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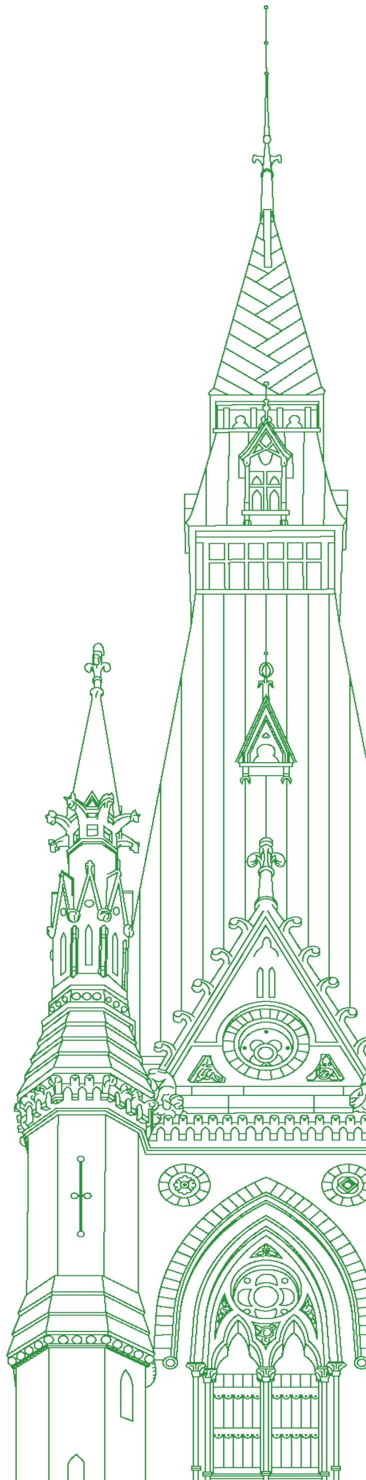

Chair: Mr. Peter Fonseca

Standing Committee on Finance

Tuesday, October 8, 2024

• (1540)

[*English*]

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

Welcome to meeting number 157 of the Standing Committee on Finance.

Today's meeting is taking place in a hybrid format. All witnesses have completed the required connection tests in advance of the meeting.

I'd like to remind participants of the following points. Please wait until I recognize you by name before speaking. All comments should be addressed through the chair. Members, please raise your hand if you wish to speak, whether participating in person or via Zoom. The clerk and I will manage the speaking order as best we can.

Today, pursuant to the Standing Order 83(1) and the motion adopted by the committee on Thursday, September 26, 2024, the committee is resuming its study on the pre-budget consultations in advance of the 2025 budget.

I'd now like to welcome our witnesses.

As an individual, no stranger to this committee, we have associate professor from the Sprott School of Business from Carleton University, Ian Lee. From the Canadian Centre for Caregiving Excellence, we have its director of policy and government relations, James Janeiro. Kelly Paleczny, who is the chair of the Canadian Urban Transit Association, is with us. From the Festivals and Major Events Canada, we have executive director Martin Roy. From the Grain Growers of Canada, chair Andre Harpe and executive director Kyle Larkin are with us.

From Green Budget Coalition we have a number of people with us: manager Andrew Van Iterson; manager, buildings, Pembina Institute, Jessica McIlroy; lead specialist, government relations, World Wildlife Fund-Canada, Will Bulmer; and policy strategist for government relations, Yellowstone to Yukon Conservation Initiative Canada, Sarah Palmer.

Each of our witnesses will have up to five minutes to deliver their opening remarks before we proceed to the members' questions.

We will start with Professor Ian Lee, please.

Dr. Ian Lee (Associate Professor, Sprott School of Business, Carleton University, As an Individual): Thank you, Mr. Chair.

First, my disclosures—I don't belong to any political party or donate money to any political party. Second, I hold no stocks or bonds or investments other than my personal home, and thus, I have no conflicts of interest.

Three months ago, I completed a major strategic analysis of Canada Post, which was an update to my 2015 Macdonald-Laurier Institute study of Canada Post. I titled it, “The Tipping Point Has Arrived”.

In researching and preparing for my presentation today to your august committee, it dawned on me that the existential problems facing Canada Post are a microcosm of the profound existential problems facing Canada today. Restated, the tipping point has arrived for Canada as well. Carolyn Rogers at the Bank of Canada was absolutely correct. It's time to break the glass—but what glass?

I've lived in Ottawa all my life. It's been a deeply held belief by a significant number of decision-makers in Ottawa, sometimes characterized as the Laurentian elites, that Canada can and should tax, subsidize, protect and print our way to prosperity. Throughout the 35 years in my classes at the university and in media interviews, I've characterized this vision as the Argentine model in honour of Juan and Isabel Perón, who were able to drive Argentina, one of the wealthiest countries in the world in 1918 on a per person income basis, to the poverty-stricken country of today with approximately $13,000 per person per year, in steep economic decline.

Before I review the most critical trend metrics in Canada today, and just in case, before any of my analysis is dismissed as “far right wing rhetoric”, it must be disclosed that my analysis is fundamentally very similar to the published outlooks of David Dodge, former governor of the Bank of Canada; speeches by former Liberal deputy prime minister John Manley; the report of the Coalition for a Better Future, co-chaired by former Liberal deputy prime minister Anne McLellan; statements by former Liberal B.C. premier, Christy Clark; and the research of the C.D. Howe Institute.

What is the problem?

As Professor Tombe of the University of Calgary, in his very recent stunning analysis, found, “A longer historical perspective reveals a striking reality: the gap between the Canadian and American economies has now reached its widest point in nearly a century.” Put another way, real GDP per capita in the United States is now 43% higher than in Canada. Only nine years ago, per Professor Tombe, the gap was only 23%. In nine years, we've almost doubled the gap between us and the Americans on a per person basis, even though Canada and the U.S. occupy the same North American continent, the same time zones, a similar English common law legal system, similar levels of education, a similar democratic system and a common free trade agreement.

How can this be?

In a single word, it's policy. For example, a recent C.D. Howe study found that capital available per Canadian worker has been shrinking since 2015. I keep saying this in my media interviews because people's eyes glaze over when they hear the word “capital”. Capital is the jobs and the factories of tomorrow. If we don't have capital, we're not going to have those good jobs of tomorrow. Worse, the gap between investment per worker in Canada versus the other OECD high-income countries is widening. Today, Canadian workers only receive 66 cents of new capital for every dollar their OECD counterparts receive and a mere 55 cents per dollar compared to U.S. workers.

Last month, Professor Mintz at University of Calgary found that, overall, the increase in the capital gains tax rate at both the corporate and personal levels is expected to discourage business investment in employment. He found that the increase in the capital gains tax will reduce Canada's GDP by $90 billion, real per capita GDP by 3%, its capital stock by $127 billion and employment by 400,000-plus workers. This is stunning. We are effectively telling our investor class, “Don't invest in Canada; go invest in the United States to make them even wealthier.”

As Robert Asselin, a former senior adviser to former prime ministers Chrétien and Martin, stated, “Canadians will not be able to sustain their living standards—including...social programs—if the country doesn’t change course.”

At this point, it's necessary to expose an argument I've heard for years upon years. It's a fallacious assumption of those who say, look, we're doing something not that different from the European Union, so it can't be all that bad.

● (1545)

However, Mario Draghi, the brilliant former ECB governor and the former prime minister of Italy, just released his very massive analysis of the existential failings of European Union policies. They have collapsing competitiveness; they have very profound problems.

For example, in 2000, the European Union GDP was equal to—the same size as—the United States GDP. Today, 24 years later, the European Union is 40% smaller than the United States. That's just astonishing. The Italian prime minister said, “America innovates, China replicates, Europe regulates.” In Canada's situation, I believe empirically, if you put the numbers side by side, that we are worse off than the EU.

What is to be done? We must explicitly repudiate the failed economic vision that I've been describing: the centralized, top-down, state-directed, command and control, relying on taxation, subsidies and protectionism, the EU and the Argentine model, and the assumption that it's superior to decentralized, market-driven, privately funded and privately determined economic decision-making—for things like battery plants—concerning capital and competition. This is the economic philosophy that underlies the largest, most dynamic, most innovative, most productive economy on planet earth: the United States.

Members of Parliament, it's not too late to end Canada's holiday from economic history.

Thank you.

The Chair: Thank you.

There'll be a lot of time during questions to expand, Professor Lee.

Now we'll hear from the Canadian Centre for Caregiving Excellence.

Mr. James Janeiro, go ahead, please.

Mr. James Janeiro (Director, Policy and Government Relations, Canadian Centre for Caregiving Excellence): Thank you very much, Mr. Chair.

Ladies and gentlemen, I appreciate the opportunity to speak to you today as part of your pre-budget consultations.

My name is James Janeiro, and I'm with the Canadian Centre for Caregiving Excellence. We are a pan-Canadian organization focused on caregivers, such as parents, siblings, friends, neighbours and so on, as well as care providers such as personal support workers and direct support professionals who support people with disabilities. Our goal is to make Canada the best place in the world to give and receive care.

I have two budget proposals to bring forward to you today. The first is that the budget begin to fund the promised national caregiving strategy by converting the Canada caregiver credit from a non-refundable tax credit to a refundable credit of a minimum of $1,250 per year, per the 2021Minister of Finance mandate letter commitment.

The second is that the forthcoming federal budget allocate sufficient resources to the national caregiving strategy, including multi-year funding for ongoing priorities and initiatives.

One in four Canadians is a caregiver today, and one in two will be a caregiver at some point in their lives. Half of all Canadian women are caregivers already today. Unpaid family and friend caregivers provide three hours of care in the community for every hour of care provided by the health care system.

Caregivers are also the unseen backbone of our economy. They spend 5.7 billion hours each year supporting others and contribute the equivalent of 5% of our national GDP. Insufficient support for caregivers is costing our economy nearly $1.5 billion in lost productivity, and the equivalent of half a million full-time employees.

Caregivers, care providers and care recipients are in crisis. Our recent report, “Caring in Canada”, confirmed that caregivers are struggling with mental health, physical health and financial distress.

About 65% of caregivers reported financial hardship. More than one-third of caregivers reported significant financial hardship in the past year alone. Approximately a quarter of all caregivers are out-of-pocket about $1,000 a month for necessary expenses like dietary aids, incontinence supplies and care services. We suggest that funding the national caregiving strategy begin with converting the existing non-refundable Canada caregiver credit, the CCC, into a refundable credit, per the aforementioned commitment in the minister's mandate letter.

The Canada caregiver credit is a little-known non-refundable tax credit that can be claimed if a person supports a spouse, a common-law partner or a dependent with a physical or mental impairment. Many features of the credit make it difficult to access and prevent it from supporting caregivers who need financial support today. Only 8% of caregivers access the CCC as it stands now.

Since the credit is non-refundable, it can only lower the tax bill a person owes rather than create a new cash-in-hand payment. This means it only benefits people who have tax owing on their net income and does not benefit lower income caregivers or those who do not owe tax.

The federal government should support caregivers by making this credit refundable and adjusting the full amount to a minimum of $1,250 per year. It would directly impact the lives of millions of caregivers who do not typically have taxes owing and who face significant financial strain. Enacting this change to the credit is a necessary first step that can form the basis of a comprehensive and fully funded national caregiving strategy.

