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• (1535)

[English]

The Chair (Hon. Karina Gould (Burlington, Lib.)): Good afternoon. I call this meeting to order.

Welcome to meeting number 43 of the House of Commons Standing Committee on Finance. Today's meeting is taking place in a hybrid format, pursuant to the Standing Orders.

Before we continue, I'd like to remind participants of the following points. Please wait until I recognize you by name before you speak. For those participating by video conference, click on the microphone icon to activate your mic. Please mute yourself when you are not speaking.

We have all virtual witnesses today. For those on Zoom, at the bottom of your screen you can select the appropriate channel for interpretation: floor audio, English or French. For those in the room, you can use the earpiece and select the desired channel. This is a reminder that all comments should be addressed through the chair.

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

I would like to now welcome our witnesses.

[Translation]

We have Frédéric Laurin, professor of economics at the Université du Québec à Trois-Rivières's school of management and researcher at the Institut de recherche sur les PME.

We also have Luc Godbout, professor of taxation and public finance at the Université de Sherbrooke.

From the Conseil du patronat du Québec, or Quebec employers' council, we have Michelle LLambías Meunier, president and chief executive officer, as well as Norma Kozhaya, vice-president of research and chief economist.

From the Fédération des chambres de commerce du Québec, or Quebec federation of chambers of commerce, we have Mathieu Lavigne, vice-president, public and economic affairs, and Hubert Rioux, economic director.

Mr. Laurin, we will start with you, and you have five minutes for your opening remarks.

Frédéric Laurin (Economics Professor and Research, École de gestion, Université du Québec à Trois-Rivière, Institut de recherche sur les PME, As an Individual): I would like to thank

the Standing Committee on Finance for this invitation to testify before you today.

I am a professor of economics at the Université du Québec à Trois-Rivières. I specialize in regional economic development.

My remarks will focus on public funding for regional development. Here's the problem: Both Canada and Quebec lag behind the United States in productivity. Quebec is also lagging behind Ontario. The pace of business transformation is slower than we would like, whether in terms of the digital transition, automation or the use of artificial intelligence, among other things.

Our companies are not innovative enough to develop innovative processes and products. The same is true for market diversification: Our companies aren't doing enough for exports outside the United States. There is nonetheless a very broad range of government programs to support productivity, innovation and market diversification, both federally and provincially, as well as at the Business Development Bank of Canada, Canada Economic Development, Investissement Québec and other organizations. We're talking about tax credits, direct support, grants, low-interest loans and so forth.

Yet many companies are not responding to these financial incentives. Why? In the vast majority of small and medium-sized businesses, the problem is not project funding. So what's the problem? Every business and every business project involves a degree of risk and uncertainty. How can that be properly assessed? The more information the company gets, the better able it is to properly assess and manage risk, the less uncertainty there is.

Business leaders don't know everything, though. Owing to a lack of information, they often tend to overestimate the risk and the level of difficulty. So the company's project remains at the idea stage or is postponed. At the Institut de recherche sur les PME, that is one of the main barriers to the development of small and medium-sized businesses.

I often ask companies that export to the United States why they don't go to Europe. They say it's much more complicated. Why are they not adopting new technologies? They say they don't even know where to start, who to call first and what technology to adopt because things are changing so quickly. So you can imagine that a public servant waiting in his office for those companies to come and apply for those programs will never see them, because the project remains at the idea stage.

That's why I'm proposing a much more proactive approach on the ground, which would involve visiting companies and analyzing their ability to carry out various development projects. So we want to encourage projects that would not otherwise move forward, based on the companies' ability and the assurance that the company will then be able to count on a range of support. That's what I call extreme upstream action. It comes along when the project is just a tentative idea, when the company CEO is just vaguely thinking of it. The goal is to create a breakthrough, to trigger an activation process.

Companies could also be invited to join communities of practice, co-development cohorts or regional sector tables to promote the sharing of information and best practices, self-promotion or mutual support in particular. For example, they could get together to develop a market in Europe or to adopt an integrated management package in a business. That way, they can share the costs and help each other.

My question is this: Who is responsible for organizing these events in the regions? That kind of proactive approach on the ground is part of organizing economic development in the area, commonly known as orgware. This concept is hard to explain in the time I have, but I can summarize its three components: coordinated and consistent strategies; mobilized socio-economic factors, including businesses; and businesses working together. Everything is orchestrated by moderators and leaders in the regional ecosystem, but who is responsible for that in the regions?

It is also very difficult to fund projects of that kind. There are a lot of programs that support an individual business or community, particularly in terms of infrastructure. In the case of collective projects carried out independently by a number of businesses and stakeholders, it's more difficult. We're told that it doesn't meet the program criteria, tick the boxes. So greater flexibility is needed in defining and implementing programs. We also need to encourage those kinds of structural and collective projects.

• (1540)

With that, I thank you for your attention.

The Chair: Thank you, Professor Laurin.

Professor Godbout, you have the floor for five minutes.

Luc Godbout (Professor, Chaire en fiscalité et en finances publiques, Université de Sherbrooke, As an Individual): Thank you very much.

Good morning, everyone. Thank you for the invitation.

As part of the pre-budget consultations, I'm going to rhyme off about a dozen recommendations.

First, the new fiscal framework presented by the government needs to be better defined. Like the Parliamentary Budget Officer, I recommend improving transparency on so-called capital investment measures, which are actually similar to asset creation. The International Monetary Fund, while noting the usefulness of the new budgeting framework, also noted that more work is needed.

Second, a debt anchor or debt-to GDP ratio should be established, for example, as the International Monetary Fund has once again suggested.

Third, the impact of defence spending on the fiscal framework should be more transparently assessed and reported on. The latest economic update in the spring reiterated that Canada is on track to invest 5% of GDP in the defence sector by 2035, which is less than 10 years from now, but it doesn't say whether that is built into the fiscal framework.

Fourth, before implementing the \$6 billion for skilled trades training initiative, which was also in the spring economic update, the federal government must hold discussions with the provinces, for the simple reason that training falls under provincial jurisdiction and encroaches on their areas of jurisdiction. The federal government should also learn from certain past experiences and be careful not to repeat mistakes that were made with any of the provinces. So they should put some kind of guardrail in place to optimize the results of this new initiative.

Fifth, in our opinion, the federal fuel excise tax exemption seems ill-advised from a public finance standpoint. It would be better not to extend this tax holiday and to maximize the chances of restoring the tax as it was and eventually indexing it. I would remind you that a tax holiday of this nature benefits higher-income households more than low-income households. So in order to facilitate the reintroduction of the tax, consideration should probably be given to putting it into a community development fund or some other fund dedicated to that.

Sixth, in the current housing context, it would be more beneficial to contribute to increasing the supply of affordable rental housing rather than adding another measure or enhancing the many existing measures for home ownership. The federal government should therefore think about certain avenues, such as converting residential buildings to non-market housing, which would cost much less than the subsidies mentioned. One option is to defer the capital gains deferral to private building owners if they sell to a non-profit organization in order to reinvest the proceeds of that sale into the construction of new housing. In fact, that was an election promise. Another option would be to assess the possibility of a capital gains exemption when someone gives a rental property to a non-profit organization, which turns it into non-market affordable housing. These are not very expensive ideas that could be worth analyzing.

Seventh, with respect to the \$1.7 billion in federal funding for housing to be provided to the provinces to improve housing supply, the federal government must ensure that each province receives its fair share. Provincial differences could make it more difficult for some of them.

Eighth, we must not give up on international taxation. Canada's tax system needs to be reassessed in light of juxtaposed systems, including the global minimum tax.

Ninth, even though the digital services tax has been scrapped, we need to rethink that kind of tax. On the one hand, France, Italy and the United Kingdom have retained that tax method. On the other, its abolition does not seem to have helped Canada make any gains in settling the trade dispute with the United States. This tax on the digital economy might even help us better capture the profits that will be made from artificial intelligence and that could reduce some other more traditional tax bases.

Tenth, without going into detail, I would also suggest establishing a framework for the taxation of cryptoassets.

• (1545)

I know that time is running out, so let me conclude by saying that a lot of budget announcements are made outside budget periods, whether it's the traditional budget period or economic updates. So, for my eleventh recommendation, in the absence of a national emergency, it would probably be a good idea to make the announcements within more specific budget frameworks.

The Chair: Thank you, Professor Godbout.

Your time is up.

Luc Godbout: Perfect.

The Chair: Thank you for your opening remarks.

Ms. LLambías Meunier, representative of the Conseil du patronat du Québec, you have the floor for five minutes.

Michelle LLambías Meunier (President and Chief Executive Officer, Conseil du patronat du Québec): Thank you.

I would like to thank the members of the committee for the invitation.

At the Conseil du patronat du Québec, or CPQ, we represent 70,000 employers across the province.

In the context of the current trade war, the major transformation in our relationship with our main economic partner and, obviously, geopolitical tensions that are placing increasing pressure on energy prices, the CPQ believes it is more necessary than ever to focus our efforts on what we can actually control here in Quebec and Canada.

We need to be able to strengthen our business environment, stimulate investment, increase our productivity and competitiveness, diversify our markets, of course, and support our capacity for innovation. It is under these conditions that we can make our economy resilient and maintain our standard of living.

The recommendations we are making today are part of that perspective of strengthening our economic and industrial fabric to better deal with the uncertainty we are facing on a daily basis as well as the challenges looming on the horizon.

First, on the regulatory front, project approval processes in Canada are too long, too complex and not well coordinated. That's what we hear on a daily basis from our many members. Multiple players and the lack of alignment among the various bodies are delaying the completion of projects, both public and private, and slowing investment. We recognize the government's desire to make improvements in this area, but it still has a lot of work to do to

achieve its goals. The CPQ supports these efforts to simplify and speed up authorization processes, but more needs to be done.

More broadly, our regulatory framework must evolve to foster innovation, investment and competitiveness, while continuing to meet the objectives of health, safety and the protection of the public, of course. Adding new counterproductive constraints should also be avoided, particularly in specific strategic sectors where speed of action and investment ability are key.

Competitive, stable and predictable taxation is an essential instrument to attract investment and support business growth. The CPQ recommends, among other things, reducing the tax on reinvested profits in order to stimulate productive investment, maintaining a competitive advantage over the United States, and retaining effective measures such as super-productivity deductions. We are also thinking of strengthening tax credits for research and development by expanding eligibility for pre-commercialization and commercialization expenses, which are phases that can be described as a valley of death, since they are particularly difficult for many businesses. We also maintain that any tax increase, whether general or sectoral, must be avoided, as it would further weaken business competitiveness. In this context of the trade war, targeted measures are still needed to support the sectors directly affected by the tariffs, including the steel, aluminum, automotive, wood and copper sectors.

Beyond ad hoc support, it's mainly a question of helping businesses to adapt, diversify their markets and better integrate into national and international value chains. This requires, among other things, increased support for exports as well as initiatives that promote trade within the Canadian market itself. Once again, we see the efforts that have been made to promote interprovincial trade, but the results remain to be seen.

The CPQ also urges the government to pay particular attention to strategic sectors such as telecommunications and the life sciences, in particular by modernizing certain regulatory components. At the same time, we need to accelerate the integration of new technologies, particularly artificial intelligence, into Canadian businesses to increase their productivity and competitiveness.

On the energy front, we should focus on a diversity of supply sources as well as principles of energy efficiency and frugality, and using the right energy for the right use at the right cost, while strengthening our energy self-sufficiency.

In terms of government procurement, we believe the government needs to use its purchasing power more strategically. Where appropriate, preference should be given to local suppliers and consideration should be given to the economic benefits of public contracts, particularly in sectors affected by tariffs, while respecting the principles of competition and the sound management of public funds. Such an approach would promote not only innovation, but also greater participation by small and medium-sized businesses in Quebec and in Canada. We believe that Canada's defence industrial strategy must contribute to strengthening Canada's industrial fabric through—

• (1550)

The Chair: Ms. LLambías Meunier, you have about 10 seconds left.

Michelle LLambías Meunier: Perfect.

Let me conclude by saying that we recommend, among other things, reinvesting in the national trade corridors fund, particularly in the St. Lawrence corridor, making the required investments in municipal infrastructure and guaranteeing funding for public transit, as we just talked about a few minutes ago.

The Chair: Thank you, Ms. LLambías. That concludes your time.

Michelle LLambías Meunier: Thank you.

The Chair: We will now continue with you, Mr. Lavigne, representing the Fédération des chambres de commerce du Québec. You have the floor for five minutes.

Mathieu Lavigne (Vice-President, Public and Economic Affairs, Fédération des chambres de commerce du Québec): Good afternoon, Madam Chair and committee members.

Thank you for the invitation and the opportunity to share our main expectations for the 2026-27 budget.

The Fédération des chambres de commerce du Québec, or FC-CQ, represents more than 40,000 organizations across Quebec, in every sector and region.

In the context of trade tensions, a sharp economic slowdown, persistent destabilization of supply chains and growing concerns about inflation, our recommendations have a central objective, which is to strengthen the competitiveness, resilience and growth capacity of Quebec and Canadian businesses.

We focus on four key priorities.

The first key priority is to strengthen business competitiveness. To achieve this, we recommend adopting tax and financial measures to support investment. Canada is laggard in tax competitiveness, in part because of a higher corporate tax rate than the average for Organisation for Economic Co-operation and Development countries. In a context where the U.S. has permanently reduced federal corporate income tax and consolidated a number of permanent incentives for investment, it is becoming urgent to act.

The first recommendation in the brief we submitted is therefore to reduce the general corporate tax rate and enhance the small business deduction. Our second recommendation is that the superdeduction incentives for productivity be made permanent. These are two essential measures to reduce the pressure on companies' cash flow and stimulate investment, which is currently stagnating.

Moreover, the tariff war is putting direct pressure on our manufacturers. Since April 6 and the application of section 232 tariffs on imports, the situation has become unsustainable.

That is why we make two other recommendations: expand the financial support programs for affected businesses by enhancing their non-refundable component; and restore the horizontal or automatic rebates of Canadian retaliatory tariffs on American steel for all manufacturing sectors, not just the automotive and aerospace sectors.

The second key priority is maximizing market access for our businesses. Despite this tariff war, our trade dependence on the U.S. remains high. The decline in exports to the U.S. is only partially offset by other destinations.

To support diversification, our fifth recommendation is to introduce a refundable tax credit for the exploration of new markets. This would mitigate risks and amortize the significant costs associated with diversification, particularly for our small and medium-sized businesses. Our sixth recommendation is to overhaul the CanExport SME program to promote sustainable international implementation rather than ad hoc activities, such as trade shows or business development.

Our seventh recommendation is to better support strategic sectors, including access to capital for dual-use advanced technologies and defence.

Our eighth recommendation is to provide our private companies with incentives to adopt sovereign digital solutions.

The third major priority is a permanent one for businesses in every region of Quebec, especially for SMEs, which is to offset the labour shortage. Labour scarcity remains an everyday challenge for businesses. In Quebec, there are more than 112,000 vacant positions, and 70% of those are located outside of Montreal. Restrictions to the temporary foreign worker program, or TFWP, have a major economic impact on businesses, as they jeopardize their growth and, in some cases, their survival. Moreover, the labour market is rapidly changing, particularly as a result of automation, which is affecting or will soon affect a significant portion of jobs.

That is why we recommend that the parameters of the TFWP be restored immediately to their September 2024 state, but also that employment insurance benefits be amended by tying them more directly to Quebec's occupational retraining programs.

The fourth major priority is to support the vitality of our regions, whose traditional economic sectors are suffering from economic instability.

As such, we recommend further support for the forestry sector by maximizing the use of wood in infrastructure and construction, encouraging and accelerating critical and strategic minerals development by giving the same incentives as we do for green technologies, and investing heavily in port and airport infrastructure to smooth out and expand our logistics corridors' capacity. The St. Lawrence corridor in particular is a strategic lever to increase Canada's logistical competitiveness.

In summary, our recommendations have a common theme and priority: empowering businesses to invest, innovate and conquer new markets in a more competitive economic environment. In a context of uncertainty and transformation, the next federal budget will be crucial.

Thank you for your attention. We look forward to your questions.

• (1555)

The Chair: Thank you, Mr. Lavigne.

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

Eric Lefebvre (Richmond—Arthabaska, CPC): Thank you, Madam Chair.

Thank you, witnesses, for joining us.

Mr. Lavigne, with regard to negotiations with the U.S., Canada is currently putting a lot of energy into concluding agreements other than the one between Canada, the U.S. and Mexico.

What are your thoughts on that? Do you think it's more important to put energy into the agreement with the U.S.?

Mathieu Lavigne: In my opening remarks, I forgot to introduce my colleague, and I give myself a slap on the wrist for that. I'll let my colleague Hubert Rioux, the economic director of the Fédération des chambres de commerce du Québec, answer the question.

Eric Lefebvre: Okay.

Hubert Rioux (Economic Director, Fédération des chambres de commerce du Québec): Thank you, Mr. Lefebvre.

This is indeed a top priority for us. As we've said, since April 6, tariffs imposed on the fly have been unsustainable for a lot of manufacturing companies, especially those that make high-value-added products. They're the ones suffering the biggest shock. Without a doubt, the issue of tariffs must be a priority in the Canada—U.S.—Mexico Agreement renewal negotiations.

Until an agreement is reached, there are things we can do on our side. That's why we recommend enhancing the financial assistance programs for companies affected by the tariffs and, above all, reinstating the horizontal rebates on Canadian countertariffs, which affect American steel importers in particular. If they were relevant until last January, they are even more relevant today.

• (1600)

Eric Lefebvre: If the Canadian Prime Minister were here and you had to give him two recommendations about negotiations with the U.S. and the efforts needed to resolve this issue as quickly as possible, what would they be?

Mathieu Lavigne: What my colleague just talked about is certainly extremely important. There are businesses whose survival is at risk. We've seen in the news that for the last few weeks or months, businesses have been closing down. These targeted measures are definitely extremely important.

As I said at the outset, the main priority is to adjust our own taxation. Our tax rate is too high. We're not competitive enough with the U.S. While they were imposing tariffs, the U.S. permanently cut taxes, which was already making us less competitive. It's a lever the

federal government controls, regardless of what the Americans do. That's something we control. That's our first recommendation.

Eric Lefebvre: My question is for you, Mr. Rioux, but I'd also like Ms. LLambias Meunier to answer the following question.

How can we accelerate AI integration in our businesses? As we know, Canada lags far behind when it comes to its businesses' productivity. How could AI help us in that regard?

Hubert Rioux: Things have been moving in the right direction in recent months, including through the Canadian sovereign AI compute strategy and the related infrastructure program. We welcomed that. What's missing is a strategy for first adoption of Canadian-developed technological solutions—AI, but also cloud computing, for example—in medium and large private companies.

We think creating tax incentives for technological investment, enhanced when our large private companies invest in Canadian and Quebec technology solution suppliers, would strengthen the federal approach to digital sovereignty. We'd be killing two birds with one stone, since it would accelerate the adoption of technologies by our companies and the development of our start-ups and SMEs that offer sovereign technological solutions.

Eric Lefebvre: Ms. LLambias Meunier, I'd like to ask you the same question. You also talked about accelerating AI integration in our businesses. I'd like to hear your thoughts on that.

