The flexibility and agility of federal programs, their alignment with Quebec programs and the speed of an agreement with Quebec for the transfer of funds are key elements that will enable Quebec municipalities to play their full role in the fight in combatting the housing crisis. In addition, adding conditions related to housing types and urban planning bylaws is not desirable. Municipalities are, and continue to be, best placed to plan their land use according to the specific characteristics of each community. One size does not fit all.

It's also crucial to provide substantial, predictable and sustainable funding for housing for people experiencing homelessness, whose numbers increased by 44% in Quebec between 2018 and 2022. The federal reaching home program, which has funded various projects to combat homelessness in 16 regions of Quebec, must be maintained and enhanced.

Now I'd like to say a few words about transportation. The vitality and economic development of all the regions depend on an adequate public transit supply. To enable the development of our communities, Quebec municipalities want transportation to become a national priority. To promote the development of our communities, Quebec municipalities are calling on the federal government to provide financial support to municipalities so that they can maintain their infrastructure and invest in modern and efficient public transit services.

Thank you for your attention.

• (1555)

[English]

The Chair: Thank you. We appreciate all the witnesses' opening remarks.

To members and witnesses, we have limited time and have a number of panels still today, so there will be only one round of

questions. Each party will have up to about seven or eight minutes to ask questions in that one round. You can share your time among yourselves if you want to.

I had MP Perkins on my list but I don't see him here, so I'm going to MP Morantz to begin.

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

Mr. Hetherington, I'll start with you.

It's certainly a very dire picture that you're painting of the situation, particularly in Toronto. I recall that you and I spoke in this committee last year, and the situation was dire then, but this sounds even worse.

In the policy suggestions you made, you didn't touch on the economy itself. We've been hearing testimony on that today. We know, for example, the senior deputy bank governor, Carolyn Rogers, said last week that Canada is in a productivity emergency and that "it's time to break the glass". We've heard testimony that per capita GDP is now at 2018 levels. The OECD says that Canada is forecast to have the worst economic growth in the OECD until 2060.

Since 2015, the federal government has doubled the national debt from roughly \$600 billion to \$1.2 trillion, yet we have these terrible fiscal results. To me, that's tantamount to economic malpractice.

I'm just wondering if you lay any of the blame for this problem—seeing 300,000 people in February 2024 compared to just 65,000 people just before the pandemic—on the economic mismanagement by the Liberal government.

Mr. Neil Hetherington: Obviously, as a charity, we are non-partisan, so I won't be able to comment on that. I will say that it should be alarming that unemployment is as low as it is and we find ourselves in the state we do. That is troubling to me.

As we look towards the upcoming budget, I think we need to focus on who is most vulnerable to the acute shocks that we've had to the system. There are the declines that you've mentioned in productivity and per capita portions of GDP. These are all important factors, but if we look to who is most vulnerable and who is most challenged by them, I think we need only turn to those on fixed incomes. For that, I think we need to look at what the cost of poverty is. It's extraordinary what the cost is, and if you want to reduce that cost, you need to address it upstream. That would include the Canada disability benefit.

• (1600)

Mr. Marty Morantz: It's fair enough that you want to be non-partisan, but you did make policy suggestions, none of which were focused on improving economic performance in Canada. I'm just wondering why you wouldn't make policy suggestions that would improve Canada's productivity, because it seems to me that's the biggest thing that could happen. It's the old saying that the best social program out there is a job.

You're obviously saying there are a lot of serious problems. I note that in the interview you gave last November, you talked about first-time users. Last year when we spoke, I think you said that double-income families are now utilizing the food bank's services. This is the number that really blew me away: one in 10 Torontonians is availing themselves of food bank services. Surely some policy around economic performance directed at the government and this budget is in order, is it not?

Mr. Neil Hetherington: I don't think it's either-or. Yes, of course we need a strong economy, but what do we need in order to make that happen? We need to make sure that each of the levers the government holds is being appropriately used in both fiscal and monetary policies.

We have seen a positive result when it comes to driving down food prices. The inflationary impact on food has started to subside, and that is positive. I am with you when it comes to making sure that we have decent employment across the country, and we have low unemployment numbers. The question, which was addressed in my testimony, is this: Is that employment enough so that somebody can thrive in the community? Currently, the answer is no.

How do you set up a system where somebody working full time is able to ensure they have all the basics? I think part of that is making sure that for this demographic, there is decent, affordable housing and there are transferable benefits. These types of policies allow for a strong economy to thrive.

Mr. Marty Morantz: Don't you think policies directed at economic performance would provide the best result would reduce the numbers you're seeing? As I said, we've seen literally a doubling of the national debt, with nothing to show for it.

You spoke about some fairly substantive policy initiatives in your opening statement, but why is there nothing directed at increasing productivity? We have a situation where our productivity is declining. The United States is booming. We're not seeing the kind of thing that's happening in the United States happening in Canada.

You've used words in your public statements like this situation is "obscene" and "beyond the pale". You've said everything except it's time to break the glass. Maybe this is your opportunity. I too share your concerns.

Mr. Neil Hetherington: Let me use this opportunity to be very clear. It's not either-or. We need to have strong economic conditions, with both fiscal and monetary policies that drive our economy so that everybody who is able can have a position that allows them to thrive.

At the same time, we need to make sure that there are restraints in play that ensure everybody thrives within that economic boom. That includes the most vulnerable. Specifically, I would like to make sure that those who are unable to derive their income from employment—those currently on disability benefits—are able to access the basic funds they need.

I want to be very clear. It's not either-or. I'm with you. I want to make sure that we have a healthy, thriving and productive economy. At the same time, I want to make sure that nobody is left out of that.

Mr. Marty Morantz: That's fair enough.

Mr. Schiavo, I have a similar line of questioning for you.

In Canada, we have what is really tantamount to economic malpractice. There's a doubling of the national debt, and our debt-to-GDP ratio is hovering around 50%. It was around 30% before the pandemic. The Parliamentary Budget Officer came out with a report saying that roughly \$200 billion spent during the pandemic, including on things like the arrive scam app, had nothing to do with the problem.

I'm wondering what substantive policy suggestions you have for this government in order to enhance our productivity, because it seems to me that a thriving economy would go a long way toward solving a lot of these problems.

• (1605)

The Chair: This will be the final question. You can answer, and then we'll move on to the next member.

Mr. Nicholas Schiavo: Sure.

I appreciate the seriousness of your question, and I would agree that with productivity on the decline, now is the time to sound the alarm.

I also appreciate your focus on solutions. For us, it's really important that we have a strong R and D framework in our country for our fastest-growing companies, which are investing not only in research but, most importantly, in commercialization and how they turn that research into economic growth for Canadians.

I also think, and you alluded to this, that procurement as it currently stands is not working for Canadians and is not working for governments. We're not seeing the economic boost that we could be seeing, while other advanced economies are from their procurement systems. Moving toward a more agile, more modern form of procurement would do wonders for productivity and the economy as a whole.

The Chair: Thank you, MP Morantz.

Mr. Marty Morantz: Thank you.

The Chair: Now we're going to MP Thompson.

Ms. Joanne Thompson (St. John's East, Lib.): Thank you. I will share my time.

I'd like to begin with the Laurentian University Faculty Association. I'm not sure which one of you would like to answer, or if you'll both want to come in on this.

Certainly, changes in the bill have been a long time coming, and you know this from your difficult experiences in 2021. Ontario's Auditor General said there was a strong argument that the CCAA is an inappropriate and perhaps damaging remedy for public entities. Bill C-59 moves in the same vein.

How do you see the provisions in the bill protecting institutions like yours in the future and promoting alternative ways of dealing with financial challenges?

[*Translation*]

Mr. Fabrice Colin: There are already tools in place to deal with critical financial situations, an emergency plan is already in place in virtually every collective agreement across the country to manage these critical financial situations so that the university's mission, rather than commercial interests, remains the primary concern, which is paramount. This changes a lot of things in that, for example, cuts in all other sectors have to be considered before cuts in the university sector. If cuts in the university sector become necessary, they will be painful and will result in the closure of programs or departments, of course, but they will be made in a way that respects the rights that have been negotiated in collective agreements.

[*English*]

Ms. Joanne Thompson: Thank you.

I'm going to ask Mr. Hetherington one more question before I pass this over.

Thank you for your opening comments. I happen to agree that government is able to have strong fiscal policy and at the same time ensure that there's strong social policy so that no one is left behind.

With that in mind, could you speak to the significance of the school lunch program and its potential to impact child food insecurity?

Mr. Neil Hetherington: One of the challenges we have at the food bank is in summer months when individuals have more mouths at home to feed. If you look at a universal program, as was recently announced, it has the great possibility of making significant and permanent changes to food insecurity across the country.

Ms. Joanne Thompson: Thank you.

Ms. Julie Dzerowicz (Davenport, Lib.): My questions are going to be directed to the Canadian Council of Innovators.

Nicholas and Laurent, I've worked for a while on this topic, so I want to get to all of the solutions as well.

What is your one recommendation? You talked about how we need to better support our research and development. What is the one thing we could do to encourage a partnership with the research dollars we give to Canadian innovators? What's the one recommendation you might have to do that?

• (1610)

Mr. Nicholas Schiavo: I'm happy to start, and Laurent, you can add if you'd like.

Canada does well when it comes to the research component. It's in development where we often fall down. In our report, I would say the most important recommendation is expanding eligibility for things like intellectual property and continuous development.

The theme of our report—you'll notice it's very purposefully titled—is "Getting Results". What we are saying is that if we are spending \$4 billion every year on the biggest innovation policy in our country, it should be focused on outcomes instead of inputs.

Acknowledging intangible assets in the 21st century is integral to that. That being said, we make a series of recommendations.

Laurent, I don't know if you want to expand on that.

Mr. Laurent Carbonneau (Director, Policy and Research, Council of Canadian Innovators): I think that's a really good summary.

In the interest of keeping this concise, I'll note that we, in a very timely way, published our response to the patent box side of the consultation. We think an innovation box measure, which is a little more broadly constructed and includes more types of IP, is a really good way to complement our research input tax credit with something that explicitly looks at commercializing and provides more support and incentive to export, which is the critical thing to do for these scaling firms that need to operate in global markets.