Best estimates, using publicly available data, suggest that this amendment to the credit would cost approximately $70 million per year using current, publicly available uptake figures.

Though the national caregiving strategy is yet to be released, budget 2025 must include sufficient funding to implement the policy changes and initiatives that will be included therein. Moreover, the funding must be structured to fund new initiatives in the long term and beyond whatever timeline is stipulated in that strategy.

We recommend an ambitious and comprehensive approach to the strategy that meets the needs of both today and tomorrow. It must cover financial supports, changes to employment insurance care leaves and benefits, and Canada pension plan reform, which would ensure that seniors are not punished for being caregivers well into their retirement years.

I'm happy to elaborate on these and our other ideas for the strategy during the question and answer period of our meeting.

Thank you, Mr. Chair. I look forward to your questions.

● (1550)

The Chair: Thank you, Mr. Janeiro.

Now we go to the Canadian Urban Transit Association. We have Kelly Paleczny, please.

Ms. Kelly Paleczny (Chair, Canadian Urban Transit Association): Good afternoon, Mr. Chair and members of the committee.

I'm Kelly Paleczny, general manager of the London Transit Commission and chair of the Canadian Urban Transit Association. I am pleased to present our association's recommendations for the 2025 federal budget.

For those unfamiliar with our association, CUTA has been the voice of public transit in Canada for over 120 years. Our members include transit systems, public bodies, companies that supply the sector and experts in urban mobility. Every day millions of Canadians depend on public transit. It's not just a convenience; it's an essential service that connects our communities, drives our economies and enhances our well-being.

Now we find ourselves at a critical juncture. Public transit systems across Canada face unprecedented challenges, and our recommendations today offer suggestions to address them with a focus on affordability and prosperity for Canadian families.

Transit agencies across the country welcome the launch of the Canada public transit fund, which represents a stable and predictable source of funding for transit infrastructure. Unfortunately, the planned 2026 rollout of this fund creates a significant infrastructure gap due to the sunsetting of the investing in Canada infrastructure program in March 2023. That is why it's imperative that we accelerate the rollout of the Canada public transit fund's baseline stream to budget 2025, rather than waiting until April 2026.

Many systems are grappling with aging infrastructure that threatens service reliability. Large systems in Toronto and Montreal have estimated their unfunded state of good repair needs at $900 million and $500 million annually. Smaller systems are continuing to rely on buses that have travelled in excess of one million kilometres and are at an age that makes it difficult to procure parts.

Accelerating the baseline stream of the fund will help address these critical shortfalls and enable transit agencies to continue to provide service to Canada's rapidly growing communities. We need to ensure that our transit systems remain efficient, sustainable and capable of supporting Canada's future needs. Every day we delay, maintenance backlogs grow, making it harder to meet current and future demands.

In addition to accelerating the Canada public transit fund, we must also act to protect it by enshrining it in legislation. This act will provide long-term certainty and prevent potential cuts to transit funding that would only exacerbate our current challenges. It will also enable transit agencies to confidently plan for and implement long-term projects, ensuring the sustainability of our transit systems.

In addition to the infrastructure challenges I've mentioned, many transit agencies are also facing critical operating shortfalls since the pandemic. TransLink in the metro Vancouver area faces a structural deficit of $600 million in 2026. The Toronto Transit Commission faces operating pressures of $354 million in 2025, and the ARTM, which oversees the transit systems of the greater Montreal area, currently faces a total operating deficit of $561 million.

Again, these issues are not isolated to Canada's largest systems. Many medium and smaller systems are unable to respond to the unprecedented ridership demand resulting from the rapid population growth being experienced in their communities as people move away from larger centres in search of affordable housing.

Transit agencies have attempted to cover these shortfalls through the use of municipal reserves and other funding sources and, in many cases, the less desirable options of fare increases and service reductions. None of these options is sustainable, especially in the context of Canada's current affordability crisis. Further inaction on this front will lead to less frequent, reliable and affordable transit services, ultimately undermining the aims of federal funding programs and discouraging transit ridership, which in turn decreases fare box revenue and worsens our operational deficits.

Effective and affordable transit services are fundamental to the success of priorities for all levels of government. This is why we are calling on the Government of Canada to take a leadership role in establishing a national task force that brings together federal, provincial and local governments as well as transit agencies to develop a comprehensive national public transit strategy. This strategy should address operational shortfalls and create a new funding model that supports transit agencies' evolving needs.

Public transit is not a luxury; it's a lifeline. It connects Canadians to jobs, education and essential services. It reduces congestion, cuts emissions and fuels economic growth. For every dollar invested in transit, more than two dollars flow back to our economy.

We need to rethink how we fund transit in this country. As we've seen in other countries, operational funding from higher levels of government is crucial for maintaining high service standards. Canada cannot afford to fall behind. We need a funding model that builds new infrastructure while also maintaining and operating the transit systems we already have in place.

Thank you for your time, and I'll be happy to answer any questions.

● (1555)

The Chair: We're now going to hear from Festivals and Major Events Canada.

Mr. Martin Roy (Executive Director, Festivals and Major Events Canada): Thank you, Mr. Chair.

Members of the committee, good afternoon.

I'll deliver my remarks in both official languages.

My name is Martin Roy. I'm the executive director of Festivals and Major Events Canada, also known as FAME, which represents over 500 festivals and events across the country.

[*Translation*]

Since 2017, I have repeatedly told the committee about the challenges for promoters supported by Canadian Heritage, be it through the Building Communities through Arts and Heritage program, BCAH, or the Canada Arts Presentation Fund, CAPF. These are more than 1,500 organizations, which can be festivals or event promoters from across the country.

[*English*]

I'd like to thank the committee for its ongoing support. Its recommendations have often echoed our own.

[*Translation*]

In the last budget, we received partially what we asked for. The government extended again for two years the reinvestment in the CAPF. In 2019-20, the amount was $8 million and this time, the reinvestment is $15.5 million until April 2026.

However, that amount has still not been added to the budget base and as a result in a few months we will once again have to fight for the renewal of that amount as well as for the $7 million allocated to the BCAH program.

It represents 45% of the resources. I cannot begin to tell you how much frustration there is among people on the ground due to this unpredictability and uncertainty. What will happen to all these events if, one day, the amounts are not renewed, and the programs are cut by nearly half? That is not to mention the subsidies that often go down, despite the increase in overall funding. Those who received the maximum amount from the BCAH program prior to the pandemic, which was about $110,000, received about $50,000 this year.

• (1600)

[*English*]

This is the context for the second recommendation in our brief, which calls for top-up amounts to be integrated into the base budgets once and for all. Recommendation two is also related to the first recommendation.

It has been clear for some years now, on the one hand, that Canadian Heritage can no longer meet current needs. On the other hand, economic and tourism programs for festivals and events, whether put forward by the Conservatives in 2009 or by the Liberals before, during and after the pandemic, were, each time, short-term programs. They have alternated between speeding up and slowing down our sector's growth.

[*Translation*]

In our view, the situation must be remedied by creating a new program dedicated to the growth and attractiveness of Canadian festivals and events, managed by the regional development agencies, with an annual budget of $60 million. Among other things, this program would support a category of festivals and events that are not recognized by Canadian Heritage. It would add other assessment criteria and a new, different grant for those already supported by Canadian Heritage.

[*English*]

This program could include components and levels, and would be tailored to the needs of festivals and events of all sizes with growth potential and the ability to attract more domestic and international tourism.

Within the ecosystem, it would enable a form of upgrade: Festivals and events recognized in Canada would increase their international attractiveness, while others recognized regionally could have a greater impact throughout Canada. It would be in line with strategies aimed at restoring Canada's status as one of the world's most popular destinations and regaining market share.

[*Translation*]

Grants awarded through this program should be given as a priority for the festival's operations. Attendance, the origin of participants and, ultimately, results achieved would be taken into account. The program should not be targeted at new projects that require investments too many organizations are not able to make.

Support for festivals and events has a multiplier effect on tourism. It has been shown that for every dollar spent by a participant, 25¢ is spent on accommodation and 33¢ is spent on food, not to mention transportation and other expenses. A number of communities and commercial arteries derive, in a single short period of festival or event, revenues that are comparable to those for the entire year, and we must add to that the tax revenues and economic spinoffs.

[*English*]

In 2011, in its evaluation of the marquee tourism events program, the Government of Canada concluded that “the program responded to the need for an immediate economic stimulus to the tourism sector” and “created positive benefits for recipients.” This is what we are suggesting to you to do again today.

Thank you.

[*Translation*]

The Chair: Thank you, Mr. Roy.

[*English*]

We'll now hear from the Grain Growers of Canada.

Mr. Andre Harpe (Chair, Grain Growers of Canada): Thank you, Chair, and thank you to members of the committee for inviting us.

My name is Andre Harpe. I am a grain farmer from the Peace River country in northern Alberta. I am also chair of the Grain Growers of Canada, known as GGC. I am joined today by our executive director, Kyle Larkin.

As the national voice for Canadian grain farmers, GGC represents over 65,000 cereal, oilseed and pulse producers. Of these growers, 98% operate family farms run by fathers, mothers, sons and daughters, just like mine.

We are the backbone of Canada's agricultural sector, but we have also been challenged in recent years due to a number of issues. These include the rising cost of inputs such as fertilizers and pesticides, increased taxation, changing weather patterns, labour disruptions and challenges within our international markets. This is why we are here today to highlight our pre-budget recommendations, all of which seek to bring government on as an equal partner with grain farmers.

First, we are asking the government to reverse the capital gains tax increase on family farms for intergenerational transfers. This tax hike has targeted farmers' retirement plans, has moved the goalposts for younger farmers and, frankly, has priced out many families. While the changes to the Canadian entrepreneurs' incentive will benefit some farmers, most farmers who produce the majority of food that Canadians and the world rely on will continue to see a tax increase.

Furthermore, this added complexity introduced by the CEI, alongside the increased inclusion rate, will drive up accounting and legal expenses for all farmers. To ensure the next generation of farmers can afford to take over the family operation, we require the capital gains tax increase to be reversed.

Second, we are asking the government to exempt the on-farm use of propane and natural gas from the carbon tax. When this tax was first introduced, gas and diesel used for on-farm activities were exempt to allow farmers to remain competitive. The same rationale holds true for propane and natural gas since they are essential for grain drying, which is needed to prevent food spoilage. On my farm, I use a grain dryer, which has cost me thousands of extra dollars in carbon tax without any viable alternative available. This is why we are asking for tax fairness for all farm fuels.

Third, while we appreciate the 18-month extended interswitching pilot that began last fall, it is not long enough to receive valuable data from shippers to assess the success of the pilot. Extended interswitching is important for grain farmers as it increases competition between the monopoly railways, which improves cost, service and efficiency.

Unfortunately, farmers like me in northern Alberta, northern Saskatchewan and British Columbia are unable to access this program because of where we farm. Therefore, in addition to the 30-month extension, we are also asking for the radius to be increased from 160 kilometres to 500 kilometres and for the program to be expanded to the B.C. Peace River country.

