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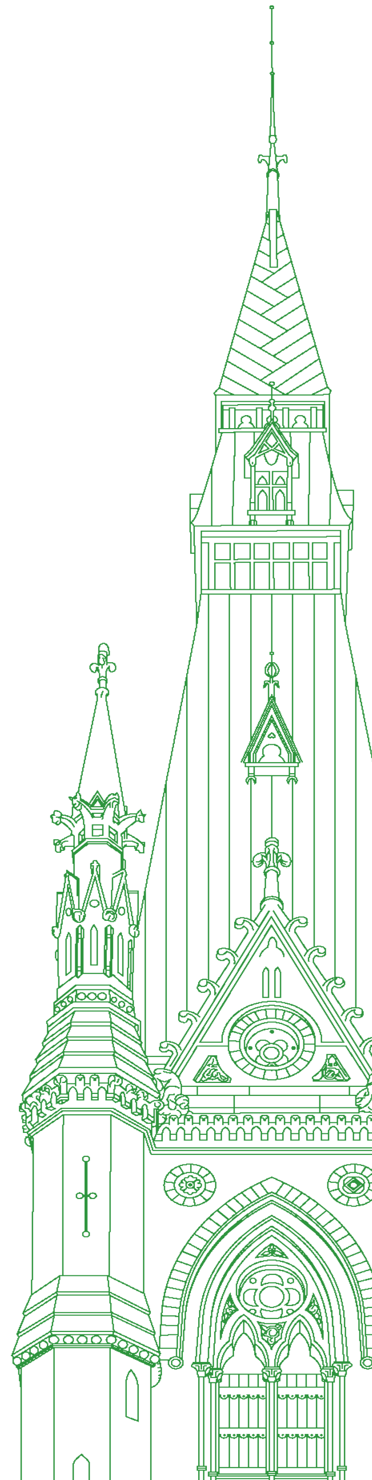

Chair: Mr. Peter Fonseca

Standing Committee on Finance

Thursday, November 7, 2024

● (1605)

[*English*]

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

Welcome to meeting number 164 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 now to remind participants of the following points: Please wait until I recognize you by name before speaking, and 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.

Pursuant to 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.

Before we get to our witnesses today, I'd like to thank all the witnesses who have taken part in our PBC meetings this year, because this will be our final meeting with witnesses.

We've had an amazing job done by our clerk, the analysts, the entire team and the interpreters. Everybody tried to accommodate all of our witnesses as well as possible.

We have a limited number of meetings. While many of you have received last-minute invitations, you all still do your best to provide excellent testimony to us here at our committee. We're thankful for that, and it's much appreciated, so thank you.

Now we will go to our witnesses who are with us here today.

From the Affiliation of Multicultural Societies and Service Agencies of BC, we have its chief executive officer, Katie Crocker, via video conference.

From the Canadian Live Music Association, president and CEO Erin Benjamin is here in person.

From HEC Montréal, we have Professor Pierre-Olivier Pineau, also via video conference.

From Platform Calgary, we have Terry Rock, president and CEO.

From the TMX Group Limited, we have with us the head of government affairs, Mr. David Clarke.

From the Union des producteurs agricoles, we have its general manager, Charles-Félix Ross, and Marc St-Roch, coordinator of accounting and taxation department there.

We're going to start with opening remarks. You'll have up to five minutes.

We'll start with Katie Crocker, please, for the first five minutes.

Ms. Katie Crocker (Chief Executive Officer, Affiliation of Multicultural Societies and Service Agencies of BC): Thank you very much.

Hello, members of Parliament. Thank you for inviting me to speak briefly to recommendations for the 2025 federal budget.

My name is Katie Crocker. I'm the chief executive officer of AMSSA, the Affiliation of Multicultural Societies and Service Agencies of British Columbia. We are the provincial umbrella association for 94 organizations serving newcomers in British Columbia.

Today I'll be sharing three key recommendations with you that we strongly believe will support both the overall impact of Canada's non-profit sector and newcomers' ability to meaningfully engage with and contribute to the social fabric of our nation.

Our first recommendation is to develop an all-of-ministry approach to immigration that pulls support and funding from different federal ministries in addition to Immigration, Refugees and Citizenship Canada.

As the ministry responsible for supporting the settlement of newcomers to Canada, IRCC has developed strong relationships with the settlement sector and the non-profit sector. However, while the sector has certainly benefited from IRCC's specialized support over time, it has become clear that the full array of supports required for newcomers to be fully settled falls beyond the purview of what IRCC can offer on its own.

For example, securing safe, adequate and affordable housing continues to be a barrier for newcomers settling in Canada. Collaboration with Housing, Infrastructure and Communities Canada could benefit both newcomers and Canadians, as having newcomers fill construction job shortages can increase both housing affordability for newcomers and domestic housing supply.

Immigration plays a significant role in Canada's overall economic growth, with most immigrants arriving in Canada through the economic pathway. As immigration provides positive impacts to the country, proactive and meaningful collaboration between federal ministries benefits the whole country.

Our second recommendation is to have multiple funding sources for immigration through the all-of-ministry approach, which must be coupled with implementing a holistic, fluid and more flexible funding model for the settlement and integration sector.

The funding model needs to be fluid and flexible enough to allow organizations to change program delivery to respond to evolving unique client needs amid global events and Canada's social and economic changes. The current funding model does not allow organizations to adjust programming according to emerging short- and long-term needs without the additional administrative burdens of contract amendments. Certain types of support, such as housing supports, are not even part of the equation or of the eligible support types.

Additionally, the strict eligibility criteria for who can access IRCC-funded services impacts organizations' ability to serve the most vulnerable groups, such as asylum seekers, refugee claimants and others with precarious immigration statuses. A less restrictive model would allow for more robust compensation, attract and retain staff and help organizations better address emerging needs for their most vulnerable clients in alignment with IRCC's core principles to deliver the right service to the right client at the right time.

This model will also have an impact on collaboration and community engagement with indigenous communities. A large part of working with indigenous communities involves working and thinking creatively, relationally and reciprocally, which is not possible within a funding model that is fundamentally based on colonial practices and restrictive structures and time frames. A flexible model will allow for meaningful relationships to be built, based on reciprocity and co-creation from inception.

A more fluid funding model is also connected to calls from the non-profit sector more broadly to change Treasury Board funding structures to better account for the needs of non-profits.

This leads to recommendation number three, which is the implementation of a non-profit unit in federal government.

The non-profit sector is currently dealing with skyrocketing demands and rising costs amid stagnant funding and capacity issues that could be addressed through the establishment of a dedicated unit to provide long-term planning and champion the perspectives of non-profits within the federal Government of Canada.

In Canada, the charitable and non-profit sector contributes 8.3% to the GDP and provides 2.8 million jobs, which is greater than the GDP contribution and job creation of the fisheries and agriculture sectors, yet, unlike those sectors, non-profits do not currently have a place in government.

Building a dedicated non-profit unit in government would address current gaps in which the needs of the non-profit sector in policy, legislation and data collection can be overlooked. There is a long and well-researched history that backs this suggestion, which was recommended by the Special Senate Committee on the Charitable Sector and the advisory committee on the charitable sector in 2019 and 2021 respectively, after widespread sector consultation.

● (1610)

In March 2021, the Government of Canada supported the creation of a single window into government for the charitable sector, yet a dedicated unit has not emerged. A unit in the federal government could follow many other examples and models, including British Columbia's recent creation of a parliamentary secretary for community development and non-profits.

Thank you.

The Chair: Thank you, Ms. Crocker.

Now we'll hear from Ms. Benjamin.

Ms. Erin Benjamin (President and Chief Executive Officer, Canadian Live Music Association): Mr. Chair, vice-chairs and members of the committee, thank you so much for inviting me to speak with you today.

I would like to acknowledge Alexandre. Thank you as well.

The short notice to appear provided me with a challenge I was happy to accept, because I am always proud to talk about the remarkable impact that our members have on Canadians, on the Canadian economy, on Canadian businesses and on Canadian artists. I'm really grateful to have this opportunity to be before all of you today.

My name is Erin Benjamin. I am the president and CEO of the Canadian Live Music Association, and I have the great privilege of representing Canada's live music industry. While we don't represent artists directly, we do represent the venues, clubs, concert halls, stadiums, festivals, concert promoters, talent agents and the vast supply chain that facilitates live music, in all its shapes and sizes, for artists and their fans from across the country and around the world.

We are the touring infrastructure, indoors and out. You know us as your favourite local festival or maybe as the punk rock club where you used to mosh as a teenager, and you certainly know us as the industry that brings Taylor Swift to town.

Our budget submission contains three very important and specific recommendations, but rather than walk through the submission, which you've seen, I would instead like to share some additional information for your consideration as you think about how to situate the power of live music into the next federal budget and beyond.

In our brief, particularly in the second recommendation—although it does relate directly to all three—we talk about the potential and the opportunity music tourism is representing here in Canada and globally, and about how it's growing.

Music tourism is basically when you visit somewhere you don't live, no matter how far away, to see a show, and it's about the money you spend along the way. That is music tourism. In fact, in a few short weeks, the Canadian Live Music Association will release the first-ever economic impact study of Canada's live music sector. It will say that in 2023, visitor spending associated with live music tourism reached an estimated $9.9 billion, which in turn contributed $8.9 billion to GDP. That is in addition to the direct $2 billion in GDP from the live music industry itself, without the tourism piece, all while creating nearly 80,000 jobs combined.

This means not only that live music is about connecting artists and fans, but also that live music means tourism, and these numbers are basically without trying. Barely any policy or investment strategies that could wrap themselves around our industry exist, but they should and they could. We have comprehensive programs for the creation of content, but we have very few that focus on the infrastructure required to showcase that content.

The Canadian Live Music Association has a road map to level up Canada's live music activity and to compete with the international music tourism marketplace, which is growing by 10% per year because our industry is like no other. When our concert halls are full, our neighbourhood restaurants are full. When our festivals are sold out, our hotels are full. Our margins are very slim. We take on the risk, and everyone benefits. Just ask the city of Toronto next week.

Here's the thing; this is across our ecosystem. The Taylor Swift effect is scalable, whether it's a mid-sized performing arts centre in Calgary, a concert series in Prince George or the Festival d'été on the beautiful Plains of Abraham in Quebec City.

I want to reinforce, too, that the music itself matters. The artists are why we do this in the first place. Without them, none of this happens. Sometimes when we talk about the economics of this business, the fear is that this will get lost. The truth is that the more live music activity there is, the more opportunities there are for artists and their fans to create and share lifelong memories together. We bring them together.

I want to thank the committee for your time and for allowing me to amplify our recommendations by focusing on the solution we represent for Canadians, for the Canadian economy and for Canadian artists.

I look forward to future questions. Thank you so much.

● (1615)

The Chair: Thank you, Ms. Benjamin. You delivered those opening remarks in short order. It was excellent.

Now we're going to move to the HEC Montréal and Professor Pineau, please.

[*Translation*]

Mr. Pierre-Olivier Pineau (Professor, HEC Montréal): Thank you, Mr. Chair.

I would like to thank the committee for the invitation.

