



HOUSE OF COMMONS  
CHAMBRE DES COMMUNES  
CANADA

44th PARLIAMENT, 1st SESSION

---

# Standing Committee on Finance

EVIDENCE

**NUMBER 146**

Monday, June 3, 2024

---

Chair: Mr. Peter Fonseca





## Standing Committee on Finance

Monday, June 3, 2024

• (1000)

[English]

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

Welcome to meeting number 146 of the House of Commons Standing Committee on Finance.

Pursuant to the House of Commons order of reference adopted on Wednesday, May 22, 2024, and Standing Order 108(2), the committee is meeting to discuss Bill C-69, an act to implement certain provisions of the budget tabled in Parliament on April 16, 2024.

Before we begin, I would like to ask all members and other in-person participants to consult the cards on the table for guidelines to prevent audio feedback incidents. Please take note of the following preventative measures in place to protect the health and safety of all participants, including the interpreters. Only use the approved black earpiece. The former grey earpieces must no longer be used. Keep your earpiece away from all microphones at all times. When you're not using your earpiece, place it face down on the sticker that is on the table for this purpose.

Thank you all for your co-operation.

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

In accordance with the committee's routine motion concerning connection tests for witnesses, I'm informing the committee that all witnesses have completed the required connection tests in advance of the meeting.

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

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

I'd like to welcome the witnesses with us here today.

From the Centre for Future Work, by video conference, we have Jim Stanford, economist and director.

From the Coalition for Healthy School Food, we have Ms. Carlyn Webb, knowledge mobilization coordinator.

From Nature Canada, Mr. Steve Hazell, consultant, is joining us.

From the Office of the Parliamentary Budget Officer, we have the Parliamentary Budget Officer, Monsieur Yves Giroux. Joining him is Chris Matier, director general of economic and fiscal analysis, and Mark Mahabir, director general of costing and budgetary analysis. Welcome to you all.

With that, we're going to have time now for opening statements.

We'll start with Mr. Jim Stanford from the Centre for Future Work, for up to five minutes.

**Dr. Jim Stanford (Economist and Director, Centre for Future Work):** Thank you very much, Mr. Chair and committee members, for the opportunity to participate in your hearings on this legislation.

In my view, the 2024 federal budget provides a range of necessary and appropriate fiscal measures to assist Canadians in dealing with current cost of living challenges, to achieve a more equitable distribution of income and to support Canada's macroeconomy through the current challenges of inflation, interest rates and global uncertainty.

The biggest focus of this budget, of course, was addressing the housing crisis in Canada with a wide range of policies, including building new houses on federally owned land, fiscal support for new projects and even converting underused federal office buildings into apartments. These measures are critical to addressing the barriers to secure housing for many Canadians. They will also help to reduce inflation. Rising prices in the shelter component of Statistics Canada's CPI bundle have been the biggest single contributor to recent inflation. Making housing more affordable is a potent long-run anti-inflation measure.

The budget also contained a suite of measures aimed at addressing other aspects of the cost of living challenges facing Canadians, including funding for free school lunches, an excellent idea; the new pharmacare and dental care programs, negotiated with the NDP; and the first tranche of a new Canada disability benefit. These measures are important and valuable.

I will note that one vital social policy priority that was not addressed in this budget is the need for thoroughgoing and lasting reforms to our employment insurance system. The COVID pandemic exposed the gaping holes in Canada's EI system and necessitated the emergency benefits, like CERB, that were implemented during the lockdowns. It is now still vital to go back and truly fix EI so that it can be a proper pillar of income support by addressing failures in the current system of hours, qualification and benefit levels so that EI can serve its proper role as a support to family financial stability when someone is laid off and also as a macroeconomic stabilizer.

Much attention is always directed in these discussions to the budget deficit. The forecast deficit in this budget has hardly changed from last year's trajectory, with \$40 billion forecast for the fiscal year that has just ended, 2023-24, and gradually declining after that. The deficit targets contained in previous budgets were maintained despite the budget's modest new spending on cost of living initiatives, defence and other budget items thanks to improved revenue streams.

Canada's deficit remains small relative to deficits of other countries, and particularly compared to the U.S., where deficits are large but the economy is performing much better than Canada's. That's something for us to think about. Both the deficit and debt in Canada are falling relative to GDP.

Indeed, the experience of the last three years has confirmed that the recent rise and now fall of inflation in Canada, like other industrial countries, was not caused by fiscal policy or deficits. There's no correlation internationally between the size of a country's deficit and its rate of inflation. Again, I point out that the U.S. federal deficit is six to eight times larger as a share of GDP than Canada's, and yet its inflation trajectory has been very similar to Canada's.

As Canadian households grapple with the effects of high interest rates and the overall economy continues to grow—very slowly, but growing—modestly stimulative and targeted fiscal measures, rather than fiscal austerity, can help sustain macroeconomic growth. Now, there's a common claim that a budget deficit runs counter to the goals of monetary tightening in trying to reduce inflation, and hence is contradictory, but that view is only valid if it is accepted that inflation is solely the result of a condition of excess aggregate demand.

That assumption was never valid in the wake of the COVID pandemic. The inflation we experienced resulted from supply chain disruptions, temporary shifts in consumer behaviour during and after the lockdowns, a global energy price shock, and, it must be noted, a large dose of excess profit-taking by corporations in Canada. They took advantage of the disruptions and uncertainty of the pandemic and its aftermath to boost prices well above costs of production and saw their profits rise in 2022, the peak of our inflation, to their largest share of GDP in history. None of those suggest a condition of excess demand, and none of those are resolved by a government running a surplus or cutting public spending.

Given a more nuanced and realistic understanding of recent inflation, using fiscal policy to support Canadians through these challenging adjustments is both important and macroeconomically sensible.

• (1005)

I'll leave it at that, sir.

Thank you again for your invitation to participate today.

**The Chair:** Thank you, Mr. Stanford, and I'm sure there will be many questions.

Now we'll hear from the Coalition for Healthy School Food and Ms. Carolyn Webb, please.

**Ms. Carolyn Webb (Knowledge Mobilization Coordinator, Coalition for Healthy School Food):** Thank you. Good morning.

On behalf of the Coalition for Healthy School Food, I want to thank you, Mr. Chair and the committee, for inviting me to speak on the Budget Implementation Act.

The Coalition for Healthy School Food is made up of more than 300 non-profit member organizations and over 140 endorsing organizations from all provinces and territories. We've been advocating federal funding for a cost-shared national school food program for years, and we were pleased with its inclusion in the April 16 budget.

• (1010)

[*Translation*]

This is a historic moment for Canada. Thanks to this investment, we will be joining all the other G7 countries and most industrialized countries in the world by establishing a national school food program. This investment is the result of an excellent social and economic policy that will ensure that children and youth at schools across the country are well fed, ready to learn and have an equal opportunity to succeed. It will also help families by lowering grocery bills and will support women and parents, food suppliers, food systems, employment, economic growth and communities.

[*English*]

As stated by a recent World Food Programme report, all the evidence shows that school meal programs, along with other social protection initiatives, are one of the smartest long-term investments that any government can make. Since 2023, we've seen more and more provinces and territories invest in school food, including \$214 million over three years in British Columbia, \$30 million annually committed by Manitoba and \$18.8 million in Nova Scotia. As of the 2024-25 school year, the combined investment from provinces, territories and municipalities is projected to be over \$285 million annually.

Despite growing investments from other levels of government, programs need federal support now more than ever. In Ontario, for example, the affordability crisis and other factors have made it so that programs are really struggling to feed the children and youth who access them. Over the past three years, student nutrition program providers report that food expenses have increased by 40% to 80%, while student participation rates have risen by 25% to 40%. This has impacted the quality and quantity of the food served in programs: Some regions can no longer serve a full meal and offer a simple snack like a granola bar instead, while others have reduced the number of days that they serve kids or have had to shut programs down months before the end of the school year because they've run out of money.

[Translation]

Federal funding will provide enormous support to existing programs in this country. This funding is necessary and should be disbursed as soon as possible. Although all the federal, provincial, territorial and municipal investments combined aren't enough to reach all children and youth in Canada, federal funding will help existing programs ensure that students are well fed, that schools stay off waiting lists and that far more students are included in school food programs. These programs will be able to stabilize, expand and adopt best practices, in particular by involving students in planning, growing, preparing, serving and learning about foods and by providing good jobs. They can also purchase more local foods, which, as we all know, generates significant benefits for food suppliers and communities.

[English]

The coalition has been advocating that federal funding be transferred to provinces and territories because each province and territory has an existing system in place to flow funding to school food providers, along with a mechanism for public accountability. All provinces and territories also have food and nutrition policies that strive to ensure that the food served is as healthy as possible. We know that many provinces and territories have reached out to Minister Sudds to express their support and their interest in federal partnership, because school food programs need a significant amount of investment to serve quality programs, to support the health and well-being of children and youth and to succeed.

The coalition has also been advocating that the federal government enter into discussions with indigenous leaders to negotiate agreements for the creation and enhancement of permanent, independent, distinctions-based first nations, Métis, and Inuit school meal programs, and we ask that this work happen without delay.

[Translation]

We recommend that your committee ensure implementation of the budget, which states:

In Budget 2024, the government proposes to provide a statutory appropriation authority in the *Budget Implementation Act* that would enable the Minister of Families, Children and Social Development to sign bilateral agreements and transfer funding to provinces and territories to support National School Food programming for the 2024–2025 school year.

[English]

For the health and well-being of children, youth and families across Canada, we urge you to support the budget implementation

act so that this process of signing bilateral agreements can begin as soon as possible.

Thank you.

• (1015)

**The Chair:** Thank you, Ms. Webb.

Now we'll hear from Nature Canada and Mr. Hazell, please.

[Translation]

**Mr. Stephen Hazell (Consultant, Nature Canada):** Good morning, Mr. Chair and committee members.

My name is Stephen Hazell and I am pleased to represent Nature Canada.

[English]

Thanks so much for the opportunity to appear before the committee as it considers Bill C-69, and specifically the amendments to the Impact Assessment Act.

Nature Canada is one of the oldest nature conservation charities in Canada, representing a network of over 130,000 members and supporters.

Nature Canada's key message today is that the proposed government amendments to Bill C-69 would severely undercut federal authority to assess impacts of proposed projects that cause serious transboundary environmental effects, such as acid gas, greenhouse gas emissions and reduced water flows in transboundary rivers.

Recall that the Supreme Court of Canada's October 2023 opinion confirmed the federal authority to carry out impact assessments of development projects as long as those projects have the potential to impact federal jurisdiction. The court opined that several IAA provisions strayed out of the federal constitutional lane. The government's proposed amendments fully address these issues, in Nature Canada's view.

Unfortunately, the government's amendments overreact to the court's opinion. The result is that proposed developments generating millions of tonnes of toxic air pollutants and GHGs or causing major reductions in transboundary water flows would not be subject to even the possibility of federal assessment.

Here are two examples of what I'm talking about, based on my own personal experience from over 40 years as an environmental lawyer working in Ottawa.

First, Colacem, a multinational corporation, is proposing a cement plant on the shores of the Ottawa River in Ontario, a few kilometres east of the province of Quebec, 70 kilometres upwind of Montreal and 50 kilometres upwind of Kanesatake First Nation. The Colacem plant would produce one megatonne of GHGs every year, as well as acid gas pollution in excess of Canadian standards.

The Kanesatake First Nation opposes the plant and says it was not consulted. No one consulted Quebec either. Ontario conducted no impact assessment, and Quebec was unable to undertake one, given that it wasn't on Quebec territory.

In 2018, Nature Canada petitioned the federal environment minister to convene a federal assessment of the proposed cement plant. That petition and a subsequent one were rejected.

The point is that the government's proposed Impact Assessment Act amendments would prevent a federal environment minister from even entertaining a request to designate any similar project generating significant transboundary air pollution, leaving downwind provinces—not to mention the United States—at the mercy of upwind provinces.

Nature Canada proposes that the IAA allow projects such as the Colacem cement plant to be designated for assessment so long as the transboundary air pollution is significant. Nature Canada is confident that the test for national concern under “peace, order and good government” as set out by the Supreme Court in the previous Greenhouse Gas Pollution Pricing Act reference, can thus be met—perhaps with a backstop provision.

My second example is from 1986. Saskatchewan proposed the Rafferty and Alameda dams on the Souris River, which flows south into North Dakota before looping north to join the Assiniboine River, which flows through the middle of Mr. Morantz's riding.

Changes to the quantity and timing of transboundary water flows of the Souris were the key environmental issues at the time, not damage to fish habitat. Initially, the federal government refused to convene an environmental assessment for Rafferty and Alameda, but did so after the Canadian Wildlife Federation—where I served as legal counsel—applied successfully to the Federal Court for an order mandating an assessment.

My second point is that the government's amendments would preclude the federal government from assessing the impacts of such dams or other types of projects, like irrigation schemes, on transboundary waters.

Nature Canada says all adverse changes to international and interprovincial waters—not just pollution-related changes—should be included as effects within federal jurisdiction. The full text of these amendments is contained in amendments that have been tabled with the committee by several parties, as well as by other groups, such as Ecojustice.

• (1020)

Nature Canada recognizes that provinces may challenge the amended IAA in court. However, given that climate chaos and destruction of nature are the issues of this century, the federal government must face such challenges and advance impact assessment

legislation that aggressively supports climate stability and nature conservation within federal jurisdiction.

Thank you very much.

**The Chair:** Thank you, Mr. Hazell.

Now we'll hear from the Parliamentary Budget Officer, Mr. Yves Giroux. After that we'll get to members' questions for our witnesses.

[*Translation*]

**Mr. Yves Giroux (Parliamentary Budget Officer, Office of the Parliamentary Budget Officer):** Mr. Chair, members of the committee, thank you for inviting me to appear before you today.

[*English*]

First, I'd like to say a few words about the office's work on carbon pricing.

In April of this year, in the course of reviewing and updating our computable general equilibrium or CGE model, PBO staff discovered that the original CGE simulations underlying our March 2022 distributional analysis of carbon pricing inadvertently included the economic impact of both the federal equivalent fuel charge and the output-based pricing system. CGE estimates from these simulations were published in our March 2022 report, table 3-1, and were also used in the update to that report that we published in March 2023.

Weeks ago, on April 17, we published a notification flagging this modelling issue. It appeared on the home page of our website. The notification also indicated that we plan to provide an updated analysis of carbon pricing by the fall of this year.

I am truly sorry for this modelling error and for not providing more prominent notification to parliamentarians.

PBO staff are working diligently to prepare this update to incorporate recent policy changes, new projections and new CGE modelling. This analysis is challenging and complex, involving multiple models, programs and databases. We will publish updated analysis when we have full confidence in our results.

Further, going forward, I will ensure that parliamentarians are provided with more prominent notification should similar issues arise.

[*Translation*]

I would now like to discuss the reason for our appearance today, which is Bill C-69, An Act to implement certain provisions of the budget tabled in Parliament on April 16, 2024.

I am joined today by Chris Matier and Mark Mahabir, directors general in my office.

On April 30, my office published an analysis including highlights of Budget 2024. In that budget, the government announced \$61.2 billion in new spending that was partially offset by \$21.9 billion in revenue-raising measures. Thus, on a net basis, the new measures reduce the budgetary balance by \$39.3 billion over 2023–2024 to 2028–2029.

[English]

My office has also published cost estimates for measures included in budget 2024, including the refusal of tax deductions for short-term rental, employee ownership trusts, Canadian journalism labour tax credit enhancement and accelerated capital cost allowance for eligible new purpose-built rental housing. We also published a blog post on increasing the borrowing limit.

In the coming weeks, my office will publish further analyses on measures announced in the 2024 budget, including the capital gains inclusion rate increase, the Canada disability benefit, an investment tax credit for clean energy, tax reduction for entrepreneurs and an update on the alternative minimum tax measures.

We are also preparing to publish analyses on reaching NATO's 2% target on defence spending, as well as the procurement of polar icebreakers. These analyses aim to provide parliamentarians with important information on key issues to inform your discussions about the country's economic and financial situation.

We would be pleased to respond to any questions you may have regarding our budget 2024 analysis. *Merci*.

• (1025)

**The Chair:** Mr. Giroux, thank you.

Now we will move right to members' questions. For the first round, each party will have up to six minutes. We're starting with MP Calkins for the first six minutes—

I'm told it was changed. We'll go to MP Lawrence, please.

**Mr. Philip Lawrence (Northumberland—Peterborough South, CPC):** I apologize, Mr. Chair.

We had great submissions from all of our panellists today. I will focus my questions on you, Mr. Giroux, perhaps not unsurprisingly. I'm going to be spending most of my time talking about debt-to-GDP ratio, if that's helpful for you as well.

I will start out with a quote from the Minister of Finance from 2022.

She said:

We are absolutely determined that our debt-to-GDP ratio must continue to decline and our deficits must continue to be reduced.... This is our fiscal anchor. This is a line we will not cross. It will ensure that our finances remain sustainable.

Then, of course, we reviewed the budgets going forward, and we saw that in 2023, the debt-to-GDP ratio increased.

Your most recent report says, on page 16:

Based on the outlook presented in the [budget], the federal debt-to-GDP ratio is projected to increase, remaining above its 2022-23 level of 41.7 per cent for [the next two years].

Then you go on to say that by 2028-29, it is projected to perhaps decrease.

I have concerns that this number will actually go higher, as opposed to lower, and we'll discuss that further. However, could I get you to briefly comment on and confirm your report that in the next two years, the debt-to-GDP ratio will continue to increase?

**Mr. Yves Giroux:** Well, the government made a commitment a few years ago to have a declining debt-to-GDP ratio over time. However, what we have seen is that the ratio increased for a year, then slightly declined. It is still not reaching the starting point, even after the pandemic.

What we see is an increase and then a very gentle decline over the next couple of years, based on the government's own estimates. What this says is that the government seems to be comfortable with a debt-to-GDP ratio that is hovering around 40%, which is still significantly above the prepandemic level of 31.7%.

I'll leave you more time for questions.

**Mr. Philip Lawrence:** Perfect. Thank you very much, Mr. Giroux. I appreciate it.

With respect to debt-to-GDP ratio, the government has three different levers they can pull, to a certain extent, to affect that ratio. One would be the amount of spending; another would be the amount of revenue they collect; and the third would be GDP growth. I have issues with the assumptions the government has made in all three of these areas.

Number one is that you said in your report, I believe, that there's a 70% chance they will hit their debt-to-GDP target. However, that's without any additional spending. In the nine years this government has been in power, we have yet to see a budget or any type of financial document—including a fall economic statement—that doesn't have new spending.

If in fact the government is consistent in its rate of increase in spending, as opposed to its call for no new measures, as projected, will they hit their debt-to-GDP ratio? What could the potential ceiling of that be?

**Mr. Yves Giroux:** We estimate, based on the budget document tabled on April 16, that there's a 72% chance that the federal debt-to-GDP ratio in 2029 will be below its 2022-23 level of 41.7%. However, as you pointed out, that's assuming there are no new measures beyond those that were announced in the most recent budget—or at least that, if there are new measures, they are offset by expenditure reductions elsewhere, or by tax increases.

Should there be additional expenditures not paid for by additional tax increases or reductions elsewhere, it reduces the likelihood that the debt-to-GDP ratio will end up lower than it was in 2023.

**Mr. Philip Lawrence:** Thank you.

The next area I'm going to talk about is revenue.