Lastly, many grain farmers have benefited from the accelerated investment incentive since 2018. This measure has allowed farmers to write off a larger share of the cost of newly acquired equipment, such as tractors and combines, at a rate of 45% versus the original 15%. However, American farmers have been able to access 100% bonus depreciation during the same time period, with data showing that new modern equipment can increase efficiency and lower emissions. We are calling on the government to stop the phase-out and to enhance a permanent accelerated investment incentive.

As mentioned, family-run grain farms are looking for an equal partner in government to support them to remain financially viable and help them grow in the future. These four recommendations are key examples of how the government can support family farms.

Thank you again to the committee for inviting us. We'd be happy to take any questions.

● (1605)

The Chair: Thank you, Chair Harpe.

Now we're going to hear from the Green Budget Coalition and Andrew Van Iterson, please.

Mr. Andrew Van Iterson (Manager, Green Budget Coalition): Thank you, Mr. Chairman and committee members, for inviting the Green Budget Coalition to speak to you today, again.

The Green Budget Coalition, active since 1999, is unique in bringing together the expertise of 22 of Canada's leading environmental organizations collectively, with over one million members, supporters and volunteers. The Green Budget Coalition's mission is to present an analysis of the most pressing issues regarding environmental sustainability in Canada and to make a consolidated, annual set of recommendations to the federal government regarding strategic fiscal and budgetary opportunities.

As the chair mentioned, I'm pleased to be joined today by three of my expert colleagues, including the coalition's current chair and past co-chair, to help answer your questions.

From the Green Budget Coalition's perspective, budget 2025 provides a prime opportunity, responsibility and imperative for the federal government to renew and strengthen action on the linked climate and biodiversity crises, while making life more affordable, reducing future costs, creating quality jobs and protecting health and safety, particularly for vulnerable communities. Fires, floods, stronger storms, extreme heat, ecological disruption, dramatic loss of wildlife populations and a rapidly warming Arctic are being felt in Canada, in the United States this week and around the world, causing widespread harm, particularly to low-income and vulnerable people, as well as huge economic costs. Science indicates that these and other impacts will intensify if climate change and ecosystem destruction remain unchecked.

At the same time, global efforts and investments to address these crises, such as the U.S. Inflation Reduction Act, are expected to create many trillions of dollars in economic benefits and help their countries be economic leaders for years to come.

In that context, for budget 2025, the Green Budget Coalition is featuring five recommendations as part of a comprehensive package of timely and ambitious budget and fiscal recommendations that will also reduce future costs and improve affordability and quality of life for people across Canada.

The first is delivering on nature commitments. Renew and expand existing funding to continue Canada's leadership on nature protection and deliver on Canada's 2030 nature strategy and the Kunming-Montreal global biodiversity framework obligations.

The second is retrofitting for resiliency and affordability. Expand and coordinate retrofit programs that integrate health, affordability and adaptation targets, and that accommodate the unique needs of low-income households and indigenous, northern and remote communities.

The third is using the sustainable agriculture strategy to cultivate success and help producers in Canada be leaders in sustainable and innovative agriculture, with a resilient and diversified food system. That helps people like the Grain Growers of Canada here.

The fourth is sustainable jobs for workers and communities. Create green job opportunities for youth, expand regional workforce development approaches, enable indigenous clean energy pathfinding and undertake labour market analysis.

The fifth is establishing a permanent, high-level office of environmental justice to ensure that environmental protection programs, policies, investments and laws account for community and population inequities.

On Sunday evening, I sent you each, by email, our more detailed recommendations for budget 2025. It's a document in English and French. This document provides updates, much more detail and many other recommendations supporting our submission to the committee, including on sustainable finance, how to raise needed money, international climate finance and biodiversity contributions, climate adaptation, electricity, electric vehicles, carbon pricing and a windfall profits tax on oil and gas companies. Our public transit piece aligns with what you heard from the Canadian Urban Transit Association just minutes ago.

Implementing these recommendations would lead to dramatic progress in advancing a healthier future for people in Canada, from coast to coast to coast.

I would like to thank you, again, for inviting the Green Budget Coalition to appear today. We look forward to your comments and questions.

● (1610)

The Chair: Thank you to all the witnesses for your opening remarks.

We are going to get to members' questions right now. In this first round of questions, each of the parties will have up to six minutes to ask questions.

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

Mr. Pat Kelly (Calgary Rocky Ridge, CPC): Thank you.

Professor Lee, will increasing the capital gains tax improve or help deal with the productivity crisis that Canada is in?

Dr. Ian Lee: Reducing or increasing...?

Mr. Pat Kelly: They are planning to increase the inclusion rate to 66%. Will that help productivity?

Dr. Ian Lee: I have certainly read as much as I possibly can of the peer-reviewed research on this. It's my judgment that the majority consensus is that it's not going to help productivity.

Mr. Pat Kelly: Okay, so it's beyond your opinion. This is a consensus opinion of those who have studied this.

Dr. Ian Lee: I'm quoting the research I've read, the peer-reviewed journals I've read. Of course, there are enormous numbers, as I'm sure you realize, but these are the ones I've read. I try to read the academic stars, if I can put it that way, because they're of a higher quality, in the higher quality journals, and that's my judgment.

Professor Mintz, I have mentioned him already because he has published over 400 articles in peer-reviewed journals. It's an unimaginable number. It's on his website, by the way. If you publish 10 or 20 articles in a life, it's an amazing life. However, I have mentioned him because this is his expertise. He is a tax accountant.

Mr. Pat Kelly: If I can get down to some of the points that you got into in your opening statement, you said the estimate is that the increase to the capital gains inclusion rate will suck $90 billion out of the Canadian economy. Is that correct?

Dr. Ian Lee: That's the number I'm quoting from Professor Mintz's study. That's right.

Mr. Pat Kelly: Dividing that out, $90 billion, that, in itself, will result in a significant decline in Canada's per capita GDP.

Dr. Ian Lee: It's a 3% decline in GDP.

Mr. Pat Kelly: Okay. You said, over the last nine years, since 2015, roughly coinciding with when this government took office, capital in Canada is shrinking.

Dr. Ian Lee: Yes.

Mr. Pat Kelly: Can you elaborate on that a little bit?

● (1615)

Dr. Ian Lee: The argument I've been making is that, because we are in this unique situation, we're right next door to the largest, most powerful.... I don't have to repeat all that. It is seen as the risk-free rate of return in the sense that it's the one country in the world where wealthy people want to go because they're not worried about being expropriated by their own government: Russia, China and so forth.

I teach this to the students. I use capital investment, foreign investment flows, as a proxy for attractiveness of the country. When more investment is flowing out of the country than into the country, investors are voting with their feet. They're saying, you're not as good as alternatives. Right now, I believe investors are saying they do not see Canada.... It's not that we're a bad country. It's just that there are better alternatives in the United States.

Mr. Pat Kelly: The Library of Parliament has put out—I got this right from their website—that there is an almost $500-billion imbalance in investment between Canada and the United States. Investment used to flow into Canada positively, and now it's flowing negatively into the United States.

This $500-billion differential in investment, could you explain what that means in terms of lost jobs, lost investment opportunity, lost quality of life, lost ability of policy-makers or governments to deliver public services?

Dr. Ian Lee: I'm going to quote again, and forgive me, because I read huge amounts and I have guests speakers coming in. I had Philip Cross out—a very senior statistician for 35 years—to my class on this very question of investment. He said, if you want to know how the economy is going to be doing in about three years from now, look at aggregate private capital investment today, because that's the investment in the factories, the equipment and the technologies that are going to produce the jobs, but there's a lag from the time you start the investment to the time you build it and you get it up and running.

It's a very useful metric for MPs to say, let's look at aggregate private capital investment today, and we'll have a pretty good idea how the economy is going to be doing in about three years with a lag of three years.

When you have a deficit and the investment is going down, as it's doing, this a very bad sign because it means we're building fewer businesses with less investment in the future. In fact, all of the studies on productivity are showing that we're massively underinvesting on worker trainer, R and D, and capex in our businesses, relative to the U.S. There's no mystery to the productivity crisis.

Mr. Pat Kelly: This means Canada is not getting investment in tools, in technology, in IT systems, in the kinds of things that workers need in order to make them more productive, in order to earn larger paycheques, have better-paying jobs, pay more taxes, receive more public services. Is that...?

Dr. Ian Lee: Exactly. That's what Robert Asselin was arguing, too. He said that this feeds back into the social programs because we need the cash flow. We need the revenues from taxation to fund the social programs.

Mr. Pat Kelly: It's fair to say that all of the other budget asks that we're hearing at this committee really depend on addressing the very issue that you have raised here, that in Canada, taxes, subsidies, regulations, money printing, all of these things you announced in—

Dr. Ian Lee: Absolutely.

Mr. Pat Kelly: —your first sentence are imperilling the ability to maintain public services.

Dr. Ian Lee: It's absolutely essential that we create a positive investment climate that encourages businesses and investors to invest here, especially when we're right next door. If we were halfway around the world, it might not be as much of a problem, but we're right next door to this giant machine.

Mr. Pat Kelly: I think you have just enough time to get in another point here. It's not just the United States, though. It's Canada compared with peer countries other than the United States. Could you just finish with that?

Dr. Ian Lee: It's compared with the OECD. It really struck me when I saw that one. I knew that we were always on the short end of the stick compared with the United States, but the OECD is outcompeting. They're getting a lot more capital per worker than we are. The OECD countries are high-taxation, high-regulation countries, so it's astonishing that we're getting beaten by the OECD. That's a very bad sign.

The Chair: Thank you, MP Kelly.

MP Thompson, go ahead, please.

Ms. Joanne Thompson (St. John's East, Lib.): Thank you.

Welcome to the witnesses.

Mr. Janeiro, I would like to start with you. It's interesting. In your opening comments, you referenced that one in four Canadians today are involved in some type of caregiving. You project that it will be one in two as we move into the future. Of course, half of them are women. I certainly have lived that, as I think many other women have, obviously. While it's a real privilege, it's also very challenging. Thank you for highlighting that.

Our government is in the process of developing a national caregiving strategy to further support caregivers who care for children, aging parents, grandparents or adults who live with disabilities or any other long-term condition. Could you share with the committee your recommendations on how the national caregiving strategy would support women as caregivers and care providers?

● (1620)

Mr. James Janeiro: Thank you very much for the question. I'm very happy to address that.

We have a few recommendations on this front that are specifically focused on the fact that the majority of care in Canada is, in fact, as you say, delivered by women. That has long-term consequences, particularly on the earnings side and on the retirement security side as well.

I'll put forward two recommendations to you right now. The first is around CPP fairness. It's often women who take a lot of time out of the labour market to provide care for somebody in their lives—a child with a disability, an aging parent, a sibling with a mental health challenge or something like that. When you take five, seven or 10 years out of the labour market, that's five, seven or 10 years you're not contributing to CPP. That means when you retire, your CPP earnings are that much lower than they otherwise would have been if you'd been working and hadn't had these care responsibilities.

Our position is that you're doing all of us, collectively, a net good, and doing all Canadians a net good, by supporting the people you love to do as well as they can. We need to support you in that. One idea we're putting forward for consideration in the national caregiving strategy is that the math underlying CPP be adjusted. If you take time out of the labour market to be a caregiver, those years should sort of be factored out the way they are now for a couple of years of child care in the early stages of life. Grow that number so that you can factor out more years and not be punished when you retire. Your CPP earnings are as if you had been working your average wage for that full time that you had been out of the market for the purpose of caregiving.