I'm a professor at HEC Montréal. My focus is energy and climate issues. Since I work in a management school, I obviously look at these aspects through an economic lens.

As I'm speaking, I can hear the interpreter in my ears. I'll try to ignore it, but it's hard.

For 30 years now—

Mr. Gabriel Ste-Marie: I have a point of order, Mr. Chair.

[*English*]

The Chair: We will suspend for a second to make sure that we can fix these technical challenges.

Professor Pineau, we are going to move you in the order for opening remarks. We're going to try to get these technical challenges fixed, and then we'll bring you back.

Now we're going to move to Platform Calgary and Terry Rock, please.

● (1620)

Dr. Terry Rock (President and Chief Executive Officer, Platform Calgary): Thank you, Mr. Chairman and members of the committee, for having me.

I'm Terry Rock, CEO of Platform Calgary here at the relatively new Platform Innovation Centre in Calgary's East Village.

Platform Calgary is part of Canada's Tech Network, CTN, which represents 27 technology hubs across the country. We made a submission to this committee through CTN, but I'm here representing Platform Calgary.

Platform Calgary is a member-driven organization representing more than 600 tech companies in Calgary. Together with a network of more than 150 partners, we're committed to making Calgary the best place for anyone to start and grow a tech company.

Tech firms and the entrepreneurial people who start them are vital contributors to the growth of our economy. This work is urgent as Canada looks to reverse declining productivity and to future-proof important industries like manufacturing, transportation, health care and agriculture.

To succeed, our entrepreneurs and innovators need conditions that promote growth, which we break down into three simple necessities: access to talented and ambitious team members, patient and smart investment capital and customers who are themselves pushing to be on the cutting edge. In my simple way of looking at the world, the work of government is mostly about getting out of the way of our innovators; it's about removing friction and incenting smart risk-taking.

We have a mantra at Platform Calgary: founders first, entrepreneurs first, innovators first. These people are the ones building our economy, not us. We're here for them.

As it relates to the work of this committee, much of the conversation in our community has been about the changes to the capital gains tax, and rightly so. These changes have had wide impact on entrepreneurs, on their employees and on angel investors whom we need to back early-stage companies.

I would encourage the committee members to put themselves in the shoes of a start-up founder. During your journey, you might dilute your ownership stake in the company to onboard the investors and employees you require to take your business to the next level. The prosperity generated by your start-up is spread across a variety of different interests. That's what makes these changes so difficult. These changes put a cap on the incentive to grow these companies beyond the prescribed limits that are in place. We're pushing entrepreneurs to think big, and we're punishing them for doing that. That will not improve our productivity.

Now put yourselves in the shoes of a venture investor. You're being asked to risk your money on a team or technology that is often unproven, with no hope of return for at least a decade, often two decades. This is high-risk and sometimes high-reward work. It requires savvy, patience and a return on investment. Without a strong angel and venture investment ecosystem, our economy will simply not have the power of a dynamic start-up ecosystem, a proven driver of shared prosperity.

It gets worse. Canadian founders are already finding investment, and often a new home, south of the border. A recent survey by the Council of Canadian Innovators showed that over 84% of Canadian tech leaders view the U.S. as the best place to grow their businesses. The last thing we need right now is more barriers put in front of our local investors and innovators.

This is a global market. We must be globally competitive. We must be.

I'd like to take a moment to thank the government for its careful consideration of the Canadian entrepreneurs' incentive, the CEI. Changes announced earlier have made the CEI more competitive, but there remain important gaps. Employees are still not being considered appropriately, as 98% of employees in tech companies will not meet the threshold of 5% ownership in a company. This is a disincentive. Ninety-eight per cent of angel and early investors will not own 5% or more of a company and are also excluded. This will decrease early-stage Canadian investment and increase U.S. ownership in Canadian companies. The U.S. already owns the majority of total Canadian equity. This is a disincentive.

To fix this, CTN continues to recommend full harmonization with the qualified small business stock measures in the U.S., including increasing the lifetime capital gains exemption to $13.5 million and including employees and angel investors in eligibility.

Canada has an important opportunity here. A growth-minded capital gains policy could be a catalyst for the Canadian innovation economy, for the investment climate and for our bold and ambitious founders. Research from the U.S. shows that every 5% decrease in capital gains means that 15% more start-ups are created. We should want this.

In the absence of leadership across the country, provinces are pursuing boutique tax incentives for tech investment. We need less fragmentary regional approaches. Instead, we need to get on the same page to address our productivity challenges and innovation opportunities and to position Canada as a leader.

In closing, we are seeing amazing momentum in tech and innovation in Canada. Let's not hit the brakes. Let's back our innovators. We encourage the Government of Canada to work constructively with Canada's Tech Network and with individual hubs like Platform Calgary to harness this amazing potential and to secure Canada's place as a global hub for innovation.

● (1625)

Thank you.

The Chair: Thank you, Mr. Rock.

Now we'll go to TMX Group Limited and Mr. David Clarke.

Mr. David Clarke (Head, Government Affairs, TMX Group Limited): Thanks, Mr. Chair.

It's great to be following my friend from Platform Calgary. I will start by saying that I echo everything he has to say about the changes to capital gains.

In terms of my own remarks, I want to say thank you, Mr. Chair and members of the committee, for inviting me here to speak today. It's a pleasure to address you on behalf of TMX Group and the more than 3,000 listed issuers we represent. The vast majority are scale-up companies, like the friend from Platform Calgary I was just talking about. An underappreciated fact about our capital market is that it's a small and mid-capital market. Most of the public companies in Canada are actually SMEs.

For those who may not know, TMX Group is a leading Canadian financial market infrastructure provider. We operate diverse businesses, spanning information technology, equity, fixed income, derivatives and energy markets.

At the centre of everything we do is our commitment to make markets better and empower bold ideas. This guides our advocacy efforts as we strive to contribute to a thriving and resilient Canadian economy.

As operators of critical market infrastructure, including the Toronto Stock Exchange and the TSX Venture Exchange, we facilitate the flow of capital that fuels innovation, job creation and economic growth across the country. Recognizing the important role government policy plays in shaping the investment landscape, we are actively engaged with policy-makers to promote measures that support the long-term success of Canadian businesses, investors and workers.

My submission today reflects this commitment. I'm pleased to provide these remarks and answer any questions you may have.

Our pre-budget submission—which I hope most of you have had a chance to read—enumerated a whole suite of measures and recommendations. Today I'm going to focus on three of them. Really, you can think of this thematically as one ask or one proposal: Create tax policy that incentivizes investment in Canadian companies. Specifically, I'm going to talk about our flagship R and D program.

The scientific research and experimental development program allows access to the most generous part of that credit for Canadian public companies. I'll echo a bit of what my friend had to say about the changes to the Canadian capital gains inclusion rate, specifically for Canadian companies. If I have time, I'll talk a little about the mineral exploration tax credit that supports our junior mining ecosystem.

In terms of the R and D program—the SR and ED program, as it's commonly known—we've been a vocal advocate of this for years. We're hoping to get reform for this program. I want to commend the government for the very meaningful engagement process we've been involved in over the last number of years.

There have been two formal consultations. Who knows if we'll see something soon? However, I know it's something the government takes seriously, and so do we. The basic idea here is that the most generous part of this tax credit is not available to small Canadian public companies—the kinds of scale-up innovators my friend was just talking about in the previous submission. Our ask here is simple: All Canadian companies doing R and D in Canada should have equal access to SR and ED.

The second recommendation I'll talk about today has to do with the increase to the capital gains tax. What I would say here is that not all capital gains are created equal. If we are looking at measures that will drive investment and growth in companies, it's important to note that companies that need capital to innovate, grow and employ people are facing a very difficult capital-raising environment right now. This tax increase is another point of friction. We recommend repealing the increase to the capital gains inclusion rate on Canadian-based investments and Canadian companies that drive growth and productivity in our economy.

Do I still have time?

The Chair: You still have time.

Mr. David Clarke: The final piece is around what's known as the mineral exploration tax credit, or METC.

This is a policy that's been around for decades. It's designed to support junior mining companies. We talk a lot about the clean energy transition and the need to find, access, mine, refine and produce the minerals that are going to lead to our clean energy transition. This credit plays a critical role in that. The issue we have is that every year, it gets renewed for only one year. When you're talking about investors and creating certainty, this annual cycle of having to ask for the program to be renewed decreases that certainty. We suggest making the credit permanent or extending it for perhaps five years. That would increase certainty and make those investment decisions easier.

● (1630)

I'll wrap up by saying that these recommendations, as I mentioned, are aimed at fostering a more competitive, innovative and growth-friendly Canadian economy.

We urge policy-makers in the committee to give all Canadian companies conducting R and D in Canada equal access to the SR and ED program, including small public companies; to abandon the increase to the capital gains inclusion rate on Canadian investments; and to make the mineral exploration tax credit permanent.

Thanks for inviting me here today. I look forward to your questions.

The Chair: Thank you, Mr. Clarke—

[*Translation*]

Ms. Rachel Bendayan (Outremont, Lib.): I have a point of order, Mr. Chair.

[*English*]

The Chair: We have a point of order.

[*Translation*]

Ms. Rachel Bendayan: I'm sorry to interrupt the meeting, but I believe the technical team is trying to get in touch with Professor Pineau from HEC Montréal.

Professor Pineau, I would ask you to answer the phone. The parliamentary technical team is trying to reach you to fix the problem.

[*English*]

The Chair: Mr. Pineau, is your phone working?

Mr. Pierre-Olivier Pineau: No. For some reason, it's not working. It's on my computer and it's not working. I'll just log out and try to come back again. I think that might help.

The Chair: I don't know if his phone is through his computer. Anyway, we'll keep trying.

We are now going to hear from the Union des producteurs agricoles. I believe Monsieur Ross will be speaking.

[*Translation*]

Mr. Charles-Félix Ross (General Manager, Union des producteurs agricoles): Good afternoon, everyone.

On behalf of Quebec's agricultural producers, we thank the members of the Standing Committee on Finance for their invitation. It's very much appreciated.

Allow me to introduce myself. My name is Charles-Félix Ross, and I am an agronomist and the general manager of the Union des producteurs agricoles, or UPA. I am accompanied by Marc St-Roch, coordinator of the UPA's accounting and taxation department. Our organization represents 42,000 agricultural producers in Quebec, who operate or work on 29,000 farms across Quebec.

Agriculture is a key sector of the Canadian economy. It is a strategic sector for wealth and job creation in all regions of Canada. I'll give you some numbers. Canada exports nearly $100 billion in food and agri-food products annually. That's almost 13% of our total goods exported, which is huge. Canada's 200,000 or so farms generate nearly $100 billion in farm gate revenue as well. Out of the more than 200 countries in the world, Canada is the eighth-largest exporter of agriculture and agri-food products. It's a really important sector for Canada's economy, and it's a sector that also ensures food security for Canadians for their three squares a day, or 21 meals a week.

