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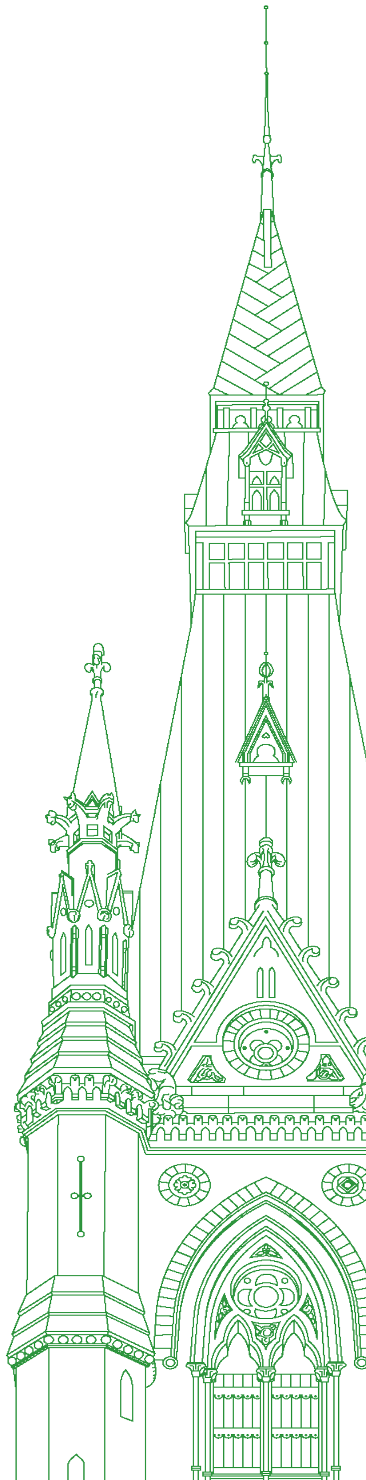

Chair: Karina Gould

Standing Committee on Finance

Monday, May 25, 2026

● (1550)

[*English*]

The Chair (Hon. Karina Gould (Burlington, Lib.)): Good afternoon, colleagues.

I call this meeting to order.

Welcome to meeting number 39 of the House of Commons Standing Committee on Finance.

Before we begin the meeting, I have a couple of items that I would like to bring to members' attention.

[*Translation*]

Jean-Denis Garon (Mirabel, BQ): I have a point of order, Madam Chair.

[*English*]

The Chair: The first is with regard to committee business. Committee members would have received a budget request regarding the study of pre-budget consultations in advance of the 2026 budget. The amount requested is $56,100. Is it the pleasure of the committee to adopt this budget?

Some hon. members: Agreed.

The Chair: Excellent. Thank you.

I want to remind folks that we agreed a few weeks ago to host our European Union counterparts tomorrow morning. This is a reminder that an informal meeting with the Committee on Economic and Monetary Affairs of the European Parliament will be held on Tuesday, May 26, 2026. That meeting will take place at 9 a.m. That information will be sent to you shortly.

In advance of this informal meeting, the following motion must be adopted:

> That the committee meet in camera, in an informal meeting, with the Committee on Economic and Monetary Affairs of the European Parliament on Tuesday, May 26, 2026; that the committee defray the hospitality expenses related to this meeting.

Is it the will of the committee to adopt this motion?

Some hon. members: Agreed.

The Chair: Excellent. Thank you very much.

We have a point of order from Monsieur Garon.

[*Translation*]

Jean-Denis Garon: Madam Chair, it's not exactly a point of debate, but please bear with me.

I wanted to suggest that the committee congratulate our colleague, Eric Lefebvre, who recently learned that he's going to be a grandfather for the first time. I move that we do so.

The Chair: Is it the pleasure of the committee to formally congratulate Mr. Lefebvre?

Some hon. members: Agreed.

The Chair: Congratulations!

Is it a little girl or little boy?

Eric Lefebvre (Richmond—Arthabaska, CPC): We'll find out in a week.

The Chair: Okay.

[*English*]

Are there any more? Would anyone else like to disclose that they're becoming a grandparent?

Some hon. members: Oh, oh!

The Chair: Mr. Kelly, congratulations. Was it a boy or a girl? What's her name?

Pat Kelly (Calgary Crowfoot, CPC): It's Eliana.

The Chair: That's beautiful. Congratulations, Mr. Kelly.

On that lovely note, we are going to begin today's meeting.

I will remind you that today's meeting is taking place in a hybrid format, pursuant to the Standing Orders. Members are attending in person in the room and remotely using the Zoom application.

Before we continue, I would ask all in-person participants to consult the guidelines written on the cards on the table. These measures are in place to help prevent audio and feedback incidents and to protect the health and safety of all participants, including the interpreters. You will also notice a QR code on the card, which links to a short awareness video.

I would like to remind participants of the following points. Please wait until I recognize you by name before speaking. For those participating via video conference, click on the microphone icon to activate your mic. Please mute yourself when you are not speaking. For those on Zoom, at the bottom of your screen you can select the appropriate channel for interpretation: floor, English or French. For those in the room, you can use the earpiece and select the desired channel.

I would like to remind witnesses that committee members may ask questions in either French or English. If you will need interpretation, please take a moment now to prepare your earpiece and select in advance the listening channel you need to take full advantage of the time allotted for questions and answers. I will remind you that all comments should be addressed through the chair.

Pursuant to Standing Order 83.1, the committee commenced its pre-budget consultations in advance of the 2026 budget.

I would note for today's witnesses and for future witnesses that we have heard from some of you that you are concerned that your submissions are not yet published online. There is a reason for that. They are going through translation. They will all be published online as soon as this process concludes, so do not worry about that at all.

I would like to welcome our witnesses for this first hour.

From the Co-operative Housing Federation of Canada, we have Tim Ross, director general. From Habitat for Humanity Canada, we have Alana Lavoie, the principal director for government affairs. From the Mechanical Contractors Association of Canada, we have Ken Lancastle, chief operating officer.

With that, we will begin with Tim.

You have five minutes, Mr. Ross.

[*Translation*]

Tim Ross (Chief Executive Officer, Co-operative Housing Federation of Canada): Thank you, Madam Chair.

I want to thank the committee members for having me here today. My name is Tim Ross, and I'm the CEO of the Co-operative Housing Federation of Canada, or CHF Canada, which represents co-operative housing across the country.

Canada has more than 2,200 non-profit housing co-operatives that house over a quarter of a million people. Over the past 50-plus years, co-ops have established a proven track record of providing long-term, safe, affordable, resident-managed housing with deep roots in communities.

[*English*]

Canadians are facing growing economic uncertainty and housing insecurity. In that context, housing co-ops offer something increasingly rare: stability. For more than 50 years, co-op housing has delivered just that: secure, affordable homes.

Our message to the federal government in this pre-budget consultation is clear. You hold the key to protecting and expanding access to affordable co-operative homes in Canada. Canada does not lack for housing solutions. What we lack is policy scale and predictability needed to deliver. Co-operative housing is one of the proven models that the federal government can use right now.

Today, I'll make four brief recommendations for budget 2026. In the context of a national housing strategy with many programs and budgets expiring—and expiring sooner than forecast—there's a need for greater certainty in the system.

First, it's imperative that the federal government renew rental assistance for co-op and non-profit housing for at least 10 years. Programs like the federal community housing initiative and the Canada community housing initiative are set to expire in 2028. Without renewal, thousands of low- and moderate-income households living in co-ops risk losing their homes.

Rental assistance is one of the most effective tools we have. It's a nimble tool that ensures households pay no more than what they can afford for housing: typically, 30% of income. It prevents displacement and homelessness, especially when life circumstances change, and it's cost-effective. Supporting households in co-ops costs significantly less than supporting the same households in comparable market rents, because co-ops are permanently affordable and more relatively affordable than market housing over time. That's why rental assistance must remain a core pillar in the national housing policy.

Second, we must also see continued and increased investment in urban, rural and northern indigenous housing, taking a “for indigenous, by indigenous” approach. We recognize the federal government's recent updates regarding funding for urban, rural and northern indigenous housing. We strongly encourage the use of a “for indigenous, by indigenous” approach in deploying these dollars. This will ensure the resulting housing is culturally appropriate and responds effectively to the nature of housing need. As well, the scale of housing need in indigenous communities is significant and sustained, and this investment is absolutely required.

Third, we must prioritize co-op housing in Build Canada Homes. The co-op housing sector has thousands of units in our development pipeline, thanks to the momentum created by the co-operative housing development program. This program has already committed to nearly 2,800 new co-op homes, with roughly 1,500 now under construction. This is a great success story, but the demand for the program greatly exceeds its funding envelope. This is a window of opportunity to advance new shovel-ready co-op construction through a strategic partnership with Build Canada Homes. To do that at scale, non-market developers, including co-ops, need long-term predictable funding and financing tools, along with workable guarantees and security requirements.

Lastly, let's protect the housing that's already out there and is affordable. The federal government should continue to enable the repair and renewal of non-market community housing. Many co-ops and non-profits were first developed in the 1970s and 1980s and now require repair and renewal. While some work can be undertaken through commercial lending and refinancing, additional support is often required, particularly for non-market homes whose original federal operating agreements disallowed the generation of sufficient capital reserves for capital renewal.

Federal repair programs have recently closed without a sense of when or if they will reopen. These initiatives need to be recapitalized or successor programs created. There is great uncertainty in the marketplace right now. Without action, we risk losing affordable homes faster than we can replace them. If we fail to preserve these homes, we will lose affordable units faster than we can build them.

● (1555)

Canada does not lack housing solutions. We lack the scale and predictability needed to deliver. Partnering with co-op housing is a strategic investment in Canada's future.

Thank you.

The Chair: Thank you very much, Mr. Ross.

We'll continue now with Ms. Lavoie for five minutes.

Thank you.

[*Translation*]

Alana Lavoie (National Senior Director, Public Policy, Habitat for Humanity Canada): Thank you very much.

[*English*]

Chair and members of the committee, thank you so much for the invitation to appear today.

As mentioned, I am here to speak on behalf of Habitat for Humanity Canada and our 44 local Habitats across this country serving in communities large, small and in the north. I'm also here to speak on behalf of the families we serve—and the families we could serve in the future—by providing them with access to affordable home ownership.

Across the country, too many households are being priced out of stable, suitable housing. There are options for them, and affordable home ownership should be one of them. We are all facing increasing construction costs, financing and systemic barriers, and uncertainty over the flow of federal housing investments over time. We see, every day, the impact of affordable home ownership and other forms of stable housing—the stability it creates for families, the freeing-up of rental supply and the way it helps communities remain inclusive and resilient.

Today we have three recommendations to bring forward to this committee that build on those you heard about from my colleague.

Our first recommendation is to build on the success we've seen so far with the establishment of Build Canada Homes. It could provide clearer targets and outcome metrics for the non-market housing sector. We really see Build Canada Homes as an important step. We see so much potential for it to play a meaningful role in increasing the affordable housing supply. However, the sector does need clarity on how success will be measured, what affordability outcomes are expected and how we, as a sector, will be part of delivery. Clear targets and transparent reporting would strengthen its mandate and help us plan our projects with confidence. These targets should click in, effectively, with the elements of my next recommendation and that of Habitat for Humanity.

Our second recommendation is that budget 2026 lay the groundwork for the next national housing strategy, with a 10-year framework that starts imminently, as soon as possible, co-created with the affordable housing sector, including a dedicated affordable home ownership pillar. A robust path forward would address the real uncertainty we are facing right now, with projects stalling in the pipeline for this year alone. This comes from the additional sunsetting of existing national housing strategy programs. These long-term frameworks will provide the certainty we need to assemble land, build the partnerships we need to deliver, and scale our delivery over time, while ensuring that support for non-market and the broader community housing sector does not erode.

Finally, our third recommendation is that budget 2026 continue to advance the examination of tax and financial levers that would reduce the cost of delivering affordable housing. Federal action on financing, risk sharing and de-risking some of the investments that are needed in the sector, and additional tax measures—building on the success of the GST exemption—would help us make a difference in terms of achieving project viability. This could include looking at measures that de-risk projects for non-market builders and at existing tools in other organizations, such as the Canada Mortgage and Housing Corporation. Apply those to BCH's work with the non-market housing sector. This would allow us to bring more projects to construction. If we want more affordable homes built, we need to keep moving forward to address the underlying structural barriers that slow delivery.

All of these elements, smartly assembled, would allow us to go further as a sector.

In closing—I will keep it brief today—Habitat for Humanity Canada believes that budget 2026 could help strengthen Canada's housing system by pairing ambition with clarity, as well as with long-term certainty and practical delivery tools. We are asking the federal government to give the non-market sector a clearer path to scale, including for affordable home ownership, through measurable targets for BCH, a long-term housing strategy with sustained funding and additional levers to lower the cost of building and providing more affordable homes.

Thank you so much for the opportunity to appear today. I look forward to any questions.

● (1600)

The Chair: Thank you very much, Ms. Lavoie.

Mr. Lancastle, we'll continue with you for five minutes.

Ken Lancastle (Chief Operating Officer, Mechanical Contractors Association of Canada): Thank you very much, Madam Chair.

Good afternoon, members of the committee.

I very much appreciate the opportunity, like my colleagues, to be here with you today. My name is Ken Lancastle. I am the chief operating officer of the Mechanical Contractors Association of Canada or, as we will commonly refer to it, MCA Canada.

Our association represents mechanical, electrical and plumbing contractors across the country working in the industrial, commercial, institutional, residential and service repair and maintenance sectors of Canada's construction industry. This also includes industrial process contractors who are critical to turnaround and shutdown activities for Canada's industrial capacity. Simply put, our members build and maintain the systems that Canadians rely on every single day and the systems that power our economy.

Just to put some of that into perspective, our sector accounts for roughly 40% of all construction activity across the country. We support more than 440,000 direct jobs, and the sector contributes more than $63 billion annually to the Canadian economy. It's an economic workhorse, and it's foundational to Canada's economic strength and our future growth.

Today, as the country faces increased demand for housing and infrastructure as well as industrial development, our sector is going to play a critical role in delivering on that capacity, but we face persistent challenges, particularly with respect to labour availability and productivity challenges.

Governments at all levels have taken important steps to address labour shortages. These programs are incredibly welcomed by our sector, but their full impact will take time while demand for construction is expected to rise in the near term. As well, construction productivity continues to lag compared to other sectors of the economy. Recent studies from Statistics Canada have demonstrated a national productivity slowdown in the Canadian construction industry despite the amount of work required in the years ahead.

The next federal budget provides an opportunity to take targeted action now, action that can remove impediments to business so that our sector, which is so critical to infrastructure and housing development, can continue to build. MCA Canada has put forward four practical recommendations.

First is tax relief on overtime earnings for skilled tradespeople. Construction workers regularly put in additional hours to meet project deadlines; however, those additional earnings are taxed at the same marginal tax rate as regular income, ultimately reducing the incentive to take on extra work. A targeted tax credit would provide a meaningful incentive for certified tradespeople to work additional hours, helping to address short-term labour pressures.

Second, expand the productivity superdeduction to explicitly include construction. Construction is highly capital-intensive. It requires significant upfront investment in tools, equipment and technology, yet tax recovery timelines limit the ability of firms to reinvest. When budget 2025 introduced the productivity superdeduction, construction was not clearly defined or included. Including construction, equipment and technology would allow firms to invest in more efficient tools, technologies and processes while allowing firms to find economies of scale to meet the demand.

Third is enhanced support for tools and personal protective equipment. Upfront costs remain a barrier to entering the skilled trades, particularly for under-represented groups. Increasing the tradesperson tool deduction to $3,000, indexing it to inflation and expanding eligibility to include personal protective equipment would reduce some of those financial barriers and support increased recruitment while making work sites safer and more inclusive.

Finally, strengthen federal prompt payment legislation. We recommend amending the Federal Prompt Payment for Construction Work Act to require the mandatory annual release of holdback on multi-year projects. This holdback is often held until the substantial completion of a project, but it can also mean that millions of dollars are being kept from a project payment supply chain.

Some provinces such as Ontario have already adopted this approach, but the federal framework has not yet addressed it. This change would help to unlock some of that cash flow in the supply chain and support the timely delivery of federal infrastructure projects.

In closing, Canada's mechanical, electrical and plumbing contractors are ready to meet the moment. At the end of the day, if we want to build more housing and infrastructure, we need to unlock the capacity that already exists in the system, and that's what these measures are designed to do.

With that being said, I want to thank the committee again for the invitation to speak here today, and I look forward to any questions there may be.

● (1605)

The Chair: Thank you very much, Mr. Lancastle.

[*Translation*]

We're now going to start with Mr. Lefebvre for six minutes.

[*English*]

Eric Lefebvre: Am I the first one?

The Chair: I'm sorry...no.

Ms. Cobena, you have the floor for six minutes. Go ahead.

Sandra Cobena (Newmarket—Aurora, CPC): Thank you.

I'd like to thank our witnesses today for their remarks. There's a lot to ask here, but I would like to start with Mr. Lancastle.

In your opening note, you mentioned that you're concerned about labour shortages, but of course we are also seeing reports that up to 100,000 construction jobs are at risk in Ontario alone. Could you comment on what is happening in the industry and what the dynamic is that's causing these two issues to occur?

Ken Lancastle: It's important to recognize that, as a national association and a national industry, construction is subject to regional and episodic variations. You will hear stories about some regions slowing down, while at the same time other regions are actively asking for more people. Again, the nature of the industry is highly regional and episodic, so there are going to be stories like that and numbers that appear like that.

Sandra Cobena: What's happening in Ontario specifically, then? That's where we see the contradiction.

Ken Lancastle: With Ontario, in particular, you can look to the Toronto high-rise market as one of the markets where we've seen a slowdown over the past couple of years where there wasn't a slowdown existing previously. Given the size and nature of Ontario—it is a big province—there are lots of industries and regions that will impact the nature of the construction industry in those regions.

Sandra Cobena: Are you concerned about further job losses within the construction industry in Ontario? You mentioned that high-rise construction has essentially stopped. Are you concerned about that?

Ken Lancastle: It's important to recognize that if we focus too heavily on just local regions, we're doing a disservice to the recruitment efforts that are going to be required for meeting the moment and building up the workforce that we need for the future. This is a once-in-a-generation opportunity to recruit the right people to the right trades. I think it's important that we focus on where the work is going to be and what the work is going to be so that we can dedicate the appropriate resources to ensuring that we are building workforce capacity.

My fear is that if we focus on slowdowns, we are doing a disservice to some of these recruitment efforts that are required.

● (1610)

Sandra Cobena: I can understand that.

