



HOUSE OF COMMONS
CHAMBRE DES COMMUNES
CANADA

45th PARLIAMENT, 1st SESSION

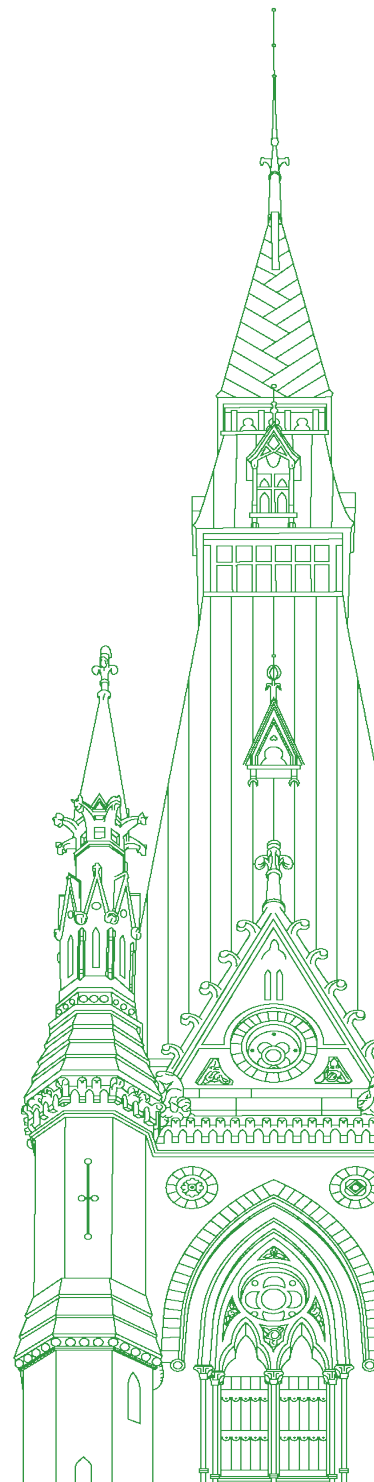
Standing Committee on Human Resources, Skills and Social Development and the Status of Persons with Disabilities

EVIDENCE

NUMBER 035

PUBLIC PART ONLY - PARTIE PUBLIQUE SEULEMENT

Monday, May 4, 2026



Chair: Robert Morrissey

Standing Committee on Human Resources, Skills and Social Development and the Status of Persons with Disabilities

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• (1545)

[*Translation*]

The Vice-Chair (Andréanne Larouche (Shefford, BQ)): I call this meeting to order.

Due to a vote in the House, we're running a few minutes late, which we will try to make up. Exceptionally, in lieu of and pending the arrival of the committee chair, Mr. Morrissey, and in my capacity as vice-chair of the committee, I will call the meeting to order so as not to delay our witnesses any further.

Welcome to meeting number 35 of the House of Commons Standing Committee on Human Resources, Skills and Social Development and the Status of Persons with Disabilities.

Pursuant to the motion adopted on Thursday, February 5, the committee is meeting as part of its study on housing starts in relation to federal programs.

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

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

I believe both witnesses today are joining us by video conference, but this is a good reminder for committee members.

To ensure an orderly meeting, I would like to outline a few rules for witnesses and members.

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

For interpretation, for those on Zoom, at the bottom of your screen you can select the appropriate channel for interpretation: either Floor, English or French. For those in the room, you can use the earpiece and select the desired channel.

A reminder that all comments by members and witnesses 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 committee clerk and I will manage the speaking order as best we can, and we appreciate your patience and understanding in this regard.

While we're waiting for the chair to arrive, I would now like to welcome our witnesses.

From the Canadian Home Builders' Association, we have chief executive officer Kevin Lee, by video conference. Also by video conference, we have Mike Moffatt, founding director of the Missing Middle Initiative.

You each have five minutes for your opening remarks.

Mr. Lee from the Canadian Home Builders' Association, the floor is yours.

[*English*]

Kevin Lee (Chief Executive Officer, Canadian Home Builders' Association): Thank you very much.

[*Translation*]

Good afternoon, honourable members.

I'm usually in Ottawa. I know that many of you are from Quebec, and I'm in Quebec City today.

[*English*]

Thanks a lot for having me today.

The Canadian Home Builders' Association, or CHBA, represents over 8,500 member firms across the country. Our members build low-rise, mid-rise and high-rise homes for both ownership and rent.

Housing starts are often presented as a single headline number, but the breakdown of that number is important to see the real story. While recent data shows that total housing starts have been above the historic averages, the composition of those starts has shifted dramatically. In a way, that puts long-term affordability, economic stability and home ownership further out of reach for Canadians.