A strategic economic sector is one that is essential to good public finances and balanced budgets. In a budget, you try to control and manage expenses, but there's also the revenue column. The agriculture and agri-food sector's role in the Canadian economy contributes significantly every year to the soundness of Canada's public finances. Our agriculture sector performs well in terms of competitiveness and productivity. The figures show that, but we have major challenges to meet in the coming years as an economic sector. In this context, we still need support and investment from the Canadian government and a partnership to support our industry.

The first major challenge facing our sector is the environment and adapting to climate change. Canada wants to be a leader in reducing the impact of its economy on the climate. There are also challenges in terms of the environmental impact on waterways and air, and Canada's agriculture sector and agricultural businesses are being asked to make an enormous amount of on-farm investment to meet international commitments. This is a challenge for our businesses because, while these expenses often result in benefits for the public and the environment, they generate little revenue for businesses. We are being asked to make major investments that will give us few returns. If Canada wants its agriculture sector to get up to speed on beneficial agricultural practices, we need to think about programs that will support businesses. In fact, that is our main request here at the pre-budget consultations.

● (1635)

Our requests may seem outsized and ambitious, but when you compare Canada with its main competitor on international markets, i.e., the United States, you see that the United States invest heavily to support their businesses in terms of adapting to climate change and protecting the environment. If Canada wants to offer support similar to that of its main competitor, it will have to invest $2 billion a year for five years in a strategy to support sustainable agriculture or better environmental practices.

Businesses in Canada also have challenges when it comes to risk management. It could be climate risk, it could be policy risk, it could be market risk. In 2023, Quebec experienced climate disasters in the form of heavy rainfall and drought. We have made relief claims through federal programs, but the response has been very slow. Even if events happened in 2023, relief funds won't start to flow until 2025.

We are therefore asking that significant adjustments be made to the AgriStability program. This is the first safety net—

The Chair: Thank you, Mr. Ross.

[*English*]

There will be a lot of time during members' questions to expand on your comments.

Right now, we are going to try Professor Pineau one more time. Hopefully it works. Sometimes we have technical challenges and we don't know where they come from, but we'll try. Let's hope it works this time.

[*Translation*]

Mr. Pierre-Olivier Pineau: Okay. Thank you very much. Let me know if there's a problem.

I'd like to thank the committee again for the invitation. I really appreciate it.

In my research, I look at Canada's energy future from both an environmental and a Canadian economic perspective.

I have noticed over the last 30 years or so that Canadians are getting richer all the time in terms of gross domestic product or average household income. As Canadians, we've been continuously getting richer and richer. Obviously, this wealth is not evenly distributed, but we are seeing growing wealth across all segments of society. Unfortunately, at the same time, we have a climate crisis that is creating climate challenges, an increase in greenhouse gas emissions and a national debt that has been growing steadily since 1990. This debt has nearly tripled as Canada's population has grown from 27 million in 1990 to 40 million in 2023. Our debt is growing at a much faster rate than the population.

In addition, despite the fact that we are richer, we are taking on more debt and polluting more. This is something that is very difficult to understand because, normally, by being richer, we should be able to take better care of the environment and not get into debt. I say that because we are taking on debt as a society at an unprecedented rate.

I think the federal government's budget could be an extremely useful tool for reversing these trends. Although I do want Canadian society to continue to get richer, we want to avoid getting into debt and polluting.

When you look at Canadian households, you can see that they have been getting richer and richer over the last 30 years, and I've included some numbers in my brief that clearly show that this applies to all categories. Those households have three major expenditure items: housing, which represents about 30% of expenditures; transportation, which represents 15% or $10,000; and food, which also represents 15% or $10,000 on average. There are problems in all three sectors.

Let's start with the housing sector. Again, we are seeing worrying trends that are leading us to a housing crisis as well as an energy crisis. We have to heat our buildings, which is costing Canadian households a lot of money. Householders often complain, despite their increased wealth, that money is tight.

However, if we look at the statistics for the past 20 years, we see that the size of Canadians' homes continues to increase. I would even say that we've been seeing this trend for 30 years. In 2000, the average home in Canada was 48 square metres. In 2021, it's almost 59 square metres. That's per Canadian. This means that in 21 years, every Canadian's home, on average, has gained an additional 10 square metres of space.

According to a ranking by the Organisation for Economic Co-operation and Development, Canada has the most rooms per person. There are 2.6 rooms per person in Canada, whereas in the United States, there are 2.4 rooms per person. That means we have more and more empty spaces, which are expensive to heat, build and cool. In addition, these spaces are expensive to equip for goods and services, because we want to have televisions and other equipment in these rooms.

All that to say that when we are facing a housing crisis and the size of our homes is increasing, and when we are facing a climate crisis and we should be using less energy, building more housing and more large homes is not sustainable.

We must use the budget to reverse this trend of homes continuously getting bigger. My proposal would be to consider including a tax in the budget that would penalize those who have large homes.

Let's move on to food, the second item. Food weighs heavily on household budgets. In addition, we also see obesity problems in Canada. Statistics are constantly showing that people are overweight, which is obviously the result of an imbalance between the calories consumed and the physical effort made. It costs society a lot of money, because being overweight and obese leads to health problems. It costs households a lot of money, because they have to buy expensive food.

● (1640)

We also see a pollution problem related to agriculture, which is responsible for 10% of greenhouse gases in Canada. This sector is producing more and more greenhouse gases. However, as you know, Canada's goal is to achieve net zero by 2050. So we have to reduce greenhouse gas emissions.

It is inconceivable that we are spending money today to create pollution and contribute to obesity, which in turn stresses the health care system. This means we have to find ways through taxation to ensure that Canadians eat better and reduce their fat, sugar and salt intake to improve their health. I therefore invite the committee to look at making changes to the taxation system based on that.

Finally, we are noticing concerning trends in transportation. Canada has an ever-increasing number of vehicles per 1,000 inhabitants. We went from 495 vehicles per 1,000 people in 2000 to almost 600 in 2021. As a result, there are more and more vehicles per person and those vehicles are getting bigger and bigger. In 2000, sport utility vehicles accounted for 30% of all vehicles; in 2021, that percentage rose to nearly 50%. Not only do these vehicles cost more and weigh heavily on household budgets, but what impact are they having?

● (1645)

[*English*]

The Chair: Professor Pineau, you have to wrap up. We're way over time. We will have a lot of time during members' questions, but you have to wrap up.

[*Translation*]

Mr. Pierre-Olivier Pineau: I will conclude by simply saying that in the transportation sector, we also need to discourage people from choosing to use more cars that cost us a lot of money, and instead push people towards modes of transportation that are much better for our health, the environment and the economy, because public transit and active transportation cost less.

Thank you, and I look forward to any questions.

The Chair: Thank you.

[*English*]

We'll get right to members' questions. Each party will have up to six minutes in the first round of questions.

We are starting with MP McLean, please, for the first six minutes.

Mr. Greg McLean (Calgary Centre, CPC): Thank you, Mr. Chair.

Welcome to our guests.

My first questions are going to be for Mr. Terry Rock at Platform Calgary.

Mr. Rock, thanks very much for your testimony today.

I focused on what you brought to the table here about what it takes for a successful innovation company: team, capital and customers. I'd like you to go through that in a little more detail for us, please.

What does “team” mean, and how does the team get rewarded for being in a tech company? What are the choices they make when they decide to be in a tech company versus being somewhere else, please?

Dr. Terry Rock: Thank you for the question, through the chair.

Behind me are 600 member companies. In a given year, we would have up to 700 people taking programs to become entrepreneurs in these tech companies.

We focus on the founder and then the first five people. We have a café downstairs, and it sells instant ramen for a reason. A lot of these folks are leaving high-paying jobs. They're pursuing the creation of a business that can create prosperity and more jobs into the future. They're giving up things. They're giving up steady incomes. A lot of times, it will take the people here three to five years to hit a point where they can start to pay themselves properly, but they're taking risks so that they can do that—

Mr. Greg McLean: Mr. Rock, I'm sorry, but I have only a little bit of time.

The issue is that they take lower pay because they get options in the companies.

Dr. Terry Rock: That's correct, exactly.

Mr. Greg McLean: Thank you very much.

It's a choice.

Likewise with capital, can you explain the motivation for capital to invest in companies that are start-ups that you incubate there, please?

Dr. Terry Rock: They're looking.... Venture investment would be a very high-risk investment. They will make a portfolio bet, investing in 20-plus companies and hoping that one or two of those will be big successes. The other ones they're expecting to write off. They will hold that investment for over a decade and hope to get the return after that.

They are not paid. They're giving up interest. They're making a significant choice to invest in a high-risk area. It's the only way these companies can grow as fast as their potential.

Mr. Greg McLean: Over the last number of years, how well has Calgary in particular done through Platform Calgary in attracting venture capital to your companies?

Dr. Terry Rock: Alberta has been on a roll. We have been one of the fastest-growing venture jurisdictions in Canada. Just last year, in Q3, in Alberta we were at $577 million. It was $714 million last year. We had an extended run of year-over-year increases.

What's really important is that we keep that going. That's the most important thing for us. We're just getting started here in catching up to the rest— Ontario, Quebec, British Columbia.

Mr. Greg McLean: Thanks, Mr. Rock.

Is it safe to say that a change in the way people are rewarded, both at the employee level and at the investor level, is going to change the amount of investments and the amount of founders and innovators who are working in your space?

● (1650)

Dr. Terry Rock: Yes. It is already happening.

Mr. Greg McLean: Can you give us some data quickly on what you're seeing on that aspect?

Dr. Terry Rock: I don't have specific data. I do know of companies that are being attracted to the U.S., and when their first investment comes from the U.S. they become more likely to move there. I prefer not to say who the people are who are dealing with this.

The majority—58%—of the venture capital that was invested in Canada in the first three quarters of this year came from the U.S. We need local investors to keep these people here. We're talking to investors. They are frustrated with the current state.

Mr. Greg McLean: Thank you.

The last thing I'm going to ask is about the whole notion of government workarounds.

When government changes the tax structure in the way they've done it here, it really demotivates your investors and your employees who are in your companies. What other governments get involved in programs and everything else, and what is the effect of friction caused by that?

Dr. Terry Rock: There are two pieces of friction.

One is that the rules of the game are changing, and people are reallocating their capital all the time.

The other part of it is that the market will work if we set up the incentives properly up front. These people do not like applying for programs or cutting through multiple different exemptions. They're really looking for a straightforward market set-up with clear rules that will allow them to deploy their capital with certainty.

Mr. Greg McLean: It's safe to say that the simpler you make this, the easier it's going to be to get innovation and growth in this country. Is that true?

Dr. Terry Rock: Yes.

Mr. Greg McLean: Thank you.

My next question is going to be to David Clarke over at the TMX Group.

Mr. Clarke, you talked about 3,000 companies that are represented on TMX Group. You talked about the mining exploration tax credit. Would you say that the mining exploration tax credit is grossly affected by the increase in capital gains?

Mr. David Clarke: Yes, I would.

Mr. Greg McLean: Can you explain quickly to the committee that it effectively nullifies the whole gain, the whole reason for having the METC, the mineral exploration tax credit?

Mr. David Clarke: The whole point of the credit is that it de-risks the exploration investment for the company because it allows the company to flow the—

Mr. Greg McLean: I'm sorry. I just have to finalize here.