They've been guilty in the past—and continue to be—of overestimating revenue, such as the underused housing tax, where they dramatically overestimated what the amount of income would be. In this most recent budget, they projected an additional \$7 billion from capital gains legislation that has yet to even materialize. A large portion of it, according to government officials, is being generated by a fire sale that is to occur before June 25. We still don't have that legislation, and we don't know whether that fire sale will occur.

Do you believe there is at least a chance that this government has overstated the amount of revenue that will come from the proposed capital gains increase?

• (1030)

**Mr. Yves Giroux:** The capital gains applies to relatively few taxpayers, and the revenue from a capital gains inclusion rate increase is highly dependent on the behaviour of those corporations and individuals that can generate those capital gains.

What we've seen with the announcement in advance is that there is likely to be room for some transactions being advanced in time. “Fire sale” is one term that people use. I wouldn't go there, but it's quite possible that in the first year of the measure, revenues will indeed be as the government expects, or even higher as people take advantage of the lower inclusion rate while it lasts, but in the subsequent years, it's quite possible that these revenues will be lower as people generate lower capital gains.

Therefore, it's difficult to assess the exact impact. We're in the process of estimating the revenue potential of that measure, but it makes it a bit more difficult not having the—

**The Chair:** We're out of time. Thank you.

Now we'll go to PS Turnbull for the next six minutes, please.

**Mr. Ryan Turnbull (Whitby, Lib.):** Thanks, Chair.

Thanks to all the witnesses for being here today. I really appreciate your valuable testimony.

Mr. Giroux, I'll start with you.

Thanks for your opening remarks and your acknowledgement of the error that was made in the recent report, and I guess the previous one, in estimating the economic impacts of the fuel charge. It is well noted.

As you know, I wrote you a letter recently about that, asking for a corrective report to be issued. I understand that mistakes can be made, so I'm not being unfair to you in any way, and I understand that your office provides a really important role to Parliament in elevating our debate. I do think that a corrective report is needed on that, as you know.

I wanted to ask you, based on the fact that the analysis you provided to members of Parliament has some errors in it, which you've acknowledged, what would you say to individuals or groups who may be using that faulty analysis to base their own math or their own conclusions on about carbon pricing as a whole?

**Mr. Yves Giroux:** Thank you, Mr. Turnbull.

The error you're referring to is that we have included inadvertently, as I said in my opening remarks, not only the economic impact of the carbon tax but also that of the industrial emitters—the output-based pricing regime.

The results published in our reports are including the government's entire climate plan, so in that sense it's not an error. It provides an economic impact of the entire government plan, which includes the industrial emitters and the carbon tax. As people are using this report, they have to keep that in mind: that it's providing a complete picture of the economic impact of the carbon pricing regime that is in place in Canada.

**Mr. Ryan Turnbull:** Are you now saying that it's not an error?

On your website it clearly points out—and you've said today—that it is an error. The title of the report talks about the “Distributional Analysis of the Federal Fuel Charge”. My understanding is that it was supposed to isolate the economic impacts of the fuel charge and not the output-based pricing system. I would say to you, just to be clear, are you now saying that it's not an error? I think you've said that it clearly was an error.

**Mr. Yves Giroux:** Exactly. I said that clearly.

**Mr. Ryan Turnbull:** Okay.

**Mr. Yves Giroux:** I just want to clarify that the results are valid to the condition, understanding that they include not only the carbon tax but also the output-based pricing systems.

**Mr. Ryan Turnbull:** Let's be clear here, though. When you include the output-based pricing system in your analysis, you're naturally going to overestimate the impact of the fuel charge if that's mixed in there, right?

I mean, I've done economic impact analysis myself, and that seems pretty common sense to me. Can you maybe speak to that?

• (1035)

**Mr. Yves Giroux:** Yes. I think that is our expectation too, but we don't know the precise impact.

**Mr. Ryan Turnbull:** Right, and you've said recently in the media that you don't think it's going to have a significant impact, which I have a problem with too, because I think you're assuming something. Not having done that, in rerunning that model with the new numbers, how could you prejudice the findings of a future report that you haven't run the analysis on?



**Mr. Yves Giroux:** Well, it's not based on.... It's based on our best judgment, as well as discussions with several academic and stakeholder groups, as well as discussions with Environment and Climate Change Canada.

**Mr. Ryan Turnbull:** There are lots of people who disagree, like Trevor Tombe, for example, from the University of Calgary, who's done some really great analysis and work. He disagrees. He feels that the output-based pricing system could have a significant impact or that excluding that in the future report could have a significant impact on the overall findings.

I guess that's what I'm stuck on. You're already saying that you think that it's not going to have a significant impact. Do you really know that at this point, when you haven't done the analysis and made that correction?

**Mr. Yves Giroux:** What I mean by that is that it doesn't change the overall conclusion. In fact, as I pointed out in my opening remarks, our numbers have been out there since 2022. In that time—that's two years, according to my math—the government itself has not published anything regarding the economic impact of the carbon tax.

We know—and I don't doubt, Mr. Turnbull—that the government has these numbers on the economic impact of the carbon pricing, of the carbon tax and the OBPS. That's your government, sir. They have not published anything yet.

**Mr. Ryan Turnbull:** Is that what you think we should do—publish the numbers that we have that may be contradictory to your own analysis?

My opinion was that you were the one who had an office and a very important position to elevate the debate and provide evidence. You're providing that analysis. I'm saying that you've admitted that you've made a mistake, which is fine, and I get it. Mistakes are made from time to time, but why haven't you issued a corrected report with new numbers?

This is a national debate that's going on. Conservatives are out there making claims based on your report that I think may turn out to be false, and they're campaigning on it. Wouldn't you think that they should be proceeding with caution, given the fact that there's an error in your report that's pretty significant?

**Mr. Yves Giroux:** I think that many parties have used our reports—the Conservatives, true, but also the Liberals. I think both sides of the debate have used our reports.

We have undertaken that we will issue an updated report, and that's a commitment that we have made since mid-April. We will update our analysis, but we want to ensure that we have the most up-to-date information and that we have updated our modelling capacity and our model, our CGE model, as I explained.

**The Chair:** That's time, Mr. Turnbull.

Now we're off to MP Ste-Marie, please.

[Translation]

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

Greetings to the witnesses.

Ms. Webb, Mr. Stanford and Mr. Hazell, first of all, I want to thank you for being here. Your testimony is definitely relevant, interesting and important. I would've liked to ask you some questions, but our speaking time is limited.

Mr. Giroux, I'd like to go back to the exchange I just heard.

Is the Parliamentary Budget Officer the only official required to publish data and analyses, or does the government also have a duty to be transparent with Canadians by publishing the data it has on these measures?

**Mr. Yves Giroux:** Thank you, Mr. Ste-Marie.

That's an interesting question. It's often in the government's interest to advertise the merits of its policies and proposals to ensure the public accepts them. I think the government does a pretty good job in that regard. My office's role is obviously to provide cost analyses. That's part of my mandate, and we do our work as well as we can.

We also did the best we could on the carbon tax. As I noted, we estimated the costs of carbon pricing as applied to both consumption and the emissions of major emitters.

What I mentioned in my exchange with your colleague Mr. Turnbull was that the government has access to the economic impact analyses of all these plans, but, to the best of my knowledge, I don't think it has published them, at least not recently.

• (1040)

**Mr. Gabriel Ste-Marie:** Then I'd like to ask Mr. Turnbull, who represents the government on this committee, to make those analyses public and available. As he said, carbon pricing is widely discussed in Canada. So that would add to the information the public has on the subject.

Now getting back to the budget, Mr. Giroux, my question concerns a somewhat technical aspect that troubles me, so I'd like to hear your opinion on it. You said in your analysis that the government had announced \$61.2 billion in new spending that was partially offset by \$21.9 billion in revenue-raising measures. We're eagerly awaiting the bill respecting the main revenue-raising measure, and we're obviously awaiting your analysis of that measure as well.

However, when I received the notice of ways and means motion, I was surprised to see that the measure wasn't in it. It isn't in Bill C-69 either. However, as I understand it, when the government announces measures in the budget, such as changes to capital gains taxation, it has to table a ways and means motion and then a bill.

Is it normal for that kind of measure announced in a budget not to appear in the notice of ways and means motion or in the bill to implement the budget?

**Mr. Yves Giroux:** I may be mistaken—I don't have the budget before me—but I believe that a notice of ways and means motion concerning the change to the capital gains inclusion rate was attached to the budget submitted on April 16.

However, it is normal for the Canada Revenue Agency to begin administering a tax measure when a notice of ways and means motion is included in the budget. It facilitates administration of the tax system. Of course, there's always a chance that the measure may not be legislated into being and therefore not see the light of day. The government would then have to recalculate the amount of tax to be levied. However, it's common for many governments to request that the agency administer tax measures announced in a budget before they're adopted.

**Mr. Gabriel Ste-Marie:** The capital gains measure is supposed to come into force at the end of the month, on June 25, if I'm not mistaken. However, we still don't have the text of the bill, including details and possible exclusions and exemptions. All we have is what appears in the budget. We're here today, on June 3, and we still don't have the text of the bill. In a previous exchange, you noted that this kind of tax measure could alter the behaviour of economic agents.

Do you find it troubling that we still don't have access to the text less than three weeks before the measure comes into force?

**Mr. Yves Giroux:** I agree with you that it's troubling that we don't have the measure. An increase in the tax on cigarettes announced in the budget came into force a few hours later.

Several details regarding capital gains could affect the decisions of many corporations and individuals whether to retain or sell assets. I don't think it will be a major issue if the measure is implemented as it was announced. However, there could be a problem if technical details tend to alter what was announced and to impact the decisions of certain actors. We won't know until we see in the text of the bill.

**Mr. Gabriel Ste-Marie:** Mr. Giroux, I'm going to use my remaining time to ask a question that I'd like you to answer during the next round.

You say in your budget analysis that the government announced in budget 2023 and the 2023 Fall Economic Statement its intention to reallocate previously announced spending that has yet to occur. You also say that some information has been provided in that regard but that it remains difficult to track the overall plans, progress and results of that reallocation. I'll ask you for details on this during my next turn to speak.

• (1045)

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

[English]

Now we'll go to MP Davies for the next six minutes, please.

**Mr. Don Davies (Vancouver Kingsway, NDP):** Thank you, Mr. Chair.

Thank you to all the witnesses for being here.

Dr. Stanford, the Bank of Canada has argued that current inflation comes from excessive domestic spending and an overheated labour market. Do you agree with that analysis?

**Dr. Jim Stanford:** Thank you, sir.

No, I do not. I don't think that the experience of the rise and fall of inflation in the post-COVID environment confirms the traditional textbook story, which is that inflation arises from excess purchasing power, generally created in a labour market with unemployment that is too low. I don't think that this narrative fits the facts of the inflation that we have experienced.

There has obviously been a significant and helpful decline in inflation since the mid-2022 period, when it peaked in Canada. It peaked at an 8% rate year over year. That decline in inflation has not been correlated with any changes in wage-setting behaviour, for example. In fact, in Canada, nominal wage growth has picked up in that period because workers, of course, are trying to negotiate higher wages to keep up with the inflation that undermined their real wage growth in the earlier period.

We also haven't had a significant change in fiscal policy or injections from the government sector in that period.

What we have seen is a normalization of global supply chains, reduction in shortages of key commodities like semiconductors or building products—a shortage that drove up prices in the initial post-COVID period—and a significant decline in world energy prices. All of those factors explain why inflation rose and why it fell. It has no obvious connection to so-called excess demand.

In real per capita or real per household terms, Canadians are spending significantly less now than they were before the pandemic hit, so it's hard to say that we have too much spending power. In fact, Canadians are grappling with the impacts of high interest rates on their disposable income. It was rather a supply-side factor exacerbated, as I mentioned, by profit-taking by some companies that were able to take advantage of that situation.

**Mr. Don Davies:** You sort of anticipated where I'm going next.

In an April commentary on the federal budget, you wrote the following:

it is important to keep in mind that the main cause of the cost of living crisis in Canada is not government. Rather, it's companies charging more for what they sell (driving corporate profits to all-time records after COVID lockdowns ended, and sparking the wave of inflation that is only now subsiding), and failing to pay workers enough to keep up.

Can you elaborate on the role of corporate profits and the role they're playing in the current cost of living crisis?

**Dr. Jim Stanford:** Yes. We did see an unprecedented surge in corporate profits in Canada, which was particularly marked in 2022. Net corporate operating surpluses that year reached 17% of GDP, which is the highest in history, which is in itself striking. Canadians are trying to grapple with a health emergency and an economic emergency, yet for corporate profits, it was the best year ever.

That increase in profits was not spread evenly across the entire economy. In our research, we identified some key strategic sectors where companies had a combination of leverage in the overall supply chain, usually reinforced by a high degree of concentration in that sector, that allowed them to take advantage of the disruptions of the pandemic and the adjustments afterward to increase margins, markups and their final profits.

The encouraging side of this is that the same relationship has held on the way down as well as on the way up. We have seen a moderation in corporate profits in the period since 2022. That was confirmed again in this week's latest GDP data for the first quarter of 2024: Corporate profits fell again a little bit, as did inflation. In fact, measured by the Statistics Canada consumption deflator, which is equivalent to the CPI in terms of what it covers, inflation is now back to the 2% Bank of Canada target.

We've seen a normalization of factor income shares, in part because the initial conditions that allowed companies to increase prices so much have dissipated for the most part, so we are seeing, I think, a return to somewhat normal pricing behaviour. As a result, inflation has come down. It had nothing to do with our labour market or our wages.

• (1050)

**Mr. Don Davies:** I want to move to productivity. It's been getting a lot of news lately.

What are your views on Canadian productivity? What policy suggestions might you have to deal with it?

**Dr. Jim Stanford:** We've obviously seen some very unusual swings in the data on productivity in Canada. Initially, productivity seemed to surge during the COVID pandemic, but that was a composition effect resulting from the loss of so many lower-wage, lower-productivity jobs during the pandemic. Then productivity came back down as industries like hospitality and retail reopened and people went back to work in those sectors.

We still haven't fully adapted to the shocks of the pandemic. I believe there are some measurement issues involved in the swings as well. Other industrial countries have also reported big swings in productivity measurements. Hopefully, we're starting to see a normalization of productivity growth, which should be carrying on at 1% or more each year, thanks to technology, skills and other factors.

In my judgment, however, I do think that productivity is an important to issue in the longer run. We need more policies that try to better value labour and equip workers with more capital equipment and skills, so they can do their jobs to the utmost. I think poor business investment and innovation performance in Canada has been part of our problem.

**Mr. Don Davies:** Thank you.

Spending on machinery and equipment by businesses and on R and D and innovation has been falling as a share of GDP for many years, dating back to the corporate tax cuts that Paul Martin introduced at the turn of the century.

Can you explain why those corporate tax cuts did not result in, or have not resulted in, investment by businesses in Canada, and how that may underpin some of the productivity issues you mentioned?

**The Chair:** Be fairly quick, please.

**Dr. Jim Stanford:** Those tax cuts had no impact on machinery and equipment investment because they weren't tied to incremental investment. It was money given to companies that were profitable, whether they reinvested or not.

I would argue similar concerns around the capital gains inclusion change in this budget. The claim that this will reduce business investment in machinery, equipment and innovation I don't think is credible, given that experience.

**The Chair:** Thank you.

We're moving into our second round.

Members, as you know, these one-hour panels don't allow for a second round, so we're going to divide the time equally. It looks like about two and a half minutes for each party now.

I'll take the opportunity to thank our witnesses.

We're starting with MP Morantz for two and a half minutes.

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

Mr. Giroux, in your earlier testimony, you said that you understood that the government had economic analysis on the carbon tax that it has not released. Are you saying that the government has not been transparent with the analysis it has?

**Mr. Yves Giroux:** I mentioned that the government has economic analysis on the impact of the carbon tax itself and the OBPS, the output-based pricing system. We've seen that—staff in my office—but we've been told explicitly not to disclose it and reference it.

**Mr. Marty Morantz:** The government has given you their analysis, but they have put a gag on you, basically, saying you can't talk about it.

**Mr. Yves Giroux:** That is my understanding.

**Mr. Marty Morantz:** Okay. Can you tell us what it says?

**Mr. Yves Giroux:** It confirms the report that we have published, essentially. That's why I'm comfortable with what we have already published, with the understanding that it provides the impact of the carbon tax and the OBPS, which was not our intention, unfortunately.

**Mr. Marty Morantz:** Are you saying the report the government did on the carbon tax, the report that they provided to you, confirms the analysis that you have done on the carbon tax?

**Mr. Yves Giroux:** Maybe Chris, one of the DGs who works in my office, can provide more details.

**Mr. Chris Matier (Director General, Economic and Fiscal Analysis, Office of the Parliamentary Budget Officer):** Mr. Giroux filed a formal information request to Environment and Climate Change Canada to obtain the underlying economic impacts related to the emissions reductions that the government published related to carbon pricing back in late March or early April. They provided us with their estimates on real GDP, on labour income, on capital income, and they indicated on the response form that these were confidential and that we could not disclose—

• (1055)

**Mr. Marty Morantz:** The chair is going to time me out.

Can you table that report that they gave you with the committee?

**Mr. Chris Matier:** Yes.

**The Chair:** If you could table that, that would be fine.

We'll go to MP Dzerowicz.

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

Thanks to all the witnesses for being here today.

My first question is actually to Mr. Jim Stanford.

Jim, I only have a minute and a half for you, and then I have a question for Ms. Webb.

Can you comment on the debt levels that are in our budget?

If I read correctly over the weekend, our currently stated debt levels are above the 1% guardrail that we put into place, but I know that we have made a commitment to update those numbers and have that adjusted to meet those guardrails in the fall. If you could comment on the debt levels, I'd be grateful.

**Dr. Jim Stanford:** The debt that was recorded in 2022-23 was 41.7% of GDP at that time. It increased somewhat in 2023-24, as Mr. Giroux has mentioned, and then it's scheduled to decline slowly over the years ahead.

I do think that we shouldn't get too carried away with whether it's a fraction of a percentage point higher or lower. What really matters is that it's not growing at an unsustainable rate, and Canada's debt level is very low relative to most other industrial countries—certainly much lower than our neighbour to the south. So much attention on the debt itself at the expense of other macroeconomic indicators, I think, is misleading.

**Ms. Julie Dzerowicz:** Thank you so much.

Ms. Webb, thank you so much for your leadership on the food program. It's something that we're very proud that we have introduced in this budget. Canada is no longer the sole G7 nation without a national school food program.

What can we learn from our G7 peers in terms of implementation and results?

**Ms. Carolyn Webb:** Thank you so much.

There are so many opportunities to learn from others. We can learn about local procurement. We can learn about the challenges of what happens when you do a stigmatized program and the benefits of universality and making sure that at least each child in a school that receives a program has access to that program. We know that we can't roll it out across the country to all children right now, but we know that stigmatization really hurts. It hurts the students, their well-being and participation.

We also know that community partnerships are important and that not having the private sector in control and supporting the community sector is really important, and health and nutrition are paramount.

I know you don't have much time.

**Ms. Julie Dzerowicz:** That's excellent. Thank you.

**The Chair:** That's the time, MP Dzerowicz.

Now we go to MP Ste-Marie, please, for two and a half minutes.

[*Translation*]

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

Mr. Giroux, you say there's no publicly available central tracking document.

Would you please say a few words about that? What could be done about it?