Ms. Julie Dzerowicz: I've had to educate myself on intellectual property and its importance. In my opinion, I don't think our economy in general or our population in general understands or appreciates the importance of patents and trademarks. I think if we did, there would be a lot more importance placed on them.

We don't have a culture of IP, so our businesses are not patenting or trademarking. Part of it is about what you said: We don't actually allow those expenses as part of any of our funding mechanisms.

What more can we do to educate people about the importance of patenting and trademarking their ideas? We need to be moving on creating this culture of IP.

Mr. Nicholas Schiavo: I'm happy to jump in there.

One organization that's seen success is the Innovation Asset Collective, or IAC. They're the voice of intellectual property in Canada. We'd love to see their mandate expanded beyond simply clean tech to cover other sectors and should ensure that they have the resources for that expanded mandate.

I'll also note that the government has launched programs like ExploreIP and ElevateIP, so I'll give credit where it's due. I think there's an awareness that we aren't exactly an IP nation, but we're taking some steps in the right direction.

As you say, there is always more to do.

Ms. Julie Dzerowicz: On the clean-tech patent collective, I believe there's been a proposal put in place to expand it. Have you received any feedback on it? Has there been a response yet or are we still waiting?

Mr. Nicholas Schiavo: I'll be perfectly honest. I'm not aware so I'll have to go back to check.

I would love to check that out and follow up.

Ms. Julie Dzerowicz: On your procurement point, this really frustrates me and I think you know that we've had conversations on procurement. We almost need to blow up the system. I don't know if you have one recommendation other than blowing up the whole procurement system.

Just so you know, it's not just you who would recommend it. It doesn't matter who we speak to. It's just an outdated, antiquated system, and right now we need it to benefit Canadian innovators and it's insane that we don't.

If you had a recommendation about what we can do to be more supportive of Canadian innovators with our procurement system as it exists right now, what would that be?

Mr. Laurent Carbonneau: We recently put out a report with six recommendations. I'll tackle the one that I think really hits at the core problem we identified, which is fundamentally one of culture and the institutional incentives and processes that are in place.

The main takeaway we heard from talking to lots of innovators is that the way government does procurement sets the risk that we do things as they currently exist—at zero. That's wrong. In the real world, they go bad. We've seen lots of examples over the last 15, 20 and 30 years.

We think changing culture is the most important part of this. We think there's a great model in Finland. They have a network of institutions within government that build expertise on how to procure innovation.

If I were to choose one takeaway from this report and one place to start, it would be that.

Ms. Julie Dzerowicz: Thank you.

• (1615)

The Chair: Thank you, MP Dzerowicz.

We'll go to MP Ste-Marie.

[*Translation*]

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

First, I would like to thank the mayor and all the witnesses for being here and for their testimony. There has been a lot of very poignant testimony today. Time is limited, but we are taking notes, and we'll try to improve Bill C-59.

My questions are for the representatives of the Union des municipalités du Québec.

Mr. Damphousse, hello again. My colleague Xavier Barsalou-Duval also sends his regards.

I'll first talk about the gas tax program and Quebec's contribution. Since I was elected in 2015, this is the first time we've received so many copies of municipal resolutions sent to the government to say, as you mentioned, that the funds must be released and that an agreement must be reached quickly. Can you explain to us again the importance of taking action, and of doing so now?

Mr. Martin Damphousse: Let me go even further, Mr. Ste-Marie: Of all the programs out there, be they federal, provincial or twinned like this one, it's by far the most popular with

Quebec municipalities. I wouldn't be surprised to learn that it's the most popular of all the programs across Canada, because it's effective, it's proven and, above all, it's easily applicable to a priority issue: our underground infrastructure, which costs a fortune.

I've been mayor for 15 years, a little longer than you've been a member of Parliament, and this is the first time we've relied so heavily on these amounts. It's now spring, and work is due to start shortly. With the winters we have, it has to be done in the summer, and hardly later than early fall. So we're already in the process of inviting tenders for projects, when we don't even know if we're going to get the money or if there will be additional conditions, which there seems to be talk of. The clock is ticking, and it's becoming increasingly dramatic not to have the money. It's very worrisome.

So I'm calling on your federal government colleagues, as well as your colleagues from Quebec who are here: please come to an agreement as soon as possible.

Mr. Gabriel Ste-Marie: Understood. We hope there will be positive announcements when the budget is presented on Tuesday. We'll continue to ask the minister about this.

In connection with that, the need for infrastructure, the limited time to do the work, and the glaring lack of housing, you pointed out that housing starts have decreased by 32% over the past year. So there's a housing crisis. In the announcements it made before presenting its budget, the government proposed a number of measures. I'd like you to explain how important it is to have quick access to funds for programs such as the gas tax program and Quebec's contribution once they are adopted and to have clear criteria.

Mr. Martin Damphousse: We'll continue to prioritize the Quebec gas tax and contribution program. New announcements have been made in recent days, weeks and months, including the famous \$900 million earmarked for housing in Quebec. Unfortunately for Quebec municipalities, we have a unique characteristic, which you know very well, that is to say that we depend on an agreement between Quebec and the federal government to be reached in advance.

If memory serves, that \$900 million for Quebec was part of a \$3 billion investment. However, the file was delayed by six to 12 months, because we depended on the conclusion of that agreement. Again, we called on the both levels of government to come to an agreement. We were hearing from the Prime Minister of Canada, who said that it was delayed because of the municipalities, but we still didn't have access to the money.

The good news is that the provincial government decided to add \$900 million. However, the red tape associated with the agreements between Quebec and Ottawa is slowing down our process. Add accountability measures, and it's even more complex. We've had enough. Please stop adding to it.

Mr. Gabriel Ste-Marie: Yes, indeed. I would remind you that the \$900 million in federal funding was voted on two years ago. There is a crisis and urgent need for action, but there are always delays.

As you said, municipalities are in the best position to determine the criteria for housing construction. If federal support comes with conditions or requirements, I imagine that will mean more delays, which is a cause for concern on your side. Is that correct?

• (1620)

Mr. Martin Dampousse: That is indeed a concern for us. The idea of imposing conditions on the addition of infrastructure for new housing is an interesting one. However, when it is announced that the deficit related to aging infrastructure is \$45 billion in Quebec alone, the government should stop adding to it and instead repair what's already there.

One problem is adapting to climate change. In Quebec and in Canada, we have experienced it at breakneck speed. There are all kinds of problems, and they're not going to go away; on the contrary, they will accelerate.

Let's quickly repair our existing infrastructure and transform it to make it as resilient as possible. That will allow us to add housing. Very often, it's the old areas that will be transformed and densified. The pipes are there, but they need love, and therefore the investment.

Mr. Gabriel Ste-Marie: Thank you.

You talked about the importance of supporting public transit. Can you give us more explanations on that point?

Mr. Martin Dampousse: Before Quebec presented its budget, all 53 mayors who make up the board of directors of the Union des municipalités de Québec had adopted a firm position calling for additional funding. We all want to reduce our greenhouse gas emissions, and we know that public transit is the only way to do that. However, we were very disappointed, since no additional money was added.

However, we also turn to the federal government, because this isn't exclusively a provincial responsibility. Indeed, it's a national challenge, and we want it to become a priority. If we want to reduce greenhouse gas emissions, we have to tackle transportation. So public transit can help a great deal in that regard.

Mr. Gabriel Ste-Marie: That's very clear, thank you very much. In closing, do you have anything to add?

Mr. Martin Dampousse: Honestly, I think we've covered all the issues, and your questions were very relevant. Thank you.

Mr. Gabriel Ste-Marie: We're committed to bringing your recommendations to the government. Thank you.

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

[English]

We'll now go to MP Davies. You'll be our last questioner for this panel.

Mr. Don Davies (Vancouver Kingsway, NDP): Thank you, Mr. Chair, and thank you to all the witnesses for your excellent testimony.

Mr. Hetherington, you gave a raw number for food bank usage by people with disabilities. Can you give us a rough idea of what percentage of food bank users are people living with disabilities?

Mr. Neil Hetherington: Approximately one-fifth to one-quarter of food bank users identify as having a disability.

Mr. Don Davies: What percentage are children?

Mr. Neil Hetherington: Of that percentage, you would be looking at one-third.

Mr. Don Davies: I don't mean children with disabilities; I mean children generally. What is the percentage?

Mr. Neil Hetherington: It's one-third.

Mr. Don Davies: Okay.

You mentioned the incredibly high public support for a federal disability benefit. That measure also received unanimous support in the House.

Do you have any advice on how the rate should be set? How much money should the federal government set the rate at?

Mr. Neil Hetherington: Disability advocates have long said it should be the poverty line plus 15% to 30%. It costs more to get by when you are disabled, even at that very minimal level of the poverty line.

There's an easy way to look at it. Across the country, folks are generally receiving about \$1,300 or so on disability. The poverty line is \$2,300, so there's a \$1,000 difference to get up to the poverty line. Here is a rule of thumb for the million individuals who would qualify for this: Every billion dollars invested equals about \$100 for a person on disability. Therefore, you're looking at a program of \$10 billion to \$12 billion to get somebody from \$1,300 to \$2,300 as a minimum floor for a fully funded Canada disability benefit.

Mr. Don Davies: Thank you.

This may be beyond your field of expertise, but it would strike me that when we give more money to people in lower income brackets, they spend that money in our communities. They don't put it in an offshore savings account. They don't save it. They probably spend it and recirculate it into the economy.

Are you aware of any economic knock-on effects of the federal government providing that money to people in this cohort and whether a certain percentage of that money is actually returned back to the economy in a productive way?

• (1625)

Mr. Neil Hetherington: You're entirely right that when those who are a thousand dollars under water below the poverty line receive any benefit associated with that, they are going to put every dollar—every penny—back into the local economy. I think that needs to happen. At the same time, we want to ensure that each of the monetary policies are tamed to ensure that they are not a significant driver—and they wouldn't be—of inflation.

Mr. Don Davies: You commented that a surprising number of food bank users are the working poor. I think you specifically said that these are people who often have no benefits.