The issue is, of course, that by increasing the tax, the capital gains tax, you more or less nullify the motivation for being in the mining exploration tax credit. Am I correct?

Mr. David Clarke: It decreases the incentive, certainly.

The Chair: Now we go to MP Baker, please.

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

Thanks to all the witnesses for being here. I won't have time to ask you all questions, but I appreciate your testimony and your time and your input, and we've taken note of it all, so thank you.

I'll start with Mr. Clarke. David, it's good to see you.

I have a question about the SR and ED program.

First of all, thank you to you and your colleagues at TMX for your advocacy around the SR and ED program. I was listening to your testimony, and one of the things that you also have in your written submission is a request to expand access to the SR and ED program to smaller companies. This is how I understood what you said earlier.

For the folks who may be watching at home who aren't familiar with the benefit of extending access to the SR and ED program to smaller businesses, could you talk briefly about that? Why is that worthwhile? It's basically an investment of taxpayer dollars in smaller businesses. Could you talk about why that's a good idea, in your view?

Mr. David Clarke: It is, for a number of reasons.

First, the basic 15% credit, which is non-refundable, doesn't do much for a company that is pre-revenue. About 75% of the companies on the TSX Venture Exchange, which is our junior market, are effectively pre-revenue. When you're talking about incentivizing investment in research and development to a company that's not paying income tax because they're just not that big yet, the benefit of the basic credit, which public companies are eligible for, just really isn't there.

The second thing is that it's about a level playing field. Whether you're a company, an entrepreneur who's elected to raise capital on our markets already, or you're thinking about it, there are lots of reasons why you would or would not go public, but the more roadblocks we can remove and the smoother we can make that decision-making process, the easier it is for the entrepreneurs to make those decisions to access capital and to focus on the things that we all want them to, which is creating jobs, creating IP, growing and contributing to the economy.

Mr. Yvan Baker: For those folks who aren't familiar with the SR and ED program, how would offering that benefit to those smaller businesses that you're talking about help to incent entrepreneurship?

● (1655)

Mr. David Clarke: Really, it's access to capital. The 35% refundable credit is actually, essentially, a cheque in your hand at the end of the year. It frees up capital to make those investments.

Again, these companies are also competing directly with private companies—Canadian-controlled private corporations—that are eligible for the credit. It's really a fairness issue. We're talking about Canadian companies that are doing their R and D in Canada and employing Canadians. It's really just removing those barriers and those elements that make the playing field unlevel.

Mr. Yvan Baker: What I hear you saying is that there are two key areas of benefit.

One is that those small businesses can compete more fairly with the larger businesses in Canada that already benefit from that program. Second, presumably it would create a greater incentive for those small businesses and those small ventures to start up and continue to grow here in Canada, rather than move to the U.S. or somewhere else.

Mr. David Clarke: Yes, that's exactly right.

Going public is not for everybody, but I would say that if a company lists in Canada, it's a lot more likely to stay in Canada. We've already been investing in these these Canadian entrepreneurs since a lot of them were in high school, basically. If they can't access the capital that they need to grow here, they will go elsewhere.

One option is to list on an exchange like ours. If we're putting roadblocks in the way, like telling an entrepreneur that they're going to lose access to their 35% refundable credit if they go public.... We want to try to remove those barriers whenever we can.

Mr. Yvan Baker: That's understood.

Thanks very much, David. I appreciate that.

[*Translation*]

Professor Pineau, I have just two minutes left. I will try to be brief, and I would also ask you to answer concisely, if possible.

Our Conservative colleagues often tell us that carbon pricing is responsible for increasing the cost of living in Canada. Is that really the case? Do you have any comments on that?

Mr. Pierre-Olivier Pineau: No, that is absolutely not the case, even though it obviously contributes in a very minor way to some price increases.

The biggest contributor to inflation is energy. Energy prices exploded in 2022. Canadians are very dependent on oil and petroleum products, so prices have skyrocketed. That increase has had a ripple effect on all prices. We are too dependent on energy, and we have to make changes.

The second contributor is housing. Canadians want houses. They want more space. This is a problem because people can afford to buy big houses and they live in their big houses and big apartments. That creates pressure, because we can't build housing quickly enough to accommodate everyone. Those are the two major contributors to inflation.

Mr. Yvan Baker: I would like to ask another question about carbon pricing. I would like to know what Canadians are paying and what they are getting back. Am I right in saying that what Canadians pay is given back in the form of rebates?

Mr. Pierre-Olivier Pineau: Absolutely. In fact, the majority of Canadians benefit because those who are subject to the federal carbon pricing regime receive a cheque from the federal government. The majority benefits from the way this system has been set up, and I commend the government.

The Chair: Thank you, Mr. Baker.

[*English*]

Now we will move to MP Ste-Marie.

[*Translation*]

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

I want to thank the witnesses for being here. As Mr. Baker said, our speaking time is limited, unfortunately. We won't be able to ask all our questions to the witnesses.

My questions are for the representatives of the Union des producteurs agricoles, whom I thank for being here.

Mr. Ross, I will start by inviting you to finish your presentation.

Mr. Charles-Félix Ross: We are calling for improved risk management under the AgriStability program. In addition, because of the hike in interest rates, although cuts are coming, and because farm debt is high, we are also asking for an increase in advance payments under the advance payments program that would extend to $350,000 per year. Finally, we have a series of requests to improve the Canadian taxation system, on which the competitiveness of Canadian farm businesses also depends.

● (1700)

Mr. Gabriel Ste-Marie: Thank you.

I'm going to move on to something else. We just learned something today. The Bloc Québécois introduced Bill C-282 to exclude supply management from all trade agreements. This bill received support from all parties in the House, but it has been held hostage by the Senate for a year and a half.

After being pressured several times, the Standing Senate Committee on Foreign Affairs and International Trade decided to start studying it, and it has just adopted an amendment that completely guts the bill. The amendment states that supply management will not be protected in future renewals of agreements such as CUSMA, the Canada-United States-Mexico Agreement, and in current agreements such as the one with the United Kingdom. What is your reaction to what this Senate committee has done?

Mr. Charles-Félix Ross: My analysis of the situation is the same. The Senate committee's decision is extremely disappointing. Indeed, it has the effect of nullifying Bill C-282, which we had pinned our hopes on. I want to mention that Canada is a signatory to more than 15 trade agreements with large groups of countries. Supply management has never hurt Canada's trade position in general, and that includes the agriculture and agri-food sector. As I said earlier in my presentation, we export $100 billion in products a year to 200 countries. Supply management is essential for poultry, egg and milk production. We need to protect them in Canada. This is a sensitive sector like many other sensitive sectors that are defended by our trading partners in their respective countries. We are really disappointed with the decision made by the Canadian senators. This shows a lack of respect for the vote of the members of the House of Commons, who were overwhelmingly in favour of the bill.

Mr. Gabriel Ste-Marie: Thank you for that answer.

There's also the fact that they waited a year and a half and did this a few days after the U.S. election, knowing that the president-elect wanted to make this a key issue. In our opinion, that really adds fuel to the fire.

My understanding of the rules of procedure is that, as far as the bill is concerned, the Senate could reject the amendment. If not, the bill will be returned to us as amended, and it will be up to the House to reject the amendments and send it back. However, with the election looming, time may be running out. So I find that truly shameful. They're thumbing their noses at all of our farmers under this system. As you were saying, just about every country has safeguards, and the United States is no exception. It's truly shameful.

I want to come back to your presentation. You talked about investments to help adapt to climate change. You said that the United States is already doing this, and if Canada were to invest as much, that would amount to $2 billion a year over five years. Can you tell us what these programs do, in concrete terms?

How would farms and farmers adapt to fight climate change and protect the environment?

Mr. Charles-Félix Ross: There are three main types of investments.

The first type manages risk. The U.S. has a farm bill that allows it to invest heavily in its crop insurance programs. In Canada, our crop insurance programs are not adapted to climate change, as we saw with the floods in Quebec in 2023, which had a huge impact on the produce sector.

The second type of intervention aims to help producers and support businesses that adopt environmentally beneficial practices. These practices often reduce the profitability of businesses. So, if we want to change practices, we have to support and promote those businesses as they transition to better practices, which presents risks. The United States does this by supporting its farmers through various programs. In addition, these programs are generous, because their purpose is really to change these practices so that farmers can improve their environmental footprint.

I would say that risk management, support for environmentally beneficial practices and crop insurance are the support measures to advocate. There is support in Canada, but we're very far from what our main competitors American farmers can receive, even though we're in the same markets.

● (1705)

Mr. Gabriel Ste-Marie: Thank you very much. I will have other questions to ask during my next turn to speak.

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

[*English*]

Now we'll go to MP Davies.

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

Thank you to all the witnesses for being here.

Ms. Crocker, just two days ago, the AMSSA published the following response to the federal government's 2025-2027 immigration levels plan. I'm quoting from it:

> The 2025-2027 Immigration Levels Plan indicates a reduction in immigration levels by approximately 20% for 2025.
>
> Canada doesn't have an immigration problem; it has a planning problem.
>
> The need for a coherent and compassionate immigration strategy is imminent.

Can you elaborate on why you believe Canada has a planning problem rather than an immigration problem?

Ms. Katie Crocker: I can, absolutely, and thank you, MP Davies, for the question.

We have seen immigrants scapegoated for many of the systemic issues that we have here in Canada. The most recent is housing, but this is not new. Over the years, we have seen many burdens placed onto newcomers to shoulder the responsibility for lack of planning. We have had an infrastructure planning problem in this country for decades.

Housing supply has been neglected. It has been extremely difficult for builders to be able to get permits. There has been a very poor connection between the provinces and the federal government in terms of planning for immigration and looking at where newcomers are going to be able to settle once they get into communities, because once newcomers come into Canada, they settle in communities. Couple with that the temporary worker program and the international students and the lack of planning that has been done there. All of this has led to the culmination of a series of events that amounts to a significant housing shortage that has nothing to do with the newcomers.

This housing shortage is a planning problem. It is an all-of-government problem, and we are seeing more and more people wanting to put this on the shoulders of newcomers.

We know that we are going to have a significant labour shortage in this country in areas where we have leveraged newcomers to fill job gaps. We already have a significant labour shortage in this country, and the only way we have population growth is through the arrival and successful settlement of newcomers.

We're seeing people landing in Canada, after going through very strict processes to get here, who are not able to find housing and are not able to work in the jobs in which they are trained. This brings us to the foreign credential recognition challenges that we are having, which is also a planning problem, not a newcomer problem. We continue to see ourselves going round and round in circles, scapegoating the newcomers we are leaning on in order to keep our country and our economy moving.

Mr. Don Davies: Thank you.

You've touched on this, but I want to lead into the impact this might have on our economy. After all, we're talking about pre-budget planning here.

How might the reduction in immigration levels for 2025 and thereafter impact the communities and sectors that rely heavily on immigrant contributions, and also, I guess, impact our economy at large?