**Mr. Yves Giroux:** Thank you, Mr. Ste-Marie.

Many cost-cutting exercises have been announced in recent budgets since 2002. Some have been completed, others cancelled, and most are under way, but we have information on only a small percentage of all spending cuts and reallocations that have been announced. They likely amount to \$500 million out of a total of roughly \$15 billion or \$16 billion. Consequently, we have some idea of the size of the cuts that have been made to spending on consultation, professional services and travel announced in the 2023 budget, which we estimate at half a billion dollars, but we don't yet have any details on the remainder.

What could be provided, and what has already been provided, for this half-million dollars, for example, is a list of departments and types of spending that have been cut. However, we still don't have details on every item for approximately \$15 billion in spending cuts.

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

Once again, I ask Mr. Turnbull, who represents the government, to provide us with that information as soon as possible.

I have one minute left.

Mr. Hazell, I'm going to let you have the last word since you didn't have time to answer any questions.

**Mr. Stephen Hazell:** Thank you.

[*English*]

I would say that we are looking for several amendments to the impact assessment as amendments to Bill C-69. The government has covered off the constitutional issues that the Supreme Court of Canada has raised. We think that's been done adequately, but they have overreacted to that. They fear another court challenge.

Our view is that with the changes that the environmental community has provided to the committee, and I think several parties as well, those issues relating to transboundary issues can be corrected. We can ensure that the federal government can do assessments to the limits of its constitutional authority.

Thank you for that opportunity.

• (1100)

[*Translation*]

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

[*English*]

Now we go to our final questioner, MP Davies, for the last two and a half minutes with this panel.

**Mr. Don Davies:** Thank you.

Dr. Stanford, some Milton Friedman adherents who testified at this committee have claimed that Canada's productivity problem is essentially caused by too much government spending squeezing out the private sector. What's your view on that?

**Dr. Jim Stanford:** No, I do not think that's a credible discussion or explanation of our productivity trajectory.

Again, looking at broader international comparisons, Canada's government sector is not large by OECD standards, and there are other countries in Europe, for example, with superior productivity performance but higher public sector spending and higher taxes.

In Canada's case, we clearly have under-utilized resources at the moment. We see significant levels of unemployment, growing unemployment and under-utilization of many resources in low-productivity activities.

I think we need more engagement by both the public sector and the private sector in innovation and investment and in developing high-value industries in Canada. The government's measures on investment tax credits and related measures to try to support invest-

ment in Canadian industries related to the renewable energy transition, such as the EV investments that we've been seeing, are very positive in that regard.

**Mr. Don Davies:** Thank you.

Ms. Webb, I will say quickly that I agree with you on universality.

The government's school nutrition program is something the NDP has campaigned on and pushed hard for in this budget, but it's only going to fund 400,000 students. There are over two million Canadian children in elementary school in this country.

How do you see this money resulting in a program that results in universal access to school nutrition in Canada?

**Ms. Carolyn Webb:** What the coalition has been calling for is that all schools that have a program would provide access to all children in the school.

We know, as you say, that this program will not reach all children and youth to start. It is a start. It will allow some programs to scale up from one small snack to a full meal during the day. It will allow expanding into more rural and remote areas and really supporting the programs that we want to see.

Our call is that this is a first step along the way. It is that we need more provincial-territorial investment and that we need more federal investment as we move along. Our vision is a full program whereby all students will have access to a healthy meal at school each day.

**Mr. Don Davies:** Thank you.

I'm not in the room, but my spider senses tell me the chair is.

**The Chair:** I know time is short and we have had excellent witnesses here for our first panel today. We want to thank them for their testimony and wish them the best for the rest of their day.

Now we're going to suspend as we transition into our second panel for today.

Thank you.

• (1100)

(Pause)

• (1100)

**The Chair:** Welcome back, everybody.

We are going to get started with our second panel of witnesses for today. We're going to hear their opening remarks right now.

From the Giganawenimaanaanig #231 implementation committee, we have Ms. DeLaronde.

From the Heart and Stroke Foundation of Canada, we have the vice-president for policy and advocacy, Manuel Arango.

From the Natural Health Products Protection Association, we have Mr. Shawn Buckley, who is a constitutional lawyer with them.

On that, we'll hear from Ms. DeLaronde, please.

• (1110)

**Mrs. Sandra DeLaronde (Executive Director, Gi-Ganawenima'Anaanig #231 Implementation Committee (Manitoba)):** Good morning.

Thank you for the opportunity to attend this morning's hearing, and thank you for taking a run at pronouncing the name of our organization in Anishinabe. It means “we all take care of them”.

Today I would like to speak to you about the inclusion of the red dress alert and the financing provided to Search the Landfill. My remarks will be brief.

We appreciate the inclusion of up to \$1.3 million over a period of three years for the creation of a pilot project on the red dress alert for missing indigenous women and girls and gender-diverse relatives.

We acknowledge that in May 2023, Parliament unanimously recognized that there is a Canada-wide emergency as a result of the disproportionate number of missing and murdered indigenous women, girls and 2SLGBTQQIA relatives in Canada. For those of us directly involved, this acknowledgement represented recognition of the ongoing gendered and race-based genocide occurring in our country. This decision gave us hope for real and substantive change.

Throughout the winter of 2023, while most Canadians were preparing for Christmas, we as a committee and as a community were involved in providing our input into the consultations around what a red dress alert system should look like.

In February 2024, the federal-provincial-territorial indigenous organizations table reviewed the findings of these consultations. We are pleased that these findings have been incorporated into the 2024 budget.

We remain concerned that this allocation addresses only engagement, not the full implementation of the red dress alert, or whatever it will ultimately be called. The safety and well-being of our vulnerable and targeted populations continue to be at risk. Families, survivors and all those involved in these matters need decisive action. We remain hopeful that this allocation will pave the way for meaningful progress and meaningful implementation of a red dress alert.

Further, we are grateful for the support provided by Canada and Manitoba to the families that have been impacted by the murder of their loved ones—Mashkode Bizhiki'ikwe Iban, Morgan Harris, Rebecca Contois and Marcedes Myran—and are currently involved in the court case. The contributions of governments have made a difference in providing support to their families to attend court and to receive the necessary support as they see fit.

We remain concerned, based on the evidence that has come out in court, that this is not simply a recovery operation but that this

landfill remains a crime scene. We want to see this investigation or recovery led by those responsible for criminal justice.

• (1115)

We continue to call for United Nations oversight of this operation and investigative process, given Canada's commitment to the UN Declaration on the Rights of Indigenous Peoples.

The difference in searching for loved ones between the municipalities of Winnipeg and Saskatoon—Saskatoon began its search in May for one individual—further affirms that there must be additional investigation on how this decision-making process was made by the Winnipeg Police Service. At this point, it is not believed that the Winnipeg Police Service can be left alone to do this important work. Again, we call on oversight by the United Nations on this case.

Thank you.

**The Chair:** Thank you, Ms. DeLaronde.

Now we will hear from the Heart and Stroke Foundation of Canada. Please go ahead, Mr. Arango.

**Mr. Manuel Arango (Vice-President, Policy and Advocacy, Heart and Stroke Foundation of Canada):** Thank you very much, Mr. Chair.

Heart and Stroke appreciates the opportunity to appear before this committee to discuss Bill C-69, the budget implementation act.

I would like to address four measures today that were included in budget 2024, namely the school nutrition program funding, tobacco and vaping taxes, measures to address nicotine pouches, and pharmacare funding.

First, the \$1-billion investment over the next five years to implement a national school nutrition program will greatly benefit the health and well-being of children in Canada. This investment is important to the one-third of students in elementary schools and two-thirds of students in secondary schools who do not eat a nutritious breakfast before school, leaving them at risk for learning, behavioural and health challenges at school.

The reality is that food insecurity puts people at risk for various chronic diseases, including heart disease and stroke. The annual economic burden to Canadians of chronic diseases, which is attributed to unhealthy eating and other modifiable risk factors, has been estimated at a staggering \$28.2 billion. Canada is seeing increases in the rates of illnesses, such as type 2 diabetes, heart disease and cancer, much of it stemming from poor diets. In 2019, dietary risk factors contributed to an estimated 36,000 deaths in Canada.

Evidence shows that school food programs help to produce better health and education outcomes, including a reduction in the risk of chronic disease and improved mental health, as well as improved concentration and learning, which are associated with improved graduation rates.

School food programs can have significant positive economic impacts. A preliminary University of Guelph study suggested that a national program could stimulate the development of over 200,000 jobs. Also, a national school nutrition program can help to educate our kids on the value of local agriculture and the important role that local farmers play in supporting healthy diets. It will be key for this measure to be implemented, given that Canada is the only G7 country without a national school food program.

Heart and Stroke is also pleased to see strong action on tobacco and vaping control by way of increased taxation. Smoking remains the leading risk for premature death and disability in Canada. It places a burden on our economy, with over \$11 billion in lost productivity and health care costs in 2020.

Also, Canada has some of the highest youth vaping rates in the world. The reality is that increased taxes on tobacco and vaping products are one of the most effective strategies to reduce consumption, especially among price-sensitive youth and young adults. Young people have lower disposable incomes, and research shows that they are more sensitive to e-cigarette and tobacco price increases.

Heart and Stroke is also pleased to see the federal government's resolve to move towards a healthier nicotine-free generation. The budget includes a proposed amendment to the Food and Drugs Act that will help address the alarming uptake of nicotine pouches amongst our youth. The reality is that the unregulated sale of nicotine pouches, such as Zonnic, is a real danger to young people in Canada. With attractive flavours, such as Tropic Breeze, Chill Mint and Berry Frost, and colourful small packages, these packages entice youth to try nicotine pouches. The devastating result is that youth will become trapped in a cycle of nicotine addiction.

This proposed amendment will restrict the marketing, restrict the use of attractive flavours, impose a minimum age for sale, require placement of these products behind the counters at pharmacies, and impose warning labels and other measures. These are key to helping to protect our youth from these harmful products.

Finally, as a last point, the allocation of \$1.5 billion in funding over five years to support the launch of the national pharmacare program is critical in order to improve drug coverage among the seven and a half million people in Canada with no insurance or inadequate insurance. The current patchwork of public and private plans in Canada has created fragmented drug access, leaving millions struggling to afford their prescription medications.

While many people in Canada have some form of drug coverage, it is often not sufficient and poses affordability issues for some. A 2024 poll commissioned by Heart and Stroke and the Canadian Cancer Society found that one in five people in Canada do not have sufficient prescription drug coverage. Over one in four Canadians had to make difficult choices in order to afford prescription drugs,

such as cutting back on groceries; delaying paying rent, mortgage or utility bills; and/or incurring debt.

● (1120)

One in 10 people in Canada diagnosed with a chronic health condition were more likely to visit an emergency room due to a worsening health issue because they were not able to afford their prescription medications.

People with diabetes are more likely to develop heart conditions at a younger age and are three times more likely to die of heart disease. As such, the budget 2024 investment in pharmacare will support 3.7 million people in Canada living with diabetes in managing their condition at home. It will also reduce their risk of developing heart conditions, among other complications.

We hope to see the coverage expanded to cover heart disease and stroke drugs in the near future.

I'll be happy to address any comments or questions. Thank you very much.

**The Chair:** Thank you, Mr. Arango.

We'll hear now from the Natural Health Product Protection Association and Mr. Buckley, please.

**Mr. Shawn Buckley (Constitutional Lawyer, Natural Health Products Protection Association):** Thank you, Mr. Chair.

I'm here to address division 31 of the bill, which includes changes to the Food and Drugs Act.

As I give my opinion to this committee, understand that I'm of the opinion that the messaging by the government, the Minister of Health and Health Canada on this issue is actually fraudulent to the Canadian people.

This is because I watched a video by the Minister of Health in which the stated reasons for these changes were to protect vulnerable youth from nicotine products, such as flavoured vaping products and nicotine patches that aren't approved for their age group. In May, Health Canada held a stakeholder meeting and used baby formula as an example. What if we have a baby formula shortage? We have to have a workaround to allow it to be imported.

Health Canada basically said it needs the power to respond to unanticipated events, like supply chain disruptions and to gaps. They also said they need to address the unintended use of drugs. I say this is fraud, because the powers it's seeking don't address any of these issues.

One of the powers is to basically exempt food and drugs from fundamental safety provisions in our act and regulations. The Minister of Health will be able to exempt a food or drug from our protection against fraud. This means that a drug could be marketed to the Canadian populace, both by Health Canada and by the manufacturer, with fraud in not protecting us against adulteration—and we mean adulteration whereby there are substances in the food or drug that are dangerous. This should exempt us from being sold drugs that are manufactured in unsanitary conditions, but it will exempt them from any part of our safety regulations.

That's not going to protect youth from nicotine products and it's not going to solve any supply disruptions for baby food.

The next power is for the Minister of Health to be able to prevent and even criminalize the promotion of the off-label use of any drug. Well, that has nothing to do with protecting youth from nicotine products. Surely “drugs” doesn't include prescribing flavoured vaping products to youth. This measure is also not going to address any supply chain problems.

The power that is totally unexplainable is that the Minister of Health can basically take steps to make sure that humans can't access veterinary products and can prevent the off-label promotion and use of veterinary products.

Why are we talking about veterinary products when we're talking about youth using nicotine patches, or access to baby formula? It makes zero sense at all. The minister will be given the power to approve drugs for use in the Canadian population that were not assessed by our drug approval experts at Health Canada.

A “foreign entity” is defined so broadly in the bill that it could include organizations like the World Health Organization. It doesn't have to be a regulatory body of a country, and there are no standards set, so this could be a regulatory authority of a third world country that doesn't have the resources to do a proper analysis. If a foreign entity approves a drug, we don't even need an application. The Minister of Health could just approve a drug and circumvent our experts at Health Canada.

How does that address the stated purposes? It doesn't. Not a single one of the powers in division 31 will give the minister a whit of ability to address the stated purposes, and that's how we know there's a bit of fraud here.

The real purposes are not being addressed by the minister or Health Canada before this committee, and the crazy thing is that the Food and Drugs Act already contains too much power to address the issues that Health Canada and the Minister of Health are telling you they need to address.

Let's just talk about nicotine products. Under paragraph 30(1)(a), the minister could make regulations saying if you add any flavours, that's adulteration. Under paragraph 30(1)(c), they can set whatever purity standards they want to deal with that. Under section 30.1, the minister can make any interim order—it's law for a full year; it just has to be approved by cabinet within 30 days—solving any issue.

• (1125)

Health Canada and the minister take the position—and have for decades—in section 9, the section preventing fraud in the act, that

it's fraudulent if you promote a drug for an off-label use. I can tell you that in my law practice I have seen case after case in which Health Canada has gone after individuals and companies for promoting off-label use. Under section 27.3—

**The Chair:** Mr. Buckley, I'm sorry to interrupt, but you're going to have to wrap up in 15 seconds.

**Mr. Shawn Buckley:** Okay.

The minister can make this order. What this is about is that this is a shopping list to basically exempt the government from any liability for the next pandemic. Health Canada could be liable for adulteration, for the DNA contamination, for their own messaging for fraud and for unsanitary manufacturing, and they had a problem with non-doctors promoting things—

**The Chair:** Thank you, Mr. Buckley. That's the time for opening remarks.

Now we're going to go to members' questions.

In this first round, each party will have up to six minutes to ask questions of our witnesses.

We're starting with MP Calkins, please.

**Mr. Blaine Calkins (Red Deer—Lacombe, CPC):** Thank you, Chair.

I will start my questions with Mr. Buckley.

Going back, Bill C-69 is a budget implementation act. It's not an actual act tabled by the health minister. It's an act tabled by the finance minister. These are substantive changes to the Food and Drugs Act. This follows on the heels of other substantive changes to the Food and Drugs Act passed last year in the budget implementation act bill, Bill C-47.

Do you and your organization have any comments for this committee about the appropriateness of having these discussions in a finance committee rather than tabling an individual piece of legislation that specifically deals with health and can be scrutinized and vetted through the appropriate channels here in our Parliament?

**Mr. Shawn Buckley:** Thank you for that question.

I can tell you that we're really a consumer organization and we get a lot of feedback from ordinary citizens. Citizens were already really upset with what happened last year, because the same thing happened, and now this seems to be a trend. There is actually a concern—and I share the concern—that we're really circumventing the democratic process.



Could you imagine if a bill were introduced to amend the Food and Drugs Act and included substantive financial changes and this committee wasn't addressing it but the Standing Committee on Health was? It's a huge concern.

These are fundamental changes. Basically, the minister can exempt any food or drug from fundamental safety protections. We're very concerned. Budget bills, by necessity, tend to get passed quickly, so what's the rush with this? We clearly are inviting this committee to recommend that division 31 be excluded or taken out of this act so that the Minister of Health could introduce it as a stand-alone bill.

• (1130)

**Mr. Blaine Calkins:** My assessment of the minister's arguments in using nicotine pouches and flavoured vaping products as a rationale for this power grab, both in Bill C-47 and in Bill C-69, is that they're a bit of a red herring.

Under the Food and Drugs Act as it existed even before Bill C-47, Health Canada has the ability to stop the sale of any product it deems unsafe. It has the ability to seize any product. It has the ability to stop any personal use imports across the border if it wants to. It could mandate a label change, adding any warnings that it wants to, and it can withdraw any natural product number. It actually approves a natural product number in the first place, and it has the power therein to withdraw a natural product number.

Is the issue actually the regulated use and sale of these nicotine pouches or is it actually the contraband sale of these nicotine pouches?

**Mr. Shawn Buckley:** I actually think that we're even conflating the issues. If we're asking if the existing powers in the Food and Drugs Act are too broad, I would say they are, because there's a real danger with a regulatory authority that is there for drug approval having any powers that would interfere with the doctor-patient relationship, which is based on a completely different set of information and with a different purpose.

The minister already has powers that are too extensive for the purpose. My difficulty with the minister and with Health Canada messaging—that this is to protect youth from nicotine and this is to allow for any shortages from baby formula, which is an emotional issue—is that it's not what this is about. The minister already has powers to address that, and none of these powers address this. This is so the government can be exempt from any liability during the next pandemic if we have to rush through a treatment and so as to basically ensure that there's no messaging on or promotion of off-label use. Whether or not that is a good idea, and whether or not these powers are appropriate for that purpose, that purpose at least should be publicly identified and then a conversation on that.... My concern is that we're not even having an honest conversation.

You're asking me about off-label use. Doctors are not promoting nicotine patches to youth. We're basically talking about black when we should be talking about white. That's the concern, and that's why I use strong language. How do we address whether or not these powers are appropriate for their real purpose if we're not having an honest discussion about why they're really there?

**Mr. Blaine Calkins:** On the supplementary rules under therapeutic products, right now there's a bill in the House, Bill C-368, that seeks to undo the changes that were made in Bill C-47 in relation to therapeutic products.

As the voice of the Natural Health Product Protection Association, if Bill C-368 does pass in its current form, can you tell us what impact that could have for the natural health product industry in regard to changes in Bill C-47, and now in Bill C-69, should they pass in their current form?

**Mr. Shawn Buckley:** Well, it's really not going to have a whole lot of impact.

Basically, in the last budget, Bill C-368 snuck in fundamental changes to the Food and Drugs Act that move natural health products into the therapeutic product category. The therapeutic product category was created by Vanessa's law back in 2014 to basically say that we have a class of drugs, chemical pharmaceutical drugs, with a risk profile that's extremely high, so we actually need to give the minister more powers to address that risk. The minister can actually be extremely intrusive and make orders, whether they're good orders or not, and has extraordinary power over that industry.