Over the last several years, starts for housing intended for ownership have declined sharply as a share of total construction. In 2021, 69% of housing starts were intended for ownership. By 2025, that share had fallen to 49%, with purpose-built rental housing now accounting for the majority of new housing starts. That's a drop of 50,000 units for ownership per year. In fact, last week's spring economic update acknowledged that while housing starts totalled 260,000 units in 2025, they were driven by record levels of purpose-built rental construction supported by federal measures. Rental supply is needed, and CHBA strongly supports it, along with federal action that has helped projects pencil out in recent years. However, rental housing should not be replacing homes for ownership. We need both, and we need much more on the ownership side.

The federal government has set ambitious targets to double housing starts, yet CMHC numbers show that achieving affordability requires not just more homes but also more homes for ownership. CMHC has stated that 4.8 million homes are needed over the next decade to fill the housing gap. This would mean nearly doubling our starts to between 430,000 and 480,000 annually. However, CMHC also states that, to succeed, 75% of those starts need to be for ownership.

It should also be noted that the increase in housing starts for rental is not the result of consumer preference. CHBA polling with Abacus research shows that 88% of Canadians under 45 would like to own a home one day. It is the outcome of policies at all levels of government that has made achieving this goal increasingly difficult.

Builder sentiment, as measured by CHBA's housing market index, reflects this reality. In B.C., the single-family HMI is 5.8 out of 100. In Ontario, the multi-family HMI is at 3.8. Even Alberta, which has been strong, is seeing a drop in their HMI. Across the country, confidence among builders has deteriorated to record lows, indicating still fewer starts for ownership ahead—a trend that must be reversed.

High sales taxes and development taxes, restrictive mortgage policies, municipal red tape causing delays, excessive building code changes, and escalating material and labour costs have significantly driven up the cost of construction and reduced the viability of ownership housing projects. If buyers cannot buy, builders simply cannot build.

There has been much talk and a study from this committee about Build Canada Homes, which will focus on government-subsidized non-market housing. The development of more non-market homes is indeed important, but it is critical that, in parallel, there is a strong effort beyond BCH to address housing affordability in order to double starts in market-rate housing, where 95% of Canadians reside.

In order to increase housing starts and return to affordability, there needs to be a more comprehensive housing plan, especially for ownership. We saw some movement in the right direction with the spring economic update and recent federal announcements, such as \$1.7 billion in funding going to provinces and territories through the improving housing supply act. This includes contributing to the removal of HST on qualifying new homes in Ontario. Other than the deal with Ontario—and even that has stalled due to

lack of federal-provincial agreement on who will administer the rebate—

• (1550)

[*Translation*]

The Vice-Chair (Andréanne Larouche): Excuse me, Mr. Lee. I've stopped the clock. In the minute and five seconds you have left, I would ask that you please slow down a bit so that the interpreters can keep up with you.

Thank you.

I know you have a lot to say.

[*English*]

Kevin Lee: Sure.

I'll also say that no other federal-provincial partnerships have yet been announced. There seems to be no guarantee that provinces will use the funds to reduce the tax burden.

Announcements for infrastructure and to offset DCs through the build communities strong fund will be helpful, too. Again, outside Ontario, no other provincial deals have been signed. It is critical that there be plans for municipalities to find alternative funding models for infrastructure in order to permanently lower DCs once the federal funding winds down.

The spring economic update also made reference to streamlining regulations and addressing affordability issues with regard to building codes and standards. There has been talk of this for a few years now, but no action has really been taken. In the meantime, the 2025 building code was published, increasing the cost of a typical 2,500-square-foot home by an estimated \$50,000 to over \$100,000. Immediate action is needed to reverse this.

It is positive to see plans to support more construction financing, but what is also needed is fixing the stress test so that well-qualified buyers can better access a mortgage. By the way, that's a no-cost measure.

There are several other recommendations I could go through, but respecting time, I'm happy to take any questions you may have during the Q and A period.

Thanks a lot. I look forward to that.

[*Translation*]

The Vice-Chair (Andréanne Larouche): Thank you very much. You're right on five minutes.

I now give the floor to Mike Moffatt, from the Missing Middle Initiative, for five minutes.

[*English*]

Mike Moffatt (Founding Director, Missing Middle Initiative): Thank you for having me here today.

The federal government has set an ambitious target of reaching 500,000 annual housing starts by the year 2035. An ambitious target is admirable, but it's no substitute for a goal, because a housing target is a means. It's not an end. It's not a goal. A young family in search of a home does not care how many housing starts there were last year. They care about finding a home that they can afford in their community and that meets their needs.