Ms. Katie Crocker: We can start by simply looking at the facts. The majority of the workforce that is going to be leaving are going to be leaving for retirement. We're estimating that about 30% of the remaining workforce is not remaining because of retirement; it's due to growth and the lack of labour to fill that need.

We've leaned on the temporary worker program for far too long, and we've done this without creating pathways to permanency. All of the investment that goes into bringing people into Canada, settling people in Canada and then having them unable to work in their area of expertise has cost our economy a lot of money.

I don't have the data in front of me right now, but you can pull this up quite easily to see the discrepancy between what people can earn and contribute if they're able to have their credentials recognized versus what they're actually earning and contributing because we're not recognizing credentials. That in and of itself is causing a massive gap.

As more and more people need to settle outside of urban areas because of the cost of living in the urban centres and start to settle into smaller centres, we're seeing those communities deeply impacted because they're not able to fill the jobs to keep their communities running, and they're also going to be facing problems with taking over small businesses. We're starting to see this as a really significant issue in smaller communities, where small and medium-sized businesses do not have people who are able to take them over and are shutting down. This is having a very significant impact on the community as a whole.

● (1710)

Mr. Don Davies: I've done a bit of research. According to Statistics Canada, immigrants play a key role in a number of Canada's key sectors, including the construction sector, accounting and others.

I want to focus a bit on health, because we know that we have a shortage in the health sector, and immigrants play a key role. They make up 25% of registered nurses, 42% of nurse aides and related occupations, 43% of pharmacists, 37% of physicians, 45% of dentists and 61% of dental technologists.

Again, you've touched on this, but in your view, what impact will a reduction in planned immigration levels—or a lack of planning—have on Canada's labour force in the coming years in the health sector?

Ms. Katie Crocker: This is where we're seeing the current plan being quite reactive and not particularly proactive.

Here in British Columbia, we have three million British Columbians who can't get a family doctor. Where is this going to leave us in the next 10 to 15 years as we start to see increased retirements, but we don't have the population growth to be able to fill those positions? Even if we did start having miraculous population growth right now, we're decades away from having it impact our labour market.

The health care and construction sectors are going to take a significant hit here. I know that there's been talk of prioritizing areas in the levels plan and that we would prioritize the health care sector in the 395,000 permanent residents that we're going to be welcoming in 2025. We also have 300,000 people in Canada who came on the CUAET visa from Ukraine who are going to be expecting permanent residency or pathways to permanent residency. We have a huge number of temporary residents—

The Chair: Thank you, Ms. Crocker.

Ms. Katie Crocker: —who are expecting pathways to permanent residency.

The Chair: I'm sure you'll be able to expand with other questions. We're just a little bit over time here.

We are moving into our second round, members, and we're starting with MP Morantz.

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

I want to thank all of our witnesses for their excellent testimony.

Mr. Clarke, I'll start with you.

In your submission, you say that TMX continues to oppose the increase in the capital gains inclusion rate because it is a tax on investment at a time when Canadian businesses and the economy most need that investment.

In the April budget, the government increased the inclusion rate from 50% to 66.66%. In your testimony, you said something I found a bit curious, and I want you to elaborate on it. It's the idea that not all capital gains increases are created equal.

In the end, your recommendation is to lower the inclusion rate on Canadian-based investments that drive growth and productivity in the economy. I'm wondering if you could elaborate on that. Parse that out for me. What kinds of investments do you think it should be lowered on?

Mr. David Clarke: Thank you, MP Morantz, for the question and for pulling that out.

I was freelancing a bit in my comments, so for anybody who was listening through translation, I hope that came through.

What I meant was recognizing that there are lots of reasons the government might have wanted to raise the capital gains tax. When I said that not all capital gains are created equal, what I was really referring to is a difference between productive investments—productivity-generating investments—and other investments.

A non-productive investment is your cottage. If the government really needs the revenue and they want to tax that, go ahead. We hear about this all the time in terms of a productivity gap and in terms of lagging growth in Canada. We want to create tax policies and policies in general that incentivize Canadians and others to invest in Canadian businesses. What we're suggesting here is that if you need to raise taxes somewhere else, we can talk about that, but we would suggest that you should not raise capital gains on Canadian investments in Canadian companies, the kinds of companies that list with us, and private companies as well.

Mr. Marty Morantz: Thank you.

Mr. Rock, from your testimony, it sounds like you feel the same way. Would you agree with Mr. Clarke's position?

Dr. Terry Rock: I would, wholeheartedly, yes.

There are enough headwinds when you're getting going. We're seeing a lot of traction right now. We want to keep it going.

Mr. Marty Morantz: One thing you said in your testimony that I found interesting is that we need to be globally competitive. You have folks in your incubator who have taken tremendous risks. You talked about those risks and the ramen noodles and all that.

How are they feeling about this? When somebody makes a decision like that, they look at all of the economic factors, including the tax environment. They went into whatever they're trying to create or innovate based on the capital gains tax being 50%. What goes through their minds when they see a government basically pull the rug out from under them in the middle of their taking this huge risk in their life?

● (1715)

Dr. Terry Rock: It's exhausting. It's already frustrating when you're working on this stuff, and when you're getting an ecosystem like ours going, you need the winds at your back.

I'd just point out that we spend hundreds of millions of dollars on creating IP through our universities, and then when we try to build it out through private businesses, we add friction, and that's a problem.

Mr. Marty Morantz: Thank you.

You also said something about how a decrease in the capital gains inclusion rate results in a certain number of new start-ups. Do I have that right?

Dr. Terry Rock: Yes. We found some data that a 5% decrease is a 15% increase in the rate of start-up creation. The U.S. has had a lot of start-up creation since COVID, and Canada hasn't followed suit, so we should do more of that.

Mr. Marty Morantz: Would the corollary also be true that the increase in the capital gains inclusion rate would have the opposite effect?

Dr. Terry Rock: The experience we're having is that we would consider that to be friction, and our whole job is to get rid of friction.

Mr. Marty Morantz: Very good.

I have a question for Mr. Ross from the agricultural producers union.

In your submission to the committee, you said that the government should eliminate or limit taxable capital gains on the gifting or low-cost sale of certain farm assets to a nephew or niece. I'm wondering if you have an opinion on what the government did this April in the budget to increase the capital gains tax inclusion rate, which seems to go against the intent of your recommendation.

[*Translation*]

Mr. Charles-Félix Ross: I will let Mr. St-Roch, the tax and accounting expert, answer that question.

Mr. Marc St-Roch (Coordinator, Accounting and Taxation Department, Union des producteurs agricoles): Good afternoon.

The request for a tax accommodation with respect to a niece or nephew expands on an existing provision in the Income Tax Act that allows a parent to transfer farm property to their child without having to declare capital gains. So it facilitates the transfer of family businesses.

Increasingly, however, several families are involved in farm businesses. Let's take the example of two brothers who are co-owners. One brother would like to leave the farm and, since he has no one to take over, he would like to transfer part of his interests by gifting them to his niece or nephew. Under the act, he must declare capital gains, even if he hasn't made any money.

We'd like the existing rule for property transfers between parent and child to also allow transfers to a niece or nephew.

[*English*]

Mr. Marty Morantz: I'm really sorry to interrupt, but I'm getting the hook from the chair. I had only five minutes and we're at seven, so thank you for your answer.

[*Translation*]

The Chair: Thank you.

[*English*]

Thank you, MP Morantz.

We're going to MP Dzerowicz, please.

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

I want to thank all the witnesses for their excellent presentations today. I will only have time to ask a couple of people some questions, and I'm going to start with Ms. Benjamin.

Ms. Benjamin, as you may know, I feel very blessed and proud that I have so many artists and musicians in my downtown west Toronto riding of Davenport. I believe that every community is made better by local artists and live performances.

The federal government has a Canada music fund, and I think that over the last nine years, we've probably announced around $400 million through that fund. We also have great programs like the Canada arts presentation fund.

Hold on a second. Mr. Chair, I'm sorry, but I can barely hear myself talk over some of the side talk here. Could we just keep that under wraps?

I'll start from top with my questions.

I know we have a Canada music fund. We've funded that to the tune of about $400 million since 2015 to support Canadian musicians. Then we also have a Canada arts presentation fund and the Building Communities through Arts and Heritage program, which I believe also support both live music and arts festivals across Canada.

My first question to you is this: What have programs like these meant for your members? What's the importance of having these types of programs, and why is it important for us to continue to fund them?

• (1720)

Ms. Erin Benjamin: Those are three incredibly important programs, and they were increased in the last budget to a certain extent. However, right now on the CAPF side, there are reductions to each individual client due to an increased competition for the funds. There is simply not enough investment in that program, the CAPF program, currently, no matter how....

Ms. Julie Dzerowicz: Which fund is that?

Ms. Erin Benjamin: CAPF is the Canada arts presentation fund, a program that incentivizes artistic risk-taking by non-profit organizations like festivals, municipal theatres, etc. It's an incredibly important program, and it has really brought forward all kinds of work that may not find its way into different parts of Canada from coast to coast to coast.

Think about contemporary dance, theatre and live music—absolutely—so it's a really important program. It has certainly incentivized an increase in artistic content, and it has enabled, as I say, presenters and promoters to bring certain types of content into certain types of markets. It's exclusively for non-profits. It's an important program, and it should continue to grow in terms of investment.

It is the same with the BCAH program, the Building Communities through Arts and Heritage program, which is also exclusively for non-profits.

Then there is the Canada music fund, for which Minister St-Onge announced an increase during the Junos in Halifax, which was wonderful news. The Canada music fund has only recently—as recently as October, in fact—been made accessible to the commercial live music industry. In October, FACTOR, the agency that delivers the Canada music fund on behalf of Canadian Heritage, announced a pilot program called the promoter program, which is the first of its kind. The deadline was Halloween. We don't know yet the outcomes of the program, but it was developed after 10 years of our conversations with Canadian Heritage around the opportunity that the commercial music sector represents.

I'll be very blunt. There is a lot of room for investment into the commercial side of the music industry, the live music industry, which, as I say, we've just taken a baby step toward. The Canada music fund is absolutely an important program, and if my colleagues from our adjacent sectors in the independent music industry and the recorded music industry were here, they would certainly agree. Live music is a newcomer to the table, and there are many mouths to feed.

However, one of the points I want to make in my remarks today is that I think we're not necessarily looking at the policy through the lens that we should—through something like music tourism and the opportunity that live music represents—in a really scalable way. These programs are essential, absolutely, and there's room to do more.

Ms. Julie Dzerowicz: That leads perfectly into my next question, actually, because I want to talk to you about the tourism-focused program you were talking about.

It seems that we have some great programs in place, but they're programs that need more funding. Are there any other programs that are helpful toward this tourism-focused program recommendation that you have, and where do you feel there's an opportunity for us to do more? Could you be a little more specific?

Ms. Erin Benjamin: I can, absolutely.

In our budget submission, our second recommendation is around a tourism-focused festivals program. Going back several years, some may remember the marquee tourism events program. Ostensibly, the essence of that program was to incentivize larger festivals across the country through a tourism lens to grow their activity and, through marketing, etc., try to increase their audience base and therefore the exponential direct and indirect tourism benefits.