The reason why I'm asking is that I get calls from people who are in the construction industry. Their shifts have been reduced from full time, Monday to Friday, to just a couple over the week, and this has been going on for a long time. Of course, when you think about that in the long term, there will be a long-term impact on the industry, even if it's regionally. My riding is in Ontario—that's why I was asking.

What will be the long-term impacts, and are you concerned about job losses and the loss of the skilled labour within those industries?

Ken Lancastle: I think it's important to recognize that we are concerned about job losses. BuildForce Canada is projecting a shortage of 385,000 workers by 2034. There's lot of experience leaving the industry. There is still a requirement to train the next generation. It is a concern that we are going to see job losses among those who will not be available to train the next generation.

This is a little bit outside the scope of what was contained in our pre-budget submission, but as an industry as well as as governments at all levels in society, I think it's incumbent upon us to really have a conversation about what types of skilled tradespeople are going to be required to meet the moment. I don't think it's enough, at times, to say we need more skilled tradespeople. I think it's important that we focus on what trades are going to be necessary to build the infrastructure required to build a stronger Canadian economy.

Sandra Cobena: I'm interested in your request, in your opening remarks, that taxes on overtime be removed. Do you have any numbers on how much this would save workers?

Ken Lancastle: We don't have any specific numbers on how much this would save workers. Conceptually, the industry is looking to unlock the capacity that currently exists within the system. We are aware of the skilled trade shortages that we're anticipating to experience over the next decade. These recommendations were about unlocking the capacity that's already there.

Sandra Cobena: Thank you for that.

I will direct some of my questions to Ms. Lavoie.

We have seen that housing starts are still roughly 55% below the need to restore affordability. Are you concerned that the rate of development is still not enough to restore affordability anytime soon?

Alana Lavoie: Realistically, at the moment, yes, I think there is definitely a concern that if we don't start to see the ability to move projects forward very soon—particularly targeted, non-market, affordable projects—we are going to see challenges to returning to affordability.

It's also about the need to plan for that kind of acceleration that we also need to start even getting close to returning housing to affordability. Right now, we're in a moment where the tools seem to be starting to be there, but we need the capacity, as a sector, to step on the gas and ignite our transformative scale and building.

Sandra Cobena: Of course, we have massive price and interest rate fluctuations, which contribute to the issue, with slow building times and volatile demand. Can you describe what the state of the housing market has done to families you've worked with over, say, the past decade?

The Chair: Be very brief. You have about 15 seconds.

Alana Lavoie: It has made it harder for them to even step over the threshold of a home that they own, and it has made more of them require the kind of programming that Habitat delivers in order to have the assistance to get through that door.

Sandra Cobena: Thank you.

The Chair: Thank you very much, Ms. Lavoie.

Thank you, Ms. Cobena.

We'll continue now with Ms. Martin for six minutes, please.

[*Translation*]

Danielle Martin (University—Rosedale, Lib.): Thank you to all three of you for being here.

We all know that affordable housing is a very important issue for our government and, obviously, for you, so I'm very pleased that you're here.

[*English*]

I understand that all of you are asking for that mix of ambition, clarity—as you put it, Ms. Lavoie—and predictability, which is sometimes hard to deliver in a budget cycle, but it's understood that it's a really important set of goals.

I want to zero in a bit. I may need to move you along, just to make sure I get through all of my questions, so forgive me if I have to do that.

On this question of scale and predictability, of course predictability requires a time horizon that makes accountability more challenging. I want to drill down into this question of accountability measures that you spoke to, Ms. Lavoie. What do you think are the accountability metrics that should exist, both on the part of government and on the part of the sector, if we want to try to accelerate affordable housing accessibility in Canada?

● (1615)

Alana Lavoie: Thank you so much. It's a great question.

From my perspective, it's understanding that there are going to be unit targets. It's the very straightforward question of "How much are we building a year?" and, to your colleague's point, "How many starts do we have a year?"

It's also this question: Is the affordability landing in the right place, and are the tools that are being made available by government the ones that can actually allow us to deliver, as a sector, the level of affordability that's required to move people into the housing they're looking for?

Then, I think that a third piece is tracking suitability. Are we building what people need, when they need it, in the places that they need it? Let's just make it easy on ourselves to coordinate all that while having a progressive sense of what we're trying to achieve, both in the near term as well as over the duration of a strategy.

Danielle Martin: Thank you.

I want to pick up on this question of making sure that our supports are landing in the right place.

This is maybe for you, Mr. Ross, but you should all feel free to jump in. I represent University—Rosedale, which is a very culturally diverse riding in the heart of downtown Toronto. I wonder what you can tell us about what we know about who currently accesses and who uses co-op housing in Canada's cities. Does that population represent the diversity of our cities?

Tim Ross: Thank you very much for the question.

The answer is, generally, yes. The composition of co-operative housing is representative of our communities. We're just on the cusp of finalizing a demographic study of persons living in co-operative housing, so stay tuned. We'll be able to get even more granular on that.

Co-ops are home to community members from all walks of life. Particularly in the member's riding, there are a significant number of households that are currently uncertain about their stability and security of tenure in co-ops, due to the expiry of rental assistance. We are hoping to see some clarity on that in the very near term so that co-ops can continue to provide the security, affordability and community that co-ops are so well known for.

Danielle Martin: I appreciate that because I know that in my own riding—for example, in Kensington-Chinatown—there's a fair amount of co-op housing for which it's particularly important that we think about what it means to provide a culturally safe environment for people.

I look forward to the results of that study, and maybe I'll ask you, when you get them, to share them with the committee. That would be helpful because we want to make sure that we're matching, as we've heard, our investments to the need and ensuring that we're getting the full representation of diversity in Canada, including, of course, indigenous communities.

I'm curious about mixed-use models. Maybe this is for Ms. Lavoie or Mr. Ross. What models should we be looking at that you find particularly inspiring in the mix of different kinds of supportive housing? I'm thinking about elder care, young families, these kinds of models in which we're trying to mix it up a little in these ways, rather than having hard and fast silos or categories of housing. How might we think about that in a budget context? That's for either of you.

Tim Ross: I can offer some tangible examples of some projects in our development pipeline that were cruising towards co-op housing development program funding and financing. A number of projects integrate child care and commercial space. Some projects are partnered with very well-known, pan-Canadian community organizations that deliver important services in the community.

Co-ops are really great because not every community organization that has a housing need needs to go out and specialize in housing. Co-ops can do that. We partner with organizations like Inclusion Canada to create more localized partnerships and inclusive housing communities.

Danielle Martin: I'm personally very attracted to those models, as I know many of the people who live in my community are. Are there things that we need to be aware of, from a budgeting perspective, if we're talking about housing, but in fact these buildings are being used as multi-use spaces in a community?

● (1620)

The Chair: Answer in 10 seconds or less.

Tim Ross: Be aware of projects that have funding that's conditional upon delivering a community space or a community amenity that's time-limited. We're still waiting for the housing funding to fall into place.

The Chair: Thank you, Mr. Ross. We're going to have to end it there.

Danielle Martin: Thank you.

[*Translation*]

The Chair: Mr. Garon, you have the floor for six minutes.

Jean-Denis Garon: Thank you, Madam Chair.

I'd like to thank all the witnesses for being here with us.

Mr. Lancastle, your association recently hailed the Team Canada Strong workforce training initiative, which was announced in the economic update. However, in Quebec, Minister Jean Boulet expressed concern that this initiative encroached on Quebec's jurisdiction because Quebec has had an agreement with Ottawa since 1997 that gives it full jurisdiction over workforce training.

As such, I was wondering if you would be in favour of Quebec getting its share of the funding and continuing to take charge of training with existing industry groups. That way, there would be no additional bureaucracy and no duplication. Plus, with the market being what it is these days, it would ensure that training initiatives are rolled out quickly.

Ken Lancastle: I will answer in English, if I may.

[*English*]

Thank you very much for the question.

I can't speak to the specific policy. As an association, we're hearing from our members from across the country that the more we have these conversations around the skilled trades, the better things are going to be for our industry and building that workforce capacity. There are a lot of intricacies in terms of the policies that still need to be developed alongside industry and governments at all levels.

[*Translation*]

Jean-Denis Garon: I'm going to interrupt you. It's okay if you don't have the answer.

The point of the question is that Quebec is a special province, because it received full jurisdiction over this matter in 1997. That's why it might be appropriate to consider the need to transfer the funding to the Government of Quebec.

I have another question for you about the tax credits you suggested.

You said that some construction workers might not accept new jobs or work on new construction sites because their additional earnings would be taxed at the highest marginal rate. You recommended a targeted tax credit, but such a credit wouldn't be based on the highest marginal rate, so it seems to me that the solution you're proposing would fail to address the problem you're raising from a tax perspective.

Why suggest a tax credit that would probably be granted based on the lowest tax bracket rather than the highest marginal rate?

[*English*]

Ken Lancastle: With respect to the tax credit, it's important to understand that in terms of our thinking, the approach was never meant to alter any payroll systems. It was meant to be as straightforward as possible for the CRA to implement. It doesn't alter labour standards or collective agreements.

It's a flat, per-hour credit depending on hours worked. A full-time year is considered to be 1,500 to 2,000 hours, from the CRA's perspective. The credit is applied to the hours worked above and beyond that 2,000 hours. It's not meant to alter any existing CBAs or labour agreements.

[*Translation*]

Jean-Denis Garon: Thank you very much.

Mr. Ross, we know that the real estate market has seen significant increases in construction costs, rents and so on in recent years. The market got out of hand. There was high demand and low supply. We are aware of the problem, and all the parties are proposing solutions to address it. Demand is greater than supply. I think we all recognize that.

We're often told that it takes a certain proportion of non-market housing to maintain a degree of affordability. Co-op housing is a type of private sector supply. They're private housing units. The difference is that they're non-market and less susceptible to speculation.

Ultimately, what proportion of non-market housing, such as co-op housing, should there be in, say, Quebec, to ease pressure on the housing market and have a tangible impact on rent prices?

Tim Ross: Thank you for the question.

According to a number of studies, 20% of the housing supply should be non-market to regulate housing prices across Canada.

[*English*]

There's a need to develop at least 20% of new homes as non-market, community-based, co-op and affordable housing.

[*Translation*]

Jean-Denis Garon: Thank you.

You talked about two things. One was that rental assistance should be renewed, and another was that the co-operatives didn't have enough money to be able to repair and maintain buildings.

Do I understand correctly that, if rental assistance isn't renewed, co-operatives won't be able to set rents high enough to build a contingency fund and do maintenance? Also, if it's not renewed, you'll be back here at some point to ask for money to maintain these buildings. At the end of the day, if rental assistance isn't renewed, the taxpayer will pay twice.

Is that analysis accurate?

● (1625)

Tim Ross: It's true that ongoing rental assistance provided by the federal program increases the ability of co-ops to access commercial financing for their renewal.

[*English*]

However, it is very important to indicate that there are still long-standing and larger capital repair backlogs across the entire non-market housing portfolio due to the policy and programmatic construction of federal and provincial programs. Even if we can increase the revenue capacity of co-operatives, there are still sometimes capital gaps that need to be closed. That's where that more targeted renovation and renewal funding can make a big difference in bringing them into a good state of repair for future generations.

[*Translation*]

Jean-Denis Garon: Thank you.

The Chair: Thank you, Mr. Garon.

[*English*]

We will continue now with Mr. Kelly for five minutes, please.

Pat Kelly: Thank you, Chair.

I'd like to put my first question to Mr. Lancastle and ask for a little more detail.

Could you supply some more information about your fourth recommendation about holdbacks and prompt payment? Were you referring to projects that are federally funded? Were you also talking about the entire construction industry? I know there's variation among provinces. Could you maybe unpack some of the details about the holdback system?

Ken Lancastle: Certainly. With most construction contracts, the law of the place of the work will apply to the construction contract. In a federal context, any federally procured construction project is governed by the Federal Prompt Payment for Construction Work Act. That's the prompt payment legislation that applies on federal projects. In each province, the building or construction act or the lien legislation will typically govern those holdbacks and those holdback releases.

Ontario just conducted a review of the Ontario Construction Act, which was by and large the precursor to the federal prompt payment legislation. In that review, they've now implemented that annual release of holdbacks on multi-year projects.

Again, typically a holdback will be about 10% of the construction contract that is held in trust until the substantial completion of the project. The challenge that the industry runs into, and particularly trade contractors and their supply chain, is that 10% could be millions of dollars sitting there that could be reinvested into either newer projects or new tools and technologies. By implementing that annual release of holdbacks on multi-year projects, we're just freeing up capital within the supply chain.

The owner still has all the lien mechanisms in place as far as the contract is concerned. There's no additional risk to the owner. It just frees up the capital.

Pat Kelly: Okay.

If the project is financed by market lenders, banks or any other lender, they will have a say on the holdback as well. They would build that into the deal. Is there a difference or something specific to federally procured projects that you want to make recommendations about for this committee?

Ken Lancastle: There's no specific difference outside of the fact that we're seeing the leadership happening at some provincial levels on this particular issue. We feel as though if the federal legislation could meet those standards on the prompt payment legislation, it would help to demonstrate across the country some of that leadership on this particular issue.

As I said, Ontario just recently did their review of the Ontario Construction Act. Other provinces are either actively engaged in their own prompt payment regimes or looking at prompt payment legislation. Providing that leadership from the federal level, especially given the number of large federal projects that we anticipate in the years ahead, helps again to free up that capital.

Pat Kelly: You're recommending that the federal government adopt the system that Ontario has just undertaken.

Ken Lancastle: That's right.

Pat Kelly: Okay. Thank you.

I'll switch now to Habitat for Humanity.

In your opening remarks, you talked about affordability measures. I think you were talking about some of them in the context of the cost for your organization to build. Do you have anything else that you might want to add about the affordability measures for the end-user of the home?

We've seen a tremendous increase in the price of housing and the price of rental housing. As Canadians increasingly can't afford the rent and can't afford to buy a home, they become driven into non-market housing. They can't afford market housing.

What are some affordability concerns you see that contribute to the high cost of building—of construction—as well as the high costs for the actual consumer, who needs to be able to afford a roof over their head as well as their other necessities?

● (1630)

The Chair: You have 30 seconds.

Alana Lavoie: I can do it.

Thank you for the question. I appreciate it.

Obviously, our costs as a provider—costs that any other builder of housing is facing right now—are increased construction costs, the challenges around labour costs, which have been highlighted by the person beside me here, the materials and supply chain disruptions and the lending costs as well. The whole suite for how we get things built has increased.

Obviously, as a non-market builder, that has implications. As a private market builder, that would have implications. Also, then, for our families, the prices are going up. Again, the cost of borrowing to buy a home has gone up for them, but incomes frankly have not kept up at the same pace.

The Chair: Thank you, Ms. Lavoie.

Thank you, Mr. Kelly.

[*Translation*]

Mr. Lavoie, you have the floor for five minutes.

Steeve Lavoie (Beauport—Limoilou, Lib.): Thank you, Madam Chair.

Thank you to the witnesses for being here.

Housing is such an important issue. I got into politics a year ago, and this really is the issue people talk about the most, week after week, in my riding, Beauport—Limoilou, which is in Quebec City. I'm glad you're here today to discuss it.

Mr. Ross, you talked a lot about predictability. That's the word I've heard the most often in every committee over the past year, especially when we're talking about finance and trade.

Build Canada Homes was launched a little over a year ago, and we're already seeing announcements about things like low-cost loans, long-term financing and a bigger housing supply, among other things. There are several things in the economic update.

Do these initiatives address the needs you listed a little earlier, and if so, how?

Ms. Lavoie can add her comments after your response.

Tim Ross: Thank you for the question.

It's very important to recognize that Build Canada Homes has a lot of potential to help ease the housing crisis.

[*English*]

We are working very closely with Build Canada Homes currently to identify a pathway to invest in the pipeline of projects that were catalyzed under the co-operative housing development program. We have 15,000 units in feasibility and predevelopment, 5,000 of which are shovel-ready within the next 12 months.

On the predictability issue, we're days and weeks away from being in a situation where projects may stall or collapse. We are hoping that we can develop an investment framework successor to the co-op housing development program, so that we can continue to deliver the good-quality affordable homes that communities all across the country need.

[*Translation*]

Steeve Lavoie: Ms. Lavoie, you were talking about something similar: increasing housing supply and fast-tracking housing starts. Are these initiatives meeting the needs in part or in full?

I really appreciated hearing the word “potential” because Build Canada Homes was established just a year ago. That means we can do more with it.

Do you feel that the economic update contains measures that help meet the needs?

Alana Lavoie: Absolutely. My response is practically identical to Mr. Ross's. We are waiting and working with Build Canada Homes to see how we can coordinate to invest in Habitat for Humanity Canada projects. However, as my colleague indicated, there are several projects on hold. If we still don't have any information, 300 housing projects will be abandoned within a few months. On the other hand, if the tools are put in place quickly, the change will be truly profound for us.

So, we're waiting and working hard on this.

● (1635)

Steeve Lavoie: When you talk about the tools to be implemented, you're referring to the tools that have been announced, aren't you?

Alana Lavoie: Yes. I'm talking about the tools within the Build Canada Homes framework.

Steeve Lavoie: Okay, thank you very much.

Mr. Lancastle, in your opening remarks, you mentioned the famous productivity super-deduction for manufacturing companies.

I'm curious, and this is the kind of question I ask regularly: do you have a very concrete example of how a measure like that would apply to the construction sector? When I say a concrete example, I really mean a specific benefit—A or B—that this deduction would provide.

[*English*]

Ken Lancastle: On Friday, I received a phone call from a member who was asking if this applied to him. There are questions. Construction, being highly capital-intensive, has a lot of similarity to the manufacturing industry, which was where the productivity superdeduction was really focused. He called me and asked if this was something that he could take advantage of. I didn't have any clarity for him. I said that I was happy to find out more information for him, but it wasn't explicitly referenced in the productivity superdeduction.

The industry, similar to manufacturing, requires a lot of capital equipment that is quite highly capital-intensive, but with very slow tax writedowns on it.

[*Translation*]

The Chair: Thank you, Mr. Lavoie.

I thank the witnesses.

To conclude this hour, I give the floor to Mr. Garon for two and a half minutes.

Jean-Denis Garon: Thank you, Madam Chair.

Ms. Lavoie, Quebec is the only province that has long had permanent programs for the construction of social and community housing. It is well institutionalized. The rules are clear. At home in Mirabel, the community sector is familiar with the system.

In the federal government's previous strategies, there was a real desire to standardize all policies, particularly Canada's National Housing Strategy, which meant that negotiations with Quebec took a long time and that funding was frozen for three years. We always add this second layer of bureaucracy, whereas in Quebec, the system works relatively well. However, it needs funding.