Michelle LLambias Meunier: Quite a few companies have already completed what we call the diagnostic phase, meaning they've identified the potential uses and needs AI or new technologies could meet within their companies. Where they have difficulty once they've completed the diagnostic phase is deploying an internal action plan or deploying these technologies internally. I'm talking mainly about SMEs, because they don't necessarily have the necessary capacity, either financially or in terms of expertise, to deploy an action plan and measure the impact on productivity within 12 months, 18 months or 24 months.

Specific programs would be needed for support. It also has to be a progression format: diagnosis, support and efficiency measures.

I agree with my colleagues from the Fédération des chambres de commerce on tax incentives to encourage businesses to turn to local suppliers, whether in Quebec or elsewhere in Canada. Measures exist, but they're not sufficiently known.

Eric Lefebvre: You talked about the importance of investing in municipal infrastructure. A number of municipalities, particularly in Quebec, are going to hit a wall.

How can the government better support municipalities with their municipal infrastructure to help our businesses develop?

The Chair: A very brief answer, please, because there's 10 seconds left.

Michelle LLambías Meunier: Municipal infrastructure priority must be given to housing and water. Focusing on that first will go a long way to helping municipalities become more sustainable.

The Chair: Thank you, Mr. Lefebvre.

Eric Lefebvre: Thank you.

• (1605)

The Chair: We're now going to Mr. Leitão for six minutes.

Carlos Leitão (Marc-Aurèle-Fortin, Lib.): Thank you, Madam Chair.

Good morning, ladies and gentlemen. Thank you all for being here. Our speaking time is a bit limited, so I might not have time to speak with everyone, but I'll do my best.

Professor Laurin, you talked about a concept known in English as orgware, and I find that quite interesting, especially since, as you said, a lot of SMEs tend to overestimate risk.

How could we organize this in practice? Who would set it up? How could this concept be operationalized?

Frédéric Laurin: To shed some light on this concept, I'll talk about the three stages of regional economic development.

The first stage is computer equipment: infrastructure, telecommunications, industrial parks, ports and highways, to name a few. They're essential, but still not enough.

Then there's software: supporting businesses in terms of productivity, innovation, exports, tax credits, and so on. That's essential, but it's not enough.

What's missing is the organization of all that and making the connections, what I call "orgware". Let's say companies want to export. They have to be more productive and they have to solicit markets. They also need to ensure workforce training and funding. All this means a lot of elements and different stakeholders would be mobilized for export.

Well, someone needs to coordinate the strategy. Currently, in the regions, particularly in Quebec, there are no stakeholders playing that role to prevent work from being done in silos. It's about having a coherent strategy across all of those elements and engaging companies in what I would say is far upstream, meaning the initiation of projects on the ground.

What I propose is for organizations like the Business Development Bank of Canada, or a department like Canada Economic De-

velopment, to try and do more work on the ground. I know they're already doing a lot, but they should be out there a lot more and paying more attention to the projects that require coordination. Coordination is not always included in project-related budget envelopes; it comes out of salaries, and government programs often don't like paying salaries. In some cases, such as collective projects, that's what will be needed to put things together.

I could summarize the operationalization in two points: really working upstream on the ground with companies and making sure things are done collectively.

Carlos Leitão: I'll go back to business associations and mention one of them, because I met with them earlier last week. It's called STIQ, or Sous-traitance industrielle Québec, an association of SMEs and large companies in the industrial sector.

Could those business associations also help better organize the strategy?

Frédéric Laurin: Yes, absolutely.

The issue is these are either sectoral organizations, which intervene in a sector and are already useful, or provincial or national organizations. It doesn't solve the coordination issue at the regional level. We really see it at all levels.

Let me give you an example. In Trois-Rivières, we try to intervene far upstream, meaning a 360° intervention where we look at the company's engineering, human resources, capacity and funding, because we know it's all interrelated. The problem is organizations are already providing support for innovation and exports, which means we can't do a 360° turnkey intervention. We're told there are already funding programs left and right, but none of those are connected or coordinated.

Carlos Leitão: That's great. Thank you.

Mr. Godbout, it's a pleasure to see you again.

Luc Godbout: Likewise.

Carlos Leitão: You made a number of very concrete proposals. Thank you.

I'd like to talk about the digital services tax. How do you see that evolving? Should it have a broader scope than the one that was abolished, which was much more recent? Is there a practical way to implement a digital services tax?

• (1610)

Luc Godbout: I especially think it was abolished a bit quickly. We lost our lever, even though its application was starting the next day. We're talking about a billion dollars a year. The issue is mostly that at least three of the other G7 countries still have one.

We have to think about how to bring it back. I agree with you that its scope could be broadened, but it has to be brought back, especially in the AI logic, where large companies might be the ones profiting from this type of business and some Canadian or Quebec companies, regardless of their size, might decline. That's why I think we absolutely need to continue thinking about this.

Carlos Leitão: Thank you.

I see my time's up. I'll speak to the Fédération des chambres de commerce du Québec and the Conseil du patronat du Québec in the next round of questions.

The Chair: Thank you, Mr. Leitão.

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

Jean-Denis Garon (Mirabel, BQ): Thank you, Madam Chair.

I would like to extend my greetings to all the witnesses and thank them for joining us today.

I will begin by addressing the FCCQ representatives.

The government has introduced what is known as the productivity super-deduction, which is simply a marketing term for accelerated depreciation. They gave it a fancy name and thought it was a generational initiative, but it's actually quite standard in many countries.

The difference is that, in Canada, the Minister of Finance has handpicked the winners; some sectors have access to it, but others do not. Take the fibre-optic sector, for example. Investors tell us that, if we want to roll out fibre-optic infrastructure to improve our digital sovereignty, we do not have access to the super-deduction under the current parameters.

Do you agree that significantly broadening the application of this super-deduction by selecting fewer winners would serve as a catalyst for growth and potential economic development?

Hubert Rioux: Thank you for your question, Mr. Garon.

Yes, indeed. If we were to expand it, that could be a step in the right direction. Of course, we are also aware that such a measure poses challenges in terms of public finances. It involves significant costs. We believe it would be more beneficial in the short term to simply make it permanent, as the United States has done, particularly for all manufacturing sectors. So far, a phase-out period is planned for this measure between 2030 and 2033.

However, we know that most companies plan their investments several years in advance. Therefore, it is counterproductive to plan a phase-out period for this measure, especially since the United States is currently very effective at attracting manufacturing investment domestically through its tariffs and tax policies. So, we are shooting ourselves in the foot a bit by telling companies that after 2030, they will no longer be eligible for it.

Jean-Denis Garon: Thank you.

Professor Godbout, you are the research chair on taxation and public finance at the University of Sherbrooke, I'll continue with you.

You mentioned the accounting for defence investments, and I recall that, when we debated the economic update, we asked officials during a briefing whether submarines had been ordered and whether there were appropriations for submarines. We got the impression that massive defence expenditures that hadn't yet been budgeted were imminent.

It's a bit difficult for parliamentarians—and, consequently, for a research chair such as yourself—to understand what's coming, how much will be allocated, for which year, and to know what's included in the amounts already allocated.

If you had a concrete proposal to make to the government about how to report expenditures for the coming years, how would you go about ensuring it is transparent and predictable?

Luc Godbout: Greater transparency is essential. If, right now, when we read the budget, we cannot tell whether we are on the right track for investment—if the funds aren't budgeted—then transparency is a problem. I think this is the issue we need to address above all else.

The government has already presented a five-year framework, which is good. We are able to track changes in the deficit ratio and the debt-to-GDP ratio, among other things. However, for other government policies—particularly if we want to invest more in defence—those intentions need to be included in the financial framework. Otherwise, we cannot keep track.

Jean-Denis Garon: Okay.

I'd like to come back to the issue of anchors. What you are telling us is that the anchor—whichever one it is—must be stable and not change over time. Do we have a problem here in Ottawa with the government changing the anchor when it no longer suits its purposes?

Luc Godbout: Let's face it, in Ottawa, the anchors are not very solid. We can even go back to Prime Minister Harper, who managed to pass anti-deficit legislation. At the first opportunity, the new government scrapped that law. Consequently, the anchors would need to survive election years and votes. We can see that the anchors have also changed with each successive finance minister, which is another problem.

Some anchors are actually quite easy to establish. For example, having a deficit-reduction ratio as a percentage of gross domestic product is not very difficult; it might be appropriate and even legitimate. We should sit down and define anchors that could withstand the vagaries of political and economic life.

• (1615)

Jean-Denis Garon: I understand.

I want to briefly touch on diesel. At some point, in the House, I explained that, in real terms, the price of gasoline hadn't risen much over the past 10 to 15 years, though it has fluctuated significantly. It's important to note that the real purchasing power of the wealthiest 80% of households has increased. These people have been able to buy large cars and become more dependent on fuel. In contrast, the least affluent 20% of Canadians are vulnerable to these fluctuations. As a result, the fuel excise tax exemption ultimately benefits 80% of people who may not actually need it. Furthermore, it hinders the transition to a green economy.

You said that if you were in the minister's position, you would not renew this exemption when it expires. Is that because it's too expensive?

Luc Godbout: If I were in the minister's position, I would not.

Jean-Denis Garon: Indeed, a number of us agree. Is it because it did not achieve its objectives, it costs too much or all of the above?

Luc Godbout: All of the above. It doesn't meet the electrification goals. As for how it's distributed among households, wealthier households get more than less affluent ones.

Take the case of Ontario, which introduced a six-month gas tax holiday. It subsequently extended the measure in six-month increments. Eventually, it became permanent. It's possible the tax may never be reinstated.

Jean-Denis Garon: Do you believe that the oil companies actually lowered gas prices on a long-term basis as a result or was it only temporary?

Luc Godbout: In the short term, prices certainly fell, but past studies have shown that, in this type of economic market, producers can recoup part of the tax cut. It was extremely difficult to track.

Jean-Denis Garon: Thank you.

The Chair: Thank you, Mr. Garon.

Mr. Deltell, welcome to the Standing Committee on Finance. You have five minutes.

G rard Deltell (Louis-Saint-Laurent—Akiawenhrahk, CPC): Thank you very much, Madam Chair.

I am extremely honoured to come to this very prestigious committee, led by someone I greatly respect and admire.

Some hon. members: Oh, oh!

G rard Deltell: That's true. I think so.

I'm also very pleased to see such a distinguished group of guests here today. They are mostly from Quebec, and we truly appreciate them.

First, I'd like to ask the representatives from the F d ration des chambres de commerces du Qu bec some questions.

Mr. Lavigne and Mr. Rioux, you mentioned critical minerals, which should receive the same tax incentives as green energy technologies. Can you explain why, in your opinion, this should be the case?

Mathieu Lavigne: Good afternoon. Thank you for your question.

I'll just say this: for the sake of consistency. To successfully transition to a green economy and clean energy, many things are needed. One of the most important things is critical and strategic minerals. We must therefore view them as part of the same continuum, the same value chain.

If we provide incentives for technologies that need critical and strategic minerals, we should provide the same incentives for producing them—especially since here in Quebec and in Canada in general, we have reserves of these minerals.

So, for the sake of consistency, we do not understand why this same incentive is not in place.

G rard Deltell: Earlier, you also mentioned Canada's international competitiveness. If I understood your comment correctly, we are falling behind. Many things need to be done to improve our competitiveness.

Can you explain what has been done in the United States and why Canada is currently lagging, particularly with regard to our main partner—and also our main competitor—namely the United States?

Hubert Rioux: Thank you for the question.

In terms of taxation, even during the first Trump administration, there was a significant reduction in the federal corporate income tax rate, which fell to 21%. This cut was made permanent by last year's One Big Beautiful Bill Act.

The 21% federal tax rate in several U.S. states—where the corporate tax rate ranges from 0 to 5% for many of Quebec's and Canada's major partners—means that the combined rate of 26.5% for Quebec and Canada, for example, is not very competitive. This therefore has a significant impact on our businesses and their competitiveness relative to their U.S. competitors.

The Tax Foundation's International Tax Competitiveness Index, published annually, ranks Canada 22nd among the 38 countries of the Organization for Economic Cooperation and Development, or OECD, in terms of corporate taxation. This is due in particular to the combined income tax rate, which is higher than the average not only in the United States but also among advanced OECD countries.

For our part, we believe that a reduction in the federal corporate income tax rate in Canada would also be welcome. We are calling for the same in Quebec.

● (1620)

G rard Deltell: Do you have a recommendation on this? You say that this rate is 0% in some states. I don't think it should go that low, but what would you suggest?

Hubert Rioux: We suggest a 1.5% decrease.

G rard Deltell: Excellent.

Ms. LLambías Meunier, from the Conseil du patronat du Québec, thank you for joining us. I'd like to talk to you about a topic you mentioned earlier: the lack of alignment between policies, the paperwork involved and the outcomes for businesses.

You talked about a barrier to investment and said that the process of aligning policies is too time-consuming and too complex. Could you give us an example of a business that is struggling with the fact that the paperwork required and the need to align with market demands are not straightforward?

Michelle LLambías Meunier: I would say that, if it isn't the main challenge, it's the second challenge, right after the workforce issue.

The issue of regulations and the administrative burden comes up consistently among all businesses working with the federal government on various programs or to access various incentives. So it's widespread.

Sometimes it's a matter of form length or consistency across different departments. Very often, businesses tell us they feel like a tennis or ping-pong ball, being bounced back and forth between departments or teams of public servants or colleagues. So this is a huge challenge.

I'll now turn the floor over to my colleague Norma Kozhaya, who is our chief economist. She may have a concrete example to share.

The Chair: There's time for a 10-second answer

Norma Kozhaya (Vice-President of Research and Chief Economist, Conseil du patronat du Québec): Yes. Thank you.

Every sector is affected by this. Large-scale projects, in particular, come to mind. It can take up to 10 or 20 years to obtain the necessary permits for a project.

Gérard Deltell: Did you say 10 or 20 years?

Norma Kozhaya: Yes, it can take 10 to 20 years in the mining or transportation sector.

The Chair: Thank you, ladies and Mr. Deltell. Your time is up.

Mr. Lavoie for five minutes.

Steeve Lavoie (Beauport—Limoilou, Lib.): I would like to thank the witnesses for joining us today. We are doing important work.

Mr. Laurin, I was listening to you earlier, and my colleague Mr. Leitão revisited the issue.

I'd like to share an experience I had when I was at the Quebec City chamber of commerce and industry. We conducted a survey on obstacles preventing businesses from using these programs, and after listening to you earlier, I realize we're still in the same place—and the number one issue is time. You need the time to ensure this alignment, you need to know which program could help, and you need money. You need all three at once to succeed. Often, people have the money and the knowledge, but they don't have the time to do it.

I was listening to you when you were talking about solutions. Back then, we concluded that people needed to step in and help

businesses so they could succeed. It wasn't necessarily the federal, provincial or municipal government that was going to do it. The municipal government offered programs, but people didn't take advantage of them because they lacked the time, the knowledge and the money.

That being said, who could do it? Could it be independent organizations, such as the Conseil du patronat du Québec? Could the Fédération des chambres de commerce du Québec, with its network, take care of it, with the help of the other levels of government?

Even if we invent another 10,000 programs, if people cannot use them due to a lack of time, money or knowledge—as I said, all three are needed—we'll never succeed.

I'll now let you answer my question. I would then like to hear from the representatives of the Fédération and Conseil du patronat on who could coordinate all these programs across the federal level, other levels of government and businesses, in order to finally close this gap.

Frédéric Laurin: I certainly don't want to add another program. There are so many programs, organizations and supports of all kinds.

The problem isn't the number of programs or their nature; it's getting the business off the ground. It's about getting the business to realize that, since it's going to undertake a project like this, it will need funding, workforce training and someone to open doors for it in Germany.

We have people who will work with the business on all of this, but the project needs to get off the ground and we need to connect the business to all these programs. There are many doors for the business to knock on, but those connections haven't been made yet.

• (1625)

Steeve Lavoie: Who can do that?

Frédéric Laurin: I would say this can be done more at the regional level, because each region faces its own challenges. The municipality or regional county municipality is best positioned to be the first point of contact with the business, because it knows its territory.

Most economic development challenges extend beyond the boundaries of a single municipality, particularly labour markets, economic sectors, and mechanisms for attracting and retaining workers and investment. So it would take someone who thinks in terms of the region, and that's where the gaps lie.

Steeve Lavoie: Thank you.

I would now like to hear from the Fédération des chambres de commerce du Québec, the federation of Quebec chambers of commerce, for one minute or less, as well as the Quebec Employers' Council. What are your thoughts? Can you or another organization be part of the solution?

Mathieu Lavigne: Hello again, Mr. Lavoie.

I would say that we can certainly be part of the solution, but you're highlighting the possibility that other organizations could take on this role.

Steeve Lavoie: That would be to carry out the activation, as Mr. Laurin said.

Mathieu Lavigne: Keeping track of all the programs and all potential alignments between what exists in Quebec and at the federal level, as well as trying to take stock of what is actually in effect and what aligns with what, is already an ongoing challenge for our organization. I imagine it's the same for my colleagues at the Quebec Employers' Council as well.

This is a challenge we face as an organization. Imagine an SME that doesn't have resources dedicated to tracking these measures and alignments; it will certainly have a hard time managing it.

Steeve Lavoie: Does the Quebec Employers' Council have anything to add?

Michelle LLambías Meunier: I can quickly add to that.

Regarding the question of our ability to do this, we can certainly be part of the solution, because we are already implementing other support programs for SMEs and businesses. The FCCQ and the QEC do this, as well as several organizations across the region.

The idea is to work in a complementary way, not to replace expertise that already exists.

So, the easy answer is yes. However, there may be other players who are already capable of doing this. It's also true that we, too, are struggling to find our way through this chaos of information that changes every day.

Steeve Lavoie: Absolutely.

Michelle LLambías Meunier: So, that's a challenge.

Steeve Lavoie: Indeed.

What I've taken away so far is that there are many programs, but not all of them are being used, as Mr. Laurin mentioned. So, we need to work on getting SMEs up and running because, often, we want several new measures, but SMEs aren't able to implement them. We need to find stakeholders like you, the FCCQ and the QEC, to help them get started and support our businesses.

Thank you.

The Chair: Thank you, Mr. Lavoie.

We will conclude this hour with Mr. Garon for two and a half minutes.

Jean-Denis Garon: Thank you, Madam Chair.

I will continue with Professor Godbout on the issue of accounting for current expenditures versus investments.

We understand that governments have current expenditures and that they make certain investments. These investments may be recorded on the infrastructure balance sheet, as is the case in Quebec. Furthermore, we can amortize a certain portion of them in the current budget over a number of years, for example. So, this is the logic by which they are accounted for, for instance in Quebec. This is also what the United Kingdom, a unitary state, does.

In the Canadian context—the committee had asked officials to perform the calculations some time ago—I believe that around 4% of public capital in Canada is federally owned. Of this percentage,

the majority of the assets are already accounted for under private-sector accounting: airports, ports, among others. It turns out, therefore, that there is virtually no true public capital at the federal level.

Furthermore, when you do the accounting—as the government tried to do to explain that these amounts weren't really expenditures—it ends up being transfers that the provinces convert into investments and record on their books, as in the Quebec infrastructure plan.

This leads to situations where security at FIFA World Cup matches becomes an investment in the budget. That's what we saw this fall. I won't ask you whether this is an investment or not, because I think it's getting ridiculous.