On the care provider front—personal support workers and direct support professionals—north of 70% are women and are largely newcomers. They're not entirely newcomers, but there are a lot of newcomers in that population. There's a standing commitment to a $25-an-hour minimum wage for personal support workers. That goes back a couple of years. Our suggestion is, let's do that. Let's start with that. Let's also extend that to the other players in the care economy who provide this kind of work and these kinds of services for vulnerable people.

Those are just two areas, with many more available to you.

Ms. Joanne Thompson: Those are two very important areas. Thank you for sharing that.

I think we have time for another question, so I want to switch to the Green Budget Coalition.

Mr. Van Iterson, the Canadian Climate Institute estimates that Canadian emissions would be 41% higher by 2030 without government measures. This is equivalent to taking 69 million cars off the roads by the government. Of course, as someone who's very concerned about climate and the need to meet our targets, I think this is a very positive result. We do have a very comprehensive plan in place to further fight climate change, but not every party has a public plan on climate action.

Do you believe Canadians deserve to know each political party's strategy to address climate change?

Mr. Andrew Van Iterson: Do you want to speak? Go ahead.

Mr. Will Bulmer (Lead Specialist, Government Relations, World Wildlife Fund-Canada (WWF-Canada), Green Budget Coalition): Thank you so much for your question.

The Green Budget Coalition advances its recommendations on an annual basis, as the issues of climate change and biodiversity loss are universal and not beholden to any election cycle. We're here today to recognize that it's a fine balance between spending within your means and taking necessary actions. What's not up for debate is that nature is our strongest asset to address a changing climate. It also provides for Canadians, whether it is our economy or our communities and families. Those aspects are not up for debate.

While we encourage all political parties to prioritize these crises, we remain non-partisan in the fact that these are challenges that we will be facing regardless and that all Canadians will have to deal with at some point.

Ms. Joanne Thompson: Thank you.

As somebody from the east coast of Canada, I celebrate the potential of the green economy, and I am so pleased that Bill C-49 has passed and that we can start to get to work.

I'm going to quickly use the time I have left to speak to you, Ms. Paleczny. Thank you for your comments and the work you're doing in urban transit.

I come from the east coast, from Newfoundland and Labrador. We haven't had a train for 75 years. It's a big province, and yes, we rely on buses. I want to focus on urban transit and the link to housing, how part of the housing strategy is the need to ensure that transit is available to people, especially in affordable rental spaces.

Can you speak to the very real link between housing, meeting housing needs for all Canadians, and public transit? Also, can you speak to how important it is to align public transit with the realities of public transit in the region in Canada we're speaking of?

● (1625)

The Chair: Thank you, MP Thompson.

Ms. Paleczny, I just need a quick answer on this. Maybe you can expand in the later round.

Ms. Kelly Paleczny: Sure. Thank you.

Transit is certainly a key component of that. We know that when people are choosing where to live and are deciding...are making their transportation choices, transit has to be a viable option at that time. If it's not, they're forced to make other decisions. Once somebody has made the decision to purchase a car, it's is very difficult, then, to attract them back to transit. It certainly is very critical.

As I touched on in my comments, transit systems today are struggling to meet that demand. As housing continues to grow, we need to make sure that the systems are in place to accommodate those demands.

The Chair: Thank you, MP Thompson.

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

[*Translation*]

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

First of all, I want to say hello to all the witnesses. Thank you for your presentations and the briefs you sent us. That will be very helpful as we write our recommendations. I do not know whether there will be an economic update this fall or a budget next spring, or whether promises of funding will be used in the various election platforms. The fact remains that you are raising very important points of view that deserve to be supported.

Since time is limited, my questions will be for Mr. Roy today.

Before I get into my questions, though, I want to mention something briefly. As you saw, I tabled a notice of motion asking CMHC to provide us with updated data for our study on government policy decisions and market forces that have led to increases in the cost of buying or renting a home in Canada. I will not move the motion today, but I will do so next Thursday if we still have not received the required data.

In September 2023, CMHC officials testified before the committee. We asked them for those documents, and they agreed. Since then, on multiple occasions, the clerk has followed up with CMHC, but they keep saying that it is to be provided soon. The request was made over a year ago. I want to thank Ms. Bendayan for following up with the Department of Finance about that. I think CMHC was told that we needed to have the data. If we do not have that on Thursday, I will move the motion to that effect.

That is what I wanted to mention. I will now put my questions to Mr. Roy.

Thank you very much for being here, Mr. Roy. We are talking about major festivals and events. The pandemic occurred, and it was a difficult time. Since then, there has been inflation, which has hit your sector particularly hard. Can you give us any information on that?

Mr. Martin Roy: Thank you for the question.

I do think that we first have to go back to the pandemic and see that it had extremely negative consequences for our sector. We were unable to operate for a few years, and we experienced a partial dismantling of the sector. People who had skilled trades decided to go and do something else with their lives. Those who stayed on subsequently had the opportunity to increase their fees, however. It is the same thing for suppliers. In fact, this is a problem that has become quite widespread in the cultural sector.

In addition, following the pandemic, inflation has indeed hit our sector very hard. We estimate that it costs 30% to 40% more to run a festival today in comparison to 2019—

[*English*]

The Chair: I'm sorry for the interruption. Monsieur Roy, could you just move away from the mic a bit? It affects the interpretation.

Thank you.

[*Translation*]

Mr. Martin Roy: Okay. Excuse me, I am speaking too loudly.

I was saying that inflation had led to cost increases of 30% to 40%. It really costs a lot more in 2024 to do an event in comparison to 2019.

Festivals and events generally rely on sponsors and grants. However, we know very well that sponsors and granting agencies have not increased their contributions by 30% to 40%.

That is the crux of the problem. This is not a Canadian or Quebec problem, but an international one. I read the headlines every day and I see the same thing happening even in Australia, for example. Festivals around the world are affected by this phenomenon. It is very dangerous for the future of the industry.

● (1630)

Mr. Gabriel Ste-Marie: So the same event costs 30% to 40% more, but the revenue from sponsors or grants has not increased by the same percentage. So there is a shortfall, which puts you in a difficult situation.

Were there any events or festivals that had to be cancelled? If so, can you tell us about it?

Mr. Martin Roy: Every day or every week, I see in the newspapers that events are being cancelled or postponed across Canada, in your ridings, ladies and gentlemen. I drew up a list of them in the brief.

Think of the Taste of the Danforth festival in Ontario, which was cancelled in 2024, the Just for Laughs festival, which experienced the problems you know about, or the Hot Docs festival, which laid off staff. The Toronto Fringe Festival had to cut back in 2024. The Regina Folk Festival was paused in 2024. In British Columbia as well, many festivals are in trouble, including the Vancouver Folk Music Festival. The same is true of the Edmonton International Fringe Theatre Festival, which had to rely on donations from the public for its latest edition to take place.

So the problems are widespread. They are everywhere. As I said, articles on the topic are published around the world, particularly in specialized journals.

[*English*]

One is entitled, “So many music festivals have been cancelled this year. What's going on?”

[*Translation*]

We are really going through a very difficult time. This is particularly the case for events that are supported by Canadian Heritage's building communities through arts and heritage program. Before the pandemic, these events were receiving $110,000; today, they are receiving $50,000, whereas they should be receiving $150,000 based on inflation, but the grant has not been indexed. There is a decline not only in constant dollars, but also in current dollars. There is a desperate need. We receive about a third of the subsidy we had before the pandemic in constant dollars.

Mr. Gabriel Ste-Marie: You said it well in your presentation. The overall funding is the same, but an event that used to receive $110,000 now receives $50,000. Costs have gone up 30% to 40%, but events are getting less money. That is a problem.

You also raised the issue of the lack of predictability and the uncertainty that it creates. The funding you were talking about was renewed for two years, but, once again, there is uncertainty.

What does that entail? What impact do the lack of predictability and all the uncertainty related to the program have on the events you represent?

Mr. Martin Roy: Obviously, like any business, organizations such as festivals and events are trying to implement a development plan, a growth plan, and have short, medium and long-term objectives. Unfortunately, there is no predictability in terms of public assistance. Indeed, since 2019, amounts were added to the budget bases, but it was done only for a year or two. We always have to start over. It really discourages people in festivals and events, because there is no predictability. The additional amounts should at least be part of the budget base.

I am not just talking about festivals and events. Of course, a number of organizations are supported by the Canada Arts Presentation Fund or by BCAH but they are presenters, promoters from across Canada. Here again, in each of your ridings, you have theatres and event planners who do as much as possible for culture. They are the ones who are really struggling right now.

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

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

[*English*]

We'll now go to MP Davies, please.

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

Thank you to all of the witnesses for being here.

First, to the Canadian Urban Transit Association, in your pre-budget submission, you noted that the sunsetting of the investing in Canada infrastructure program in March 2023, combined with the planned rollout of the $3-billion annual Canada public transit fund in April 2026, results in a significant infrastructure funding gap for public transit projects that you say must be filled.

Could you quantify this infrastructure funding gap?

Ms. Kelly Paleczny: I don't have a number off the top of my head. It's certainly something we could provide after the fact, but the timing of the gap has essentially halted major infrastructure projects from that sunsetting period until such time as we have a new, reliable source of funding in place.

There's a three-year window there where no major infrastructure projects will be undertaken because there is no reliable or sustainable source of funding.

● (1635)

Mr. Don Davies: Thank you.

If you could provide that for us, that would be great.

You testified to this, but I also noted in your submission that, in Montreal, its estimated funding need is approximately $550 million annually. In Toronto, the Toronto Transit Commission has unfunded needs estimated at $900 million annually. I believe you repeated those figures here.

What is the total estimated annual state of good repair funding needed for all transit systems across Canada? Can you give us a ballpark idea?

Ms. Kelly Paleczny: I don't have that number off the top of my head, but that is something we could provide.

Mr. Don Davies: Just looking at those two numbers, between two of Canada's major cities, it's about $1.4 billion.

Would I be correct in estimating that it's in the billions of dollars?

Ms. Kelly Paleczny: Absolutely, yes. It is significant.

Mr. Don Davies: You also called on the federal government to include an annual funding escalator tied to the cost of construction to ensure that the Canada public transit fund maintains its value over time.

Could you quantify what impact the failure to attach an annual funding escalator will have on the value of that over time?

Ms. Kelly Paleczny: Certainly, we've seen that, in the previous program that sunsetted, the inflationary impacts we saw over the pandemic period on a number of those infrastructure projects resulted in the inability to complete those projects, because the funding isn't there to make up the difference with respect to the inflationary factors.

What we're hoping for here is to see an annual inflation escalator applied so that we can keep up with those costs and not find ourselves in a similar situation.

Mr. Don Davies: I know that in British Columbia and Saskatchewan, the transit authorities, the latter of which I met with a few weeks ago, both identified serious crises in maintaining present service, never mind expanding for the future.

My final question to you is this: Is there a multiplier effect? For instance, for every dollar that we publicly invest in public transit, is there an estimated return to the Canadian economy as a whole?