Canada's lack of a middle-class housing goal creates a policy vacuum that the Office of the Federal Housing Advocate has attempted to fill with a recent report advocating a 2060 target to address the middle-class housing crisis. That goal or target, if adopted, would cement a future of intergenerational inequality for generations Z, alpha and beta, threatening to tear apart the country's social and economic fabric.

The federal government needs a housing plan with a clear goal, a reasonable time frame and a set of quantifiable objectives, such as that every middle-class dual-earner couple in their thirties should be able to afford to purchase or rent a new entry-level home in any community in the country suitable for a household of five by 2035. That's just one example.

There are many goals that the federal government could come up with, but it needs to have one, and we should be clear that the purpose of such a goal is not for the federal government to engage in central planning and deciding where homes are built and at what price. Rather, it is to set up the conditions for success: to understand what is working well in the current housing system and what requires improvements. Defining a clear goal clarifies the trade-offs in public policy, ensuring optimal value for money.

Most importantly, clear goals should be based on the attainability of new housing, with an emphasis on "new". Governments should not be in the business of trying to manipulate resale home prices. Rather, they should be ensuring that builders can create suitable options that families can afford and that the market can respond to changing conditions, such as unexpected population increases. Then government can fill in the gaps with below market rate housing where necessary.

Multiple objectives with intermediate targets are needed. A simple target of 500,000 homes by 2035 says nothing about the size of those homes or, as Mr. Lee pointed out, whether or not they're owned or rented, where they are located, how attainable they are and what the policy path to get there will be.

That path is important. Achieving that simple 500,000-start target is becoming increasingly out of reach, as the CMHC projects

that housing starts will decline over the next three years, falling below 220,000 units by 2028.

Now, this decline can be reversed, but only if the federal government develops a clear plan of how it will achieve that target and links policy reforms to policy outcomes. Take Build Canada Homes, for example. The federal government's flagship program lacks key performance indicators and accountability measures. We do not know or have not been told how many housing starts this program will contribute to each year.

Finally, I want to say a word of caution about the housing start metric. Unlike our global counterparts, the CMHC does not record a project in its housing start data until the foundation meets grade, meets ground level. It is a poor real-time indicator of the health of the housing construction sector, as it fails to reflect investment decisions made anywhere from one to three years before the CMHC records it as a housing start. At the Missing Middle, we've been suggesting that the CMHC should also consider tracking excavations, as the U.S. and Australia do, to provide a better real-time indicator of new construction activity.

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

● (1555)

[*Translation*]

The Vice-Chair (Andréanne Larouche): Thank you very much for your remarks. We all took copious notes.

I want to say that I will keep my turn to speak, that of the Bloc Québécois, if that suits everyone. It's kind of a unique situation today.

I'm going to start with Mr. Aitchison from the Conservative Party for six minutes.

[*English*]

Scott Aitchison (Parry Sound—Muskoka, CPC): Thank you very much.

Gentlemen, thank you for being here, both of you, again.

Kevin, you actually got to speak this time. That's nice, eh?

Dr. Moffatt, at the end of your comments, you spoke a bit about how we count starts. We're talking about housing starts. The minister stood in the House and bragged about how housing starts are up. I'm not suggesting he's lying, but how we count these things matters. There seem to be a lot of different ways to count this.

Can you elaborate a bit on what a start really is, what we're doing in this country and maybe we how can do it a bit better?

Mike Moffatt: Absolutely. The common-sense definition of a start might be where the shovel hits the ground. You actually have workers on the site who are starting to build the home, but when it comes to the types of homes we build, which these days are traditionally high-rise units that have underground parking garages, the CMHC doesn't count that as a start until the entire underground parking garage is built. That could be four, five or six layers and then the parking garage basically hits level ground. You start building the apartment structure on top of that.

That's a bespoke Canadian way of doing things. Other countries define a start differently. In the U.K., it's actually when they start pouring the foundation. For other countries, it's when they start actually digging the hole. What we have suggested to the CMHC is that they track excavations. That would give us a better real-time indicator of when a project has actually started and work is being done. We recognize that not all excavations necessarily always turn into housing completions, but at least it gives us a better sense of what's happening on the ground.

• (1600)

Scott Aitchison: Thanks very much for that.

Mr. Lee, this is kind of a weird thing to do, I guess, but I'm wondering if you could comment on what Dr. Moffatt said and on whether you agree with that assessment. Then I'll have a follow-up based on what you say.