In this Parliament, the New Democrats have been proposing to work with the government to develop dental care and pharmacare to provide benefits for those who don't have them. I'm just wondering what you think the impact would be on the cohort you work with on a daily basis of taking away expenses they have for dental care and pharmaceuticals and freeing up that money to be spent on other necessities of life.

Mr. Neil Hetherington: I see that every day. I see it when somebody doing their best working 40 or 50 hours with two or three part-time jobs has to come to the food bank because they have to make a choice among rent, food, medications and hydro.

Those are important benefits, particularly when they're deep and targeted benefits for both dental and pharma.

Mr. Don Davies: I had the privilege of serving in Parliament when the COVID pandemic crisis began in early 2020. I was in the House when all parties supported a \$107-billion COVID aid package. Of course, part of that package was to provide \$2,000 a month for CERB to people who were unable to work because of the pandemic, often through no fault of their own.

What did you notice about food bank use during 2020 and 2021 as a result of federal support for people who otherwise would have been pressed out of work?

Mr. Neil Hetherington: Food bank usage did increase during that time, but CERB was an absolutely needed stopgap.

Just to back up for one second, you mentioned the figure \$2,000. I think everybody on this panel can ask the “elephant in the room” kind of question: Why did we feel that \$2,000 was the right number, yet every year, everywhere across the country, pandemic or not, those with disabilities are told they'll be fine on \$1,300? That's obscene.

Again, I just implore this group, those at the Ministry of Finance and each of you voting on Tuesday to fully fund the Canada disability benefit. It's targeted and it's needed.

Mr. Don Davies: Thank you.

To the Council of Canadian Innovators, what are CCI's recommendations for a smart industrial strategy that would help ensure that intellectual property resulting from Canadian innovation is owned by Canadians?

Mr. Laurent Carboneau: There are a lot of places we can start. We talked about tax credits and procurement. To my mind, these are supply-and-demand sides of the same equation about how we make sure we're getting more innovation in the economy.

On the supply side—and traditionally we've been better at this in Canada—there has been a lot of emphasis on tax credits and research funding. We provided a bunch of recommendations on how we can make SR and ED more effective at targeting the outcomes we want rather than continuing to be focused on just the input. We think that's a promising way forward.

On the demand side, we mentioned earlier our report on procurement. I think this is a really underused lever in Canada compared to a lot of other advanced economies. Of course, the U.S. has had the small business innovation research program in place for several decades now, which produced a lot of really interesting spinoffs, both technological and economic. This is a thing the EU is experimenting with a lot more. I mentioned Finland earlier. It has a very progressive structure of programs that all interlock and build up a lot of competence, while making sure that its municipal and regional governments are included, which is something that historically has not been much of a feature in Canadian innovation policy. Between those two things, there would be an interesting set of levers.

On the IP side, we talked a little about the education piece, and I think it's really critical. We talked about the IAC, which contributes to that. I also want to highlight the work done by the industrial research assistance program, IRAP, out of the National Research Council, one of Canada's most successful industrial policy programs, really, for the last 75 years. The combination of business, public sector and technical expertise makes it unparalleled as a place to develop genuine expertise and to help companies navigate technological and business trends.

• (1630)

The Chair: Thank you, Mr. Davies.

To our witnesses, thank you for your excellent testimony. We appreciate it a great deal.

That concludes this panel, and we'll now transition to our next panel. You may leave.

Members, as I understand it, we have votes a little after 5:30. I think it would be a shame to not have those who are in our 5:30 to 6:30 grouping, so we have contacted them. We're going to bring in everybody together so that at least they can give us their opening remarks. I don't know how much time we'll have for questions, but you'll get questions. All the witnesses from the 4:30 to 5:30 panel and the 5:30 to 6:30 panel will be here joining us.

Mr. Philip Lawrence (Northumberland—Peterborough South, CPC): Can we get UC to go right up the votes?

The Chair: Yes, we can go right up until the votes, but only once the bells start can we ask for UC.

We're suspended right now for the transition.

• (1630) _____ (Pause) _____

• (1635)

The Chair: We're going to get started. Time is running quickly, and we want to make sure that all of our witnesses get their opening remarks on the record. Then we can get as much time as we possibly can with questions before the votes start.

Members, with us today we have, from the Canadian Association of University Teachers, David Robinson, executive director; from the Canadian Fabricare Association, Konstadin Kantzavelos, president; and from the Otonabee-South Monaghan Food Cupboard, Joan DiFruscia, chair.

I don't know whether they're here yet, but also joining us we have, from the Canadian Cancer Society, Rob Cunningham, senior policy analyst, and Kelly Masotti, vice-president of advocacy. From the Vancouver Anti-Corruption Institute, we have Dr. Peter German. From the Front d'action populaire en réaménagement urbain, we have Madame Laflamme, who's a spokesperson for the organization. We are waiting on Jeff Pearson, president of carbon at Wolf Midstream. Hopefully, he will arrive.

We are going to get started with the Canadian Association of University Teachers for five minutes.

Mr. David Robinson (Executive Director, Canadian Association of University Teachers): Great. Thank you, Chair.

I'm very grateful for the invitation to be here today on behalf of the Canadian Association of University Teachers. We represent 72,000 faculty, librarians and professional staff at more than 120 post-secondary institutions in all provinces across the country.

I want to focus my remarks today on Bill C-59's proposed exclusion of public post-secondary institutions from the Companies' Creditors Arrangement Act and the Bankruptcy and Insolvency Act.

The CAUT fully supports these important changes. Corporate insolvency and bankruptcy processes are inappropriate and unnecessary for publicly funded universities and colleges and are counter to the fundamental values and principles of those institutions, including collegial decision-making and academic freedom.

We learned this lesson the hard way. As we heard earlier, in February 2021, Laurentian University in Sudbury was the first-ever publicly funded university to apply for and receive CCAA protection. As the Auditor General eventually concluded in her report on the matter, invoking the CCAA was unnecessary, inappropriate, costly and a destructive decision by the university's administration. It was unnecessary because mechanisms to deal with the institution's financial challenges already existed.

First, the university did not follow the normal, broader public-sector precedent and refused financial assistance that was offered by the provincial government.

Second, it deliberately ignored contractual obligations with the Laurentian University Faculty Association that provides for a process to deal with instances of bona fide financial shortfalls. Virtually every faculty association in Canada has negotiated so-called financial exigency provisions in their collective agreements that specify how the academic community as a whole can manage financial crises, while protecting core educational values. Instead, the administration of Laurentian used the CCAA to ignore the collective agreement and withhold financial information, and turned to an expensive, combative and unnecessary process.

In pursuing protection under the CCAA, the administration also betrayed the fundamental values of the university. Historically, financial exigency clauses arose in collective agreements to protect the principles of collegial academic decision-making and academic freedom. Financial exigency processes ensure that decisions about academic restructuring and program closures are made not by administrative diktat, but with the active participation of the academic community, those who have the expertise on educational matters.

Financial exigency language also protects the foundational value of all universities. That's academic freedom. It grants academic staff the right to teach, research and express views without institutional censorship or reprisal. Academic freedom, as the Supreme Court of Canada has noted, is necessary to "allow free and fearless search for knowledge and the propagation of ideas" and is "essential to our continuance as a lively democracy". Financial exigency language ensures that administrations do not use a financial crisis as a cover to violate academic freedom by targeting academics they find controversial, difficult or unpopular.

Finally, the CCAA process was also extremely and needlessly costly. Laurentian University spent tens of millions of dollars on lawyers and consultants while nearly 200 faculty and staff positions were lost and 69 programs were cancelled, many of which were unique French-language and indigenous programming, including the only indigenous bilingual midwifery program serving northern Ontario.

In the wake of what happened at Laurentian, CAUT commissioned a report by lawyer Simon Archer and Virginia Torrie, a former professor of law at the University of Manitoba. They concluded:

The policy objectives of public institutions, such as universities, are inconsistent with the core rationale of insolvency law to promote commercial risk-taking. Applying the CCAA to such institutions changes the ground rules on which they operate. This...undermines university governance, internal decision-making, and transparency.

The report concludes by emphasizing the pressing need to amend the CCAA and Bankruptcy and Insolvency Act to preclude its use by public universities and colleges.

I therefore urge the committee to support those amendments.

Thank you.

• (1640)

The Chair: Thank you, Mr. Robinson.

Now we're going to hear from the president of the Canadian Fabricare Association, Mr. Kantzavelos.

Mr. Konstadin Kantzavelos (President, Canadian Fabricare Association): Honourable Chair and respected members of the Standing Committee on Finance, good afternoon. My name is Konstadin Kantzavelos. I have been operating my business, TSC Wet-clean, in the city of Mississauga since 1988.

I am a proud member and president of the Canadian Fabricare Association, where I have sat on the board since 2013. It's an honour to represent and lead an organization rooted in our industry since 1949 that currently represents over 10,000 jobs across Canada.

The CFA is the governing body of professional dry cleaners, wet cleaners, launderers and allied trades dedicated to providing fabric and textile care services and solutions from coast to coast by establishing good management, ethical conduct and proper operating procedures. Today is our association's most important opportunity to represent our interests. Please allow me to shed light on our industry's contribution to the Canadian economy and the challenges we have faced. More importantly, please allow me to illustrate how the Canadian government and the CFA can work together to revitalize and reinvent business across Canada.

No industry suffered more than the fabric care industry during COVID-19. We saw up to a 90% drop in revenue across the country for over two years. Over 50% of our fabric care locations closed nationwide. Working from home was the key element in these declining numbers. For many Canadians, suits, shirts, ties, skirts and dresses are the uniforms worn for work, similar to everyone in this room today.

I am here today to celebrate the major contribution of the small business owners of the Canadian Fabricare Association across Canada. We are members of a small business community that constitutes 98% of all businesses in Canada—small companies. Small businesses employ over 10 million Canadians and are responsible for 50% of Canada's GDP.

According to Statistics Canada, the average person spends approximately 10 hours weekly on unpaid work. The primary work we're talking about here is laundry. An Ipsos Reid poll conducted on behalf of GE Appliances revealed that 30% of Canadians find they only get around to it when they've run out of clean underwear, 25% of Canadians confessed that they've left their clothes in the washer or dryer for days before tending to them and 41% said they simply guess at methods of stain removal.