Ms. Kelly Paleczny: The number quoted in our presentation is that slightly over two dollars is returned to the economy.

Mr. Don Davies: Thank you.

To the Green Budget Coalition, in your pre-budget submission, you suggested that Canada be put on a path towards delivering on our commitment to protect at least 30% of land and ocean.

Can you confirm how close Canada is currently to achieving that goal?

Mr. Will Bulmer: I can't speak to the current numbers, but most recently I have been told that for marine we are on track towards 30%, and if not, then close to it. Terrestrially, I believe we are just under 14% protection right now.

Mr. Don Davies: Thanks.

You commented on a multiplier. You said every dollar spent by Parks Canada resulted in a $4.20 contribution to Canada's GDP.

Can you explain that multiplier and anything else in terms of federal government investment in our environment?

Mr. Will Bulmer: Absolutely.

Those are Parks Canada's numbers, actually. I believe they estimated it was $4.20 for every dollar invested.

What we're recognizing is what's called a “conservation economy”. In conservation efforts, there are jobs created. There are tourism opportunities that are built, particularly for rural and remote communities and indigenous communities.

For instance, WWF just finished a report in the Arctic in the community of Taloyoak that is significantly higher than a 4:1 return. It is very contextual, but in general, we're recognizing that a dollar invested in conservation is paying dividends well beyond the upfront cost.

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

In your pre-budget submission you called on the federal government to provide $12.4 billion over five years to support building retrofits. Can you explain the benefits of that investment?

Ms. Jessica McIlroy (Manager, Buildings, Pembina Institute, Green Budget Coalition): Thank you very much for the question.

That is, obviously, a very significant figure, and it speaks to the significant need in our existing housing structure. We estimate that approximately 80% of our current housing will be in place by 2050. If we're thinking of it from a climate mitigation aspect, those are buildings that need to be retrofitted and have emissions reductions associated with them, but primarily it's an investment in what is becoming critical infrastructure for the well-being of Canadians.

We're losing an incredible amount of funding and homes due to climate change now. We have increasing costs related to that infrastructure loss to health care. We often point to the experience of the heat dome in British Columbia, where over 600 lives were lost due to that over a two- to three-day period. There are significant costs now associated with climate change and the impacts to that infrastructure. It really is an investment in improving and trying to bring up to the required level housing for those who are most vulnerable, who are currently living in poor-quality housing and struggling to acquire the capital they need to make those improvements themselves.

● (1640)

The Chair: Thank you, MP Davies.

Members and witnesses, we're moving into our second round of questions.

We're starting with MP Morantz for five minutes.

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

Professor Lee, I'm in the unfortunate position of having had my colleague, Mr. Kelly, ask every excellent question I would have ever asked. I'm going to retread some of that ground with you, but maybe from a slightly different angle.

I want to go back to the comments of the senior deputy governor of the Bank of Canada, which were made on March 26 of this year.

In her speech, she said:

> Productivity is a way to inoculate the economy against inflation. An economy with low productivity can grow only so quickly before inflation sets in. But an economy with strong productivity can have faster growth, more jobs and higher wages with less risk of inflation. ...You've seen those signs that say, “In emergency, break glass.” Well, it's time to break the glass.

Those are very serious comments from a high-ranking official at the Bank of Canada.

On April 16, the government tabled budget 2024. That was only 20 days later. In that budget, they increased the capital gains inclusion rate from 50% to 66 and two-thirds per cent. You commented earlier that, based on the peer review reading you've done, that won't help the situation.

I can't understand why a government would take a policy measure that would have the exact opposite effect of the advice received from a very high-ranking official at the Bank of Canada. Can you square that circle for me?

Dr. Ian Lee: I can. I just want to make clear, because I'm a numbers guy who always likes to quote numbers, that now I'm going to give you my judgment. We do that in class. We talk about judgments of the data.

I think the people who are really committed perfectly, legitimately, philosophically to issues of social justice—I'm using that as a phrase to capture lots of things, including a concern about inequality—see capital gains as somehow inappropriate and should be confiscated. I don't agree with that view whatsoever, and I'm sure you understand that. That's what I call the Argentine model. I don't think we should go down that road, because then you discourage investment in the jobs, companies and technologies of tomorrow.

Mr. Marty Morantz: In fact, to your point, isn't creating policies that create worse productivity damaging to the ultimate goal of having social justice? Don't you need a robust economy that's producing jobs, that's producing wealth, that's improving people's standards of living, in order to have social justice?

Dr. Ian Lee: Yes. It's counterproductive. That's why I've been arguing, not only here but elsewhere, that this is not an argument against government policy or government having policies to help low-income people or social policies. Anne McLellan has been saying this. John Manley's been saying this. You have to generate the wealth in order to have that revenue base to support social policies and income support. What we're experiencing is a decline in our standard of living.

Mr. Marty Morantz: Thank you.

Mr. Harpe and Mr. Larkin, I listened very carefully to what you said. It reminded me of my great colleague, Larry Maguire, who brought forward Bill C-208 a couple of years ago. I was listening to you and thinking that it's just terrible that, with the agricultural industry and this government, it always seems like it's one step forward and two steps back.

What I mean by that is that Larry Maguire's bill was basically intended to lower the tax burden on intergenerational family farm transfers to make sure that these family farms could stay in the family, as opposed to being sold to total strangers. That bill was passed, but now in this budget the capital gains tax inclusion rate was increased, which takes you back two steps.

Would you agree with that view?

● (1645)

Mr. Andre Harpe: Absolutely. It's really interesting. In the farming sector, we have a saying basically that we're cash poor and asset rich.

Unfortunately, whether we like it or not, we use our land as our retirement. This has just made us poorer because of raising the inclusion tax.

Mr. Marty Morantz: Do you think that increasing the capital gains inclusion rate creates an incentive or a disincentive for young farmers who want to make the capital investment to start up or expand their family farms?

Mr. Andre Harpe: It's very much a disincentive.

My family's farm has been in our family for just over 100 years now. This is the first time that it's become very questionable as to how we pass the farm on because of the inclusion rate being increased.

Our asset is one of those things that we can't move. We can't do anything with it. It's in Canada. We can't move it, so we have to work with what we've got.

Mr. Marty Morantz: Thank you very much.

The Chair: Thank you, MP Morantz.

We'll go to MP Baker, please.

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

Thank you to all our witnesses for being here today.

I'd like to start by asking some questions of James Janeiro, if I could.

For the folks watching at home, could you just define what a caregiver is?

Mr. James Janeiro: Certainly, I'm very happy to.

In the terminology that we use, a caregiver is pretty much anybody who cares for anybody else. It's everyone from a mom and dad caring for a child with a disability on one end of the age spectrum to somebody supporting their parents near the end of life or in long-term care on the other end of the age spectrum. In between is everything from lifelong disability, mental health, addiction challenges or episodic disability—you name it.

The one part of this care space we don't really touch is child care. We felt that space is pretty well served already, so our definition doesn't include child care. However, in any other situation where you're caring for somebody who needs some help, you're a caregiver, the way we see it.

Mr. Yvan Baker: There are different ways to support caregivers. There are ways we can support the caregivers themselves.

When we provide better services, like better health care services—I'm thinking about long-term care, for example—we're therefore supporting not only the person in that residence or the person requiring care, which is the senior in this case, but we're also supporting the caregivers. Is that fair to say ?

Mr. James Janeiro: That's certainly true. If you ask a caregiver what they need the most, what they need the most is help for the person for whom they're providing care. The second-best thing you can do for a caregiver is support the caregiver as well. Our view is that you can do both.

Canada is a G7 country. We surely should be able to do both at the same time.

I would also say that the data is pretty clear that when the caregiver isn't doing well, the person receiving care doesn't do well either. If you're in that situation of being burnt out, being financially distressed or unsure how you're going to pay the mortgage or pay the rent because of your financial strain related to care, you're not your best self when you're providing care for somebody. Ultimately, the person to whom you're providing care ends up suffering at the same time.

Mr. Yvan Baker: That makes a lot of sense.

Could you reiterate for the folks watching at home, who may not have seen your opening presentation, what your ask is of government to help support caregivers?

Mr. James Janeiro: Our number one ask certainly is, let's live up to the promise of the Canada caregiver credit. Let's change it from non-refundable to refundable, which would have the immediate effect of putting about $1,250 in the hands of caregivers every year.

That may not sound like a lot for all of us around the table, but certainly for the 20% of caregivers who earn less than $20,000 a year, even that extra hundred bucks at the end of the month is a little bit more room. It's one more trip to the grocery store, for example, or just a little bit more flexibility on their ability to make ends meet.

Number one, let's do that. It's been committed to and it's certainly in the mandate letter. Let's live up to that and make that happen.

For number two, we were very happy to see a commitment in the last budget to a national caregiving strategy. The government has yet to say what's in and what's out of the national caregiving strategy. We have some ideas, which we're very happy to share and we have shared. I've shared a few around the table today. However, for the purpose of the budget, certainly the imperative is that the proper strategy be funded, so it is not just words on a page or a report on a shelf, but rather that whatever measures are included in that strategy are properly funded from the beginning and in perpetuity.

• (1650)

Mr. Yvan Baker: One of the things that I've worked on and am passionate about—and I think the two of us have spoken about it over the years, and I know a number of caucus colleagues have worked on this and supported this—is improving the quality of long-term care in this country. Specifically, the position that colleagues and our government took is that we should put in place national standards for long-term care.

In some cases, folks are getting wonderful care in long-term care, but there are too many cases where people aren't. COVID exposed that in a very apparent way for many Canadians.

Would national standards, if they were the right standards for long-term care implemented by the provinces, which we still have to make sure happens, not improve the quality of care that seniors receive and, therefore, not only help serve our seniors better and care for our seniors better but also support our caregivers?

Mr. James Janeiro: They most certainly would.

Here in Canada we have one of the highest rates of long-term care institutionalization and utilization in the world, and proper care for our elders is what we all owe our parents and our grandparents. They built this country. The least we can do for them in their later years is to make sure they're properly cared for, safe, happy and in a sustainable environment that gives them the food they like, the community participation they need and all the things that we would want for ourselves and everybody we love as we age.

Measures like federal long-term care standards, if done properly and if properly funded both by federal and provincial governments, will raise that bar for long-term care across the country. That's very important and should happen.

I will also say, though, that a lesson from around the world is that, if you do this properly, there are fewer people who need to go into long-term care in the first place. If you really do concerted work around home care, if you do concerted work around community-based supports that are there to help with snow clearing, grocery shopping, tending to the leaves and the kinds of things that are harder and harder with age, there will be fewer people in long-term care. The stats show that these kinds of everyday things point people towards long-term care. It's not always a health condition. Sometimes it's home maintenance, doing your shopping, doing your laundry and so on.

If we can figure out and learn from other countries how to support seniors to age in place with those kinds of supports, with good home care supports, we end up with fewer people in long-term care, which, coupled with improvements in long-term care, make everybody who ages better off.

The Chair: Thank you, MP Baker.

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

[*Translation*]

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

Mr. Roy, in the two and a half minutes I have left, I would like you to provide us with more details on your first recommendation. You would like to see a program dedicated to tourism growth and making destinations more attractive. The program would, among other things, support a category of festivals and events that are not recognized by Canadian Heritage.