Kevin Lee: Yes, I think that's important too, because one of the things we're not good at tracking is leading indicators. It's why we have our housing market index, which is a sentiment indicator that tracks even ahead of sales. It's what's going on with sales, but more what the traffic is like. We need to be better at what's coming down the pipe.

What Mr. Moffatt is talking about would get us closer to housing starts, which are basically a lagging indicator too. You've already made your sales and you're getting going, but at least you'd be ahead and you wouldn't have the false security that there's a lot of housing starts right now. A lot of those starts were parking garages, as Mr. Moffatt was saying, that started a while ago, so it wouldn't be, yay, we're off to the races here.

I think it's an important distinction that we need to continue to make.

Scott Aitchison: Is it fair to say, then, that in some cases we're calling a housing "completion" a start? I understand from some of the larger builders, particularly in larger centres like the Lower Mainland in Vancouver, that probably 40,000 units will come online and 20,000 units will come online over the course of the next year, but those projects were literally started four or five years ago. Nobody's digging any new holes. Is this why this is an important distinction?

Kevin Lee: Yes. That's exactly right. I wouldn't say we're counting completions as starts, but we're catching these starts that actually started a long time ago and are calling them starts now, suggesting we're in better shape than we actually are. Those started when the market was completely different, as you pointed out. We're ba-

sically seeing nothing going on in many cases right now in terms of legit housing starts.

Scott Aitchison: Can you tell us definitively whether starts are up or down? What's going on with true starts? I'm talking about people digging a hole to start building a house.

Kevin Lee: Overall, starts would be down. Again, we don't have that exact data because of exactly what Mr. Moffatt was talking about. I can tell you that starts for ownership are way down. They've been replaced by purpose-built rentals. Anything in terms of treading water has been because we've replaced ownership with purpose-built rentals. The ownership side of things is way down.

Scott Aitchison: Dr. Moffatt, would you agree with the assessment that rentals are important but cannot supplant the importance of home ownership, which still has to be an important part of the mix in Canada's housing market?

Mike Moffatt: Yes. Absolutely. We need both. I think we're also starting to see a slowdown in purpose-built rental construction in some markets. There are concerns that a lot of new inventory is getting built. Many of those decisions were made when Canada's population was growing by 1 million to 1.5 million persons per year. Now the industry doesn't really know the future of immigration policy past 2027.

I think we're also going to start see a slowdown in purpose-built rental construction. It's not even zero sum; I think we're going to see a scaling back of both.

Scott Aitchison: We really have only about 30 seconds left, so I think we will continue on to the next questioner. We got started a bit late, so I'll let somebody else go. I may get a chance to talk to you again, so I'll leave it at that.

Thanks.

The Chair (Robert Morrissey (Egmont, Lib.)): Thank you, Mr. Aitchison.

[*Translation*]

Ms. Desrochers, the floor is yours for six minutes.

Caroline Desrochers (Trois-Rivières, Lib.): Thank you very much, Mr. Chair.

I want to thank the witnesses for being here with us today, but also for all their commitment over the past few years and months. I know they've been part of the conversations on the housing issue, and I thank them for their ideas and everything else.

• (1605)

[*English*]

Mr. Moffatt, you've mentioned quite a few elements that have been holding back construction and slowing the growth of new housing supply.

I wonder if you can talk to us a bit more about which, of all these challenges, has the biggest impact and particularly where the federal government, in your view, can do something about it.

I'll come back to the municipality and Build Canada Homes, which you mentioned, Mr. Lee.

If you could start, I'd be interested in that.

Mike Moffatt: I would say that the biggest challenge right now is the cost of construction. We've seen the price of resale homes fall but, for the most part, the cost of construction hasn't. The materials to build a home haven't gotten any cheaper. In fact, with geopolitical challenges, some of those have gone up. We have seen some land price decreases in certain markets but, overall, it's tough for builders to build something to compete with the resale market.

I think where the federal government can be of most immediate help is doing what they've actually already done on HST. Expanding that to the provinces takes anywhere from five per cent to about 15% off the cost of the new home, depending on the province. Because the HST applies only to new homes, it helps them become cost competitive.

Over the long run, I think you are, then, looking at working with municipalities on issues like development charges and, again, with the Ontario agreement. I think it could be just de-risking. One of the biggest challenges builders and developers have right now, particularly in high-rise, is that they don't know the future of the federal government's immigration policies. When I talk to builders and developers in high-rise, the ones who are going to continue to build right now are the ones who are making a bet that immigration numbers will go up in the future, and the ones who are on the sidelines are thinking that the demand's not going to be there.

It's being able to give industry a 10-year timeline instead of what we have now, which ends in 2027, and nobody's really sure how many homes they're going to need in the future, because we don't know how fast the population will grow.