Most recently, as read in the Financial Post this past March, the Bank of Canada's senior deputy governor, Carolyn Rogers, spoke

on the declining state of Canadian productivity. According to Rogers, Canada must tackle weak productivity to inoculate the economy against factors driving future inflation.

The Organisation for Economic Co-operation and Development revealed that Canada ranks 29th among 38 OECD countries for labour productivity. To put this in layman's terms, in the time a Canadian worker produces one dollar's worth of goods and services, an American worker produces \$1.30. That's a 30% advantage.

These statistics are important because despite most industries having raised their prices on consumers, the members of the CFA have kept their prices relatively unchanged because of our investment in the proper technology and advanced productivity.

In February 2021, during the height of the pandemic, Swedish consumers who turned their laundry, dry cleaning and clothing alterations over to professional cleaners received a tax deduction of 25% of the cost. The Swedish association put forward a plan to educate its government on how that incentive could work.

The CFA is no different. It looks at our diversity as a strength and at our employees as our greatest asset. We are a green circular industry. We focus on proper textile care, which extends the life of fabrics and removes uncertainty from the consumer. Our members are certified through the CFA, which means they meet the required environmental, economic and social standards. Committee members may be interested to know that all our industry members continually deliver towards the preservation of our environment and our ecosystem by adhering to all federal government guidelines on waste management.

By implementing a tax incentive, the Canadian government will demonstrate its commitment to a greener economy. Considering that we live in times of viruses and harmful diseases, what better way to promote cleanliness to every Canadian household than with a tax incentive to have their fabrics and garments cleaned professionally?

As the president of the CFA, it is my job to inform you of the importance of what our industry stands for in our communities—the preservation of our environment and our economy. What we are proposing is a tax credit of 25% to incentivize using the services of professional fabric care in every Canadian household. This is where Bill C-59 can assist. Just as in Sweden, the CFA can be a resource for the Government of Canada in paving the way for maintaining the stability and economic growth of the Canadian fabric and textile care industry.

We request that this committee make a focused choice to work with the Canadian Fabricare Association and ensure that our proposal for a tax incentive can become a reality and prevent our small businesses from disappearing.

Here are some suggestions for requirements for this tax incentive. You must be at least 18 years old, live in Canada and pay taxes on at least 90% of your total income. The maximum amount of annual cleaning expense to use the tax incentive would be \$5,000 per household. The professional garment care provider must be registered with the Canadian Fabricare Association, and you do not need to own your property to receive the incentive.

● (1645)

Which services are covered for this deduction? They include dry cleaning, wet cleaning, laundry wash and fold, clothing repairs and alterations, area rug cleaning and upholstery cleaning.

Thank you very much for the time today.

The Chair: Thank you, Mr. Kantzavelos.

We will now hear from the Otonabee-South Monaghan Food Cupboard and its chair, Ms. Joan DiFruscia, please.

● (1650)

Ms. Joan DiFruscia (Chair, Otonabee-South Monaghan Food Cupboard): Good afternoon, Mr. Chairman and members of the Standing Committee on Finance.

I am honoured to be here to speak to you on the issue of affordability from the perspective of people who are living in poverty, such as the families served by the Otonabee-South Monaghan Food Cupboard, also known as the OSM Food Cupboard.

The OSM Food Cupboard is a rural food bank located in Keene, Ontario, in the riding of Northumberland—Peterborough South. The OSM Food Cupboard opened over 10 years ago as an outreach project of Keene United Church, and it supports residents of the township and Hiawatha First Nation.

Please consider this: When you leave this meeting today, I assume that you have a safe place to go, where you will be sleeping tonight, the next night and so on. Tomorrow you will make choices for breakfast, lunch and dinner. But what if you are food-insecure? For example, with Ontario Works, the basic social assistance program in Ontario, you receive just over \$700 a month, the same as in 2018. After you pay rent, if you can find a place for, say, \$700—please don't laugh at that comment—and pay for utilities, for gas, as your friend drives you to a training program, for a cellphone, for receiving calls for potential jobs.... Whoa. You ran out of money long ago. And then what about food?

The reality is that there just isn't enough money to cover the costs of even the essential items. With all the stress, what is a person's health like, physically and mentally?

At the OSM Food Cupboard, between November 2023 and February of this year, the number of families with children doubled. Children now make up one-third of the individuals supported by our food bank. Keep in mind that whether it's one member or six members, families come to our food bank only when they need to, and select the foods they need.

The volunteer staff and committee members are dedicated and compassionate in working to support the families. The Food Cupboard is a reliable and consistent source of food, and also offers a listening ear. A family can pay their electricity bill knowing that

there is help with food needs. Over time, special relationships have developed between the staff and the families, along with respect for each other. Please know that people do want to improve their lives. The fact is that when one lives in deep poverty, it is, like a deep hole, extremely difficult to climb out of.

In this amazing country of Canada, what solutions are there for dealing with the root cause of poverty, which is low income? One solution is a guaranteed livable income.

A second solution is governments of all levels and stripes collaborating with the shared goal of lifting people out of poverty. Mechanisms need to be in place to prevent clawbacks, such as during the rollout of the Canada disability benefit, thus improving the lives of people living on disability.

A third is that supports to cover benefits during a transition period from social assistance to even a part-time minimum-wage precarious job would encourage people to leave the social safety net.

Four, affordable housing, such as Otonabee Court in Keene, allows long-time residents of the area to continue to live in the community, paying either market rent or geared-to-income rates, depending on their income.

Financially, there are costs to all of society when people live in poverty. The already stressed health care system responds as best it can, as adults living in poverty are more likely to need treatment for such chronic conditions as heart disease and diabetes, plus mental health conditions. There are also costs to the justice and education systems. There is a tremendous cost to not making changes, which also prevents people from living up to their full potential.

I have been involved with food banks for over 40 years. The system is broken. Food banks are not helping people get ahead. Recently, food insecurity has grown substantially, partly due to inflation, but it's a global phenomenon and not something unique to Canada. For our food cupboard, which distributes food once a month, I have heard this comment: "I live for two weeks and then I exist for two weeks—until the next food distribution day." That is not acceptable in this country.

● (1655)

Members of the Standing Committee on Finance, you have a responsibility to ensure that government investment responds to the needs of Canadians.

Bill C-59 aims to implement elements of the 2023 fall economic statement, but shortly you will also likely have a role to play in implementing elements of budget 2024.

I am here today to tell you that we are facing a food insecurity crisis that needs to be urgently addressed. As you consider Bill C-59 and eventually budget 2024, I urge you to consider prioritizing the needs of low-income Canadians.

I just want to thank MP Lawrence for the opportunity to speak today.

Thank you.

The Chair: Thank you, Ms. DiFruscia.

I'm glad that our next witnesses were able to accommodate us. They were supposed to start at 5:30, but because we know what's going to happen, we have them in a little earlier.

We have the Canadian Cancer Society with us. It's the senior policy analyst, Rob Cunningham. I believe Kelly Masotti, the vice-president of advocacy, is also joining us.

You now have an opportunity for five minutes, please.

[*Translation*]

Mr. Rob Cunningham (Senior Policy Analyst, Canadian Cancer Society): Mr. Chair and members of the committee, thank you for this opportunity.

[*English*]

My name is Rob Cunningham. I'm a lawyer and senior policy analyst for the Canadian Cancer Society.

My testimony will focus on the provisions in Bill C-59 for the cost recovery fee for tobacco and vaping companies in clauses 217 and 218 and the vaping tax administration and enforcement provisions in clauses 145 to 167.

With respect to the cost recovery fee, it would provide enabling authority for regulations to require tobacco companies and vaping companies to reimburse the federal government for the \$66 million annual cost of the federal tobacco control strategy. We strongly support this measure and thank, with appreciation, the government for bringing it forward. Indeed, we thank all parties for their unanimous 323-to-zero vote at second reading in support of this measure.

The cost recovery fee has a long history. In 2021, this committee recommended the fee in its pre-budget report. In the 2021 federal election, it was in the Liberal, Conservative and NDP platforms. In the 2019 federal election, it was in the Conservative platform and called for by the NDP. It was in the health minister's 2021 mandate letter. MP Don Davies, now on this committee, has been a long champion, with motions introduced in the current and previous Parliaments.

It shouldn't be all Canadians who are paying for the government's strategy to reduce smoking, a strategy that also now regards vaping. It should be the tobacco industry with the principles of accountability and fiscal responsibility. The tobacco industry has caused the tobacco epidemic and vast health devastation, and it should be responsible for the cost of reducing tobacco use.

Moreover, the vaping industry has benefited significantly financially due to high rates of youth vaping, with many previous teenagers now older, addicted and vaping as adults. They may be addicted to nicotine for life. It should be noted that the tobacco industry is a major player in the vaping industry as well.

In the U.S., a cost recovery fee has been in place since 2009, administered by the FDA. Each year, \$712 million U.S., more than \$900 million Canadian, is recovered from tobacco companies on the basis of market share to reimburse the FDA's tobacco control budget. If the U.S. can have a cost recovery fee, surely we can in Canada.

Here in Canada, we've had a cost recovery fee on the cannabis industry since 2018. If we can do it for cannabis, we can do it for tobacco and vaping.

The tobacco industry, on average, over a nine-and-a-half year period, has increased their own prices, not including tax, by \$30.40 a carton. They increased their own prices by 180% in a period when cumulative inflation was just 28%. As a result, they have incremental revenues of \$2 billion a year or more. Can they afford \$66 million a year to pay to the federal government? Yes, they can.

For the cost recovery fee, we have three proposed amendments to strengthen the implementation. The amendments are short and simple and would advance the bill's objectives and the government's objectives. Draft legislative text with rationale for these recommended amendments has been provided to the clerk.

First, we urge the legislation to require that companies pay upfront: Unless the company has paid the fee, they can't sell the product. That's the way a tobacco excise tax works. The government shouldn't have to be chasing companies after the fact.

