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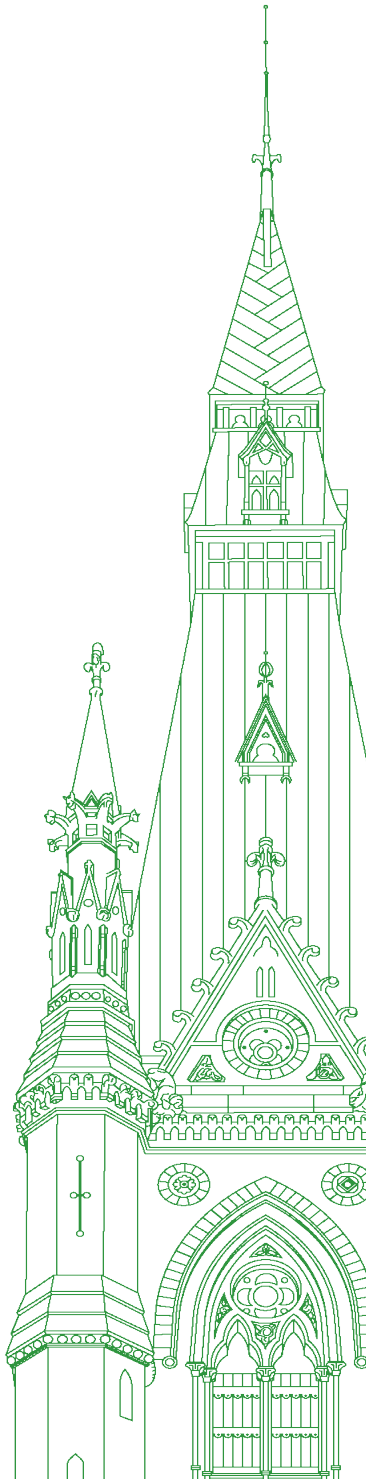

Chair: Karina Gould

Standing Committee on Finance

Tuesday, October 6, 2026

● (1100)

[*English*]

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

Welcome to meeting number 52 of the House of Commons Standing Committee on Finance.

[*Translation*]

Today's meeting is taking place in a hybrid format, pursuant to the Standing Orders. Members are attending in person in the room and remotely using the Zoom application.

[*English*]

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

I would like to remind participants of the following points.

Please wait until I recognize you by name before speaking. For those participating 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. I encourage you to put the earpiece on right away so that there's a smooth transition between English and French and we're not delayed in the time we have. I would also like to remind witnesses that committee members may ask questions in both official languages.

This is a reminder that all comments should be addressed through the chair.

For members in the room, if you wish to speak, please raise your hand. For members on Zoom, please use the “raise hand” function. The clerk and I will manage the speaking order as best we can.

Pursuant to the order of reference of Wednesday, June 3, and the motion adopted by the committee on Tuesday, September 22, the committee will resume consideration of Bill C-31, a second act to implement certain provisions of the budget tabled in Parliament on November 4, 2025.

I would like to now welcome our witnesses.

For the Alliance for a Visitor Tax Refund, we have Jean-Christophe Bédos, the co-founder, who is joining us via Zoom. We also have the Frontier Duty Free Association and Ms. Tania Lee, president. Finally, from the Canadian Tax Observatory, we have Ms. Heather Scoffield, chief executive officer.

You will now have five minutes each for opening remarks.

Monsieur Bédos, we will start with you, please.

[*Translation*]

Jean-Christophe Bédos (Co-Founder, Alliance for Visitor's Tax Refund): Thank you very much, Madam Chair.

Good afternoon, honourable members.

I am pleased to be here today. I will deliver my remarks in English, but I will be happy to answer your questions in both languages.

[*English*]

Madam Chair and members of the committee, thank you for this opportunity to appear before you today.

My name is Jean-Christophe Bédos, and I'm here on behalf of the Alliance for a Visitors Tax Refund. The Alliance for a Visitors Tax Refund is a coalition representing Canadian businesses across our retail, hospitality and tourism sectors. We created this coalition to advocate for a policy that we feel brings significant benefits to the Canadian tourism industry and, specifically, to small and medium-sized businesses.

As your committee examines the budget implementation bill, I'm here to advocate for Canada to reinstate a modernized digital visitor tax refund program on GST and HST for eligible retail purchases made by international visitors.

There are three main reasons why Canada should adopt a modern VTR system. VTR stands for visitor tax refund.

The first reason is the benefits to Canadian workers and small businesses. First, this proposal brings new visitors to local businesses across Canada, resulting in more local spending, new jobs and more vibrant main streets. This is because small and medium-sized businesses represent 99% of the tourism sector in Canada. Longer tourist stays and higher spending directly benefit local retail, but also restaurants, hotels, local attractions, entertainment and everything that attracts tourists to our country.

It is important to note that this proposal is supported by key industry leaders, including the Tourism Industry Association of Canada, or TIAC, and the Retail Council of Canada, or the RCC. Both recognize the real impacts of a VTR program for local retailers and tourism operators.

Moreover, what do the actual results look like? An independent analysis by the Centre for Economics and Business Research, the CEBR, based out of London, U.K., shows that a VTR system would bring an additional 200,000 new visitors to Canada, generate nearly $700 million of additional spending every year and create more than 38,000 new jobs across the country. This is important for our economy.

The second reason the VTR is critical is a matter of Canadian competitiveness. Canada, as we know, is a proud, pro-free-trade economy, which means a lot in today's world, I suppose. We believe Canada's approach to international tourism should reflect this commitment, yet today, retail purchases by foreign tourists are Canada's only taxed export. When international visitors shop here, we tax the goods they take home.

Numbers show that Canada is actually currently lagging behind competing global destinations. We are one of only three OECD countries without a VTR system. Consequently, we are missing out on a massive opportunity to be a strong tourism economy. The numbers provided by Statistics Canada show that tourists gladly visit our beautiful country. However, they spend very little compared to what tourists spend in countries offering a VTR system. In fact, over the last 20 years, the spending per capita by individual tourists in Canada has decreased year on year, every year. Tourists come to our country, but they do not spend in our country as much as they do when a visitors' tax refund system is offered—

● (1105)

The Chair: Monsieur Bédos, you have about 15 seconds left.

Jean-Christophe Bédos: I'll give you a third reason quickly. It's the practicality offered by modern digital technology. A modern, fully digital VTR system would provide a simple, secure refund process for visitors and merchants, with robust fraud controls—

The Chair: Thank you, Monsieur Bédos. I'm going to have to conclude it there. I'm sure there will be lots of questions for you during the question and answer period.

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

Tania Lee (President, Frontier Duty Free Association): Thank you, Chair and members of the committee.

I represent our association and the operators of 31 land border duty-free stores in small communities across Canada. My family has operated our store at Blue Water Bridge for more than four decades. We employ Canadians, buy Canadian products and contribute to our community and border economy.

I want to clarify what land border duty-free actually is. We are not simply retailers located at the border that are given a tax break. Our stores were created by the federal government as a highly regulated export industry to capture a Canadian sale from a traveller already leaving the country before the sale moves to the U.S. Our stores are federally licensed and overseen by the Canada Border Services Agency, or the CBSA. We cannot sell into the Canadian domestic market. Goods are sold tax- and duty-free because they are leaving Canada. If they return, applicable taxes and duties are assessed through normal customs processes.

Our only market is a departing traveller, and we compete only with U.S. retailers and U.S. duty-free stores metres away in the U.S. For more than 40 years, operators have built viable businesses around that mandate, supporting Canadian jobs, suppliers and border communities.

Today, we are under extraordinary pressure from circumstances we did not create and cannot control. When the trade dispute began, Canadian leaders encouraged Canadians to reconsider travel to the U.S., and Canadians listened. In August, automobile travel by Canadians to the U.S. remained more than 27% below 2024 levels. For most businesses, losing customers on that scale means finding another market. We cannot. We are export only, yet travellers still cross today. These are customers we can continue to serve. Our opportunity is to compete for those sales and keep that spending in Canada.

Today, I have two asks. First, ensure that Canadian land border duty-free shops can access a regional tariff response initiative, if needed. We are viable Canadian businesses directly exposed to Canada-U.S. trade disruption through no fault of our own.

Second, remove Canadian barriers that make it harder for us to compete for an export sale. Canadian excise is embedded in the price of tobacco sold through our stores, even though the product is sold exclusively for export. Consumers choose where they shop and what they buy. If we are not competitive, they can buy the same or substitute products in the U.S. without Canadian excise embedded in the price. The customer does not disappear. The sale simply moves outside of Canada. A 2024 econometric study found that every dollar lost in a tobacco sale in a duty-free store takes another $1.15 of other duty-free purchases. That is lost to the U.S.

We are not asking Parliament to eliminate the tax or reduce the rate. We are asking for consistent treatment of a verified export channel. That precedent already exists. The Excise Act already provides relief for Canadian manufacturers exporting tobacco to foreign countries with proof of verified export, yet when that same product is sold through a Canadian land border duty-free store, which is also a verified export channel, the excise tax is embedded in the price before it even reaches us. That is the asymmetry we are asking the government to correct today.

Our proposal is simple. Do not collect the excise before the product leaves Canada. If it comes back to Canada and tax is owed, collect it at that point, the border, through the normal customs process. The tax is not eliminated. The collection point is moved. Canada retains its ability to tax Canadian consumption, the CBSA retains oversight, and Canadian businesses can compete for a sale that would otherwise move across the border. This is revenue-positive for Canada.

Our stores were created to keep travellers' spending and economic activity in Canada. Ensure that we can access federal tariff support, and remove the Canadian barriers that make it harder for us to compete.

We are not asking for special treatment. We are asking for consistent export policies to be applied to a verified export channel so that we can compete effectively and keep more sales, jobs and economic activity in Canada. That is the mandate of duty-free.

● (1110)

Thank you.

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

Ms. Scoffield, you have five minutes.

Heather Scoffield (Chief Executive Officer, The Canadian Tax Observatory): Thank you for the invitation to discuss Bill C-31 and tax policy as a tool in solving economic problems.

The Canadian Tax Observatory is a new think tank that undertakes research and public engagement towards tax policy that is pro-growth, pro-equality and pro-simplicity, and I don't need to tell you how hard it is to balance those three legs of a stool.

Most of the tax items in Bill C-31 are technical in nature. I'll focus my remarks on a couple of aspects of the bill that we've looked at more closely—delivering automatic federal benefits for low-income individuals, and immediate expensing. They both speak to key priorities for Canadians right now. Automatic filing impacts affordability, and immediate expensing affects productivity.