We're supporting festivals to a certain extent through the CAPF program and through the tourism growth program to a certain extent. There is an events component there. However, our recommendation around the festivals program is fundamental to really leveraging the music tourism piece. That's where the opportunity is. Every market in this country would love to have a Taylor Swift event. We have Bruce Springsteen coming this weekend to Ottawa. It's incredible. We just don't think about the infrastructure. It's just a huge opportunity.

I know you're not used to having live music people come to the finance committee. In a 30-year career, this is my first time presenting, and I'm so happy to be here to talk about this, because from a policy perspective, it's low-hanging fruit in our opinion; it truly is. This is not about what's wrong with arts and culture and how COVID crushed us; this is about looking at how, as I said in my remarks, we take on the risk and everybody benefits—not just the hotels and the restaurants that I talked about, but also transit, the local corner store, the parking lot and the airlines, etc. It is a way to pay it forward, unlike many other industries.

The opportunity is to sit down with the live music industry to really unpack the scalability of this industry. I know that Taylor Swift is not necessarily coming to every market, but when we look at it from a policy perspective, we can start to fine-tune how to leverage live music activity.

• (1725)

The Chair: Thank you, MP Dzerowicz. We are well over time.

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

[*Translation*]

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

Mr. Ross or Mr. St-Roch from the UPA, I have two and a half minutes, so I'm going to ask you two questions.

First, you're asking that the federal government align with the tax assistance Quebec provides for food donations made by an agricultural producer. Can you elaborate on that?

Second, why is it important to establish a personal silvicultural savings and investment plan for forest owners?

Mr. Marc St-Roch: Thank you for the question.

I'll start with food donations made by agricultural producers. Currently, in Quebec, someone who donates food is entitled to a tax deduction equal to 150% of the value of donations received by the Moisson food bank network. It's a way to reward donors for supporting food banks. The federal plan, on the other hand, allows a 100% deduction. Unfortunately, that doesn't provide any real incentive because the producer has to recognize the transfer as 100% income, so that cancels out the donation. We want the same incentive at the federal level. It would help Canada's food banks.

To address your second question, forest producers develop their woodlots and cut wood. We want them to reinvest in their woodlots to maintain ongoing management of Canadian forests. The system would allow a temporary tax shelter for logging income. Those amounts would be reinvested later on in forest redevelopment. If those amounts are not reinvested, producers would eventually be taxed. The idea is that if they put money into a forest redevelopment program, the tax could be deferred for them. This would therefore encourage them to reinvest in the forest through tax assistance. That would be a way to adequately protect the forest and maintain its resources to ensure production in the future.

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

[*English*]

The Chair: Thank you, MP Ste-Marie.

We'll now go to MP Davies.

Mr. Don Davies: Ms. Crocker, Canada's population has grown in recent years. I think we reached about 41 million in April of this year. Immigration accounted for about 98% of this growth in 2023, but 60% of that can be attributed to temporary residents.

In your view, what steps should the federal government take to improve pathways to permanent residency for temporary residents?

Ms. Katie Crocker: That is an excellent question. Thank you.

A step was taken in the right direction with the home caregiver pilot program. That was an opportunity for people to come to provide care for people by helping with children, the elderly or disabled people. That was definitely a step in the right direction.

I think we are missing the mark here in two key areas. One is international students and one is with seasonal agricultural workers.

We need to understand that seasonal agricultural workers in British Columbia account for about 13.4% of the labour market. We have people coming and living in Canada, contributing to the economy, contributing to our food security—food security is a significant issue in this country—and we are not providing pathways to permanency for these seasonal agricultural workers. I think that is a very significant area where we need to see increased pathways to permanence.

We also need to look at strengthening the PNP, the provincial nominee program. Understanding how individuals can access.... We're going to see that the majority of our permanent residents are already within Canada. We've seen that fact during COVID, and we're expecting that to happen with the CUAET visa holders. I would like to see more opportunities for individuals who are coming through those different pathways to be able to access permanency.

● (1730)

Mr. Don Davies: I want to give you a moment.

I know you do a lot of work settling refugees. What advice would you give the federal government in terms of better policy for settling displaced people and refugees in Canada?

Ms. Katie Crocker: The priority here needs to be regularization. Our international humanitarian commitments require us to allow people to come into Canada and seek asylum.

With the processes we have in place and the safe third country agreement, the lack of support provided to people seeking asylum is shameful and the fact that we do not have a regularization program is shameful. It's something that we have continuously brought forward, and it has continuously been backbenched. This issue would be our number one priority.

The second thing would be increasing the refugee assistance program rates so that we are not bringing refugees to Canada to live in abject poverty.

We are not creating conditions for success, yet refugees are succeeding. They're succeeding on their own volition. They are not succeeding because they are being adequately supported by us.

The Chair: Thank you, MP Davies.

Now we'll go to MP Kelly.

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

I'll go back to Platform Calgary.

You talked about the effect of capital gains on your members.

Could you elaborate on your recommendation around employees and angel investors?

Dr. Terry Rock: The way that the entrepreneur incentive has been adjusted did allow for ownership of 5% to be included. The problem is that 98% of angel investors and 98% of employees of start-ups do not have 5% equity, so they are unable to participate in that exemption.

The harmonization with the QSBS in the U.S. is a way to get at this. The structure is provided. It makes us competitive. That's the core of where we think it could go.

Mr. Pat Kelly: This is another way in which a lack of tax competitiveness with other countries harms our ability to improve our productivity through innovation.

Dr. Terry Rock: That's right. That's part of it.

Also, I think that just recognizing the notion that not all capital gains are the same is a good take-away from this meeting.

When we are trying to build these high-growth companies, we're getting a lot of people around the table to help us do that, and we want all of those people to be incented the same way. The way the caps are set up right now, we aren't doing that. Some of the most important parties—angel investors and early employees who are giving up almost as much as founders, in some cases—are cut out.

Mr. Pat Kelly: All right.

Just for the committee's benefit, it's normal in your sector for employees to be compensated through equity rather than—

Dr. Terry Rock: That's right. That's part of the pitch: “Come with us, eat ramen for three years or five years, and then we're going to build something big. We're going to employ lots of people, and that's how we'll get paid at the end of the day.”

It's like that.

Mr. Pat Kelly: All right.

Mr. Clarke, you talked about how most of the members of your exchanges are small and medium-sized enterprises, so similar arrangements there with some of.... These are small businesses, not large, that are being subjected to the higher tax rate.

Mr. David Clarke: Yes, that's right.

It is an underappreciated fact of our capital markets. It's something that's totally unique to Canada. It's something that I think we should be prouder of, and we should be doing more to support these growth-stage public companies.

Yes, 75% of the companies on the venture exchange are pre-revenue. Almost all of them would meet any global definition of a small or medium-sized enterprise.

Mr. Pat Kelly: The $250,000 exemption to the new higher inclusion rate only applies to individuals and does not apply to limited companies.

Does that create tax unfairness when we're talking about entrepreneurs and people involved in start-ups?

● (1735)

Mr. David Clarke: Well, if you're talking—

Mr. Pat Kelly: The cottage owner you mentioned gets a $250,000 break on the increase, but somebody who has invested through a limited company into a small start-up does not receive that same exemption.

Mr. David Clarke: That's completely correct, yes.

Mr. Pat Kelly: Is it common for small businesses to be structured through a limited company?

Mr. David Clarke: There are a lot of SMEs that are incorporated and are public companies, but I don't know how common it is for them to invest through that vehicle. Most of the investors in these companies are retail investors, in fact. That's something to note.

One thing I would highlight, though, is that when you talk about those ramen-eating employees of the start-ups, in some cases they already took a tax hit a couple of years ago when the taxation of employee stock options was itself targeted with a new tax rate. Government did some things to carve out smaller companies, but it's actually not the first time they've taken a tax hit in the last couple of years in this way.

Mr. Pat Kelly: Indeed.

If I may, I'll quickly go back to Platform Calgary.

If many of your members are not publicly listed, they will certainly have this differential between those who own their shares individually versus through a company.

Dr. Terry Rock: That's correct. Yes, we're working on....

That's it exactly. Most of the large number of companies we're working that are attempting to get listed and attempting to get to that place where they can raise more capital to help them grow more quickly.

Mr. Pat Kelly: If a business person, such as a professional who has a professional corporation or a small business owner who is saving for their own retirement, chose to invest in a small business and take a chance with part of their investment portfolio on a small business or a tech start-up, they wouldn't get the same treatment that an individual would.

Dr. Terry Rock: They wouldn't, unless they get to 5%, in which case that's the.... That doesn't happen very often.

The Chair: Thank you, MP Kelly.

Now we'll go to PS Bendayan.

[*Translation*]

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

It's always a pleasure to welcome the experts from HEC Montréal, an institution located in the riding I represent.

Professor Pineau, in their haste to do away with climate action-friendly policies, the Conservatives say that the pollution tax must be eliminated. One of their arguments is that this tax makes gas more expensive. However, you recently said something very interesting, that it was likely consumers wouldn't see a significant drop in the price at the pump even if the carbon tax is eliminated. Can you explain that?

Mr. Pierre-Olivier Pineau: Domestically and internationally, we're seeing massive fluctuations in gas prices from week to week, based on a set of geopolitical and sometimes local factors. Carbon pricing is completely invisible and very minor compared to the fluctuations that can occur when the price of a barrel of oil goes up \$5 or \$10. So the price of carbon is drowned out by international fluctuations.

I very clearly point out in the brief I submitted that we are an increasingly wealthy society. Generally speaking, that level of income prevents us from noticing the small differences that can be attributed to—

Ms. Rachel Bendayan: I appreciate that.

You also told Radio-Canada in March that scrapping carbon pricing would make Canadians poorer.

Mr. Pierre-Olivier Pineau: There are two elements to that.

First, Canadians will no longer receive the cheque that the government sends to those living in the provinces paying the carbon tax. Then there's a dynamic aspect: Canadians will adjust less and be less likely to adopt modes of transportation that use less gas; they will keep vehicles that are too big and too heavy, create traffic congestion and use too much gas. However, if we give them an incentive, they will save money by using cheaper modes of transportation.

Ms. Rachel Bendayan: Right now, there's a bill supported by the NDP, the Bloc Québécois and the Conservatives that seeks to make farming machinery and farm fuels exempt from carbon pricing. As you may know, Équiterre is also in my riding and has opposed the bill, claiming that it would create a significant gap in the carbon pricing system. What do you think?

● (1740)

Mr. Pierre-Olivier Pineau: The goal is to have carbon pricing that covers as many sectors as possible. So we mustn't grant exemptions, but rather begin to expand carbon pricing to sectors that are not yet subject to it. In other words, we have move in the other direction. There's a climate crisis, and we know what we need to do. We have technologies that make it possible to do things better. We have to help farmers, among others, to change how they do things, but we mustn't remove the incentives that lead them to do things differently and do better. Above all, we have to focus on the need to do better.

Ms. Rachel Bendayan: Thank you, Professor Pineau.

[*English*]

I have a question about live music.