Second, the maximum fine for contravening cost recovery fee provisions should be increased from just \$50,000 to \$500,000, a maximum already found frequently elsewhere in the act. A fine of only \$50,000 would merely be the cost of doing business for a tobacco company.

Third, the legislation should explicitly state that the Service Fees Act does not apply to tobacco and vaping cost recovery fees, just as the Cannabis Act states that the Service Fees Act does not apply to the cannabis cost recovery fee. It is not the case here that there is a service, and thus a fee for that service, such as an approval of a patent or a prescription drug.

With respect to the vaping tax administration and enforcement provisions, they are important to ensure that the vaping product tax works well, including to reduce youth vaping.

Finally, I want to highlight the category of disposable e-cigarettes. They are very popular with youth and have recently taken off in Canada. They are very inexpensive and are undermining the objective of the vaping product tax of reducing youth vaping. Before the Senate finance committee recently, even Imperial Tobacco urged an increase in the tax rate for disposable e-cigarettes.

Thank you. We look forward to your questions.

• (1700)

The Chair: Thank you, Mr. Cunningham. Thank you for your advocacy here on the Hill for the Canadian Cancer Society.

Now we will hear from Mr. Jeff Pearson from Wolf Midstream.

Please go ahead.

Mr. Jeff Pearson (President, Carbon, Wolf Midstream Inc.): Thank you very much, Mr. Chair, for giving me the opportunity to speak today.

My name is Jeff Pearson. I'm the president of the carbon division at Wolf Midstream. I have a background in oil and gas engineering, commerce and finance.

By way of background, Wolf Midstream is a private Calgary-based company that was founded in 2015. We focus on energy infrastructure development, and we have spent around \$5 billion dollars on energy assets. We are backed by a large Canadian pension fund.

Wolf Midstream has three divisions, including a pipeline division that owns a large oil pipeline system that moves oil from production sites in northeast Alberta to the Edmonton market. We also have a natural gas liquids division, which has recently constructed large-scale infrastructure to remove natural gas liquids, such as ethane and propane, from natural gas before it is burned in the oil sands. These liquids are then transported to Edmonton and separated, through infrastructure we have built, to be turned into plastics. Following the removal of the high-carbon natural gas liquids and the burning of largely pure methane, CO2 emissions are reduced by upwards of 250,000 tonnes per year.

Our third division is the carbon division, which I run. In this group, we have constructed, and we own and operate, CO2 infrastructure called the Alberta Carbon Trunk Line, or ACTL. Wolf spent close to \$500 million constructing this infrastructure in 2019 and 2020, and the system became operational in early 2020.

The ACTL is one of the largest-capacity CO2 pipelines in the world, and the largest one focused on man-made, or anthropogenic, CO2. The pipeline has a capacity of close to 15 million tonnes per annum, which is greater than the emissions reductions proposed through the CCUS from the oil sands.

We currently have two sources of CO2—the Nutrien Redwater fertilizer facility and the North West Sturgeon refinery—and CO2 from both sites is a by-product of hydrogen production. These sources total approximately one and a half million tonnes per year. In March, we celebrated our five-millionth tonne of CO2 transport-

ed, which would have been emitted into the atmosphere but instead has been permanently stored deep underground.

The ACTL pipeline is currently running at 10% capacity and is underutilized. Over the last five years, Wolf has been focused on capturing more sources of CO2 and utilizing the spare capacity to transport the CO2 to permanent storage. We have been working closely with Air Products, which is constructing the new net-zero hydrogen facility outside of Edmonton. We have also been working with Dow Chemical, which is constructing the Path2Zero petrochemical project through an expansion of their existing site in Fort Saskatchewan. Using ACTL, Wolf will provide both of these companies CO2 transport to permanent geological storage.

Wolf is also developing a deep saline aquifer storage project, also known as sequestration, near the ACTL pipeline, to be able to permanently store CO2 from these and other projects. Partners in this project include five first nations groups and Whitecap Resources, which has significant subsurface technical expertise as a result of their ownership and operation of the Weyburn CO2 project in Saskatchewan. We are targeting completion and start-up of this project for 2025, commensurate with the start of the Air Products facility.

To service these projects, last year Wolf constructed a 38-kilometre fit-for-purpose extension of our CO2 pipeline to the Air Products facility near Edmonton. We commenced construction in August last year, and it was largely completed, other than some final cleanup work, in December 2023. Through this project, Wolf spent close to \$100 million on that pipeline. Much of that spend is eligible for the investment tax credits, or ITCs, under the carbon capture, utilization and storage, or CCUS, ITC.

I believe that today Wolf is one of the largest spenders of capital that is ITC-eligible. The ITC is a meaningful and necessary component of our commerce with emitters, with the capital support provided through the ITC going back into our commercial structure to lower the toll for our customers and, hence, the cost of decarbonization. As a result of our spending of funds that are ITC-eligible, we are happily anticipating that the ITC legislation will move to formalization as soon as possible. This will demonstrate real progress in our national goals to support decarbonization and provide additional certainty to emitters that are contemplating CCUS investments.

Thank you. I look forward to questions.

• (1705)

The Chair: Thank you, Mr. Pearson.

Next we'll hear from Dr. Peter German of the Vancouver Anti-Corruption Institute.

Go ahead, please.

Dr. Peter German (Chair, Advisory Committee, Vancouver Anti-Corruption Institute): Thank you for the invitation to appear before this committee.

I wish to address certain amendments related to money laundering that are contained within Bill C-59.

Before doing so, allow me to introduce myself and to apologize for not being there with you.

I've been engaged in the field of anti-money laundering since Canada adopted proceeds of crime legislation in 1989. That work included being director general of financial crime for the RCMP, completing graduate degrees on the topic, teaching at law schools, providing expert opinion evidence, speaking within Canada and internationally, and working as a consultant. I'm the author of a text published by Thomson Reuters, which has been on the market since 1998 and is the only current service dealing with Canada's proceeds of crime legislation.

The Vancouver Anti-Corruption Institute is an entity created in part as a response to two reports written for the then attorney general David Eby: "Dirty Money" and "Dirty Money—Part 2".

Mr. Jeffrey Simser, who appeared before this committee on April 9 of this year, is a professional colleague of mine and has a distinguished record of service in the province of Ontario, including being the first director of civil forfeiture in Canada. We endorse the comments he made to this committee and will not repeat them.

In British Columbia, there are virtually no prosecutions under way for money laundering. Police officers and prosecutors cite a plethora of reasons why. Most revolve around the wording of the Criminal Code and judicial decisions. As a result, most asset forfeiture in B.C. occurs by way of civil forfeiture. British Columbia has a very successful civil forfeiture regime. This is good; however, it simply removes money and goods from criminal actors, which they should not have in the first place. The individuals are not sanctioned, they are not charged and they do not go to jail. We need a robust Criminal Code regime that deals with money laundering.

For many years, the major complaint of police and prosecutors has been the difficulty in connecting dirty money to its predicate crime, which is a requirement of the offences. Bill C-59 attempts to overcome that obstacle in the case of third party money launderers. These are individuals who do not necessarily commit predicate offences, such as drug trafficking, but specialize in the laundering of money. Internationally, we now use the term "global money-laundering organizations" to identify third party money-laundering entities that contract their services. In many cases, they operate out of major financial hubs.

Canada has witnessed a considerable uptake in money laundering. We are an easy target for laundering organizations for any number of reasons.

I am pleased to see the amendments to the Criminal Code that attempt to deal with third party money laundering. I'm also very pleased that the undertaking requirement that was previously located within the "Special search warrant" and "Restraint order" provisions of the Criminal Code is being removed.

My only disappointment is that it has taken us since 1989 to make these changes. This is symptomatic of a greater problem. We are tweaking our legislation; we are not grabbing it, shaking it and making sure it is effective. Without going into detail, I fully anticipate that there will be further amendments to the very amendments being considered today.

I also wish to support the inclusion of white-label ATMs under the Proceeds of Crime (Money Laundering) and Terrorist Financing Act. People, such as I, have been calling for this change for probably 20 years. It is well overdue.

Members of the committee, we can do better. Canadians do not want their country to become a haven for money launderers. This will require political and bureaucratic will and a continuing commitment to rid Canada of this vice.

Thank you. I am most pleased to answer any questions you may have.

• (1710)

The Chair: Thank you, Dr. German.

We will hear our final witness before we get on to members' questions. It is the Front d'action populaire en réaménagement urbain.

Madame Laflamme, please go ahead.

[*Translation*]

Ms. Véronique Laflamme (Spokesperson, Front d'action populaire en réaménagement urbain): Good morning, Mr. Chair and members of the committee.

The Front d'action populaire en réaménagement urbain, FRAPRU, is a group of 141 community organizations active in the various regions of Quebec, including 30 housing committees and tenant associations that are at the heart of these interventions. For 45 years, our association has been working primarily on issues related to the right to housing and promoting social housing. We are the voice of under-housed tenants and social housing applicants in Quebec.

As you know, a housing crisis is raging across Canada and is hitting Quebec hard. This housing crisis is in addition to two other crises: homelessness, which is being fuelled by the consequences of the deteriorating housing situation, and the hundreds of thousands of low- and modest-income tenant households who spend too much of their income on housing. Governments have paid too little attention to them for too long, despite their commitments to progressively implement the right to decent housing.

There are 1.6 million tenant households in Canada, of which more than 373,600 are in Quebec. In the last census, they spent more than the standard 30% of their income on housing. That is huge, and it is far too much in a wealthy country like ours. The median income of Quebec renters in this situation is only \$23,800.

This housing crisis is caused by widespread scarcity of rental housing, but also by inaccessibility. The increase in the number of often illegal evictions for profit is fuelling it as well. The stock of affordable housing is rapidly dwindling. Quebec lost 116,000 housing units at less than \$750 between the last two censuses.

Residential insecurity is now affecting more and more tenant households. The median income of all tenant households in Quebec is \$48,400 compared to \$55,000 in Canada as a whole. This median income means that they are less and less able to afford a decent place to live without cutting expenses for other essential needs such as food, travel, children's clothing and school supplies. The social safety net isn't there for tenants who lose their housing, since alternatives to overpriced private housing aren't available because of the lack of social housing in various forms. The consequences are dramatic, particularly for seniors, children and women fleeing domestic violence.