In the federal context, where there is almost no capital, how can we establish a credible framework so we don't end up with a farce like the one we saw in the last budget?

Luc Godbout: The main point being made here seems to be that our research and development tax credits are, in fact, part of our investments since they will help businesses invest. I think we're stretching the definition a bit. I think that—

Jean-Denis Garon: I'm cutting you off because there are only a few seconds left, but that's my question. When you strip away everything that's been stretched, there's practically nothing left. So why are we doing this?

Luc Godbout: People haven't criticized the exercise. The International Monetary Fund thinks it's a worthwhile consideration. The Parliamentary Budget Officer has raised concerns about what falls under the categories of operating expenses and infrastructure expenses. We share roughly the same view. We're not saying the exercise is incorrect, but we are saying that it's necessary to clarify what truly constitutes a capital expenditure as opposed to an operating expense.

• (1630)

Jean-Denis Garon: Thank you.

The Chair: Thank you, Mr. Garon.

I would like to thank all the witnesses for their time and their work.

We will briefly adjourn the session to prepare for the next group of witnesses.

• (1630)

(Pause)

• (1635)

[English]

The Vice-Chair (Jasraj Hallan (Calgary East, CPC)): Welcome back, everyone. We're resuming the meeting.

I would like to welcome our witnesses.

I would like to remind participants of the following points.

Please wait until I recognize you by name before speaking. For those participating by video conference, click on the microphone icon to activate your mic, and please mute yourself when you are not speaking.

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 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.

You will have five minutes for your opening remarks, after which we will open the floor to questions.

First, we have the CSN.

You have five minutes.

[*Translation*]

Caroline Senneville (President, Confédération des syndicats nationaux): Good morning. Thank you for having us.

At the Confederation of National Trade Unions, or CNTU, we have three major concerns regarding Canada: social inequality, our economy and our democracy. Therefore, the recommendations we are making to you relate to each of these issues.

Social inequality in Canada is on the rise. In recent years, the wealthiest 20% of Canadians have become richer, while the poorest 20% have actually become poorer. So, in our view, we need to reform the tax system to make it more progressive in order to redistribute this wealth. We also need to review corporate taxation, and we must absolutely combat tax havens to ensure we have socially responsible companies.

Another way to combat inequality is to continue investing in social protections, education and health care. We also need social infrastructure, such as housing.

Furthermore, for the past 10 or 15 years, the CNTU and other labour unions have been repeating that we absolutely must overhaul the employment insurance system, which is not at all fulfilling the purpose for which it was created. In our economy, which is experiencing upheavals, this has become clear. The government is rolling out a host of pilot projects and temporary measures, some of which it extends and others it does not. We believe the entire system needs to be overhauled to ensure it functions properly, rather than relying on ad hoc measures.

Still on the topic of taxation and inequality, we are very disappointed to see that the capital gains tax was not raised as a previous government had announced. In our view, that would have been a good way to combat social inequality.

We are also concerned about our economy. We believe that Canada needs a strong industrial policy that recognizes the contribution of each of Canada's regions. Canada is a large country, and each region faces its own difficulties and challenges.

One recurring challenge concerns the forestry sector. Of course, the latest tariffs are hurting us, but we've been facing tariffs in the forestry sector for decades and have been in a trade dispute with our southern neighbour over this issue. It's time for us to adopt a strong industrial policy in this area to support, of course, workers, but above all, communities. There are places that are almost entire-

ly dependent on a single industry. The closure of forestry companies or businesses linked to this industry would cause major difficulties for certain regions. Their entire social fabric risks unraveling if we do not address this issue.

Another issue that we truly view as an economic one is the environment. We know what's happening south of the border, but everywhere else, investments are being made to build a greener economy, because that is our true future for the coming decades. So, we must continue to invest in a green economy and in the technologies of the future.

I must tell you that, even though the CNTU understands that we have to deal with fossil fuels and that we can't get rid of them overnight, for us, they're part of the old economy. So, it's time to make the shift toward a new economy—a green economy, of course—while working with workers to ensure they don't bear the brunt of this transition. If we want this transition to succeed, we need to give ourselves time to do it and start right now, rather than acting solely out of urgency.

Another topic we'd like to discuss with you is culture. It is very important to protect our culture within our economy. This is a key factor in negotiations, particularly with our U.S. neighbour. It is very important for us to protect what makes Canada unique, such as the francophone community, among other things.

● (1640)

I think the trade conflict with the United States has made Canadians realize that they don't want Canada to become the 51st state of the United States. Therefore, we must support the francophone cultural industry, of course, as well as the non-francophone one.

[*English*]

The Vice-Chair (Jasraj Hallan): Thank you, Ms. Senneville. That's time.

Caroline Senneville: Thank you.

The Vice-Chair (Jasraj Hallan): Next, we have the FTQ for five minutes.

[*Translation*]

Colin L'Ériger (Director, Research Service, Fédération des travailleurs et travailleuses du Québec): Thank you very much for inviting me to testify as part of the pre-budget consultations.

My name is Colin L'Ériger. I am the director of the Research Department at the FTQ—the Fédération des travailleurs et travailleuses du Québec—a Quebec-based labour federation with 600,000 members across all sectors and regions of Quebec.

We know that Quebec and Canada face many challenges. Several have been mentioned, including the trade war, climate change and the housing crisis. Therefore, we will focus our remarks on what the federal government could do to address these issues, which affect the members we represent.

First, it is a matter of supporting workers during these turbulent times. The vast majority of the FTQ's membership is in the private sector. Unfortunately, our affiliated unions operating in the sectors most affected by tariffs are seeing bad news pile up week after week, such as partial or complete business closures.

At the FTQ, we are realistic. We know that we cannot change the economies of Quebec and Canada overnight. However, that does not mean there is nothing we can do. As I mentioned earlier, at the FTQ, we believe that establishing an industrial policy is an extremely promising way to capitalize on the strengths of Quebec and other regions of the country, as well as on the needs of the population. Obviously, it should focus on revitalizing the manufacturing sector—particularly in secondary and tertiary processing—as well as on research and innovation, in order to add greater value to Canadian products.

There's also the issue of buying local. We must encourage and promote the consumption of domestically produced goods, particularly through preferential public procurement and purchasing policies. Steps in this direction have already been taken in the latest budget.

Next, there is the issue of employment insurance. We have seen a rise in the unemployment rate over the past few years. I believe the pandemic has truly highlighted the fact that the employment insurance system no longer adequately meets the needs of workers. Fewer than four out of ten unemployed people are eligible for benefits, even though they all pay premiums. Reform is urgently needed. The brief we submitted contains several recommendations in this regard, including making many of the temporary measures permanent.

Then there is the issue of a public and universal drug insurance plan. Two weeks ago, we held a seminar with our members on group insurance. Many told us about the runaway increase in group insurance costs, to the point where people are wondering whether they'll still have group insurance or if they'll have to give it up. In Quebec, we have a rather unique system. In short, the situation is quite untenable at the moment. Costs continue to rise, and a significant portion of the population—about 10% in Quebec and even more among the most vulnerable groups—is going without medication due to lack of funds.

Of course, there was Bill C-64 on prescription drug coverage, which we welcomed and which was passed. It is a step in the right direction. However, it is now important to devote all necessary efforts and investments to implementing this vital program in order to reduce public health care costs and ease the financial burden on households. This collaboration between the federal government and the provinces is desirable and can be achieved while respecting each jurisdiction's areas of responsibility.

Next, there is the housing crisis. This issue is of great concern to the FTQ. Rent and real estate prices are completely out of step with workers' ability to pay. We see the effects of this every day, whether in the increased reliance on food banks or the rise in homelessness. Just because we're seeing a slight increase in vacancy rates in some markets doesn't mean the crisis is over.

This is becoming a problem not only for the quality of life of the members we represent, but also for the vitality of the economy. All the dysfunctions we see in the housing market are harming the job market. In fact, people are moving less and less, for fear of losing affordable housing. This loss of residential mobility is a loss for the economy. Furthermore, all the money spent on housing is money that isn't being reinvested elsewhere in the economy. There are many studies on this subject, which you've surely seen.

So, there is no one-size-fits-all solution. A wide range of solutions will need to be implemented, but it is very important that the federal government significantly increase investment in social and community housing. Furthermore, we need targets to address the needs of the most vulnerable people and those with the greatest housing needs.

In conclusion, we must reiterate the importance of combatting climate change. We must mobilize public funds to combat climate change, support sectors with a promising future, and promote projects aimed at achieving carbon neutrality. These actions must also be part of a just transition framework—meaning that the workers who will be affected by these changes must not be the only ones to bear the costs. This is a collective effort, so the costs must be shared collectively. Certain communities must not be the only ones affected. This just transition plan must also allow workers to fully participate in planning the decarbonization of their economic sector.

Thank you very much.

● (1645)

[English]

The Vice-Chair (Jasraj Hallan): Thank you very much.

Next, we have the National Police Federation.

Brian Sauvé (President, National Police Federation): Thank you, Mr. Chair.

Thank you for the opportunity to appear today as part of your 2026 pre-budget consultations.

My name is Brian Sauvé. I am a sergeant in the RCMP, and I am also the president of the National Police Federation, the union representing about 20,000 members of the RCMP across Canada and internationally.

The federal government has emphasized the need for fiscal responsibility, nation-building investments and protecting Canadians in an increasingly complex security environment, including in the Arctic. Our recommendations will speak directly to those priorities.

Public safety procurement is not a back-office function. It's a mission-critical issue. When procurement fails, our officers end up carrying expired equipment and working with 20th-century tools against 21st-century threats. This is bad for members' safety, bad for public safety and bad for the federal balance sheet.

Today, RCMP equipment procurement is split across internal RCMP units, central agencies and Public Services and Procurement Canada. Because no single entity owns the full life cycle, from business case to contracting to renewal, projects get delayed, re-tendered or simply overtaken by other priorities. Life-cycle management is piecemeal, and there is no one office that is clearly accountable for ensuring that critical equipment is replaced before expiry rather than years later.

We have lived the consequences. For example, the RCMP service pistol replacement took more than a decade from life-cycle expiry to contract award, while comparable police agencies completed similar procurements in two years or less. Body-worn cameras and other core technologies have followed similar multi-year paths. Across just the pistol and body-worn camera procurement programs, these delays have driven a conservatively estimated cost overrun of \$6 million in wasted spending, avoidable inflation and redundant tendering, as well as the cost of keeping legacy equipment on life support instead of replacing it once with the right tools.

The government has already demonstrated, through the new Defence Investment Agency, that it is willing to treat mission-critical capabilities differently with a strategic road map and a single point of accountability. That same logic must now be extended to public safety.

Our primary recommendation is that the government establish a public safety procurement secretariat and a public safety industrial and procurement strategy parallel to the defence industrial strategy, initially focused on RCMP equipment but scalable to other public safety agencies. This would create clear ownership from start to finish, streamline approvals, align RCMP and PSPC under a single mission-critical framework, and embed life-cycle planning so equipment is renewed on schedule and on time. Every dollar invested in that streamlining will be repaid many times over in reduced delays, fewer failed competitions and less money wasted.

Beyond procurement, we support the government's budget 2025 commitment to add 1,000 RCMP personnel to federal policing over the next two and a half years, which I guess is what we're down to now. Canadians expect that promise as 1,000 police officers dedicated to tackling organized crime, cybercrime and foreign interference. Anything less than 1,000 sworn members, whether they be regular, fully sworn police officers or special constables with police officer status, falls short of that expectation and commitment and of long-standing expert recommendations to bolster federal policing capacity. These positions must be sworn, and they must be truly additional, not simply lateral transfers that leave other parts of the RCMP short-staffed.

Finally, we urge the committee to support a public safety broadband network. A PSBN is critical infrastructure for a modern, resilient Canada. It would give first responders secure interoperable communications built by leveraging existing telecom infrastructure. It would directly support Arctic sovereignty and northern security, improve broadband-based emergency services and align with the government's goals around rural communities. Threats from wildfires to foreign interference occur every day, and our communications infrastructure must be built for that reality.

Taken together, these recommendations represent practical investments that will save money over time, strengthen national security and support the government's nation-building agenda.

Thank you.

● (1650)

The Vice-Chair (Jasraj Hallan): Thank you, Mr. Sauvé.

We go next to Unifor for five minutes.

Lana Payne (National President, Unifor): Great. Thank you very much.

On behalf of Unifor, I want to thank the chair and the members of the committee for this opportunity today. As mentioned, I am the national president of Unifor. My name is Lana Payne. Unifor is Canada's largest private sector union, representing 320,000 workers from coast to coast to coast, in every sector of the economy.

I want to speak to you today about the economic reality that is confronting workers and why the budget must respond with effective measures, including well-developed industrial strategies, to protect Canadian jobs. Canada's economy and labour market are showing cracks, with private sector industries and workplaces facing mounting pressure. These pressures are converging on Canadian workers from different directions.

First, the Trump administration's trade war on Canada continues to hammer critical manufacturing industries, including in the auto, aluminum, steel and wood products sectors, resulting in far too many idle plants, shift reductions, layoffs and delayed investments.

Second, workers are facing rising precarity, with not enough supports to lean on. This precarity includes the privatization of public assets, unchecked automation and AI use, contract flipping and misclassification, workforce restructuring, and contracting out. If we want an economy built on good jobs, fair wages and growing productivity, we need to put Canada on a new track. Budget 2026 is a critical opportunity to spark this shift by reshaping where investment dollars go and what kinds of jobs are created.

Unifor's budget recommendations build on three key policy pillars that our union brought to Ottawa earlier this year. The first is to sell here and build here. Companies that sell into Canada must build and source from Canada as well. The second is worker-centred industrial strategies. We need comprehensive industrial strategies that prioritize workers, job quality and transitional skills. The third is promoting good union jobs. Rather than watering down labour rights and attacking the right to strike, the federal government should be strengthening labour conditions and standards and improving the conditions for fair and free collective bargaining to take place.

We recommend that the federal government's buy Canadian procurement policy be strengthened, including by applying it retroactively to large, strategic, nation-building procurements, like the decision over who will build Via Rail's long-distance fleet coach cars.

On trade, we recommend that the federal government disqualify U.S. suppliers from preferential treatment in the forthcoming policy for reciprocal procurement, and that we identify further points of leverage on which to influence the direction of the ongoing CUS-MA talks. We urge the federal government to use all available statutory tools to prevent companies from offshoring Canadian production.

We want to see government establish strict conditions for federal funding programs, to ensure that any firm receiving public funds must adopt union neutrality agreements to promote good union jobs. When it comes to improving workers' supports and protections, Unifor recommends that government make temporary special EI measures permanent while committing to a comprehensive employment insurance reform, including increasing income replacement rates and the duration of benefits.

Lastly, we strongly urge government to refrain from making amendments to the Canada Labour Code that would undermine the right to strike and fair and free collective bargaining in the federally regulated private sector, where Unifor happens to represent 70,000 workers.

Our submission also outlines a series of targeted supports across multiple sectors of the economy, including auto, telecommunications, aerospace, transportation, critical minerals and energy, to name just a few. On forestry, we are looking forward to the release of the task force report on a sustainable forestry sector for Canada.

I want to thank the committee for this opportunity to speak. I look forward to any of your questions.

• (1655)

The Vice-Chair (Jasraj Hallan): Thank you very much.

We'll open up the round of questions with Mr. Seeback.

You have six minutes.

Kyle Seeback (Dufferin—Caledon, CPC): Thank you very much, Mr. Chair.

Lana, it's nice to see you again. I think the last time we met was in Ottawa. We certainly talked about softwood lumber and about how important that and the auto sector are. I do have another question to ask you, though.

In doing some research over the last little while, I discovered that in 2025 there were 126,000 unemployed skilled tradespeople in Canada. At the same time, the government issued 125,000 temporary foreign worker permits in TEER 0 to 3, which includes skilled trades and skilled labour. I've asked the government to conduct an investigation into this. I've asked two ministers to do this. They haven't committed to doing that.

Do you think it's something that would be important to do, given that those numbers seem to line up exactly and we are having a bit of an employment crisis in Canada, with unemployment at 6.9% and our economy now in recession?

Lana Payne: Thank you very much for that question.

It's incredibly important for programs like the temporary foreign worker program that there are ongoing checks, balances and evaluations of these types of programs that have been introduced. For too long, I think what we have seen is a misuse of the program in many cases while, at the same time, too many jobs have been allowed to be filled by temporary foreign workers that could be filled by Canadians.

That's not to say that we shouldn't have or don't need to have a healthy and robust immigration system in Canada. I believe that we do. The reality is, when we set up the kinds of conditions and rules we do around programs like the temporary foreign worker program, we're almost setting it up for failure and abuse. Without ongoing inspection, auditing and evaluation of that program, we're going to have problems in terms of what you've just described, that not every decision being made is a good one.

Kyle Seeback: One thing I also discovered was that consultation with unions prior to the issuance of temporary foreign worker permits was removed by the Liberal government in 2018.

I've asked ministers if they would restore that, because I think it's a great safety check. There's been no commitment to do that. I assume that you would support that.

• (1700)

Lana Payne: Absolutely.

In many workplaces, we have had ongoing dialogue with employers who may be availing themselves of this program. We do have cases where it may be challenging in some parts of the country to attract labour or, because communities are small, they don't have enough of a labour force to fill some of the jobs in those communities.

Really, that should be a dialogue with the employer and the union. They should be part of these kinds of decisions as they're being made. Of course, I believe that the government has a role to play there too, in terms of making sure that the union is aware of this.

Kyle Seeback: Another thing that I've found deeply troubling has been the offshoring of tech jobs.

I know that Unifor is part of the Canadian Telecommunications Workers Alliance. Recently, 115 specialized network operator positions were eliminated in Canada. They were outsourced, I believe, to India. Not only are these high-paying, specialized jobs by a Canadian telecommunications company, but there's also a security aspect to it. These people had access to very high-level security information on Canadians.

Would you be looking for something in the budget to stop the offshoring of jobs like this?

Lana Payne: Yes. We have a comprehensive number of recommendations in terms of what we would like to see around the telecommunications sector and tech jobs that are being outsourced to other countries.

We have to consider two things right now. One is that we certainly have Canadians capable of doing this work. Many of our members do this work every single day. Two, we have to be aware that other jurisdictions in the world may not have the same privacy rules and regulations and laws or the same kind of concern for Canadian data. A lot of this means that our data is being dealt with in other jurisdictions of the world right now.

For those reasons, given the moment we're in and the entire discussion that we've been having around Canadian sovereignty and what that means, that also needs to apply to the data of Canadians. That means shoring up and firming up the kinds of rules and regulations that apply to telecommunications corporations in Canada in terms of what they can and can't do.

Let's be clear. We have created an environment for telecommunications companies in Canada where they are supported. They have limited competition in Canada. As a result of having those benefits, I would say to you that the trade-off here is strings attached to that, and those strings happen to be and need to be good Canadian union jobs.

Kyle Seeback: I think I have about 30 seconds left. I have one last thing.

Regarding the consultations that are going on with respect to changes to the Canada Labour Code by the Liberals, the rumour I'm hearing is that certain sectors of the Canadian economy, especially in supply chains, will be made essential services, thereby removing the right to strike. I think that's also deeply troubling. I wonder if you have any thoughts on that.