● (1115)

[*Translation*]

I'll start with automatic filing.

For many years, the government has signalled its intention to move toward automatic filing for low-income individuals with simple tax situations, so it was a relief to see this measure show up in black and white in the federal budget.

[*English*]

The notice of assessment that the CRA issues taxpayers after filing an income tax return is the golden ticket to many federal programs.

Research done by the Parliamentary Budget Officer suggests, however, that up to $2 billion in federal benefits goes unclaimed every year. Academic studies say about 10% to 12% of adult Canadians do not file an income tax return. We need a deeper appreciation and a more modern update of these numbers and demographics. Especially since there's a growing tendency to deliver social programs and income supports through the tax system, it's imperative that the federal government makes sure the system functions properly and without interruption.

The plan that is established in the budget moves cautiously, perhaps too cautiously, adding elements over a couple of years and then ramping up volumes to reach 5.5 million people in 2029. We can do better than that with the amount of income data that all levels of government already have about their citizens, with modern technology and with the need for government support growing as our economy struggles.

[*Translation*]

Closer collaboration between the federal and provincial governments is the place to start. If the provinces could share their provincial assistance program data with the federal government, Ottawa would have an excellent list of people who would benefit the most from automatic reporting.

[*English*]

In particular, I need to mention the Canada disability benefit. It started flowing in 2025 to help low-income people with disabilities make ends meet. To qualify, though, you need to file an income tax return, and you need to be certified for the disability tax credit, even if you've already been deemed by the province to have a disability. This is needlessly complicated. Our research shows that 1.2 million people with disabilities live below the poverty line, and only 17% of people who start filling out the digital application for the disability tax credit actually press send.

The application system is riddled with pitfalls that drive away vulnerable people. We have the technology and the data to make things much easier than this. I'd caution that if, somehow, automatic filing becomes the norm, we will still need a human touch in this process. The numerous volunteers, navigators and helpers who bridge government administration and vulnerable people are building the essential bond of trust between a people and its government that technology can't deliver.

I'd like to turn now to immediate expensing. Last fall, when the government announced immediate capital cost allowances for some industries, my initial thought was that it was a decent measure to drive innovation and investment at a time we really needed it, but it was too temporary and too targeted. Fast forward to last month when the Prime Minister announced what he calls the productivity mega deduction, and he's addressed both of those elements. The new measure is permanent and extends to about two-thirds of Canadian business and capital investment.

That's major, and it comes at an important time. The goal is to drive active investment in Canada, boosting productivity, growth and jobs, and we really need all of those things in the face of American protectionism.

[*Translation*]

It's important to note that companies can't take advantage of this measure without making real investments. They have to invest to take advantage of it.

[*English*]

They can't get something for doing nothing.

Still, we have questions, mainly about which companies won't be able to take advantage of the measures and what kinds of outcomes the federal government projects as a result of the $36-billion move. What happens to companies and investors that are not making a profit right now and don't have tax bills to write down? I'm thinking about start-ups here. What happens to companies and service industries that are often leaders in innovation but don't have the types of material purchases of machinery and equipment that the new measure encourages?

In other words, does the new measure disproportionately favour big, established, capital-intensive companies, especially those involved in manufacturing and goods production, and is that where we really want to push our economy of the future?

The observatory would also like to know more about what would have happened without the mega deduction in terms of modelling. How much of the expected pickup would have happened anyway, and how do we measure how effective the new deduction is?

It's expensive, and it's important. The observatory is hoping to work with you to find those answers.

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

[*Translation*]

We'll start with Mr. Lefebvre for six minutes.

Eric Lefebvre (Richmond—Arthabaska—des-Sources, CPC): Thank you very much, Madam Chair.

Good morning to all my colleagues.

Thank you to the witnesses for being with us this morning.

I'll start with you, Ms. Scoffield.

You talked about tax policy, specifically simplicity and automatic filing. You also said that we need a human touch. Can you explain what you meant by that?

● (1120)

Heather Scoffield: Certainly.

[*English*]

A lot of very vulnerable people right now rely on navigators, on a very large volunteer segment, on accountants who give their time to help out at tax season. Right now, they're forming that bridge between the system and the people who don't find their way to filling in the tax forms to make sure they get their benefits.

Automatic filing can be very helpful, but I don't think it completely replaces that human touch. There are people who don't have access to computers. There are people who just don't trust the system. There are people who, for any number of reasons, are not going to be caught up in an automatic process. I think if we can fast-forward a couple of years to when the system is.... Even when it's working perfectly—if it can work perfectly—we will still need those volunteers and those navigators to help people steer through the system, which is extremely complicated and excludes many people right now.

[*Translation*]

Eric Lefebvre: Do you have any idea what percentage of people need human assistance? Would you be able to put a number on it?

[*English*]

Heather Scoffield: I don't have those numbers. I would point out that of the work that's been done about benefits that people are missing out on.... The PBO says it's two billion; academic studies say it's 10% to 12% of people. Those are not up-to-date numbers, and they're not detailed, so it's hard to know exactly how many. I'm relying on information from talking to people and to civil society groups that are working with those people on the front lines. To add up a big macro number is very hard. I would really like to know.

There's a whole other area of research to be done, too, in terms of indigenous populations and reluctance to file tax forms because of a trust bond or for various reasons. We don't know—we don't thoroughly understand—what that dynamic is.

[*Translation*]

Eric Lefebvre: Another point you talked about that really resonates with me is the idea that provinces could share data. I myself entered federal politics after spending time in provincial government. We're seeing that departments often don't talk to each other. Freer flow of information between them would be beneficial.

How could the provinces currently help in this regard by sharing data?

[*English*]

Heather Scoffield: The provinces give social assistance to the bulk of people who are living on low incomes, and they have a whole bunch of data that the federal government does not have access to. When the federal government goes about using the tax system, as it does increasingly, to deliver social programs, it's aiming at that very same population that the provinces are already dealing with, yet they're not talking to each other in terms of sharing that data back and forth.

Think about it from the person's point of view, the person who's applying for a benefit at the provincial level and then has to go and redo the whole process at the federal level and share that data yet again. That's a barrier to accessing those benefits.

You can do it at a very technical level of just swapping or sharing that data for social assistance. I think that would go a long way to alleviating the bureaucratic load for regular people.

[*Translation*]

Eric Lefebvre: That's a good point. We're talking about cutting red tape and making life easier for Canadians. That would be one way. The idea would be to suggest that the government share this information with the provinces so as to, again, reduce red tape and increase efficiency. I think that's what those of us on this side want.

Thank you very much, Ms. Scoffield.

The minutes are flying by.

I'll go to Ms. Lee next.

I understand the issues at hand, such as the objective of keeping money here, in Canada, just before it crosses the border.

You talked about a verified export channel for which the tax collection point would be moved. Can you elaborate on what you mean by moving the collection point, which you touched on a little earlier?

● (1125)

[*English*]

Tania Lee: If I am understanding correctly, you would like to understand how we are a verified export channel.

[*Translation*]

Eric Lefebvre: Yes, exactly.

[*English*]

Tania Lee: Thank you for that question.

The duty-free industry, to be able to sell tax- and duty-free, was created as a federally licensed industry. The government created a structure around that to ensure that it controls, through CBSA, all the inventory coming into the duty-free shops, from the point that it's in there to the point of it being sold to the consumer and exported out of the country.

We are mandated only to sell to travellers who are leaving the country. We cannot sell to anyone in Canada. I can't buy my own inventory. I couldn't even sell candy to a Canadian during COVID. Everything is segregated to one point, and that's export out of the country. If a Canadian traveller does not shop in our store, they will be a few seconds away into the U.S., and they will shop there instead.

The Chair: Thank you, Ms. Lee. We're going to have to end it there. That concludes the six minutes.

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

Jake Sawatzky (New Westminster—Burnaby—Maillardville, Lib.): Thank you, Chair, and thank you to our witnesses for being with us today.

My first question is for Ms. Lee.

The last time the Duty Free Association appeared was during pre-budget consultations. I believe we had the executive director here, so it's great to have your organization back.

As you mentioned in your opening remarks, there have been major disruptions in Canada-U.S. relations. Could you elaborate on the effect these disruptions have had on cross-border traffic and how that has affected the duty-free industry?

Tania Lee: On it being a major disruption, our duty-frees are located between Canada and the U.S., right in the middle. When there are tariff disputes, messaging from provinces or changes to the way people can shop, it creates uncertainty in the industry.

Uncertainty is the last thing consumers want. They don't like change, and they don't like to be uncertain. For the people who cross the border, they may not cross, or they may decide not to shop. At the very end of the day, if we have people who are uncertain, that leads to fewer sales in the duty-free channel.

The uncertainty continues on to our operators as well. They are having a very hard time understanding what they need to do. The messaging keeps changing, and the environment keeps changing. How do you then plan your sales? How do you plan and forecast for your infrastructure, supply chain and routes to market? All of those things are now pressures that come to bear upon us.

Jake Sawatzky: Thank you very much.

My next question is for Ms. Scoffield.

You mentioned that one of the key measures in Bill C-31 is the automatic tax filing system for eligible lower-income Canadians. Of course, many people are entitled to federal benefits but may not receive them, maybe because they can't file their income taxes or they just don't. The minister was before the committee yesterday and highlighted the potential for this measure to reach about five million Canadians, at a time when affordability is very much top-of-mind for many people.

From your perspective, what impact could automatic tax filing have on service delivery for low-income Canadians, particularly in helping them access federal benefits and supports they're already entitled to?

Heather Scoffield: It can be very helpful if it's done efficiently and with the end-user in mind. As you alluded to, there are a number of reasons people don't file: The tax code is too complicated, they don't owe money so they don't immediately understand that by filing they would be able to get some government support, they have not been filing and they're afraid that they might owe money so they don't, or they're just too caught up in the pressures of getting through the day-to-day to actually wrap their head around a complicated system.

There are all those federal benefits that are tied to filing and getting CRA to give them their notice of assessment so they can actually get their benefits. They're leaving a whole bunch of money on the table, money that they have a right to. There are things like the RRSP and TFSA for middle-class and upper-class people, but for low-income people, they need that notice of assessment to get benefits that would actually help them make ends meet and live a decent life. It can make a huge difference.

Jake Sawatzky: Thank you.

As a follow-up, could you speak to the administrative burden that might be relieved from not only the individuals themselves but also the organizations that are helping folks navigate the benefit system?