Mr. Ross and Ms. Lavoie, I listened to your response to Mr. Lavoie's question. I found you both very diplomatic. What I gather from your response is that there is potential and the tools are there, but that you fear, to some extent, that what happened in the past might happen again—that there will be instances of duplication, that people will dither, and that projects will be abandoned.

Do you agree that the programs in Quebec are working and need funding, that this is a matter of jurisdiction for the Quebec government in many respects, and that avoiding the creation of duplicate programs and placing greater trust in existing programs in Quebec will allow for the creation of housing more quickly?

Alana Lavoie: That's a very good question. Habitat for Humanity Canada has only very recently joined the conversation on affordable housing in Quebec. So, it's only very recently that we've started working with the Quebec government on home ownership.

I'd like to see how Quebec's systems and the tools offered by Build Canada Homes will actually work together to accelerate the creation of affordable housing.

Jean-Denis Garon: Very well.

Mr. Ross, here is the message we are sending to the government today: Don't repeat what you did with Canada's national housing strategy, and make sure we don't waste three years on this.

[*English*]

Tim Ross: I would say it's really important to recognize that we're in a transition right now. With Build Canada Homes focusing on new builds and innovation and delivery, let's not forget that a significant number of federal programs are at their end and no longer have a budget.

One of those major things is our federal-provincial and federal-territorial agreements. Provinces and territories are very important delivery partners in addressing the affordable housing crisis. I certainly recognize the competencies of Quebec and that long track record of delivering community housing.

● (1640)

The Chair: Thank you very much.

[*Translation*]

Jean-Denis Garon: Thank you.

[*English*]

The Chair: Colleagues, that concludes this hour. Please join me in thanking our witnesses.

We will now briefly suspend as we prepare for the next panel.

● (1640)

_____________________(Pause)_____________________

● (1645)

The Chair: Colleagues, I'm delighted to welcome everyone back. We will resume the meeting.

I would like to take a moment to welcome our new witnesses.

From the C.D. Howe Institute, we have Alexandre Laurin, vice-president and director of research, who is joining us by video conference. From Generation Squeeze, we have Dr. Paul Kershaw, policy professor at the University of British Columbia's school of population health. From the Montreal Economic Institute, we have Renaud Brossard, vice-president, communications, and Gabriel Giguère, senior policy analyst. Also, from the Canadian Shield Institute for Public Policy, we have Kaylie Tiessen, chief economist, who is also joining us online.

I would like to remind participants of the following points.

Please wait until I recognize you by name before speaking. For those participating via video conference, click on the microphone icon to activate your mic, and please mute yourself when you are not speaking. For those on Zoom, at the bottom of your screen you can select the appropriate channel for interpretation: floor, English or French. Those in the room can use the earpiece and select the desired channel.

I will just remind the witnesses that committee members may ask questions in either English or French. If you will need interpretation, please take a moment now to prepare your earpiece and select the listening channel you need in order to take full advantage of the time allotted for questions and answers. I will also remind everyone that all comments should be addressed through the chair.

All virtual witnesses have conducted a mandatory witness onboarding test.

We will now begin with opening statements from our witnesses.

We will begin with Mr. Laurin from the C.D. Howe Institute, please.

[*Translation*]

Alexandre Laurin (Vice-President and Director of Research, C.D. Howe Institute): Thank you, Madam Chair.

Members of the committee, it is a pleasure to participate in your pre-budget consultations.

The C.D. Howe Institute is an independent, non-partisan public policy research institute based in Toronto. Each year, we publish approximately 50 studies, which undergo a rigorous peer-review process.

The institute also publishes its own annual pre-budget recommendations document, titled “Shadow Budget”. In our pre-budget document, we have often emphasized two things: the need for greater fiscal discipline to limit the growth of public debt, and the need for tax reforms to stimulate economic growth and investment.

Today, I will focus my remarks on the issue of tax reform.

Last March, Jack Mintz, my colleague Nicholas Dahir and I published a study proposing an ambitious reform of the Canadian tax system. The study is titled “‘Big Bang’ Tax Reform: Unleashing Growth in the Canadian Economy” and is available on our website. Since the study is in English, let me continue my remarks in English, as it is much easier for me.

[*English*]

As you know, Canada's economic performance over the past 10 years or so has been weak. Business investment is also low and productivity growth is weak. Gross national income per capita is not growing fast enough. I'm sure you've heard that many times already.

Our message in our tax reform study is simple: The country doesn't need another small tax change here and there. What we need is to send a strong message through a major structural tax reform. We rely more on income tax than any other G7 country. High income tax reduces incentives to invest, work more, take risks and grow businesses in Canada. I'm sure you've heard that before.

High taxes also encourage tax planning instead of productive economic activity. We are also running large government deficits. Any tax reform needs to be revenue-neutral, at least in the short term. We're not proposing large new deficits. We're proposing a better tax structure for growth.

Our proposal has four main parts to be implemented at the same time. I'll go through them very quickly.

First, lower personal income tax. We propose reducing income tax rates and reducing the number of tax brackets from five to three.

Second, we need to simplify the personal income tax system. We propose a new, simplified $10,000 credit allowance that would replace most credits and deductions. This optional allowance would allow a simplified tax return that would fit on a single page. I must also say that lower-income households would benefit disproportionately from that allowance.

Third, we need a more neutral corporate tax system. We propose reducing the general corporate income tax rate to 10% while eliminating most special preferences and carve-outs. Another option would be to tax profits only when they are distributed, not when they are reinvested in the business. There are two options there.

Fourth, we would need to raise less economically harmful taxes to cover the revenue shortfall. We would raise the GST or introduce a new payroll contribution, with an exemption at the lower-income level.

Our goal is straightforward: It is to encourage growth in the Canadian economy. Our estimates suggest that our reform would raise Canada's GDP by roughly 2.5%, which would support wage growth and higher government revenues in the long term. Our estimates suggest that the reform would be distributionally neutral at the household level and would not increase inequality. That was an important result for us.

In short, if Canada wants stronger growth and higher living standards, small tax tweaks will not be enough. What we need is a real tax reset.

Thank you. I would be happy to take questions.

● (1650)

[*Translation*]

The Chair: Thank you, Mr. Laurin.

[*English*]

We will continue now with Dr. Kershaw for five minutes, please.

Dr. Paul Kershaw (Policy Professor, University of British Columbia School of Population Health, Generation Squeeze): Good afternoon.

Thank you, Chair and members, for the invitation. On behalf of Generation Squeeze, an organization working to improve well-being for all generations, I have one straightforward message. Canada is within reach of the most significant improvements to affordability and income security in decades, and we can do it without raising tax rates or increasing the deficit, but only if Ottawa redirects billions in subsidies currently flowing to retirees with six-figure incomes towards Canadians who have greater financial needs.

Here's what we could do. Imagine allocating $5,000 to every one of the 400,000 retirees below the official poverty measure and virtually eliminating seniors' poverty. We can do that. We could, for a million young people struggling to afford housing, give an annual $3,000 subsidy. We could say to a million post-secondary students facing a $1,200 hit to the Canada student grant that we won't make that cut. We could add another 100,000 child care spaces subsidized at $10 a day and meet Ottawa's target of 250,000. We could go and invest substantially to reduce youth unemployment, say, turning the youth climate corps from a pilot of $1,000 into something that's supporting tens of thousands to give young people leadership and job training and make our communities more resilient.

We could do all of that by modernizing Canada's largest income security program: old age security. According to the spring economic update, in 2024, we spent $80 billion on old age security. By the end of the decade, it will reach $109 billion. It absorbs more new public spending than any other program in the federal budget by a whopping order of magnitude, and a surprising 16% of it goes toward retirees who already have six figures, a subsidy that, for those couples, often exceeds $18,000. By 2030, the share of that funding alone will reach $17.5 billion, even after taking account of the current clawback rules.

That $17 billion is big. It's more than twice what we are doing for $10-a-day child care. It's 10 times the amount of money put into making homes more affordable in the recent spring economic update. It dwarfs all spending on grocery supports, trades training and clean growth combined. Remember, this is just the portion of OAS going to financially secure retirees with six-figure household incomes. At a time when Ottawa projects deficits of about $50 billion annually for years to come, this $17 billion can no longer be justified as the best use of public dollars, so it's time to trim. It's time to trim OAS benefits, but only for retirees with household incomes above $100,000, reducing their subsidies by, on average, about $3,000 after taxes.

This change would protect OAS or improve it for 80% of retirees while reducing subsidies for simply the top 20% who now receive OAS. Very importantly, it would not cut OAS spending. We're proposing to only slow its growth. Rather than have it reach $109 billion by the end of the decade, we're talking about it reaching more like $100 billion. That $9-billion savings is enough to pay to eliminate seniors' poverty, improve rental affordability, help students and all of the other things that I summarized a moment ago, and do so all at once.

Canadians are ready for this change. Polling consistently shows that three-quarters of Canadians, including three-quarters of retirees, support it. Canada cannot build a resilient economy while we allocate $17 billion in subsidies to flow to those who have more financial security, even as poor seniors and younger Canadians struggle to afford the basics. For that reason, we are calling on Ottawa to modernize old age security in budget 2026 this fall to unlock the largest improvements to affordability and income security in decades, and to do so to benefit young and old alike.

Thank you. I look forward to your questions.

● (1655)

The Chair: Thank you, Dr. Kershaw.

[*Translation*]

Mr. Brossard, you have the floor.

Renaud Brossard (Vice-President, Communications, Montreal Economic Institute): Good morning, everyone.

I would like to thank you for inviting me here today. My colleague Gabriel Giguère and I are very pleased to be here to participate in the pre-budget consultations.

Two observations, directly related to fiscal policy, have caught our attention: first, the unsustainable trajectory of our public finances, and second, the decline in Canadian entrepreneurship, particularly over the past decade.

The chronic deficits of recent years have undermined our public finances. Interest expenses on the debt have risen, from approximately $25 billion a decade ago to just under $60 billion in this year’s budget. This increase stems from two factors: rising interest rates and—naturally—the growth of the debt on which that interest is charged.

Unfortunately, all signs indicate that the deficits fuelling this situation will persist. Earlier this year, researchers at the Montreal Economic Institute, or MEI, modelled the trajectory the Canadian budget would take over the next decade. The findings are alarming: if nothing changes, the federal deficit will grow to reach $117 billion in 2035—nearly double the deficit projected for this year. Interest payments on the debt will exceed $90 billion, and the debt will reach $2.4 trillion—that is, $2,400 billion—which suggests $900 billion in new federal debt over the next decade. This is a clear sign that current deficits are neither temporary nor under control.

In order to bring spending growth below revenue growth and restore a balanced budget within a reasonable time frame, we recommend that the government adopt a spending reduction plan that is much more ambitious than the one currently in place. In practical terms, this could mean an extended hiring freeze, systematic use of natural attrition, a review of the mandates of departments, agencies and programs, as well as increased reliance on efficiency gains made possible by new technologies. Here, the aim is to contrast this with the period of unbridled expansion that the Canadian public service has experienced over the past decade.

While this expansion of the state has had an impact on its spending, it is also important to recognize that it has affected our entrepreneurial sector. Such expansion typically entails increased regulation and higher taxes, two factors with a documented negative impact on entrepreneurship. Another negative effect of this state expansion, one that is less frequently discussed, concerns human resources. This is an aspect that is not discussed enough, but one that deserves consideration.

When the government expands rapidly, it competes directly with the private sector for the recruitment of skilled workers: analysts, managers, specialized professionals, technology experts and so on. All these talents represent not only a pool of future employees, but also future entrepreneurs. When an economy directs a growing share of its workforce toward public administration rather than private investment and business creation, it has direct long-term consequences for its ability to innovate.

In 2015, Canada had 803,000 self-employed individuals with paid employees—that is, entrepreneurs. Last year, that number had fallen to 716,000. This represented a decrease of more than 10% in the absolute number of entrepreneurs, while the population grew by 15% over the same period.

While the massive hiring of civil servants over the past decade has had an impact, it is not the sole cause of this decline in entrepreneurship. Increased regulation has made starting a business more complex. Announcements of capital gains tax increases and tax changes affecting small businesses have contributed to creating a hostile environment for entrepreneurship and to delaying certain investment projects. Additionally, the introduction of a new higher personal income tax rate in 2016 has made it more difficult to raise the capital needed to start a business. This echoes the comments made by my colleague Alexandre Laurin on this subject.

This decline in entrepreneurship is affecting our economic growth, which has been sluggish in recent years, as well as government finances. Fewer entrepreneurs means less wealth created, and therefore fewer good jobs, and, ultimately, less tax revenue.

If we want Canada to return to a stronger growth trajectory, better spending management will not be enough. In fact, we must also restore the conditions that make entrepreneurship attractive by addressing the decisions of the past decade that have contributed to the decline we are seeing.

Thank you very much for your time and attention.

● (1700)

The Chair: Thank you, Mr. Brossard.

[*English*]

We will hear from our last witness for this panel. That is Ms. Tiessen from the Canadian Shield Institute.

You have five minutes.

Kaylie Tiessen (Chief Economist, The Canadian SHIELD Institute for Public Policy): Thank you very much, Chair Gould, Vice-Chairs Hallan and Garon, and members of the House of Commons Standing Committee on Finance. Thank you for the opportunity to present to you today.

I'm here representing the Canadian Shield Institute for Public Policy. We're a new organization devoted to policy ideas that strengthen Canada's economic prosperity and sovereignty. We pay very close attention to what we call “sovereignty beats”. Here's a fun one: Between 2016 and 2024, Canada's budgets used the word “sovereignty” an average of three times per year. Last fall, when Minister of Finance Champagne tabled his budget in the House of Commons, the document mentioned sovereignty 57 times. That's a nineteenfold increase. We're going to have to wait a few months to find out what the number is in 2026, but it's a safe bet that the federal government will still be working to bolster Canada's sovereignty in a very volatile world.

Another thing we think about a lot is what sovereignty actually means. At the Canadian Shield Institute, we argue that governance is the root of sovereignty. We need to have the capability and ability to govern our territory, our economy and our society to be truly sovereign.

By this measure, digital sovereignty must be the most urgent priority for the federal government today, because we don't have it. Too often, we have seen governments respond to digital sovereignty concerns with data residency requirements: If the data centres are on Canadian soil, then that's a job well done.

Unfortunately, it's not so simple. Digital platforms require digital policies and governance institutions that engage with the data, IP, technical standards and platform economics that define the digital realm. Canada right now doesn't govern the activity that happens inside a data centre or in the cloud, so it doesn't matter where the servers are physically located. Canada has spent decades ceding control of our digital infrastructure to foreign private actors. Our daily communications, cloud storage, software systems, productivity tools, AI platforms and public sector technology stacks are overwhelmingly owned and operated by foreign firms. This dependency has direct economic, privacy, national security and democratic consequences. Canada has world-class researchers, strong universities and deep reserves of AI talent, yet the most commercially successful AI systems are owned and scaled elsewhere.

Canada funds research, but the intellectual property ends up owned by foreign firms. Canada generates valuable data, but foreign platforms monetize it. Canada procures technology, but that procurement frequently entrenches foreign hyperscalers rather than builds domestic capacity. In fact, we often count wholly owned foreign subsidiaries as being Canadian firms. This is a profound fiscal and economic strategy failure. Existing and future public expenditures must build Canadian-owned capacity, or we will compound the problem we're seeing today.

In the Canadian Shield Institute's written submission, you'll find detailed policy recommendations for how Canada can better govern the digital economy. Through clear governance, we believe we can capture the value of our own innovations. We also explore these ideas in even more detail through our ongoing policy series, “Foundations of Digital Sovereignty”.

In brief, we recommend that the Government of Canada act on six priorities: establish a whole-of-government digital sovereignty strategy, create a national data trust, modernize federal privacy and data legislation, establish an innovation asset bank, create a strategic sovereign compute entity, and build a strategic standards agenda.

The common denominator among these recommendations is governance. In order to meaningfully engage with the digital economy to drive prosperity and productivity growth, we need to govern how Canadians engage with the digital realm and how the digital realm engages Canadians. This ethos must be suffused in our national institutions, in our trade agreements and in our approach to governance systems like technical standards.

Digital sovereignty cannot be an afterthought. We're long past the point where technology is just one sector of the economy. Tomorrow, from coast to coast to coast, when Canadians get up and go to work, their jobs are going to involve a screen. Whether you're a plumber, a farmer, a banker, a child care worker, a musician or even a member of Parliament, your job today involves using software systems, databases and other digital technology tools.

If Canada is content to let the digital realm be governed by foreign hyperscaler companies or by other governments around the world, we will all be the poorer for it.

● (1705)

We believe Canada is ready to meaningfully assert our sovereignty in the digital realm, and we're really proud to present these policy ideas today on how to move forward in the 2026 federal budget.

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

The Chair: Thank you, Ms. Tiessen.

We will begin this round with six minutes from Mr. Kelly.

Pat Kelly: Thank you.

Wow, those were some great opening statements. I'm going to try to get to as many of you as I can, but I want to start with Mr. Brossard.

You say that you have modelled and projected the deficit out to 2035, something that the budget does not do. I've questioned the minister many times about the trajectory that we're on.

With some of the time now, could you elaborate a little bit? You say $117 billion by 2035, over $90 billion in debt service cost. That's without new programs or new commitments. Could you confirm and expand on that?

[*Translation*]

Gabriel Giguère (Senior Policy Analyst, Montreal Economic Institute): Of course.

In fact, in this paper, which was prepared by our colleague Trevor Tombe, a research associate, we built a model based on the budget that was tabled in November 2025. We looked at nominal GDP growth, which was projected at 3.8% annually, and extended it through 2035, taking into account revenues that are often linked to economic growth, particularly taxes, as we know. We also found that the commitment to reach military spending equivalent to 3.5% of GDP would drive spending up very sharply. We see an increase of $100 billion.

When we added it all up, we arrived at a deficit of $117 billion, which is quite alarming, because today we have a deficit of $65 billion or $66 billion, and we see that it will not fall below $50 billion by 2030. When we look at the period from 2030 to 2035, we see a reverse trend where the deficit increases. This is alarming in that, even if we do not add new programs—which, in reality, has been the federal government's natural tendency for several years, and even over the past year—we will reach a deficit of $117 billion.

I believe this reality—that is, a projected deficit of $117 billion—also highlights the importance of reducing spending, particularly in the bureaucracy. We have seen an increase of more than 100,000 public servants since 2015, with the arrival of Justin Trudeau's government and the Liberals. We are seeing a slight downward trend, but it is largely insufficient.

[*English*]

Pat Kelly: That's an important point. This deficit is 100% on this government. They inherited a balanced budget, something that they don't like to acknowledge, and they have created a structural deficit now that even without new programs will just continue to accelerate. Is that a fair assessment?

Renaud Brossard: Absolutely. If it was not for all the new spending we've seen in the last decade, we would have a balanced budget and probably a significant surplus right now.