They then brought in a structure for fines that are more realistic, a \$5-million-a-day maximum fine. Interestingly enough, there is less jail time than there is for the regular drug provisions, two years of jail. For a big pharmaceutical company like Pfizer, \$5 million a day for an ongoing offence is really nothing.

In 1998, the Standing Committee on Health held the broadest consultations in Canadian history of any standing committee to ask how we should regulate natural health products—

• (1135)

**The Chair:** Mr. Buckley, I'm going to need you to wrap up.

**Mr. Shawn Buckley:** Anyway, Bill C-368, if that passes, is not really going to have much of an effect on this. It's just going to move natural health products back to the regular drug category, where they're not subject to such strict provisions.

**The Chair:** Thank you, MP Calkins.

We'll now go to MP Sorbara for the next six minutes.

**Mr. Francesco Sorbara (Vaughan—Woodbridge, Lib.):** Thank you, Chair.

Good morning, everyone.

Mr. Manuel Arango, thank you for being here. We've met a number of times with respect to the Heart and Stroke Foundation.

Obviously, in all our communities, when we do lose somebody to heart disease, whether it's a heart attack or stroke or the disease they have, it's always a sad story and a loss for their loved ones.

We chatted briefly, and in your testimony you identified a number of measures within the budget, starting with the national school food program, that aim to lower heart disease and the impact thereof.

Can you comment on that, please?

**Mr. Manuel Arango:** Absolutely.

If I may, Mr. Chair, I would like to address some of the points raised just now regarding nicotine pouches.

To all MPs, if you speak to parents in all ridings across the country, without a doubt many parents who have teenage kids or tweens and so on will report back on the great concerns they have about the increased uptake of nicotine pouches across the country. They're very, very concerned. Tobacco and vaping companies are busily marketing these products to youth, and that is a real concern.

The reality is that we don't have three to four years to wait for regulations and legislation to be developed for nicotine pouches. That's why these measures in the budget are really important to address nicotine pouches. There's urgency, because with vaping we have seen what happened with the increase and how difficult it is to reduce consumption once it gets out there and once the companies are out there marketing to kids. It's very critical to address this issue of nicotine pouches in the budget.

Mr. Chair, Rob Cunningham from the Canadian Cancer Society is here, and I'm wondering if he may want to add a few more comments related to this issue of nicotine pouches. I'm not sure whether or not that's possible.

**Mr. Francesco Sorbara:** Mr. Arango, I have only limited time, so I'm going to limit your commentary to just your own. I'm not sure if he's an official witness or not. If he's not an official witness, then there are other issues that would need to be resolved.

I do wish to move on to the indigenous loan guarantee we put forth in the budget, and I believe it's in the BIA.

How important is it for the process of what I would call economic reconciliation?

**The Chair:** Ms. DeLaronde, you're muted.

**Mrs. Sandra DeLaronde:** I'm sorry. I didn't understand that the question was for me.

**Mr. Francesco Sorbara:** It is for you, madam. Thank you.

**Mrs. Sandra DeLaronde:** Okay. Thank you.

Economic reconciliation, I believe, is key for women and their families to find footing in this country. We know successive governments have not addressed the issue of economic reconciliation with respect to indigenous women, girls and 2SLGBTQIA relatives. I think that having an indigenous loan guarantee with the input of women, families and survivors is critical.

I know governments like to talk about a distinctions-based approach. That has its place in urban environments, where 80% of the first nations, Métis and Inuit population lives. However, it goes beyond being distinctions-based. They have to look at the requirements of those within the community. I really hope those will be considered when defining the parameters of this indigenous loan guarantee.

● (1140)

**Mr. Francesco Sorbara:** Thank you, Sandra, for that commentary. Economic reconciliation is also very important to the government in terms of moving hand in hand and on a nation-to-nation basis.

I'd like to make a general comment with regard to the vaping issue that has been raised.

For many decades, governments of all stripes have worked diligently to reduce the level of smoking and cigarette use in this country. It is with—I'm going to use strong language here—complete ignorance that we are even having a conversation around the matter of vaping, etc. It is another form of cigarette usage. It is being targeted at teens and young people. Anyone out there, of any political stripe, should be very ashamed of themselves if they are defending against any sort of measure that aims to decrease the amount of vaping going on.

I say that with complete conviction and as the father of three young children. I see what's happening out there with flavoured vapes and so forth. It's just another marketing technique. It adds to the cost of our health care system, and it's not the way we want to go with our health care system or our country. That's not what I would call responsible leadership.

Thank you.

Do I have time left, Chair?

**The Chair:** You have 15 seconds, but I think that was a good way to close it.

**Mr. Francesco Sorbara:** That's good. We'll leave it at that.

Thank you.

**The Chair:** I don't usually weigh in, but I agree wholeheartedly with what you just said.

Now we are going to MP Ste-Marie for six minutes.

[Translation]

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

Ladies and gentlemen witnesses, thank you for being here.

Ms. DeLaronde, I enjoyed your presentation, and I can say the same of those of Mr. Arango and Mr. Buckley.

Mr. Buckley, I agree with your analysis of the situation.

We're here to consider the budget implementation bill. Tomorrow morning, we will begin clause-by-clause consideration of this bill, which concerns a host of very complex issues, one example of which we have here before us.

As an economist and my party's finance critic, I have to decide how to vote on each clause and amendment based on evidence that's brought before us here. However, there appears to be a debate or a lack of consensus among our witnesses.

Since I'll have to take a position tomorrow based on various arguments that are raised here, I would ask you, Mr. Buckley, to react to the arguments advanced first by Mr. Arango and then by Mr. Sorbara.

Then I'd also like to hear Mr. Arango's comments or those of his colleague.

Go ahead, Mr. Buckley.

[English]

**Mr. Shawn Buckley:** Are you referring to the comment that we need to protect youth from nicotine products?

[Translation]

**Mr. Gabriel Ste-Marie:** You can give me your general impressions.

What would you suggest, for example, with regard to the separate study of division 31 of Bill C-69?

Do you have any responses to the arguments advanced? On what arguments are the suggestions you're making to the committee based?

[English]

**Mr. Shawn Buckley:** My biggest concern is that if you accept... I'm not here to debate whether or not we have a nicotine patch problem for kids, although we are using emotional language and referring to kids and we're saying "vulnerable", which makes it really hard to resist. Why doesn't the government, the minister, under paragraph 30(1)(a), pass a regulation saying that any vaping product is adulterated if it's flavoured? The power is there. Why isn't the minister prescribing standards of purity under paragraph 30(1)(c) of the Food and Drugs Act? The powers are already there, and section 9 prevents fraud.

The Minister of Health takes the position that this includes promoting off-label use, and the minister can make an order under section 27.3. The power's already there, and the powers in section 31 don't give the powers that the minister says the minister needs to address nicotine patches.

Off-label use is purely provincial jurisdiction. When a doctor sits down with a patient, understands the patient's medical history and decides to prescribe off label—and that's what we're talking about, ministers getting power to take steps to prevent off-label use—off-label use is by medical professionals making individual health decisions for patients. The federal government doesn't have jurisdiction there.

The Food and Drugs Act is a criminal law act and a little bit of trade and commerce. It's not a health act at all, and there's nothing in the Food and Drugs Act or regulations that charge the minister of Health to get good health outcomes. Why does the Minister of Health want to step in?

Let's say I'm right, and when you look at it all as a package, the real purpose of this is basically to address liability issues and prevent the promotion of other products during the next pandemic. Well, let's at least have that discussion open and honestly and not in the finance committee. This truly is an issue for the Standing Committee on Health.

● (1145)

[Translation]

**Mr. Gabriel Ste-Marie:** Thank you for raising those points. That's very helpful.

Mr. Arango, do you agree with the reading here that the department already has all the powers and that the flavours issue falls within provincial jurisdiction? What are your comments on that matter, more broadly speaking?

[English]

**Mr. Manuel Arango:** First of all, I would like to state that my organization is agnostic with respect to increasing access to natural health products in general. We're not against increased access to natural health products.

With respect to nicotine pouches, that's definitely a different situation. I should clarify, too, that we are expecting vape flavour restrictions to come into final regulations and hopefully be in place by the end of June, so that's one issue.

Vape flavours are not addressed in the budget; it's nicotine pouches that are being addressed, and potentially other nicotine products. We know that tobacco and vaping companies have been promoting nicotine pouches. There are going to be nicotine toothpicks next, or nicotine gum. It's never going to end, and we're never going to stop this cycle of addiction in Canada. The reality is, as I mentioned earlier, that waiting three to four years for regulation or legislation is not going to work, because we're going to end up with another vaping epidemic in Canada, and parents have had enough of this.

The reality is that these budgetary measures are going to give the government a good opportunity to control nicotine pouches. I don't think anyone here in this committee is going to want increased access to nicotine pouches and nicotine, which is highly damaging to the brain and increases risk of cardiovascular disease to youth and children in Canada. If there are other potential unintended consequences, perhaps that issue could be resolved in another way, but as a first measure, this is critical, because otherwise we are going to end up with another vaping epidemic in Canada. That's why it's key to address this now and here.

[Translation]

**Mr. Gabriel Ste-Marie:** Thank you, Mr. Arango.

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

[English]

We'll go to MP Davies, please.

**Mr. Don Davies:** Thank you.

Ms. DeLaronde, I'd like to start with you, if I could, please.

It was in May of last year that the House of Commons unanimously adopted a motion introduced by my caucus colleague Leah Gazan, which called on the federal government to declare the continued loss of indigenous women, girls, two-spirit and gender-diverse people a Canada-wide emergency and also to provide immediate and substantial investments, including to establish a red dress alert system. I want to credit my colleague for her drive in getting that into this budget.

What impact do you expect the red dress alert system will have on the safety of indigenous women, girls, two-spirit and gender-diverse people, and how rapidly should this pilot program be expanded across the country, in your view?

**Mrs. Sandra DeLaronde:** It should have been yesterday. I can tell you that this morning, as we are sitting here, I'm working with a family whose daughter has gone missing. I think if we had had the red dress alert in place today, that would make a difference in how quickly she could be found.

However, we're having to do things, like make posters, finding people who can go out and search, and contacting agencies. All of this is done one thing at a time, rather than having an alert system where all these measures can go out at one time and ensure that the loved ones can be found. That's how critical the implementation of a red dress alert is.

• (1150)

**Mr. Don Davies:** Mr. Arango, after the budget, Heart and Stroke published a statement in response, and it said:

...the federal government announced the first step toward national pharmacare. The budget backed up that pledge with \$1.5 billion over five years for the program. The program will cover prescription drugs for diabetes and contraception. Heart & Stroke is asking the federal government to work quickly to expand the program in a fiscally prudent way by adding key essential medicines, including prescription drugs for heart conditions and stroke.

You may know, Mr. Arango, that the NDP has been pushing for a comprehensive formulary that would include all drugs. We even offered to start with an essential medications list and specifically proposed medications for heart and stroke—cardiac medications—as well as other essential ones like antibiotics and anticholesterol drugs.

Can you give us your view on what the economic impact might be of ensuring that every Canadian gets access to the heart and stroke medication they need in a timely manner via our public delivery model?

**Mr. Manuel Arango:** Just before I respond, if I may, I just would like to give a brief shout-out to MP Morantz, who had introduced a private member's bill that would promote a capital gains

exemption for real estate and stock contributions to health charities. Just to let you know, for many years that's been—

**Mr. Don Davies:** I'm sorry, Mr. Arango. I must insist. I have limited time. If Mr. Morantz asks you that question, you can answer, but please keep your answers short now.

**Mr. Manuel Arango:** Yes. It's no problem.

Heart disease and stroke cost billions of dollars annually. We know through a variety of studies that improving access to those drugs has significant economic impacts for Canadians. We are very keen to see an increase in the expansion of these drugs in pharmacare in the future.

We know that it can't happen overnight, and we do appreciate this initial investment as a first step. However, the reality is that covering all essential drugs in Canada would actually only cost \$3.5 billion a year.

That's achievable, I think, one day. Having a comprehensive formulary would be a bit more expensive, but I think it's one step at a time. We're taking the right steps in the right direction with this initial investment. Then eventually, hopefully one day we can have a formulary that covers all essential medicines. As I said, \$3.5 billion a year is affordable.

**Mr. Don Davies:** I have one more question for you, Mr. Arango, before I turn to Mr. Buckley. I totally agree with the need to regulate, frankly, all nicotine and tobacco products, especially the marketing that is targeting youth. We've been calling for that for years.

However, if that's the case, Mr. Arango, shouldn't we draft legislation specifically targeted to that purpose? We have a federal Tobacco and Vaping Products Act. If the true purpose of this legislation is to target the marketing of nicotine pouches to youth, then why don't we have legislation that specifically says that and is drafted in a surgical manner?

**Mr. Manuel Arango:** If that were to happen in tandem with these measures, we would not be opposed to that. However, if we were to say, don't address nicotine pouches in the budget by giving the minister these expanded powers, we're going to have a calamity here, because we're going to have vaping number two out there with nicotine pouches, then nicotine toothpicks and nicotine gum.

Because of the urgency of this situation, this is an important, at the very least, temporary measure. We just can't wait three to four years. If it happens later in tandem with this, okay, that's another way, and if you want to improve the approach, that's fine. However, this is necessary as a temporary measure, because of the urgency of the situation.

**Mr. Don Davies:** I might argue, though, that there is the issue of political will. I mean, the NDP has been calling for a ban on flavoured vaping products for years.

**The Chair:** MP Davies, I apologize. We have gone well over the time of six minutes.

Now, as we just did in our last round, we're providing each party with two and a half minutes for this last round of questions.

We're going to start with MP Calkins for two and a half minutes, please.

• (1155)

**Mr. Blaine Calkins:** Thank you, Chair.

Mr. Buckley, I'm assuming you're listening to the testimony here today.

Mr. Arango, in his previous answer to a question, indicated that the government already has a regulatory process started and a gazetting process going, whereby these pouches or nicotine.... I don't think anybody here is arguing that we should be getting these things out of the hands of kids. Nobody here is making that argument. We're simply trying to draw a line between what the minister has said in defence of Bill C-69 and the Food and Drugs Act, and whether or not the government actually needs the power to do so.

Mr Buckley, you strongly argue that the government already has the ability to do so. My colleague Mr Davies just mentioned the Tobacco and Vaping Products Act.

If that's the case, what would prevent the minister...? Does the minister have the power right now?

Let's say one of these nicotine pouches had a natural product number. Could the minister pull that natural product number from that product? It's just a simple yes or no.

**Mr. Shawn Buckley:** It's not that simple.

**Mr. Blaine Calkins:** I have a little bit of time and I want to make my point.

The point is that if Health Canada has made an error in judgment in labelling a nicotine pouch as a natural health product instead of labelling it as a product under the tobacco and vaping products legislation and regulations, that would be something for which you wouldn't need the powers here.

Every power I see in Bill C-69 for the Food and Drugs Act deals with "other than the intended use". It's in the supplementary rules for a therapeutic product. In the promotion, it's "other than the intended use"; under uncertainty, it's "other than the intended use".

This is all about off-label use. It has nothing to do with the existing powers that the government has in order to properly regulate these products, categorize them and sell them appropriately in the Canadian marketplace.

Am I missing something?

**Mr. Shawn Buckley:** You know, the minister could put in the Gazette, part 1, today that he's making a regulation that all nicotine products are adulterated if they have flavouring. He could give it a

30-day comment period and publish it again in the Gazette, part 2, and now you're finished.

The minister could make an order under section 27.3 that nicotine products basically can't be promoted for any use that isn't approved and go after companies. He could apply for an injunction or he could charge them. Section 9 already prohibits the promotion for off-label use. The powers are there. That's what's frustrating. Just use the powers that are there.

Tell me, what power in here really.... That's except for not promoting off-label use, which is directed towards doctors.

**The Chair:** Thank you for that.

Now we're moving to MP Thompson for the next two and a half minutes, please.

**Ms. Joanne Thompson (St. John's East, Lib.):** Mr. Arango, this is for you.

I have a very short period of time, so I'll be quite brief in what I have to say.

You referenced pharmacare, the school nutrition program and, obviously, taxes on smoking and vaping as incredibly important as strong measures in preventative health care. Clearly cost outcomes for government are significant if we can't mitigate chronic disease processes.

Can I have your comments on that?

**Mr. Manuel Arango:** Absolutely. There are mountains of evidence to indicate that if we can prevent disease—whether it's cancer, diabetes, heart disease or stroke—we will save tenfold in health care costs.

We want to prevent people from showing up to the emergency room and going through complicated and expensive surgical or diagnostic procedures. Things like taxes on these types of products work. Providing drugs in advance and allowing people who have problems to affordably access drugs keeps people out of the emergency room as well.

The reality is that when it comes to diet, nutrition, and smoking and vaping, etc., prevention is way more cost-effective. Some of these measures in the budget will do that. They're very critical to getting ahead of the curve.

Our health system is already very stretched. We need to keep people out of doctors' offices, out of the emergency room and out of surgery rooms. Preventative measures are really critical.

**The Chair:** You have 45 seconds.

**Ms. Joanne Thompson:** Very quickly, Canada is no longer the only G7 country without a school nutrition program. What can we learn from our G7 peers in terms of implementation and results?

**Mr. Manuel Arango:** In the earlier panel, I think Carolyn Webb indicated that we don't want to stigmatize folks—people, kids in schools.

Obviously, we wouldn't want to have a school nutrition program in a school that says, “The 10 eligible people are these 10 kids whose families are living with low income.” We can't do that. That's stigmatizing. However, it could be done by postal code. In certain communities that are more challenged with food insecurity, we would say that all of the schools in those areas should have access to the school nutrition program.

That's one important learning. Ideally, we would have a universal program, but that's not quite affordable right now, at this point, and so starting with the selective approach is probably the best way to go.

• (1200)

**The Chair:** Thank you.

Thank you, MP Thompson.

Now we go to MP Ste-Marie for two and a half minutes.

[*Translation*]

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

Ms. DeLaronde, I understood that the government took action and significant measures, but your organization has suggestions for further action and continuing those measures.

Can you please repeat and explain them for us in two minutes?

[*English*]

**Mrs. Sandra DeLaronde:** With respect to the red dress alert, this budget allows for further consultation for the development of a pilot project.

Manitoba and Canada have agreed to do the work to establish a pilot project, but we want to be able to implement the pilot project now and work out the mechanics of that as we go along. Every day is a day too long to implement this important initiative.

[*Translation*]

**Mr. Gabriel Ste-Marie:** That's very clear. I understand that there's an urgent need for action now.

Thank you very much for being here, for your testimony and for the work you're doing.

That completes my questions, Mr. Chair.

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

[*English*]

This will be our final questioner.

MP Davies, you will have the last two and a half minutes with our panel of witnesses.

**Mr. Don Davies:** Thank you.

Mr. Buckley, I'm sorry; I wish I had more time, but I want to direct a question to you.

We've already touched on the breadth of the powers that this legislation contemplates, as well as the inappropriateness of placing it in an omnibus budget bill. However, I want to get your views on the actual test proposed in the legislation.

The test on all three areas of additional powers to the minister are if the minister believes that the use of a therapeutic product, etc. A specific and quite unusual section says that despite any uncertainty, the minister may make the order.

I'm wondering if I can get your comment on whether or not that's a sufficient guardrail around the minister's exercise of discretion.

**Mr. Shawn Buckley:** Actually, I view this as a blank cheque. In fact, if you read it carefully, it doesn't have to be for good health outcomes. It can be just for broader public policy, so there's really no threshold.