Can you remind us why this program should target festivals of all sizes and why it should be devoted to festival operations?

Mr. Martin Roy: I'll explain what is behind this proposal.

Over the years, various iterations of programs have benefited festivals and events. In 2009–2010, among other things, the marquee tourism events program was put in place by the Conservative government. That government invested—because it is indeed an investment—$100 million in the event sector to increase the tourism attractiveness of festivals and events. Subsequently, there were other versions of this program, as well as tourism-related programs that were accessible for festivals and events.

This time, the new version of the program would seek to generally upgrade festivals and events in Canada. We want our festivals and events that are already well established both in Canada and abroad to attract more international tourists and bring more foreign currencies here. We also want the major festivals that are popular in the country to attract more people to the communities and more tourists from other regions. Therefore, we are proposing a kind of general upgrade for all festivals and events.

You talked about grants for operations. That is the form of funding we recommend. Under the programs proposed by the federal government, too often funding is provided on a project-by-project basis, which requires the festival or event organizer to spend a certain number of dollars to get more money. At the end of the day, that doesn't help much. In the current situation, what we really need is to keep the festival running, given all the crises and headlines I alluded to earlier.

• (1655)

Mr. Gabriel Ste-Marie: Thank you.

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

[*English*]

Now we'll go to MP Davies.

Mr. Don Davies: Thank you.

Mr. Janeiro, you said in your pre-budget submission that, as of August of this year, the federal government has made no announcements about policy or funding for the national caregiving strategy. You're proposing that budget 2025 must include sufficient funding to implement the policy changes and initiatives that will be included in the strategy.

In your view, what level of funding should be attached to the national caregiving strategy?

Mr. James Janeiro: That's a very fair question. I guess it depends on the level of ambition we're talking about here.

Our view is that caregiving is the next frontier of public policy in Canada. It's one in four Canadians. That's a pretty unignorable population. Eventually, half of all of us will be a caregiver. If one in four is unignorable, certainly one in two is unignorable. This is one of those ticking time bomb issues for which we have a narrow window to get right as our population ages and disability becomes more and more complex over time.

Our suggestion to the federal government on this—and to other parties as well, looking ahead to elections and beyond—is that there's an opportunity for ambition here to make Canada the best place in the world to give and receive care. We can learn from the U.K. and from Australia and other jurisdictions that this is not always cheap but that this is an investment in the rest of the economy.

Mr. Don Davies: Yes. Prior to being finance critic, I was health critic for eight years. Health critics don't die; they get more critical. I remember during COVID that Canada experienced the highest percentage of deaths among seniors as a percentage of total deaths in any country on earth. I think we would do well to remember that.

With regard to the Canada caregiver credit, you noted that the commitment to convert that from a non-refundable tax credit to a refundable tax-free benefit of a minimum of $1,250 was contained in the 2021 Minister of Finance mandate letter. Have you received any explanation from this government as to why it has not fulfilled that commitment it made four years ago?

Mr. James Janeiro: It is certainly there. It's on page 7, to be specific, the third bullet from the bottom. We've yet to receive a concrete answer as to why it hasn't happened yet. In my business, you have to remain optimistic. The best time to do this was four years ago or three years ago. The second-best time to do it is right now.

Mr. Don Davies: Try being a federal New Democrat.

Voices: Oh, oh!

Mr. Don Davies: Thanks.

The Chair: Hope is eternal.

Okay. We're going to go to MP Chambers for five minutes.

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

What a wonderful group of presenters we have here today. Thank you.

Just in case we get there, I'll provide verbal notice of a motion that, should the committee decide to have any extra resources tonight, we'll devote those “to the study of Bill C-365 to a maximum meeting [time of] one hour and report the bill to the House in its original or amended form, as the committee desires.” That's just verbal notice. I'm not moving that motion, Mr. Chair. We do have the proponent of the bill in the room, prepared to present on his bill this evening.

Mr. Harpe, I'd like to spend a couple of minutes with you.

First, thank you for helping feed Canadians and the world. It's very much appreciated. We saw that, during COVID, food supply was obviously a very big concern. With recent government announcements, the capital gains tax and other regulations, do you think farming is becoming more or less attractive to the next generation?

Mr. Andre Harpe: You know, farming in some ways is a way of life, and it's getting tougher to farm. It's getting tougher for young Canadians to get involved in the farm. I think they still want to and I think they're still attracted to it, but it's getting tougher.

● (1700)

Mr. Adam Chambers: Thank you.

I also understand that if you were to compare the emissions profile of Canadian grain or wheat that ends up being exported or consumed to the emissions profile of other countries', most Canadian agricultural products—particularly grain—have lower emissions profiles than those in other countries. Do I have that right?

Mr. Andre Harpe: I would believe so. Kyle might have the numbers, but the one thing I would say is that it goes back to the fact that we have been working on the land for years. We've been working, trying to be more efficient and more sustainable before that became a buzzword. We've been working for years on this.

Kyle...?

Mr. Kyle Larkin (Executive Director, Grain Growers of Canada): I would just add that Canadian grain and Canadian grain farmers are some of the most sustainable in the world. We have a really good story to tell globally, and I'll quantify it. From 2001 to 2021, the Canadian agricultural sector cut its carbon intensity by 50% while growing food production to meet growing food demand both in Canada and globally.

Mr. Adam Chambers: It sounds to me like it would be a good thing for the world to have more Canadian grain.

Mr. Andre Harpe: Yes, it would.

Mr. Adam Chambers: It would be better for the environment too. Is that right?

Mr. Andre Harpe: Yes.

Mr. Adam Chambers: I've never met a farmer who's not environmentally conscious. I've never met a farmer who wastes fertilizer or who doesn't think about the sustainability of their operation for the next generation.

I think our government or any future government should look at ways to grow the agriculture sector so that we can export more food and keep more of the food supply chain here for us. What do you think about that?

Mr. Andre Harpe: I totally agree with you. We're doing very well now. I think we can do better. I think we have an amazing story to tell.

It's interesting. I was talking a few minutes ago about how our farm has been in our family for 103 years. I have three daughters who want to look at taking over that farm. The only way to make that farm viable, the only way to pass that farm on, is to treat the soil and to treat the farm the way it should be treated.

Mr. Adam Chambers: Thank you very much, Mr. Harpe. I appreciate your testimony.

Mr. Lee, you can't get out of here without answering a couple of questions from me. However, if I know how this works, I'll probably have time to ask you only one and you'll talk until the time is up.

Voices: Oh, oh!

Mr. Adam Chambers: The Parliamentary Budget Officer today said that—surprise, surprise—inflation and interest rates have hurt lower-income Canadians the most. That's something that even the Governor of the Bank of Canada said in May of 2021. He gave a speech that seemed to fall on deaf ears with the current government.

Do you have any comments on the role of inflation and how that has hurt low-income households?

Dr. Ian Lee: I do appreciate the question. It has been studied, believe me, going back to Keynes. There's massive research on this. I'm sure everyone in the room can guess at the answer. I'm sorry about the jargon, but the people least affected are in the top two quintiles, the two highest. That's 40%. It's very easy to immunize themselves from that. The people who are in the bottom two quintiles have very limited income. They're hit much harder.

In fact, when you look at the StatsCan data that shows the percentage of income spent on food, shelter, etc., and they break it out by quintiles, it's no surprise that the people in the bottom quintile pay a lot more as a percentage of their income on food and shelter than wealthier people do. Ergo, people at the bottom suffer a lot more.

Mr. Adam Chambers: Thank you very much, Mr. Chair. I'm only a couple of seconds over.

The Chair: Next is Ms. Dzerowicz.

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

I want to thank all the witnesses today for their excellent presentations. I have questions for each one, but I won't have the time to do so.

I'll start off very quickly with you, Ms. Paleczny. You know, in my downtown west riding of Davenport, transit is very popular. One thing that troubles me is the fact that the transit in Toronto is largely funded by the fare box. Can you just confirm whether or not we're the only country in the world that actually funds its public transit by the fare box?

That's question one. As a second part, is there a model of funding at all the various levels of government of another country that you think we should be following?

Ms. Kelly Paleczny: Thank you for the question.

With respect to your first question, I can say that Canadian transit systems rely on their fare box revenue to the greatest extent of any transit systems in the world. I don't know what those exact percentages are, but I do know that Canadian systems do rely most heavily on fare boxes.

In terms of models around the country, as I spoke about in one of our—

● (1705)

Ms. Julie Dzerowicz: I'm sorry. It's not models around the country. It's around the world.

Ms. Kelly Paleczny: I meant to say around the world—my apologies.

We recognize, as I talked about in my commentary, that all levels of government need to participate. There are many examples around the world where you see various levels of government participating. That's really what we need, but we need everybody to be onside with that versus a one-off. Typically, we've seen the federal government providing infrastructure funding, with the operating falling to provincial and municipal. That may well work as long as everybody's on the same page and they all understand the role they have to play.

Ms. Julie Dzerowicz: Thank you. If you later think of one that you think we should be adopting, given the different responsibilities we have constitutionally here, I'd be very grateful to hear it.

My next question is for the Green Budget Coalition. The Sustainable Jobs Act passed in June of this year, so we're very committed to it. In my riding of Davenport, we care about sustainable, inclusive growth. What is the next step in the Sustainable Jobs Act? What is it that you would recommend we move forward on that will accelerate our moving to more sustainable jobs?

Ms. Jessica McIlroy: If you require any further information afterward, I'm happy to follow up as this is an area of expertise of one of my colleagues. However, working from her excellent information that she provided, it is a focus. Many times, when a strategy or act comes forward—and reflecting what we also heard today from others—it's a time to invest, to really solidify those programs and policies and the investment that's required to move forward.

The recommendation features five key areas, with a large part of it being a focus on youth and youth training—the youth climate corps specifically—and the opportunity for hundreds of thousands of jobs across the country as we look to expand to youth.

Ms. Julie Dzerowicz: Thank you very much. I appreciate that.

My next question is for the Canadian Centre for Caregiving Excellence. Thank you so much for your presentation. It was excellent. You probably won't have time to do this here.... In my excellent riding of Davenport, one of the top issues from seniors, when I go to the doors, is that they feel very angry that they don't have a lot of options for where to move. We have a lot of seniors living alone. They would love to have.... They feel they don't have choices. They're not ready for long-term care, and there's not a lot of independent living. If you have specific recommendations you can actually send in to this committee about what we should be looking at—there are definitely some creative models around the world around this—I'll be very grateful to get this from you.

The other thing I wouldn't mind getting some data on is.... I'm a caregiver right now, and there are a lot of private caregiving services out there—very expensive—that actually could be offered from a public system at a much reduced rate, but we need a lot of coordination. If you have any data, statistics or recommendations around that, I'll be grateful to hear that as well.

I'll let you comment for a couple of seconds, and then I might try to slip in one more question.

Mr. James Janeiro: On the point about seniors, you're absolutely right about the need for creative models on this. I also throw out there that one in five caregivers in Canada is a senior as well, so in addition to being a senior and all the challenges that might come with that, one in five caregivers is also providing care to somebody else at the same time. There are a bunch of lessons we can put forward. I'm happy to connect on this separately as well.