The problem is that money has been spent. We have used it to hire bureaucrats. We've used it to create a bunch of new different programs. Canadians are not necessarily seeing a lot of those results. We have 100,000 more bureaucrats, but the passport office is still as much of a mess as it's always been.

In essence, we have added a whole lot of new spending. If it was not for that, we would be in a balanced budget. What is the most troubling is that we have a number of areas where we've been saying for a long time that spending pressure is going to increase our budget. Right now, we're seeing one with the size of our military. The fact that this government is committed to increasing its military spending to 3.5% of GDP by 2035, if I remember correctly, that's $100 billion right there. That's not even considered in the current budget. That's going to have a significant effect on our deficit.

● (1710)

Pat Kelly: Thank you very much. I really want to get other witnesses in.

Dr. Kershaw, thank you for coming to committee. I recall your committee appearance, I believe it was about this time five years ago. We were talking about housing then. You had some very powerful testimony.

What can you add now to your observations on affordability for young people with respect to housing, five years after your testimony then?

Dr. Paul Kershaw: Let's pick up on the conversation about a structural deficit. There is no doubt the federal government has a structural deficit, but it is not entirely of the Trudeau government's making. I think we need to recognize that what's driving the deficit is the growth in old age security, which was absolutely predictable. We knew that the baby boomer population would get older, and we needed to prepare a revenue system for it. We did not. As a result, OAS over the last decade is up $40 billion. It's going to go up another $20 billion. That is effectively the scale of the deficit we're dealing with.

That has huge implications for investing in younger people, which is why I am suggesting we need to trim back the OAS subsidies we deliver to those who have six-figure household incomes in retirement, so that we can dramatically scale up money for housing, for post-secondary, for child care or for youth employment. There is a direct trade-off right now with the subsidies that are $17 billion in total soon for those who are retired and have six-figure household incomes, and then we have very little left over to invest in younger generations.

Pat Kelly: Thank you. I only have 45 seconds left. I want to get the C.D. Howe Institute into this.

In your opening statement, you said, “I'm sure you've heard [it] before,” but maybe not all members of the committee have heard it: weak investment, weak growth and weak GDP growth over the last 10 years.

Can you provide the committee, for context, some statistics around the weakness that we have seen over the last 10 years in the Canadian economy, and what the productivity shortfalls we've had have led to?

The Chair: Answer in 30 seconds, please.

Alexandre Laurin: On gross national income per capita, which is the best indicator we have for prosperity, from 2015 to 2023 what we have in our studies is a cumulative growth of 2%, and that's lower than any other advanced economy. It's much lower than the average of high-income economies, which was 11% or 12%. Basically, we're not going anywhere in terms of our prosperity compared to most advanced economies, and a lot of people have said that—

The Chair: I'm sorry, Mr. Laurin. That's the time we have.

Thank you, Mr. Kelly.

[*Translation*]

Mr. Leitão, you have the floor for six minutes.

Carlos Leitão (Marc-Aurèle-Fortin, Lib.): Thank you very much.

Mr. Laurin, tax reform is indeed extremely important. You mention that you want this to be done without affecting the government's total revenue. So this is not a way to generate additional revenue, but rather to change the composition of its revenue. There would be less income tax and more consumption taxes. I would fully agree with that.

Now, I'd like to talk about your second suggestion, which is simplifying the system. You suggest reducing it all to just one page. I find that extremely interesting. Can you give us a few more details on that?

Alexandre Laurin: Yes.

Part of our reform would involve providing a tax credit in the amount of $10,000. That's 15% of $10,000, after all. In fact, it's a $10,000 tax abatement. It would be optional and would replace a very large number of credits and deductions. There would be six basic tax credits or deductions remaining, including for charitable donations, for the integration of corporate income tax, for the basic personal amount, for contributions to the Quebec Pension Plan, and for contributions to an RRSP. Everything else would be replaced by this $10,000 amount.

We have calculated that nine out of 10 taxpayers would be better off taking this $10,000 rather than any of the other options offered by the tax system. Lower-income families would benefit even more from this new $10,000 amount, because they often make less use of these special tax credits and deductions.

● (1715)

Carlos Leitão: That's fine, thank you.

Regarding the increase in the Goods and Services Tax, or GST, what do you propose? Is it an increase of one or two percentage points?

Alexandre Laurin: It's much more than that. In fact, this new $10,000 credit, which would replace other credits, would be very costly—$14 billion—because many low-income families would benefit from it. It's necessary, because we can't just cut taxes for the wealthiest without doing something for the less fortunate. However, there is a fairly significant cost.

As for the GST, we have calculated that this would require an increase of 2.8 percentage points. Another possible option is a 3.2% payroll tax, which could be more proportional, because we could exempt, for example, the first $15,000 earned. So, there is a certain degree of proportionality, and it applies more broadly, even to the wealthiest. So there are two options.

Carlos Leitão: Okay.

Don't you think that the payroll tax could have a negative effect on hiring? Couldn't that discourage companies from hiring people?

I understand that it would increase investment, but—

Alexandre Laurin: The empirical studies conducted in Canada that we have reviewed—some of which were carried out by CIRANO researchers, I believe—have not identified any major impacts on investment or the economy. It should be noted that payroll tax rates in Canada are low, and they would remain low. Therefore, we do not expect there to be significant effects on the economy, compared to other taxes.

Carlos Leitão: Okay, thank you very much.

[*English*]

Dr. Kershaw, I think I'm running out of time here, so I'll be quick. You mentioned that “Canadians are ready” for the big reform in OAS. What makes you say that? I kind of agree in general with the principle, but—

Dr. Paul Kershaw: We did polling in March 2026, most recently, that showed what we also found in October 2024, that three-quarters of Canadians, including three-quarters of retirees, support the idea. There's consistency across political parties, across regions and across household incomes.

You can also look at the thought leadership. The idea is endorsed by the Globe and Mail editorial board, by the publisher of The Hub and by the lead reporter for the National Observer. That's the sort of centre, right and left of our mainstream media. You have Basic Income Canada Network endorsing it, and then you can read the Fraser Institute.... That convergence is rare.

The Chair: Thank you, Mr. Kershaw.

Thank you, Mr. Leitão.

[*Translation*]

We will continue with Mr. Garon for six minutes.

● (1720)

Jean-Denis Garon: Thank you, Madam Chair.

I thank all the witnesses for being here today.

I will start with you, Ms. Tiessen.

We are dealing with a government that, after changing prime ministers, abolished the digital services tax to please President Trump, who, for his part, wants to please Silicon Valley. We are dealing with a government that has decided not to implement the 15% minimum tax, in part because it displeases the U.S. government, which, for its part, wants to please Silicon Valley. We are dealing with a government that is clearly extremely reluctant to ensure any digital sovereignty whatsoever for Canada.

You have submitted a brief and you are enthusiastic, but do you think they will want to listen to you?

[*English*]

Kaylie Tiessen: Yes, I do, because we continue to hear that sovereignty, digital sovereignty specifically, is incredibly important. When you listen to any radio program or podcast or you watch TV, the advertisements are real, and there are many, but what we need underneath the conversation and talking points we're seeing is actual governance of what's going on. That's the next step in this process.

We have an AI sovereign compute strategy. Let's embed a digital sovereignty governance strategy inside there so that we can actually see the value capture we need in order to avoid this anemic economic growth we've heard about already today, so that we can strengthen Canadian companies to compete in the digital world and so that we can strengthen Canadians' ability to control or protect their data and make sure it's used for their benefit instead of against them.

[*Translation*]

Jean-Denis Garon: Thank you very much for sharing your enthusiasm with us. I hope it will be contagious and spread throughout the room.

Mr. Laurin, essentially, you are proposing a tax reform so that there are fewer tax brackets and everything is simpler. We would tax consumption more through sales taxes, because taxing income and providing deductions for contributions to a registered retirement savings plan or a tax-free savings account, among other things, is a form of consumption tax. So you have your own version of this.

However, you're telling us that we need to tax income less and tax consumption more. So, in that spirit, you're telling us that, in light of the recent rise in gas prices, you wouldn't have granted an excise tax holiday on gas.

Am I right?

Alexandre Laurin: This is a slightly different question, but the answer is easy: No, I would not have granted this excise tax holiday, because of the cost, which is still considerable. We are running a deficit, and it is future generations who will have to bear the cost of this temporary exemption.

Jean-Denis Garon: That's the answer I was looking for.

So, I imagine that would have been part of your $10,000 tax credit, which is intended to help people.

Alexandre Laurin: No.

Jean-Denis Garon: First you talked about fiscal discipline. You told us we might have to tighten the budget a bit and reduce the deficit. You didn't talk about eliminating the deficit, but you did say we'd have to tighten things up.

Do you think Canada is currently in a financial position to deal with a pandemic like COVID-19, as we saw in 2020, without it leaving significant, lasting effects?

Alexandre Laurin: Another pandemic that would increase the debt by about 13 percentage points would have very detrimental effects, yes. We're nearing the limit where another major crisis like that would have very serious consequences. It would significantly increase the debt and interest costs, affect credit rating agencies, and so on.

The issue is that we don't know what level the net debt, as a percentage of GDP, would have to reach to push us into a new financial crisis. No one knows, but—

Jean-Denis Garon: I'll stop you there, because I have another question.

I understand that we're in a vulnerable position. I really appreciated what you said. For example, you recommended that profits not be taxed except when they're redistributed. So there wouldn't be any immediate tax on profits.

I'd like to hear your proposals on how to reduce tax evasion and aggressive tax planning by multinational companies. I'm thinking in particular of the use of transfer pricing to take advantage of tax systems where tax rates are lower.

In your document, what do you recommend specifically with regard to profit taxation in order to ensure that Canadians aren't taken for a ride?

● (1725)

Alexandre Laurin: It's true that the second option, that of taxing profits only when they've been distributed, completely changes the corporate tax regime. In the study, there is a full page outlining various other provisions that must also be implemented to protect the tax base.

Jean-Denis Garon: What about tax evasion? I have 14 seconds left.

Alexandre Laurin: If tax rates are reduced, there will inevitably be less tax evasion.

Jean-Denis Garon: If we tax these companies less, they won't want to rob us anymore.

Voices: Oh, oh!

Alexandre Laurin: It will reduce incentives.

The Chair: Thank you to you both.

These exchanges are always interesting.

[*English*]

Ms. Cobena, we will continue with you for five minutes, please.

Sandra Cobena: Thank you, Madam Chair.

My questions will be directed to the C.D. Howe Institute.

Mr. Laurin, in your recent paper, you wrote about the government's sovereign wealth fund, and you concluded with “This new sovereign wealth fund will not resolve Canada's investment challenges on its own.” Could you expand on that? What exactly do you mean by this?

Alexandre Laurin: We don't know a lot of the details right now about the sovereign wealth fund anyway, but what I meant is what I presented today, basically. What we need is something that is much more aggressive: a reform that signals a change that is much more important than just a $25-billion-or-more sovereign wealth fund that is more money borrowed being reinvested. There are all sorts of ways the government already does that. We don't know yet how that sovereign wealth fund would be different from what is already done, but I presume it will be. We'll know when we know it.

It's not a lot. When we calculate the investment impact of our reform, it's much greater than $25 billion, obviously; it's enormous. That's because of the size of the Canadian economy and the size of private investments already in the economy. The point of the last sentence you just read is that we need a big bang reform. We need a big bang in this country much more than just saying, well, the government is going to invest in those projects, which he will be choosing, these amounts, etc.

It's okay, and it helps, but it's not nearly enough.

Sandra Cobena: You also note in your piece, of course, that it isn't the lack of capital availability that's the issue with poor investment in Canada. It's the regulatory regime that is blocking development. Can you speak more specifically about this?

Alexandre Laurin: One reason we have the Major Projects Office is that there are a lot of regulatory hurdles on major projects in Canada, and we want to speed the projects up. The fact that there's red tape and a lot of regulatory issues within the private sector for blocking private sector investment is not new. The point we're making is that it's another aspect.

Government could fix the issues instead of choosing a few projects that deserve to move forward and be fast-forwarded. It's good that the government's doing this, but if it went forward even further and concentrated on the source of the problem, we would have even more investments. That's the point here. This sovereign wealth fund is one initiative, but it's small in comparison to the challenge that we're facing.

Sandra Cobena: Of course, what we know is that the seed money for this fund is $25 billion of debt. Are you aware of any other country that has set up a wealth fund through debt?

● (1730)

Alexandre Laurin: To be honest, I haven't researched substantially what other countries have done regarding sovereign wealth funds. You could label them differently. It's possible that other countries have done it, but I don't know.

Sandra Cobena: There's some very high-level research that I did. The only country that I found was, in fact, China. What is typically the source of funds, then, for sovereign wealth funds, based on what your research has told you so far?

Alexandre Laurin: The ones that we know and are popular are the sovereign wealth funds from oil-producing nations, including Norway. There's also some kind of sovereign wealth fund in the province of Quebec, where the dividends from Hydro-Québec are reinvested in the generations fund. That's another type of sovereign wealth fund where there's a dedicated revenue source, and the Quebec government has recorded surpluses many years during the time that it has had the generations fund. We can't say that all of these investments were from a situation of deficit. They were not in many years. That's another example.

The Chair: Thank you, Mr. Laurin.

Thanks, Ms. Cobena.

We'll continue now with Mr. MacDonald for five minutes.

Kent MacDonald (Cardigan, Lib.): Thank you, Madam Chair.

I'll start with Mr. Laurin with the C.D. Howe Institute.

You spoke a lot about major tax reform right away. I was wondering what you feel are our biggest challenges in Canada to our long-term economic competitiveness. Is tax reform the first thing we have to do, or are there other issues we have to address?

Alexandre Laurin: There are certainly other things we have to address. When I do my own research, I concentrate on fiscal and tax policies. It's something that I have read repeatedly and something that I became convinced of—that we need a more competitive tax system in Canada. We are a little bit off base, as I said, with respect to the amount of revenues as a proportion of our economy that we collect from income taxes, corporate and personal.

Other advanced economies, most of them, even the European ones, collect less. It's just something that has happened and, I believe, something we would benefit greatly from changing. It doesn't mean necessarily collecting less revenue. It's just changing the structure of the tax system. That's something that I hear repeatedly that needs to be done. I don't know if that's the greatest factor hurting our competitiveness, but I know it's a major one.

Kent MacDonald: I thought you were maybe going to answer “productivity”. That leads into the next question.

To offset productivity and the low rates of productivity in Canada, we put in the tax superdeduction. That's generally aligned with the manufacturing incentive for more manufacturing. In the previous hour here, we heard from the speakers who suggested adding it into the construction trade.

I meet with a lot of agricultural representatives. They'd like to see the tax superdeduction in the agricultural community, because everything we're going to do to increase productivity is going to be capital-cost extensive. To offset this, we have to have some type of tax credit in place so that individuals and businesses will invest. Can you comment on that?

Alexandre Laurin: Private capital investment per worker is lower in the United States and Canada. That's been the case for many years. It's also now lower than the average of the OECD. Therefore, we lack investment. You're right that the accelerated depreciation that has been introduced is for manufacturing and equipment. It's mostly the manufacturing sector that benefits from it, but it does leave out a lot of other sectors.

For example, if you look at our study, the marginal effective tax rate on new investments in the manufacturing sector is negative with the superdeduction. This means that on that return on investment, from investment in manufacturing, there's practically no tax, so it's negative. However, in other sectors like construction, it's 20%. It's the same for transport. Transportation is higher, wholesale trade is higher, retail trade is higher and services are higher. It's not neutral.

● (1735)

Kent MacDonald: I'm going to jump in because I want to get another question in, if I can. Thank you for your answer.

On old age security for seniors, your $100,000 may seem like a high number, but I don't think it is. Is it a flat rate for Canada? Did you do any comparisons where living costs, electricity rates and the price of a litre of gasoline are higher?

I'm looking at Atlantic Canada because I represent Atlantic Canada. We have a higher proportion of seniors who retire in Atlantic Canada. Maybe they put in their productive years somewhere else in the country, but then we have to deal with that. Did you do any analysis that way?

The Chair: Please give a very brief response of 20 seconds.

Dr. Paul Kershaw: It's a flat rate across Canada, as it is for the Canada child benefit. I would ask you how we justify phasing out the CCB at $81,000 of household income, when we wait until $185,000 for retirees, regardless of where they live in the country.

The Chair: Thank you very much.

[*Translation*]

To conclude this hour, I give the floor to Mr. Garon for two and a half minutes.

Jean-Denis Garon: Thank you.

Mr. Kershaw, I understand your proposal. Since I don't have much time, I don't want you selling it to me a second time. I just want to ask about a principle.

People have taken the current old age security program rules into account when planning their retirement. Those rules were part of their planning. Do you think that changing them immediately would be unfair to those who are retiring? Should your proposal apply to future generations of seniors? My question is about the principle.

[*English*]

Dr. Paul Kershaw: Clearly, the polling, including in Quebec, doesn't support that idea. People, including retirees, are supportive and open to making the change. I don't think that principle should get in the way.

[*Translation*]

Jean-Denis Garon: All right.

Gentlemen from the Montreal Economic Institute, I'd like to ask you about the sovereign wealth fund.

Maybe it's just a semantics issue, but shouldn't a sovereign wealth fund have funds?

Renaud Brossard: In general, yes. This type of fund essentially draws on budget surpluses and specific revenue streams. In this case, it would essentially be financed through borrowing, or at least, by taking on new debt that we wouldn't otherwise have incurred.

Jean-Denis Garon: All right. So there aren't really any revenue streams. It's a “fund without funds”, as La Presse put it today.

Mr. Laurin, I'll end with you.

You speak with economists and academics in the business sector, where you're well established. Before the Prime Minister announced this sovereign wealth fund, which will eventually be funded through interest-bearing debt, did anyone come to you and say that there was a need for such a fund? Was there an existing demand? Did this come from business circles?

Who was calling for this, before the Prime Minister and Minister Champagne came up with it? Can we have a list? If one exists, can you submit it to the committee?

Alexandre Laurin: No, I don't exactly have a list, but—

Jean-Denis Garon: Is that because it doesn't exist?

Alexandre Laurin: Investors made the request. There include institutional investors, such as pension plans. It is, in fact, something they have asked for. First, they asked for projects in which they could invest. Now that those projects exist, if the government participates alongside them, it will, of course, reduce risk and make those projects more profitable—

Jean-Denis Garon: It makes them less risky.

Alexandre Laurin: Yes.

The Chair: Thank you, Mr. Laurin and Mr. Garon. We have to stop here.

I'd like to thank all the witnesses.

We're going to suspend the meeting before welcoming the next group of witnesses. We'll be back at exactly 5:50 p.m. in order to have a bit more time.