Erin, it was a pleasure to speak to you briefly about the issue of La Tulipe in Montreal. I represent the Mile End and the Plateau. As you probably know, La Tulipe is there, but so are many independent live music venues on “The Main” on Saint-Laurent and on Saint-Denis.

Perhaps you could talk a bit about our smaller venues and the importance of maintaining them, both for the quality of life that residents enjoy when we have access to them and from a business perspective and a tourism perspective.

Ms. Erin Benjamin: Thank you so much for that excellent question. I appreciate it.

It's very interesting hearing my colleagues from other sectors talk about the incubation required to build and sustain an industry, and live music is absolutely no different. Those clubs are where it happens for live music. When you're an artist, when your kid takes violin lessons and they end up playing in a band, that is where they're performing. That is where they're growing their audience. That is where they're starting to take the first steps towards stardom, and that is where every amazing Canadian artist you have ever heard of started: in a small club in a city or a town somewhere in Canada.

We think that live music venues are just going to be there. The pandemic quickly proved that was simply not the case. As I said, it's a business with very razor-thin margins, so we are paying very close attention to their health, sustainability and capacity because of their interconnectedness to the rest of the ecosystem.

We think of small live music venues as venue ladders. There are small, medium and large venues where artists can slowly grow their careers. These incubator, grassroots, independent small clubs are fundamental to that experience for the artist and then to the tourism piece, obviously attracting folks to come to a neighbourhood to enjoy a show, to discover a new act, to have dinner in the neighbourhood and so on.

Ms. Rachel Bendayan: One last question—

The Chair: I'm sorry, Ms. Bendayan; we're out of time.

We're moving to our third round now, members, and we start with MP Hallan.

Mr. Jasraj Singh Hallan (Calgary Forest Lawn, CPC): Thanks, Chair.

To Mr. Clarke, Canada is in a break-glass productivity crisis, according to the Bank of Canada. We've seen investments, businesses, jobs and talent leaking at quite an alarming rate to the U.S. In fact, somewhere around half a trillion dollars of investment went from Canada to the U.S., and just recently there was some news that even Brookfield, whose head is carbon tax Carney, has packed up and is looking to move to the U.S. now.

What does this increase in the capital gains tax do for businesses when they're looking to scale up? Does it disincentivize them to want to scale up in Canada versus the U.S.?

Mr. David Clarke: I would say from our perspective that it's really about risk versus reward, and these are risky investments when you're talking about scale-up companies. When you change the reward structure, when you change the rewards available at the end of the investment, it makes it that much riskier to do. In that way, it would disincentivize those types of investments.

With regard to the carve-outs for entrepreneurs, in most cases, as we've heard, those don't apply to outside investors in those companies, so they would end up paying typically more capital gains tax at the end of the day.

Mr. Jasraj Singh Hallan: It would be more of an incentive to go where there's more of a reward for the risk that you take. In this case, it would be the U.S., compared to Canada, because of this increase in the capital gains tax rate. Is that correct?

● (1745)

Mr. David Clarke: It could be. I mean, it could be any number of places.

I would say that's really what's at the core of our recommendation here: Leave the cottages alone or, if you really want to tax them, go ahead, but you could really focus on keeping the rate on Canadians investing in Canadian companies the same or even lowering it, and it works in that incentive structure.

Mr. Jasraj Singh Hallan: Mr. Rock, the same question goes to you in regard to the the companies that you deal with.

Dr. Terry Rock: Yes, the incentive structure is aligned that way.

I think that we have to look at all of it: availability of talent, availability of capital and availability of customers. When our ecosystem is incented for growth, all of those things come into alignment. I believe that we're putting friction in right now and causing people to look elsewhere.

Mr. Jasraj Singh Hallan: Mr. Rock, concerning the companies that you deal with, would you say that the ones that are impacted the most with this capital gains tax hike are categorized as ultrawealthy?

Dr. Terry Rock: No, they are not. These are a lot of people who, honestly, are sometimes very young. They're just getting started. A few of them are people who are on their second or third try, but the vast majority in a place with high growth like Calgary are people who are going at it for the first time.

No, they are not. These are ordinary people. They're your neighbours.

Mr. Jasraj Singh Hallan: Then they're not this magical 0.13% that the government keeps claiming. They don't fall under that category. Is that correct?

Dr. Terry Rock: They don't. Some investors would, and I want to be clear about that.

We are most concerned here with the ripple effects. If those investors are disincentivized, all this other part gets swept up in that, and that's where we're seeing a lot of friction.

Mr. Jasraj Singh Hallan: How about you, Mr. Clarke? Would you say they fall in the ultrawealthy category?

Mr. David Clarke: What I would add here is that the vast majority of investors in the venture companies I've been talking about today are retail investors. They're average people saving for their retirement, by and large.

Mr. Jasraj Singh Hallan: Again, they would not fall in the magical 0.13%, in your opinion.

Mr. David Clarke: I don't have statistics, but yes, they're everyday people.

Mr. Jasraj Singh Hallan: They're everyday people trying to take a risk to help Canada out, and themselves and their families. Is that correct?

Mr. David Clarke: Yes. They're people who believe in these companies and technologies. They want to see them succeed. They're also the employees of these companies a lot of the time, as mentioned.

Mr. Jasraj Singh Hallan: Mr. Clarke, TMX is involved in Canadian energy markets. Is that correct?

Mr. David Clarke: Yes.

Mr. Jasraj Singh Hallan: Will the emissions cap the government recently announced have an effect on the growth of energy markets here in Canada?

Mr. David Clarke: It's a new policy, and that's a forward-looking question. I'm not an economist.

What I can tell you is that I would be happy to provide stats to the clerk, for the benefit of the committee, that look back 15 or 20 years. We've seen the trend in investments in Canada's energy sector decline over time. Twenty years ago, it was billions of dollars, in the high teens to low twenties. This year, it might not top a billion.

Mr. Jasraj Singh Hallan: Thank you.

The Chair: We now go to MP Thompson.

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

I'm sorry I'm not there in person. I certainly hope to get a few questions in with different witnesses.

Thank you all for joining us.

I will begin with you, Ms. Crocker.

I found your second recommendation very interesting. It really resonated with me when you spoke about the need to have some ability to be fluid in the funding stream so that you can be reactive and adjust programs to meet needs, which.... I've worked in the sector. I think it is incredibly realistic.

How do we do that, as a government? Accountability is so important in terms of ensuring outcomes are met. Obviously, the need in the sector is quite significant. How do we create a space where organizations can be fluid in how a program moves through the system and also speak to outcome so that there's a clear line?

Indeed, by being fluid, you're able to achieve those outcomes in a very tangible way.

Ms. Katie Crocker: Thank you. That's a great question. It's something we've put a lot of thought into over the decades we've been doing this work.

I think there are a couple of ways.

One way is around monitoring frameworks. I'll give you the example of salaries.

If we're funded by the federal government, they can say, “We'll pay for staff and the salary for each position, so you need to present us with a salary grid. Then you can set your salaries into that grid, and it's up to you, as the organization, to move people along that grid—up, down or wherever they belong within the grid.” That's approving and setting the framework, but it's not getting into the micromanagement of each salary for each individual staffer.

That's not what's happening for us right now. What's happening in our sector is that we need to have every salary for every person approved. If that person gets a salary increase because they've been at the organization for a year and there's a merit increase, we have to go back to the federal government and put in an amendment for approval to have that person get a 2% salary bump.

We're not asking to be totally haphazard within these amounts. What we're asking for is the approval of a framework so we can then be more fluid in the way we deliver our services.

● (1750)

Ms. Joanne Thompson: Thank you.

It's interesting. I'm on the other side of the country and the other coast and I hear the same thing, so I really appreciate your clarifying that.

Because I am from Newfoundland and Labrador, and we love our live music, I will switch to you, Ms. Benjamin. I really enjoyed reading your recommendations to the committee.

I want to jump on tourism-focused programs for a moment.

Could you speak about how this recommendation for us in the budget could also align with existing or expanded tourism programs and funding? I'm thinking of Newfoundland and Labrador, for example. There were announcements very recently on elevating the tourism experience in Atlantic Canada. One of those was around the culinary experience. We could raise the bar in terms of more local fresh food availability, especially when you leave the urban area and move to a rural area.

Can you speak about how you see—if you do indeed see—this tourism-focused program aligning with existing programs in areas around the country?

Ms. Erin Benjamin: Are you asking about the festival program in our submission and how it could align with existing tourism initiatives in the province?

Ms. Joanne Thompson: Basically, I am, yes. How would collaborating with tourism-related organizations really expand the outcome?

Ms. Erin Benjamin: I think that is happening to a certain extent through the tourism growth program. However, our recommendation is suggesting dedicated and increased festival funding.

I think the opportunity exists for collaboration and partnership across the country, actually. Newfoundland and Labrador is a great example of remarkable live music and celebration, with amazing fans and artists. It was actually COVID that brought us closer together than ever in collaboration between the live music and festival community and the tourism sector. It sounds strange today, because we work together almost non-stop at this point, but it's a relatively recent relationship.

Where there are existing programs, I would urge local industry to work directly with the destination organizations and the RTOs—the regional tourism organizations—to see where the programs align and how they can collaborate most effectively to maximize the investments there and also to make the arguments for future investments because, as I'm here to say, they're exponential, and policy will prove that out.

The Chair: Thank you, MP Thompson. That is time.

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

[*Translation*]

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

Mr. Ross and Mr. St-Roch, in two and a half minutes, can you explain your requests or recommendations to us about the AgriRecovery and AgriStability programs?

Mr. Charles-Félix Ross: Okay.

By the way, we also love music in Quebec.

AgriStability is the first safety net for farmers. It works relatively well, but it takes a very long time to get the help it's intended to provide. In the event of natural disasters and exceptional losses, this program doesn't sufficiently cover businesses. When the process starts after a weather event or climate crisis, farmers need to demonstrate to our provincial government and the federal government that they've sustained major losses.

Then AgriRecovery, a program to address disasters, comes into play, which initiates a whole bureaucratic process. For example, before gaining access to the AgriRecovery program, some produce growers had to wait for the provincial and federal governments to reach an agreement after more than 24 meetings. The assistance for them provided under this program will be paid out in 2025, almost a year and a half after the events took place.

What we're asking for is better support under AgriStability, especially in the event of major climate events. We want to improve the program by increasing the coverage rate to 85% of the reference margin—these are technical terms—which is what it used to be. We're also asking that the response be much quicker on farms in the event of major issues.

● (1755)

Mr. Gabriel Ste-Marie: Thank you.

My time is almost up.

In one of your recommendations, you suggest that the government amend the accessibility criteria for the new incentive for Canadian entrepreneurs to reflect the reality of farming businesses. Can you very quickly say a few words about that?

Mr. Charles-Félix Ross: Mr. St-Roch, would you like to respond?

Mr. Marc St-Roch: That request has been partially met with the latest changes announced with respect to that incentive, because it now includes farm assets.

However, we'd like businesses to gain access to it more quickly. Instead of it being spread over five years, we'd like it to be quicker.

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

[*English*]

MP Davies, go ahead, please.