In this context, it is clearly social housing that the federal government must prioritize. Whether in the form of public housing, co-operatives or non-profit housing organizations, social housing provides a roof that meets the diverse needs of tenants, and at a price that respects their ability to pay. It's also the solution for thousands of people experiencing homelessness. It's the most comprehensive and permanent form of housing assistance. However, there's a serious lack of social housing. If the federal government hadn't stopped funding its long-term development, we would have tens of thousands of social housing units, meeting those needs, across Canada today.

To get out of the double crisis that is hard on tenants in Quebec and across Canada, building tens of thousands of housing units, regardless of their price and tenure, won't be enough. It may solve the shortage problem, but along the way, we will have compounded the problem of inaccessibility, which is already untenable in a number of cities in Quebec and Canada.

Newly built private housing doesn't offer rents commensurate with the ability to pay for a significant portion of tenant households. In addition, in Quebec, landlords can raise rents at will in the five years following the construction of the dwelling, further pushing up prices. That's also the case in other provinces. If the supply of housing is to be increased, it's important to ensure that it's done by targeting and supporting, with public funds, those that will sustainably meet the needs of our most disadvantaged fellow citizens. For that reason, social housing must be given priority.

While investments in social housing are insufficient and the national housing strategy allocates a tiny fraction of the billions allocated to it, low-income and modest-income renters are the most forgotten. Only the rapid housing initiative, which covered all the costs of carrying out projects, was dedicated to them, but it's not recurring, and the last budget didn't grant new funding to it.

We think it's time to stop using public funds to support private housing development projects that are too expensive. Real estate is a profitable investment sector, and the profits of private developers are pocketed by them alone, especially when buildings are sold. There is no guarantee that public funds going to private developers will support the affordability of new housing being built.

• (1715)

Public funds must be invested in sustainable solutions that address the collective needs of communities, in other words, social housing outside the private market. It could be through co-operatives, not-for-profit organizations or public agencies that support low-income housing.

That is why we oppose eliminating the goods and services tax, or GST, on all new rental housing. In its November economic update, the government estimated that the measure would cost a whopping \$4.6 billion—

The Chair: Thank you, Ms. Laflamme.

Ms. Véronique Laflamme: —when those billions in public funding should go towards helping renters whose needs are most urgent.

The Chair: Thank you, Ms. Laflamme.

[English]

There will be an opportunity during questions from members to expand on that and to go further.

Members, I just want to ensure that we have unanimous consent once the bells start ringing. I'll ask for that, because that will affect how I allocate the time.

Some hon. members: Agreed.

The Chair: What we're going to do is start with our regular round, which is six minutes for each party. However, MP Ste-Marie has asked to go first because one of the witnesses he has brought—I believe it's Madame Laflamme—has to leave early, so he will commence, out of order, and then we'll go back to our order.

We'll go to MP Ste-Marie, please, for the first six minutes.

[Translation]

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

Thank you to my fellow committee members for agreeing to let me go first so that I can question Ms. Laflamme, who has to leave the meeting soon because of family obligations.

If you'd like to finish your presentation, Ms. Laflamme, please go ahead.

Ms. Véronique Laflamme: I was saying that removing the GST from all new rental housing in no way guarantees that the housing that is built will do anything to address the affordability crisis, which is a huge problem.

We do, however, support a targeted GST exemption for co-operatives, not-for-profit organizations and public agencies that provide housing.

Mr. Gabriel Ste-Marie: You are saying, then, that public investment should prioritize social housing and that investments in the private sector would be better spent on social housing initiatives such as co-operatives.

If I got that right, I agree.

Ms. Véronique Laflamme: That's absolutely right, Mr. Ste-Marie.

I want to take a moment to thank you for inviting me to speak with the committee.

We believe the public funds that have already been set aside should support non-profit housing. Halfway through the national housing strategy, which covers 10 years, \$40 billion has already been allocated to various housing initiatives. If that money had been invested exclusively in social housing, Quebec and Canada would have thousands more social housing units. The outcome would be measurable. We would have already seen progress towards increasing the percentage of social housing in the rental housing stock.

The government has invested in a range of initiatives that prioritize overly expensive private housing, with little to show for it five years into the national housing strategy. That's why we hope that, in the next budget, the government will reallocate the remaining funding for the strategy to the construction of social housing.

Mr. Gabriel Ste-Marie: Thank you.

Ms. Véronique Laflamme: I would add that the Standing Committee on Finance is probably familiar with last year's Scotia Bank report and the Royal Bank of Canada's more recent report.

Housing advocacy groups like FRAPRU and a number of other groups across the country are not the only ones calling on Canada to build significantly more social housing as a way to help resolve this crisis.

Now we have banks—including the Royal Bank of Canada just last week and Scotia Bank last year—clearly saying that a massive investment in social housing, through targeted government measures, is necessary if this crisis is to be resolved.

• (1720)

Mr. Gabriel Ste-Marie: That's a very important point.

When the Royal Bank of Canada and FRAPRU are saying the same thing, it's a sure sign of how serious the crisis is.

You said in your opening remarks that, between the last two censuses, the number of affordable housing units had dropped by 116,000. That underscores the importance of investing in social housing.

What accounts for that decrease in affordable housing?

Ms. Véronique Laflamme: The decline in rental housing units still considered affordable is due to changes in the rental price range. When you look at the graph—which I can forward to you, Mr. Ste-Marie—you see that the number of units renting for less than \$750 a month is dropping, while the number of units renting for more than \$1,000 a month is growing. Those are Statistics Canada figures. A similar exercise was done for all of Canada, and it's extremely worrisome.

Housing in the biggest cities is now virtually unaffordable. There is no more affordable rental housing for low- and modest-income households. Take the current situation in Quebec, where the lack of rental housing has spread to all municipalities, including regional municipalities that had previously been spared. The affordability crisis was first felt in Montreal, Gatineau and Quebec City but is now affecting Alma, Chicoutimi, Shawinigan, Trois-Rivières, Drummondville, Granby and other small cities. It's having a devastating impact on renter households, which tend to be poorer than other households.

Mr. Gabriel Ste-Marie: Thank you.

You can have the rest of my time, if you have any final remarks you want to leave us with.

Ms. Véronique Laflamme: Housing seems to have garnered a lot of attention in the pre-budget announcements over the past few weeks. Expectations for the next budget are higher.

We encourage parliamentarians to keep in mind Canada's commitment to gradually implement the right to housing and to make targeted public investments so that households most in need have access to government supports. The fact is that the people most in need are currently the most shut out of the measures announced to date. It's important to understand that those initiatives were not meant to help the poorest households first and foremost.

The government needs to move faster and do better.

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

Thank you, Mr. Chair.

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

[English]

Now we have MP Lawrence.

Mr. Philip Lawrence: Thank you very much.

I'm going to start with the Otonabee-South Monaghan Food Cupboard.

First of all, thank you very much, Joan, for appearing.

To share with the committee a bit of the backstory, Joan came to our office and presented her case about people dealing with deep poverty and food banks. She provided a brief that the best lobbyists in this town couldn't have compared theirs with. It was incredibly professional. I think a representative of democracy should be just that—a representative of the folks—and it's my great pride to have Joan, from our great riding of Northumberland—Peterborough South, here today at the finance committee.

First of all, Joan, I believe everything you do is on a volunteer basis. Is that correct?

Ms. Joan DiFruscia: Yes, it is. We have 100% volunteer staff and committee. There are no paid people.

Mr. Philip Lawrence: That's amazing.

I just came from the heritage committee. The CEO of Bell is getting \$13 million, and Catherine Tait from the CBC is getting millions of dollars, and we have great volunteers like you who are out there.

Joan, one of the things you told me when you came in was really quite startling. It was the dramatic increase in usage of the food bank, the Otonabee-South Monaghan Food Cupboard, that you had noticed from November to February. I know you covered this a bit in your intro, but could you go over that again for us?

Ms. Joan DiFruscia: Okay. Between last year's November and this year's February, the number of children that we started with was 19 and it ended up at 37. It may seem like small numbers to big cities, but for our rural municipality it was substantial. We had the greatest number of families that we've ever experienced, 40, back in February, and before COVID we had 15 or 16. It has been a big change.

• (1725)

Mr. Philip Lawrence: Yes, and specifically—I know you mentioned it in your intro as well and I have the numbers in front of me—the number of children almost doubled in that time as well. Is that correct, Joan?

Ms. Joan DiFruscia: Yes, it is.

Mr. Philip Lawrence: Thanks again, Joan, for participating in the finance committee. I think it's great to hear from people like you, who really are the fabric of our community.

One of the things that I know we talked about briefly is how we fix this. You and I might have some different ideas on that, but nonetheless, I like to give even people who disagree with me on some things a voice. Maybe you could talk a bit about some of the ideas you have.

Ms. Joan DiFruscia: One idea is the guaranteed livable income. That would basically be an income floor for people in Canada. Another idea is for governments to work together on initiatives like the Canada disability benefit. As it's being rolled out, if Ontario decides to claw back its Ontario disability support program, saying it's all covered at the federal level, people on disability are not going to be any further ahead. That could also be relevant to other programs that are already in existence. There may even be different federal programs that might be clawed back as another one is rolled out.

Overall, we need to be working on helping people have better lives, and not having them stress about making rent or whatever issues they have. We need to realize there's also a cost of not doing anything.

Other supports could include affordable housing. Mixing people of different income levels is a good thing. As I said, in our case, keeping them in the community where they've spent so many years of their lives is a very positive thing in helping people have lives that are more pleasant to live, instead of saying “Who is my neighbour anyway?” or having to move 50 or 100 kilometres somewhere else so that they can live. Having them in our community is truly amazing.

Mr. Philip Lawrence: Thank you very much, Joan.

I'll just conclude. We have certainly talked a lot about productivity, and the fact that Canada, for six quarters in a row—I'm being told it's almost seven now—has had a shrinking GDP per capita. We've had declining productivity and declining investment. These last eight years have been really tough for people. The reason why I talk about productivity is not that I want to talk about numbers or fancy equations; it's because of the families that Joan serves.