Thank you, everyone.

● (1740)

_____________________(Pause)_____________________

●

[*English*]

The Chair: Welcome back, colleagues. We will resume the meeting.

I would like to welcome our next panel of witnesses.

From the Canadian Bankers Association, we have Alex Ciappara, vice-president and head economist, financial stability and banking policy. He is joined by Hartland Elcock, assistant general counsel and vice-president. From the Canadian Bitcoin Consortium, we have Koleya Karringten, executive director. From Canadian Web3 Council, we have Morva Rohani, executive director. From Wealthsimple Investment Inc., we have Jessica Oliver, head, government and regulatory relations.

Welcome, and thank you for joining us.

I would like to remind participants of the following points before we begin. Please wait until I recognize you by name before speaking. For those participating via video conference, click on the microphone icon to activate your mic, and please mute yourself when you are not speaking. For those on Zoom, at the bottom of your screen you can select the appropriate channel for interpretation: floor, English or French. For those in the room, you can use the earpiece and select the desired channel.

I would like to remind all of our witnesses that committee members may ask questions in either French or English. If you will need interpretation, please take a moment now to prepare your earpiece and select the listening channel you need in advance in order to take full advantage of the time allotted for questions and answers.

I remind you that all comments should be addressed through the chair. All virtual witnesses have conducted a mandatory witness onboarding test.

Now, each of you will have five minutes for your opening remarks.

We will begin with the Canadian Bankers Association, please.

Alex Ciappara (Vice-President and Head Economist, Financial Stability and Banking Policy, Canadian Bankers Association): Thank you very much, Madam Chair.

Good afternoon and thank you for the invitation to address the committee's study on pre-budget consultations in advance of the 2026 budget.

My name is Alex Ciappara, vice-president and head economist of the Canadian Bankers Association. I'm joined by Hartland Elcock, assistant general counsel and vice-president.

The CBA is the voice of more than 60 domestic and foreign banks operating in Canada. It advocates for public policies that contribute to a sound, thriving banking system to ensure Canadians can achieve their financial goals. Canadian households, businesses, employees, governments and shareholders—a significant portion of whom are Canadians—all have a stake in a growing, vibrant banking sector. Banks help families buy a home and save for retirement. They help small businesses grow and thrive while providing economic benefits to all Canadians today and into the future.

For instance, Canadian banks have approved $1.7 trillion in residential mortgages and an additional $1.9 trillion in business credit. Banks employ close to 300,000 Canadians and contribute $74 billion to Canada's economy. Lastly, they have paid $16 billion in taxes to all levels of government in Canada and $29 billion in dividend income to investors in 2025. It is from this perspective that we come to you today as partners in building, protecting and empowering Canada for Canadians.

Our pre-budget submission makes six recommendations that address these objectives. For instance, to help Canadians build, our recommendations regarding prudential regulation and tax reform will promote productivity growth in Canada. Lagging productivity levels risk wage stagnation, put pressure on public services, increase production costs and diminish global competitiveness. Adjusting the prudential capital framework will enable banks to flow even more capital to individuals and businesses to support jobs and economic growth domestically and to compete effectively internationally.

Furthermore, we recommend that the government action its commitment to review the corporate tax system, including reviewing the removal of sector-specific taxes, such as those on the financial sector.

To help protect Canadians, our recommendations address fraud, scams, money laundering and terrorist financing. The CBA has been a leader in bringing together approximately 50 public and private partners, including regulators, financial institutions, telecommunications providers, law enforcement and digital platforms, in forming the Canadian anti-scam coalition to advance coordinated education, awareness and prevention initiatives.

We believe the federal government's national anti-fraud strategy, announced in budget 2025, is a critical step toward a unified cross-sectoral response. In addition, we believe the government must implement an income-verification solution to address mortgage fraud.

Similarly, we believe Canada's AML and ATF framework must continue to evolve into a fit-for-purpose framework that more effectively targets money laundering and terrorist financing. The financial crime environment is rapidly changing. Criminal networks are increasingly sophisticated. Technology is advancing and geopolitical dynamics are fluid. The AML and ATF regime must be ready to respond to these challenges. This is why we are supportive of the government's announcement regarding the establishment of the financial crimes agency. We have additional ideas to improve the system.

Lastly, to empower Canadians, our recommendations include better ways to promote competition and measures to reduce internal trade barriers. We believe budget 2025's announcement to prohibit fees on investment and registered account transfers across institutions and to require timely transfers of investment funds must apply to all plan providers so that it benefits all Canadians. In order to do this, the Income Tax Act must be leveraged to implement this prohibition so that it applies to all financial institutions and helps all Canadians.

Similarly, Canadians right across this country can benefit from the reduction of internal trade barriers. The IMF estimates that such barriers are equivalent to an average annual tariff of 9%. From a financial sector perspective, this means eliminating duplicative, overlapping or fragmented requirements in favour of harmonized frameworks that promote clear, consistent rules nationwide and streamline compliance, particularly in the areas of AML and ATF, privacy, market conduct of payment service providers and over-the-counter derivatives.

In conclusion, the CBA appreciates the opportunity to contribute to the committee's study on pre-budget consultations for the 2026 budget to help build, protect and empower Canadians. We look forward to your questions.

● (1805)

The Chair: Thank you very much, Mr. Ciappara.

I might just take a moment to salute the CBA's anti-fraud and anti-scam work. Thank you for doing that.

Alex Ciappara: Thank you.

The Chair: I would now like to invite Ms. Karringten, from the Canadian Bitcoin Consortium, to give her opening remarks.

Koleya Karringten (Executive Director, Canadian Bitcoin Consortium): Ms. Chair, honourable members of the committee, according to the Canadian anti-fraud centre's latest annual report, crypto ATMs account for only 2.2% of the reported fraud losses in Canada. These risks are real and they must be addressed, but the numbers show that a blanket prohibition may not be the most targeted or effective response.

My name is Koleya Karringten. I'm the executive director for the Canadian Bitcoin Consortium. The consortium is the largest national industry association representing responsible participants across Canada's digital asset sector, including operators, technology providers and compliance-focused businesses. We engage regularly with federal and provincial governments, including through Finance Canada's advisory committee on money laundering and terrorist financing and broader economic policy forums.

I'd like to acknowledge the Government of Canada's continued focus on strengthening Canadian integrity and protecting Canadians from fraud. Those are objectives that we share, and we support effective, enforceable policy that improves oversight and reduces harm.

The spring economic update also highlights the growing relevance of digital assets, including stablecoins. This is an important development. Stablecoins are increasingly being considered globally as part of modern payment infrastructure, with implications for settlement efficiency, cross-border transactions and financial innovation.

As Canada considers its approach, there is an opportunity to ensure that policy supports both financial stability and economic competitiveness. Jurisdictions such as the United States, the United Kingdom and the European Union are actively developing regulatory frameworks that bring stablecoin activity into supervised environments. Maintaining alignment with these developments would be an important way to ensure Canada remains a competitive and credible financial jurisdiction.

From our perspective, the principle is straightforward: Where activity is brought within clear regulatory frameworks, it becomes transparent, more observable and more enforceable. Where it is pushed outside of those frameworks, visibility and control are reduced.

That same principle applies to the committee's consideration of crypto ATMs. We are concerned that a blanket prohibition may not achieve the intended policy outcome but may, instead, reduce visibility for regulators and law enforcement. Where compliant operators are removed, activity does not disappear. It shifts to less transparent channels with fewer reporting obligations and fewer points of intervention.

Australia shows what targeted regulation can look like. In 2025, AUSTRAC introduced strict new conditions for crypto ATM operators, including transaction caps, mandatory KYC, and independent audits. We know what this looks like because Australia did it just months ago, and it's already delivering better oversight and stronger protections.

In that context, the policy objective should be to retain and strengthen oversight within the system rather than displace it. Responsible operators today already apply meaningful safeguards. These include full identity verification for transactions, transaction monitoring, blockchain analytics, fraud detection measures and structured reporting aligned with FINTRAC's requirements. In practice, this allows certain forms of activity to be traceable, reportable and actionable from an enforcement perspective.

A blanket prohibition would remove that layer of visibility while also impacting Canadian small businesses, including independent retailers who host these machines. Our recommendation is, therefore, focused on being practical. The consortium urges this committee to recommend against a blanket ban on crypto ATMs in favour of a mandatory national compliance standard with a reasonable transition period for certified operators. This standard could include robust KYC, transaction limits, fraud prevention controls, licensing requirements and stronger enforcement tools.

The consortium stands ready to support the work immediately. We can provide technical input, share compliance practices and contribute to informed policy development alongside Finance Canada and FINTRAC.

Ms. Chair and members of the committee, our objective is aligned with yours. Effective policy should reduce harm while preserving visibility, enforceability and confidence in the system. With the right approach, Canada can achieve this balance while remaining competitive in a rapidly evolving financial landscape.

Thank you for your time. We'd be pleased to answer any questions.

● (1810)

The Chair: Thank you, Ms. Karringten.

We will proceed now with Ms. Rohani for five minutes, please.

Morva Rohani (Executive Director, Canadian Web3 Council): Good evening, Chair, vice-chairs and honourable members. Thank you for the invitation to appear today.

I'm Morva Rohani and I'm the executive director of the Canadian Web3 Council. We represent companies building digital finance and payment technologies in more than 190 countries, and they're all committed to responsible innovation in Canada.

We support the government's efforts to protect Canada's economic sovereignty and to position Canada for long-term growth. Stablecoins are an important part of that effort.

I want to start with a definition of “stablecoins”. They're digital money designed to hold a steady value, typically one dollar. They allow people and businesses to send payments faster and more cheaply than traditional methods. Think of them as digital cash that moves instantly around the world.

The problem is that Canadians are using American digital dollars. Right now, 98% of the $350 billion in stablecoins worldwide are U.S. dollars. When Canadians use these American stablecoins, their money backs U.S. government debt instead of Canadian government debt. This weakens our economy.

According to the FCAC, 4% of Canadian adults already hold stablecoins. Most of those are likely denominated in U.S. dollars. The opportunity here is that a trusted and robust Canadian dollar stablecoin system can strengthen our economy. It can deliver three benefits.

First, it lowers costs for businesses and consumers. Stablecoins move money faster and more cheaply than traditional banking, helping us to boost productivity.

Second, it creates stronger demand for Canadian government bonds. Stablecoin issuers must hold reserves to back their digital dollars. If those reserves are Canadian treasuries, it creates steady demand for our government debt.

Third, it enables easier trade with Europe and Asia. Canadian dollar stablecoins connected to global payment systems can help businesses trade with partners beyond the United States.

Unclear rules, however, are holding Canada back. Right now, different regulators treat stablecoins differently. Some see them as payment methods. Others see them as investments. Others see them as commodities. This confusion makes it harder for Canadian companies to build here.

Meanwhile, the U.K. and the EU have clearer rules. The U.S. is moving very quickly. If Canada doesn't act, our entrepreneurs will build elsewhere and Canadians will keep using American stablecoins.

Here today, we want to discuss three of our recommendations.

First, create clear and consistent rules for stablecoins across all Canadian laws. Different laws currently treat stablecoins differently, creating confusion for businesses and tax complexity for users. We recommend that Canada clearly define stablecoins as payment instruments under federal law. This would reduce red tape, make Canada more competitive and increase demand for Canadian government bonds. The U.K. and the EU already treat stablecoins this way. Canada has to keep pace with these economies.

Second, allow stablecoin providers to offer reward programs. Current rules prevent stablecoin issuers from offering rewards like cash back or loyalty points, but credit card companies do this every day. This puts Canadian stablecoin providers at a disadvantage against foreign credit card networks and American stablecoin issuers.

The U.S. CLARITY Act, which allows for stablecoins to offer reward programs, is advancing to the Senate. The White House is supporting it. If it becomes law, it would be structurally more attractive for Canadians to use and hold U.S. stablecoins. We recommend narrowing the restriction on interest and yield payments so that Canadian stablecoins can compete fairly. This will encourage more Canadians to use Canadian dollar stablecoins instead of American alternatives.

Third, we recommend that we work with other countries to recognize each other's rules. Canadian stablecoin issuers want to serve customers in Europe and Asia. Foreign issuers want to serve Canadians. If each country requires completely different compliance, it becomes too expensive and complicated.

We recommend that Canada work with key trading partners to recognize equivalent regulations. Having mutual recognition on stablecoins with other countries will let Canadian companies do business more easily overseas while ensuring that foreign providers meet Canadian standards.

The result of that would be a larger market for Canadian dollar stablecoins, supporting trade diversification and strengthening our dollar's role in global payments.

To close, I would just say that we have an opportunity to lead here. A trusted Canadian dollar stablecoin can lower costs for businesses, strengthen demand for Canadian government bonds and support trade with Europe and Asia. Together, these outcomes would protect our economic sovereignty, but we have to act quickly. If we delay, entrepreneurs will build their companies elsewhere and Canadians will keep using American stablecoins. Our economy will be weaker for it.

Thank you so much. I welcome your questions.

● (1815)

The Chair: Thank you, Ms. Rohani.

We will now hear from Ms. Oliver from Wealthsimple Investment Inc.

Jessica Oliver (Head, Government and Regulatory Relations, Wealthsimple Investment Inc.): Thank you.

[*Translation*]

I'd like to thank the committee for inviting me to appear again.

[*English*]

Wealthsimple is Canada's leading financial innovator. We serve more than four million Canadians and we hold $150 billion in assets on their behalf. More than one in five Canadians aged 18 to 40 use Wealthsimple, and that reach gives us insight into a generation that policy-makers are trying to reach and who are very present in the issues that this committee considers.

Several reforms are now within reach. These reforms would give Canadians genuine control over their money through the ability to move their money where they want, when they want, without penalty or delay, as well as give them control over their financial data, with the ability to have a full picture of their financial situation and the ability to consider options to improve decision-making.

I'll touch on three options raised in our pre-budget submission: a ban on investment account transfer fees, a real-time payment rail and an open banking framework. These are interconnected. They are standards and infrastructure that exist in every peer country, countries that also care about stability, security and productivity.

The most urgent of these, in our view, are account transfer fees.

How much should it cost for a Canadian to move their savings from one provider to a better one? The industry's answer at the moment is $150 per account. Wealthsimple's answer is zero. We absorb the $2.20 it costs us to process an outgoing transfer.

This is what it means in practice for a 24-year-old earning an average wage who's done the right things. She has opened a TFSA, an RRSP and an FHSA, and she saves diligently. She finds a provider that better suits her needs and decides to move her accounts. It costs $150 to transfer a single account, which is more than 2% of the average TFSA balance at that age. She's charged $450 in total to switch over, and if her former institution is in no hurry, she may wait months for that money to arrive.

Last year, 28% of inbound transfers to Wealthsimple took longer than 20 business days to settle. The slowest 10% took more than five months. Shopping around and changing financial providers is a fundamentally optimistic decision. It means you believe there is something better. That inexplicably slow and expensive process erodes trust and breeds cynicism.

Since budget 2025 announced a ban on these fees, Wealthsimple clients alone have been charged nearly $50 million by other institutions, and we estimate that Canadians are paying more than $1 million per day. Every day of delay has a price, which is paid by people saving for a first home, for retirement or for their children's education.

Second, on payments modernization, for a small business owner who today waits days for a payment to clear or pays a steep fee to settle a foreign transaction, real-time payments and stablecoins change that calculus. The infrastructure is ready to make things easier for that small business owner. What matters now is on-schedule implementation.

Finally, as others have mentioned, none of this succeeds without trust. Financial fraud is a serious and growing problem, and Canadians deserve better protection. We support the creation of the national anti-fraud strategy and the financial crimes agency, and in particular the attention being paid to all regulated entities, including digital and social media platforms, where most financial scams begin.

We know our clients are engaged too. Every time we launch new security features—for example, the ability to add a layer of friction in an ID verification when you send an e-transfer that is not from your work or home—we see strong uptake in those measures. Technology gives our clients options, and they avail themselves of them.

In short, the financial system Canadians deserve is within reach. What we need now is the resolve to finish the job.

● (1820)

The Chair: Thank you very much, Ms. Oliver.

We will begin now with six minutes for Mr. McLean.

Greg McLean (Calgary Centre, CPC): Thank you, Madam Chair, and let me thank all our witnesses here today. There has been very good input so far, and we're going to appreciate all the comments you can give us on what needs to change going forward.

The first question is for the Canadian Bankers Association.

You talked about your book of business, with $1.7 trillion in mortgages and $1.9 trillion in business loans in Canada. Is that correct?

Alex Ciappara: Yes.

Greg McLean: Okay, so let's call it roughly 45% in mortgages and 55% in business loans. Is that about right? Yes.

However, housing takes up only 11% of the Canadian economy, so do you think you're a little overlayered on personal real estate? Should more of your funds be invested in businesses across Canada, or is that risk profile not good in Canada at this point in time?

Alex Ciappara: That's a great question. I think it gets to the heart of the productivity crisis that we're challenged with right now. Unfortunately, because of the way the capital risk weights are set up right now, banks devote less capital to mortgages than they do to businesses.

In terms of capital regulation, there are standardized and advanced models. We've been pushing hard for OSFI to review the risk capital models, and that's why we're very supportive of OSFI's review of the standardized capital risk weights. We've seen their proposal to reduce capital risk weights on business loans from 85% to 75%, and we'd like to see that implemented.

Greg McLean: Thank you. I apologize that I have little time. I have a whole bunch of questions for the other members.

I'm going to jump to the issue of money laundering and the financial crimes agency.

I've been a member of Parliament for six and a half years now, and we've been moving on this financial crimes agency and anti-money laundering legislation for that entire six and a half years. We don't know what's taking so long, but we do want this to move very quickly.

Can you tell us what has held up the government on this so far?

Hartland Elcock (Assistant General Counsel and Vice-President, Canadian Bankers Association): I would contextualize by saying it is a big lift to get the legislation before Parliament and actually introduce the financial crimes agency. We're very impressed that the government has put that forward, and we're strong supporters of it, particularly the structure of it.

Greg McLean: Let me suggest that you're easily impressed. I've seen it in front of the House of Commons a number of times so far in a bunch of budgets.

Let me ask one of your colleagues.

Ms. Karringten, what do you think of the anti-money-laundering laws and regulations that are coming forward? Are they something new, and how do they fit into your universe?

Koleya Karringten: Sitting on the Department of Finance Canada's anti-money-laundering and terrorist financing committee, I would say that there are some fairly robust frameworks currently being implemented. I have heard of the stand-up of this committee, and I applaud that they want to form it.

From my understanding, there are about two individuals who are currently sitting on it. I'm curious about how the expansion and the mandate are going to engage. There's going to be a fair bit of communication needed among the different entities of FINTRAC, the Department of Finance and different committees. It's hard for me to properly formulate anything on it, because I haven't seen—

● (1825)

Greg McLean: Let me try to move on to the issue of regulation.