● (1130)

Heather Scoffield: There is, for example, the pre-filling of applications. This is going to go in three stages, and one of those is pre-filling applications. That would free up a whole bunch of time and paperwork, both for the navigators and for the accountants who are volunteering their time, by filling in the blanks with information that the government already has. It makes a lot of sense, and I think we have the technology to be able to do this.

It's not for everybody. It's not for people who don't have access to computers, who are not necessarily computer-literate or who don't trust the system. There's still a need for those volunteers and for those frontline organizations in civil society to be able to help them. It certainly could help speed things up and make their jobs easier.

Jake Sawatzky: Thank you very much.

My last question is for Mr. Bédos.

We mentioned the disruptions with the United States. Can you speak to the disruption to the travel habits of Canadians to the United States as well? Is that something you've noticed?

[*Translation*]

Jean-Christophe Bédos: That's a good question. Thank you very much.

There's something we notice when we talk to people. I'll give you an example. People who live and work in Windsor know that their Canadian customers cross the border to shop. If a tax exemption for foreign visitors were introduced, the flow of shoppers would undoubtedly be reversed. This is anecdotal, but I think it's worth mentioning.

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

[*English*]

Thank you, Chair.

The Chair: Thank you, Mr. Sawatzky.

[*Translation*]

We will now continue with Mr. Barsalou-Duval.

Xavier Barsalou-Duval (Pierre-Boucher—Les Patriotes—Verchères, BQ): Thank you, Madam Chair.

I would like to welcome the witnesses.

I'll start with Mr. Bédos from the Alliance for Visitor's Tax Refund.

Mr. Bédos, you're arguing that the government should refund taxes—if I understand correctly, these are sales taxes—that are paid by people who come here as tourists.

Do you have an estimate of how much it would cost the public purse to do that?

Jean-Christophe Bédos: You raise a very important point.

The fact is, in every country that offers tax-free shopping to foreign visitors, the net result for tax authorities is positive. All the studies we've conducted show that, for every dollar refunded to a foreign tourist, Canada gains $1.70 in additional tax revenue, generating a net gain for the Canada Revenue Agency. Based on the calculations, that amounts to $170 million in net tax revenue for Canada each year.

This matters because it means that our alliance is not asking for a tax giveaway. It's actually a way to stimulate the tourism economy because people who come to Canada would, of course, spend money in retail stores, but also at hotels, tourist attractions and restaurants, which don't refund the taxes paid by consumers.

As I mentioned, this is the case in every country that offers tax-free shopping to foreign visitors.

Xavier Barsalou-Duval: Okay. I haven't seen those studies. I imagine you may have forwarded them to the committee. I would like to have the opportunity to review them.

I do have to admit I'm surprised. Had you told me that it increases spending and has an overall positive economic impact because of the knock-on effects, I would have believed you right away. However, as to your claim that it has a positive impact on public finances, I remain to be convinced.

I have a follow-up question for you: How would this be implemented?

If I understand correctly, every time a consumer goes up to the cash register, they have to indicate that they're a tourist. There would be an option at the point of sale to remove the tax. Is that the mechanism you're proposing?

● (1135)

Jean-Christophe Bédos: Yes. This mechanism exists in most countries. Actually, 70 countries have this system. Technology has advanced considerably. This is how it works in Europe and in most Asian countries. A customer who makes a purchase—buys a pair of shoes, for instance—gets a tax refund voucher at the checkout. The voucher is digitized, provided the retailer selling the shoes is a member of the system. The government appoints a company to administer the tax refund process. That company invests in all the equipment needed to implement the tax refund system in retail stores. The customer has to prove that they are a foreign visitor, they have to show their passport, and the tax refund is activated when they cross the border. Actually, it's not until the traveller returns home. You may have used this system at airports or while travelling abroad.

Xavier Barsalou-Duval: If I understand correctly, people pay the tax, then get a refund when they get to the airport. That means they have to submit receipts, and then the taxes they paid are refunded.

Jean-Christophe Bédos: Absolutely. The computerized system allows users to do it on their phone or at an airport kiosk.

The system used to be paper-based and manually administered. It was cumbersome, very costly, and vulnerable to fraud. These days, a computerized system that is widely available everywhere in the world—except in Canada, unfortunately—greatly facilitates transactions. Travellers validate their purchases when they cross the border, and they get the refund later, when they get home.

Xavier Barsalou-Duval: To be perfectly honest, this is the first time I've heard about this kind of thing, but if you tell me that 70 countries around the world use it, I'll take your word for it.

Could you give us an idea of which countries? Do any countries in the OECD, the G7 or the G20 do this?

Jean-Christophe Bédos: Absolutely. Every country that levies a value-added tax has a system like this. Of those 70 countries, only three OECD member countries do not offer a visitor tax refund, and Canada is one of those three.

It's really a missed opportunity for Canada because one thing we know for sure is that, regardless of their destination, when people travel, they spend less if tax-free shopping isn't available in the country they're visiting.

The Chair: Thank you, Mr. Bédos.

That concludes your time.

Thank you, Mr. Barsalou-Duval.

[*English*]

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

Tamara Jansen (Cloverdale—Langley City, CPC): Ms. Scoffield, you've written about the automatic tax filing, and you've made a point that I think is very important. The government sometimes calls a tax situation “simple”, but the actual life may be anything but simple. They could be homeless. They may not have reliable access to computers. English or French may not be their first language. They've lost paperwork. Also, some don't trust CRA because of previous experiences.

Bill C-31 proposes now giving CRA considerably more responsibility for preparing returns for some of those people. Knowing of some of the error levels that we're seeing at CRA, I'm very concerned that this could very well be a boondoggle.

If CRA prepares the return and CRA gets it wrong, who carries the consequences? Is it CRA or the vulnerable person whose benefits may be affected?

Heather Scoffield: That's a very good question. I think it's incumbent on this committee to make sure that there is continuity of benefits and that it's not a burden that falls upon the person who has a right to those benefits. If you get to a situation where, if you're filing your own return and there's a mistake made, you as an individual carry that.... I take note of what the ombudsman said yesterday in his statement, that there's certainly a very good question there that has to be examined, with the priority put on continuity of benefits.

Tamara Jansen: Yesterday, we had the finance minister here. He seemed utterly bewildered at the idea of the CRA making an error of some sort, which I thought was quite shocking, especially because I just spoke with a senior in my riding last week and talked to her for at least half an hour. She has been fighting CRA for four years. This is someone who knows how the system works, because she used to work in provincial government. She has been fighting with CRA for four years, on a fixed income.

The concern we're asking about is, what happens if CRA makes a mistake and it takes weeks, months or years, as in her case, to clear it up?

● (1140)

Heather Scoffield: Yes, it can be very frustrating. I think we can see that in several different areas. Our tax system is very complicated and there are pitfalls all over the place. Regular people are snagged in a system where they are, as you said, “bewildered”.

Voices: Oh, oh!

Heather Scoffield: I think we can say that's the case for many taxpayers as well.

Tamara Jansen: Even in that, I was shocked. As we were talking with the finance minister yesterday, he wasn't even willing to confirm who they're going to be filing for. I didn't understand that. I asked him, “Are you going to be filing for seniors?” He just threw a question back at me. I asked him, “Are you going to be filing for those in the disability community?” He was unwilling to say. I asked, “Are you going to file for the homeless?” He was unwilling to say.

I do not understand why the finance minister would come here and act like that's not a question that should be easily answered. What is your take on it? Who's going to be filed for?

Heather Scoffield: We're talking about low-income people in simple tax situations, so they could overlap with any of those demographics that you just outlined there. Part of our issue here collectively is that we don't thoroughly understand which populations are going to be touched when we get into the finer demographics along those lines. Who's going to need some extra help with a human touch, and who will have a situation that's too complicated to go into the automatic filing right now? It really does touch all of those groups that you [*Inaudible—Editor*].

Tamara Jansen: Interestingly enough, this senior I spoke with has been fighting for four years. Hers is considered a simple issue, yet here she is four years later. It's outrageous. It was a mistake that CRA made. Are we solving the wrong problem here? Instead of continually finding new ways for government to help Canadians navigate an incredibly complex tax system, shouldn't we be asking why we made the system so complicated in the first place?

Heather Scoffield: I think we can do two things at once. Yes, there is a widespread understanding that our tax system is needlessly complicated in some spots, and yes, we should be asking how to simplify it. Automatic filing is part of that, though. We are in an era of very powerful information technology—

Tamara Jansen: I'm sorry, but I have only a few seconds left. My concern is for a senior like her, someone who cannot work a computer or who doesn't understand a QR code. We are going to be concentrating all of these functions in one organization, and we really have no independent oversight of CRA.

The Chair: Thank you, Ms. Jansen.

We will continue now with Dr. Martin for five minutes.

[*Translation*]

Danielle Martin (University—Rosedale, Lib.): Thank you, Madam Chair.

Thank you to the witnesses.

I want to focus on Ms. Scoffield's testimony.

[*English*]

Thank you for continuing our ongoing conversation here at the finance committee about the importance of automatic tax filing and, therefore, associated automatic benefits, which I believe for many people living in poverty across Canada could be a game-changer. Too often, at both the provincial and federal levels, we force people to jump through hoops in ways that can feel quite humiliating to a low-income person, a person with a disability or an older person who's struggling. Making more of these processes automated would be of tremendous benefit.

If I can paraphrase your testimony, you spoke about the possibility of acceleration. You estimated that we're aiming to touch five and a half million people by 2029 with this project. You shared that there are estimates that the number of people who could potentially benefit may be double that or even more. Can you speak about what version of acceleration you think would be most responsible?

Given the seriousness of getting this right, I think it makes sense to tread carefully and to make sure that we put in place systems that will work. Do you think that acceleration should focus, for example, on the number of people? Should it focus on the number of benefits that could be accessed through automatic benefits once taxes have been filed? Can you say more about this concept of acceleration?

● (1145)

Heather Scoffield: Sure. First of all, I absolutely recognize that some caution is warranted. We're dealing with vulnerable people for the most part, and we certainly don't want to jump into a situation that makes things any worse or that disrupts the flow of benefits that they've been able to set up for themselves, but we have been talking about automatic filing for quite a long time. There have been many considerations in this committee and within the bureaucracy about how to do this right. When we talk about prefilling the tax forms, that's something where we have all that information, and it's probably being done a bit here and there, but I do wonder if we can't speed it up, prioritize it and get it going.