We need to do better. We need a change. We need common-sense solutions that give Joan's families the opportunities they deserve, so people earning \$30,000 don't come across marginal effective tax rates that take 50% of their income. It's immoral, it's wrong, and we need to do better.

Thank you, Mr. Chair. That's my time.

The Chair: We'll now go to MP Baker, please.

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

Thanks to all of the witnesses for being here today and for accommodating the changed timing for those of you who had to come in early on short notice. We appreciate that. Obviously, the result of that is that we still have the same amount of time for questioning, but there are more folks of whom we could ask questions. That makes it a bit more challenging. I won't get to all of you, but I thank you for your testimony, your time, and your advocacy on the various causes.

I will direct most of my questions to Mr. Kantzavelos.

I want to talk about my community of Etobicoke Centre. In my community, as in communities across this country, we have many professional dry cleaners. I've lived throughout the riding in different places over the years. I've frequented Gibson's Cleaners, Montgomery Alterations and Dry Cleaning, La Rose Cleaners, and others. One of the things I know from interacting with those folks, especially during the pandemic, as was the case with many businesses in different sectors of the economy, was how much their businesses were affected during the pandemic. You can imagine many people weren't having their clothes professionally cleaned during the pandemic.

Could you talk briefly about how the supports provided by the federal government helped those businesses during that time?

• (1730)

Mr. Konstadin Kantzavelos: That's a very good question, Mr. Baker.

Believe or not, at the height of the pandemic, the fabricare industry was deemed an essential service, which was, for lack of a better word, almost like a kiss of death. We were allowed to stay open, but it was very difficult to receive many of those programs that were initially brought out. Eventually, when everything got up to speed, months and months later, many businesses started trickling down and getting some of those support systems in place. Unfortunately, we did not, because of that essential service designation that was given to us.

The cleaners you mentioned, some of the biggest cleaners in the GTA, like many members of the CFA, went from 100 to literally zero overnight. There was no business coming in for many months. Rents and utilities had to be paid. It was very difficult.

I hope that answers your question.

Mr. Yvan Baker: I appreciate that. I appreciate your being direct with us about that.

I know every business is a little bit different. I'm asking specifically about you and your experience. I understand you have a very green and eco-friendly business. Is that correct?

Mr. Konstadin Kantzavelos: That is correct, sir. We originally operated a traditional dry cleaning facility. Our main ingredient was perchloroethylene. A lot of people know it as "perc". Approximately 15 years ago, my brother Petro, who is also my partner, and I decided to do something—

The Chair: I'm just going to interject really quickly. I just stopped the time.

The bells are ringing. Do we have unanimous consent to keep going?

Some hon. members: Agreed.

The Chair: Okay. Please continue.

Mr. Konstadin Kantzavelos: Thank you, Mr. Chair.

We decided to take this initiative and introduce a whole new technology in Canada called wet cleaning. Believe it or not, everything that we produce in our facility is with soap and water. Obviously, there's a lot more involved in that. We do everything completely green. All detergents and ingredients we use are free of phosphates and are biodegradable.

We were one of the first plants to take that initiative. We're very proud of that. Since then, we've become advocates to show other places how to make the shift.

Having said that, every dry cleaner who is a member of the CFA adheres to every environmental regulation that is available. There are strict regulations. Every cleaner that we are affiliated with abides by every single law and does everything above board and to code.

Mr. Yvan Baker: Thank you.

Chair, how much time do I have?

The Chair: You have a minute and a half.

Mr. Yvan Baker: You've invested a lot in productivity improvements as well in your business. Am I right?

Mr. Konstadin Kantzavelos: That's correct.

Mr. Yvan Baker: I'm interested in your business. I'm interested in what you've done and what other businesses like yours are doing in that regard.

Mr. Konstadin Kantzavelos: Basically, what I can share with everyone here, to make everyone understand, is that a lot of times people—perhaps even some in this room—will clean their dress shirts at home, take them to a dry cleaner and say, "They've already been cleaned. I just want them ironed." In our process, every single dress shirt is pressed damp. The reason why it's pressed damp is that it's fed on a body unit that can do 50 to 75 shirts per hour. It would take you a lifetime to press your shirts in one sitting, compared to how we process things.

Those investments are not cheap. The equipment that we invest in is very expensive, but it does make a big difference in allowing us to produce more pieces and maximize our revenue streams. We're working against the clock every day. We need to maximize the number of pieces that we're producing.

That's why I brought up the importance of productivity. When the deputy governor made that statement in the Financial Post, it really resonated with us because we're not what she's talking about. We are productive. That's one of the main reasons why, if you walked into a cleaner a couple of years ago and then walked in again today, you'd see prices relatively close to where they were, which is not what you're seeing in other industries. Productivity is a key thing for our business. It always has been.

• (1735)

The Chair: Thank you.

Thank you, MP Baker.

Now we're going to go to MP Davies, please, for six minutes.

Mr. Don Davies: Thank you, Mr. Chair.

Thank you to all of the witnesses for your excellent testimony.

Mr. Cunningham, I'd like to start with you, please.

Approximately how much revenue would a cost recovery fee from the tobacco and vaping product companies raise to help compensate the government for its federal tobacco control strategy?

Mr. Rob Cunningham: It should raise \$66 million per year, which is the entire cost of the strategy. The government may do it in phases and start with part of that.

Mr. Don Davies: You mentioned that we do have a cost recovery fee on the cannabis industry. That's been in place since 2018, to recover the cost of federal government cannabis initiatives.

Why is this approach only being applied to tobacco now?

Mr. Rob Cunningham: Certainly, it has been urged for a long time. When it was applied to the cannabis fee, it really raised the profile of the possibility here in Parliament about how it could be done for tobacco as well, and now for vaping products.

Mr. Don Davies: I also note that the government is pursuing cost recovery for natural health products, which is a little bit ironic because natural health products are mainly used by Canadians to improve their health, yet the government has been reluctant to implement cost recovery for tobacco products, which harm Canadians' health. That's another example.

Given the lengthy history of cross-party support for cost recovery in the tobacco field, can you explain why it hasn't been done until now?

Mr. Rob Cunningham: I don't really have a good answer. Certainly, we've urged for it for a long time. It makes sense. It provides revenue for the government. The tobacco industry should be accountable for this.

We're very glad it's coming forward now. The next step, when this bill passes, will be to have regulations. We urge for it to be done right, and as quickly as possible.

Mr. Don Davies: I was going to speculate on effective tobacco industry lobbying. Has that played a role, in your opinion?

Mr. Rob Cunningham: They have been lobbying against these provisions in this bill, including in their appearance before the Senate committee, in their written brief there and in their written submission to this committee.

Mr. Don Davies: Ms. DiFruscia, quickly, what year did the Food Cupboard open?

Ms. Joan DiFruscia: It opened in November 2013.

Mr. Don Davies: Why did it open in 2013? Did you detect disturbing food insecurity in your community at that time?

Ms. Joan DiFruscia: We understood that there was food insecurity, but the other thing was that when I went to the central food distribution place in the Peterborough area—which was actually located in Peterborough—they showed me a map, and there were food support systems all around the whole county of Peterborough, except in the Otonabee-South Monaghan Township.

Mr. Don Davies: Thanks.

Dr. German, Bill C-59 would permit FINTRAC to disclose designated information to the Department of the Environment and the Department of Fisheries and Oceans, subject to certain conditions. What impact do you expect this provision to have on the investigation and prosecution of money laundering, terrorist financing or sanctions evasion offences?

Dr. Peter German: Thank you for the question, Mr. Davies. It's good to see you online. Thank you for what you do for our community in Vancouver.

It's very important that FINTRAC's data be used. FINTRAC has so much information. We've written about the issues involving money laundering in the fisheries industry. It's hard to believe, but it goes on in the purchase of licences and so forth. It's become a very large commercial operation, and there are, of course, environmental crimes. Any time you have criminal activity, you want to be able to deal with the money laundering in the back office of that criminal activity in environmental crime and fisheries crime.

I would add that currently, our civil forfeiture offices across the country do not receive FINTRAC information. I can't tell you why they don't. They're doing the bulk of these money laundering investigations.

● (1740)

Mr. Don Davies: Dr. German, do you think we should be expanding the federal ministries or departments that ought to be able to receive this information beyond the two departments I just mentioned?

Dr. Peter German: I definitely think that any department that is engaged in dealing with criminal activity should be the recipient of information from FINTRAC.

Mr. Don Davies: I think you touched on this, but I want to explore a bit the notion that Bill C-59 would require entities that provide acquirer services in relation to private automated banking machines to register as money services businesses. In your view, what impact will that have? What criteria should entities providing acquirer services for private ABMs be required to meet to register as money services businesses?

Dr. Peter German: The important thing is registration. Once they are registered, FINTRAC will start the audit and compliance processes and make sure that they have training, etc. If they are not registered, nobody looks at them, quite frankly.

In your city, Vancouver, we've actually looked at them. The City of Vancouver has looked at these entities. It's very difficult to deal with the money laundering aspect through city bylaws and so forth. You need that federal regulation.

Mr. Don Davies: Now, Bill C-59 would also permit a court to “infer the knowledge or belief or recklessness required in relation to the offence of laundering proceeds of crime”. That is “if it is satisfied, given the circumstances of the offence, that the manner in which the accused dealt with the property or its proceeds is markedly unusual or the accused's dealings are inconsistent with lawful activities typical of the sector”.

How can courts effectively apply the inference provision to determine the “knowledge or belief or recklessness required” for money laundering offences?

Dr. Peter German: Well, that's the sixty-four thousand dollar question, how the courts will interpret it. One of my concerns is that when you use a word like "markedly", the courts are going to ask what "markedly" is. You're then going to have to call expert evidence and so forth. It could be difficult. That's why I suggested that we could be back before this committee with amendments to amendments. It's really to deal with these third party money launderers: the people who are not involved in the actual drug trafficking, but are doing the money laundering for them.

How do you differentiate the criminal entities doing that work from other money services businesses and so forth that are doing legitimate work? That's the problem.

Mr. Don Davies: Do you think, Dr. German, that the test is too subjective?