The Chair: MP Morantz, go ahead, please.

This is our third round, members and witnesses.

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

Professor Lee, to touch on this questionable claim by the Minister of Finance that the increase in the capital gains inclusion rate only affects 0.13% of Canadians, in your earlier testimony you said you concurred with the analysis of Jack Mintz that this measure alone will blow a $90-billion hole in our GDP.

Wouldn't it be more true to say that increasing the capital gains inclusion rate doesn't only affect 0.13% of Canadians but, in fact, affects every Canadian?

● (1710)

Dr. Ian Lee: Yes, it affects Canadians directly and indirectly. There are ways of testing data all the time, claims by anybody, including elected officials. Just on the direct impact, when Ms. Freeland said that, I did several media interviews and said, "Look, all we have to do is look at the number of small and medium-sized businesses or farmers because they're all subject to capital gains when they sell an asset for a capital gain." There are many more than the very tiny percentage, whatever it was, that was provided by the finance minister.

When you look at the number of owners, entrepreneurs who own a capital asset called a business, or farmers, and then you throw in secondary properties, of which there are several million, every one of those people are subject, ultimately. They may not sell today, but when that property is sold they will be hit with capital gains. I knew that the number was ridiculously underestimated because there are several million people who have capital assets. That's why, in my disclosure at the beginning, I was very careful to say that I'm an unusual person. I don't have any stocks, bonds or capital assets other than my house, which is tax-free, but there are millions who do and are subject to this tax, so the impact is much greater than was claimed.

Mr. Marty Morantz: Thank you.

I'm sure that you, over the years, studied the issue of tax fairness as well. One thing I find very curious about the policy is that, if you're an individual or a sole proprietorship unincorporated, when you sell your capital asset, you get the first $250,000 with an inclusion rate of 50%, but if you happen to own the exact same business across the street and are incorporated, you don't get that. You can have exactly the same two businesses that are exactly the same size with exactly the same asset mix, but one person gets a break and the other one doesn't.

Can you comment on the inherent unfairness of that?

Dr. Ian Lee: It is unfair, but I think that the Income Tax Act, over many years, has become riddled with a lot of inequities. I've been arguing this for several years. I really do think we need another—I won't call it a royal commission—blue-chip panel that investigates this from stem to stern with experts like Jack Mintz analyzing, because there are a lot of inequities in the Income Tax Act.

Mr. Marty Morantz: In my last couple of minutes, I want to get your take on the issue of the disturbing trend of the reduction in per capita GDP and productivity vis-à-vis the United States and the OECD that you commented on earlier. This is a trend that's not going in the right direction; it's going the wrong way.

If you were advising the government today, what suite of policies would you suggest they adopt to stem this very disturbing trend and reverse it?

Dr. Ian Lee: I think productivity is the number one crisis facing Canada, because it drives the wealth and future prosperity of every Canadian. Even though some people's eyes glaze over when they hear it, it's not some tangential or second-order issue. It trumps everything else.

I was here in April or May with your committee, and I sat beside the commissioner of the Competition Bureau. We were both in complete agreement on competition. This is in massive amounts of research, I assure you. When you have markets that are not protected—and we're famous for protecting a lot of markets like telecom that we won't let the Americans in, and airlines, banking, etc.—that protection is pernicious, destructive and harmful to Canadians because, and Schumpeter taught us this 75 years ago, companies innovate because they have to because of competition.

If you have a nice, cozy, protected market provided by you, the parliamentarians, why should I innovate? Why should I invest in R and D? Why should I do any of that? I have a nice, cozy, protected market.

I said at that presentation—probably I offended some people here—that many of you parliamentarians have created many of these problems by creating these protected markets like the telecom market and the dairy market. All we've done is hurt ourselves. We are causing harm to ourselves as individual Canadians.

Mr. Marty Morantz: Thank you.

The Chair: Thank you.

Thank you, MP Morantz.

Now we'll go to MP Sorbara, please.

● (1715)

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

Good afternoon, everyone. It's great to see some familiar faces and some friends.

Professor Lee, for many years we've had a number of conversations, so it's really nice to see you. I'm glad you're still at the university teaching our youth and our future leaders on the importance of competition and economic policy.

I want to ask one question and subsets of it.

Right now in Canada, we have a deficit to GDP of about 1%, or thereabouts. The equivalent in the United States is over 6%. Today BMO came out with a really nice chart. Their deficit for fiscal year 2024 is nearly $2 trillion. If we were running the same deficit to GDP in Canada, which we are not, our deficit would be probably $250 billion and maybe closer to $300 billion.

We in our government have been excellent fiscal stewards in terms of maintaining our AAA credit rating and maintaining a strong fiscal framework. The PBO, in the most recent report on the state of the government finances, when he looked at the national and subnational levels, indicated that as well. It is a strength.

You would have to agree on that level that Canada's fiscal finances are very strong both on an absolute and relative basis. Would you not agree?

Dr. Ian Lee: I will give a more nuanced answer.

I fully acknowledge that the United States is profligate with their deficit.

Every MP here should listen to the blog with David Rosenberg last May, with former deputy prime minister John Manley and David Dodge, talking about the 1995 downsizing and the current problem in the States. All three argued that it's not sustainable. They're going to run into a fiscal wall. It won't ruin the United States, but they'll be doing a haircut on all their social programs, because they're the three largest drivers of the deficit. Seventy-five per cent of all the spending of the U.S. government is social security and medicare. You know that.

To your question, the reason I said I want to nuance it is that there's no reason to run deficits. This is straight out of Keynes. There's no reason to run deficits when the economy is growing. You run deficits when the economy is in the tank, and then you pay them back. That just violates fiscal policy.

Second, I don't quite agree with the statement made by the government comparing itself to other countries because they're cherry-picking. They're taking the federal debt and saying that it is a percentage of total GDP. The OECD and all econometricians do not measure it that way. They measure the totality of government debt—federal, provincial, municipal—because there's only one taxpayer. When you use that number, we are nowhere near doing as well as is claimed.

Mr. Francesco Sorbara: I would respectfully disagree. The OECD and IMF take into account both the national and subnational levels of debt in their calculations.

That is done there. I think that's straight there. We can take that off-line. I do want to switch gears.

We can have an economics discussion. Look, I agree with you on competition and Schumpeter. There are a number of economists that I, as an economist myself, really prescribe to for different reasons. Schumpeter's creative destruction is a beautiful thing. We need more of it in Canada.

Dr. Ian Lee: Yes.

Mr. Francesco Sorbara: There's competition in Canada with a number of industries.

The Biden administration put in the Competition Council under Janet Yellen. We've done the same thing with Minister Champagne and Deputy Prime Minister Freeland. We have done a lot of stuff with the Competition Bureau and the Competition Act. There's the act we brought in. There's Bill C-34 that we've done. We have a lot more to do. A lot of governments have not been successful there. I think time will tell. I think we've done a lot of things that will prove successful.

Now I'm going over to James on the caregiving side, in my limited time.

You know the situation we have in our family with my little nephew being a special needs child. I don't want to say he needs constant care, but if his parents weren't there.... If we had to pay his parents to do what they do, it would be in the hundreds of thousands of dollars every year with the expenses they incur for little Ethan, my nephew. This is really near and dear to me.

A caregiving strategy needs to be in place, especially for our most vulnerable. I'll give you the remaining time to add colour on that front, please.

Mr. James Janeiro: Certainly. Hats off to you. I know your family puts a lot of effort and a lot of time into making your nephew's life as wonderful as possible.

I'm in the same situation. My favourite nephew has significant special needs. My job is to teach him Portuguese and to sing to him. I don't speak Portuguese well nor do I sing well, but he's happy when I do it.

As a take-home message, I guess, attached to the role of families in this, is that if you were to replace them—not that you ever would, of course—but if you want to put a number on how many paid staff it would take to replace what families and friends are doing for people with disabilities and seniors and so on across the country, we're upwards of five million or six million staff that we don't have budgets for and that we don't have room for in our economy. People are otherwise consumed with other jobs.

These families are doing yeoman's work. I would argue that one of the roles of the state is to support families with the help they need to look after the people they love.

I do hope everyone will join us in our call to make this strategy real and see some good stuff coming out soon.

● (1720)

The Chair: Thank you, MP Sorbara. That's the time.

Now we are going to MP Ste-Marie, please.

[*Translation*]

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

Mr. Roy, I would now like to talk about your second recommendation. You explained it well in your presentation. In the case of the two programs, the Canada arts presentation fund and the building communities through arts and heritage program, you recommend integrating one-time amounts into the base budget to address uncertainty and the lack of predictability.

Can you explain that recommendation again in the two remaining minutes? If not, I invite you to talk about your recommendations more generally.

Mr. Martin Roy: I would like to add a clarification to what I said earlier. The amounts added to the base budgets are also extremely difficult to manage, both for the federal government and for festivals and events. The budget was presented this year in March or April—I'm not sure which—but festivals start in May or June. By the time the applications are sent to Treasury Board, the file comes back and the cheques are sent by Canadian Heritage to all the festivals and events, they are already finished. I don't think that's an optimal way to spend that money.

We were talking about predictability earlier; that's also what this is about. If we can know in advance what we'll have, it will be much easier than if we receive the cheque two months after the event. I think that summarizes the problem right now.

Mr. Gabriel Ste-Marie: So it's a matter of organization. Those in charge have to be smart about how to manage the money and when to make announcements so that the money arrives before the event and can be used. Unfortunately, this is the situation we see with a lot of federal programs: The money is released at the last minute and must almost already be spent before it has even been announced and sent.

I'll give you the last word.

Mr. Martin Roy: I think it shows how very useful it would be to integrate these additional amounts into the budget base. That would be in the interest of Canada's entire cultural community. Once again, I am not speaking only on behalf of festivals and events, but on behalf of broadcasters in general. That would be an extremely promising measure for the cultural sector.

Mr. Gabriel Ste-Marie: Thank you very much for being here, Mr. Roy.

I would also like to thank all our guests. We have taken note of their requests.

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

[*English*]

Now we'll go to MP Davies.

Mr. Don Davies: Thank you.

Dr. Lee, I really appreciate your reliance on data. When we talk about the capital gains inclusion, we have maybe the best data of all, because we have history. The inclusion rate that has just been announced in this budget of 66.6% on income over $250,000 is exactly the inclusion rate that was established in 1988. At that time, the Mulroney Progressive Conservative government raised the inclusion rate from 50% to 66.6% in 1988. They then increased it again in 1990 to 75%. It stayed at that level for 10 years until the year 2000 when I think the Liberal government reduced it to 50%, where it stayed for some time.

I just did some quick research. We've had data presented to this committee that showed the impact on business investment in Canada, on machinery and equipment and on technology and innovation, between 1990 and 2000. It went up. It did not go down. In fact, between 2000, when the capital gains inclusion rate was reduced to 50%, and today, we have seen a gradual erosion and reduction in business investment in Canada.

Can you help me explain that? If Mr. Mintz's prognoses are correct, why is it that when we raised capital gains inclusion rates before, it did not have the effect of chasing investment or increasing investment in Canada in machine equipment but had the opposite effect?