Deemed filing has some problems that need to be worked through in terms of privacy measures. Yes, government absolutely needs to take care that there are no privacy issues there, but let's confront this and get it going instead of spreading this process out over several years. We've already spent several years talking about it, and it seems to be taking a very long time.

Danielle Martin: It sounds as though you feel it's appropriate that we work carefully in order to make sure that there is no disruption in this process, but that, once we figure out how to do this well, we should try to make sure that as many people as possible are able to access this program.

I want to turn to this question of the sharing of data and reciprocity. I think it's certainly important in the case of people living with disabilities. You mentioned that more than a million such people live below the poverty line in this country. There are huge numbers of forms that those people need to fill out and that their health care providers need to fill out in order for them to be able to access provincial benefits. Having a reciprocal acknowledgement, once a person has been deemed to have a disability, for example, by either the federal or the provincial government, has been a point of advocacy in the disability community for some time.

Do we have any functioning examples of reciprocal data sharing of this kind between the federal government and the provinces and territories? What are we doing that we could build on in order to learn how to do this well?

Heather Scoffield: We have some research coming out tomorrow on this, and I'd be pleased to share it with you. I believe it's New Brunswick that already takes the disability tax credit and bases its provincial disability assistance on the DTC. There is a sharing of a list there that has already happened.

I do wonder why that hasn't been able to.... Obviously there's protection of data, and there's federal and provincial jurisdiction and so forth, but they figured it out at a very basic and technical level, and I think it would be pretty interesting if the other provinces could figure out how to do the same thing.

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

Thank you, Dr. Martin.

[*Translation*]

We will now continue with Mr. Garon for two and a half minutes.

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

Greetings to the witnesses.

I would like to direct my questions to you, Ms. Scoffield.

You talked about automatic tax filing mechanisms. Some countries, such as Japan, have truly democratized this concept. For example, taxpayers in Japan get a postcard from the revenue agency that provides a summary of taxes owing and other information. People can either complete the longer return or simply sign the postcard and send it back. The interesting thing about these countries—and Japan is not the only one—is that they have really expanded this approach to a broader segment of the middle class.

Do you think the Government of Canada's proposal could be improved?

Also, would it be worthwhile to expand this program so that more people, at the very least, can opt for this approach to simplify filing taxes?

Heather Scoffield: Absolutely. However, I think we should start with the people who need social programs.

[*English*]

If we start with vulnerable low-income people first, then we can move further, but right now, people with more money have more means to be able to—

● (1150)

[*Translation*]

Jean-Denis Garon: Basically, what you're saying is that this is a first step, and it could be expanded.

You also talked about simplifying things.

As you know, Quebec already collects taxes on behalf of the federal government. Revenu Québec collects the GST for the federal government. Quebec doesn't have a tax collection agreement with Ottawa; it establishes its own tax base. In other words, the foundation is already in place.

Everyone knows that Quebeckers are attached to having their own income tax and their own institutions.

For several years now, the Bloc Québécois has been calling on the federal government to streamline everything by letting Quebec have a single income tax return for individuals, as well as for provincially incorporated businesses.

Do you think that having a single tax return in Quebec would be a useful way to simplify things for taxpayers?

[*English*]

Heather Scoffield: I absolutely think that having a harmonized system between the federal and provincial governments could make things simpler for—

[*Translation*]

Jean-Denis Garon: Could it be a provincial system in Quebec's case, given its unique institutional characteristics?

[*English*]

Heather Scoffield: I don't know enough about the differences between the two systems to say whether it would be simpler for Quebec to collect or for the federal government to collect, but absolutely, simplification is going to help everybody, and I would hope to see some collaboration there.

The Chair: Thank you, Ms. Scoffield.

Thank you, Mr. Garon.

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

Michael Guglielmin (Vaughan—Woodbridge, CPC): Thank you, Chair.

Ms. Lee, what does the current tax treatment mean for Canadian jobs and sales? Could you give us one specific example?

Tania Lee: The current tax treatment means one thing. It means that the sale is not made in Canada and the sale goes to the U.S. We exist in small border communities. We are not a big industry, but we are big employers in the communities that we are in.

When you start to lose sales to the U.S. because of the tax treatment, then the sales are just not made here. This is a specialized industry of 40 years. We have perfected our supplier networks. We have perfected the relationships that we have in our communities.

The tax treatment is a simple thing for us in our industry. It is to recognize that we are export and we are mandated as export to give us consistent export treatment. We live up to the intent of the policy in which it is. We are not asking to remove the tax. This is revenue-positive back to Canada, and it makes sense to us, because we want to support Canadian businesses. We want to support our border communities.

If a sale isn't made in the duty-free, it just goes to the U.S. We lose every sale, and we lose the ancillary sales we have, which could be purchases of souvenirs such as maple syrup from our Canadian producers. That is what's important to us. We want Canadian jobs to still be there, and we want our industry to still be there.

Michael Guglielmin: There was an exchange earlier when we were talking about the obvious loss in cross-border sales, but it sounds like you're saying that a lot of the revenue loss is coming directly from tax policy. How much of the loss would you say is a direct consequence of tax policy here in Canada?

Tania Lee: When we look at the decrease in sales, it has been remarkable. Most definitely it has been attributed to a decrease in crossings into the U.S., messaging because of what people are able to buy, and confusion: “Can I bring these products in or not? Can I stop in your shop?”

At the end of the day, we still have consumers who are crossing over. We can still sell to those consumers. If we can sell more Canadian goods to them and keep those dollars in Canada, that makes a lot of sense to me. We can mitigate those decreases that we are seeing today.

Some of our stores are down 40%. I know my store in Blue Water Bridge is down 40% versus where we should be. We are down more than I think we should be, because we have consumers who are crossing now and not buying the amount that they should. Our sales per customer are down, to your point, indicating that they are coming in but not buying as much as they should be buying.

Michael Guglielmin: What specific action can the government take today to help businesses like yours compete?

Tania Lee: The specific action could be treating us with the export policy through which we were created. There is one specific policy that exists today that confers excise tax on our products. This is embedded in the price before we sell to the consumer.

At the end of the day, the consumer has a choice. They can determine where they want to buy and how they want to buy things. If it is too expensive to buy in a Canadian land border duty-free and they can go two minutes across the border into the U.S., there is a wide array of goods they can buy there. It is the most competitive market in the world, with a lower tax jurisdiction and lower prices. They will buy there. We want them to buy here. We want them to buy in our Canadian businesses, and we want them to support our border communities.

● (1155)

Michael Guglielmin: Thank you.

Ms. Scoffield, the PBO distinguishes between prefilled returns for existing filers and the automatic filing for people who don't file. Their estimate says their initial non-filing target is 3,000, and it will rise to around 50,000.

What's the most important change you think is needed to reach Canadians who are missing benefits?

Heather Scoffield: Are you asking about the difference between prefilling and automatic filing? I think they have to go together. I'm reluctant to rank them. It's a package that.... I start from the point of who's not getting those benefits, which groups and which demographics are missing out the most, and then what's going to benefit them the most.

The Chair: Thank you, Mr. Guglielmin.

We will conclude this hour with Mr. Turnbull for five minutes.

Ryan Turnbull (Whitby, Lib.): Thanks, Madam Chair.

Thanks to all the witnesses for being here.

Ms. Scoffield, I'll start with a few questions for you.

I'll start by saying I appreciated your opening remarks and your acknowledgement that the immediate expensing measure has been extended and made permanent, which I think is a good thing.

I take your point of how it impacts start-ups. Does it disproportionately impact or help other businesses that are larger?

It's interesting. I ran a company for many years. I advised start-ups for a living for quite a while. I understand that some of them would not have a tax burden early on. They probably don't have the revenues either, yet, just because an expense is able to be immediately claimed, it does not mean they have to do that. They can still depreciate any of those purchases of assets over a number of years and can claim it on future years. I wanted to add that in, because I think it's important for us to keep that in mind.

The initial immediate expensing measures did apply to IT networks, equipment and machinery, energy efficiency, research and development, and IP protection. Some of those, I think, would have applicability to start-ups. My colleague and I were talking about this after your comments, but start-ups also have other programs that can help them.

I think your question about the impact is a really good one. How do we measure the impact? When the productivity superdeduction was first introduced, we saw—within the first quarter, I think it was—a pretty large spike in new business investment in machinery and equipment. It went up 10%, and IP protection went up to 13%, which was significant, so the data showed that it was having an impact. I think seeing that it was impactful is part of what led to going further.

To your point, though, we should be measuring how effective it is. It's a costly measure, for sure, in terms of foregone tax revenue. How do you think we should measure it?

Heather Scoffield: I think we have to figure out what the baseline is and what the finance department has used for its modelling. What would be done otherwise? What's the counterfactual here? If this deduction did not exist, how much investment would we get over time, and how much would we get right away?

Let's set the baseline and then measure it. We have to figure out a few things. We have to figure out what additional new investment there is as a result of this measure and what investment is brought forward and made more quickly rather than down the road, and then measure that against what would have happened otherwise. It's $36 billion over five years in foregone revenue. That's a lot of money. It's not enough just to say that investment has gone up; therefore, $36 billion is getting what we paid for. I think we need to figure out what would have happened otherwise, because there are a lot of things going on. There are a lot of moving pieces in the investment world. It's not just tax measures that encourage people to invest.

Ryan Turnbull: I'll just say two things in response to that.

One is that if you were to borrow money to make a purchase of new machinery and equipment, for example, in an environment that we're in today, which is strained, with lots of uncertainty in the market, those businesses would be able to better service debt, because they would have less tax burden. I think it opens up the opportunity for more investment from that perspective as well.

Then, two, all the categories that it's being applied to seem to be productivity boosting. If you look at the tax revenue that would come, the higher living standards and the higher wages outpacing inflation, which we've seen under this government so far, all of those would be positive outcomes that we should—I agree with you—be measuring as a result of these measures.

I want to flip to Ms. Lee, because I know the duty-free stores have been hard hit, and I'm very empathetic to their position.

Can you just clarify and walk us through the asymmetry? You've said, Ms. Lee, that you don't want the removal or reduction of excise tax. You're actually proposing to right the asymmetry that's there. Can you just walk us through that quickly?

● (1200)

Tania Lee: Okay.

Canadian exporters of tobacco can export to other countries without the excise tax embedded in that, as long as they can prove a verified export channel that they're exporting to. Duty-free is the most highly controlled, regulated export channel that CBSA has, yet we have excise attached to our product before we buy it. That is the asymmetry we're talking about. We would like the excise removed at source and collected only when it comes back through the border.