Lana Payne: I have a lot of thoughts on this, but there's probably not enough time, with 30 seconds, Kyle. I hope somebody else comes back with that question.

I would say to you that our union has been very clear.

The Vice-Chair (Jasraj Hallan): Thank you, Ms. Payne. You can probably answer it in the next round.

Next, we have Ms. Church for six minutes.

Leslie Church (Toronto—St. Paul's, Lib.): I think it's Madam Martin.

The Vice-Chair (Jasraj Hallan): That's my bad. It's Ms. Martin for six minutes.

[*Translation*]

Danielle Martin (University—Rosedale, Lib.): I would like to thank the witnesses for their important work.

[*English*]

My questions are also for Ms. Payne.

I want to acknowledge the important work your members do. I know that many of your members have been particularly hard hit in this time of tremendous uncertainty for the Canadian economy. Thank you for the work you do on their behalf.

I want to zoom in a bit on your recommendation number 23. That relates to making permanent the temporary changes to employment insurance and temporary special measures under the work-sharing program. Can you elaborate for us a bit on what these programs have meant for Canadian workers and why you think they've been an important enough intervention that you would like to see them continue?

Lana Payne: Yes. Thank you, Danielle, for that question. I really appreciate it.

We have a list of probably 30 individual recommendations around what we would like to see happen to the employment insurance program, but some of the temporary measures have been very helpful for sure. In the case of work sharing and what it allows us to do, I would like to see more companies use the work-sharing element of the program. It allows us to save jobs.

For example, we have engaged the work-sharing program in the forestry sector, which means that we're not depleting the workforce. We're sharing the work over a period of weeks or months, basically, and we've actually recommended it and used it over time in pretty much every sector where Unifor represents people, that being that we think it's critically important to keep capacity, infrastructure and supply chains going.

Some of the ways we can do that are by making sure that we keep people working through a crisis—we need programs like work-sharing—and supporting this idea of making sure people are staying at work and being productive during an economic downturn, like the one we're starting to see now in Canada.

• (1705)

Danielle Martin: Thanks. To go a bit deeper on that, because I do think it seems to have yielded a lot of creativity, which I think is commendable, I'm wondering, in a universe in which you're recommending that this be made permanent.... Hopefully, we won't be in an economic downturn forever. Hopefully, there is a bit more stability on the horizon. I'm wondering if you can talk to us a little about why you're recommending a permanent shift as opposed to an extension of a temporary shift. How would this help in a permanent way in the foreseeable future of the economy?

Lana Payne: Yes. No matter the state of affairs in the world, there are always going to be cycles for sectors of the economy. It may not mean that every sector of the economy is doing well at the same time. There may be transitions that need to be happening. There may be retooling that needs to happen. There could be all sorts of realities for a particular sector that could avail itself of a work-sharing program even when times are economically good.

I think our goal here is to try to make sure we are protecting workers through all of those different periods, whether it's a transition period, a retooling period or a trade war like the one we're going through right now. You can't always predict those, so we need to have them as a permanent feature of the legislation and of the program.

Danielle Martin: Thank you.

Continuing on this theme about transition, you have another recommendation that relates to a just transition framework for workers in the mining and critical minerals sectors. I'm wondering if you could speak a bit about what you envision there and why you think this is important, particularly in these named sectors.

Lana Payne: Yes. I'm going to ask Angelo to also come in here. He's the head of our research department. He will have even more examples.

The reality is that these are sectors that pay very good wages. They're often very much unionized. When you look at how we build transition for those types of jobs, it means that we can't just throw people out the door and expect them to survive on EI.

In looking at how we build those kinds of transition supports, sometimes we are successful in bargaining them, I would say to you. We have done a very good job of that in the auto sector. When we were going through a retooling period, we bargained for really great transition supports for workers. These are sectors.... In the mining sector, particularly, where we have had mines going through a downturn or mines coming to the end of their shelving life, how do we then transition workers and make sure they're protecting their livelihoods through that period? That's why I think there are a number of things we can do there.

I'll have Angelo chip in here too.

Danielle Martin: If you don't mind, Angelo, I'll just jump in to ask—if you're going to add anything there—if you could speak a bit about where else this approach might be useful, including beyond the unionized sectors of our economy, given the number of economic transitions we see on the horizon. I'm thinking about AI, for example. I'm thinking about other industries where people are

working more gig economy-type jobs and may not have the protections of a union.

Can you just elaborate on whether you see this as a principle that applies in other sectors?

• (1710)

The Chair: Unfortunately, that concludes your time.

Danielle Martin: Maybe you can send me an email to let me know. Thanks.

Lana Payne: We will.

The Chair: I'd just like to thank Mr. Hallan for sitting in the chair for me while I had to go somewhere else.

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

[*Translation*]

Jean-Denis Garon: Thank you, Madam Chair. We missed you. Welcome back to your own committee.

I would like to extend my greetings to the witnesses. Thank you for being here and for submitting your briefs.

I'll start with you, Ms. Senneville.

I'll talk about employment insurance. I gather that it's long overdue for reform. A promise was made in 2015, and then the government went from one pilot project to another. It must know by now whether the pilot projects worked. The Bloc Québécois, through Louise Chabot, a member until the end of the last Parliament, even tabled a bill to reform employment insurance.

We're going through challenging economic times right now. We need a program that insures people. It isn't right to have an insurance program that fails to insure 50% of the people who are meant to be insured. No one would sign up for that type of insurance.

What do we need to change in the employment insurance program, and fast? What major changes are urgently needed?

Caroline Senneville: Many temporary measures should become permanent, such as waiving the waiting period, suspending the allocation of separation earnings and, of course, increasing the number of weeks of regular benefits.

One issue that remains unresolved is the situation of seasonal workers. Canada is a large country with many regional realities, and there are still—

Jean-Denis Garon: I imagine that you're talking about the black hole of employment insurance.

Caroline Senneville: Yes. Some workers end up receiving no income for a number of weeks. This situation is quite challenging for us.

I would also say that the employment insurance system is particularly ineffective for young people. Measures are put in place for long-tenured workers, but it's difficult for young people. To use the employment insurance program, you must be eligible. I think that this is the key point.

Extended temporary measures are the best proof of the need for permanent measures and predictability. They create a great deal of uncertainty for people and industries. Every time we hit a rough patch, we realize that this program isn't up to the task. Let's look at the program as a whole and adjust it for the people who need it.

Jean-Denis Garon: We would like to remind the government that the bill is already written and that we could even table it in this committee for the pre-budget consultations should there be unanimous consent. I'm sure that this will be the case. It was and still is an excellent bill.

I'll continue with you, Mr. L'Ériger.

At the request of the federations of chambers of commerce and steelworkers, the Bloc Québécois proposed the introduction of a wage subsidy during the current crisis to respond to the new tariffs imposed by Donald Trump. This wage subsidy would make it possible, in the event of temporary closures or shift cancellations, for example, to keep workers on the job in order to maintain the employment relationship and ease the pressure on the employment insurance system. From an actuarial point of view, the system isn't designed for two crises in seven years.

This would prevent a company from laying off workers, who could then move on to the company next door, creating a game of musical chairs in the regions, where attracting talent is becoming a sensitive matter.

I would like to know your thoughts on this proposal.

Colin L'Ériger: We certainly back income support measures that maintain the employment relationship. Once that relationship is lost, the companies lose out on skills. So, yes, we're probably in favour of additional government support during exceptional crises of this nature.

Jean-Denis Garon: Obviously, the employment insurance fund must remain balanced over a seven-year period. Otherwise—correct me if I'm wrong—the employer and employee contributions must increase. This fund has already gone through a crisis because of COVID-19. We're now facing a second crisis.

I gather that this type of subsidy would cost about the same as employment insurance benefits. It would help maintain the employment relationship, ease the pressure on the employment insurance system and avoid increasing employer and employee contributions at a time when they need a bit of breathing room.

Do you think that this type of subsidy would be a disadvantage?

Colin L'Ériger: You asked a good question.

In my opinion, employment insurance must be sufficiently funded to meet needs. As previously stated, only four out of ten people have access to it. Regardless of the solution, we need sufficient access to benefits in the event of economic hardship. If the unemployment rate rises, workers who pay into employment insurance must be entitled to receive benefits. Regardless of the solution chosen, I think that we must bear in mind the objective of ensuring good coverage and a good social safety net.

• (1715)

Jean-Denis Garon: Ms. Senneville, we have one minute to discuss the green transition.

The government has repealed the carbon tax and put a de facto end to carbon pricing for the industry. We won't be able to meet our climate targets under the Paris agreement. Moreover, the member for Laurier—Sainte-Marie has just resigned. Yet this industry has a high added value and a promising future.

Are you concerned about what we're seeing today from the federal government? Do you feel that the situation with Donald Trump justifies this, including the construction of new pipelines with public funds?

Caroline Senneville: Mr. Trump and his administration are taking up a great deal of space. I understand the concern. However, in the meantime, other countries are moving forward. They're introducing technologies and transforming their economies. Fossil fuels will become increasingly rare and expensive to use, not to mention environmentally hazardous, of course. These countries will be ready, but we won't be.

It's costly and difficult for the economy to play what's known as catch-up hockey. So we must continue to ensure a fair transition that includes the workers. This is also vital. We can't let workers feel left behind.

The Chair: Thank you, Ms. Senneville.

Jean-Denis Garon: Thank you.

The Chair: Thank you, Mr. Garon.

[English]

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

Pat Kelly (Calgary Crowfoot, CPC): Thank you.

I'd like to begin by offering Mrs. Payne a minute or so, if she would like, to finish off her answer to the question put by Mr. Seebach about the designation of supply chain jobs as essential services and the effect this might have on the right to strike.

Lana Payne: Thank you very much.

As you probably all know, we have made a pretty significant submission on this Labour Code review. We have been very vocal about the fact that we are looking at a 35-day period for this very in-depth look at what is the most important piece of labour legislation in the country. Very often, it is the leadership piece of labour legislation.

We know not having the right to strike will limit what unions can do and achieve at bargaining tables. We know this because we are very experienced in this world. The reality is that the problem we have is not with everybody. We have situations where, sometimes, we end up with—and we've had them too, sir—not a great relationship with the employer, and things build up over time. Not all those things can get resolved at a bargaining table, which means we have to look at putting in tools and supports to help in those cases.

Fundamentally, what I will say to you is that if there is a move to limit—

Pat Kelly: Thank you so much. I hate doing this, but I have to get.... I wanted to give you a chance to answer the question for a minute. I let you go over by a lot.

Lana Payne: I'm not happy, as you can tell.

A voice: Oh, oh!

Pat Kelly: Thank you.

I will quickly move to Mr. Sauvé to speak a bit about firearms policy.

Your position has been clear that the real problem is illegal firearms trafficking, not licensed firearms owners. In committee, the Toronto Police Association said that the buyback would have zero impact on crime in Toronto. They said that violence is coming from gang members, thugs, owners of illegal guns, people out on bail or people who have already been prohibited from owning firearms.

Is it your view that the buyback program is an expensive, complicated program aimed at the wrong people?

Brian Sauvé: The buyback program is obviously going to be an expensive program. It's going to be complicated. From 2020 until now, our position has been that if you're going to spend money in public safety, target it at where it has the greatest return on investment. From our perspective, that is the illegal importation of firearms across the 49th parallel—the longest unsecured border in the world, with the largest manufacturer of small arms just to the south of us.

Pat Kelly: You would agree that illegal firearms smuggling is a bigger driver of gun crime than legally owned firearms, at present.

• (1720)

Brian Sauvé: It is. The statistics actually show that. The majority of firearms crime in Canada comes from unregistered, unlicensed or illegally transported or smuggled firearms into Canada.

Pat Kelly: Do you agree that this buyback will not have an impact on gun violence in major cities?

Brian Sauvé: I can't predict the future. We will have to wait to see how the buyback goes and whether it's going to have an impact on public safety.

Pat Kelly: Okay.

Would you agree that having police forces helping to administer this program actually pulls resources away from real public safety work?

Brian Sauvé: It does add and download to police officers' duties. That's one reason, from our perspective, that we've been relatively public in saying that it would be nice to see a plan. What is the plan for the buyback? For example, if a member of the community chooses to call the 1-800 number to have their firearms surrendered, where do they go? What resources are there? Are they on overtime? Are they on scheduled duties? Are they being taken away from their core policing duties?

Pat Kelly: I have about half a minute. Your recommendation is about a secretariat, a single entity accountable for procurement,

which has been a disaster for many years across government, as well within the armed forces and other branches of government. You have a few moments left. Is there anything you want to add to that recommendation for a single secretariat?

Brian Sauvé: To me, it's all about efficiency. In the current world, the RCMP identifies that they need to move to a new taser, so they build a business case, and that comes to a completely separate silo that analyzes that business case, approves that business case and sends it back to the RCMP to do the RFI. The RFI goes out. Interest comes in and it goes over to the other silo for approval and comes back to the RCMP to do the RFP—

The Chair: Thank you, Mr. Sauvé. I apologize, but our time is up.

Thank you, Mr. Kelly.

We will continue now with Ms. Church for five minutes.

[*Translation*]

Leslie Church: Thank you, Madam Chair.

I would like to thank all the speakers for an excellent discussion. It was quite useful.

[*English*]

I would like to pick up with you, Mr. Sauvé, for a moment, and speak about a very important bill that is before the House right now, and that's Bill C-22, which I know your organization has provided some commentary on.

Canada remains the only country in the Five Eyes and the G7 that doesn't have a lawful access framework, and that makes us quite dependent on our international partners. I've certainly heard from police, in my community in Toronto, that this is a very important step towards dealing with some of the serious crimes that we actually see in our neighbourhoods—home invasions, auto theft, retail theft, and the list certainly goes on to extortion, child trafficking and other very serious crimes that are concerning. Can you speak a bit to your perspective on Bill C-22 and whether or not this has a set of tools or a framework that would benefit policing in your context?

Brian Sauvé: Certainly. Thank you for the question. Even though it's a little off-topic for today, I'll always talk about Bill C-22 and lawful access.

It is wildly overdue. Our particular lawful access regime is designed for the Morse code era, if you will, when we have evolved to smart phones, digitally encrypted transmission, digitally encrypted messaging platforms and social media platforms.

For example, today Bill C-22 does not change the search and seizure authorities of law enforcement. It does not. It does not give us greater powers for search, seizure or surveillance. It does provide requirements for telecommunications operators or web platform operators in Canada to comply with judicial authorizations that are issued by courts and to, perhaps, retain records for a period of time.

We're talking about national security investigations, kidnapping investigations, terrorism investigations, even home invasions, where we identify or are looking to identify and narrow down suspects. Sometimes that takes a month, three months or a year. When we go to a telecommunications provider and seek out—through a production order, a general warrant or a search warrant—some records related to that crime, and are told, “Sorry, we have a seven-day retention policy, so it's gone,” the evidence is lost, suspects go free and victims live the consequences.

Leslie Church: That's extremely helpful to hear.

I heard you talk about how that's taking us out of the Morse code era and that it requires judicial oversight. Can you explain, just in plain terms, what that means?

• (1725)

Brian Sauvé: Certainly. I've written a number of general warrants, production orders and search warrants, whether they be for drugs or whether they be under the Criminal Code. They are all judicially approved. I do not write a search warrant, take it out of my back pocket, walk to a house and say, “Here's a warrant. I'm searching your house.” I have to go to a judicial Justice of the Peace, if it's after hours. If it's a general warrant, I have to go to a judge of a provincial court. If it's a federal investigation, they will go to a Federal Court judge. It is the court that approves and signs off on the grounds to obtain that warrant. Then, and only then, the warrant or the production order is served on the provider or is executed in the home or at the business.

Leslie Church: That judicial oversight provides an important check on privacy rights by the court itself.

Brian Sauvé: It does. It's my understanding that, in C-22, you're looking at review periods. For example, the retention access for telecommunications companies of 12 months is a fantastic start. In a year or two years, let's do a review as to whether that works, whether that period of retention is adequate, is too stringent or is not enough.

Leslie Church: Thank you very much.

In the 45 or so seconds I have remaining, Ms. Senneville, I want to ask you about the union training and innovation program, or UTIP, which we've invested in over the course of the 2025 budget.

How is this investment impacting your union workers? How can these investments be utilized most effectively as we go forward?

[*Translation*]

Phillippe Morin (Union Adviser, Confédération des syndicats nationaux): If you don't mind, I'll take over from here.

In our view, this type of federal investment or expenditure should fall within the provincial jurisdictions. In the other provinces, the training programs are carried out more directly with labour organi-

zations. In the case of Quebec, the situation is a bit different. The training expenditures are incurred through agreements between the federal and Quebec governments. In our view, they must be incurred—

The Chair: Excuse me, Mr. Morin, but that's all the time that we had for this round.

Thank you, Mrs. Church.

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

Jean-Denis Garon: This won't wrap up the time that we'll be spending talking about provincial jurisdictions, Mr. Morin. You just hit a nerve.

Training is important. We're happy that the federal government recognizes this. However, Quebec has a reality. Since the late 1990s, the Quebec government has been responsible for everything to do with training. We have the Commission des partenaires du marché du travail, as well as sectoral tables, for example. These entities connect vocational training with companies to ensure an effective response to market needs and a forward-looking approach. At least, that's my understanding. I'm not an expert in this area.

First, do you consider this a Quebec jurisdiction? I'm not talking about the provinces, since Quebec is a special case.

Second, I would like to know whether this model works in Quebec. Is it right to interfere with this model?

Third, if the model does work, should the money earmarked in the most recent federal budget in the form of subsidies and tax credits, for example, have been redirected to the Quebec system to bolster it?

These are my three questions related to the previous conversation.

Caroline Senneville: Yes, it's a provincial jurisdiction. Yes, this model works in Quebec. Yes, it's necessary to take steps to respect this, not for Quebec, but for Canada. If people aren't trained properly and the unemployment rate rises in Quebec, which remains part of Canada, the unemployment rate in Canada will rise. It's necessary to respect our approach, which works well, and to ensure that the money goes to the right place.

Quebec has union-management forums that work well for labour force training. The country doesn't have the financial resources to keep at this issue for long.

Jean-Denis Garon: I would like to hear the FTQ's thoughts on this.

Mr. L'Ériger, here in Ottawa, we have the team Canada strong initiative. We could have an initiative called "team Quebec strong" in order to inject money to strengthen the current system and recognize Quebec's jurisdiction in this area.

What does the FTQ think?

Colin L'Ériger: We agree. Labour force training falls under Quebec's jurisdiction, and the institutions in place are working well.

Jean-Denis Garon: Thank you.

I have seven seconds left. I would like to take this opportunity to thank everyone for submitting briefs. We don't always have as much time as we would like.

Perhaps we'll see each other again another time.

• (1730)

The Chair: Thank you, Mr. Garon.

[English]

I will also take a moment to thank our witnesses for this hour.

We appreciate your time and the work that you've done.

We're going to briefly suspend as we turn over for the next panel.

Thank you, everyone.

• (1730)

(Pause)

• (1745)

The Chair: Welcome back. We are going to resume the meeting.

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

From the Institut de développement urbain du Québec, we have Isabelle Melançon, the chief executive officer. From Indwell Community Homes, we have Chris Finkbiner, chief operating officer. From Options for Homes, we have Angus Knowles, board chair.

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 floor audio, English or French for interpretation.