You would think that if you were going to interfere in the doctor-patient relationship.... That is what off-label use is all about. I don't care if you're talking about the promotion or not; with this promotion provision, if the minister says that you can't promote a specific drug, then you can't publish a clinical trial. You would be in violation. A clinical trial that showed efficacy for some other use would be a violation, as a promotion for off-label use. A doctor couldn't publish a case series. A doctor doing a presentation at rounds on how a drug worked for an off-label use, and anyone even mentioning clinical research, be it a double-blind clinical trial or anything else.... We're going into the area of censorship. From a health outcome perspective, in any way interfering with the doctor-patient relationship is extremely dangerous.

I think of the comments earlier, suggesting that we have targeted provisions dealing specifically with nicotine and youth. There's no threshold here, to answer your question. I don't see any threshold on which, as a lawyer, I could go to court. Understand that the courts already say that the regulatory duty has.... They don't have any duty of care to the industry and the industry player. They wouldn't have any duty of care to a doctor or a patient. You basically have no threshold that we could realistically review. I see this as a blank cheque.

• (1205)

**Mr. Don Davies:** Thank you.

**The Chair:** Thank you.

Thank you, MP Davies. That is the time.

We want to thank our witnesses for coming before our finance committee on Bill C-69 and for their testimony.

Members, before we suspend to bring in our next panel, you should have received two budgets for Bill C-69. They came in on Friday at 4:38 p.m. I just want to see if we have approval for that.

**Some hon. members:** Agreed.

**The Chair:** I see thumbs-up from everybody. Great. Those are approved.

Now we'll suspend and go to our third panel for today.

• (1205) \_\_\_\_\_ (Pause) \_\_\_\_\_

• (1210)

**The Chair:** We are back.

It's rapid fire here at the finance committee today, because we have panel after panel of excellent witnesses.

As witnesses with us today for this third panel, we have the Canada Revenue Agency, with the assistant commissioner of the compliance programs branch, Ms. Cathy Hawara. Welcome.

Joining Ms. Hawara is the director of the international tax operations division, Ms. Martineau. Welcome.

Online, we have the international tax operations division, with Stephanie Martin. We're not sure about her earpiece or how her headset is working, so we're going to see if we can work through that.

We also have with us, from the Convenience Industry Council of Canada, the president and chief executive officer, Anne Kothawala. Welcome.

From Ronald McDonald House Charities Canada, we have with us its chief executive officer, Kate Horton. Welcome.

We're going to start with the CRA and Ms. Hawara, please, for opening remarks.

[*Translation*]

**Ms. Cathy Hawara (Assistant Commissioner, Compliance Programs Branch, Canada Revenue Agency):** Good morning, Mr. Chair.

My name is Cathy Hawara and I am the assistant commissioner of the compliance programs branch at the Canada Revenue Agency. I am joined by Lise Martineau and Stephanie Martin, whom you've already introduced. I want to thank you for inviting us to attend your meeting today.

[*English*]

As you know, the Department of Finance is responsible for developing and evaluating federal tax policy and the legislation through which policy becomes law. As the tax administrator, the Canada Revenue Agency is responsible for the implementation of these laws, including providing information to taxpayers and stakeholders about tax obligations, establishing processes through which individuals and businesses may meet their tax obligations and receive their benefits and, of course, carrying out compliance activi-

ties to ensure that taxpayers respect the law, as intended by Parliament.

In that context, the CRA has put in place the structure required to be ready to administer and enforce the global minimum tax act, the GMTA, if and when it is passed by Parliament and receives royal assent. The GMTA will implement in Canada the pillar two/global minimum tax regime developed by the OECD/G20 inclusive framework on base erosion and profit shifting.

Globally, tax administrations have been preparing for the implementation of pillar two. This has included working with the appropriate bodies of the inclusive framework on the administrative aspects related to the implementation of pillar two, with a view to ensuring consistency and practicality in implementation.

The CRA is currently focused on preparing for the domestic implementation of pillar two and the GMTA. Forms are under development and system enhancements are under way to allow for the electronic filing of those forms. There are also exchange-of-information requirements and registration requirements being developed, and, equally important, technical expertise is being developed within the CRA.

The largest Canadian and foreign multinational enterprise groups, along with their individual entities, will be in the scope of the GMTA. As Canadian taxpayers, these groups and entities are already familiar with the CRA's filing systems and electronic systems, as well as our compliance activities. The CRA plans to work closely with the tax community on the implementation of this global regime.

[*Translation*]

This concludes my opening remarks. My colleagues and I are pleased to answer any questions the committee may have.

[*English*]

**The Chair:** Thank you, Ms. Hawara. I'm sure there'll be many questions.

Now we'll move to the Convenience Industry Council of Canada and Ms. Kothawala, please.

**Ms. Anne Kothawala (President and Chief Executive Officer, Convenience Industry Council of Canada):** Thank you, Chair and members of the committee, for hearing from local corner stores as part of your budget bill deliberations.

On behalf of Canada's 22,500 convenience stores, which employ 180,000 people in communities across the country, we would like to speak to provisions in Bill C-69 that would fundamentally alter our businesses and impact adult customers who shop at their local corner store. These same stores and gas stations not long ago were deemed essential services by government during critical pandemic times and were celebrated and recognized for our role in helping keep Canadians safe.

Of immediate concern with the passage of C-69 are changes to the Food and Drugs Act presented in clause 326 in the BIA that would give the Minister of Health unfettered powers to apply precision regulation to therapeutic products. This captures a number of different products, but most relevant to convenience stores are nicotine replacement therapies, NRTs, including nicotine pouches, which are currently sold in our stores to adult customers.

I want to be very clear with committee members. Convenience stores support stronger regulations for NRTs, including nicotine pouches. Not long after the products were approved for sale by Health Canada, we issued guidance to retailers encouraging them to put the products behind the counter and to age-gate the products just as we do for traditional tobacco.

We are also open to other regulations, including marketing restrictions, labour limitations and even increased penalties for retailer non-compliance to ensure these products are used as intended by adults and for cessation or transition purposes.

However, we do not believe that providing sweeping unilateral powers to the minister over a process that is typically apolitical is the appropriate path to better regulate NRTs, and it would set a dangerous precedent for other products that may be sold in our stores or any retailer of a therapeutic product.

Rather than contemplate removing these products from our stores without any evidence to suggest convenience stores are the source of these products for youth, we would like to work with the regulators to ensure these products are used as intended by adults.

Tobacco users want to purchase reduced-risk products from the places where they purchase their cigarettes. Being able to retail these in our stores allows adult consumers an easier option to make that choice.

We have seen recent public policy failures that have arisen when removing nicotine products from our stores under the auspices of curbing youth access. Both B.C. and Ontario made changes to the availability of vape in convenience stores, limiting or removing some or all of these products from our retail establishments; there remains no data to suggest that this has resulted in fewer youth using the product. In fact, online illicit sales of these products continue to grow at an alarming pace.

Further, the removal of these products from our stores and concentrating their sale ultimately favours the illicit market and illegal websites. In fact, there are dozens of illegal, unapproved NRTs for sale online, sold without age checks, without taxes paid and containing unknown ingredients. It is our understanding that these sites are already the primary source of youth access to nicotine pouches, yet there is no plan to address this threat and online harm to young people. We can all agree that the proliferation of products available

to youth online, including dangerous products like LSD gummies, should be an urgent focus of government.

To conclude, we are in favour of treating NRTs and their gum and inhaler equivalents just as other tobacco and nicotine products are treated. We agree there should be clear regulations applied to nicotine replacement therapies, including age restrictions, locating the product behind the counter and both marketing and flavour restrictions. However, far-reaching ministerial power that would allow for significant changes in the absence of evidence or input from government officials, experts and stakeholders is not the appropriate tool to regulate NRTs or other therapeutic products.

For that reason, CICC is requesting that the text outlined in clause 326 granting these precision regulation powers be deleted or that the ability to determine where the product is sold, something that is typically a provincial responsibility, be excluded from such regulatory powers.

● (1215)

I would be pleased to share our proposed amendment text in writing with the committee.

Thank you.

**The Chair:** Thank you, Ms. Kothawala.

Now we go to Ronald McDonald House Charities of Canada.

Go ahead, Ms. Horton, please.

**Ms. Kate Horton (Chief Executive Officer, Ronald McDonald House Charities Canada):** Good afternoon, Mr. Chair and members of the committee.

My name is Kate Horton. I'm the president and CEO of Ronald McDonald House Charities Canada.

Mr. Chair, when a child becomes sick, the whole family hurts, and we know that when families stay together, sick children get stronger. This is where Ronald McDonald House Charities across Canada comes in.

RMHC operates an essential mission in Canada today. We are the only national organization enabling access to Canada's 16 children's hospitals. RMHC provides essential services that remove barriers, strengthen families and promote healing when children need health care.



As of today, RMHC operates 16 houses and 18 family rooms across Canada, supporting over 18,000 families in 2023 from over 2,400 different communities across Canada. Families count on RMHC to support their mental health and well-being through a warm meal, a built-in empathetic community of support and a place where parents and siblings can be together during a most challenging and unexpected time.

We provide not just accommodation but meals, education, schooling, peer support and mental health programming—truly so much more. These services provide a sense of community and relief from social isolation so that families don't have to navigate their treatment journey alone.

The reality is that out-of-pocket expenses for families who must travel to receive medical care for their sick child can be up to \$20,000 in the first month alone. The good news is that an independent financial analysis conducted by RBC showed that last year alone RMHC saved Canadian families over \$57 million in out-of-pocket expenses related to their child's illness. These costs include accommodation, food and gasoline, as a few examples.

Despite the political differences that may exist around the table, we are heartened by the amount of cross-party support that we have received over the years. As an example, just last month, on May 8 our entire organization and the families we support were so pleased to see such a warm welcome for RMHC during McHappy Day in the House of Commons, with cross-party participation and member statements in support of our mission. Days like McHappy Day on May 8 truly demonstrate both Parliament and Canada at their best.

However, Mr. Chair, the challenge, as you may know, is that there is always a need to do more. In budget 2024, we were pleased to see that GICB, the green and inclusive community buildings program, was recapitalized with an additional \$500 million over five years. The GICB program has helped make our Ottawa house expansion possible and, as announced just yesterday, our Halifax house expansion as well. This funding has been critical to ensure these houses can open on time and expand their service to even more families.

Despite this, RMHC is looking for a more durable and permanent capital funding solution, not only for us and the thousands of families who currently do not make it off an RMHC wait-list, but for all organizations like ours that are providing temporary housing and helping vulnerable populations. We believe that this is a critical gap in Canada's infrastructure landscape.

Through our engagements with government over the last few years, we understand that there is broad support across all departments and political parties to review capital funding options for temporary housing. The reality is that organizations like RMHC and others are a square peg in a round hole. We don't fit in any specific ministry, despite having met with many different ministries and Crown corporations over the years. We believe that Infrastructure Canada is ideally positioned to include temporary housing in its national infrastructure assessment and to help work with us to develop new funding programs.

Addressing these needs proactively will make a significant impact on the demand for temporary housing, and our reality is that,

with escalating demand, RMHC needs to expand across Canada to grow our current number of bedrooms. To serve more Canadians, RMHC alone is projecting over \$450 million in capital costs over the next 10 years.

Mr. Chair and members of the committee, we need your support to fill this critical gap in Canada's infrastructure landscape by creating a specialized capital funding program for temporary housing initiatives. By investing in these essential and critical services, together we can ensure that all Canadian families, especially the most vulnerable, receive the support they need during their most challenging days.

Thank you for your time, and I look forward to your questions.

• (1220)

**The Chair:** Thank you, Ms. Horton, for your opening remarks, and thank you to RMHC for the services that you provide in many of our communities.

With that, we'll go to members' questions. Each party will have up to six minutes to ask questions. We'll start with MP Chambers for the first six minutes.

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

Ms. Hawara, welcome back.

I want to ask a couple of questions about the luxury tax. It's referenced in the budget bill.

I'm looking at form B500, which is required for those who submit payments for the luxury tax. That form quite clearly breaks out the number of units and the payments for each class of vehicle, whether it's a vessel, an aircraft or an automobile.

I'm wondering why... When an Order Paper question was asked, the response given was that the CRA doesn't collect that information. I suspect that you do have this information somewhere. Is it just not easily available?

• (1225)

**Ms. Cathy Hawara:** Mr. Chair, I'm not sure of the answer to the question from the member, but I am happy to go back and double-check. It's possible that while the information may be on the form, it may simply not be captured in our IT systems. It may not be data that's captured, and that's why we can't report on it. However, I would rather check and provide a formal answer to the committee, if that's acceptable.

**Mr. Adam Chambers:** Thank you very much. I would appreciate your looking into it.

When this measure was introduced, the government did not do an economic impact analysis of the measure. The finance department has since done an economic impact analysis, and they've said they'll need to see the impacts of the tax on the economy and on sales activity once it's implemented. The information that CRA provides can be very valuable to members of Parliament in determining the efficacy or the impacts of the tax. My understanding is that you'll take this back—that's wonderful—and if that information is available, you will provide it, broken down by category.

**Ms. Cathy Hawara:** If it's available, yes, of course.

**Mr. Adam Chambers:** Thank you very much. I appreciate that.

I note also that in this bill, there are measures related to the carbon tax rebate for small businesses. CRA is receiving about \$180 million to implement systems related to that. The CRA is also receiving additional monies for the automatic tax filing as well as enhancing call centre operations to the tune of about \$570 million, I think, with all three measures added up.

My question is this: Do you have a breakdown—not for today, but maybe as a follow-up—of what is operational funding in the spend for people versus technology? I note that in previous budgets there was some information provided about how many FTEs would be hired, but there was no information provided here. I don't expect that you would have that now, but if you wouldn't mind, could you provide to the committee at a later date what you think that expectation is on the spend for people versus technology?

**Ms. Cathy Hawara:** Mr. Chair, I know my colleagues in the agency are working actively on that now. To the extent that the information is available within the time frames in which I will be required to report back, we can certainly do that. Some of this work is ongoing now.

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

We don't have a timeline that's required, generally. I know some other committees do. It's kind of a best-efforts basis, so a few weeks would be wonderful, if that's possible.

In my remaining two minutes, because we haven't had members from CRA at the committee for a little bit, I'm really interested in the process for the bare trust decision. Setting aside the fact of the challenges that people had, I'm just curious: Whose decision right was it, at the end of the day, to choose to delay or stop the implementation at that moment? Was that a ministerial decision in the Canada Revenue Agency or the Department of Finance, or was it a departmental decision in one of those two areas?

**Ms. Cathy Hawara:** The Canada Revenue Agency wanted to take an education-first approach with respect to these new reporting requirements that a bare trust would be subject to. We announced in early December 2023 that the agency would be waiving the late filing penalties for all of 2023, and that was a decision made by departmental officials.

Over the course of the months that followed that decision, we continued to be in contact with our stakeholders, continued to receive a lot of questions and concerns, and ultimately departmental officials did make the decision to waive the filing requirement for the year with respect to bare trusts. That's what was announced at the end of March this year.

• (1230)

**Mr. Adam Chambers:** Okay, thank you very much. We learned that over 40,000 tax filers had submitted the paperwork, and at the last minute—frankly, I think it was the day before they were due—they were told they didn't have to do it. That meant that the greatest number of people went through the most amount of trouble to fill out the paperwork, only to find out at the end of the day that they didn't have to do it.

That's been a source of serious concerns and frustrations on behalf of taxpayers, which I know you understand, but I'm hoping that we can find a bit of an easier way forward on this particular issue that takes into consideration the cost of compliance, because it's, on average, about \$500 per return. I'm hoping that we can find an easier way for taxpayers.

Thank you, Mr. Chair.

**The Chair:** Thank you, MP Chambers.

Now we'll move to MP Dzerowicz for six minutes.

**Ms. Julie Dzerowicz:** Thank you so much, Mr. Chair, and I want to thank all the witnesses for being here today.

My first couple of questions will also be to the CRA.

The CRA is so huge and you cover so many different areas, so I'm not quite sure whether you'll be able to respond, but I'll tell you two of the key things that I think are of great importance to the residents of my riding of Davenport.

One is automatic tax filing. I'm not sure if any one of you can talk about that. I know that we originally introduced the automatic tax filing last year. I wouldn't mind if someone could actually talk about it. If I am asked by someone in my riding about automatic tax filing being expanded this year, what is my answer on how it will be expanded, how that will be beneficial, and who is eligible for it?

If you could answer any of those three questions, that would be great.

**Ms. Cathy Hawara:** I will do my best. The member of the committee is correct that it does fall under the responsibility of one of my colleagues.

Generally speaking, we have an initiative within the agency called SimpleFile. It's an initiative we've been piloting over a couple of years now, working with specific provinces and looking to reach out to particular individuals who are receiving social assistance from those provinces. The agency proactively reaches out and offers them various ways in which they can easily file their tax return with the agency. The reason that this is important is that by filing our tax returns, we all have access to the benefits we're entitled to, so it is critically important for vulnerable populations that they file their tax returns in order to have access to their benefits.

**Ms. Julie Dzerowicz:** If I could just interrupt for a second, it's right now just available to those who are receiving social assistance. Could you be specific? My riding's in downtown Toronto, so I'm assuming that it's those who are on social assistance in Ontario that the CRA would be supporting and trying to reach out to.

**Ms. Cathy Hawara:** Yes, Ontario is one of the provinces with which we're working. Perhaps what I can do is follow up in writing with a little bit more detail. I can tell you that this year we were sending out invitations to 1.5 million people across the country, but we'll provide more information, absolutely.

**Ms. Julie Dzerowicz:** That would be great, and a breakdown of each of the provinces and how many people are getting it in each of the provinces would be appreciated.

The other element of this budget that members of my riding are very excited about is the carbon rebate. Small businesses are very excited about the carbon rebate.

If a small business were to ask when they would be eligible for this carbon rebate, and they've been filing their taxes every single year, what would be your response to them?

**Ms. Cathy Hawara:** We're in the process of developing that now. My understanding is that payments should be...actually, I think I'd better check.

To be quite honest, Mr. Chair, I have not been following that particular file closely, but we can provide information. It's one of the files that we're actively working on. I know there is an interest in getting the payments out as quickly as possible; I just don't know whether the agency has been able to commit to an official date just yet, so I'd rather check with my colleagues, if that's okay, and provide a written response.

• (1235)

**Ms. Julie Dzerowicz:** That would be appreciated. I know that people in my riding of Davenport will be very happy as well.

I will come back to you about the global minimum tax, but I think I'm going to go to Ms. Kothawala for a minute.

You were talking about the precision regulation powers. My understanding is that a key reason that the Minister of Health wanted those powers is that there's no mechanism for him to be able to take a contaminated product off the marketplace. I think that was the key reason he decided that this was a necessary measure.

How would you respond to that?

**Ms. Anne Kothawala:** I think the fundamental issue, we all agree, is that there's a youth access problem. Our position is that we should deal with that youth access problem by dealing with the proliferation and huge growth of online access rather than, frankly, choosing a convenient—no pun intended...or pun intended—scapegoat.

Basically, the minister is suggesting that convenience stores can't be trusted. Our members really take offence to that.

**Ms. Julie Dzerowicz:** I appreciate you mentioning that and I appreciate the comments you've made today. I will say, though, that it doesn't respond to the fact that the main reason the minister has put

in these measures is that right now there's no mechanism for him to actually be able to take a contaminated product off the marketplace.

I think there are definitely questions that you have raised that are important ones around vaping and how we make sure we are discouraging our youth in every way possible from actually using vaping products, but that is a separate question.