Mr. Don Davies: Ms. Crocker, you started to touch on international students. We know it's estimated that between 70,000 and 130,000 international students holding post-graduation work permits will see their visas expire this year and in 2025. What advice would you give the federal government in this regard?

Ms. Katie Crocker: It would be to find a pathway for these students to be able to stay.

MP Davies, we talked earlier about pathways for permanence. Seventy thousand students have been living, studying and potentially working part time in Canada at our universities. These are the folks we need to retain.

We don't want the international student program to start being seen as a mechanism for people to make asylum claims. There has to be a way for these students to figure out how they can stay in Canada permanently, if that is an option they would like to exercise. We know that many international students come to Canada because they want to look for pathways to permanent residency.

Mr. Don Davies: You did some great work on this, and in June of this year you released a report entitled, “Working Towards Change: Understanding and Addressing Newcomer Housing Needs”. It provided insights from a year-long study that explored the intersection of housing and settlement for newcomers in B.C.

Can you elaborate on the key findings of the report and what steps the federal government might take to implement your recommendations?

Ms. Katie Crocker: Yes, absolutely, I can.

In that report, we looked at many different ways that we can understand that intersection of newcomers and housing. We looked at everything. The recommendations include finding ways to decrease the regulation requirements for permits and approvals, but there are even things like looking at the National Occupancy Standard, the NOS. When we're looking at housing and we're looking at newcomers coming in, often we're seeing these almost antiquated housing standards as a barrier for newcomers in accessing housing.

This goes to what Professor Pineau was talking about, the need to have this excessive amount of space, and it's contributing to our housing crisis. If we look at the National Occupancy Standard and understand how families live globally and how families can live successfully globally, we can also start to look at how we can maximize the space that we have so that there are more opportunities for newcomers to be able to access housing and access rental properties and purchase properties.

The Chair: Thank you.

Thank you, MP Davies.

Now we're going to MP McLean, please.

● (1800)

Mr. Greg McLean: Thank you, Chair.

I have a question for Mr. Clarke again.

Mr. Clarke, you were talking earlier about the amount of economic damage that's been done over the last handful of years—you said 15 years, but I think that might be a little much—from the reductions in investment in Canada's oil and gas industry.

Can you elaborate on that just a little bit, please?

Mr. David Clarke: Specific to the energy industry, there's been a decline in investment that has been trending over more than a decade. I have to confess that it goes back to before my time in this role. As I mentioned, I would be more than happy to provide the hard data to the clerk for the benefit of the committee.

Mr. Greg McLean: Okay.

Mr. Clarke, in the rest of the world, oil and gas investment is going up, including in the United States and in Norway.

Would you suggest that maybe it's government policy that's slowing down oil and gas investment or reinvestment in Canada?

Mr. David Clarke: Certainly it's a cyclical industry. There are lots of factors at play here. I think I've been on the record already today talking about how—

Mr. Greg McLean: Is it more cyclical in Canada than it is elsewhere?

Mr. David Clarke: I honestly can't comment on that.

Mr. Greg McLean: Okay.

Do you think this new hurdle that the government has put in the way this week, creating more uncertainty in the Canadian oil and gas industry and the Canadian energy industry, is going to help our competitive position with other democratic countries that have oil production?

Mr. David Clarke: I don't, actually. I don't think it will.

Mr. Greg McLean: Do you think it will be worse?

Mr. David Clarke: Look, I can't comment on—

Mr. Greg McLean: It's a right turn, left turn. It's going to be better or worse.

Mr. David Clarke: I—

Mr. Greg McLean: This is going to take 151,300 jobs out of Canada. It's going to reduce our GDP by 1% per year for the next decade, which is something else, because GDP last year only grew by 1.1%, even though we had more population, so it's almost zero on a net basis.

Do you think this is going to help the sector on the TMX? Do you think the TMX will lose listings because it is no longer a favourable place to invest in energy companies?

Mr. David Clarke: I think Canada is and remains an attractive place to invest. I really can't comment on the decisions that executives will make.

Mr. Greg McLean: I'll check you on that, because if you're in the oil and gas industry and you're in a country that's saying we don't want you anymore, you're not going to be there. You'll look for other listings, much as BP looked for other listings when they moved out of the Netherlands to the U.K.

I'm sorry if I'm making you uncomfortable.

Let's talk about what this goes down to at the end of the day, because this is a finance meeting.

According to the Conference Board of Canada and Deloitte, this will result in 1.3% less government revenue across Canada.

What does government do if they lose revenue?

Sorry; it's a leading question.

They raise taxes.

Are they going to raise more capital gains taxes, in your opinion?

Mr. David Clarke: Thank you for the question. Thank you for all of your questions.

That's not for me to say. What I can say is that we're here to be a constructive partner with governments, whoever is in office.

Mr. Greg McLean: The question I'm trying to pose to you, which you seem to be avoiding, is whether this greater uncertainty created by this federal government in the oil and gas industry and the energy industry is going to be beneficial for the companies that list on the TMX exchange or the opposite of beneficial.

Mr. David Clarke: Thank you for the question. I am not trying to avoid your question. I'm just not necessarily in a position to answer it directly.

What I can say—

Mr. Greg McLean: Okay. Let me quote the Minister of the Environment, who said that no other country in the world that produces oil and gas is doing anything like this.

Why do you think that is? You can say it's a stupid policy if you want to.

Mr. Don Davies: Why don't you just give him the evidence, Greg?

Mr. Greg McLean: I am.

Mr. David Clarke: Again, I appreciate the question. I'm not trying to dodge it. I don't have a good answer for you.

Mr. Greg McLean: Okay. You have no good answer.

Let me go back to Mr. Rock on this absurd number of people who are actually affected by this capital gains inclusion rate increase.

There are a number of people who are working for companies under your tech umbrella. How long will one of them work before they actually incur a capital gains inclusion?

Dr. Terry Rock: It will be years.

Their goal is to get to the point where they will have a capital gain at some point, maybe. We think there is about an 85% to 90% failure rate when you're starting a company, and that's why we need so many people to get behind them and get behind the company. We're trying to change that rate, but there is definitely a headwind for folks who are trying to get started.

Many more people than 0.13% are impacted by this.

● (1805)

The Chair: Thank you.

Thank you, MP McLean. That's the time.

We're going to our final questioner, and that is MP Sorbara.

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

Welcome to all the witnesses.

David, from the TMX Group, thank you for providing the answers that you could provide.

We invite witnesses—and I've been on this committee for many years—to provide insight on how we can continue to grow the Canadian economy, create good jobs for middle-class Canadians and do what's right. One thing I'd like to put on the record, Chair, is Canada's economic growth story.

Today Statistics Canada provided the revised estimates for economic growth in Canada. I would like to say that the cumulative total of the revised growth rate here in Canada for the last three years is a positive 1.3%. In fact, if I can go through the three years, Chair, for 2021, the reported number of 5.3% for economic growth goes to 6%. In 2022, the economic growth rate for Canada goes from 3.8% to 4.2%. For 2023, the economic growth rate goes from 1.2% to 1.5%.

Obviously, Chair, this makes the per capita GDP story very different from what is being reported, and that is good news for Canadians. It may not change the price of groceries at the grocery store and so forth, which we know have been impacted by global inflation. We know how people are feeling, but Canadians can rest assured that at home, this government, coming out of the COVID-19 pandemic, put in the necessary resources and supports for businesses and workers. We didn't allow scarring to happen in the economy. We allowed our economy to exit in full throttle to recapture the GDP that was lost. I am so proud to be part of the government that allowed that to happen.

Mr. Clarke, you're from the TMX Group. What is the TMX trading at these days? Where are we right now?

Mr. David Clarke: Do you mean our company stock or the S&P/TSX?

Mr. Francesco Sorbara: I mean the S&P/TSX. Are we at a record high right now?

Mr. David Clarke: I haven't checked it today, but I think things are okay.

Mr. Francesco Sorbara: Yes, things are going really well. We were at a record high a month ago, and we're actually doing quite well on the S&P/TSX. The energy sector makes up a big portion of that, I think.

Mr. David Clarke: Yes. The energy sector, by market cap, is 10% to 15% of the companies listed on the TSX and TSXV. That's right.

Mr. Francesco Sorbara: For full disclosure, I have a wealth adviser. I don't know what I own or don't own in any of those companies. In my prior lifetime, I knew I had shares in oil companies, natural gas companies and so forth. Today, I don't know, so I just want to put that on the record to be up front.

However, the S&P/TSX and the subsectors are performing exceptionally well. We know that. We also know that the IMF came out with its economic growth forecast and said Canada would grow the fastest in 2025, at 2.4%, which is even faster than the United States.

Chair, as I indicated previously, we run a deficit of about 1% of GDP, while the United States is going to be running a deficit of 6.5%, and it may even get larger. In my view, that is unsustainable, and there will be a reckoning.

Mr. Clarke, you have commented that not all capital gains are equal. What did you mean by that?

Mr. David Clarke: What I was referring to there, again, is a difference between capital gains that are the result of what I would call productive investments or productivity-creating investments and other types of investment.

What we're here asking for today is a reconsideration of raising the rates on Canadians investing in those productive Canadian investments—Canadian companies, as an example. We think it would be beneficial to reconsider that raise and not raise the rate on gains that are accrued from Canadians investing in Canadian companies. You could even potentially look at reducing them, if we want to address the issues of flagging productivity and slow economic growth.

Mr. Francesco Sorbara: To any of the concerns out there with regard to the oil and gas sector globally, look at a country like China. China has one of the largest electric vehicle companies, called BYD. I think that's the name or the acronym.

The Chinese have built this huge electric vehicle company. We know the United States has placed tariffs. We have placed tariffs on steel, aluminum and electric vehicles to protect Canadian workers. The Europeans have placed tariffs as well.

The transition away from the way we look at traditional oil consumption has started. It has not only started, but it started with countries like China, where I believe the EV market share is now over 20% of EV sales in the world. It's started.

Now, a country can be what I would call a dinosaur or a laggard—I remember there was a Reform Party leader and some dinosaur thing from many years ago—or it can be a first mover. We can be the leaders of the world and go, as we would say in the hockey analogy, where the puck is going. We can take the puck and actually score the goals and create the jobs.

That's the way I look at it. I think the countries and the companies that are doing that will be the leaders of the world tomorrow, although I agree that we have to get applications and developments done faster in mining and resources.

I think the chair's saying, “That's enough, Francesco”, so I will stop there. That's my time.

Mr. Clarke, I thank you and all the witnesses here for your testimony. I am the last individual speaking. It's always great to hear from a wide variety of diverse voices in our economy and in our country.

● (1810)

The Chair: Thank you, MP Sorbara.

As he said, we want to thank all the witnesses for their testimony on our pre-budget consultation in advance of budget 2025.

I am going to remind all members, because these are our final witnesses and we've had many witnesses and many submissions, to prioritize the recommendations that you want to get to our analysts so that they can do their job. We've asked for them by the end of week on Friday if they require translation. If they don't require translation, then it's the Monday thereafter.

If we can all do that, it would be great.

We wish our witnesses the best with the rest of their evening. Thank you very much for coming before our finance committee.

The meeting is adjourned.