The banks and a lot of our financial institutions are overseen by the Office of the Superintendent of Financial Institutions. It's actually the Bank of Canada that oversees cryptocurrency or stablecoin as a payments instrument.

Given that the likely issuer of a cryptocurrency will be the Bank of Canada, do you think that it serves the cryptocurrency ecosystem in Canada well if the regulator is also a competitor?

Koleya Karringten: No, I do not believe that it serves the ecosystem. I believe it should be through independent retailers, such as what Tetra is working to do, or Transactix or Stablecorp. I don't believe that allowing a regulator to also be a competitor creates a fair playing ground for innovative businesses in Canada that are trying to introduce new products to the market.

Greg McLean: Thank you.

I'm going to move to Ms. Rohani now on the same question.

Ms. Rohani, if the central bank digital currency proposed by the Government of Canada in its latest budget comes to pass and there is no ability to make payments or get rewards for investing in that CBDC, what is the impetus to move over from the yield-paying or reward-offering digital currencies offered elsewhere through the U.S. dollar?

Morva Rohani: I would say that the Bank of Canada is the right prudential regulator for stablecoins. We support that, but I agree with Ms. Karringten that a regulator should not also be a competing issuer. That creates a structural conflict that disadvantages private Canadian issuers from day one.

On a note of being precise, a CBDC and a stablecoin are different products. CBDC is central bank money issued directly by the Bank of Canada. A stablecoin is a privately issued payment instrument backed one to one by reserves.

My understanding is that the Bank of Canada has also paused their active CBDC work and that their focus right now is on private Canadian dollar stablecoins under federal oversight—

The Chair: Thank you, Ms. Rohani. I'm going to have to end it there. That concludes our time.

Thank you, Mr. McLean.

Before I go to Mr. Sawatzky, Mr. Elcock, when you speak next, the interpreters want you to lower your mic a little bit. Thank you very much.

Next is Mr. Sawatzky for six minutes.

Jake Sawatzky (New Westminster—Burnaby—Maillardville, Lib.): Thank you, Chair.

Thank you to the witnesses for coming today.

Ms. Oliver, I have some questions.

Over the past few years, the federal government has taken steps to strengthen the consumer protection framework, including enhanced oversight of financial institutions and expanded tools for consumer awareness. In this context, could you speak to how effective current consumer protection measures have been in supporting Canadians?

Jessica Oliver: Wealthsimple is a securities dealer. Our principal regulators are the Ontario Securities Commission and CIRO. We obviously follow the FCAC in their work on consumer protection, but I don't know that I could speak intimately to their oversight because we operate primarily.... Aside from AML and payments through the RPAA and through FINTRAC, I'm not that familiar.

Jake Sawatzky: No worries.

Until recently, banks would make hundreds of millions of dollars off people by charging them various fees. Can you tell us how much the recently announced cap of $10 for non-sufficient fund fees or providing access to accounts for no more than four dollars per month will save Canadians?

Jessica Oliver: The FCAC, in its consumer protection measures, has service standards for the transfer of registered investment accounts that actually apply to both federally regulated and provincially regulated entities. The obligation is to “strive” to make these transfers in a timely fashion. To “strive” is, I would say, insufficient in our experience, given, for example, the five-month delay in 10% of our transfers.

When it comes to the NSF fee cap, we don't charge NSF fees. There was a long delay between the announcement of that consumer protection measure and its actual implementation. Our strong encouragement to the government is that while Canadians have applauded the commitment to ban those account transfer fees, the ban should be implemented without delay, because it is difficult to understand why it's taking so long to implement.

● (1830)

Jake Sawatzky: There have been concerns around slow transfers and high exit fees, as you mentioned in your opening remarks. How do you see open banking improving data portability and reducing barriers for consumers?

Jessica Oliver: I'm going to be so excited, because there's a lot happening. It's all coming together at a similar time.

There have been questions before about who's asking for this. When it arrives, we will all see very clearly that you couldn't know to ask for something that you hadn't experienced, but when you experience it, you won't be able to believe that you used to have to send your university tuition payment a week in advance to avoid a late fee. The real-time rail will let you work until the end of your shift at midnight on the day your tuition is due before you send it, or your utility bill or what have you.

As for open banking, it's the ability to see your full financial picture, including your workplace pension, which fewer and fewer Canadians have but it's an example of something that you wouldn't necessarily see, even if you have everything at one financial institution. It gives the ability to share certain things with your spouse so that you can plan for your future and take advantage of all these amazing tools that exist to budget and make decisions based on your unique circumstances.

We have had a good, stable system, but a pen is a pen. There's a paintbrush. There's a pencil. There are other ways folks can choose to get their message across.

I think there are going to be insights. If you own a home before the age of 35, if you have a workplace pension and if you get paid an amount you know you can count on every two weeks, you don't have to apologize for it, but you do have to recognize that this is not the experience of the majority of people. It's not all people. It's not the experience of the majority of people, and—

The Chair: Thank you, Ms. Oliver. We have to end it there.

Thank you, Mr. Sawatzky.

[*Translation*]

We'll continue with Mr. Garon, for six minutes.

Jean-Denis Garon: Thank you, Madam Chair.

I thank the witnesses for joining us.

Ms. Rohani, I understand that Canadian digital sovereignty is important to your organization. Many telecommunications companies that appeared here said they were disappointed that the productivity superdeduction, as the Liberals call it, is nothing but an accelerated depreciation policy, as is the case in many places. The difference is that when the government implemented this policy, it chose the winners, in this case six sectors, which means that today, when companies develop fibre optic networks in Canada, they don't have access to this superdeduction.

Do you think this superdeduction should apply to Canadian companies developing fibre optics?

[*English*]

Morva Rohani: Thank you so much for the question.

If you're referring to an analogy.... I represent only digital asset firms, so I can't really speak to telecommunications matters. If your question is about extending some of those benefits to other industries, I'd be happy to answer the question.

[*Translation*]

Jean-Denis Garon: I was referring to the importance of offering this deduction to strengthen our digital sovereignty and Canada's fibre optic network. It's okay; we can come back to it.

I'd like to turn to the representatives of the Canadian Bankers Association, whom I welcome.

We work a lot with your colleagues in Quebec, and you're always there to keep us informed. You always answer our call. Thank you very much. We disagree on certain things, especially on how to handle fraud. In the United Kingdom, the regime provides that banks are, in fact, responsible when someone is the victim of bank fraud. That has encouraged banks to invest.

I know you're doing a lot of work to raise awareness across the ecosystem. However, in the United Kingdom, banks are held responsible. That has prompted them to invest heavily in fraud prevention, resulting in an 80% reduction in cases.

Do you think an 80% reduction is a success?

● (1835)

[*English*]

Alex Ciappara: Thank you very much for the question. I'll pass on your regards to my colleague Eric.

In terms of the fraud issue, our preference is to look at Australia as a leader country. They've put in place a multisectoral group of companies and organizations to fight fraud: telecommunications, digital platforms, banks, law enforcement and governments. We've seen a decline in fraud in Australia, and we'd like to import that same model into Canada.

We've seen that 85% of frauds start from telecommunications and digital platforms. It's critical that we have them on board as part of this fight. This is why we're supportive of the national anti-fraud strategy. It's because they do exactly that.

[*Translation*]

Jean-Denis Garon: You referred to a study by the International Monetary Fund, or IMF, according to which interprovincial barriers are equivalent to tariffs of 9%. Are you referring to the IMF's econometric study that is purely theoretical and in which provincial geography and governments don't exist?

I wonder if you're referring to the same study, because the IMF study that I read doesn't say what you're saying.

[*English*]

Alex Ciappara: I believe it is, yes.

[*Translation*]

Jean-Denis Garon: It'd be a good idea to read it correctly before quoting it, otherwise it generally misleads Canadian voters.

Ms. Oliver, let me put on my economist hat. You're talking about fees and you're being very diplomatic. I think Wealthsimple is trying to break into the banking market, which isn't easy. It's hard to change banks in Canada. Customers are captive. Even though there are a number of businesses, the Canadian banking community is concentrated. It meets a number of criteria of what we could broadly call a monopoly.

Do you think there's enough competition in the Canadian banking sector?

Jessica Oliver: I don't think it's controversial to say there's not enough competition in the Canadian banking sector. We need more.

We often tell our colleagues in the federal government that we now administer $150 billion worth of assets for our clients. Just provincially, because we're a brokerage and not a bank, we've been able to attract one million customers and $1 billion of assets. We offer something like a bank account—

Jean-Denis Garon: You have partners, right?

Jessica Oliver: Yes.

Jean-Denis Garon: You agree it's very difficult for you to enter that market.

Jessica Oliver: I like that comment.

Yes, it's difficult, but in terms of leveraging deposits, lending money or compliance, we can't say whether there are too many or not enough regulations, because we don't do that work. We trust the banks for that. We ask them if they're going to pay us a higher interest than they're paying their retail customers, and the answer is yes.

Jean-Denis Garon: To be able to offer these products, you had to be creative and quite innovative. You can't just break into that market. It's difficult, even for a company that has the financial support you have, for example.

Jessica Oliver: That's true.

Generally, in the past, a business started as a bank, then added payment processing services, investment services and credit card services. That was the model. However, we started with investment services, then added credit card services, but didn't become a bank. To create competition, businesses don't have to be banks if they want to be big. If the services we offer our customers—

[*English*]

The Chair: Thank you, Ms. Oliver.

We're going to have to conclude it there.

[*Translation*]

Thank you, Mr. Garon.

[*English*]

We will continue with Mr. Lawrence for five minutes, please.

Philip Lawrence (Northumberland—Clarke, CPC): Thank you, Madam Chair.

Ms. Oliver, I have a couple of questions for you. After having a little hiatus, I'm back as a guest at the finance committee. I can't remember how many times I've asked you about open banking, fees and real-time rail. I think we have to be going on a decade of these things not being done.

Where would you rank Canada in broad terms among G7 peers when it comes to fees, real-time rail and open banking?

● (1840)

Jessica Oliver: I'm going to lean into your colleague's description of me as diplomatic and say that I see a lot on the horizon for us.

It is not new information to share that Canada will be the last of the G7 countries to have real-time payment settlement and is one of the last on open banking.

Philip Lawrence: It was said in the panel before and is said in every pre-budget consultation that Canada has a huge productivity issue. We have simple things to fix that.

Would you agree with me that getting real-time rail and getting open banking would boost Canadian productivity?

Jessica Oliver: Yes.

Philip Lawrence: Thank you.

We talk about the fees. The spring update talked about them, but they haven't put in any type of legislation yet to eliminate those fees. Is that correct?

Is it your position that it should be done?

Jessica Oliver: Yes. The budget committed to banning the fees, and the spring economic statement committed to introducing regulations for consultation in the coming weeks. We expect that any time now.

Philip Lawrence: Ms. Oliver, don't you agree with me? Why do we need to consult? We either ban the fees, or we don't. We're not getting into the details of cryptocurrency here. This is pretty simple stuff. What are we consulting on here?

Jessica Oliver: Yes. Well, I would agree with—

Philip Lawrence: I'm not blaming you, by the way.

Jessica Oliver: No.

I would agree with you. There is no legislation at the moment to ban fees, yet Wealthsimple has chosen not to levy those fees.

Our execution is exclusively digital unless the other institution requires it, which is just a couple of percentages of the time. In terms of inbound transfers, 45% of the inbound transfers that we get are by fax, mail and paper cheque. We think that if other institutions want to use those outdated methods, they should be responsible for the cost, not their clients.

Philip Lawrence: Speaking of those other institutions, we happen to have the CBA right here.

I'll put some of Ms. Oliver's assertions right to you gentlemen here. As a spoiler alert, I'm a bit on her side.

Do you agree that closing fees should be eliminated?

Alex Ciappara: Yes, they should be eliminated for all financial institutions.

Ms. Oliver talks about the 24-year-old who saves for a house, retirement, maybe, or school. They could be doing all the right things, but if their investments are with, say, a provincially regulated financial institution not captured by the Bank Act, they will still have to pay those fees.

What we're suggesting is that prohibition gets put into the Income Tax Act, so it applies to all financial institutions, not just banks.

Philip Lawrence: Thank you for that.

I'm going to go next to you, Ms. Karringten.

I think it's well known that crypto ATMs were used for negative purposes; however, the government has come in with a very heavy-handed solution in just banning them all. I believe it was your testimony that it is possible to have a solution whereby we stop the fraud but continue to allow acceptability for crypto ATMs.

The other part is that if we are overly negative to cryptocurrency, don't we risk having billions of dollars of investment not come to Canada?

The Chair: You have 20 seconds.

Koleya Karringten: Oh, goodness. Thank you for your question.

The Canadian anti-fraud centre has identified that 2.2% of fraud occurs on bitcoin ATMs, and our organization has effectively been attracting multi-billion-dollar investment deals into Canada. We have about $10 billion pending right now in terms of bitcoin ATMs. I do urge the government, considering there was zero consultation, to actually consult with bitcoin ATM operators and figure out how compliant they are before introducing a ban that they had no notice was coming.

● (1845)

The Chair: Thank you very much.

Thank you, Mr. Lawrence.

[*Translation*]

Mr. Lavoie, you have the floor for five minutes.

Steeve Lavoie: Thank you, Madam Chair.

Thank you to the witnesses for joining us. Their comments are very interesting, and my colleagues have asked very interesting questions.

I'd like to start with the representatives from the Canadian Bankers Association.

I'm glad you talked about productivity. Actually, my colleague already talked about the superdeduction introduced in the last federal budget to help sectors and businesses with machinery and improve productivity. We need to help our businesses. Things are moving quickly, and Canada has always been a laggard when it comes to productivity. Measures have been adopted to help our businesses improve their productivity.

My question is about banks: What are you doing? How do you adjust?

As we know, our reality has changed, and I'm not the one saying that. We've probably lost our ability to make predictions. We live in a world where unpredictability is likely to remain for a long time. We went through that during the pandemic: lines of credit and inventory had to be adjusted because things had changed.

What did the banks do? In the current unpredictable reality, what do you plan on doing to keep pace and allow Canadian businesses to continue to adjust in terms of productivity and market development, among other things? Are there things we've known about for decades, but that you're going to move away from in the current model?

[*English*]

Alex Ciappara: You started your question around tax policy, so I'll begin there.

The last review of the Income Tax Act was in the 1960s, when manufacturing was a leading economic sector in this country. Now IT has taken over, and it's very much an IT-based economy. I think we need to review the corporate tax policies, and the government actually believes as much. It made a commitment to review corporate tax policies in its last—

[*Translation*]

Steeve Lavoie: I'm sorry to interrupt, but my time is running out.

I'll ask my question again: How are banks adjusting? I'm not talking about the government.

How are you adjusting now, or how will you adjust in the coming days, months or years to ensure your lending models support businesses and sectors? The government says it wants to invest in defence. These are the kinds of sectors that need to be opened quickly.

That was more my question.

[*English*]

Alex Ciappara: A couple of years ago, the banks joined together and started up the Canadian Business Growth Fund because they identified that there was a gap in growing innovative companies. They all contributed to the Canadian Business Growth Fund, and it's been stood up.

We've also been advocating on behalf of the industry to lower risk weights for businesses. I received a question earlier about lending to businesses. As an advocacy organization, we've been trying to get the regulator to reduce risk weights so that banks don't have to hold as much capital when they're making loans to businesses. Banks already have authorized $300 billion in financing for SMEs. Their approval rates are about 90% for SMEs, so they're very willing to lend.

We've also been advocating for reducing risk weights on venture capital companies. This is where a lot of the innovation is coming from, which you alluded to, to improve productivity. We're hoping OSFI will take us up on that policy request.

Those are a couple of examples.

[*Translation*]

Steeve Lavoie: Thank you.

Ms. Oliver, in the last budget, we asked that the $150 fee, in particular, be eliminated. Quickly, do you think we're not going far enough?

Jessica Oliver: No. The promise was to eliminate the fees, but also to speed up the process. I think it's totally necessary and we should start with that. Provincial regulations evolve more quickly and are more iterative. I think it's another way of doing business in 2026, but it's important the government—

● (1850)

The Chair: Thank you, Ms. Oliver. I have to cut you off there.

Thank you, Mr. Lavoie.

To finish off this hour, I'll give the floor to Mr. Garon for two and a half minutes.

Jean-Denis Garon: Thank you very much.

Ms. Oliver, I'd like to talk about stablecoins. The government has tabled a framework bill on the matter, and now the question is whether stablecoins should be regulated by the provincial regulatory authorities or the federal government.

From what I understand—and I'd like to know if I'm right—payment tools fall under federal jurisdiction and securities fall under the jurisdiction of Quebec and the other provinces. Some of the criteria that allow us to determine whether we're talking about a security include whether there's a return and the possible speculative nature of the instrument. This means if a stablecoin generates a return or is speculative, such as the Bitcoin, it must be regulated by the provinces.

The federal framework is explicit: There cannot be a return. That implies the provinces must regulate stablecoins if there's a return, but since stablecoins are backed by assets that generate a return, that raises concerns. That's a long question, but I really want to know if I understand correctly.

How can we develop these payment tools while ensuring they can generate a certain return, even if the return is predictable, stable and risk-free, while respecting provincial jurisdictions?

[*English*]

Jessica Oliver: Because of time, I'm going to speak in English so that I can go faster.

We were absolutely supportive of the stablecoin act from just our own experience. Our clients already hold U.S. denomination stablecoins on our platform. We see that, whereas the vast majority of the assets they hold with us on the investment side are buy and hold, 250% of the total stablecoins that we typically hold move on and off in a given month, so the behaviour is very different, as you say, as a payment instrument.

We have encouraged the provincial government, which is our principal regulator, to make it clear that a federally regulated stablecoin, in a one-to-one back that meets all those requirements, is not a security and is not covered under, for example, the Ontario Securities Act.

There is still a role for provincial jurisdiction. For example, the Tetra project that Wealthsimple and Shopify and National Bank and Shakepay are invested in is an Alberta regulated trust company, and they are the issuer—

The Chair: Thank you, Ms. Oliver. We're going to have to end it there.

On behalf of the committee, I would like to thank all of our witnesses for this hour. We will take a very brief suspension as we prepare for our final panel of the evening.

Thank you.

● (1853)

_____________________(Pause)_____________________

● (1900)

[*Translation*]

The Chair: Colleagues, we need to get started, because at eight o'clock, we have to stop for a very important reason. I know all Quebeckers have an important game to watch at eight o'clock, and maybe—

Greg McLean: Not just Quebeckers.