Please note that committee members may ask you questions in either English or French, so please be prepared, so that we can take advantage of the time that we have allocated.

I will give a reminder that all comments should be addressed through the chair.

I see Madame Melançon on screen, so we will begin with you.

You have five minutes for your opening statement. Thank you.

[Translation]

Isabelle Melançon (Chief Executive Officer, Institut de développement urbain du Québec): Thank you, Madam Chair.

I would like to thank the committee members for having me here today.

My name is Isabelle Melançon. I'm the chief executive officer of the Institut de développement urbain du Québec, or IDU. The IDU is a non-profit organization that represents Quebec's major real estate developers and owners. I'm here to make a simple point. To overcome the current housing crisis, we need to increase the supply of all types of housing. If we really want to do this, we need to tackle the structural barriers blocking projects, and we need to do it now.

Our first message concerns water infrastructure. Across Quebec, municipalities are struggling to authorize new housing as a result of saturated or aging water and sewer systems. A number of municipalities have resorted to imposing development charges on developers to try to fund the necessary repairs to current infrastructure or the construction of new infrastructure. In so doing, they drive up the cost of residential projects. In the end, future owners or tenants are the ones who end up paying more for their housing.

Other municipalities must impose moratoria on their land, thereby cutting themselves off from much-needed housing. This isn't a secondary challenge. It's a direct hindrance to new housing construction.

A study carried out by Aviseo Conseil for the housing-related water infrastructure task force, of which the IDU is a member, shows that Quebec's water infrastructure asset maintenance deficit could exceed \$42.5 billion by 2031. We're calling on the federal government to heavily invest in water infrastructure. It has done so today, particularly through subsidized transfers and low-interest loans. Until this shortcoming is addressed, we'll never find a solution to the housing crisis.

My second message concerns the current federal levers. With Build Canada Homes, Ottawa has created a new tool to speed up the large-scale construction of affordable housing. However, we must ensure that the projects supported by Build Canada Homes in Quebec aren't slowed down by negotiations between Ottawa and Quebec. When the needs are urgent, the implementation must be as well.

Given the creation of Build Canada Homes, it seems obvious to us that the mandate of the Canada Mortgage and Housing Corporation, or CMHC, will change. I would like to remind you that, without CMHC's involvement over the past few years, few projects would have come to fruition in Quebec. However, a hasty withdrawal or unannounced changes to the rules of the game will undoubtedly create uncertainty for developers and affect the ability of a number of them to launch projects. The message coming from the ground is that CMHC must remain active in the market until Build Canada Homes is fully deployed.

Lastly, our third message concerns programs that can support the rental supply more quickly. For example, the apartment construction loan program is a popular tool. However, a number of players on the ground are telling us that CMHC's review of the financial capacity of large borrowers is a long, complex and murky process, and that these borrowers now lack the predictability to pursue their growth and start up major projects.

The same goes for MLI Select. This CMHC product is quite effective and popular with developers. However, we find it hard to understand why the affordability criteria are still determined by the median income of tenants in 2019, meaning before the pandemic. You'll agree that the situation has changed considerably since 2019. A pandemic, a historic inflationary surge and the election of an American president who particularly fancies tariffs for all can change a life.

Remember that the median salary of tenants in 2019 was \$40,900. To qualify for MLI Select, the average monthly rent can't exceed \$1,023. Yet the reality today is that the median salary of tenants in Quebec has exceeded \$53,300. Today, we're talking about an average monthly rent not exceeding \$1,330. That's why we're asking that the MLI Select affordability thresholds be updated to better reflect the reality.

Quebec is ready to build. Now it needs the resources to do so.

I look forward to answering any questions you may have.

• (1750)

The Chair: Thank you, Ms. Melançon.

[*English*]

We're going to continue with Mr. Finkbiner. I would just ask you to turn your camera on, please, and the same for Mr. Knowles. Thank you very much.

Please go ahead.

Chris Finkbiner (Chief Operating Officer, Indwell Community Homes): Thank you, Madam Chair and members of the committee.

My name is Chris Finkbiner. I'm the chief operating officer of the Indwell family of companies. Thank you for the opportunity to speak with you today.

I'm here because Canada's housing crisis is real. It's been growing, and we need to invest in solutions that match the scale of the challenge. Our work at Indwell is driven by a bold vision: open homes for all. This vision compels us to create urgent and practical solutions to Canada's housing crisis.

Indwell develops and operates supportive, affordable housing, addressing homelessness. We operate almost 1,500 units in south and southwestern Ontario, and have almost 400 more units under construction. Our new sister organization, Gather, was specifically created to develop and operate affordable apartments for working Canadians whose household incomes fall below the median.

Our submission today is grounded in our daily frontline experience. We are looking at the housing crisis through two lenses.

The first is homelessness. Canada's homelessness crisis remains severe and deeply entrenched. In 2024, over 19,000 people stayed in shelters on an average night in Canada. The homeless are often cycling through hospitals, shelters and the justice system because they don't have housing and adequate supports to help them stay housed.

The second lens is affordable housing for average working households. Millions of Canadians who keep our economy running are facing growing housing distress. They earn below the median income and are struggling to find adequate housing in the market. In Ontario, 53% of renters pay more than 30% of their income for housing, and 18% of renters pay more than 50%.

Building more market-rate supply alone will not close this gap. We are facing structural affordability failures that demand a direct non-market response. In addressing these challenges for individuals experiencing chronic homelessness, intertwined with mental health issues, addictions or trauma, supportive housing is the single most effective permanent solution. It stabilizes tendencies, improves health outcomes and reduces public costs.

At Indwell, we have a 92% housing stability rate; that is, 92% of tenants coming out of homelessness are housed one year after first occupancy. Supportive housing works.

To scale this proven solution, we need to maintain a dedicated and significant capital pathway within the Build Canada Homes program. However, capital is only half the equation. Operating funding must be explicitly attached to federal capital commitments. To ensure that these buildings can actually open and provide supports, operating funding from provincial and territorial governments is crucial to fund the necessary on-site health and housing supports. Where provinces lag in partnering on funding agreements, the federal government must earmark and tie provincial transfers directly to these capital projects.

Looking at our second lens, the sheer scale of the affordable-housing challenge requires transformational investment. The current Build Canada Homes funding level is simply insufficient to meet the moment. To deliver homes that working families can actually afford, federal per-unit capital grants must be substantial. Projects targeting households below the median income frequently require 40% to 60% of their capital costs covered by grants. Further, we must measure the success of BCH by the depth of affordability achieved, not simply by the total number of units built.

Finally, to build quickly, federal programs must prioritize portfolio-based approaches over individual developments. Partnering on aggregated portfolios with trusted non-market developers enables the speed and funding certainty to deliver results at scale.

In conclusion, Indwell and the broader non-market sector are ready to act. We have the capability and the capacity. We need the federal government to move quickly and invest significantly. We urge this committee to support three recommendations.

One, make Build Canada Homes funding match the scale of Canada's housing crisis by substantially increasing federal funding and committing to long-term annual investments.

Two, protect and expand a dedicated capital stream for supportive housing, backed by long-term annual commitments.

Three, give BCH the mandate and incentives to deliver meaningful per-unit capital grants and measure success by how affordable the homes are, not simply how many units get built.

Thank you, and I welcome your questions.

• (1755)

The Chair: Great. Thank you very much, Mr. Finkbiner.

We will now turn to Mr. Knowles for five minutes.

Angus Knowles (Board Chair, Options for Homes): Thank you, Chair and honourable committee members, for the opportunity to appear today as part of the pre-budget consultations in advance of budget 2026.

My name is Angus Knowles. I'm board chair of Options for Homes, a non-profit developer that has spent 30 years delivering ownership housing for working households priced out of the traditional market. Across 14 communities, Options has helped create pathways to home ownership for more than 3,300 families.

I want to begin with a story about Angella, a nurse working in Etobicoke and a single mother of three. She works hard, with two jobs, and earns a steady income, but home ownership for her family is still out of reach. The down payment barrier alone meant she could not see a path to staying close to her work, her children's school and her support network. Through Options for Homes financing programs, combined with federal mortgage support, that path towards stability and home ownership became possible. This opportunity was transformative for her. Angella became the first in her family to own a home in Canada.

Now, Angella's story is not unusual. At Options we see versions of this over and over. It reflects a growing group of essential workers—nurses, teachers, emergency service workers and others—who do not qualify for traditional subsidies and yet cannot afford ownership in the communities they serve. They did exactly what we asked people to do—study, work, contribute and start to build a life—but with today's heavy upfront costs and limited livable options, we are leaving our working neighbours behind. This is not just a housing problem; it's also a social and economic one. When our skilled and essential workers can't afford to live close to where they work, the entire city suffers. A sense of belonging in our cities is lost, employers lose access to talent, and people lose confidence that hard work will lead to a secure future in Canada's cities.

At Options for Homes, we have seen these pressures intensify dramatically with the communities we serve. Our model combines non-profit housing delivery with down payment support. We reinvest project surpluses into future homes, but the households now seeking help from us are no longer only those earning \$40,000 to \$60,000 a year. Increasingly, they are earning in the range of \$70,000 to \$170,000, which, in Toronto, for example, still isn't enough to save a down payment to buy due to high rents and a high cost of living. As a result, our wait-list has grown to a record of 30,000 people. I want to emphasize that this is not just a young professional issue; it's affecting people in their forties too.

Our data shows that it can take up to 17 years for this group to save a traditional market down payment, depending on what city they live in. That delay affects when people form families, where they live, their old age security and whether they can stay in the communities that depend on them. Thirty-three per cent of the homeowners we have assisted say they would have left their communities if not for our programs, which supported their path to home ownership.

Federal policy has rightly supported rental supply, but ownership options for middle-income essential workers that help them establish more stable roots close to where they work remain largely overlooked. That is why our main ask is that budget 2026 recognize workforce home ownership as a national housing priority to sustain the social and economic health of our cities. Non-profits and public agencies have the models, but they need stronger supports to scale the program and bridge that gap.

Second, we ask for immediate delivery tools for non-profits building workforce ownership housing, including low-cost construction financing, capital support and access to free or low-cost public land where appropriate.

Third, outside of the budget itself, policy direction should recognize down payment support provided by non-profit housing providers for ownership purposes as bona fide equity, not debt. Right now there is an OSFI guideline that does not recognize our down payment loans to purchasers as equity, which significantly limits what qualified purchasers can receive from regulated lenders for their mortgages. A policy direction recognizing non-profit shared equity as vital support for workforce ownership stability sends a clear signal to regulators and financial institutions, and it allows non-profit supports to go further for qualifying households.

Basically, we are asking for the same treatment of down payment support that is provided to government agencies, but extended to non-profit housing providers. This creates an easy, non-cost policy opportunity that could unlock significant impact without budget allocation.

You can find more detail in our additional information package.

● (1800)

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

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

We now go to Ms. Cobena for six minutes.

Sandra Cobena (Newmarket—Aurora, CPC): Thank you to all the witnesses for your recommendations.

I want to start my questioning with Mr. Knowles.

Thank you for your remarks and for your story about Angella, who is a nurse and a single mother of three and has been struggling to buy a home. Your program was able to help her buy a home and stabilize her family life for her children.

You also mentioned that essential workers are struggling to get a home. That concerns me, because in my riding there is a significant presence of the medical sector. One of the largest employers is actually our local hospital, which is Southlake regional healthcare centre. Can you speak a little more about the struggle that these essential workers are experiencing when it comes to purchasing a new home?

Angus Knowles: The health care sector is a perfect example of the type of household that shared equity down payment support can provide. When the nurse lives closer to the hospital, the hospital operates better. Statistics Canada shows that the median net worth at retirement is \$952,000 for a homeowner, versus \$40,000 for a renter. That is not a handout. It's a targeted investment in workforce stability that benefits the whole community. In particular, health care workers are needed in communities across the country. The shared equity program can be tailored to that specific community.

Sandra Cobena: Thank you for that. This is a challenge, and I actually hear it in my riding from people in the medical sector. I also hear it from law enforcement, like police officers, for instance, who tell me that they cannot actually afford to live close to the communities they protect or the communities they serve.

You also mentioned that you used to serve families with incomes of \$40,000 to \$60,000, but you are seeing that the average income of a family looking for the support of your organization is now \$70,000 to \$100,000. That would typically be considered a

very good compensation. Even at that, you have a wait-list of about 30,000 people. Can you expand a bit on that?

Angus Knowles: We're finding that, depending on the city, even households that make reasonable amounts of money and would have been able, in the past, to enter the housing market are finding that their incomes are not keeping up with housing prices in the cities where they're working. Even in cities like Toronto, many health care workers have stable incomes, but they're still struggling to save enough for the down payment on their home due to high rental costs and a high cost of living.

● (1805)

Sandra Cobena: With that, are you then concerned that a lot of the federal measures we have seen announced so far are concerned more with non-market housing and not actually with home ownership, which is one of the dreams of an average Canadian?

Angus Knowles: The federal government's priority that it has rightly identified for non-market housing is an important piece. In our experience, what's missing from the housing continuum right now is clear support for non-profit ownership housing that can assist these types of working households that can afford a home but otherwise struggle to save for the down payment. We feel that budget 2026 can support this type of model through recognition, policy clarity and delivery tools.

Sandra Cobena: The cycle you go through is that you support an average family in acquiring their home with a down payment. There are no monthly payments for that. They've entered the market, and then, when they sell their home, you can actually reinvest some of the appreciation of the home. The family, presumably, has built up equity and can continue to build a future based on that. That is why we often talk about the need for home ownership.

On that, we have seen a lot of young Canadians being priced out of the market. Do you see young Canadians seeking the services of your organization?

Angus Knowles: Yes, absolutely, young families, young professionals, young essential workers, teachers and nurses are a primary type of household that Options for Homes assists in entering the ownership market. Oftentimes these are families that are looking to grow. We structure for long-term homes that are built for end users who are looking to live there over the long term, and young families are a core demographic of who we serve.

The Chair: Thank you, Ms. Cobena. That concludes your time.

Thank you, Mr. Knowles.

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

Leslie Church: Thank you to all of our guests and speakers today for a very insightful discussion, particularly around this timely topic of housing and homelessness.

My first question goes to Indwell homes. Mr. Finkbinder, you mentioned the request for Build Canada Homes to have a supportive housing stream. As part of its initial capitalization, BCH has dedicated \$1 billion to supportive and transitional housing. What is your advice for us in terms of how that \$1 billion is allocated? What models might work best? What should our considerations be as we look for projects to support? The need in those areas, in supportive and transitional housing, is so great. What advice would you have for us on that front?

Chris Finkbinder: In terms of advice, first, I would recognize that, yes, \$1 billion has been committed specifically to supportive and transitional housing. That's important. I do want to note that there already is a pathway and a recognition that there need to be dedicated dollars for supportive housing.

In terms of how I would prioritize that, of course that needs to be spread across the country. I think that the challenge of supportive housing is that it needs to marry the capital dollars, which is the \$1-billion commitment, with the operating dollars. This is where we see the biggest challenge to scaling supportive housing. I think it's becoming widely recognized that supportive housing is the permanent solution to homelessness. Continuing to invest more in emergency housing band-aids is probably not the long-term solution. We need permanent supportive housing. We're recognizing that, but there isn't a clear pathway to the operating funding that's required to provide the supports. Marrying those support dollars with the capital from Build Canada Homes is the crucial step.

In some provinces, we've seen announcements where there's been success in creating that commitment from the provinces for the operating dollars; in some other provinces we have yet to see that commitment. When we fail to see that, and the federal government's goal is to address homelessness with those dollars, I would encourage the federal government to use incentives and whatever means necessary to ensure that those dollars are being spent in support of capital commitments on housing.

• (1810)

Leslie Church: Well, I think you've put your finger on one of the challenges we face in terms of bringing all levels of government together to support this. One thing that I find to be particularly persuasive was a report that came out here in recent days, entitled "The Public Housing Dividend". In your mind, what are the benefits in terms of making the case to provinces, in particular, for why we need them to step up and invest operating dollars? What are the benefits they will see to job creation and reducing hospital visits and avoidable costs in our justice system?

Chris Finkbinder: There are so many cost benefits that it's hard to know where to start. I think the argument we make is that we know that supportive housing is the best solution to homelessness. The interesting thing is that it's also the most cost-effective. Homeless folks are cycling through hospital. They're high users of health services. They end up in the justice system. Even just serving them in shelters is extremely expensive. It's about \$200 per day. Jails cost \$400 to \$500 per day. Psychiatric hospitals costs \$1,000 to \$2,000 per day. Our enhanced supports, where we're wrapping an

onsite support team of health and housing professionals around folks coming directly out of homelessness, cost about \$100 to \$130 per day. In terms of direct cost, there are huge savings. It's the cheapest and most effective solution. In terms of knock-on effects, it's immeasurable. All of those other systems don't have the pressures on them, because folks are adequately housed and supported.

Leslie Church: Thank you very much.

Mr. Knowles, I'll pick up on one of the ideas that you raised.

I was really interested in this concept of workforce home ownership, and I'm wondering if you could describe a little more some of the most effective or interesting models that you've seen. You mentioned one in health care, certainly. What supports could we be looking at if we were trying to further incentivize that and support non-profits in this work to get some of these projects off the drawing board and shovels in the ground?

Angus Knowles: Our experience at Options for Homes has been a combination of developing new housing along with down payment support through the shared equity mortgage. It's a second mortgage that's registered on title. It's not a grant. It's not a giveaway. It assists a purchaser who is able to qualify to own a home but who is otherwise struggling to save for a down payment.

The shared equity mortgage remains dormant. It doesn't have scheduled payments. It doesn't have a term until that homeowner moves, at which time that down payment support, plus a proportional share of the interest, is recovered. In the case of Options for Homes, the strategy has been to recycle that surplus.

The Chair: Thank you, Mr. Knowles. We're going to have to conclude there.

Thank you, Ms. Church.

[*Translation*]

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

Jean-Denis Garon: Thank you, Madam Chair.

First, I would like to extend my warmest greetings to all the witnesses. Thank you for being here today.

I'll start with Ms. Melançon from the Institut du développement urbain du Québec.

You spoke about predictability in terms of the Canada Mortgage and Housing Corporation, or CMHC. I've been told that developers find it difficult to keep up with regular and unannounced program changes and that these changes entail a significant cost, even just to be able to keep up with the program developments.

I would like to know whether this situation is having a negative impact on housing starts, and if you agree, whether you can confirm that this situation is highly unpredictable.

• (1815)

Isabelle Melançon: Yes, it causes problems for housing starts. A word everyone likes is predictability, but CMHC frequently changes its programs without letting us know. For instance, in July 2025, we unfortunately found out two days ahead of time that insurance premiums were going to double. For developers—

Jean-Denis Garon: Sorry, but how much notice did you get?

Isabelle Melançon: We got two days' notice, so it came as quite a shock and made things very difficult. Still today, projects that developers had in the works are now mathematically impossible to carry out. Rest assured, we brought that to CMHC's attention.

Nevertheless, if it wasn't for CMHC and its programs, nothing would have gotten built in the past few years, when interest rates were—

Jean-Denis Garon: I'm going to interrupt, because my time is limited.

In your role, you've seen projects die because of the lack of predictability. I'm talking about cases where the project was ready, on track, but the developer pulled the plug because it became too complicated.