Caroline Desrochers: Mr. Lee, I know you've had many conversations on Build Canada Homes. In my unbiased opinion, it's off to a great start. Once we pass Bill C-20, it will become a Crown corporation and, of course, I'll be happy to put forward some KPIs as part of its departmental plan.

We're already seeing that it brings to the table different, more flexible methods of financing and different kinds of capital. I wonder, Mr. Lee, what impact you think it can have on the pace and the cost of building in Canada.

Kevin Lee: I think it's going to be important for non-market housing, and we need more of it. One of the things we've talked about is the need to make smart use of federal lands so that we can offset some of the costs of construction, because, as Mr. Moffatt said, the price of building new things is just going up and up. As he pointed out, the way we can deal with that quickly is through taxes and reducing those, but—

Caroline Desrochers: We keep talking about this five versus 95 and how we really need to also think about the 95. I want to remind everyone that a lot of the programs from CMHC and a lot of the programs in Build Canada Homes will also build market housing.

There will be a lot of mixed-use projects. We're seeing a lot of them, even those that we have already announced.

I just want to clarify that conversation a little.

Kevin Lee: I haven't seen those numbers.

The numbers that we're looking at are up to 49,000 units on lands that have been identified for the program. That 49,000 is a good number if it's in one year, but it's going to be spread over many years. We were to double housing starts. The number we need is 500,000.

I think that puts it in context, and that's not to say anything bad about Build Canada Homes. I think there's going to be some really good work there, and I think the idea of also helping to create a more steady pipeline for some of our factory-built members can be a good thing. It's a start, but we do have to look at the rest as well. I think Build Canada Homes will have a part, but it's everything else that's going to make up.... We're not going to double housing starts with Build Canada Homes. We're going to have to do it with the rest of the market.

• (1610)

Caroline Desrochers: Thank you.

My last question is for both of you. Really, it's about the coordination between federal, provincial and municipal, and the \$64,000 question of harmonizing building codes. In your opinion, is there a path to get there, to do that? Perhaps you could offer your thoughts on this.

Kevin Lee: I can say that the idea of harmonizing building codes is good, if you're harmonizing to a good building code.

We have major challenges right now with the way the building code is being developed, the costs that are implicated. In terms of the 2025 building code, we estimate that the cost for a 2,500-square-foot house will be about \$56,000 or more, and that's not including the energy numbers.

If we're going to move to harmonization, which would be great, and if we could also get harmonization right down to the municipal level, because municipalities have all kinds of regulations and zoning and bylaws that prevent us from building the same house twice.... That pursuit is very important, but we have to get what we're harmonizing to right; otherwise, we're not going to get harmonization. You're seeing provinces pull back right now. They're recognizing the costs and implications of a more expensive, complex code.

[Translation]

The Chair: Thank you, Ms. Desrochers.

Ms. Larouche, you have the floor for six minutes.

Andréanne Larouche (Shefford, BQ): Thank you very much, Mr. Chair.

Mr. Lee and Mr. Moffatt, thank you for being here today for this study on housing starts.

Mr. Moffatt, towards the end of your opening remarks, you started listing certain international examples. I believe you were going to talk about Australia. Since that was at the end of your remarks and you had to wrap up very quickly, I'd like to give you a few moments to revisit what we might learn from certain international examples.

[*English*]

Mike Moffatt: The only three I had memorized.... I'd have to go back and look.

Every country defines a housing start differently. Australia and the United States define it as when the excavation starts on site. That counts as a housing start. In the U.K., it is when they start pouring the foundation. It's in between. In Canada, we define it as when that foundation reaches ground level.

These distinctions didn't used to matter all that much back when Canada was mostly building single detached homes, because the timeline from when you started digging the hole to when you poured the foundation and the foundation reached grade was usually a matter of weeks. Oftentimes, that was all happening in the same month anyway.

Now we're moving to more complex high-rise apartments, most of which have underground parking. The timeline from when you start digging the hole to when the foundation reaches grade can be up to about 18 months or so different.

[*Translation*]

Andréanne Larouche: I understand that this makes it difficult to calculate housing starts to determine where we stand with these construction projects.

Mr. Lee, what I gather from your remarks and those of Mr. Moffatt is that several developers are saying that the programs exist, but that construction projects aren't starting quickly enough. Is the main problem funding or red tape?

[*English*]

Kevin Lee: It depends on what you're talking about.

If you're talking about purpose-built rental programs that are using CMHC programming, those can often get oversubscribed. Some of the requirements, too, that are getting more and more stringent are making some of the projects less viable.