The Chair: Thank you.

On behalf of the committee, I'd like to thank all three of you for this hour. I appreciate your time and your testimony.

Committee members, we will take a brief five-minute break as we turn over for the next panel.

Thank you.

● (1200)

_____(Pause)_____

● (1205)

The Chair: Colleagues, we will begin our second hour.

I would like to take a moment to welcome our second panel of witnesses. From the Aerospace Industries Association of Canada, we have Mike Mueller, president and chief executive officer. From Canadian Manufacturers and Exporters, we have Mr. Alan Arcand, chief economist. From CropLife Canada, we are joined by Pierre Petelle, president and chief executive officer; and Émilie Bergeron, vice-president, crop protection.

I would 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.... Well, today it's just Dr. Martin. She knows how to do this.

I would like to remind witnesses that committee members may ask questions in either French or English. If you require translation, please have your earpiece on already so that we can run the meeting smoothly and take full advantage of the time allotted for questions and answers.

You will each have five minutes for your opening remarks.

With that, we will begin with Mr. Mueller from the Aerospace Industries Association of Canada.

Mike Mueller (President and Chief Executive Officer, Aerospace Industries Association of Canada): Good afternoon, Madam Chair and members of the committee. Thank you for the opportunity to appear today on behalf of the Aerospace Industries Association of Canada and to offer some comments on Bill C-31.

I also want to thank this committee for its continued support of and engagement with our industry. In particular, your support through the repeal of the luxury tax in the last budget was a significant victory for jobs in Canada, and your support for a national aerospace strategy to complement the government's defence strategy will be essential to the long-term future of aerospace in Canada.

Madam Chair, this committee, over the years, has been a consistent and supportive friend of Canada's aerospace industry, and it is truly appreciated.

Members of the committee, it's our understanding that some of the legislation, in particular division 16, has not been updated since the fifties. As you have heard me say in the past, an industrial strategy is long overdue. It's also my understanding that new legislation was just introduced. I have not yet had the opportunity to review that legislation. We do, however, welcome the changes and leadership provided by the Prime Minister, Minister Fuhr, CEO Guzman, the public service and all parliamentarians.

My members support changes that will enable the Defence Investment Agency to move forward with the resources and authorities needed to ensure efficient, effective and timely investment in Canada's defence industry and procurement for the Canadian Armed Forces. As this legislation provides a mandate for new regulations and policies, governance and ensuring outcomes will be critical. The current policies are not reflecting the ambition of the government's direction, so an update and a clear path, which this legislation provides, are essential. We urge the government to prioritize early, transparent and ongoing engagement with industry, supported by clear demand signals that enable companies to make informed, long-term investment and workforce decisions.

This is particularly important as Canada's defence industrial ecosystem continues to expand in response to the defence industrial strategy. The establishment of the Defence Investment Agency presents an important opportunity to improve the efficiency and effectiveness of Canada's defence procurement system.

To support meaningful industry participation in capability development at earlier stages, the government should also accelerate security clearance processing. Since the responsibility for security clearances remains with PSPC, the DIA minister should work closely with the PSPC minister to ensure that adequate resources and sustained attention are dedicated to reducing clearance timelines. This remains a barrier to industry and a barrier to investment.

While industry strongly supports the government's commitment to making defence procurement faster and more efficient, greater clarity is still required regarding the mechanism, processes and timelines through which companies can engage in procurement opportunities. Although we give credit to our DND and government partners for making engagement a priority, earlier engagement for the long-term needs of DND is essential. As the government advances and implements this legislation, there needs to be a process to clearly communicate the rationale for any expanded exemptions to competitive procurement processes in order to maintain transparency, accountability and public confidence.

As Canada advances the defence industrial strategy, we are recommending that steps be taken to establish a clear understanding of the country's existing sovereign industrial capabilities. This should include a comprehensive mapping exercise to identify the products, services, technologies and capacities currently available within the Canadian defence industrial base in order to address the fragmented and piecemeal assessments that are presently conducted across multiple departments and third party organizations. Although bits and pieces of this work are done, a more comprehensive overview and mapping exercise is required.

As the DIA develops programming to support industry, the approach needs to foster innovation, accelerate industrial growth and ensure that firms in Canada are better positioned to meet current and future defence requirements. Industry supports that enable industry secondment programs within the DIA are a means of strengthening collaboration, improving mutual understanding and enhancing procurement outcomes. It's important that safeguards be established to ensure that participants are not subject to undue restrictions upon returning to their organizations, including unnecessary limitations on engaging with government or participating in future opportunities.

In closing, I want to thank the committee again for the opportunity to appear here today and for your continued support. I look forward to the discussion and questions.

● (1210)

The Chair: That's great. Thank you very much, Mr. Mueller.

Mr. Arcand.

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

I'm pleased to appear before you today on behalf of Canadian Manufacturers and Exporters, and I appreciate the opportunity to comment on Bill C-31.

Canadian manufacturers are operating in an extremely challenging environment. U.S. tariffs have disproportionately targeted manufactured goods, while repeated changes to those measures and continued threats of further tariffs have created persistent uncertainty for businesses. However, the sector's difficulties did not begin with the trade disruption. Long-standing gaps in investment, productivity growth and technology adoption had already eroded Canada's manufacturing competitiveness.

Clearly, Canada cannot control decisions made by our trading partners, but we can control whether Canada is a competitive place to invest, build and make goods. With that in mind, I want to focus my remarks on three areas. These are business investment, defence industrial capacity and regulatory competitiveness.

First, the CME strongly supports measures that improve the investment climate. Bill C-31 provides temporary immediate expensing for eligible manufacturing and processing buildings as part of the productivity superdeduction announced in budget 2025. The CME welcomes this measure.

More recently, the government announced the productivity mega deduction. Although it's outside the scope of this study, it makes immediate expensing permanent for a much broader range of capital assets, including manufacturing and machining equipment. This addresses a major and long-standing priority of the CME and gives businesses greater certainty when making major investment decisions, but Canada's long-standing weakness in business investment means there is still more work to do. Like others in the business community, we believe a comprehensive tax review would be worthwhile to ensure that Canada remains competitive in encouraging investment, securing major projects and attracting and retaining top talent.

Second, Bill C-31's defence provisions represent an important opportunity to strengthen Canada's industrial base. The bill would establish the Defence Investment Agency under its own legislation and provide new authorities related to defence production, procurement and investment. The CME supports using increased defence spending to strengthen Canadian industrial capacity. To succeed, manufacturers need predictable, long-term demand signals, accessible procurement processes and meaningful opportunities for firms of all sizes, including SMEs, to participate in defence supply chains. The goal should be to ensure that increased defence spending builds the domestic capacity needed to sustain critical defence and security capabilities while supporting stronger firms, deeper supply chains and more production in Canada.

Third, regulatory competitiveness remains critical. Manufacturers consistently tell us that unnecessary regulatory complexity, duplication and delays make Canada a more difficult place to invest. We've been encouraged by recent federal action. While Bill C-31 contains targeted amendments to the Red Tape Reduction Act, I also want to make note of Bill C-39. Although, again, it's outside the scope of this study, it addresses several competitiveness issues manufacturers have raised, including faster project approvals and more reliable transportation infrastructure.

These are important steps, and there's an opportunity to build on this progress. The CME has recommended embedding economic growth and competitiveness more directly into federal regulatory decision-making, broadening the one-for-one rule and strengthening the quality and independent review of regulatory cost-benefit analysis. Importantly, regulatory reform is also one of the most cost-effective ways to strengthen Canada's competitiveness.

Chair and members, Canada is at an important economic moment. For manufacturing, the stakes are particularly high. Bill C-31 contains several measures that can help strengthen investment and industrial capacity. Combined with other recent federal initiatives, they represent important progress.

The priority now is twofold: Continue building on this progress through additional policy actions and reforms, and implement effectively the measures already in place. These will be key to turning policy into more investment, more production and more well-paying jobs in Canada.

Thank you. I look forward to your questions.

● (1215)

The Chair: That's great. Thank you very much, Mr. Arcand.

[*Translation*]

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

[*English*]

Pierre Petelle (President and Chief Executive Officer, CropLife Canada): Madam Chair and honourable members of the committee, thank you for the opportunity to appear before you today on behalf of CropLife Canada.

My name is Pierre Petelle. I'm the president and CEO. I'm joined by my colleague, Émilie Bergeron, who is the vice-president of crop protection.

CropLife Canada represents the developers, manufacturers and distributors of crop protection products and plant biotechnology innovations. Our members invest heavily in research and innovation to provide Canadian farmers and others with the tools they need to manage pests, protect crops and improve productivity.

We're here today to speak specifically to division 13 of part 4 of Bill C-31, which proposes important changes to the postmarket regulatory framework for pest control products. CropLife Canada supports these amendments. As Émilie explained to the Senate agriculture and forestry committee last week, we see this as an important opportunity to modernize Canada's pesticide regulatory system by moving away from automatic, time-based re-evaluations and toward a more targeted science- and risk-based approach.

I want to begin by addressing an important point of clarification. Bill C-31 does not eliminate postmarket oversight. It simply changes how that oversight is triggered. Under the proposed amendments, the minister must initiate an assessment no later than 15 years after the relevant decision or previous assessment. That assessment must consider available information and determine whether the health or environmental risks associated with the product have increased significantly. Where there are reasonable grounds to believe they have, the minister must initiate the re-evaluation.

It is not accurate to characterize the bill as simply removing re-evaluations or ending continuous oversight. What changes is the relationship between the passage of time and the regulatory response.

[*Translation*]

Today, the statutory clock itself triggers a re-evaluation every 15 years, regardless of whether new evidence indicates that circumstances have materially changed. This approach has contributed to a growing backlog, longer review timelines and significant demands on regulatory resources.

Instead, Bill C-31 would require the regulator to look at the available evidence and determine whether a significant increase in risk warrants a full re-evaluation.

This is not less science; it's a more targeted use of science.

Most importantly, the legislation does not create a regulatory vacuum between assessments. The Pest Control Products Act continues to provide the regulator with authorities to respond to new information and emerging risks.

Bill C-31 also maintains transparency requirements by requiring publication of the minister's determination that there are reasonable grounds to believe risks have increased significantly, along with the reasons for that determination.

● (1220)

[*English*]

CropLife Canada has consistently called for clear, transparent and consistently applied criteria for determining when a significant increase in risk warrants a re-evaluation. We also believe Canada should make appropriate use of assessments and regulatory decisions from trusted peer jurisdictions. Where leading regulatory authorities have reviewed a product and continue to permit its use, that information should form part of Canada's assessment of whether circumstances have materially changed.