Isabelle Melançon: Further to the July 2025 incident, it was millions of dollars. The new premium rates were so high that, unfortunately, developers couldn't go ahead with their project because the business plan just didn't make sense anymore.

Jean-Denis Garon: On one hand, there's CMHC, with its funding programs, which it administers.

On the other hand, the government created Build Canada Homes. Things were up in the air for a while, because we didn't know how the agency would work. Now we have the bill, but there's still uncertainty about the resources it will have. Will it get new funding, or will CMHC funding be redirected to Build Canada Homes?

To be perfectly frank, I've tried really hard to understand how it's going to work, but it's like playing snakes and ladders. You go up, you go down, but you never get anywhere.

Even if the Build Canada Homes model ends up being successful, does the current transition make life harder for the people you represent?

Isabelle Melançon: What we are actually asking for is that programs continue to be provided by CMHC until Build Canada Homes is fully operational.

You're right about Build Canada Homes in the sense that the government is building the plane while flying it. That's what's happening to some extent. Until everything makes its way to down to developers and we understand all the ins and outs of Build Canada

Homes, we want you to keep CMHC. Once Build Canada Homes is fully rolled out, I think it'll be sufficient, but until then, we are asking you to keep CMHC in place.

Jean-Denis Garon: That would be a good recommendation to include in our report. Honestly, I don't know whether that's the approach the government will choose. It will probably be a hybrid model, but at a certain point, it's just confusing.

I'd like to discuss the relationship between the federal government and the provinces. There is an issue right now involving Quebec. For a long time, Quebec may have been the only province with permanent programs for the construction of social, community and other such housing. Quebec's programs are very much geared towards social and community housing, whereas the other provinces talk a lot about affordable housing—in other words, market housing that meets certain criteria. That is why the Bloc Québécois frequently asks Ottawa to give Quebec's share of the funding directly to Quebec. Its housing sector is used to these kinds of programs. That's something we regularly recommend, to speed up the process, and avoid overlap and red tape.

I'd like to know whether you agree with that recommendation. Also, do you have other recommendations that would help housing projects get off the ground sooner, once the funding for social and community housing becomes available?

Isabelle Melançon: You're right to point that out. We feel strongly that the money needs to get to the people on the ground quickly, because the housing crisis is happening now. I will say, though, that Quebec tends to be the last province to get its funding because of all the back and forth between Quebec City and Ottawa. We don't know where exactly things get stalled, but one thing is certain: during that time, investments aren't happening at the ground level. I brought up infrastructure earlier, and that is precisely what's happening with infrastructure.

We want stakeholders to be able to start building adequate infrastructure soon, because we need that infrastructure to build our projects. Right now, we can't build in Lévis, Gatineau, Montreal or many other municipalities in Quebec, because the infrastructure is too old or can't accommodate new housing. The water system is usually the problem.

• (1820)

Jean-Denis Garon: Thank you.

The Chair: Thank you, Mr. Garon.

We now go to Mr. Lefebvre for five minutes.

Eric Lefebvre: Thank you, Madam Chair.

Thank you to the witnesses.

I always disclose when I have a conflict of interest or know a witness. Ms. Melançon is smiling. I had the privilege of being elected to the National Assembly of Quebec in a by-election on December 8, 2016. Ms. Melançon was elected to the National Assembly at the same time in another by-election. We sat in the Quebec legislature for a number of years, learning the ropes together. As newbies to the National Assembly of Quebec, we obviously became fast friends, so I'm going to call her Isabelle, if that's okay.

My first questions are for you, Isabelle. You said that Quebec is ready to build and that CMHC is an important partner, but that it makes changes on short notice, two days, in fact. What do they say when you tell them you can't work like that?

Isabelle Melançon: Thank you for your question. I'm delighted to see you again.

The first thing they say, of course, is that CMHC is facing a higher level of risk, particularly in terms of insurance premiums. They told us that CMHC insures 95% of insured projects. In 2014-15, that number was less than 10%, so there's clearly a bottleneck when it comes to insurance premiums. I think the organization has hit somewhat of a ceiling. Nonetheless, it did recognize that two days' notice isn't appropriate.

At the Institut de développement urbain du Québec, we hosted a big meeting, bringing together representatives from the Canada Infrastructure Bank, the Canada Lands Company, Build Canada Homes and CMHC in the same forum for the first time. We realized that they tend to work in silos, but I think they need to do a better job of coordinating their efforts. Although they don't provide the same products, people need to be able to navigate them better. They also need to improve the products they offer for future renters and property owners.

Eric Lefebvre: You brought up the water infrastructure deficit municipalities are facing, specifically water and waste water infrastructure. As we know, the systems have hit a wall. It's the chicken-and-egg dilemma. If you don't have the infrastructure to build, you can't build, and if you don't have the infrastructure, you can't build. Municipalities need \$42.5 billion to maintain their water infrastructure assets.

Are there things you'd like us to work on? In your view, how can we help with the infrastructure maintenance deficit municipalities are facing?

Isabelle Melançon: Clearly, municipalities will never be able to foot the entire bill on their own.

In fact, funding was announced just today for infrastructure projects in Quebec. We're talking about a budget of \$2.7 billion. You will understand that we're a long way from 10% of what could be funded.

As long as we're unable to develop due to infrastructure issues, we can't build and we can't solve the housing crisis. That's why I often say we need all types of housing. Some of our members some provide non-market housing, some provide student housing and some provide private housing. We know that we need all types of housing right now, and more affordable housing.

To achieve affordability, we have to stop saying that we're going to impose a small additional development fee on developers who pay it. That's because, at the end of the day, it's not the developer who will pay—it's the future tenant and the future homeowner.

Eric Lefebvre: Isabelle, as you know, we're also discussing the labour issue in Quebec. Do contractors tell you about the foreign worker programs within their companies for construction projects? Do they say that, if they no longer have temporary foreign workers, they may be forced to turn down even development contracts?

Isabelle Melançon: Just yesterday, in fact, I was sitting on a committee, and our developers told us that everything currently referred to as "immigration" is becoming important. It's important because they no longer have enough people to pay the bills, let's put it that way.

We have a demographic problem in Quebec, but we also have a labour problem, of course, and we're going to have to address it fairly quickly. There was a time when the floodgates were wide open. We believe they were closed too quickly, and we think immigration will have a major role to play going forward.

● (1825)

Eric Lefebvre: This would be what we, for our part, call economic immigration, which contributes specifically to the development of our regions—precisely where the unemployment rate is lowest. We're talking about an unemployment rate of 5.5% or lower.

The Chair: Thank you, Mr. Lefebvre. That concludes your time.

Eric Lefebvre: Thank you, Madam Chair.

The Chair: We're going to continue now with Mr. Leitão for five minutes.

Carlos Leitão: Thank you very much, Madam Chair.

I will be sharing my time with my colleague, Mr. Sawatzky.

Madam Chair and witnesses, thank you for participating in this exercise.

Good afternoon, Ms. Melançon. It's nice to see you again as well. We've known each other for quite some time—make that quite a long time.

You mentioned the issue of water infrastructure. Of course, this is a municipal issue but the federal government also has a role to play. There was an announcement today, and that's very good news. As you mentioned earlier, there's also the Canada Infrastructure Bank, or CIB, which has recently become able to fund this type of infrastructure as well.

Based on your experience with the people you represent, I'd like to know whether projects with the CIB are moving forward. Is the process a little faster? Could it move even faster? I'd like your opinion on that.

Isabelle Melançon: Of course, it's a pleasure to see you again as well.

As I mentioned earlier, we held a big conference that included representatives from the CIB, the Canada Lands Company, Build Canada Homes and the Canada Mortgage and Housing Corporation.

I would say that the CIB is like a hidden gem that people haven't quite discovered yet, and I think we need to raise awareness of the people at the CIB. In fact, the CIB team is right here in the same building where I am today, at Place du Canada in Montreal, and we agreed that we should collaborate more effectively—I'll put it that way—because there was a lack of awareness about what they're capable of doing.

The CIB and the Canada Lands Company will also be working together more closely. That's why I was saying earlier that we need to break down these silos quickly so that everyone can work together to raise awareness of the work they can do and to identify exactly where they can accelerate projects that really need it.

As you know, in Montreal, the mayor announced that we had to reduce water capacity because there are fears that the infrastructure could fail overnight. We therefore really need the CIB for this kind of infrastructure investment.

Carlos Leitão: I can tell you that the people at the CIB are truly agile. We recently announced a rather innovative project with the City of Laval.

Isabelle Melançon: Yes.

Carlos Leitão: So the CIB is a good model.

I don't know if you've been following our work or not, but earlier today, we heard from Luc Godbout, who said, among other things, that one of the ways to address the housing crisis might be to convert buildings. Is that something that's being considered, especially with the group you represent, or is it a topic that's coming up a little less these days? I know it's still going fairly well in Calgary, but in Montreal and Toronto, I don't think it's a huge success.

Can you tell us about that?

Isabelle Melançon: People often think that, given the housing crisis, we should look to office buildings to convert them into apartments. Unfortunately, these buildings are not designed for that. It's hard to create a windowless room in the middle of a building. You understand that, for safety reasons, this is becoming increasingly complex. What it takes to successfully convert office buildings into rental buildings is a significant investment. In fact, the City of Calgary paid a very high price to carry out such conversions.

We're not at that stage yet in Montreal. There have been a few attempts, but I would suggest to you that this is not how we're going to solve the housing crisis.

• (1830)

Carlos Leitão: Thank you very much, Ms. Melançon.

I will now turn the floor over to my colleague Mr. Sawatzky.

[English]

The Chair: There are about 40 seconds left.

Jake Sawatzky (New Westminster—Burnaby—Maillardville, Lib.): That sounds good. Thank you very much. It still works.

This question is for Mr. Finkbiner.

Picking up on MP Church's remarks, could you speak to quantifying the savings to the health care system, the justice system and social services through providing stable housing?

Chris Finkbiner: Directly through the health system, one thing we see is about a 50% reduction in ED visits within the first year of folks moving into supportive housing. That's a 50% decrease in the use of emergency departments. That is a direct and major cost implication—

The Chair: Thank you, Mr. Finkbiner. I'm going to have to end it there.

Thank you, Mr. Sawatzky.

[Translation]

The Chair: We're going to finish this hour with two and a half minutes for Mr. Garon.

Jean-Denis Garon: Thank you, Madam Chair.

I'm going to continue with you, Ms. Melançon, even though, apparently, I'm the only one on this committee who doesn't know you personally. We'll fix that one day.

When Mr. Godbout spoke earlier today, I think he was referring to converting private housing into non-market housing, but not necessarily to rental rates. Obviously, this will be clarified in the brief, but I really think it was a conversion from one residential building to another.

Mr. Leitão's question, which concerns vacancy and occupancy rates in downtown buildings in light of remote work, does raise a rather interesting point. People are resisting remote work, often citing valid reasons. This creates significant challenges for the economy of our downtown areas, both in terms of investment and the renovation of these buildings.

Now that we've established that converting office buildings in downtown Montreal or Toronto into housing is often not a viable solution, what do we do with our downtown areas?

Isabelle Melançon: What a great question. That's quite a question, because right now, vacancy rates are around 19% in downtown Montreal. Prior to COVID, they were 8%. So, as you can see, these rates are historically too high.

A return to the office is under way, and I must mention this—I commend the federal government for this, as it has invited its employees back to the office. The Government of Quebec has done the same. Municipalities are being asked to lead by example. Will everyone return to the office in the same way, five days a week? The answer is clearly no, but our downtown cores still need to be able to survive.

Where we have an extraordinary advantage in Montreal is that people live in the city. It's not like Calgary, which was just given as an example a moment ago, where, to put it mildly, the downtown core is uninhabited. People go there to work, but they live on the outskirts.

Jean-Denis Garon: So, beyond returning to work, which won't solve everything anyway, what do we do? Should we make downtown areas even more attractive so that people want to go there in the morning?

Isabelle Melançon: I was very pleased to hear fellow witnesses talk about homelessness earlier. We need to address the issue of homelessness as quickly as possible to give people a sense of safety. Cleanliness must be restored. We have to make Montreal appealing again. We need to make people want to come back.

Jean-Denis Garon: Thank you very much.

The Chair: Thank you.

Excuse me, I mistakenly said earlier that this was the last speaking turn for this part of the meeting, but we still have 10 minutes left. That leaves the Conservatives and the Liberals with one turn of five minutes each.

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

Eric Lefebvre: I'm going to continue the discussion on the topic that Ms. Melançon and my colleague addressed. When I was a city councillor, I served as the councillor responsible for my municipality's downtown area. I think that revitalizing downtown areas naturally depends on service-oriented businesses, such as restaurants, so that downtown cores remain dynamic and vibrant with plenty of activity and people are drawn to live there or visit them.

Ms. Melançon, how do you see the importance of densification? We talk a lot about housing, but what about densification in downtown areas, for example?

• (1835)

Isabelle Melançon: For us, densification is one solution to the affordability crisis, the housing crisis and the climate crisis, because, wherever possible, we need to make the most of the infrastructure that's already in place. When we densify, we don't need to use as much land. We believe in densification because we look at what's being done around the world—since we're also a research institute. We need to pursue densification primarily in areas with public transit, places where we can transport people, provide them with jobs and support their livelihoods.

Of course, there are downtown areas where, to increase density, building a 40-storey building—like in the heart of downtown Montreal, say—is out of the question. We must, of course, proceed logically. However, for us, densification is the best way to go, and that's how we'll be able to overcome the current housing crisis, because we'll be able to build more housing more quickly. That's exactly what we need right now. We need it in our city centres as well.

Eric Lefebvre: Earlier, you spoke about types of housing and said that we need all types of housing. However, is there a set percentage for each region? Do you know what's needed most in one region or another?

Isabelle Melançon: It's a shame, because we don't yet have an accurate picture of the situation. We know where the vacancy rates are currently the lowest. We know that the housing crisis is particularly severe in areas with universities, such as Rimouski, Saguenay, Trois-Rivières and Sherbrooke. However, we don't yet know exactly what's needed.

We're currently working with the Government of Quebec, in particular, to better identify needs on the ground. We've been asking for this for several years now. However, one thing is certain: We need housing of all types, including non-market housing, of course, and rental housing that meets families' needs and, above all, fits within their budget. Yes, families' ability to pay is at the heart of the affordability issue right now. Families can't afford a two-bedroom apartment on the Island of Montreal right now. Why can't they? There are many factors.

Spoiler alert: We're currently preparing a study on the skyrocketing construction costs in Quebec. We will examine building codes, municipal fees and permit processing times in every municipality in Quebec. We need to look at this carefully, because construction costs have risen by 54% since before the pandemic. That's enormous.

Eric Lefebvre: It's important to have this accurate picture of the situation you are describing as soon as possible, because it will allow us to determine construction needs so that, at the end of the day, there isn't an excessive proportion of one type of housing compared to a shortage of another type, like more affordable two- or three-bedroom units. So I think having an accurate picture of the situation will be crucial.

How much time do I have left, Madam Chair?

The Chair: You have 45 seconds.

Eric Lefebvre: Ms. Melançon, earlier, we discussed Build Canada Homes, which is being developed on the fly and isn't tied to anything. Do you think this is the right tool we needed, or did we already have the tools in place? Could we have simply transferred funds and delegated authority to the institutions that are already in place?

Isabelle Melançon: We're going to give Build Canada Homes time to prove itself. Its representatives came to meet with us and they met with the developers. We understand that there is funding available. We understand that we may have projects that will be funded. We'll be able to judge that once we've tested the system. Right now, it's hard for us to tell you.

However, I mentioned earlier how unpredictable the Canada Mortgage and Housing Corporation is. I think that was the most aggravating factor for that organization.

The Chair: Thank you, Ms. Melançon.

Thank you, Mr. Lefebvre.

[English]

We're going to continue now with Mr. Sawatzky for five minutes, please.

Jake Sawatzky: Thank you very much, Chair.

Coming back to Mr. Finkbiner with Indwell Community Homes, can we speak for a moment about the barriers supportive housing faces, such as community push-back, health care and staffing costs, and barriers with municipalities? Can you expand on any barriers such as those?

• (1840)

Chris Finkbiner: There certainly can be barriers to developing supportive housing in communities. There can be a bias against supportive housing, and push-back.

I think I will go back to what is actually the greatest challenge to creating supportive housing, and that is a consistent and clear pathway to operating funding. That is really the gap that exists in the system. If we want to create homelessness solutions at scale, which we need to do, we have to find a pathway to fund supportive housing.

Within my province, Ontario, there is no ministry, sub-ministry or department that has a funding envelope dedicated to the solution for homelessness. That is a challenge, and that is a problem. That's the biggest challenge.

We definitely do fight Nimbyism. We fight some push-back in communities, but in the communities where Indwell has been long established, we are welcomed with open arms in most cases and are encouraged to expand and continue to grow in most of the communities where we operate.

Jake Sawatzky: Thank you.

Have you observed cases where stable supportive housing has enabled individuals to re-enter the workforce, pursue education or contribute economically in ways that might previously not have been possible?

Chris Finkbiner: One hundred per cent, regularly, all the time, we see what we call “stories of hope”. At every meeting we have, we try to start with a story of hope, of somebody's transformation. We know that people can't move on with their lives when they're living under a bridge. Nobody's substance use decreases and nobody's mental health or physical health improves when they're living in a shelter or on the street or are couch surfing.

When we see people move into supportive housing, where they get a stable apartment that they can afford, with wraparound health and housing supports that provide the stability and the support they need, we see people transform significantly.

Within Indwell, we have a continuum of support. We recently opened what we would call a “moderate level” of support. We saw 25% of people from our first high-support program in Kitchener—25% of those tenants—move to the moderate-support program when we opened our first moderate-support program.

That is evidence that when people coming straight out of homelessness, with active addiction challenges and active mental health challenges, find stability, they are able to move on to more independence. What we see in more independent programs is folks doing exactly what you said: reconnecting with their natural supports and with their families, volunteering, finding employment and going back to school—absolutely.

Jake Sawatzky: Could you expand a bit in this last minute on wraparound supports and the continuum of care? What does that look like on the ground?

Chris Finkbiner: Yes. What we would call our “enhanced support” program, which is targeted at folks coming out of the most precarious situations, would be an apartment building of 30 to 50 units with an on-site team of around 15 to 20 staff and, often, a 1:3 or 1:4 staff-to-tenant ratio. It would include registered practical nurses as part of the health team. It would include addiction support, housing support, a hot meal provided each day and a psychosocial support worker.

It's a multidisciplinary team on site, wrapping support around the tenants and addressing are each of their individual needs. There's a case management plan created for each tenant, which is followed up on, where tenants are setting goals and we're following along with them in enhancing their stability, their wellness and their health. That's what our supportive housing model looks like.

Jake Sawatzky: Thank you very much, Mr. Finkbiner.

The Chair: That's great. Thank you very much to all of our witnesses on this panel.

We are going to take a very brief suspension as we turn over for the final panel of this afternoon.

• (1840)

(Pause)

• (1850)

The Chair: Colleagues, we are going to resume our meeting for the final hour. Welcome back.

I'd like to welcome our witnesses for this evening.

[*Translation*]

We have Éric Pineault, professor of sociology and environmental sciences at Université du Québec à Montréal.