I just want the public to know that a key reason behind the precision regulation powers is that he felt there was not an ability for him to get certain types of products off the marketplace and he needed those powers.

Thank you for that.

I'll go back to Ms. Hawara.

We haven't talked about the global minimum tax at the finance committee for a while. Can you remind Canadians why it was important for us to join the global coalition and how Canada will benefit?

**Ms. Cathy Hawara:** Thank you for the question.

There have been efforts under way internationally for a number of years now to prevent base erosion and profit shifting and to make sure that large multinationals pay an appropriate level of tax in the various countries in which they operate.

In 2021, the community, through the OECD and the inclusive framework, agreed to the two-pillar solution. Pillar two would see a minimum tax being imposed and set at 15% on the largest multinational organizations that would be in scope, regardless of where they are undertaking their activities. Assuming it's in jurisdictions that are implementing the two-pillar solution, there would be an appropriate level of taxation paid.

Canada has played an important role. The government has indicated in budget 2024 its expected revenue generation as a result of this. The latest numbers indicate that Canada would benefit in the amount of \$6.6 billion over three years, starting in 2026-27.

**Ms. Julie Dzerowicz:** Thank you.

**The Chair:** Thank you, MP Dzerowicz.

Now we go to MP Ste-Marie, please.

[*Translation*]

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

Greetings to all the witnesses and thank you for being here.

My questions are for the representatives of the Canada Revenue Agency.

My questions will mainly concern the matter that was just raised, that is part 2 of the bill, the Global Minimum Tax Act and Pillar Two.

First, however, I'd like to ask you some questions about the capital gains change. The date announced for the coming into force of that change is barely three weeks away. Unless I'm mistaken, we still don't have the text of the act, and those items aren't included in the notice of ways and means motion that was voted on.

Unless I'm mistaken, we still don't have the text of the act or the notice of ways and means motion three weeks before the change comes into force. Will that change anything for the CRA?

[English]

**Ms. Cathy Hawara:** Mr. Chair, with respect to the Canada Revenue Agency, we will wait to see the legislation. It is difficult for me to answer the question without having seen it. We will not be in a position to implement it until we have legislation passed and in force.

[Translation]

**Mr. Gabriel Ste-Marie:** Thank you for your answer.

That's precisely the question I asked you. We are three weeks and a day away from the coming into force of that change, and we still don't have the text. Does that trouble you?

• (1240)

[English]

**Ms. Cathy Hawara:** I think this is probably a question that is best directed to my colleagues at the Department of Finance.

The Canada Revenue Agency will administer the law once it is passed and receives royal assent. I appreciate the question being asked. It's difficult for me to answer beyond this.

[Translation]

**Mr. Gabriel Ste-Marie:** I see. Thank you very much.

I welcome the fact that the government is implementing Pillar Two. This is a major change that will bring more justice and fairness to the tax system internationally. I'm really happy the government is putting this forward.

The text is quite complicated, and I'll have some quite technical questions for the CRA representatives.

We know that the agency collects income tax everywhere in Canada except Quebec. Under an agreement, Revenu Québec collects income taxes and administers sales taxes. Furthermore, if I'm not mistaken, Alberta collects corporate taxes.

For part 2, would the CRA please confirm for us that Revenu Québec will collect the 15% tax from multinationals and that Alberta will do the same for businesses within its jurisdiction?

[English]

**Ms. Cathy Hawara:** My understanding is that this is a federal tax, and I believe my colleagues from the Department of Finance were here recently. I don't have more to add than the information they would have provided to the committee at the time.

[Translation]

**Mr. Gabriel Ste-Marie:** The finance department official told us that, for the moment, there was no mechanism for redistributing

that tax between Ottawa and the provinces, or for the provinces that collect the taxes themselves, for that matter.

My question here isn't about redistributing the federal tax that will be collected. I want to know who will be responsible for collecting it.

Consider, for example, a multinational corporation registered in Quebec that reports profits in Barbados and that pays no tax or only a more symbolic amount close to zero. Under part 2 of the bill, who will collect the 15% of profits that the multinational registered in Montreal reports in Barbados? Is it the CRA or Revenu Québec?

**Ms. Cathy Hawara:** Thank you for your question.

I can confirm that it's the CRA.

**Mr. Gabriel Ste-Marie:** I see.

Currently, when a tax is charged outside Canada, is it also the CRA that collects it from businesses registered in Quebec?

**Ms. Cathy Hawara:** I don't know if my colleague can provide any details on that subject.

[English]

Stéphanie, would you be able to answer that particular question?

**Ms. Stephanie Martin (Acting Manager, International Tax Operations Division, Canada Revenue Agency):** I think we would have to check into that a little further and come back with a written response. I wouldn't want to speak off the cuff and perhaps be imprecise.

[Translation]

**Mr. Gabriel Ste-Marie:** I would appreciate that. Thank you very much.

The agency has just submitted written answers to a question that was asked at a previous meeting of this committee. In particular, there was a part concerning the Panama papers.

To finish my turn, I'd like to know one thing. In the Panama papers matter, we learned that the offenders weren't criminally convicted.

Do you think all the proceedings were properly conducted? What could be improved in the judicial system to make it more robust in dealing with tax avoidance and tax evasion?

[English]

**Ms. Cathy Hawara:** Thank you for the question. I do know that our response was provided this morning.

There have been six investigations in total. Three have been discontinued and three are still under way. It is correct to say that there have not been any prosecutions to date. That work is still ongoing.

What I can say is that our criminal investigations normally can take a little bit of time, depending on the issues, whether other jurisdictions are involved and the availability of the evidence that we need. I appreciate the question. These investigations can take some time and can be complex. That is the latest information we have with respect to the Panama papers.

• (1245)

[Translation]

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

[English]

We now go to MP Davies for the next six minutes.

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

My next question is for the Canada Revenue Agency.

Revenue Minister Bibeau recently made a statement in which she insisted that tenants do not have to withhold 25% of rent from non-resident landlords, despite a recent court decision obligating an individual to do so. David Siscoe, a Montreal gym owner, was found personally liable for the unpaid taxes of his landlord. The minister said that CRA does not expect individual tenants to withhold rent from their landlords. However, a Globe and Mail article says, “The CRA...says on its website that tenants of non-resident landlords are expected to withhold a quarter of their rent and remit it to the CRA—and that has...been the...law for decades. The site says that the 'non-resident tax' is considered a tax obligation on a rental income.”

Can you clarify, please, the apparent contradiction between Minister Bibeau's statement and the information provided on the CRA's website?

**Ms. Cathy Hawara:** Thank you for the question.

The distinction turns on whether the tenant is an individual renting their personal residence versus someone renting a property for business purposes. We are in the process of updating the website to clarify and be more in line with our internal processes, as communicated to our auditors.

While it is true that part XIII tax is jointly owed by the tenant and non-resident landlord, in the case of an individual renting their personal residence, the agency does not expect the tenant to withhold the 25% tax.

I cannot speak specifically about the court case, although I am aware of it. I would simply point to the fact that the appellant in that case was a corporation.

**Mr. Don Davies:** Thank you.

To the Convenience Industry Council of Canada, may I ask if you receive any funding whatsoever from any entity associated with the tobacco industry?

**Ms. Anne Kothawala:** [Technical difficulty—Editor] are associate members of our association, just as with many other products that convenience stores sell. They are members, but they are not on the board and do not participate in our decision-making.

**Mr. Don Davies:** I'm sorry. I'm not clear. I'm going to ask that again.

As a council, you presumably have a budget. Do you have a budget?

**Ms. Anne Kothawala:** I have a budget, yes.

**Mr. Don Davies:** Is any portion of your budget in any way funded by the tobacco industry?

**Ms. Anne Kothawala:** As I said, they are associate members. We receive some money—a very small amount of our budget—from those companies.

**Mr. Don Davies:** Thank you.

I have two questions for Ronald McDonald House Charities Canada.

I know you've spoken positively about the green and inclusive community buildings program. I think this budget revives that program with an additional \$500 million.

Is it the case that some of that funding has been or could be used to help build additional Ronald McDonald houses across Canada?

**Ms. Kate Horton:** Thank you for the question.

Yes. To date, the GICB program has supported two Ronald McDonald House expansions—one in Ottawa that is currently under way, and a new house announced just yesterday in Halifax with 36 bedrooms, which will open later this year.

We have an ambitious goal. Our organization across Canada has been turning away four out of every five families needing our support. We are aiming to double the number of bedrooms from our current 554 in the next five to seven years. The GICB program will be a critical piece of how we are able to grow our mission to serve more families.

• (1250)

**Mr. Don Davies:** Thank you.

I read your pre-budget submission. You used the term “temporary housing”. I was quite intrigued when I viewed the Ronald McDonald houses through that lens, not only as a contributing piece to our health care system but also as an important source of housing for families seeking it when they have sick children. They are often people from rural areas who have to travel to urban centres for extended periods of time.

I'm wondering if you could comment on the impact your organization has in terms of contributing to essential housing while we have a housing crisis in this country.

**Ms. Kate Horton:** What many across the country don't realize is that two-thirds of Canadians live outside a city with a children's hospital. While we can often plan for elder care, nobody expects to be in the sudden and unexpected situation of having to heal a sick child. With a child being part of a family unit of support and healing, when a child falls critically ill or is injured, that whole family must essentially uproot from their home community and travel to one of 16 specialty hospitals in Canada to seek that pediatric care.

That's really where we come in as providers of temporary housing to families in a critical time. As you may know, families staying with RMHC may stay with us for many weeks, many months and, in some cases, a year or more. The impact of that on their permanent housing situation in their home community could be devastating. We've had many families tell us, for example, that, were it not for RMHC, they would have to sell their home and move permanently to the city where their child is receiving care.

We view ourselves as an upstream solution in the housing conversation and a real stopgap for families who must make emergency plans for an indefinite amount of time that may involve multiple members of their household staying together and safely supporting their child on a healing journey.

**The Chair:** Thank you, MP Davies.

I'm sorry; we've reached time, but we are going into our second round. Of course, this will be a quick one. We don't have much time, but there are another two and a half minutes per party.

We'll start with MP Calkins for the first two and a half minutes.

**Mr. Blaine Calkins:** Thanks. My questions will be for Ms. Kothawala.

It's generally provincial jurisdiction that governs what you have on your store shelves for your members. Is that correct?

**Ms. Anne Kothawala:** That is correct.

**Mr. Blaine Calkins:** You were, I believe, in the room when Mr. Buckley was here in the previous panel. When he was testifying, he gave very specific regulatory provisions that would allow Health Canada to do what the minister is claiming he can't do right now.

What is your assessment of Mr. Buckley's testimony? Does it seem fair and reasonable to you?

**Ms. Anne Kothawala:** Yes, we would agree. Let's use what is at the minister's disposal currently and, as we've said, treat all of these products under the Tobacco and Vaping Products Act and treat them equally.

**Mr. Blaine Calkins:** That would be a simple solution, wouldn't it? Take these products that are in question, remove them from whatever regulatory body the minister currently doesn't like in his portfolio and give them to another minister, another directorate, and regulate it accordingly.

As a matter of fact, back in 2014, Minister Rona Ambrose brought forward regulatory changes when it came to flavoured tobacco products. That gazetting process usually takes about 90 days at most, and nothing in this legislation that I can see gives the minister the power that he claims he needs in order to make these changes.

Would you agree with that assessment?

**Ms. Anne Kothawala:** Yes. Again, we think this is a huge overreach. The problem of youth access is one that we all agree with, but we have two very fundamental problems in this country: We have a huge black market, and youth can access that black market.

We will circulate a document that we've put together that shows the the number of products that young children can access without

showing their ID. They can get these items delivered right to their house.

**Mr. Blaine Calkins:** You would contend, then, that the current regulated law-abiding store owners under your jurisdiction are complying with the law to the best of their ability. Nobody wants to put harmful products in the hands of children, and everybody is complying to the best of their ability with the laws and regulations, and you're not the problem; you're the scapegoat.

This is a very common theme, I think, with the current government on other fronts, but this document that I have in my hand, which I think is from your organization, says that there are over 93 active contraband websites, many of which use Canada Post to deliver these products.

Would you say that the majority—I think you said in your testimony—of this stuff is getting into the hands of kids through this vehicle? Your stores are getting blamed for this, and I don't think they're the problem.

**Ms. Anne Kothawala:** That's exactly it.

• (1255)

**The Chair:** That's the answer, and please, members, there should be no props in the room. Thank you.

We are now going to MP Baker for two and a half minutes.

**Mr. Blaine Calkins:** It's not a prop; it's a brochure.

**Mr. Yvan Baker (Etobicoke Centre, Lib.):** Thank you very much, Mr. Chair.

Thank you to all our witnesses for being here today.

I'd like to direct my questions to Ms. Hawara, if I may. I want to ask you about something that many of my constituents have raised with me, and it was raised earlier in this meeting, which is the issue of and decision around bare trusts.

My understanding is that certain taxpayers were informed that they would have to prepare certain filings for this tax season by a deadline, but very shortly before that deadline, they were informed by the CRA that they no longer had to do that.

The feedback I've received from folks has been critical. There are two issues here. There's a cost to compliance. A lot of them had to hire accountants and other folks to prepare the materials the CRA initially requested. I think the fact that the CRA said at the last moment that it was no longer required suggested that the initial decision to require it wasn't well thought out.

Again, I'm asking this question for the sake of my constituents in Etobicoke Centre, who have asked me this question. I'd like to provide them the best answer possible.

Why did this happen, and how we ensure that this sort of thing, when it comes to bare trusts or any other form of tax compliance by Canadians, doesn't happen again?

**Ms. Cathy Hawara:** Thank you for the question.

I think it's important to start by saying that when these additional reporting requirements were announced in budget 2018, the objective was to ensure greater transparency with respect to beneficial ownership of trusts. It's important for us, as the tax administrator, to understand who ultimately benefits from particular assets that may be the subject of a trust.

The notion of a bare trust was introduced in 2022, a number of years after the original reporting requirements were announced. The agency recognized that this concept of a bare trust could be broad and difficult to understand. Working with stakeholders, we decided to take an education-first approach, which is why we announced that we would be waiving the filing penalty for bare trusts for all of 2023. Therefore, regardless of when a bare trust was filed in 2023, it would not be subject to a late filing penalty. This was done in recognition of the fact that there were a lot of questions and that we all needed a bit more time.

Unfortunately, that wasn't enough, and the agency felt it was important to continue to act. We recognize that there were unintended consequences in terms of the legislation, and we are working with our colleagues at the Department of Finance to clarify the guidance we can provide going forward so that it is clear.

Beneficial ownership information about trusts, including bare trusts, is important, but we recognize that there were unintended consequences, and we acted as a result.

**The Chair:** Thank you.

Thank you, MP Baker.

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

[Translation]

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

My question is for Ms. Hawara.

Going back to your written answer concerning the Panama papers. If you compare what's done in Canada through the CRA and our laws with what's done in the United States through the IRS and what's done in Europe, my sense is that Canada really lags behind in the fight against the use of tax havens.

I'd like you to tell us about potential solutions. What should we put in place to make Canada more effective in this area so that we compare favourably with other countries?

**Ms. Cathy Hawara:** Thank you for your question.

It's true that the CRA's analysis of the Panama papers was long and complex, partly because the documents included little financial information. Consequently, it took more time for the agency to conduct the necessary analysis that has led us to where we are today.

We identified approximately 900 taxpayers in the leak. As we said, we've completed 280 audits, and others are under way.

The point about other countries is important. We work closely with our partners from other countries, and we learned a lot as other leaks were discovered. We're working with our partners, American, English, Australian and others. So we're learning with time.

It's important to note that being named in a leak doesn't necessarily mean that taxpayers failed to meet their tax obligations.

• (1300)

**Mr. Gabriel Ste-Marie:** First of all, I have a request for you. We've discussed data from March 31, 2023. When you get the March 31, 2024 data, I'd like you to forward it to the members of this committee. Thank you in advance for that.

Second, you said that a total of \$77 million in tax and penalties were involved. I'd like you to provide us with a breakdown of the penalty amounts: Were they just interest on the amounts that should have been paid or penalties of another kind?

Thank you.

[English]

**The Chair:** Thank you, MP Ste-Marie.

Now we'll go to our final questioner for this panel, MP Davies.

**Mr. Don Davies:** I have two questions for the CRA.

I'm new to the committee, so forgive me if this is a well-known figure. What is CRA's estimate of the amount of lost tax revenue to Canada as a result of improper use of tax havens or tax evasion?

**Ms. Cathy Hawara:** I can provide the committee with information about our tax gap report, which I think will be a helpful resource to answer the question.

**Mr. Don Davies:** Thank you.

My next question is on automatic tax filing.

Increasingly, access to government benefits depends on filing a tax return. We know many marginalized Canadians have difficulty with that. I know there are certain countries, and I'm trying to remember the Baltic state. It's either Latvia or Lithuania that is already implementing automatic tax filings for people who wish it.

I'm just wondering if CRA has any pilot program or any thoughts in that regard to provide automatic tax return filing for Canadians who may desire to use it.

**Ms. Cathy Hawara:** Thank you for the question.

There is work ongoing at the moment, including in response to announcements made by the government. Given that this is an area that falls under one of my colleague's responsibilities, perhaps I can come back to the committee in writing with a response to the question.

**Mr. Don Davies:** Thank you for that.

My final question is to Ronald McDonald House Charities Canada.

Do you have a last word on the impact of the green and inclusive community buildings program and the impact you see on community development?

**Ms. Kate Horton:** The green and inclusive community buildings program has been an incredibly impactful program for Ronald McDonald Houses across Canada, supporting families with sick children; however, it is an imprecise tool.

We are part of the GICBP and are grateful recipients of funding through that program. Recognizing that we are part of a whole host of other valuable infrastructure projects through that program, we really see our mission as being part of essential social infrastructure in supporting families across Canada. Many other organizations are also providing essential social infrastructure, not just RMHC. We don't currently have a vehicle or mechanism within government to support essential social infrastructure. Given a networked approach is alleviating some of the burdens in our health care system today, we really encourage the federal government to consider social infrastructure as part of the federal fiscal planning for 2024 and beyond.

**The Chair:** Thank you.

Thank you, MP Davies.

We want to thank our terrific witnesses very much for their testimony here on Bill C-69. I know some of the members have asked you questions on information that you may not have at this time, but you will provide it in writing. If you could do that through the clerk so that information could then be distributed to the members, we'd appreciate that.

We wish you the best with the rest of your day.

Members, we are now going to suspend as we get ready for our final panel today.

• (1300) \_\_\_\_\_ (Pause) \_\_\_\_\_

• (1310)

**The Chair:** I call the meeting back to order.

We are back, everybody. This is our fourth and final panel of witnesses today.

We have with us the Canadian Nuclear Association's vice-president of government relations and international affairs, George Christidis.

From the First Nations Finance Authority, we have the president and chief executive officer, Ernie Daniels, as well as the chief operating officer, Steve Berna, via video conference.

From Unifor, we have Kaylie Tiessen, national representative of the research department, and the director of the research department, Angelo DiCaro.

Welcome to everyone.

On that, we are going to hear opening remarks from the Canadian Nuclear Association for up to five minutes, please.

**Mr. George Christidis (Vice-President, Government Relations and International Affairs, Canadian Nuclear Association):** Thank you very much. I really appreciate the opportunity to be here today at this very important hearing on Bill C-69, another budget implementation bill.

As stated, my name is George Christidis. I am vice-president of government relations and international affairs at the Canadian Nuclear Association.