That being said, we've had quite a bit of purpose-built rental construction over the past few years. As Mr. Moffatt said, we're probably going to see a bit of a slowdown on that right now, in many cases.

When it comes to units for home ownership, that's an entirely different situation. Certainly in our more expensive provinces, such as Ontario and B.C., it becomes so cost prohibitive to buy. There are so many affordability challenges right now that we're seeing a

complete absence, in many ways, of sales. That's resulting in a lot fewer starts. It's back to this: If buyers can't buy, builders can't build.

• (1615)

[*Translation*]

Andréanne Larouche: Perfect.

We can see that there's another challenge related to these housing starts, namely predictability, which we've discussed.

Mr. Moffatt, I believe it was you who mentioned the number of people and immigration policies. What I take away from your comments is the issue of predictability. Is that lacking for businesses and contractors?

[*English*]

Mike Moffatt: That's correct, particularly for high-rise, purpose-built rental, because newcomers to Canada disproportionately end up in that kind of housing, so it's particularly sensitive to immigration rights. Because we don't have a line of sight to either permanent or non-permanent residents past 2027, builders and developers are basically, in making their investments, having to make a bet on the future of immigration policy.

That certainty is important, as well as certainty on other issues, like taxes, development charges and so on. The more uncertainty there is, the higher the returns have to be on building a new home, because the project is inherently riskier.

[*Translation*]

Andréanne Larouche: Thank you.

Mr. Lee, the federal government has announced a lot of investments, but families on the ground are still waiting. How can we ensure that every dollar announced quickly leads to a shovel hitting the ground?

[*English*]

Kevin Lee: We can start with a couple of examples of partnerships that were announced with the Province of Ontario that are going to very directly deal with taxes, one with development taxes and the other with the HST. As the government looks to roll out partnerships with the other provinces, it's going to be really important that they be done in a very similar way, because it's not clear that that will be the case.

The \$1.7 billion that gets allocated to the other provinces should really be going to the sales tax side of things and offsetting those. When it's the build communities strong fund, again, there's an emphasis on direct results, dealing with DCs and dealing with the infrastructure-freezing DCs. Those are all really important things that have a big impact on affordability and can lead directly to starts.

[Translation]

The Chair: Thank you, Ms. Larouche.

[English]

Next is Mr. Reynolds.

You have five minutes. Please go ahead.

Colin Reynolds (Elmwood—Transcona, CPC): Thank you, Mr. Chair.

Thank you, witnesses, for coming here today. We really appreciate your time.

My first question is for Mr. Lee.

You mentioned that we need about 480,000 to 500,000 starts per year. Are we anywhere near that right now?

Kevin Lee: No. Those are numbers that CMHC has put forward in order to close the affordability gap. It's an important aspirational target. We have so many things to get out of the way to be able to do that, so we're quite a ways from being able to achieve that.

Colin Reynolds: My background is that before I was elected here, I spent 20 years in construction. I was the electrical foreman on a high-rise with residential units.

Contractors and developers are in the business of actively seeking projects to build. What would you say is the biggest barrier right now holding back private developers from moving forward on projects, especially since there seems to be a high demand for housing right now?

Kevin Lee: We would be in high demand based on that gap analysis that CMHC is talking about. When you look at household formation that should be happening, in many cases, it isn't happening because of affordability issues. The big challenge we're facing right now is that affordability crunch. When you look at developers building residential, they have to sell 70% to 80% of the units before they can get started and get their construction financing, so when you're getting very few sales, you can't proceed.

Even with low-rise, there's a lot less spec building going on in these times of uncertainty. Again, builders are waiting to be able to make sales. That has been a big crunch. We keep talking about Ontario and B.C., but that's where we have the biggest challenges. Things have been going okay in Atlantic Canada, although they're starting to slow down now. It's the same with the Prairies. Alberta is coming off two record years of starts, but again, with all the consumer confidence issues, we're seeing slowdowns right across the board right now.

• (1620)

Colin Reynolds: In your opening statement, you mentioned that the housing starts have shifted from market more towards non-market. What do you think the reason for that is?

Kevin Lee: Just to be clear, I was saying they've shifted from units for ownership to purpose-built rental.

Colin Reynolds: That's correct.

Kevin Lee: There are a couple of reasons for that. One is affordability. People can't afford to buy homes, whether they're ground-oriented or in a high rise, so they're moving towards rental.

The other thing is that the rental market has been helped quite a bit by changes in taxation policy and other financing that has been necessary to better equip industry to make projects pencil out. For the longest time they weren't. Therefore, industry was building condos and selling those units into the secondary market.