[*English*]

From AIA Canada, we have Emily Holtby, vice-president of government relations. From the Canadian Manufacturers and Exporters, we have Alan Arcand, chief economist. From Canadian Phosphate Limited, we have Daniel Gleeson, chief executive officer.

Before we begin, I would like to remind participants of the following items.

Please wait until I recognize you by name before speaking. For those participating by 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 audio, English or French. For those in the room, you can use the earpiece and select the desired channel.

As you know, members can ask you a question in either English or French. Please be prepared with the appropriate interpretation, should you need it, so that we can take advantage of the time we have.

I will give a reminder that all comments should be addressed through the chair.

You will each have five minutes for your opening remarks.

[*Translation*]

We'll start with Professor Pineault.

The floor is yours.

Éric Pineault (Professor of Sociology and Environmental sciences, Université du Québec à Montréal, As an Individual): Thank you for having me.

I am here as an economist who is interested in the issue of fossil fuels and who works in that field. I want to talk to you today about the advisability, in this situation, of a special tax on oil companies' excess profits. The situation we're talking about is an Iran-United States war that has led to a significant jump in oil prices compared with the historical average—an increase of \$30 to \$40 U.S. since March—that seems to be holding steady. In the financial press, it's clear that this increase has sparked a discussion around a geopolitical rent. In fact, the entire oil sector is going to benefit—because of the war—from a significant rent.

In Canada, according to Enverus' modelling, we're talking about \$25 billion to \$30 billion for every \$10 increase in the price of oil for 2026. The Financial Times talks about a total of excess profits of about \$90 billion. That was a month ago. After an adjustment for current prices, we're talking about \$100 billion to \$120 billion in excess profits. This is truly a historic price shock and, at the same time, a political opportunity.

I want to talk a bit about where this geopolitical rent is coming from. As we know, only 20% of Canadian oil is consumed here, and 80% of our oil companies' revenue comes from abroad, including 78% from the United States. We can say that North American households and businesses will be the ones paying for these excess profits: for every barrel that's overvalued because of the war.

Regarding the macroeconomic path, what will happen if we do nothing, if we have a status quo and just let the volume of excess profits flow into the economy? When you read the testimony of companies like Tourmaline, Suncor and Cenovus, there's a consensus: to not invest. That means that these are not amounts that will be invested in the Canadian economy. Instead, these excess profits will be passed on to shareholders in two ways: through share buybacks and dividends.

Knowing that around 60% of the capital of Canada's four main oil companies is owned by American interests, we can say that a significant portion of the excess profits will end up in the United States, that 27% will stay in Canada and that it will go into the wallets of the wealthiest households and contribute to the increase in inequality.

There's a debate right now, not only in Canada but throughout Europe and North America, as to whether it might be appropriate to direct those excess profits toward a different macroeconomic path with different effects. The idea would be to introduce a temporary special tax on excess profits. There are three models. First, there's a 15% tax on profits that exceed \$1 billion, which is somewhat

equivalent to what the federal government did for banks and insurers during the pandemic. Second, Canadians for Tax Fairness is instead proposing a 33% tax on profits that exceed 120% of the profit levels pre-crisis, so it's much more aggressive, and it's based on the European model. That would give us revenue of about \$18 billion. Third, we could follow what was done in Canada during the Second World War, namely, to pass a bill on excess profits, which sought 75% of all profits that exceeded the pre-war average. This would split the excess profits in half: \$44 billion would stay in the oil companies' pockets, and \$46 billion would go to the federal government. This is a temporary measure that makes it possible to redirect this volume of excess profits so that it serves all Canadians and to prevent it from ending up in the United States or in the wallets of the wealthiest households.

Finally, what are the potential macroeconomic effects of the government taking the rent? That depends on what's done with it and how it's spent. The worst solution would be to put it in the government's general fund; that would have no structuring effect. One approach that would be less structuring would be to use it to reduce the impact of rising fuel prices on the poorest households. A slightly more structuring approach would be to use the geopolitical rent as an impact investment to diversify oil-dependent regional economies: examples would be western Canada and Newfoundland and Labrador. Lastly, the most structuring approach would be to invest these excess profits in electrification and the decarbonization policies we already have.

That, in a nutshell, is the proposal I wanted to share with you today. This is a debate that is ongoing and that I think is important, given the circumstances.

• (1855)

Thank you.

The Chair: Thank you, Professor Pineault.

[*English*]

We'll continue with Ms. Holtby from AIA Canada.

You have five minutes.

Emily Holtby (Vice President, Government Relations, AIA Canada): Madam Chair and members of the committee, thank you for the opportunity to appear before you today.

My name is Emily Holtby. I am the vice-president of government relations for the Automotive Industries Association of Canada, otherwise known as AIA Canada. We represent the \$44-billion auto care sector, which employs more than 500,000 Canadians from coast to coast to coast, including aftermarket manufacturers, distributors, parts stores, and service and repair shops. Our industry plays an essential role in Canadians' daily lives. We keep almost 27 million vehicles on the road safely, reliably and affordably.

Today I would like to focus my remarks on two interconnected issues that are directly impacting affordability for Canadians. These are the right to repair and the shortage of skilled labour in the automotive service sector.

First, on the right to repair, keeping a car on the road is becoming unnecessarily expensive for Canadians. Modern vehicles are no longer purely mechanical machines; they are computers on wheels. Increasingly, automakers control access to the diagnostic and repair data required to service those vehicles. When independent repair shops cannot access that information, Canadians are effectively forced back to the dealership for repairs and maintenance. The result is reduced competition, fewer consumer choices and higher repair costs.

According to a recent MNP study, Canadians can save up to 30%, or roughly \$500, on common repairs when they have the option to use an independent repair facility. For more labour-intensive or complex repairs, those savings can reach as high as 80%. These restrictions disproportionately affect rural and remote Canadians. In many communities, there may not be a dealership nearby, meaning that families are forced to drive hours for repairs, lose work wages, take time off, and absorb additional fuel and service costs simply because local repair shops can't always access the tools and data they need.

This is fundamentally a competition and affordability issue. The federal government has spoken for years about lowering repair costs for Canadians, particularly in such sectors as electronics and home appliances, but Canada remains without a clear national automotive right to repair framework. Our allies around the world are moving ahead. Provinces are beginning to act. Consumers are increasingly demanding greater choice when it comes to repair and, of course, affordability. AIA Canada believes the federal government has the opportunity to establish right to repair legislation that mandates timely, secure and standardized access to vehicle repair and maintenance data for independent service providers. Doing so would protect consumer choice, support small businesses, strengthen competition and help lower the cost for millions of Canadians.

Second, we need to address the skilled labour shortage facing our sector. Even if Canadians have the right to repair their vehicles, we still need skilled technicians available to do the work. Today there are approximately 6,800 automotive technician vacancies across Canada. At the same time, vehicles are becoming significantly more advanced, particularly with the transition toward electric vehicles, advanced driver assistance systems, connected vehicles and high-voltage battery technologies.

Automotive service techs are now navigating some of the most rapid technological changes of any Red Seal trade in the country. Without significant investment in training and workforce development, Canadians will continue to face longer wait times, higher repair costs and reduced access to vehicle servicing, particularly in smaller communities. We are therefore recommending that the federal government invest in industry-led recruitment, training and upskilling initiatives, including with the creation of a skilled trades promotion and navigation fund, with automotive trades serving as an initial pilot sector. This could be part of the \$6-billion team Canada strong initiative announced in the spring economic statement.

In the short term, we are also asking the government to establish a targeted labour mobility pathway for automotive service techs, including accelerated credential recognition and faster LMIA pro-

cessing to help stabilize the workforce while domestic training capacity grows.

In conclusion, if Parliament is serious about addressing affordability, competition and consumer choice, then vehicle repair must be part of that conversation. Canadians deserve the ability to repair their vehicles safely, locally and affordably.

Thank you for the opportunity to appear today. I look forward to your questions.

• (1900)

The Chair: Thank you so much, Ms. Holtby.

We will continue now with Mr. Arcand from Canadian Manufacturers and Exporters, please.

Alan Arcand (Chief Economist, Canadian Manufacturers and Exporters): Thank you, Madam Chair and members of the committee.

I'm pleased to appear before you today on behalf of Canadian Manufacturers and Exporters.

CME represents Canada's manufacturing sector, which is critical to Canada's prosperity, security and resilience. It employs more than 1.8 million Canadians across the country, generates over \$200 billion in GDP and exports almost \$450 billion in goods annually.

These figures understate the sector's broader impact. Manufacturing supports activity across the economy through deep and broad supply chain linkages. It is also a strategic industry that underpins Canada's national security, economic resilience and sovereignty.

Manufacturing's strategic importance is precisely why the unjustified U.S. tariffs are so damaging. Tariffs and trade uncertainty strike at the heart of Canada's industrial base, weakening business confidence, delaying or cancelling investment, and leading to layoffs and production cuts. Even if the CUSMA review produces a positive outcome, recent experience shows that U.S. trade policy can shift quickly. For manufacturers making long-term investment decisions, market access can no longer be taken for granted.

We can already see the impact of these tariffs. Since last January, Canada has lost 57,200 factory jobs. Over the same period, manufacturing construction has fallen for 15 straight months, for a cumulative decline of 27%. Real sales are down 4.7%. As well, the sector's real output has contracted for three straight years, and a fourth straight decline in 2026 appears likely.

To make matters worse, these trade pressures are hitting a sector that's already been weakened by long-term structural challenges, especially weak investment. The investment cap is stark when we compare Canada with the United States. U.S. manufacturers invest roughly three times more per worker than Canadian manufacturers do. This means that the average U.S. worker is being equipped with more than \$55,000 in new equipment, technology and structures each year, compared to closer to \$20,000 for Canadian factory workers.

In Canada, investment has been so weak that manufacturers are barely replacing existing plants and equipment. The sector's capital stock is now 13.5% lower than it was in 2000, while the U.S.'s manufacturing capital stock has grown by 40% over the same period. This weak investment record is a key reason that Canada's labour productivity has lagged so far behind that of the United States.

Again, the sector is under severe pressure from tariffs and trade uncertainty, which are compounding long-standing challenges that have left Canada's industrial base less competitive and less resilient. The federal government has taken important steps, including tariff relief programs and targeted support measures for manufacturing and other affected sectors. These priorities are the right ones, but Canada must build on them. The focus should now be on timely, predictable and practical implementation.

Today I want to highlight three priorities.

First, the federal government must continue reducing red tape and regulatory burden. This is one of the biggest and lowest-cost opportunities to boost investment productivity and prosperity. This would include legislating growth and competitiveness mandates for all regulators, requiring them to consider the impacts of their decisions on economic growth as a statutory obligation. It would also include expanding the scope of the one-for-one rule. Despite this rule, government-imposed requirements on businesses continue to increase, because the law excludes legislated obligations, ministerial guidance and other non-regulatory requirements. The government should also strengthen the oversight of regulatory cost-benefit analysis. These analyses must be credible, realistic and transparent.

Second, Canada's weak business investment record means that budget 2026 should include further measures to strengthen tax competitiveness. We welcome the government's actions to date, including the productivity superdeduction and enhancements to the SR and ED program. However, as noted in the budget, Canada has the lowest marginal effective tax rate in the G7; it's also below the OECD average. We still do have high average tax rates. Those matter too. Canada's personal income tax rate and corporate tax rate are above the OECD average. They're higher than those of the U.S., and that does restrict our ability to attract capital and talent.

• (1905)

More broadly, Canada's tax system has not undergone a comprehensive review in decades, and the case for action is stronger.

The Chair: I apologize, Mr. Arcand. Can you wrap up, please?

Alan Arcand: In conclusion, Chair and members, Canada's manufacturing challenges are real and urgent. Tariffs and trade uncertainty have exposed long-standing weaknesses in investment, productivity and competitiveness.

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

Alan Arcand: Thank you.

The Chair: Thank you very much.

We're now going to continue for five minutes with Mr. Gleeson from Canadian Phosphate Limited.

Daniel Gleeson (Chief Executive Officer, Canadian Phosphate Limited): Madam Chair and members of the committee, thank you for the opportunity to appear before you today.

My name is Daniel Gleeson, and I'm the CEO of Canadian Phosphate, the company advancing two sedimentary rock phosphate projects in British Columbia, in the Fernie and Wapiti regions. Our objective is straightforward: to build Canada's only domestic phosphate fertilizer production facility. We're advancing the pathway that would allow us to supply Canadian farmers with phosphate fertilizer domestically and reliably from Canadian natural resources.

Sedimentary rock phosphate is the raw material from which 90% of the world's fertilizer is produced, and it has no viable substitute at scale. Canada, one of the most agriculturally productive nations on earth, currently imports virtually all of the phosphate fertilizer it requires to grow its food. Our farmers from the southern prairies all the way to Quebec depend entirely on a supply chain that originates thousands of kilometres from their fields in foreign jurisdictions under policy conditions they cannot influence or control. This is a structural gap in our industrial base, and it's one Canada has the resources and the capacity to close.

Parliament and this very committee have already recognized the strategic importance of phosphate for Canada, but the Income Tax Act does not reflect that reality, creating a gap that makes every domestic sedimentary phosphate project inadmissible for the financing tools the government created to support their growth. That gap must be corrected urgently.

The case for acting now is not abstract. It is in the headlines every day. Geopolitical conflict in the Middle East and export restrictions by China have fractured the global fertilizer supply chains and made prices skyrocket. Canadian farmers are absorbing these costs now and likely will into the long term, with diminishing breathing room. That pressure is transmitted directly to the grocery bills of every single Canadian family, from coast to coast.

Governor Tiff Macklem of the Bank of Canada testified recently before this committee that with higher energy and fertilizer prices now compounding existing food inflation, which has been running near 4% for several months, it is difficult to say that food price inflation is going to come down any time soon. This is a crisis affecting the daily lives of Canadian families already under enormous financial strain, and the factors at fault originate in markets and conflicts Canada does not govern. The only reasonable answer is to build the supply we can control, and that starts with supporting Canadian farmers.

Canadian Phosphate is well positioned to meet the moment. Our Wapiti project in northeastern British Columbia sits at the doorstep of the Peace River agricultural heartland. Our Fernie project connects through existing corridors to southern prairie markets. Together, they would bring lasting economic activity to western Canada while supplying all of Canada with domestically produced phosphate fertilizer, reducing the entire agricultural sector's exposure to the kind of foreign price shock we're all witnessing right now.

That brings us to why we're here before this committee today. As MP Leitão noted a few months back, phosphate is already eligible for flow-through share financing. In principle, that is correct, but the Income Tax Act ties industrial mineral eligibility to non-bedded deposits, namely igneous. Sedimentary phosphate, the source for approximately 90% of global phosphate fertilizer production, is a bedded deposit by definition and therefore does not qualify. That provision makes flow-through share financing and the critical mineral exploration tax credit inaccessible to any project aiming to develop a strong domestic supply chain of phosphate fertilizer from sedimentary deposits.

One amendment—adding sedimentary phosphate explicitly to the definition of “mineral resource”—would correct that.

An independent economic analysis found that our combined mine and fertilizer plant would generate approximately \$34 million annually in total GDP, supporting close to 200 high-paying jobs. Once in operation, the project is expected to return approximately \$7.4 million annually in federal revenues, while the total cost of the change we are requesting is only \$5 million. Sedimentary phosphate is the foundation for nearly all phosphate fertilizer supply, and correcting this oversight is how tens of millions of dollars in private capital can be deployed in Canada and how Canada can become, as Prime Minister Carney has said, its “own best customer”, building the industrial base that feeds our own people from our own land.

Madam Chair and members, thank you for your time.

- (1910)

I look forward to your questions.

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

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

Pat Kelly: Thank you.

With only six minutes and four witnesses here, I'm going to try to get to each one.

I'm going to start with Professor Pineault.

You stated that you want to see an excess profit tax on the oil and gas industry. Oil and gas exports are overwhelmingly Canada's largest export. The resource is overwhelmingly located in my province. The mineral resource ownership is an area of exclusively provincial jurisdiction.

Do you really think that this is the time, in an extremely volatile commodity...? It's a commodity that was trading below \$60 a barrel before the war began, and, in fact, very recently was priced negatively, given the differential on markets that it gets to. Do you really think that it is advisable for the federal government at this time to impose a new tax on Alberta's most important industry?

Éric Pineault: Given that the industry itself is saying that it wants to pass on the windfall profits to its shareholders through share buybacks and dividends, that this is a temporary measure and that it is not looking into investing this or passing it on to the workers—most of this is going to go to the U.S., because 60% of the shareholders are American and not in Alberta—I think that there's an opportunity to split this half and half. Half could stay with the shareholders, and the other half...

We're talking about extraordinary windfall profits that are very temporarily hurting Canadians and Americans, and that will just, through the skewed way in which—

Pat Kelly: With limited time, I'm just going to have to move on.

I would suggest that the federal government merely peel back all the regulations that are preventing the reinvestment of these profits in Alberta and straighten that out.

That takes me to Mr. Arcand.

I'd like you to talk about regulation and how regulation in Canada harms its investment attractiveness and productivity.

We're two years into what we were told at this committee is a break-glass emergency on Canadian productivity. Nobody's broken the glass; nobody's addressing it.

Can you give us some suggestions?

• (1915)

Alan Arcand: We support what the government's done so far federally in terms of the red tape reduction office and the red tape review.

We think things are moving in the right direction, but we believe that more could be done, as I mentioned in my opening statement.

Even though the government has a one-for-one rule, the number of regulations continues to grow federally. It's also an issue at the provincial level as well, of course; it's not just a federal problem. I think that the federal government could show stronger leadership on that issue too.

All the time that companies spend on regulatory compliance is time not spent on their core business. That's really the crux of it. Over time, regulation tends to layer on and on. I think it's just time for further action on that front.

Pat Kelly: Do you have some specific information about the cost of compliance?

Alan Arcand: I don't have anything specific right now.

We have surveyed our members about certain issues that really affect the manufacturers in Canada, but I don't have a specific figure.

Pat Kelly: If you have anything that might help the committee in that regard, you can send it to the committee.

With the time I have left, I'll go to Ms. Holtby about the right to repair.

You spoke about enabling Canadians to repair their own vehicles to lower costs and to ensure that people are able to maintain products.

There have been several bills in the House of Commons that have touched on this, notably one from my colleague Jeremy Patzer, MP for Swift Current—Grasslands—Kindersley.

Could you talk more about the specific recommendations you have on the right to repair?

Emily Holtby: We are particularly pleased with Bill C-244 and Bill C-294, Member Patzer's bill. They were a great first step for the right to repair. Essentially, we needed those amendments made to the Copyright Act before provinces could move on right to repair legislation. Where they stop short, unfortunately, is that they do not mandate that data access requirement from the manufacturers directly to the independent service provider, and there's no enforcement in place or regulatory oversight for non-compliance. While they allow an independent shop the ability to essentially bypass the digital lock in order to diagnose and repair, they don't address the actual access issue—and then, of course, proper oversight.

Pat Kelly: Thank you.

Mr. Gleeson, I have only a few seconds left. If you have anything you want to add that you didn't get to say from your opening statement, you have about 20 seconds, I think.

Daniel Gleeson: The only thing I wanted to focus on was that the intention of the government was correct in including phosphate in the critical minerals strategy. What hasn't followed is change to

the Income Tax Act, which has excluded bedded deposits, effectively excluding sedimentary phosphate. Sedimentary phosphate is where 90% of the world's fertilizer comes from.