There is another important point. The objective of regulatory modernization should not be to conduct more reviews simply because a statutory clock has expired. The objective should be effective regulatory oversight that is proportionate to the evidence and the level of risk. That distinction matters to farmers, regulators, innovators and, ultimately, Canadians.

We also see value in the provisions that allow the pesticides regulatory directorate to better coordinate re-evaluations with special reviews. These provisions can reduce unnecessary duplication and allow regulatory resources to be focused where they are most needed. This is particularly important given the Government of Canada's broader objective of reducing regulatory backlogs and improving the timeliness of Canada's regulatory system.

Finally, the implementation of Bill C-31 should be considered alongside the important changes already made to the PRD's mandate through Bill C-30. As Parliament has recently recognized, protecting human health and the environment remains paramount, while Canada's pesticide regulatory framework also has an important role to play in supporting national and regional economic security and food security.

For CropLife Canada and our members, these objectives are complementary. Canadian farmers need access to effective crop protection tools. They need confidence that those tools are rigorously assessed, and they need a regulatory system that is timely, predictable and science-based.

We encourage the committee to support these amendments. Thank you very much for the opportunity.

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

We will commence a round of questions with Mr. Guglielmin for six minutes, please.

Michael Guglielmin: Thank you, Madam Chair.

Thank you to our witnesses for being here today.

Mr. Arcand, you came before this committee back in June, and you told us that manufacturers in the United States invest more than $55,000 per worker, while in Canada it's roughly $20,000. You also said our manufacturing capital stock has declined by about 13.5% since 2000, while U.S. manufacturing stock has risen by roughly 40%. What's driving that investment gap?

Alan Arcand: That is a very good question. I would say it's multifactorial. It's not just one thing.

Canada does have a lot of advantages in manufacturing, and—I hear it all the time from members—a very highly skilled and productive workforce, so that's one of our main advantages. We also have a relatively clean energy system, which is another advantage, but the challenges the sector faces are pretty numerous, especially when it comes to Canada against the U.S. We're always comparing ourselves to our southern neighbours.

We used to have quite a significant tax advantage compared to the U.S., but the U.S. has had multiple rounds of tax reform in the last 10 years or so, and that advantage has pretty much disappeared, so that's an issue.

China is obviously a problem, too. It entered the WTO at the end of 2001, and—let's face it—it's basically the world's factory. You can see Canada's manufacturing sector erode—

● (1225)

Michael Guglielmin: If I could just interject for a second, I'll touch on something you said a few moments ago.

Prime Minister Laurier once said that if Canada truly wants to be more competitive than the United States, it can't compete on market size or population. What we need to look at are the burdens of government, essentially taxation and regulation.

You touched on taxes. We know there are some 110,000 regulations just on the manufacturing sector alone. Do you think that's driving part of this manufacturing investment problem?

Alan Arcand: Yes, I would agree. I was just speaking about the relative competitiveness of Canada's tax system, but the other issue would definitely be on the regulatory side. We've made good progress the last couple of years, which we really welcome and support, but there's still more work to do. It's more than just at the federal level. A lot of regulation is at the provincial level, including interprovincial trade barriers. The federal government can continue to keep pushing on that issue as well and take leadership.

Michael Guglielmin: Let's look at Bill C-31. A manufacturer is able to deduct up to 100% of the cost of an eligible manufacturing or processing building in the first year, provided that it qualifies and that it's done before 2030. In my previous life, I spent a lot of time in operations, responsible for capex projects.

One of the things that stick out to me is how there's a temporary timeline for this. Do you think the temporary timeline undermines some of the certainty manufacturers require when conducting major expansion capex projects?

Alan Arcand: Bill C-39 is permanent, though.

Michael Guglielmin: This is Bill C-31.

Alan Arcand: It's Bill C-31, the building side.

We welcome Bill C-39, because it will make the manufacturing and equipment side permanent, which is a long-standing ask by CME. An additional benefit would be to make buildings permanent, too, because that's all part of the package when you're considering whether to invest in Canada or not. Many major manufacturers in Canada are multinational corporations, and when Canadian operations are competing for mandates against other offices within their own corporation, every little advantage would help. That would be another way to help boost our competitiveness.

Michael Guglielmin: In Bill C-31, would you like to see those permanent as well?

Alan Arcand: We would welcome that and support it.

Michael Guglielmin: You have supported investment deductions, and we were just talking about how they announced the new mega deduction. When you take those measures into account, what would you say are the two biggest barriers to manufacturing investing in Canada? Which two biggest barriers remain?

Alan Arcand: There are more than two, but I think the challenge, again.... The productivity mega deduction really helps, but that's the marginal tax rate. The average corporate tax rate still matters, too. You could argue that the marginal tax rate will impact how much you invest, whereas the average corporate tax rate will impact where you will invest. There's always an opportunity to look on the average tax side.

The other one would be just to restate what we talked about. The regulations are still a challenge in Canada, especially with the fact that we still have several interprovincial trade barriers that are challenging.

Michael Guglielmin: Would you say there are manufacturers, particularly smaller firms or companies, that might be making new investments that may not have enough taxable income in the early years for a project to fully benefit from immediate expensing?

Alan Arcand: I should mention, to go back to my old question, that the biggest challenge right now is tariffs.

I don't know of any specific cases of that, but I could see it being a challenge today because of the situation we're in, especially considering the elevated uncertainty we're facing. It's a very challenging environment to make big plans in right now.

The Chair: Thank you, Mr. Guglielmin. That concludes the first round.

We're going to continue now with Mr. Leitão for six minutes, please.

[*Translation*]

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

Good afternoon, ladies and gentlemen. I'm not ignoring you; I'm setting my timer.

[*English*]

I have to time myself. Otherwise, I will go on forever, and that's not a good thing.

Mr. Mueller, thank you for coming. We ran into each other just last week and were talking about—surprise, surprise—defence, the defence industry and defence industrial capacity. In fact, as you're well aware, one of our objectives is to take the massive investment in national defence as an accelerator for re-industrializing Canada.

You pointed out, now and in previous discussions, that the Defence Investment Agency.... Again, a new bill was tabled today and, like you, I haven't had time to take a full look at it. I think it's just a continuation of what we are looking at here with Bill C-31, which is to accelerate the entire process of public procurement.

In that context, you mentioned things that are not necessarily directly linked but are usually important, like security clearances and timelines. Perhaps you could elaborate a bit on that. How could we accelerate that process? There are the hardware and the industrial capacity, but then there are these other issues. How could we accelerate that?

● (1230)

Mike Mueller: Thank you for the question, and thank you for your strong support for aerospace. It was great to see you at the grand opening of a certain company in Mirabel.

I think those types of things are signals that, from an industry perspective, are responding to the signals of the defence industrial strategy. Then there's the legislation that's before us today in, I guess, two different forms. I haven't seen the new one either, but maybe just from first principles, we're very supportive of the legislation. As I mentioned in my opening remarks, the ambition of the government is there. We're supportive of the increased defence spending. We're supportive of the defence industrial strategy, which clearly identifies, in our case, aerospace as a strategic sector for the country. That's a very good signal. What we are seeing is that, at the working level, the policies and the governance aren't keeping pace with the ambition.

In my view, this legislation is critical, because it will give the opportunity to reform the governance of where we want to go on the defence industrial strategy, which is a good path forward.

There are certain other irritants and barriers, such as security clearances. If you're going to engage with industry early and in advance to determine what the needs of the Canadian Armed Forces are, if you don't have the security clearances in place, you can't have those discussions. Again, maintain the rigour of that program, absolutely, but putting some more resources into it so that industry can access that in order to have those conversations is absolutely critical.

Carlos Leitão: You also mentioned—I think it was you or Mr. Arcand—that our current mapping of the sector is fragmented. In order to make sure that we do have an integrated supply chain, as much as we can, we should improve that mapping of the industry.

Who do you think should do that? Should government lead that process, or should industry associations play a more active role in doing that?

Mike Mueller: I think it's a little of both. I think there's definitely a role for government, and government is championing some of these in certain areas. However, I do feel that if we take a look at the defence industrial strategy and identify those key 10 sovereign capabilities—we all know what those are—then really mapping out the supply chains underneath them is absolutely critical. That needs to be done right across the country, so that we can position industry for success in a lot of these procurements, both here in Canada and also internationally, as we're expanding some of the opportunities through different trade deals and different defence procurement mechanisms.

Having that understanding of the industry right across the country in a very detailed, granular manner would be extremely helpful. I know we're willing to come together with government to do some of that work, absolutely.

Carlos Leitão: Thank you.

Mr. Arcand, thank you for being here. We'll have to go a little faster.

The manufacturing sector is indeed undergoing massive change. Of course, the tariff environment creates uncertainty. That contributes to slowing the investment process. You mentioned demand signals and the importance of providing clear demand signals. I also think that's quite important.

How do you see that being implemented in an effective way? Is it through long-term framework agreements? How would that work?

● (1235)

Alan Arcand: Yes—

The Chair: You'll have to get to it another time. Mr. Leitão's time is up.

Carlos Leitão: I still have 10 seconds.

The Chair: No, you don't.

Voices: Oh, oh!

Carlos Leitão: Okay.

I will raise that with you.

The Chair: Maybe someone else will ask for a follow-up.

[*Translation*]

We will now continue with Mr. Garon for six minutes.

Jean-Denis Garon: Thank you, Madam Chair.

Welcome, witnesses.

I'll start with you, Mr. Mueller. Let's talk more about the topic my colleague, Mr. Leitão, raised: the possibility of an industrial strategy for the aerospace and aeronautics sector.

We know that the government has a defence industrial strategy and that it's bearing fruit. We're seeing it back home in Mirabel, we're seeing it in Longueuil and we're seeing it in the cluster, that's for sure. However, for several years now, the industry, unions and the Bloc Québécois have been calling for an aerospace industrial strategy.

From what we understand, there are strong linkages between the civilian and military sectors. These products have long cycles, and these two sectors reinforce one other.

Sometimes, when we talk to the government, we're told that there's no need for an aerospace industrial strategy because there's already a defence strategy. The government points out that it awards contracts and grants. That's true, and I'm not suggesting that the current approach is bad. However, when we meet with industry people, they tell us that there is a need for an aerospace industrial strategy, especially since we're the only country in the world that can build a helicopter or a plane from start to finish but doesn't have such a strategy.