The changes that have been made to make purpose-built rental more viable have been important and good to help that out, but again, we can't be trading off purpose-built rental and building a lot more of that and fewer units for ownership. We need more units for ownership as well.

Colin Reynolds: You also mentioned municipal taxes and development charges being pretty significant costs, obviously, to the homeowner and the builder. Has Build Canada Homes done anything to address that issue? Obviously, those are different depending on the jurisdiction, but is there anything in Build Canada Homes that has addressed that issue?

Kevin Lee: There is nothing that I'm aware of. Again, Build Canada Homes is really looking at non-market housing on public lands. That's a different issue from dealing with the development taxes. They might end up with deals where they get development taxes waived, which is pretty common for different types of subsidized housing.

When you talk about development taxes and development charges across the country, the build communities strong fund is talking about giving out money for infrastructure dollars, but we need to see DCs rolled back, or at least frozen, where they're really expensive.

We also need to recognize that municipalities have come to rely on development charges to fund a lot of things beyond what they're supposed to be funding, and that's where they've become trapped. It's really important, moving forward, that the feds and provinces work with municipalities to find other funding mechanisms, so that they're not putting this tax burden on the backs of new homebuyers.

To be clear, builders and developers are the financiers of development taxes only until the homeowners ultimately pay for them. It's the homebuyer who ultimately pays all of these taxes.

Colin Reynolds: Okay, thank you.

The Chair: Thank you, Mr. Reynolds. You were right on time.

[Translation]

Mr. Joseph, you now have the floor for five minutes.

Natilien Joseph (Longueuil—Saint-Hubert, Lib.): Thank you, Mr. Chair.

Thank you to the witnesses for being here.

Mr. Moffatt, our government is currently reducing immigration thresholds. What effect do you think this decrease could have on the rental markets?

[English]

Mike Moffatt: I think we would get fewer rental starts and continued downward pressure on prices, simply because there wouldn't be as much demand there.

To be clear, at the Missing Middle, we're not calling for any particular immigration target. What we're suggesting is that having more certainty around the future path of both permanent and non-permanent residency would allow for builders and developers to make more informed plans, because they wouldn't be guessing at the future level of demand.

[Translation]

Natilien Joseph: Thank you.

In your opinion, what are the main factors currently hindering housing construction and slowing the growth of housing supply in Canada?

• (1625)

[English]

Mike Moffatt: There are a number of factors.

Clearly, economic conditions play a role. Builders and developers won't build things unless it's sufficiently profitable and they can obtain financing. The approvals process matters quite a bit, and this can vary substantially depending on the jurisdiction, what's involved and the types of processes they have.

It also depends on the types of homes being built. Historically, the high-rise condo market, as Mr. Lee has pointed out, is highly reliant on having 70% to 80% or more of the homes sold in pre-sale. In a hot housing market, those pre-sales can happen very quickly, but at a time when home prices are flat or falling and investors are not interested in providing the preconstruction capital, it can take a long time to hit that 70% to 80% target, so that slows the process as well.

It's a combination of both economic and regulatory factors.

[Translation]

Natilien Joseph: Thank you.

I'll continue along the same lines. You've listed a number of things. Which of these have the greatest impact on current markets?

[English]

Mike Moffatt: It really depends on the type of market.

For low rise, it's particularly development charges, land prices and land use. For purpose-built rental, the federal government has enacted a number of helpful policies over the last decade, particularly through the CMHC, with programs like ACLP and MLI Select

and increasing the accelerated capital cost allowance on new apartment construction. All that's been very helpful.

Now we're going to start to see a slowdown in rental apartment construction because of concerns that we may have overbuilt. In the condo market, the biggest challenge is that builders and developers are really struggling to sell preconstruction units. There is such an available inventory right now that if somebody wants a new condo, there are a lot for sale out there, so instead of buying a preconstruction unit and waiting a few years, they can take possession of a more affordable unit today.

[Translation]

Natilien Joseph: Mr. Lee mentioned federal lands. What role do you think they can play in all this?

[English]

Mike Moffatt: I think it could be quite important. There can be challenges in where that land is located relative to where new housing is needed.

If the federal government has land in an area that has a housing shortage and is ripe to build on, then I think it absolutely makes sense for the federal government to use that land, retain ownership of that land and use it to build new homes.

[Translation]

The Chair: Thank you, Mr. Joseph.

Ms. Larouche, you have the floor for two and a half minutes.

Andréanne Larouche: Thank you, Mr. Chair.

Once again, thank you to the witnesses for being with us this afternoon.