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

Thank you very much, Mr. Kelly.

Mr. Sawatzky is generously allowing me to ask a brief question before I turn it over to him.

Mr. Arcand, it's actually for you.

In your opening remarks, you said, "Since last January, Canada has lost [over] 57,200 factory jobs." I'm just wondering if you can briefly paint a broad picture as to which regions that's happened in and the sectors that have been most affected.

Thank you.

Alan Arcand: Most of those job losses have occurred in Ontario. The three provinces with the largest declines are Ontario, Quebec and B.C. The fact that the hit has largely occurred in central Canada shouldn't be a surprise. It's where the industries being hit with section 232 tariffs are largely based: steel, aluminum and autos. The impact of the tariffs is really a central Canadian story.

Of course, at the same time, duties on softwood lumber have increased. That's another story that's not heard about as much, but it's also affecting employment in B.C.

The Chair: Thank you so much.

Now I'll turn it over to Mr. Sawatzky.

• (1920)

Jake Sawatzky: Thank you, Chair.

Thank you to the witnesses for coming today.

Mr. Gleeson, I have a few questions for you.

Strengthening domestic supply chains has become increasingly important across several sectors of the economy given the global disruptions that everyone is facing. How does a stronger domestic phosphate industry benefit Canadian farmers? What impact could that have on fertilizer affordability, supply reliability and agricultural competitiveness?

Daniel Gleeson: I think the first thing to point out is that Canada is fully self-sufficient in nitrogen, calcium and sulphur. The only thing we are 100% reliant on for imports is phosphate. Having a domestic source of phosphate fertilizer effectively creates a more cost-effective product that is regularly and reliably available in Canadian dollars. It helps the farmer prevent the price shocks they seem to have been absorbing day in and day out from the political conflicts and situations globally. Having that access to cost-effective fertilizer is ensuring that they're consistently growing a crop with the right yields and at the right profitability, which ultimately flows through to the consumer at the dinner table. Having that consistency and cost-effective access to fertilizer is just another way of reducing the risks that farmers face every single day in what they do.

Jake Sawatzky: Thank you.

In your introductory remarks, you mentioned global factors—perhaps the Strait of Hormuz being closed and other international factors. Could you expand on how that's affecting things right now?

Daniel Gleeson: I think it's a compounding situation, fundamentally starting with China, which produces 40% of global phosphate. Over the last five years, they've continued to restrict exports to almost nothing. You layer onto that the situation in Russia, which is also a supplier of phosphate fertilizer, and then the final straw has been the Iran-U.S. situation. You layer onto that the situation in Russia, which is also a supplier of phosphate fertilizer, and then the final straw has been the Iran-U.S. situation. Fundamentally, it's just continuing to drive up costs dramatically. That impacts not only the farmer but also the fertilizer retailers, who are hedging these global commodities with the currency risk in U.S. dollars. This is not going to diminish any time soon. Fundamentally, 70% of the world's sedimentary phosphate is held by Morocco. You have a very concentrated source of phosphate globally, with an opportunity in Canada to develop the sedimentary phosphate that does exist in western Canada, in British Columbia.

Jake Sawatzky: Thank you.

Of course, a lot of people are facing challenges with the affordability of food—and I would imagine in agriculture, growing the food, the price of fertilizer.... It all has an effect there. Could you expand on that as well, please?

Daniel Gleeson: I think, fundamentally, when you're looking at the situation with fertilizer, it's a compounding situation of sulphur prices, logistics and freight costs. That's something that western Canada is very well structured and suited for, from a fertilizer production perspective for phosphate. We have the phosphate in western Canada, and we have access to sulphuric acid and natural gas—they're the three primary ingredients. Once that's completed and you have the product, you then have a rail and logistics infrastructure to deliver that cost-effectively to the farmer.

By capitalizing on all of these advantages, you're bringing a much more cost-effective product to market. The fundamentals of our business and strategy are still based on producing a lower-cost product for the Canadian farmer.

Jake Sawatzky: Thank you.

Could you expand on the economic benefits that could result from this proposal and what it could mean for employment or regional development?

Daniel Gleeson: Fundamentally, this will all be regional development based on our location. In phase one, as I mentioned, we're expecting to deliver \$34 million in GDP annually, but with the clear intention of expanding and doubling and then tripling the size of our processing plants to accommodate the demand of the market. That's going to include 200 high-paying jobs in the initial phase one, and then another 200, followed by another 200. We have to be setting up in two locations to maintain our economic advantage and cost benefit to the farmer from a logistics point of view.

Jake Sawatzky: These were both in B.C., correct?

• (1925)

Daniel Gleeson: The mining is in B.C. The location of the processing plant is to be determined.

The Chair: Thank you.

[*Translation*]

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

Jean-Denis Garon: Thank you, Madam Chair.

As usual, I want to thank all the witnesses who are here today. Their testimony is important.

Professor Pineault, good evening. I received the document you sent us, and I'd like to thank you for it. You present an interesting idea, and your brief is the only one we have received on this topic. It's an idea that has been floating around. There's a real debate going on.

You discuss the excess profits of oil companies. Can you quickly and simply explain the difference between profit and excess profit? What's the definition?

Éric Pineault: Absolutely. Profit is the average rate of return, taking into account capital and productivity. It is what's expected of an activity and may vary depending on the company's strategy and the quality of its management.

Excess profit has nothing to do with that. It's actually economic rent. In this case, it's a geopolitical economic rent. That means it's an abnormal profit rate that's created by a situation completely outside the company's operations, and it doesn't have the same social or economic legitimacy as a normal profit.

Jean-Denis Garon: Basically, what you're essentially telling us is that when an oil company makes a profit because of special circumstances, such as the current circumstances, it's a stroke of luck that has nothing to do with the decisions made by the company.

Éric Pineault: Exactly. However, it's something that has to be paid for, that is to say that people have to pay. It comes out of someone's pocket. No profits appear out of nowhere. In this case, it's North American households and businesses that are funding this temporary windfall, which is linked to the war.

Jean-Denis Garon: I understand.

The federal government takes part in activities in the oil sector. It funds pipelines; there are tax credits, and so on. Do you think that all the federal aid to oil companies is likely to inflate these excess profits when they're generated?

Éric Pineault: In the sense that these excess profits won't be reinvested and that companies don't have to invest, precisely because of this support from the Canadian government, yes, it's clear that there's an indirect contribution. However, we're really in a situation where there's a temporary exogenous shock.

Obviously, the federal government could temporarily review certain forms of aid and tell businesses that they can use profits to do something other than give them to shareholders. That would be a possible decision.

Jean-Denis Garon: There's clearly a political avenue. For our part, the Bloc Québécois has always been clear about subsidies and aid for oil companies.

That said, I'm wondering about the ownership of profits and excess profits.

My Albertan colleague Mr. Kelly alluded to this, namely, that natural resource rents—geopolitical or otherwise, however they're defined—are exclusively provincial under sections 91 and 92 of the Constitution.

I'm not necessarily saying that I like the way Alberta collects them or doesn't collect them. This isn't a value judgment, but it remains the last tax trial—probably alongside property taxation—in which the federal government hasn't stuck its nose.

I'm going to do a thought experiment. I don't want this to be taken as an argument.

Let us take the example of Hydro-Québec. Say that, in some years, there had been a geopolitical rent in the United States and that, all of a sudden, the price of exported electricity had skyrocketed, that Hydro-Québec was making a mammoth profit one year and that the federal government came and said that it could and should collect \$10 billion to \$20 billion from that. As a Bloc member, as a separatist and as a Quebecker, I would be deeply offended. I understand that this isn't an environmental policy per se; it's a way to get income without distorting the economy.

Now, you're going to tell me that profit taxation is a federal responsibility. However, even by taxing profits, wouldn't that be an indirect way of doing what we aren't allowed to do directly?

Éric Pineault: First, I'm not a constitutional expert; I'm an economist, so it's a complex question.

However, in response to the question, I could say that the idea of a tax on excess profits is something that comes after royalties; it's something that comes after the provinces have taken what they could take. At that point, there will still be \$90 billion, which will leave Alberta. It isn't true that this money will stay in Alberta. In fact, Tourmaline, Suncor and Cenovus Energy all stated that they were going to send it to the shareholders. Shareholders are largely managed—

Jean-Denis Garon: I'm going to rush you because I only have a minute and a few seconds left. Don't take it as a lack of courtesy.

The Alberta royalty increases with the price of a barrel of oil. It's a royalty that progresses—

• (1930)

Éric Pineault: There you go. It's mechanical. Exactly.

Jean-Denis Garon: What you're sort of telling me is that, if Alberta were to properly tax oil through its royalties system, there wouldn't be any excess profits that the federal government could collect. Is that correct?

Éric Pineault: Probably.

Jean-Denis Garon: Okay. That's more or less what it comes down to.

As an economist, I agree with you. Taxing excess profits doesn't change decisions on consumption, investment and so on, except in a unitary state.

Once again, I always come back to this exact question: Is that tantamount to disagreeing with the way royalties are designed in Alberta? Do you kind of understand what I mean?

Éric Pineault: Yes.

Jean-Denis Garon: I don't have the answer, but I'm wondering about jurisdictions. I think that, as a Quebecker, I'm not sure I would accept that with our own resources.

Éric Pineault: I don't want to take a position on a debate between Alberta and Quebec. However, I can say that, historically, it's well known and documented: Canada, as a whole, is a country whose oil royalties are low compared with other countries, be it Norway, the United Kingdom or elsewhere.

First, in Newfoundland and Alberta, they're low.

Second, we have excess profits here. The companies, the private sector, say they aren't investing in them—

Jean-Denis Garon: I see that the chair is about to cut you off, but we'll come back to this on my next turn.

Éric Pineault: Perfect.

The Chair: Thank you, Mr. Garon.

[*English*]

We'll continue now with Mr. Genuis for five minutes, please.

Garnett Genuis (Sherwood Park—Fort Saskatchewan, CPC): Professor Pineault, you've advocated an excess profits tax, as you called it, targeted at a specific industry. I wonder if you believe Canada should have an excess profits tax or windfall profits tax in general applying to all industries, or if you advocate it only in this particular case.

Éric Pineault: From a general point of view, I think that an excess profits tax might be interesting, but it might create distortions in the economy whereby firms will try to work a way around it and not declare these profits. That's the hard part.

Garnett Genuis: You're concerned—

Éric Pineault: Right now we have an opportunity—

Garnett Genuis: —that an excess profits tax on industries important in Ontario and Quebec might have distortionary effects, but you're less concerned about an excess or windfall profits tax applied to an industry in Alberta. Is that correct?

Éric Pineault: No, it's not correct. I'm looking at a sector, not a province, and I'm looking at a very specific conjuncture.

Garnett Genuis: Right, but it's hard to miss the implications, isn't it? There are global shocks and events that can affect other industries. We saw with the COVID pandemic, of course, a significant impact on the pharmaceutical industry and on various technology companies. Some people did very well and some others much less well as a result of dramatic changes in response to an event that was not generally predicted.

Did you advocate a windfall profits tax on certain technology platforms or pharmaceutical companies at that time, sir?

Éric Pineault: There are two things. First of all, the Canadian government did have a windfall profits tax aimed at the insurance sector and the banking sector during that period. Second of all, it's the size of the windfall here that's significant. It's about 4% of the GDP. If something comes up at 4% of GDP, I will advocate a windfall tax—

Garnett Genuis: Sir, you've come before this committee, and you have advocated a specific tax targeting an industry. You haven't advocated a general policy on windfall profits. You have advocated one for a specific industry. We didn't hear from you about technology platforms or about pharmaceutical companies. You've used an example that relates to some fairly unique circumstances involving the financial sector within federal jurisdiction. Regardless, I'm talking about your positions. You chose to come here today targeting one specific sector instead of advocating a general economic principle. Why is that?

Éric Pineault: It's because of the size—4% of GDP—and because of the refusal to invest that windfall into innovation, jobs or expanding production, which are things that the pharmaceutical and tech sectors do.

Garnett Genuis: You are advocating a windfall profits tax that you see as responsive to specific decisions around investment.

Do you think decisions around investment in this sector have something to do with federal policies, including the kinds of policies that you're advocating? Do you think that we would be seeing more investment if we didn't have the kind of anti-energy policies promoted by this government and advocated by you that deter investment?

Éric Pineault: The decision to invest in the oil sands is tied to the structure of the sector, to the price of getting that oil out, to the specific physical aspect of this oil and to general market conditions. This is not something—

• (1935)

Garnett Genuis: The general market conditions are that the price goes up and the price goes down. The problem is that investors take a risk on the price sometimes being up and sometimes being down. In cases when the price is up, if you have advocacy for targeted taxes on specific industries, that obviously impacts investment decisions.

Sir, let me ask you another question. If you support windfall taxes, then can I assume you would support a windfall subsidy for the same sector? Suppose that some global shock caused a significant drop in the price of oil. Say new supplies suddenly opened up because of changes in technology or geopolitical events. Would you, in response to those events, advocate a windfall subsidy to the same sector that you want to see a windfall tax on?

Éric Pineault: Given the productivity and competition issues of our oil sector, we already are subsidizing it quite a lot—

Garnett Genuis: The bottom line is that you just don't like the sector.

Éric Pineault: No, not at all. It's a specific part of our economy—

Garnett Genuis: You oppose a subsidy, and you support a windfall tax. If you would justify one, you would have to justify the other, if you're justifying it on the basis of windfall events, but you're not justifying it based on windfall events, because windfall events impact every other sector.

Frankly, this is why Albertans are generally frustrated with the federal government. It's this kind of discourse. It's the singling out of one industry that's so important to our economy in Alberta. It's the arbitrariness with which you find an excuse to justify these kinds of attacks on our industry and our economy.

The Chair: Thank you, Mr. Genuis. That concludes your time.

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

Kent MacDonald (Cardigan, Lib.): I'm going to go back to Mr. Gleeson.

This is on your argument on developing a phosphate fertilizer processing facility in British Columbia. I come from the agriculture sector, and I do agree with you. It's high time that we had a domestic supply. As you alluded to, we have a supply of nitrogen, and we have a supply of potash, but this is an opportunity for Canadian agriculture to really be self-sufficient in fertilizer production. It's high time we got there.

Can you just summarize what you would ask of the government in relation to the development of this fertilizer production?

Daniel Gleeson: Yes, the simple request is that the Income Tax Act recognize sedimentary phosphate as an exception to the bedded deposit. We've made the same for potash, gypsum and coal, but we haven't made it for sedimentary rock phosphate. It's one change to the Income Tax Act.

Kent MacDonald: Is your company involved in the production of batteries with phosphate?

Daniel Gleeson: No. Fundamentally, we're rooted in fertilizer. That is our focus for three reasons. One, the technology exists today. Two, the market demand is very clear and obvious. Three, we have the right form of phosphate to produce fertilizer.

There is the potential, based on a new technology we are looking at in Florida, that we could indirectly produce battery-grade phosphate. It's not our primary focus for the reasons I've stated and, in particular, because the technology is not proven at scale. If it is proven at scale, the biggest thing it does make is liquid phosphate fertilizer and battery-grade phosphoric acid. We are a fertilizer company first and foremost.

Kent MacDonald: Thank you.

For my second question, I'll go to Mr. Arcand.

We instituted in budget 2025 the superdeduction and accelerated investment tax credit. I want your opinion on whether they are effective measures, because, as we look at 2026, everything's clouded with the trade issue and the tariffs issue.

Alan Arcand: Yes, we supported the productivity superdeduction. Something CME has been asking for is an extension of the accelerated capital deduction. As I mentioned in my opening statement, it does mean that Canada has the lowest marginal effective tax rate on capital, which is a genuine strength, but we do have a higher than average tax rate. The average tax rate still matters for companies' investment decisions, not just the marginal rate.

We used to be more competitive. We haven't really changed our corporate tax rate in a number of years, but other countries, including the U.S., have been reducing their corporate tax rate. That's an area where we're lagging behind a bit.

• (1940)

Kent MacDonald: How much movement would you want to see in the corporate tax rate? We heard earlier from a previous witness that the U.S. is around 21% federally.

Alan Arcand: We're not too far. I believe our average right now is roughly 26%. The OECD average is 24%. It wouldn't take much, but obviously, the further you go, the more attractive it is to capital.

Kent MacDonald: A corporate income tax rate cut of 1% combined with what other policies would trigger the investment in manufacturing that your association is looking for?

Alan Arcand: That's the main one—a corporate income tax cut to be more attractive to investment. It should be as low as possible. I mentioned earlier about perhaps personal income tax cuts, too. There's talent along with capital. Talent is mobile, too. It will move to the place where there are the lowest taxes. Just like the corporate tax rate, our income tax is above the OECD average. We also do have quite a low level—

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

Thank you, Mr. MacDonald.

[*Translation*]

We're going to conclude this meeting with Mr. Garon.

Mr. Garon, you have the floor for two and a half minutes.

Jean-Denis Garon: Thank you, Madam Chair.

Professor Pineault, I'm going to pick up our discussion where I left off. I understand that this sparks strong feelings. That's what parliamentary debates are for, so that makes it all the more interesting.

When you talk about this tax on oil companies' excess profits, I understand that it's circumstantial. For example, some companies are making a lot of profits for geopolitical reasons. That's going to decrease again. What you're telling us is that, if it hadn't been for what happened in the Strait of Hormuz, we might not be talking about this today as part of the pre-budget discussions.

I imagine you have given some thought to a mechanism for phasing it in and out, and for triggering it, in particular. Is it a mechanism that would simply depend on the value of a barrel of oil, for example?

Éric Pineault: The simplest thing would be to tie it to the value of a barrel. However, it isn't so much a maximum cap or a gap that's important; it's the speed, the acceleration of the gap. That's what's causing the distortion right now. If it were a gradual rise, businesses, cost structures, wages and the entire economy would adapt. However, we have a temporary shock, created by geopolitical factors, that's generating this considerable volume of excess profits. We're talking about 4% of the gross domestic product.

Jean-Denis Garon: I understand.

We have caucus discussions, and this is one of the topics we sometimes discuss in the hallways with certain colleagues. I have been given examples, which I don't know off the top of my head, but which I think concern European countries that are considering implementing a policy like this or that have already done so. Based on the examples I have seen, the countries that have done this seem to be net importers of oil.

How does this kind of tax work when a country isn't a net exporter of oil and imports it?

Éric Pineault: There are two things.

First, when a country imports, does it import refined product? It may be straightforward in that case.

Second, some countries aren't exporters but have companies that are used to exporting. Examples would be TotalEnergies, Shell or BP, which historically came from the United Kingdom, the Netherlands or France.

Jean-Denis Garon: I understand.

In 20 seconds, what's the simple method of calculating excess profit in an equation?

Éric Pineault: The simple method is to get a historical average price schedule and say that it's going to drop off in x number of weeks. After that, we simply look at the differential.

Jean-Denis Garon: Thank you very much.

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

I'll turn the mike back over to you, Madam Chair.

Éric Pineault: Thank you for listening to me as well.

The Chair: Thank you, Mr. Garon.

[*English*]

On behalf of the committee, I would like to thank all the witnesses for their time and for sharing their ideas with us.

With that, I will adjourn the meeting.

Thank you.

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