Can you explain to me how such a strategy would differ from a defence strategy?

Mike Mueller: Thank you for the question.

[*English*]

I couldn't agree with you more. I'm pretty proud to have represented one of the few industries in the world that can design, produce, manufacture and export that aircraft right around the world. I want to thank you for your strong support of our industry. It was great to see you also in Mirabel a few weeks ago.

I would say that the defence industrial strategy is a great first step on the defence side, but you're absolutely correct to point out the dual-use nature of our industry and the need for an aerospace industrial strategy that encompasses that. If anyone is saying there's not a need for that, I don't know where that's coming from. I think I've been coming to this committee and a lot of other committees for many years now, advocating for that aerospace industrial strategy. One of the key portions under that aerospace industrial strategy is the dual-use component. Again, there's a lot of attention on the defence side. We support the industrial strategy there, but on the civil side, that really needs some attention. Things that need to be addressed include items like Transport Canada's civil aviation group and making sure they have the resources as you're putting money into innovation and technology.

My colleague here talked about a lot of regulations with respect to aerospace. We support that, because it's safety around that, but if we don't have government keeping pace with industry on the innovation side of things, we'll start falling behind. A concern of ours is making sure that we have the resources to keep pace and making sure that there's that industrial strategy that complements the defence industrial strategy, absolutely.

[*Translation*]

Jean-Denis Garon: Not to detract from the good work that's been done, but we'll certainly continue to advocate for that, because it's a good idea.

Madam Chair, how much time do I have left?

● (1240)

The Chair: You have two and a half minutes.

Jean-Denis Garon: I'll direct this to you, Mr. Mueller.

You quite rightly expressed the needs of the industry, manufacturers and exporters in terms of cutting red tape and streamlining. I think those are entirely legitimate concerns.

Certain manufacturing businesses in my riding and in my colleagues' ridings have told us that there's a certain amount of red tape when it comes to refunding retaliatory tariffs, for example. We know that there are refund mechanisms. Some businesses need inputs that they can't order from anywhere other than the United States. For example, there's a company that needs very thin copper wiring. For these businesses, what we have been told is that there's still some red tape or discretionary power at the Department of Finance that means that this process could still complicate matters for businesses.

As part of the countermeasures adopted by the Government of Canada—which we supported aside from a few details—do you have any proposals so that, when a company has no choice but to import a material from the United States, it's possible to simplify that and ensure that companies don't face an excessive administrative burden in that context?

[*English*]

Mike Mueller: Thank you for the question.

That is a huge concern of ours. Aerospace thrives on zero-for-zero trade. We have a 1979 agreement through the WTO, which has that in place. We need to maintain that zero-for-zero trading access internationally, both within North America and right around the world.

I would say on the remissions program that I'm pleased to see the government including aerospace manufacturing within that remissions program. That's absolutely critical. Again, thank you to this committee for your support on that.

Where we do see some challenges with respect to timelines, because it's a cash flow issue in some respects, we've been working with members to make sure that's prioritized with the government. It's a very tough situation and an ever-evolving situation, and anything the government can do to help speed up some of those timelines is appreciated.

[*Translation*]

The Chair: Thank you, Mr. Garon.

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

Eric Lefebvre: Thank you, Madam Chair.

My question is for the president and CEO of the Aerospace Industries Association of Canada, Mr. Mueller.

Thank you for being here today.

My question is very simple: Have you heard about Maritime Launch Services leasing land in Nova Scotia for aerospace launches?

[*English*]

Mike Mueller: I have heard about them, yes.

[*Translation*]

Eric Lefebvre: Do you know who signed that contract?

[*English*]

Mike Mueller: I'm not privy to that information. I think that would be between the Government of Canada and the company. I'm not involved in any of that.

[*Translation*]

Eric Lefebvre: Do you know anyone who was involved in the process of leasing that land to the provincial government of Nova Scotia?

[*English*]

Mike Mueller: I'm not privy to any of the information other than what I've read in the media.

[*Translation*]

Eric Lefebvre: Do you think that land was exceptionally well suited for aerospace activities?

[*English*]

Mike Mueller: Under the defence industrial strategy, what we've been calling for is identifying strategic outcomes. If the government has identified this as a strategic outcome, which they have, I think you need to start somewhere. From what I understand, there's quite a bit of opportunity connected to that particular launch site, but on the details, it's probably better to ask the government for those details.

[*Translation*]

Eric Lefebvre: Maritime Launch Services leased land to the Government of Nova Scotia for $13,500 a year. It then leased it to the federal Liberal government for $20 million a year. It's a 10-year contract for a total of $200 million.

Do you think that's a sound use of Canadians' money?

[*English*]

Mike Mueller: I wouldn't be able to comment on the numbers you talked about, just because I'm not aware. I don't know if they're accurate or not.

[*Translation*]

Eric Lefebvre: I can confirm that those are the correct figures.

Madam Chair, I will be sharing my time with my colleague Ms. Jansen.

[*English*]

Tamara Jansen: Mr. Mueller, the Prime Minister says his government is moving “at speeds we haven't seen in generations”. Defence procurement was supposed to be one of those examples, wasn't it?

Mike Mueller: I believe so, yes.

Tamara Jansen: However, less than a year later, DIA is failing, and the fellow who was brought in to lead the charge, Mr. Guzman, looked like he had quit. Now Parliament is being asked, through Bill C-31, to establish the DIA permanently as a stand-alone entity. Is that correct?

Mike Mueller: I haven't seen the new legislation, so I don't exactly know, but according to media reports, that seems to be correct, yes.

● (1245)

Tamara Jansen: Before Parliament is even finished doing that, we're hearing reports that the government may restructure the DIA again as a Crown corporation. Has your industry been consulted on that?

Mike Mueller: We have been consulted on the Defence Investment Agency. I'm not aware of the exact change to a Crown corporation.

Tamara Jansen: A year ago, we created an agency to fix an old system. We transferred public servants into it. We hired a private sector CEO, and now we're supposed to make this permanent. Before we pass the bill, we're apparently going to restructure it again as a Crown corporation. Shouldn't Canadians be asking why the answer is already another restructuring, instead of showing us that procurement is moving at speeds not seen in generations?

Mike Mueller: We're really looking toward the outcome of what this could bring. Whatever mechanism brings us to the outcome, we would be supportive of it. Again, that outcome is greater with—I'm going to steal a line from my colleague here—a predictable, long-term demand signal, making sure that the governance is appropriate to ensure that these procurements are moving more quickly. Whatever mechanism is best placed to do that, we'd be supportive of.

Tamara Jansen: Would your industry say that a Crown corporation is the way to go?

Mike Mueller: Again, I haven't—

Tamara Jansen: You were consulted on it, as I understood.

Mike Mueller: I haven't looked at that legislation, so I'll maybe reserve my comments specifically on the Crown corporation, but if the Crown corporation does achieve the outcomes that we want, then yes, we'd be supportive.

Tamara Jansen: You did say that you were consulted. Is that correct?

Mike Mueller: I was consulted in general, but not on the specificity of the Crown corporation, in the last couple of days.

Tamara Jansen: When you say “in general”, what were you consulted on, then?

Mike Mueller: It was on what is required with respect to procurement from an industry perspective, ensuring that there's a long-term demand signal and an industrial strategy in place.

Tamara Jansen: Would you say that your consultation suggested that a Crown corporation would be the best way to go?

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

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

Kent MacDonald (Cardigan, Lib.): Thank you, Madam Chair, and thanks to the witnesses.

I'm going to start with Mr. Petelle.

It will be no surprise to anyone that I'm bringing up P.E.I. potatoes again, but it's the region I represent.

With the legislation in Bill C-31, the hope is to modify or modernize the oversight model on plant protection products. Can you explain to Canadians why these changes are required?

I hear from stakeholders in the agricultural industry all the time. They're very frustrated by the process of bringing in new products that are already approved in other countries of equal safety jurisdiction. Could you just give an overview of why these changes in legislation are important?

Pierre Petelle: Yes. Bill C-31 really only touches on postmarket products. It won't address the issue you raised about—

Kent MacDonald: Bill C-30 had the products in—

Pierre Petelle: Yes, Bill C-30 did.

Bill C-31 takes away a bit of the administrative bureaucracy and gives it back to the scientific experts at the PRD. If nothing changes—and right now we have a 15-year clock—automatically, every single product has to be re-evaluated from A to Z, even though maybe nothing has changed. Maybe it's a product like garlic, oil or vinegar that really has very little risk, but it has to go through the process. It's an administrative process.

This would put some of that expert judgment back into the hands of the department to say, “Nothing has really changed. We've been following the science on this. There is no need to use scarce government resources to fully re-evaluate this product. We'll continue with its registration.” It's really about taking away a sort of time-stamp requirement and turning it into more of a scientific judgment.

Kent MacDonald: We're not changing the safety standards. We're not increasing any health risks to the human population in Canada. It's basically just the process of review.

Pierre Petelle: Exactly, and they are still required, every 15 years, to assess whether a re-evaluation is required or not. It's not as if 15 years just comes and goes. If there hasn't been any change scientifically, it has to be looked at, and they will determine whether or not a full re-evaluation is needed.

Kent MacDonald: Thank you.

Mr. Arcand, I'll let you continue on the demand signal talk that my colleague brought up.

Alan Arcand: Yes, I was just going to agree with what my colleague here said. The manufacturing sector operates on a very long timeline, so creating a system in which you have certainty of demand for a product through a long-term contract will enable manufacturers to plan. It will also give them the confidence to make what are sometimes very significant investments up front if they know that demand is going to be there over the long term. That is definitely a positive feature of such a system.

● (1250)

Kent MacDonald: Thank you.

I'll turn my attention back to CropLife. In terms of the productivity mega deduction that the Prime Minister just announced, it's not in Bill C-31, but it makes a measure that is in Bill C-31 permanent. When you look out to the clients you deal with or the businesses that are part of your membership, do you feel that's going to entice investment in the regions of Canada, given a little more surety and the lower-tax break?

Pierre Petelle: Yes, and when I listen to the colleagues to my right, I hear that there are a lot of similarities in terms of what attracts investment and innovation. It's really your tax structure and your regulatory burden—they are very similar issues.

Some of our members are local Canadian companies; others are multinationals. Their dollars can move depending on the markets that are attractive in terms of investment. At R and D facilities and plant breeding facilities in Canada, there's a lot of investment and good-paying jobs that should benefit from this type of thing. For farmers themselves, in terms of their costs, some of the equipment they use is as much as half a million to a million dollars per item. If they can write those off more quickly, that should help with innovation and productivity.