I'd like to begin by acknowledging that we are on unceded territory of the Anishinabe Algonquin first nation.

The Canadian Nuclear Association is a non-profit organization that represents over 100 members from the nuclear industry across Canada. The Canadian nuclear industry employs 76,000 Canadians in highly skilled trades and professional jobs, directly and indirectly. Currently, Canada's CANDU nuclear reactors generate about 15% of Canada's electricity, representing over 60% of the electricity in Ontario and over 30% in New Brunswick. These assets provide clean, reliable, non-emitting baseload power. More and more provinces are increasingly looking at nuclear technologies as part of their electricity needs.

The Canadian nuclear industry is a key employer of first nations communities, particularly in northern Saskatchewan. For instance, the Cameco uranium mining corporation is one of the largest employers of aboriginal peoples. The Canadian nuclear industry is also a major supplier of isotopes, which is key to fighting certain cancers and to other nuclear medicine procedures.

It is clear from an international and domestic perspective that attaining climate and energy security goals will require significantly more nuclear energy, as well as a strengthened nuclear fuel cycle and supply chain capability. The Canadian nuclear industry is a global leader in this regard. The Canadian nuclear industry advantage is based on the successful operation and refurbishment of its CANDU nuclear fleet and the nuclear cycle and supply chain that is necessary for its operation.

This effort to meet climate and energy security goals is really foundational to what the Canadian Nuclear Association's recommendations are. Canada, as a leader in the nuclear industry, is a tier one nuclear nation, with nuclear companies recognized around the world across the supply chain and across nuclear research, such as at the national laboratories at Chalk River or the nuclear waste management initiatives being led by the Nuclear Waste Management Organization and Chalk River nuclear laboratories. Based on that foundation, the recommendation is to strengthen the nuclear industry, and we encourage all parliamentarians to implement quickly the decisions that have been made in the last few budgets.



We've seen a significant increase or inclusion of nuclear power in key foundational policies in Canada and abroad. At COP28, there was a recognition of the need to triple nuclear energy. At Sapporo 5 there was a recognition of leveraging the nuclear industry in Canada and other like-minded countries to meet energy security goals to help delink from Russian energy assets.

We applaud these measures. However, we recommend a timely and strategic approach in implementing and operationalizing the investment tax credits, the clean manufacturing tax credits, and similar initiatives that have been announced. We have to move quickly. There is a competitive bent to it as well, as we see the United States proceeding to implement the Inflation Reduction Act.

I must reiterate that the link between domestic and international initiatives is very important and that energy security, national security and climate initiatives are all interconnected. With that in mind, we recommend that there be an appropriate definition of small modular reactors to enable technologies that are chosen for Ontario and Saskatchewan to be eligible for investment tax credits. The definition should be 1,200 megawatts thermal to ensure that projects are included and can proceed, as well as an operational requirement for modularization that the current technology does not meet.

Making leasehold property models clearly eligible for the investment tax credits is also crucial for any potential partnerships between nuclear utilities and first nations. These financial tools enable nuclear utilities to enter into partnerships with first nations while complying with nuclear licensing requirements. The Canadian Nuclear Association also recommends that the definition of eligible refurbishments and expenditures include all components that enable clean energy assets to continue operations.

We also recommend that uranium be added to the list of qualifying materials and the inclusion of conversion and fuel fabrication in the list of qualifying materials eligible for the clean technology manufacturing tax credit. This is essential to strengthen a key component of the nuclear industry.

Finally, the definitions that will be used for the hydrogen investment tax credit framework need to include nuclear to ensure that Canada does indeed achieve its hydrogen goals.

These recommendations have been presented as a way to strengthen the Canadian nuclear industry, but they are also a means to strengthen Canada's economic, social and environmental credentials and capabilities, which all, again, have a very strong national security and energy security bent.

Thank you very much. I look forward to your questions.

• (1315)

**The Chair:** Thank you, Mr. Christidis.

Before I go to our next witness for opening remarks, I failed to mention that we also have a fiscalist who is here as an individual witness, Brigitte Alepin. Welcome.

We'll go now to the First Nations Finance Authority, please, for opening remarks.

**Mr. Ernie Daniels (President and Chief Executive Officer, First Nations Finance Authority):** Thank you to the committee members for inviting us to testify today.

I'm calling from the Westbank First Nation in British Columbia.

Very briefly, for background, the First Nations Finance Authority was created under federal law with support from all parties in Parliament. We are a first nations-led organization very much driven by the priorities of the first nations we serve.

Our primary function is to find and secure financing in domestic and international capital markets for first nations. The financing we secure, primarily through the issuance of debentures, is securitized by the own-source revenues of qualifying first nations.

While historically the financing support we provided was primarily for infrastructure such as roads, schools and community centres, we are now in many discussions that are equity-based opportunities that present communities with a path to a state where they would be able to thrive and grow. I can share with confidence that FNFA lending to first nations for equity investments is economic reconciliation realized.

We have followed with great interest the development of the indigenous loan guarantee program that Bill C-69 proposes to create. We are all aware of the vast potential for a wide range of large resources and energy projects across Canada.

Many of these, such as rare earth element extraction and electrical transmission lines, are vital to achieving Canada's clean energy goals in the manufacture of zero-emission vehicles. Others, like natural gas, support the transition to a low-carbon future. All of them have vast potential to support employment and economic development in the first nation communities they touch. FNFA is ready and able to support the desire of communities to participate, thus realizing these important economic and environmental ambitions.

There was a time when a specified number of guaranteed jobs or supply contracts would be deemed sufficient as the benefits that indigenous communities could expect from development on their traditional lands. Today, though, first nations and other indigenous communities want the long-term benefits that ownership brings. They want to be full partners, with both the benefits and the obligations that partnership implies. In other words, they want equity, and first nations equity translates to economic growth and increased productivity for Canada.

FNFA is well positioned to deliver the financing for the large projects that we understand the loan guarantee program is intended to support. Having issued 10 debentures with a loan portfolio in excess of \$2 billion and having recently migrated from the municipal to the federal index, FNFA now has access to vast amounts of capital for equity stakes in these projects, and because of the model on which FNFA is based, we can provide capital to first nations at much lower interest rates than they would get from commercial lenders. This means that they can retain more of the revenue their equity stakes generate, resulting in greater financial capacity for vital infrastructure or for programs that communities desperately need. It also means more revenues that they can leverage through the FNFA up front for investment and community priorities.

The current governing legislation for the FNFA, the First Nations Fiscal Management Act, prevents the FNFA from lending to special purpose vehicles, such as limited liability partnerships. Last week we had the opportunity to meet with a range of decision-makers and parliamentarians from all parties. Among the issues we discussed was a regulatory change that would allow FNFA to lend to special purpose vehicles in cases when a federal loan guarantee is in place. This would provide a financing option in circumstances where multiple first nations organize themselves. This would open the opportunity for participation to those first nation communities that otherwise might not have been able to participate.

In this scenario, communities that participate in an investment opportunity will be better positioned for economic growth and capacity building on their own terms. As they advance and become more familiar with us, they will see the potential benefits of becoming certified and obtaining membership.

We see this as a real opportunity that would create wins for Canada and for the first nations. We invite members of this community to support our efforts in this regard.

Thank you. We'd be happy to answer any questions you might have.

• (1320)

**The Chair:** Thank you, Mr. Daniels. I'm sure there will be many questions from the members.

Now we're going to hear opening remarks from Unifor.

**Mr. Angelo DiCaro (Director, Research Department, Unifor):** Thanks very much.

Good afternoon, Chair and members of the committee.

My name is Angelo DiCaro. I'm the director of research for Unifor, which is Canada's largest labour union in the private sector, representing 320,000 workers across the country.

I'll be sharing my time with my colleague Kaylie Tiessen, an economist who leads the union's budgetary analysis work.

We want to thank the committee for the invitation to participate in this review of the budget implementation bill.

Unifor recognized the federal government for presenting what was, by many measures, a social progress budget in 2024. It's one that responded to persistent economic inequities, affordability pressures and stubbornly high interest rates. Over consecutive budgets,

the government has established durable public goods programs, including first-phase pharmacare, as well as dental care, child care and student nutrition programs that will serve Canadians now and for generations to come.

Nevertheless, the absence of promised employment insurance reform, a program that will serve as the core economic stabilizer for unemployed workers on the path to net zero, is a glaring hole in budget 2024.

Our commentary today will focus on curated elements of Bill C-69, but it by no means constitutes Unifor's full or comprehensive assessment of the legislation.

Unifor supports the proposed Income Tax Act amendments that increase maximum labour expenditures for newsroom employees from \$55,000 to \$85,000, as well as the proposed increase to the Canadian journalism labour tax credit rate to 35%.

That support extends also to the \$10-million capital gains exemption on the sale of a business to an employee ownership trust. These measures provide opportunity for local and national media outlets, keeping them viable and delivering the journalism Canadians need.

In the clean energy and advanced manufacturing sectors, Unifor supports the proposed investment tax credits, including the clean technology manufacturing credit, which already appears to have been instrumental in securing significant future investments in the auto sector.

However, Unifor has stated publicly its desire to see these tax credits developed in a manner that ensures good-quality union jobs. This includes explicit requirements that companies receiving public funds commit to union neutrality covenants. Such a covenant would allow workers to exercise their constitutional right to join a union and collectively bargain free of employer intimidation, threats, harassment and reprisal.

• (1325)

**Ms. Kaylie Tiessen (National Representative, Research Department, Unifor):** Although not explicitly tied to Bill C-69, we want to express concern over the absence of new capital funding toward the strategic innovation fund in budget 2024. That's a cornerstone investment vehicle that has served the industrial economy well for many years. Recapitalizing this fund should be considered for 2025.

For Unifor members in the health care sector, we support proposed amendments to the Federal-Provincial Fiscal Arrangements Act that will establish a 5% growth guarantee to the Canada health transfer for eligible jurisdictions, marking a long-awaited increase to the transfer payments. Unifor is, however, very disappointed that such requirements do not include efforts to ward off privatization schemes or establish minimum standards for long-term care.

Finally, Bill C-69 proposes various important amendments to the Canada Labour Code. Proposed changes to the code clarify that workers shall be presumed an employee if they are remunerated by an employer. Reassigning the burden of proof to employers when determining employment status is a long-standing demand of our union and an important step for combatting worker misclassification in the federal sector.

Further, the bill introduces a new policy on disconnecting. It's a requirement under the code that follows developments in other jurisdictions, like Ontario. Unifor supports this amendment to the code, but with three specific amendments that we have appended to our submission and can send to you once we get the translation.

Amendment one proposes that Bill C-69 explicitly require the policy to detail how non-working-hour communications will be limited and what opportunities exist for employees to disconnect.

Amendment two removes the proposed exemption for those working non-standard hours. Amendment three requires these changes to come into force one year after Bill C-69 is passed and not over an indeterminate amount of time.

We thank you again for the opportunity to present. We look forward to answering your questions.

Thank you.

**The Chair:** Thank you to both of you and to Unifor.

Now we're going to hear from Brigitte Alepin, as an individual, for up to five minutes, please.

[Translation]

**Ms. Brigitte Alepin (Tax Expert, As individual):** Thank you for your invitation.

My name is Brigitte Alepin. I am a tax expert and fiscal policy specialist and have previously appeared before some 15 committees of this kind in Quebec, Canada and France.

My presentation today will focus specifically on the alternative minimum tax and specific related issues.

My first question is as follows: Under the proposed amendments to the alternative minimum tax, will it be possible to tax the richest Canadians, the top 0.01% of taxpayers, so that they pay their fair share of tax?

It's important to ask this question because, in the past 30 years, the top 0.01% have enjoyed a 450% increase in their average total income, which reached \$12 million a year in 2021, and a 27.5% reduction in their effective federal and provincial tax rates.

These figures appear in table 1, which I submitted to you.

These numbers come from a Statistics Canada table entitled, "High income tax filers in Canada", which doesn't show the federal tax burden separately. However, a related Statistics Canada table entitled, "Federal and provincial effective tax rates of census families", specifically shows federal effective tax rates. Since the tax rate for the richest 1% of taxpayers is 17.5%, there's every reason to believe that the rate would be similar for those in the top 0.01% group. We may therefore assume that the top 0.01% would actually be taxed at a rate of 17.5% at the federal level.

To determine whether the richest 0.01% of taxpayers could be taxed under the proposed amendments to the alternative minimum tax so that they pay their fair share of tax, you have to understand that, according to the 2023 and 2024 budgets, the amendments to the alternative minimum tax would generate additional revenues of approximately \$500 million a year, 80% of which would be paid by taxpayers earning more than \$1 million annually. However, that taxpayer group, which obviously includes the richest 0.01%, already pays approximately \$25 billion in federal tax and consequently would bear an additional tax burden of \$400 million, that is 80% of the \$500 million, as a result of the amendments made to the alternative minimum tax. Little change would therefore be made to their effective tax rate. The amendments that would be made to the alternative minimum tax might have little or no impact on the effective tax rate of the richest 0.01% of Canadians.

My second question is this: Would the amendments to the alternative minimum tax ensure that the tax arrangement proposed by charities benefits Canadians?

It's important to ask this question as well because the tax savings granted to donors and charitable foundations under the present tax system exceed the donations that the foundations receive over time.

I also distributed table 3 to you and invite you to look at it.

As this table shows, under current tax rules, assuming a 5% rate of return and a 5% charitable obligation, as the act provides, an initial donation of \$100 million would result in a \$36.5 million public finance deficit after 20 years of activity.

Under this scenario, one would have to wait approximately 40 years for the services provided by the foundations, assuming a 5% charitable obligation, to begin to exceed the tax gifts granted to the founders and the foundations. In many instances, it actually takes much longer, particularly since the organizations' operating costs are factored into the 5% calculation.

Lastly, to correct this situation, either the foundations' charitable obligations must be increased or the tax gifts afforded to donors and foundations decreased. The alternative minimum tax could prove to be an effective tool in reducing the tax gifts made to donors.

The initial amendments to the alternative minimum tax presented in the 2023 budget were a good start, but considering the 80% rate as proposed in the 2024 budget, the tax gifts to donors remain too high to balance the public finances within a reasonable period of time.

• (1330)

Thank you for your attention.

**The Chair:** Thank you, Ms. Alepin.

[*English*]

Now, members, we are going to get to questions for the witnesses.

Each party will have up to six minutes to ask questions—actually, I'm looking at the time, members, and we'll just do the one round. It'll be about seven minutes per party so that we don't have transition.

MP Tochor, you'll be first up for about seven minutes or so.

**Mr. Corey Tochor (Saskatoon—University, CPC):** Thank you very much.

We often hear from our allies that Canada needs to do more to help protect the free world. One way we can contribute is by enhancing our contributions to global energy security. Given Putin's unjust and illegal war of aggression against Ukraine and a global reliance on Russian energy imports, particularly nuclear imports, it would seem that increasing uranium production in Canada could help improve global security.

Could you elaborate on how Canadian uranium could help our allies and defend the free world?

**Mr. George Christidis:** Indeed, since the war in Ukraine, we've seen a significant amount of interest in the Canadian nuclear industry, and particularly the uranium industry, in which, as many of you may be aware, one of the key companies is Cameco.

That spirit of identifying the goals of enhancing the Canadian nuclear industry domestically will definitely have a benefit in providing options to allies as they're considering means by which they could delink from Russian energy sources. You're particularly seeing this in eastern Europe and you're seeing it in other spaces in Asia.

For that reason, I believe that Canada did join the Sapporo 5 agreement, which committed to using the Canadian nuclear industry, along with other like-minded countries' nuclear energy industries, to do just that: to provide options. By strengthening the Canadian uranium fuel cycle sector here, you're strengthening it for our allies as well.

I need to add that it's the same story as it relates to small modular reactors and large reactors, whether they're CANDU or others: The domestic acceleration of deployment of these technologies has a di-

rect international benefit. For example, on small modular reactors, the project in Ontario that's being led by Ontario Power Generation is linked to Saskatchewan, which is also considering the same technology, which in turn is linked to options being considered in Poland. It's all of that.

Thank you.

• (1335)

**Mr. Corey Tochor:** Thank you.

Could you provide some more information on the economic benefit that uranium and the nuclear fuel cycle have for Canada and Canadian workers?

**Mr. George Christidis:** It's a foundational piece of the Canadian nuclear industry in terms of exports and jobs, particularly in the northern communities, and particularly first nations communities in Saskatchewan. I would be happy to provide any further details as a follow-up identifying the specific details around that. However, in terms of Canada's exports and capabilities, the Canadian uranium industry is very foundational to the sector and to Canada.

**Mr. Corey Tochor:** This is a government that has recently classified nuclear in the same category as other sin taxes, such as tobacco, firearms and alcohol. We're grateful they've backtracked on that, but once again, on the critical elements, the fact they've excluded uranium is once again a slap to the face of the energy workers who work in the mines, in the factories and in the power plants. Half of the government is coming to terms with nuclear, and I'm grateful for that. The other half I'm not sure about; they're a little unsure of using the microwave. However, there seems to be a progression, at least, from this government, and they're warming up to nuclear.

Would you agree that this is the case?

**Mr. George Christidis:** Yes. We've definitely seen, and we applaud, the decisions made by the government to include nuclear in some really foundational policy pieces, whether it's the climate, energy security through the Sapporo agreement or the inclusion of nuclear investment tax credits in the budget, and you alluded to the change in the definition for green bonds. All of that has been very supportive and very foundational to the industry in terms of positioning Canada as a leader. We certainly would encourage all parties to continue supporting this industry, which, again, increasingly has a climate, energy security, and, dare I say, national security bent as allies are considering options.

**Mr. Corey Tochor:** It does seem like common sense is breaking out.

Along those lines, would you agree that green-lighting green projects makes common sense for Canadians?

**Mr. George Christidis:** I can't say no to that. I think green-lighting all critical infrastructure energy projects to proceed, particularly those that have the non-emission category, is foundational.

To the point on the Canadian uranium industry, the inclusion of it in the clean manufacturing tax credit is, I think, foundational as well.

**Mr. Corey Tochor:** It's my understanding that Cameco is one of the largest employers of first nations people in the country. What could greater investment in the uranium industry do to benefit economic reconciliation?

**Mr. George Christidis:** I represent the industry, but certainly Cameco is part of that. They would probably say that the economic opportunities provided to first nations are a foundational point for first nations to consider as part of their reconciliation efforts. I think it's foundational from that perspective as well.

**Mr. Corey Tochor:** Could you provide the committee with further information on the damaging effects of the current SMR classification?

**Mr. George Christidis:** In the way the investment tax credit definitions include small modular reactors right now, it's partly an evolution of the technologies and how these technologies are evolving. A more correct definition of an SMR for these projects that are identified in Ontario and Saskatchewan particularly is closer to 1,200 megawatts thermal. The reason that's important is that as these technologies are being developed, they're finding they can actually produce a bit more electricity out of the technologies. Therefore, to be able to fully access the investment tax credit, it's foundational that this definition be reflected.

Also, one must remember that small modular reactors and nuclear power are being considered by key provinces in terms of their own climate and energy security needs. Ontario, Saskatchewan, New Brunswick and Alberta are looking at these technologies, so getting the definition right enables those provinces to be part of the solution on these common goals.

**Mr. Corey Tochor:** Thank you so much.

It is a bit of a head-scratcher when we have a change in classification that would help reach our environmental targets, but for whatever reason, they decided to draw the line where they did, which is going to hurt northern Saskatchewan, northern people and our economic outlook for the country.