The Chair: I know. All Canadians are going to do something extremely important tonight at eight o'clock. This means we have to start to finish on time.

[*English*]

With that, I'd like to welcome everyone back and welcome our final panel of witnesses for this evening.

We have Huw Williams, director of public affairs for the Canadian Automobile Dealers Association. We have Helen Tooze, the senior policy researcher for the Canada Climate Law Initiative. We have Brian Kingston, the president and chief executive officer of the Canadian Vehicle Manufacturers' Association. We have Stefania Seccia, executive director of advocacy and public affairs for the Women's National Housing and Homelessness Network.

Before we begin, I would like to remind everyone of the following points.

Please wait until I recognize you by name before speaking. For those participating via video conference, click on the microphone icon to activate your mic, and please mute yourself when you are not speaking. For those on Zoom, at the bottom of your screen you can select the appropriate channel of floor, English or French for interpretation. For those in the room, you can use the earpiece and select the desired channel.

I would like to remind all of our witnesses that committee members may ask questions in either French or English. If you will need interpretation, please take a moment now to prepare your earpiece and select the listening channel you need in advance in order to take full advantage of the time allotted for questions and answers.

All virtual witnesses have conducted a mandatory witness onboarding test.

We will now proceed with your opening statements. Mr. Williams, we will begin with you. You have five minutes.

Huw Williams (Director, Public Affairs, Canadian Automobile Dealers Association): Thank you, Madam Chair.

I say this for all our dealers in Quebec, Montreal and across Canada, and it's the same in English and French: Go, Habs, go!

Voices: Oh, oh!

Huw Williams: That I get to say that on the parliamentary record is a real pleasure.

First of all, thanks to all of you for being here. I've been watching the committee all day. It's one of the great things about Parliament that the MPs come together and try to find solutions. We have dealers in your ridings, and we're certainly happy to have the opportunity to talk to you today.

We have 3,500 dealers and 175,000 employees coast to coast to coast, and we literally keep Canadians and Canadian businesses rolling. We sell two million new cars, over three million used cars and do 20 million service and parts appointments yearly. We're very active in all of your communities.

With respect to what's going on with the United States, the Prime Minister has called it a “rupture”, and indeed, auto dealers are right at ground zero for that rupture. We're seeing the impacts. We are being hit not just by the tariffs that have been imposed in retaliation. We're also hit by steel and aluminum tariffs, which are pushing costs up through the roof. I'll say it here, on the record, that we ran our first trade mission down to the U.S. to deliver the message to the U.S. that these tariffs are hurting car dealers on both sides of the border, hurting customers on both sides of the border and hurting the car industry on both sides of the border. We have to be very cognizant of that as we go forward.

I'm going to hit four areas of concern that we need to have addressed while we're under pressure.

The first is the luxury tax. You'll note that the government took the luxury tax off private jets and yachts. We think it's close to nonsensical that we have kept that tax on luxury vehicles.

We've made the argument for a very long time now that we have a perfectly balanced tax system in the country. If you buy a car that costs more, you pay more—and significantly more. That's the way the system should work. The system should not be picking winners and losers. There used to be a luxury tax on jewellery. That was removed. I would suggest to the committee that just for equality, during a time when we're under pressure here, we need to remove the luxury tax on automobiles, just as we've done with other products. The HST is a perfect tax to address that.

Also, the luxury tax is a trade irritant with Europe. The Europeans held off on a trade deal with Australia because of the luxury tax, and the Australians, in response to that, ended the tariff levy and made adjustments for the luxury tax down there. Let's look at it from that lens.

The EV mandate is the next issue that I think needs to be addressed. The government made the right move on eliminating the EV mandate. We're very pleased with that. The Prime Minister's announcement was very welcome. We were very public about that.

The challenge now is that we need a process that consults with the manufacturers on real and realistic targets for a path forward for the future. The problem with the last EV mandate wasn't that we needed an EV transition. Dealers are all in for an EV transition, but we have to do it at a pace that makes sense for Canada. That can be done only through consultations with the manufacturers.

I'll underline for you the third issue, which is in the heavy truck industry. We have a real problem with the 2027 model year. The U.S. administration has moved out of alignment with Canada. As it stands now, without a really aggressive regulatory fix on the Canadian side, we will not be able to sell any heavy-duty trucks in Canada, starting in model year 2027. The orders for model year 2027 start at the end of August, and we are facing a crisis. We sell 30,000 18-wheeler semi-trucks a year, and those keep construction, agriculture and mining going. I saw several of them on my way up to Parliament Hill today. You cannot build Canada without heavy trucks. We need a fix there.

Finally, the technician shortage is an issue that I want to highlight for you. We have a worldwide shortage of technicians. Canada and Canadian dealers have had to resort to bringing in temporary foreign workers in this space: highly-skilled individuals who can repair automobiles going forward. We're working hard to recruit and retain and to support educational institutions, but in the meantime, we need some latitude and an understanding that temporary foreign workers in our sector are important to keep the country rolling. Without them, we won't be able to service police, ambulance and other emergency vehicles. We need a pathway for those temporary foreign workers to stay longer than their original contracts and a pathway to immigration.

Thanks for the time.

● (1905)

The Chair: Thank you very much, Mr. Williams.

We will now continue with Ms. Tooze for five minutes, please.

Helen Tooze (Senior Policy Researcher, Canada Climate Law Initiative): Thank you, Madam Chair and members of the committee.

My name is Dr. Helen Tooze. I'm a senior policy researcher with the Canada Climate Law Initiative, which is a collaboration between law faculties at the University of British Columbia and York University. The CCLI provides businesses, regulators, directors, trustees and other fiduciaries guidance on climate governance, enabling them to make informed decisions during their transition to a net-zero economy.

We appreciate the opportunity to appear before you as part of the pre-budget consultations. Our submission focuses on a central economic point. Climate-related financial risks are not abstract future concerns. They are present, material and increasingly relevant to Canada's competitiveness, investment environment and financial stability.

Canada has an opportunity in the 2026 budget to strengthen confidence, attract capital and support long-term economic resilience. To do that, we recommend three targeted measures.

First, the federal government should amend the Canada Business Corporations Act regulations to require large and mid-sized federally incorporated companies to include climate transition plans that address climate-related risks and opportunities in their financial statements. These plans help maximize opportunities by guiding business strategy, informing capital expenditures and supporting authorities' macromonitoring of transition and physical risks in the financial system, as well as in the wider economy. As mandatory financial disclosures fall under the remit of the CBCA, it is the proper vehicle through which to make these changes.

It's important to note that this is not about imposing public disclosure requirements on CBCA-registered businesses, but rather about private disclosures only to their shareholders. Moreover, our proposal will impact only the 2% of companies that already have the scale and the resources to manage climate risks and provide investors with the comparable, decision-useful information they require. This leaves the vast majority of micro and small CBCA-regulated companies unaffected.

Second, Canada should make the made-in-Canada sustainable investment guidelines mandatory. A credible taxonomy is essential for attracting private capital, reducing greenwashing and providing investors with clarity about which activities support Canada's transition. Canada will require a significant annual investment to achieve its net-zero goals by 2050. We're talking about around $140 billion annually. Voluntary guidance alone will not provide the certainty needed to mobilize capital at that scale.

Third, the government should amend the pension benefits standards regulations to require federally regulated pension plan administrators to adopt transition plans and explain their climate resilience policies and how they apply to the investment portfolios they manage. Pension fiduciaries have a duty to prudently manage risk over the long-term horizons as well as the short-term horizons. Clear, baseline standards for climate governance would help protect planned assets and beneficiaries. Together, these measures would not dictate investment choices. Rather, they would improve transparency, comparability and accountability across the financial system. They would help direct capital towards resilient Canadian businesses that support sustainable growth and align Canada with leading international markets already moving in that direction. They would also give the federal government an important opportunity to show leadership.

As Canada seeks to build new and enhanced economic relationships with middle powers and trusted partners, our climate-related financial policy should be credible, comparable and consistent with the standards emerging in those markets. Strong, clear rules on transition planning, sustainable investment and pension governance would signal that Canada is a reliable partner for long-term investment in a sustainable economy. The 2026 budget is an opportunity to make climate policy credible, predictable and economically practical.

The CCLI urges the committee to recommend these measures so that Canada can better manage financial risks, strengthen competitiveness and unlock the investment needed for a prosperous and resilient future.

Thank you. I look forward to your questions.

● (1910)

The Chair: That's great. Thank you so much, Ms. Tooze.

We'll now continue with Mr. Kingston from the Canadian Vehicle Manufacturers’ Association.

You have five minutes.

Brian Kingston (President and Chief Executive Officer, Canadian Vehicle Manufacturers' Association): Madam Chair and committee members, thank you for the invitation to appear here today as part of your consultations.

The Canadian Vehicle Manufacturers' Association, CVMA, is the industry association representing Canada's leading manufacturers of light- and heavy-duty motor vehicles. Our membership includes Ford, General Motors and Stellantis. CVMA members have been operating here in Canada for over 100 years. They're responsible for most auto production in this country, having built 100 million vehicles since 1945. Today, they are the largest employers, investors and innovators in the auto manufacturing sector in Canada.

The consultation comes at a critical time for the Canadian economy. U.S. tariffs and trade uncertainty are weighing on both exports and investment, weakening the growth outlook. The Bank of Canada projects that the economy will remain in low gear for the next three years, with annual growth below 2%. Trade disruptions are particularly damaging to the export-dependent automotive sector that operates based on an integrated North American supply chain. Over 90% of Canadian vehicle production is destined for the U.S. market. According to the Center for Automotive Research, a U.S.-based auto think tank, U.S. tariffs are going to cost the auto industry $188 billion U.S. over the next three years.

Considering this, securing access to the U.S. market is foundational to the success of the auto industry and the broader Canadian economy. Simply put, there is no auto industry without U.S. access and North American integration. Diversification cannot replace the U.S. Canada's market is too small to justify large-scale manufacturing.

Our top priority is the removal of the U.S. section 232 tariffs, the elimination of Canada's retaliatory tariffs and the renewal of our trilateral trade agreement, CUSMA.

In the face of these unprecedented trade challenges, Canada must do everything possible to strengthen conditions for auto investment by focusing on what we can control. We recommend the following actions.

Number one is to eliminate the Canada-China strategic partnership. The agreement negotiated with China to allow 49,000 EVs into Canada—that's equivalent to 30% of EVs sold here last year—will undermine Canada's auto sector and put the integrated supply chain at risk. China does not adhere to many of the rules-based trade and investment principles that have been foundational to the success of the industry here, and there are no guardrails in this agreement to ensure a level playing field for manufacturers that have invested in Canada, or to protect Canadians from cyber-risk.

Number two is to reduce regulatory complexity. Environmental compliance costs now rival the tariff burden facing auto manufacturers in Canada. Manufacturers must comply with duplicative EV sales mandates, stringent emissions regulations and over 80 designated material products or categories for extended producer responsibility regimes. These add costs and have marginal environmental benefits. The federal government should ensure that regulations are outcomes-based, applied once and designed to limit compliance costs. If governments are to succeed in creating one Canadian economy, action is required now to ensure one national approach to vehicle emissions regulations and EPR regimes.

Number three is to extend and amend the clean electricity and clean manufacturing investment tax credit to 2040. Auto is a very long lead-time industry, and an extension of the tax credit to 2040 would provide certainty for investment. To provide greater flexibility, incentive and benefit, the ITC eligibility should be broadened to include all qualifying manufacturing to incentivize large-scale investments and the costs of new machinery and equipment.

Number four is to boost EV demand. The federal government's EV affordability program, EVAP, was a critical component of the automotive strategy that aimed to achieve 75% EV sales by 2035. However, the program is set to expire in 2030. That's well before the ambitious 2035 government target, so we recommend that budget 2026 provide long-term funding and a path forward for the incentive to support both the 2035 sales target and the 2040 target that the government has established.

In summary, budget 2026 should position Canada as one of the most competitive jurisdictions in the world for auto manufacturing and investment.

Thank you.

● (1915)

The Chair: That's great. Thank you, Mr. Kingston.

We will now conclude the panel with Ms. Seccia from the Women's National Housing and Homelessness Network.

You have five minutes.

Stefania Seccia (Executive Director, Advocacy and Public Affairs, Women's National Housing and Homelessness Network): Madam Chair and members of the committee, thank you for the opportunity to appear today.

My name is Stefania Seccia, and I'm the executive director of advocacy and public affairs at the Women's National Housing and Homelessness Network. The people we represent—women, two-spirit, trans and gender-diverse people navigating housing insecurity across this country—deserve to have their experiences heard in rooms like this one, so thank you for making the space for it.

The women's network started a little over five or six years ago in a conference room with lived experts, scholars, researchers, housing providers and academics who don't normally talk to each other within the housing sector. We realized that there was no national voice on women and gender-diverse housing issues across the country that was unified. We decided to become that voice and to do it through research, community engagement and movement building.

We share this government's commitment to building Canada strong, but that genuine strength comes from within. It's the kind of strength required of a young trans person when they find themselves homeless for being who they are, a mother with two children fleeing violence in search of a safe place to call home, a newcomer navigating the shelter system with no safety net to catch them, or a couch surfer trading sex for shelter.

These are not experiences happening in isolation. They are the direct result of stepping back from ambitious affordable housing investments since the eighties and nineties, from co-ops, non-profit development, social, non-market and deeply affordable housing. Those past governments deferred the problem, and those costs landed elsewhere—in emergency rooms, in shelters, the child welfare system and the criminal justice system—in more expensive and less effective ways to address the core issue, and those very things have become pipelines into homelessness itself.

I don't envy the position you are in, but you have an opportunity, albeit an obligation, to make different choices—to invest in long-term solutions that reach the people who need it most and to invest upstream in stable and deeply affordable housing solutions that are not gender-neutral.

This past year, as intervenors in the Neha review panel process, we were part of one of the most significant participatory human rights engagements on housing this country has seen. The panel heard from over 500 individuals and groups. We went into shelters, prisons, encampments and communities. It produced not just data, but a real-time, on-the-ground account of what housing rights violations look like for women, two-spirit, trans and gender-diverse people across the country. The panel delivered a road map of recommendations to address the gendered housing crisis.

Just last week, a landmark court ruling came down from the Ontario Superior Court of Justice that homelessness has been recognized as a ground of discrimination in Canada. The court was unambiguous, and in Justice Gibson's own words, he called for "increased resources from all levels of government and other stakeholders", and of homeless folks, he said, "They are Us."

I also want to note that this is linked directly to the international agreements Canada has signed, where the progressive realization of the right to housing means investing maximum resources possible to address the issue.

We need a revitalized national housing strategy after 2027, one with an accurate definition of affordability and clear targets for ending homelessness. We need Build Canada Homes to be a rights-based delivery system that allocates at least 40% of deeply affordable units to women and gender-diverse people, populations chronically underserved and undercounted. We need the urban, rural and northern indigenous housing strategy to be grounded in for-indigenous and by-indigenous solutions and delivered by those communities. We need sustained federal investment through WAGE to keep the shelter and survivor-serving sector from collapse.

What we need and what this budget can deliver are clear timelines, measurable targets and an unequivocal commitment to ending homelessness.

We spent decades getting into this crisis, and we will not get out of it in a single budget cycle, but you can signal that you are done deferring. We are ready to build not just something that lasts but something that is accessible, sustainable and gender-responsive.

Thank you.

● (1920)

The Chair: Thank you very much, Ms. Seccia.

[*Translation*]

We're going to start with questions.

Mr. Lefebvre, you have the floor for six minutes.

Eric Lefebvre: Thank you, Madam Chair.

Thank you, witnesses, for joining us.

I'll start with you, Mr. Kingston.

You said there would be no automotive market without a U.S. market, and the priority should be to renew the Canada—U.S.—Mexico Agreement.

Why do you think that's the priority?

[*English*]

Brian Kingston: The Canadian economy and the Canadian auto sector are totally dependent on access to the U.S. market. We can talk about other suggestions to strengthen the economy domestically to make Canada a more competitive place, but we build more than we need and we export 90% of our production into the U.S. It's the largest, wealthiest, most diverse economy in the world.

If we don't have access to the U.S., we simply don't have an industry. All you have to do is look back to pre-auto pact times, 60 years ago, when we didn't have free trade in vehicles with the United States. It was a much smaller industry and it was less efficient, so it's fundamental. Without U.S. access, the industry is not what it is.

[*Translation*]

Eric Lefebvre: You'll agree with me we should put more energy into renewing the Canada—U.S.—Mexico Agreement, instead of taking two or three trips around the world to try and find small agreements.

[*English*]

Brian Kingston: I would agree with that. Diversification does not solve our economic challenges. The Canadian economy is subject to the gravity model of trade. You do the most trade with the country that is the closest and has the largest economy. We happen to sit beside the United States of America. That is where our priority should be.

[*Translation*]

Eric Lefebvre: Mr. Kingston, on February 16, you said allowing Chinese vehicles into the Canadian market was a bad idea. You're saying the same thing today. You even said this agreement between Canada and China should be terminated. Why?

[*English*]

Brian Kingston: It's a major strategic error. The Chinese do not compete on a level playing field. They subsidize their industry to the tune of $230 billion U.S., far exceeding any level of subsidization you would see here in North America. The average wage at an assembly plant in China is between two dollars U.S. and four dollars U.S. an hour. At a Canadian, unionized, Unifor plant, it's $45 an hour, plus benefits and a pension. You simply cannot compete with the Chinese because they're not playing by the same rules. By allowing those vehicles in, we are going to undermine our own domestic industry at a very sensitive time.

On top of that, China is a major irritant to the relationship with the United States, so we've put a vehicle-sized irritant on the table at the worst possible time.

● (1925)

[*Translation*]

Eric Lefebvre: Do you think this agreement between Canada and China is an obstacle to investment and development in the automotive sector in Canada?

[*English*]

Brian Kingston: Absolutely. We're very fortunate to have five OEMs that have invested here and employ Canadians. We're now opening the door to Chinese manufacturers that have no investments here, no footprint and no supply base, and no commitments to make them. It's not only that. Chinese OEMs don't typically invest in the markets they want to access. That's not their model. They ship. They have massive overcapacity in China, with two to three times their own domestic demand. They take those vehicles and dump them into countries that are naive enough to open the door to them.

This is a huge mistake. They will not invest here. They will not employ Canadians, and they will not create a Canadian supply chain.

[*Translation*]

Eric Lefebvre: Thank you very much.

You raised another issue. You said there's no cybersecurity measure for the information and data that can be collected through Chinese vehicles. That's serious.

[*English*]

Brian Kingston: Yes. It's a significant cyber-risk. In 2024, the government committed to putting in place rules around Chinese connected and autonomous vehicle hardware and software to follow what the U.S. had done, but there's been no progress on that. There are no rules or guardrails in place. These vehicles can collect significant amounts of data. We don't know where that data will be stored. They can also be controlled remotely, hence why the U.S. has taken a very firm approach on Chinese software and is doing everything possible to get it out of the supply chain.