The Chair: We're right at the end. I want to get in a quick second round, so each party will have three minutes, and then we have to get to the votes.

We have MP Epp, please.

Mr. Dave Epp (Chatham-Kent—Leamington, CPC): Thank you, Mr. Chair, and thank you to all the witnesses for their testimony today.

Whenever there's a small business here, that's where I'll start. Mr. Kantzavelos, I hear the acronym CFA, and I come from a farm background, so I think of the Canadian Federation of Agriculture. I've learned a new acronym. In my own history, I didn't use the dry cleaning services so much in my farm role, but over many years I have had a relationship with my local dry cleaner. I'm hot when I walk out of there. That is a hot environment.

As you recover from the pandemic, let me ask you, what's your cost structure been doing? That heat does not generate itself. How has inflation affected your business, your utility bills, your carrying costs, etc?

Mr. Konstadin Kantzavelos: Regarding that specific question, I'm very impressed that you brought it up, and I will answer in the following manner.

Although heat will make our lives difficult, it tremendously helps us dry our garments, and I'll tell you why. We're so efficient when it comes to things like this, and this is a great example. We all have large commercial dryers in our facilities and plants. They work on ambient air. Lots of them are fed with either natural gas or steam from a boiler.

If your air environment is at such a level that when your dryer calls for a certain temperature, the air is already at that temperature, you're not using natural gas or your boiler. These are some of the things that I'm discussing. It's very hard in five minutes to say... Productivity is such a big word, but—

Mr. Dave Epp: Are your costs the same as before the pandemic, or are they up?

Mr. Konstadin Kantzavelos: Our costs are the same. Our costs are the same for utilities, believe it or not, because of things like that. We've had to be—

Mr. Dave Epp: You've made the changes, then, to how your business is operated.

Mr. Konstadin Kantzavelos: Believe it or not, these changes were already part of our day-to-day existence. Where we've seen higher costs, obviously, is with materials such as hangers and the stuff that we wrap our garments with when they're picked up.

When it comes to utilities, our biggest expense right now, for the facilities that have pickup and delivery services, is obviously gasoline. However, operating the plant has been extremely steady, and that's why we've been able to keep our prices down.

• (1745)

Mr. Dave Epp: Thank you. The carbon tax would affect it.

However, I do want to save my last few seconds for Mr. Perkins.

Mr. Rick Perkins (South Shore—St. Margarets, CPC): Thank you.

The Chair: You have 30 seconds.

Mr. Rick Perkins: I have a quick question for Dr. German. We have a big money-laundering issue going on with organized crime in the lobster and eel fishery in southern Nova Scotia, where organized crime is paying fishermen cash, bad money, and then the product is being bought from organized crime by outside money.

How would FINTRAC manage to help that issue at all, when everything's being done through cash and product?

The Chair: Please give a very short answer, Dr. German.

Dr. Peter German: Cash eventually makes it into the mainstream financial situation one way or another, and that's where banks become involved, and so forth. I'll stop there.

The Chair: Thank you.

Now we have to go to MP Weiler, please.

Mr. Patrick Weiler (West Vancouver—Sunshine Coast—Sea to Sky Country, Lib.): Thank you, Chair.

I want to thank all our witnesses for being here today. I just wish we had more time to ask questions of everybody.

I would like to direct my questions to Dr. German, and perhaps we'll have a longer discussion once we get into the parliamentary review of the Proceeds of Crime (Money Laundering) and Terrorist Financing Act.

I appreciate your feedback on the third party money-laundering changes, the undertaking requirement and the white-label ATMs now being included in the proceeds of crime act.

You said, "We are tweaking our legislation; we are not grabbing it, shaking it and making sure it is effective." I'll take the bait here. When you mention that, what would it look like to you if we were "grabbing it, shaking it and making sure it is effective"?

Dr. Peter German: Thank you very much, Mr. Weiler. I believe it's on your invitation that I'm here, so I appreciate that. I also know the work that a certain Professor Weiler has been doing in this area, so thank you for all that you do.

I really think, and have advocated for quite some time, that Canada needs a national strategy. It has to be both federal and provincial. You can't have some provinces doing civil forfeiture and others not. We have two provinces at this point that have no civil forfeiture legislation. Then, in the criminal realm, you see prosecutions for money laundering in Ontario, but you don't see them in British Columbia. You need a holistic approach, for one thing.

Then, what are the problems? Let's, as I say, fundamentally shake the legislation. The United States is able to deal with money-laundering asset forfeiture quite efficiently, and these are complex cases that it deals with. However, there are a lot of constraints in our criminal justice system that make it very difficult for police to investigate and for prosecutors to prosecute. A lot of it is symptomatic of the larger systems, such as disclosure, time frames, and the difficulty of obtaining production orders and search warrants. So, there are a whole plethora of things that we really should be looking at to properly deal with this.

Certainly, there have been complaints about aspects of the proceeds of crime legislation for a long time. Something as simple as this.... If you look at the Proceeds of Crime (Money Laundering) and Terrorist Financing Act, you will see that there are certain businesses that have to report cash over \$10,000, but not all have to. For example, the car industry is exempted. Out here, we have seen cars purchased with cash for \$250,000, and it's dirty money. By the time it reaches the bank, it's clean money; it has gone through the car dealership. So, we have this haphazard system. We have to just shake it and really get serious.

I do work in other parts of the world. You will see in developing countries that they have all the legislation, but then when you dig down, nothing is being enforced. Nothing is happening. However, to the outside eye, it looks good. In some ways, that's where we're at right now. It looks good, but when you dig down, nothing is happening, in a manner of speaking.

The Chair: That's your time, MP Weiler.

Mr. Patrick Weiler: Thank you.

The Chair: Thank you for that, Dr. German.

We're now off to MP Ste-Marie, please.

[*Translation*]

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

I'm going to continue with Mr. German.

I was quite blown away by your presentation and all your answers to my fellow members' excellent questions.

Coming back to Bill C-59, I have a two-part question for you.

First, what would you recommend to improve the bill in terms of amendments? If you don't have them all now, it would be appreciated if you could get back to the committee in writing.

Second, what measures should Canada and the other levels of government implement to better combat money laundering, based on the experience of the European Union, the United States and other jurisdictions?

• (1750)

Dr. Peter German: Thank you, Mr. Ste-Marie.

[*English*]

I appreciate that.

I'm happy to provide some more information in writing.

I think, at this point, it's just important to pass what you have, but I don't think it's perfect. Similar to what Mr. Davies suggested... You look at just the wording and you get into the technical aspects of it, and I just wonder whether it's really going to have the impact that we want it to or whether it's going to get mired down like a lot of this stuff gets mired down.

[*Translation*]

Mr. Gabriel Ste-Marie: Thank you.

Broadly speaking, what could we learn from jurisdictions like the European Union in implementing measures here?

[*English*]

Dr. Peter German: Again, I'll go back to the need for a national strategy. I would include corruption in that—money laundering, corruption, financial crime, if you wish, but certainly the money-laundering aspect. We've been advocating for that, and getting the provinces and the feds together. This is not any one party's problem or any one government's problem. It's a holistic problem. It's something that we all have to look at.

[*Translation*]

Mr. Gabriel Ste-Marie: That's very clear. Thank you very much, and I wish you much success in the important work you're doing.

Thank you, Mr. Chair.

[*English*]

The Chair: Thank you, MP Ste-Marie.

Now we'll go to MP Davies, who will be our final questioner.

Mr. Don Davies: Thanks, Mr. Chair.

Dr. German, I'm just going to pinch off this piece on this “markedly unusual” test, because I'm starting to get increasingly concerned. This area of legislation is so important, but I'm just wondering whether we are setting the stage for interminable litigation over imprecise language. The test is whether behaviour is “markedly unusual or...inconsistent with lawful activities”. I think the “inconsistent with lawful activities” part is fairly clear, but I'm starting to get a little nervous about “markedly unusual”.

We do have an opportunity in the next couple of weeks to make amendments to this legislation. Would you recommend that we maybe search for some more precise language or, as you said, should we pass it as is and, I guess, see what the courts decide?

Dr. Peter German: If there's an opportunity for amendment, definitely, I do think that something could be done. I think it's cautious legislation right now. The word "markedly" does concern me. Last night, I was looking at some U.S. legislation dealing with third party money laundering, and the courts have not been quite so harsh or restrictive as "markedly".

I do think we could look at some amendments. I'm happy to send some correspondence to the committee with some suggestions.

Mr. Don Davies: I'd appreciate it if you have any suggestions in that regard. I've been in Parliament 16 years and I'm not sure we're the best arbiters of what "markedly unusual" is.

Do I have any time left, Mr. Chair?

The Chair: Yes.

Mr. Don Davies: My last question is for Mr. Cunningham.

The Canadian Cancer Society also recommended that clauses 145 to 167 be adopted. Those would strengthen administration and enforcement of the federal vaping product tax and provide for a minimum age of 18 for the importation of vaping products.

Can you briefly outline why the society supports these measures?

Mr. Rob Cunningham: Right now, while there are provincial minimum ages for 18 or 19, or 21 in P.E.I., for vaping product

sales, there's none if you import it, so that's just a gap that's being felt. We need to have effective administration for an expensive vaping tax to prevent youth vaping.

Just to highlight it, Imperial Tobacco, 18 months ago, and other companies as well, launched disposable e-cigarettes. It started off with a 500-puff volume. There's a nicotine puff volume arms race. Then there was a 1,500-puff from Imperial Tobacco, then 5,000, then 8,000, and the price per puff has gone down from 2.2¢ a puff to 1.3¢, 0.6¢, 0.37¢. Some companies even have 10,000 and 12,000, which 0.3¢ a puff. It reduces the weekly or monthly cost. These things are now 14% of the cost at retail of what they were 18 months ago, so this tax is really important.

Mr. Don Davies: Thank you.

The Chair: Thank you, MP Davies.

We want to thank our witnesses for their compelling testimony, their advocacy, and the work they do in our communities from coast to coast to coast. We truly appreciate your coming here on Bill C-59.

Thank you. Have a great day.

Members, at this time, we are adjourned.

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