What are some other impacts? I'm thinking of potash and how SMRs could benefit potash mines, which currently use a fair bit of natural gas. What would that look like?

● (1340)

**Mr. George Christidis:** The small modular reactor opportunities really have two or three key buckets.

One is the on-grid opportunity that many know. That's the on-grid SMRs replacing particularly, let's say, coal plants. That's an option.

Then there are the very small reactors that could be used in the resource development sector or the industrial processes. Those companies and those sectors are starting to look at how small modular reactors could be a source of non-emitting electricity to reduce their emissions in order to meet those goals. You're seeing that in some key sectors, whether it's in Ontario, Alberta, Saskatchewan

and the like, which are looking at these very small reactors as an enabler to meeting climate goals.

It's quite real. You're seeing very specific conversations occurring in exploring these technologies. The investment tax credit regime is very foundational to making those investments occur.

**Mr. Corey Tochor:** Thank you very much.

**The Chair:** Thank you, MP Tochor.

We now go to MP Thompson, please, for seven-plus minutes.

**Ms. Joanne Thompson:** Thank you.

I'll begin with Mr. Daniels on the indigenous loan guarantee program.

Thank you for your opening comments and certainly for highlighting how important this is for indigenous governments and communities. Also, thank you for the advocacy work you've done.

What are you hearing from first nations communities on the revenue-creating potential of the program, and what are the types of projects that are now open to bringing in stable sources of revenue?

**Mr. Ernie Daniels:** Thank you for that question. It's a really good question.

What we're hearing is that first nations want to participate in these projects by equity. It's really important, because a lot of these projects cross different territories of our nations across the country, not even including first nations, Métis and Inuit.

Just to give you an example of some of the projects that nations are really interested in, there are a few projects in B.C. In one major project that we're involved in, first nations are going to have a majority ownership.

The point that's really important for the nations in terms of how they can participate is support for equity. A loan guarantee program will help with that equity portion of it. It will also, in theory, bring down the interest rate. The FNFA is speaking here today because our interest rates are going to be the lowest that a first nation can get for any type of project. We operate in the capital markets. We're about 300 basis points below bank prime already. A loan guarantee program may or may not help lower that. At the same time, once you do that, nations have more revenue that they can invest in their other projects, the projects needed in their community, like infrastructure and so forth.

I'm going to ask my colleague Steve Berna to add to that to see if I missed anything.

Steve, did I miss anything?

**Ms. Joanne Thompson:** Thank you. Please just continue with that.

I want to add a link that may help expand your answer: The program is self-agnostic. How is this going to allow for the ultimate flexibility that really serves indigenous self-determination?

**Mr. Steve Berna (Chief Operating Officer, First Nations Finance Authority):** Thank you.

I think there are two things that are pretty well known.

First of all, Canada's budget is insufficient to meet the needs of first nations on the infrastructure gap.

Second, there's a very large infrastructure gap and in some cases an internal capacity gap. If the budget cannot help fulfill those holes, then the alternative is economic participation.

FNFA's regulation change that we're asking for isn't mission creep. It's basically following what all parties in 2006 in Parliament put up their hands and voted for—that FNFA's act should change over time as the political climate, the economic climate and the needs of first nations also changed over time. There is a section in our act, section 141, that allows for an evolution of FNFA as continuing changes occur.

Economic participation has become how reconciliation is now defined. The projects out there are mostly in the resource sector and they change territory by territory, but Ernie and I aren't presenting equity participation here just hoping that this is something that will work: We have already canvassed the capital markets, the pension plans, the life insurance companies and the investors out there as to whether they would support equity participation, and the answer is yes.

If Canada's budget cannot help close the internal capacity or infrastructure gap, then allow economic participation by all and put a loan guarantee around a special purpose vehicle. FNFA is not for profit and we're not going to benefit by this, but first nations that cannot meet certain vetting tests will now be able to be included.

Our act is not about low rates; it's about providing increases in capacity and wealth management within first nations. It's imperative that all first nations whose projects are passing territorial areas now have the right to participate. This regulation will allow that to occur.

• (1345)

**Ms. Joanne Thompson:** Thank you so much.

I'm going to switch quickly now to Mr. DiCaro with Unifor.

We have heard in this committee from Canada's Building Trades Union that the labour requirements attached to ITCs are the best definition of prevailing wages in Canadian labour history. For companies to receive the maximum benefit, they must pay good wages, and that's really union wages and benefits.

Given your industrial policy and a drive for a thriving economy, how important are measures like labour requirements in ensuring that workers are at the forefront of the green transition and that we don't slide back to lower wages and temporary jobs?

**Mr. Angelo DiCaro:** Great. Thank you for the question. I'll also invite my colleague Kaylie to weigh in on this.

We have no issues with the labour conditions that were attached to some of the investment tax credits. It's important to also reflect on the parameters of those labour conditions, which were very much modelled on what was done in the U.S. through their Inflation Reduction Act legislation but were very much focused on the construction and building of some of these big capital assets, like factories and different plants.

One of the concerns we had was the lack of extension of those same credits to look at it through the production phase of the operation of some of these factories. However, we're certainly happy with the fact that some of these labour conditions have been put in place.

Our view on this is certainly not to replace this approach but to build on the spirit of it. That's why, in our opening remarks, you heard us speak about the importance of connecting some of these big public-funded projects to union neutrality provisions. We know the prevailing wage exists for the construction phase of a project, but moving forward, make sure that the investments Canada puts into these projects ensure that these employers receiving the benefits of that public funding, whether through tax credits or direct subsidies, stay neutral when employees choose to explore joining a union or accessing collective bargaining.

We think there's ground to gain here, but it's certainly a wonderful provision that was introduced by the government through these credits.

**The Chair:** Thank you, Mr. DiCaro and MP Thompson.

Now we'll go to MP Ste-Marie for seven-plus minutes.

[*Translation*]

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

Greetings to all the witnesses, and thank you for your presentations and responses. We very much appreciate your efforts.

My questions are for Ms. Alepin, whom I thank for being available and present, and for her presentation. I must say I found it very troubling.

First, you reminded us that the incomes of the taxpayers who form the richest 0.01% have increased 450% in 30 years, while their effective tax rate has declined 27.5%.

Do you think that governments have failed in their duty to redistribute wealth? How does Canada compare with other countries in that regard?

**Ms. Brigitte Alepin:** Thank you for your questions.

I'm going to answer the first one, which concerns governments' redistribution obligation, but my answer will also touch on the second question.

Wealth gaps exist, as does the phenomenon of vast fortunes that manage to escape their fair share of tax. Canadian statistics prove this. It can't be said that this doesn't exist, because the numbers speak for themselves. We also see it elsewhere, in France and other countries. The problem definitely needs to be addressed.

I also distributed some other tables that I didn't discuss in my remarks. For example, table 2 shows that the top 0.01% continued to grow substantially richer from 2016 to 2021, increasing their wealth by 125% in 6 years, while their effective tax rate continued to decline significantly.

It was a 10.5% drop, and a comparison with the situation of 99% of taxpayers suggests a different trend: The tax rate of the latter group rose slightly, and there were no tax cuts.

Action has to be taken because these wealth gaps aren't just a matter of numbers. They may undermine the belief of 99% of taxpayers that our tax system is fair and that wealth is fairly redistributed.

We therefore need effective action to solve this problem.

• (1350)

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

I'm overwhelmed by your presentation and data. As you showed in your second table, the data concerns the years from 2016 to 2021. Consequently, even the present government has allowed a cut in the effective tax rate of the richest 0.01% of Canadians. As you said, they enjoyed a 125% increase in income while their tax rate declined. It's very troubling, and I think it has to change.

I approve of the proposed alternative minimum tax, even though your presentation shows that its impact on the effective tax rate of the richest 0.01% will still be quite marginal.

The alternative minimum tax proposals clearly won't be enough. What could the government do to ensure greater tax fairness relative to the richest 0.01%?

Then I'll discuss the charitable sector.

**Ms. Brigitte Alepin:** The numbers speak for themselves. The alternative minimum tax proposals aren't enough to increase the effective tax rate of this class of wealthy taxpayers. So what can you do?

First, you can ask yourselves what the fair share of tax of a taxpayer who earns \$12 million a year might be. The tax rate set in our federal tax laws is 33% and 27.5% with the abatement.

If you think that the tax rate stated in our tax legislation reflects society's wishes, then you should take the necessary steps to move closer to it. The current effective tax rate is around 17.5%, as I said in my presentation. It's really important that you take action to make sure the alternative minimum tax works, if you feel that the effective tax rate should be substantially increased to move it closer to the tax rate set forth in our tax legislation.

It's really important to ensure that the alternative minimum tax works because it's what would help to show Canadian taxpayers that our income tax legislation can require wealthy taxpayers to pay their fair share of tax. We don't need a new form of taxation, for example, such as a wealth tax. I'm very much in favour of doing the necessary work to ensure that the alternative minimum tax guarantees that wealthy taxpayers pay their fair share of tax.

Before suggesting that you consider another form of taxation or another tax system that would tax wealth rather than income and increase the complexity of our tax laws, I'd like to ensure that you introduce an effective alternative minimum tax.

• (1355)

**Mr. Gabriel Ste-Marie:** Thank you very much. Duly noted.

I have 30 seconds left, perhaps a little more. You say there are two possibilities for the charitable sector: either increase foundations' charitable obligations or reduce the tax gifts offered to donors and foundations.

Considering what's done elsewhere in the world, which way should we lean?

**Ms. Brigitte Alepin:** I haven't—

[*English*]

**The Chair:** Give a very short answer, please, Madame Alepin.

[*Translation*]

**Ms. Brigitte Alepin:** I've taken a good look at what's being done in other countries; I'm doing an exhaustive piece of research on the subject.

The tax gifts offered to donors in Canada are significant. Perhaps you should ask yourselves whether donors should be rewarded to that degree. This is an issue that you should probably consider socially. However, since it's quite clear that the charitable sector is important, you should avoid making decisions that would make it less important. Consequently, it has to be made tax-effective, which it currently is not.

**Mr. Gabriel Ste-Marie:** That's very clear. Thank you very much.

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

[*English*]

Now we have MP Davies again.

You'll be our final questioner. You're our closer here for today. This is also our final panel of witnesses and is our 12th panel. These will be the final questions. There's no pressure, but this is the last seven minutes. Go ahead, MP Davies.

**Some hon. members:** Oh, oh!

There you go. Let's hear it.

**Mr. Don Davies:** Thank you.

Thanks to all the witnesses. They've all been fantastic throughout all the panels, and this last session was no exception.

To the First Nations Finance Authority, I think it's a really positive thing that we have this \$5-billion indigenous loan guarantee program, but I'm wondering if the finance authority was meaningfully consulted prior to the announcement of this program.

**Mr. Ernie Daniels:** I'm going to let my colleague Steve answer. He was part of the committee that was looking at this with NRCan, but prior to the announcement, we weren't notified.

**Mr. Steve Berna:** Don, I was invited to be a participant for FNFA along with others at the NRCan committee, which outlined how a loan guarantee program would possibly work or even whether a loan guarantee program was warranted or wanted. The decision made about a loan guarantee did state that it looks like it is a good idea, but now the time has come to put details behind it.

Last week, Ernie and I met with the deputy minister at NRCan, and I think the door is open for FNFA to have input, because we have 362 first nations that have voluntarily joined our act. We have 170 from B.C. to Newfoundland to the Northwest Territories that have been vetted to become FNFA members. They're now looking for the benefits of this loan guarantee, and we're hoping that we can put our input into it so that it will be structured properly.

**Mr. Don Davies:** Thank you.

Have you received any indication from the federal government as to when the program will go into effect?

**Mr. Ernie Daniels:** What we heard is that they want to have a first deal by the fall. That's really soon. We'll have to wait and see how that progresses. It's a really small window.

**Mr. Steve Berna:** Don, you should know that our board of directors, going forward and recognizing that reconciliation is economic reconciliation, did approve three weeks ago the Cedar LNG project, which is 50.1% owned by Haisla Nation, with \$1.4 billion in scope over the four-and-a-half-year construction period.

We have gone ahead and approved that and have support from the capital markets to borrow on behalf of the first nation. We are now hoping that we can work with the details of the loan guarantee program so that when it comes into effect, it can come in and protect it after our board has already made a decision to finance it.

● (1400)

**Mr. Don Davies:** I see.

Now, my understanding is that the rules, requirements and regulations are still being developed, but from what I understand, it appears that any one of the chartered banks could apply for the loan guarantee program, in addition to indigenous-led organizations like yours.

In your view, does the ILG program represent truly a by-indigenous, -for-indigenous approach to economic reconciliation if we allow chartered banks, for example, to participate in addition to indigenous-led finance organizations?

**Mr. Ernie Daniels:** That's a really good question.

We know how commercial banks operate. They're in it to make a profit for their shareholders, and the loan guarantee program is vir-

tually risk free for them. I don't know how much they will be able to sharpen their pencils to give the nations a break, considering that they do have to make money themselves, but organizations like us are not for profit, and our membership is made up of first nations. All of our savings, the profit that we would make, literally goes back to the first nations, and we provide them with lower interest rates so that they get a better rate of return and can do more things in their community with that.

**Mr. Don Davies:** Thank you.

**Mr. Steve Berna:** Don, it's really key to note that the regulation change we're asking for allows inclusion of all first nations, because if they have to go through the vetting process under our act and they do not have the internal capacity to pass that vetting process, they must turn to the banks.

Our rates start at 4.25% and bank rates start at 7.2%. A loan guarantee may bring theirs down a bit, but it's not going to bring it down to our level. That means that you're going to have those lower-capacity first nations—it may be for lack of budgetary funding, because they're remote or they can't hire staff—that will not benefit the same way that other first nations benefit. We're trying to level the playing field and make economic inclusion equal to all.

**Mr. Don Davies:** Thank you.

I just want to squeeze in a question to Unifor, if I could.

Can you elaborate on Unifor's concerns about the lack of recapitalization of the strategic innovation fund in budget 2024?

**Mr. Angelo DiCaro:** I look to my colleague Kaylie to see if she wants to say a bit about this.

**Ms. Kaylie Tiessen:** We find that the strategic innovation fund is a very important program that supports the research and development phases of all sorts of new technologies that then become commercialized in Canada. You can think about the auto industry, the aerospace industry as well as others.

The fact that it has not been recapitalized means that employers we work with are not clear on whether the money will continue to be available over time to do the research and development work that is necessary to continue to invest in new technologies, which will then continue to grow the economy and the footprint of particular industries that then, of course, go to creating those good unionized jobs that our members rely on.



**Mr. Don Davies:** Can you outline the approach that Unifor is pushing the federal government to implement about the disclosure by telecommunications companies on outsourcing work?

**Ms. Kaylie Tiessen:** Angelo, I don't have a clear answer to that one. Do you?

**Mr. Angelo DiCaro:** We didn't address this in our remarks, but I know the issue you're talking about. We're happy to follow up with the committee if an answer is required. We have no problem doing that.

**Mr. Don Davies:** Thank you.

To the First Nations Finance Authority, my last question is this: What about projects that don't just involve first nations but also might include Métis or Inuit communities? Do you have any advice on that?

**Mr. Ernie Daniels:** Well, we would like to be able to work with these groups, and I think that's probably down the road a bit. The best advice I can give those groups is to just continue lobbying parliamentarians to be included in our act, but these are the groups that are probably going to have to work with the chartered banks for the time being, until we can actually work with them.

Our act is just a bit too restrictive right now. We need to open it up, because it's a really powerful tool first nations have that other indigenous groups should enjoy. Access to the capital markets really does help, but the rates that we can get would really help those communities as well.

● (1405)

**Mr. Don Davies:** Thank you for the work you do and for your testimony today. It is very helpful.

**The Chair:** Thank you, MP Davies. I concur.

Thank you very much to our witnesses, our final panel today—our 12th panel of witnesses—and all those who came before you, the many witnesses who provided testimony on Bill C-69.

From here our committee will move to clause-by-clause consideration to get Bill C-69 through and back to the House. We thank you and wish you the best for the rest of your day.

On that, members, we are adjourned.

---





Published under the authority of the Speaker of  
the House of Commons

---

### SPEAKER'S PERMISSION

---

The proceedings of the House of Commons and its committees are hereby made available to provide greater public access. The parliamentary privilege of the House of Commons to control the publication and broadcast of the proceedings of the House of Commons and its committees is nonetheless reserved. All copyrights therein are also reserved.

Reproduction of the proceedings of the House of Commons and its committees, in whole or in part and in any medium, is hereby permitted provided that the reproduction is accurate and is not presented as official. This permission does not extend to reproduction, distribution or use for commercial purpose of financial gain. Reproduction or use outside this permission or without authorization may be treated as copyright infringement in accordance with the Copyright Act. Authorization may be obtained on written application to the Office of the Speaker of the House of Commons.

Reproduction in accordance with this permission does not constitute publication under the authority of the House of Commons. The absolute privilege that applies to the proceedings of the House of Commons does not extend to these permitted reproductions. Where a reproduction includes briefs to a committee of the House of Commons, authorization for reproduction may be required from the authors in accordance with the Copyright Act.

Nothing in this permission abrogates or derogates from the privileges, powers, immunities and rights of the House of Commons and its committees. For greater certainty, this permission does not affect the prohibition against impeaching or questioning the proceedings of the House of Commons in courts or otherwise. The House of Commons retains the right and privilege to find users in contempt of Parliament if a reproduction or use is not in accordance with this permission.

---

Also available on the House of Commons website at the following address: <https://www.ourcommons.ca>

Publié en conformité de l'autorité  
du Président de la Chambre des communes

---

### PERMISSION DU PRÉSIDENT

---

Les délibérations de la Chambre des communes et de ses comités sont mises à la disposition du public pour mieux le renseigner. La Chambre conserve néanmoins son privilège parlementaire de contrôler la publication et la diffusion des délibérations et elle possède tous les droits d'auteur sur celles-ci.

Il est permis de reproduire les délibérations de la Chambre et de ses comités, en tout ou en partie, sur n'importe quel support, pourvu que la reproduction soit exacte et qu'elle ne soit pas présentée comme version officielle. Il n'est toutefois pas permis de reproduire, de distribuer ou d'utiliser les délibérations à des fins commerciales visant la réalisation d'un profit financier. Toute reproduction ou utilisation non permise ou non formellement autorisée peut être considérée comme une violation du droit d'auteur aux termes de la Loi sur le droit d'auteur. Une autorisation formelle peut être obtenue sur présentation d'une demande écrite au Bureau du Président de la Chambre des communes.

La reproduction conforme à la présente permission ne constitue pas une publication sous l'autorité de la Chambre. Le privilège absolu qui s'applique aux délibérations de la Chambre ne s'étend pas aux reproductions permises. Lorsqu'une reproduction comprend des mémoires présentés à un comité de la Chambre, il peut être nécessaire d'obtenir de leurs auteurs l'autorisation de les reproduire, conformément à la Loi sur le droit d'auteur.

La présente permission ne porte pas atteinte aux privilèges, pouvoirs, immunités et droits de la Chambre et de ses comités. Il est entendu que cette permission ne touche pas l'interdiction de contester ou de mettre en cause les délibérations de la Chambre devant les tribunaux ou autrement. La Chambre conserve le droit et le privilège de déclarer l'utilisateur coupable d'outrage au Parlement lorsque la reproduction ou l'utilisation n'est pas conforme à la présente permission.

---

Aussi disponible sur le site Web de la Chambre des communes à l'adresse suivante :  
<https://www.noscommunes.ca>