We have no protections in place whatsoever, and these vehicles are here now.

[*Translation*]

Eric Lefebvre: Thank you.

Mr. Williams, do you believe vehicles sold in this country should be electric vehicles? Shouldn't we instead let consumers choose freely whether they want an electric vehicle or a gas-powered vehicle?

[*English*]

Huw Williams: I would say we have to leave it to consumer choice. That doesn't mean that we don't have incentive programs. That doesn't mean that we don't work on infrastructure.

The challenge is that we've come a long way in terms of electric vehicle technology. My biggest fear all along has been that when we push that technology artificially, consumer uptake has to match the actual product. For example, in some of the coldest parts of the country, dealers have had to take back multiple vehicles because they can't work in those climates. That problem is going to be solved, but not today. For rural and remote communities, it's long distances. We have to have a solution that's made in Canada, as opposed to a solution that's forced through a pipeline.

People know I'm not anti-EV. In fact, we're very bullish on EV technology. It's a great technology, particularly in urban environments. It's great technology for second-car families, when one car is used for longer distances and one car is used internally. However, the planning behind the targets has to be done in conjunction with what's possible.

[*Translation*]

Eric Lefebvre: Thank you, Mr. Williams.

By the way, I have to say I agree: I'm not against electric vehicles, but I think we have to give consumers the choice. When we talk about travelling small distances—

The Chair: Thank you, Mr. Lefebvre. Your time is up.

Eric Lefebvre: Thank you.

[*English*]

The Chair: We will continue with Dr. Martin for six minutes.

[*Translation*]

Danielle Martin: Thank you, Madam Chair.

Thank you to all the witnesses for joining us.

I'd like to start with Mr. Williams to talk EVs and climate.

[*English*]

You said that we're all in on the EV transition, and that you're supportive of electric vehicles but at a pace we can manage. I think we're all in agreement that there needs to be a balanced approach, but of course we all know, based on our experience with all kinds of industries, that sometimes the pace we want to move at is not necessarily the pace that will slow climate change. There's an imperative there that we're all trying to wrestle with.

If not mandates, then what? What can industry do and what can government do to accelerate the pace of that transition, to make it as rapid as possible but within the means of the capacity of these vehicles at this time in terms of the technology?

● (1930)

Huw Williams: It's a great question, and I appreciate it. I think we're all closer to the idea of consumer choice than not. At the end of the day, again, my fear is that if one technology is pushed too far, consumers will just hang on to older, higher-polluting vehicles, which doesn't actually help the environment.

If you look at the rough numbers from over the past 20 years, GHG emissions from the passenger and light vehicle market are around 11%. That's been maintained. Even though we've had great expansion in population and great expansion in on-road vehicles, we're actually keeping steady with respect to the percentage of emissions coming from the auto sector. The reason is that's it's driven by technology—having lighter vehicles overall, bringing aluminum into the car, having more efficient engines. Electrification is part of that. Every manufacturer is working on different models to adjust to that.

I think the exciting thing about the Prime Minister's announcement is that it will be technology-neutral. If you bring in a technology that reduces greenhouse gases, it doesn't have to be electric. On the electric side of the equation, the thing that I hear from dealers across the country—I spend a lot of time travelling with dealers and their customers—is that they don't have range anxiety anymore; they have charging anxiety. I didn't make that phrase up. I heard it in multiple different communities across the country. Consumers love the technology, but they're worried about whether they can get it charged at the right period of time. That charging infrastructure has to match the point of adoption.

Danielle Martin: Right. I think that's why we're making major investments into charging infrastructure. It's for exactly that reason. Thank you.

Professor Tooze, we haven't forgotten about you on Zoom. I want to go to you about the proposed amendments you're putting forward related to pension regulations requiring federally regulated plans to be more transparent around climate.

Can you help us understand a little bit more about what we know about how those funds would see that change, how the members of those pension funds would see that change and how it would affect their competitiveness?

Helen Tooze: Thank you for that question.

When it comes to pension plans, the climate governance we're requiring is really already a fiduciary duty for them to consider climate as a material financial risk. Feeding that into their pension plans—the taxonomy would help a lot with this—you would end up being able to demonstrate that for certain plans, the way they're investing into climate-resilient infrastructure is greener and more sustainable. This would increase people's willingness to invest. It would increase investments into climate-resilient areas. It would be beneficial for intergenerational equity principles as well. We're focusing on not just short-term gains but also long-term views.

Danielle Martin: Thank you.

I'm short on time here, Ms. Seccia, but I wanted to make sure I asked you a question related to the important work you're doing around gender equity and homelessness.

I think we all know and are aware that homelessness is a housing issue first, but it's definitely not only that. I'm wondering if you can speak to some of the non-housing collaborations that might be required, particularly between federal, provincial and municipal levels of government if we want to address homelessness among women and gender-diverse groups here in Canada.

Stefania Seccia: I think what we need to see, of course, is an alignment. In the housing sector, we often talk about wraparound service support as well. The issue is that we tend to take a very wide approach. We tend to build shelters for women and gender-diverse people escaping violence. We have a specific GBV-serving shelter system that is siloed from the homeless-serving sector system. They're not talking to each other, and we find that a lot of women—we've heard this across the country over and over again—are falling through the cracks.

Our first point of order is always that we need all levels of government, even within the federal government itself—all departments—doing a better job of talking to each other when their services or funding overlap, to make sure as well that we're not misaligned when we are using.... Not to jump around too much, but when we're talking about definitions, I talked about accurate affordability definitions. When we don't have that, we see lower percentages of the housing builds we're doing being deeply affordable. They're not targeting the women in need.

The other thing we're seeing is that, in Build Canada Homes, although we support it, of course, our concern is that when the mention of women and gender-diverse folks comes up, we're talking really about shelter and transitional housing spaces. However, what we're seeing in shelter and transitional housing spaces is a revolving door—

● (1935)

The Chair: I'm sorry, Ms. Seccia. I'm going to have to cut you off there.

Thank you, Dr. Martin.

[*Translation*]

Mr. Garon, you have the floor for six minutes.

Jean-Denis Garon: Thank you, Madam Chair.

Mr. Kingston, you're saying that by signing an electric vehicle agreement with China, Prime Minister Carney simply sanctioned a Chinese dumping tactic. Is that correct?

[*English*]

Brian Kingston: Yes, that's correct. The vehicles will be dumped. They're heavily subsidized and they'll be coming in at below-market rates. That's the Chinese export model.

[*Translation*]

Jean-Denis Garon: Thank you, that answers my question.

Mr. Williams, we recently met with representatives of the Recreation Vehicle Dealers Association of Quebec. They're dealing with the retroactive application of the goods and services tax. Some vehicles purchased in Quebec cross the Ontario border and, for harmonization reasons, the CRA imposes a retroactive tax on the dealers in question. That's a problem.

Is that a problem for your member dealers as well? Were you made aware of this situation? Is it fixed? The Minister of Finance doesn't seem too interested in this file.

[*English*]

Huw Williams: No, but I can look into that for you if you'd like. I think I would have heard of it.

[*Translation*]

Jean-Denis Garon: That's excellent. Thank you very much.

I'll now turn to Ms. Seccia, but anyone can answer.

Ms. Seccia, thank you for joining us. I read your brief carefully and I think you have a great mission. I'm very sensitive to all the challenges you're highlighting, particularly when it comes to discrimination and access to housing. It's understood there are multifaceted challenges, such as housing and access to health care. I understand it's complicated.

That said, in your brief, you urge the government to implement all the recommendations of the Neha Review Panel, which would involve imposing housing conditions on the provinces. I wonder about that. The Bloc Québécois is never really in favour of those kinds of conditions. I think when the federal government imposes conditions on the provinces, it generally leads to barriers rather than housing construction and better access to housing for people from diverse backgrounds. Given the current relations between Quebec and Ottawa, I don't think this is likely to help your cause.

What do you think?

[*English*]

Stefania Seccia: That's fair, absolutely. I think the important thing to note, though, is that regardless of the conditions the federal government puts on any province, at the end of the day, every province and the federal government are duty-bearers to the rights holders within their provinces whom they oversee. Whether it's the federal government enacting certain conditions or not, what we're hoping for is that there is an alignment. The condition of the housing crisis in all streets across Canada—from where I'm from in Vancouver to Quebec—is such that if we don't work together, if we don't maximize the funding outputs and make sure we're providing housing that is adequate and meets the need on the ground, we're not going to end it.

[*Translation*]

Jean-Denis Garon: You understand my reservations. They often stem from the desire to provide more housing and better access.

Ms. Tooze, in your brief, you say that when it comes to climate, the federal government's climate commitments fluctuate. I'd like you to explain what you mean by that, because Mr. Guilbeault, the member for Laurier—Sainte-Marie, is simply saying there are no more climate targets. You say they fluctuate. What do you mean?

How have they fluctuated since Mr. Carney took office?

[*English*]

Helen Tooze: Thank you for the question.

I'm no expert particularly on that, but we found under the Trudeau government that there was a lot more outward support for climate movements and environmental regulation.

Prime Minister Carney is not as outwardly spoken. There have been a lot of questions, when I speak to people, about what he is doing. I think it's perception versus reality. Obviously, Mark Carney has been very involved in the environment for many years. He stepped into the Prime Minister role and has taken more of a relaxed opinion on that. A lot of people are wondering—

● (1940)

[*Translation*]

Jean-Denis Garon: I understand your discomfort, because I share it.

I'm going to ask you one last question about the importance of developing a green finance taxonomy. The government keeps setting up committees, but, in the end, they never lead to anything.

Do you think we need another committee?

[*English*]

Helen Tooze: The good news is that what is making up our taxonomy committees isn't government. Business Future Pathways is made up of many organizations involved in the climate sphere. These are experts who are passionate about what they're doing when it comes to the taxonomy.

[*Translation*]

Jean-Denis Garon: Thank you.

The Chair: Thank you, Mr. Garon.

[*English*]

We will continue now with Mr. Lawrence for five minutes.

Philip Lawrence: Thank you.

My questions will start with you, Mr. Kingston.

I've had the pleasure of meeting with representatives and many of your members. A lot of the time the message is the same and it's one that, quite frankly, scares me. They say to me, "Do you know what? It's okay...for now."

If things don't change, if we don't get renewed access to the U.S. market, if we don't have changes that make your business more profitable, how long are we looking at before there is a complete decimation of auto manufacturing in Canada?

Brian Kingston: I'll start on an optimistic note. I do believe that there's an opportunity to get an agreement with the Americans as we head towards the July 1 CUSMA review date. It will likely take longer than that, but the reason for my optimism is simple. Canada is the largest export market for U.S. autos, by far. There is something to be negotiated here, but we actually have to get to the table.

If we don't get any sort of agreement, manufacturers.... So far, we're estimating that Canadian-built vehicles have been tariffed to the tune of $5 billion. That is not sustainable. Companies cannot continue to pay that. If we find ourselves through the summer and into the fall with no resolution whatsoever, current production levels in Canada will be very difficult to maintain.

Philip Lawrence: I appreciate that. I can understand why perhaps you can't quantify that. I'll underline again the worry I have for the members over there, as someone who grew up with their parents all working at General Motors in Oshawa or the St. Catharines plant. It is critical to the Ontario economy, where I come from.

Let's talk a little bit, Mr. Kingston, about competing with the Chinese EVs. I don't think most people fully understand—or I would say, maybe the Prime Minister doesn't fully understand—that when you're competing against a Chinese company, you are competing against the entire Chinese state. You, as your manufacturers, whether you're Toyota, General Motors or Ford, when you're competing against the Chinese, you are competing against the entire resources of a country with close to a billion people.

Would you say that is an accurate statement?

Brian Kingston: All you have to do is look at examples like steel, aluminum, solar panels—you name the sector. If the Chinese state decides that it wants to be a global, dominant player, they put all of the resources of the central government behind it. Then they use what is called “scale, dump, destroy”. They scale their industry domestically, dump excess product into markets that will take it, destroy that domestic industry and then you're totally dependent on China. We see it in sector after sector, and the government has just opened the door for this to occur in automotive.

Philip Lawrence: Finally, we'll talk a bit about the second point you had, with respect to the environmental policies and emissions controls. I'm the shadow minister for intergovernmental affairs and interprovincial trade, so this is of particular importance to me.

Could you elaborate more on what the government could do to make it easier for your manufacturers with respect to environmental controls?

Brian Kingston: Right now, as companies manage all of these tariff costs, we have to do everything possible to lower the cost of doing business in this country. To give you an example from the environmental side, an auto manufacturer that builds and sells cars in Canada currently has to comply with an EV mandate in Quebec, an EV mandate in British Columbia, a federal EV mandate—its repeal has been announced, but it remains in force—and federal emissions standards on top of that.

The cost of compliance in this country is enormous, and it makes it very difficult to be competitive.

● (1945)

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

I'll leave it there, with a few words to my friends across the aisle.

It cannot be overstated how important auto manufacturing is to Canada and our communities. It provides so many quality jobs. It pays for minor league hockey. It pays for our communities. We need to make sure that our auto manufacturers have access to the U.S. market. That simply has to get done.

Thank you.

The Chair: Thank you, Mr. Lawrence.

We'll continue now with Mr. Leitão for five minutes.

Carlos Leitão: Perhaps we can start with you, Mr. Kingston, along the same lines.

I'll remind everyone that we didn't start this. The United States imposed tariffs, unilaterally and unjustifiably, on Canadian auto exports and an industry that is highly integrated.

My question for you is more to get your opinion.

What are your folks in the United States saying about this? What kinds of conversations are GM, Ford and Stellantis having with the U.S. administration? Let's be clear. The U.S. President has said several times that he doesn't need Canadian cars. He's going to make them all in the U.S. How is your industry dealing with this?

Brian Kingston: I was in Washington last month. Manufacturers are constantly trying to find a way to get the administration to see how damaging this policy is. To give you an example of the severity of it, it is now more cost-effective to build a car in Japan or Germany, export it into the U.S. market and pay the 25% tariff. You will still have more margin in that vehicle than if you build it in the States, because not only do you have to comply with the costs of bringing in a vehicle from outside, but you have tariffs on aluminum, you have tariffs on steel and you have tariffs throughout the supply chain.

They are making the case to the administration. I cited that $188-billion U.S. tariff cost. That is on U.S. auto manufacturers. This is not sustainable. It is not making American manufacturers more competitive globally.

Unfortunately, there seems to be significant consistency in the White House on this tariff policy. They are making progress. The posted 25% rate is not the effective tariff that companies are paying, but we clearly still have work to do.

Carlos Leitão: I would just add that, in fact, we are at the table. We want to talk, but if the other side is not there, then we're talking to the wind.

Mr. Williams, just this morning, we were having conversations with the folks in the heavy truck industry. They were saying there's a blockade on Canadian exports to the U.S. Since November, and especially since mid-April, more recently, it's been almost impossible to sell anything into the U.S., yet we import a lot of heavy trucks from the U.S.

How are your industry, your group and your dealers managing this?

Huw Williams: You make very good points.

First of all, on the trade issue, one thing you have to know is that the Government of Canada isn't alone in this fight. All the industry associations involved in the auto sector are spending a great deal of time in Washington, D.C., pointing out that we're their largest customers. Canadian auto dealers and, by extension, Canadian consumers are the largest purchasers of American-made vehicles. That's bigger than the next three countries—China, Mexico and Germany—combined.

We've made this point state by state—for example, to congressional leaders in Indiana. Instead of a Subaru being built in Indiana and going over the Canadian border, spec'd for the North American market, Japan is now sending those same Subarus to Calgary. How does that help Indiana? How does that help this integrated supply chain? I can tell you that behind the scenes, I hear very good things from both sides of the aisle in Congress. It's breaking into the public that's a problem.

The second thing we did was work very hard with the National Automobile Dealers Association in the States. During the first Trump administration, they ran a campaign with us on auto tariffs being bad for the car business, bad for consumers and bad for the economies on both sides of the border. They're now engaged with several other associations in delivering an anti-tariff message to the White House, so there are glimmers of hope down there.

On the truck and trade issue, all the truck manufacturers are united over the lack of compliance I spoke about in my remarks. Those compliance certificates that can't be issued anymore for the 2027 model year should be removed so we can get trucks flowing from the U.S. Ninety-five per cent of the heavy trucks that are sold in Canada are U.S.-made. It is a challenge, for sure.

● (1950)

Carlos Leitão: Thank you.

Time is flying. Perhaps I can go to Dr. Tooze.

You mentioned made-in-Canada guidelines. Could you add, in the few seconds we have left...?

We don't have any seconds left. I'm sorry. I asked a question, but....

Philip Lawrence: She's bringing down the hammer.

Carlos Leitão: I'll follow up on the made-in-Canada guidelines.

The Chair: Thank you, Mr. Leitão.

[*Translation*]

To finish this meeting, I give the floor to Mr. Garon for two and a half minutes.

Jean-Denis Garon: Thank you, Madam Chair.

I'll continue with you, Ms. Tooze.

We heard from the Canadian Bankers Association today. Some of its members invest heavily in oil to the point of being overexposed, lend to the oil sector and engage in greenwashing. In the last budget implementation act, the government amended the anti-greenwashing law so these companies could, to some extent, mislead the public more easily.

What do you think about the banking sector's exposure to climate risks, and how do you think it should be regulated?

[*English*]

Helen Tooze: The banking sector is quite well regulated when it comes to mandatory disclosures because of OSFI, from that perspective.

The anti-greenwashing bill hoped to help with ensuring that they wouldn't greenwash. Their exposure to the oil and gas industry is a known problem. They do need to diversify. This is where greater transparency would help investors and the market know which banks are heavily invested in oil and gas. With the possibility of stranded assets, movement elsewhere would be helpful. You get that push and pull. If they're transparent, investors and people who go to them would realize that they are over-invested and, perhaps, go to a bank that isn't in that way.

[*Translation*]

Jean-Denis Garon: Excellent.

Madam Chair, I won't have time to ask another question, because I have about 20 seconds left.

I'll take a moment to say that the hockey game starts in seven minutes, that Montreal last won the Stanley Cup in 1993, and that, less than two years later, we almost won a referendum.

Canadians here in the room should therefore be careful before choosing who they cheer for. Have a good rest of the day, everyone.

[*English*]

The Chair: With that, I would really like to thank our witnesses for today, and I would like to thank all of the committee members for hearing all of the testimony.

On behalf of the committee, go, Habs, go! I hope all of you get a chance to watch the hockey game.

I look forward to seeing many of you again tomorrow.

The meeting is adjourned.