This committee is focused on the finance of the country. One thing that's often forgotten is that the agriculture and food sector in Canada is a $150-billion industry. We're talking a lot about critical minerals, defence and other things, but the one thing about agriculture is that farmland will never move to the U.S. or to any other jurisdiction. The farmland is here forever, so if we're able to provide the incentives and the environment, this is an industry that can really—

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

Thank you, Mr. MacDonald.

[*Translation*]

We will now continue with Mr. Garon for two and a half minutes.

Jean-Denis Garon: Thank you, Madam Chair.

I'll turn to you now, Mr. Arcand. I'm going to ask you some questions along the same lines as the ones I asked Mr. Mueller.

Obviously, no one was hoping for U.S. tariffs. The government responded with countermeasures; Canadians and Quebeckers were largely in agreement on that. Obviously, no one wanted it. It creates additional red tape, particularly because of tariffs, but also because of the mechanisms through which certain businesses can get tariff refunds. I gave the example of businesses that have no choice but to source from the United States. That's the case for a certain grade of steel and for many minerals, for example. Sometimes, there's no another option. There aren't any Canadian businesses to turn to. The solution is either to pay the retaliatory tariffs or to halt production. For that reason, there's a refund mechanism.

This isn't a criticism of the government. It's impossible to think of everything, and the government had to act quickly. However, businesses tell us that it can sometimes be quite cumbersome and quite complicated. It can be an extra burden on top of the tariffs and countermeasures.

Do you have any proposals that could make this mechanism easier, more systematic or more automatic when a business, manufacturer or exporter can demonstrate that it really has no option but to source certain inputs from the United States?

[*English*]

Alan Arcand: First, thanks for the question.

I would agree that there are certain inputs that Canadian manufacturers need that are available only in the U.S. The U.S. is always going to be our largest trading partner. It's just a fact of life. Gravity is what it is. They're a large market. However, I've heard of issues with the remissions program, similar to those issues Mr. Mueller mentioned. We appreciate that the program is in place—

[*Translation*]

Jean-Denis Garon: I don't have much time left.

Do you have any concrete proposals? The government is listening, and we're all listening. Businesses are looking to us to find a way to make this process easier.

[*English*]

Alan Arcand: I don't know if I have any specific recommendations on making it simpler, but I agree that having adequate resources for the program so that applications can go through the process more quickly would be helpful, if that's possible. Some of these companies are small, and they need as much support as possible to figure out the process. It's always an ongoing complication. It's more of an administrative burden for a lot of these companies. It's unfortunate, but it's a fact of life. Those kinds of support programs or consultation with industry are always helpful.

● (1255)

The Chair: Thank you, Mr. Arcand.

Thank you, Monsieur Garon.

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

David Bexte (Bow River, CPC): Thank you, Chair. I appreciate it.

Thank you, witnesses, for being here today, and colleagues, for welcoming me to sub today.

It's a very interesting discussion. There are lots of aspects of different things with some overlap related to Bill C-31.

I will go to CropLife first.

Mr. Petelle, I appreciate the earlier nod to regulatory red tape reduction and trusted jurisdictions in the regime. I've introduced a private member's bill to do that, specifically in ag, related to feed, seeds, fertilizers, pesticides and veterinary medical products.

First, can you describe the scale of the challenges to get new crop protection products to market?

Pierre Petelle: The latest estimate to get a brand new active ingredient into the hands of a farmer, for example, is about a 12- to 13-year process at around $300 million U.S. This is not an everyday undertaking. Products that are being researched today will not be in the field for a decade. Regulatory certainty, predictability, having a clear path and meeting timelines are absolutely critical for our industry.

David Bexte: You mentioned earlier that the agriculture industry is about $150 billion in Canada. I believe that. I live in the middle of it. My small part is not that much.

What is the scale of the opportunity for the ag industry, if we can really get the red tape reduction figured out?

Industries, SMEs especially.... It's an organic industry. It is distributed, small activities, all across the country, that coalesce into a large $150-billion industry with large companies involved in it.

What is the scale of the opportunity if we can get this fixed?

Pierre Petelle: Actually, a group of us in the ag and food space are working with a private sector company to try to better quantify that, to give more concrete, defensible numbers. FCC, Farm Credit Canada, has done some analysis on our end, on the productivity side. If we were able to return to the productivity growth we had 20 years ago, which was around 2% per year, every year—right now, we're down to about 1%—that's a $30-billion opportunity for Canada.

That's just a very small slice of what we're talking about. I think the numbers will be quite staggering when we get the final numbers for the growth potential to truly make Canada a superpower.

David Bexte: From my own perspective, I know that even just changes of $10 per acre on the net, either on the cost or the revenue, have a huge impact on the success of a farm, on its economic viability and health. It's encouraging that work is going on to quantify that and figure it out.

We've seen some piecemeal changes, with either regulation or parts of action in different legislation, whether it's Bill C-31 or Bill C-39, in the ag space, in terms of seeds, feeds, fertilizers and veterinary medical products. How important is it to have, as an example, the FARM act passed and legislated, to ensure that there's a broad backstop and that all these changes happen and are implemented—not just regulatory change but also legislative change?

Pierre Petelle: I mean, for us, it's a cultural thing. The philosophy of agriculture and food as a growth sector, as an economic driver, is something that isn't necessarily taken for granted—even around this table, probably. If we can have an approach whereby regulators are not there just to block all approvals and look under every stone.... It's really about having a system that mitigates risk and protects human health and the environment but also understands its role in the economic success of the sector.

That's what we're seeing a bit. Bill C-30, certainly, was very instrumental in that. I think this bill also starts to move in that direction. Bit by bit, we're getting there, but certainly it's a shift we're trying to see here.

David Bexte: I appreciate that. It's a major shift.

I have a very short period of time left.

Mr. Arcand, I have a question.

In the ag industry, so much of the opportunity is related to what you would call SMEs, though they're big on the “s” side—small. For farm-based businesses that may have manufacturing or are considering the move to manufacturing and value-added, is that 90% rule on the new building thing an impediment?

● (1300)

Alan Arcand: I wouldn't call it an impediment. It's another avenue to boost investment, along with the—

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

Thank you, Mr. Bexte.

Mr. Petelle, I want to clarify one thing. You talked about the regulator blocking. I think a lot of people would view Health Canada's role as protecting human health and making sure that adequate science is done. I just want to clarify your position on that.

Pierre Petelle: If I used the word “blocking”, that was not my intention.

With any sort of regulator, you can go to the nth degree of certainty, to the point where nothing gets approved.

We often see that in Europe's approach. They add so many layers that, really, nothing can get through. Their farmers are protesting in the streets, because they literally have no way of protecting their crops.

That's what I'm getting at. We want to protect human health and the environment. Our industry strongly supports that as well, but it has to be in a context that also understands the implications for economic success, the success of agriculture and the success of farmers.

The Chair: Thank you for clarifying that.

Monsieur Lavoie, you have five minutes.

[*Translation*]

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

Thank you to the witnesses for being here today.

Mr. Mueller, I'd like to start with you.

You obviously mentioned the Defence Investment Agency. Of course, a new bill was tabled this morning by the secretary of state, Mr. Fuhr, on behalf of Minister Lightbound. You haven't had time to read it, but I'll quickly tell you what it involves:

> [The bill] enacts the *Canadian Corporation for Defence Investment Act*. That Act establishes the Canadian Corporation for Defence Investment, a corporation whose mandate is to, among other things, carry out activities related to production, procurement and investment in respect of national defence for the benefit of the Canadian Forces or the Department of National Defence or for associated governments.

Basically, it addresses production, procurement, investment and broadening the concepts of security, whether that be national security or economic security. I also think that it can clarify some things. I heard my colleagues talking about strategies earlier. It's a corporation that ultimately aims to be more agile so that it can move forward with a clear vision.

With that in mind, Mr. Mueller, how do you think this corporation will be able to ensure, under this new bill tabled this morning, that it successfully fulfills its mandate and addresses the gaps that are currently observed?

Mike Mueller: Thank you for the question.

[*English*]

Again, I haven't seen the legislation, but we would be in support of what you described.

Again, we're supportive of the outcomes that are required with respect to defence procurement. The defence procurement industry is very much looking towards, as I said in my opening remarks, an efficient, effective and timely investment into the industry and building up the industry across the board, so we're very supportive of any mechanism that does that.

When I say “effective”, that's where we can unpack some of the items that we are looking towards. Again, it's that predictable, long-term demand signal for industry that's required. My hope and expectation is that the new legislation will enable that organization to have clear transparency around the rules of procurement that are there, which need to continue, and then again, continual engagement with industry so that industry is brought into the discussion earlier versus being left at the back end of the procurement process, which then involves some of the issues that I talked about before.

Again, I'm more focused on the outcome of this versus the specific nuances and how we get there. As long as we get to that outcome, we're supportive.

[*Translation*]

Steeve Lavoie: Thank you, Mr. Mueller.

Mr. Arcand, thank you for being here.

Earlier in the meeting, you talked about the productivity megadeduction for businesses, which is a key point for businesses in Canada, Quebec and my riding of Beauport—Limoilou. It's quite a significant measure. From one end of the country to the other, it's clear that Canada is really making a difference.

How do you see that from a business perspective? Will it enable businesses to manage their liquidity better, and better reinvest in their growth? How do you see things playing out in terms of the economic impact this can have on the market?

● (1305)

[*English*]

Alan Arcand: I don't have specific numbers about the impact, but obviously it's a challenging time for manufacturers, and investment has been trending down given the U.S. trade disruption and the underlying uncertainty.

The fact that this program is permanent is really key. Referring back to the Defence Investment Agency talk about long-term demand and the fact that this sector operates on a very long time frame, now that they know that this program is going to be in place down the road, they're more confident about making that first investment. They get the immediate expensing right away, but they know equipment's going to depreciate and they're going to have to make this investment again in five, 10 or 15 years, and they know that program's there. I think it really helps with bringing that initial investment in.

[*Translation*]

Steeve Lavoie: Do you think that provides predictability for businesses?

[*English*]

Alan Arcand: Yes, for sure. There's definitely more predictability, absolutely. They know the program's going to be there forever now, and that's obviously positive for investment.

[*Translation*]

Steeve Lavoie: Thank you.

[*English*]

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

On behalf of the committee, I would like to thank our witnesses.

If it is the will of the committee, we shall adjourn.

The meeting is adjourned.

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