● (1725)

Dr. Ian Lee: There are a lot of drivers involved in the economy. It's not just one single decision. I had the senior vice-president of GE Capital out. He was a German stationed in Brazil. He spoke Portuguese; he spoke five or six languages. He came out to my class to talk about country risk analysis and investment and what drives investment. He said, of course, capital gains taxes are huge, but so are interest rates and so are political conditions. What's the risk of expropriation?

I'm not trying to set this up as a monocausal explanation and saying that, if the capital gains tax goes up, you're toast. I am saying it's an important and significant influence on investment. I'm sorry for repeating myself, but we are in this unusual situation. Not every country in the world is smack dab next to the largest and most dynamic economy in the world, but we are. That is a very real consideration. As a generic policy, we should make sure all our taxes on the corporate world are a little bit below the Americans', not above, because we want a tax advantage, not a tax disadvantage.

The Chair: Thank you.

We have MP Chambers next.

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

To be fair to the rest of the panellists here, I'll give you a forewarning. I'm going to ask each of you if you have a recommendation that does not cost the government any money. I'll give you some time to think about that, and I'll give you all an opportunity to discuss while I follow up with Mr. Lee.

Mr. Lee, I don't presume to know how old you are, but I don't know if you are aware that you can apply to become a senator. If you would like an endorsement from me, I'd be happy to write you a letter. I'm not sure whether it would be persuasive.

There is some discussion about whether the government should consider a wealth tax. Is that something you would support?

Dr. Ian Lee: No. I've spoken on this multiple times in debates with the Canadian Centre for Policy Alternatives, and I think it would be catastrophic.

There are two problems with a wealth tax. You get into the whole problem of measurement of wealth or you get into the question of timing, because then we're typically talking about taxing wealth that has not been liquidated. You're going to somebody and saying they are sitting on some stocks, so we're going to take some of it.

Again, it's going to drive people to other countries because we're not the only country in the world. If we do that, people will go to the States.

Mr. Adam Chambers: Thank you very much.

This is an academic question. I know some people in the Office of the Parliamentary Budget Officer watch this committee and they follow what's happening, as do people in the Department of Finance.

Are you familiar with the term “dynamic scoring”? For example, there are three taxes the government has increased—the luxury tax, the capital gains tax and the carbon tax—and for each of these examples, the government produces what they believe to be the increase of revenues that will be associated with those taxes. The problem is that they present the gross taxes of revenue increase without adjusting for the net effect of lost HST revenues, specifically as it relates to the luxury tax, or a reduction in GDP and, therefore, a reduction in general tax revenues.

Would you support either the Parliamentary Budget Officer or the finance department including dynamic scoring, or what is commonly referred to as dynamic scoring, in their models?

Dr. Ian Lee: I am familiar with it, because I talk about that all the time in my classes, explaining that economies are dynamic.

One of the criticisms I have of academia is that we look at everything when we're studying government and we think that's it and it's fixed. Then we say, we can't do this because. However, that doesn't account for dynamism, and that's dynamic modelling. Dynamic modelling takes into account.... In the behavioural finance literature, this is a very important part, because people change their behaviour in terms of the response.

I have one more quick point if I have time to get it in. I'm always struck by people who will tell you over and over how important the carbon tax is, because it changes your behaviour. However, they do not acknowledge that any other tax changes our behaviour too. The whole idea of a Pigou tax, which is a carbon tax named after Professor Pigou at Cambridge, is that prices go up and you consume less of it. This applies to any tax. It changes our behaviour.

Mr. Adam Chambers: Thank you very much, Professor. I'd love to come audit any of your classes.

I have about a minute and a half left. I'm happy to go either in order, or does anyone have a suggestion that doesn't include an expense to the government?

Go ahead, Mr. Janeiro. Also, please keep it short so we have enough time for the rest.

● (1730)

Mr. James Janeiro: I hope this isn't cheating, but make the disability tax credit easier to access.

Mr. Adam Chambers: That's fair enough. That's very good. Thank you very much. That's a great suggestion.

Sir.

Mr. Andrew Van Iterson: We have a number of recommendations that are no cost—

Mr. Adam Chambers: Okay.

Mr. Andrew Van Iterson: —and one that can bring in revenues. I'll just quickly go over them. There's about $2 billion in existing funding that we could dedicate to restoration programs across Canada. Also, we're suggesting that we make better progress on removing subsidies to fossil fuels and on reducing subsidies that are harmful to nature. We also have a recommendation for a windfall profits tax on oil and gas companies that could generate funding.

Mr. Adam Chambers: Thank you very much.

Mr. Harpe.

Mr. Andre Harpe: Thank you.

I'd love to talk about the capital gains tax and the carbon tax, but I think that costs money. Anyway, for us, interswitching would cost zero money and would actually benefit the agricultural industry greatly.

Mr. Adam Chambers: Thank you very much.

Monsieur Roy.

Mr. Martin Roy: I'm not cheating, but I'll stick to recommendation number two, which is to integrate in the base budget the amounts. It won't cost more to integrate them into the base budget.

Mr. Adam Chambers: Thank you very much.

I think we have one more witness online.

Ms. Kelly Paleczny: Yes. I would just reiterate our fourth recommendation, which was to encourage the government to take a leadership role in that national task force to talk about the best path forward for public transit systems in this country.

Mr. Adam Chambers: Mr. Chair, that's my time. I'm right on time.

Thank you very much, everyone.

The Chair: That was five minutes. Thank you for that, MP Chambers.

Now we go to PS Bendayan.

Ms. Rachel Bendayan (Outremont, Lib.): Thank you, Mr. Chair.

Thank you for that speed round. Of course, as parliamentary secretary, I'm very interested to hear your views and to have read your submissions. I am accompanied by the finance team behind me.

I would like to ask a few questions of the Green Budget Coalition.

Thank you for appearing before me.

[*Translation*]

I actually have the pleasure of representing Équiterre in my riding.

[*English*]

I also work with For Our Kids, which is another great environmental organization.

I would like to hear you speak further about the importance of our price on pollution. I heard you mention earlier that a price on pollution is important in order to lower emissions but also to protect the environment. Do you have a view on the idea currently being debated of exempting certain fuels or certain activities from carbon pricing, such as grain drying for example?

Ms. Jessica McIlroy: As the Green Budget Coalition, those who have worked on the carbon pricing and mechanism recommendation don't have recommendations that are specific to those types of applications or uses. I would say that we still maintain a general position that it is an important mechanism in the suite of mechanisms that are needed for putting a price on pollution and addressing climate change.

Ms. Rachel Bendayan: Are further exemptions going to undermine the system of a price on pollution? Please answer yes or no.

Ms. Jessica McIlroy: That's a tough question to answer, and I don't think I have something solid for you. However, what we want to see is that there is that sort of review of all of those related mechanisms and that we're looking at performance standards, output-based performance standards, prices on pollution and how all of them work together to meet the needs we need to meet, but also, of course, take into consideration any sort of undue consequences.

Ms. Rachel Bendayan: Thank you.

I heard you refer to another colleague who's not here with you today. There is an opportunity to submit additional testimony via writing. Would you be kind enough to do that so that we have the full benefit of your submissions?

[*Translation*]

I would like to ask my friend Mr. Roy a question.

Mr. Roy, I am of course taking note of your recommendation. We worked together when I was working with the tourism sector during the pandemic. It was very important for the government to ensure that the event sector, in particular, would be able to survive the pandemic. As you saw, we were there by your side.

You mentioned that smaller festivals and events were also at the heart of your submission. I think that's important, since there are a number of small festivals in Quebec in general, and that's especially the case in my riding of Outremont.

Do you think small festivals and events should be included more? What would your recommendation be for events that are growing?

● (1735)

Mr. Martin Roy: Thank you, Ms. Bendayan. I do applaud your commitment to the tourism industry. Over the years, we've had the opportunity to talk to each other often, and I thank you for that.

Again, I think this is really a complement. It's really important—and some provinces are already doing this—to consider the festival and event file from two perspectives. On the one hand, it must be considered from a cultural and social perspective, through Canadian Heritage. As I was saying, there are obviously problems, including the fact that the amounts are never permanent. This is an area where the government can intervene in the sector. On the other hand, another way to intervene is to look at the issue from an economic and tourism perspective. These two approaches complement each other. Certain festivals are sometimes supported for their cultural, social or community importance and for the role they play in the community. At other times, we can look at tourism results, recognize that an event has produced exceptional results in that regard, support it and ensure that we attract tourists.

Earlier, I talked about a kind of general upgrade to the sector. That would make certain small events—such as those held in your riding, for example—more attractive in the Montreal region. Small events that are well established in the Montreal region would attract more tourists to Quebec. The same is true for events like the Toronto International Film Festival or the Calgary Stampede, which could then attract more international tourists.

It's really about ensuring that each event grows and develops normally.

[*English*]

Ms. Rachel Bendayan: Thank you, Monsieur Roy.

Mr. Janeiro, in the little time I have left, perhaps you would like to speak to your proposal to convert the caregiver credit to a refundable benefit.

Mr. James Janeiro: Thank you for the opportunity.

We would say that this is the down payment towards the national caregiving strategy. It's a commitment that's on the books. We've costed it at approximately $70 million. It is real money, but these are not significant, enormous sums of federal funds. This would have the immediate effect of putting some cash into the pockets of caregivers, many of whom are struggling.

If we can't support our caregivers, we're really in trouble. We need them to be okay. A little bit of help will really go a long way.

Ms. Rachel Bendayan: Thank you.

I'm sorry that I don't have time to ask questions of all our excellent witnesses, but I believe we are unanimous in believing that this was a wonderful panel.

Thank you for taking the time to come to the finance committee.

The Chair: Thank you, PS Bendayan.

Members, we have two budgets that I had sent to everybody. I just need a thumbs-up on that from everybody. Is that okay?

Some hon. members: Agreed.

The Chair: Okay. Good. That's great.

On behalf of all of us on this finance committee, I want to thank our expert witnesses for their testimony here.

PS Bendayan, I see your hand up.

Ms. Rachel Bendayan: Thank you, Mr. Chair.

I would just like to respond to the motion that was put on notice, I believe, by my colleague Mr. Chambers. He at least read it into the record.

It is the position of the government that we would like to hear from witnesses on open banking. It is something that we care about. It is something that we are moving on. It is actually a Conservative private member's bill, so I find it surprising that the Conservatives don't want to discuss it. However, given the filibuster that occurred at our last meeting, I am prepared to invite open banking witnesses during the pre-budget consultations.

I would like to simply put it on the record that, when we had a previous discussion on this during the committee business meeting, it was because colleagues from opposition parties had not had a chance to read the private member's bill that we deferred that discussion to a future meeting. In the spirit of collaboration, I hope this finds acceptance. Obviously, the Conservative members will be happy that we are not discussing it...and that it is not deferred to a future meeting. I think we can all get on with the important work of the finance committee as a result.

The Chair: Thank you, PS Bendayan.

Witnesses may not have understood that, but anyway, you can go back and look at the proceedings from our last meeting, and you can catch them on ParlVU.

Again, we want to thank our expert witnesses for their testimony here, for our pre-budget consultation in advance of budget 2025. We wish you the best with the rest of your evening. Thank you very much, everyone.

We're adjourned.