For this second round, I'll start with you, Mr. Lee.

In Quebec, the needs are different from those in Toronto or Vancouver. Should the federal government let Quebec and the provinces set their own housing policies?

[English]

Kevin Lee: That's the great federation question.

One of the things we've looked for from the federal government is some leadership on all of these files. That's really important. The conversation around development taxes, development charges and delays at the municipal level are not things that are typically in the purview of the federal government, but because of the way things have gone, we'd need that kind of leadership at the federal level to get everybody headed in the right direction.

The same goes for the building code. There needs to be a good collaboration between the provinces and the federal government to get that national building code right. We need to harmonize, but we need to harmonize on something that actually makes sense. Housing is one of those things that are a provincial domain but can really benefit from some collaboration between all levels of government.

The only way we're going to solve the housing crisis is by getting the federal government, the provincial governments and the municipal governments all rolling in the same direction to address a lot of these issues.

• (1630)

[Translation]

Andréanne Larouche: Yes, we must establish co-operation and respect for areas of jurisdiction.

Mr. Moffatt, Quebec already has its own housing tools. Should the federal government transfer more funds to it with no strings attached, instead of putting in place more parallel structures in the construction and housing sectors?

[English]

Mike Moffatt: When there is equivalency, I think it's absolutely useful to do that. One example is that there are provinces that have very low or no development charges. They should not be penalized by the federal government and not get access to similar payments, like Ontario, simply because they're not overly reliant on development charges.

I do think the federal government, when looking at these deals, has to consider what provinces have already done. If provinces are performing particularly well in an area, they shouldn't get access to reduced funding for that.

[Translation]

The Chair: Thank you, Ms. Larouche.

Mrs. Goodridge, you have five minutes.

Laila Goodridge (Fort McMurray—Cold Lake, CPC): Thank you, Mr. Chair.

[English]

Thank you to our witnesses for being here.

I found it really interesting. Specifically, Mr. Lee, I found the statistic you quoted of how 88% of people under 45 want to buy a home one day unique. We've been sitting here through this committee, and it's become so clear that the Liberal Government of Canada's plan is to try to get as many rental homes as possible, and that's not taking into account the 88% who want to buy a home.

Could you touch on what impacts the ongoing tariffs are having on increased homebuilding costs in Canada?

Kevin Lee: It's interesting. There's been a lot of concern over the tariffs, and rightly so when it comes to construction costs, but we have to remember that, other than a few countervailing tariffs that Canada's kept in place, most of those tariffs are on [Technical difficulty—Editor] goods going into the United States, so American construction costs and homebuyers are affected much more than we are here.

The biggest challenge we have with the trade war is actually consumer confidence. That's the huge issue, and there's so much uncertainty. You see people not wanting to make the big investments. Couple that with some areas that have been more strongly hit by the trade war, where you're seeing job losses, and of course you're going to have a lot less housing activity.

Yes, it has impacts in some ways on construction costs, but really, the big impact we've seen with the trade war is on the market. It's completely freezing up in many ways, because people don't want to move on these types of big purchases when there's so much uncertainty.

Laila Goodridge: I have the absolute privilege of representing Fort McMurray, which is the town I grew up in. What we've seen for the last 10 years, minus the houses that were rebuilt after the fire, is effectively no homes being built.

What was really interesting in the postfire piece was that one of the biggest challenges some of the people had was that their homes were built in a different era, and rebuilding them to that code was no longer legal. It was a very interesting space. They were trying to figure out how they could rebuild when they were having these struggles between their insurance company, which didn't want to pay for them to rebuild, and the code preventing certain things, which was driving up the costs.

In your comments, you mentioned the building codes and the importance of having the right building code. What would your recommendation be on the current 2025 building code? Would you recommend that the government pause this and relook at some of these things that are, perhaps, just excessive red tape and not necessarily geared towards safety?

• (1635)

Kevin Lee: Yes, absolutely. That's exactly what we're calling for. We're calling for a pause on building codes, and we're not alone in this. We were talking about international examples earlier. Australia has already done it. Australia has already said, "We need a pause on changes to the building code as it affects housing in particular, because things are getting too expensive, and we're going too far, too fast."

When we look at the 2025 code, we think it's really important that we take a pause, look at it and say there are some important things in that code around health, safety, corrections and those sorts of things that need to be done, but there are a bunch of other things that are adding a lot of cost for not a lot of return right now. Those things should be put on hold. Let's find better ways to do them and then put in place a code that isn't going to drive up the cost of housing at a time when we can't afford it.

Laila Goodridge: Mr. Lee, could you give an example of something that is adding costs but doesn't impact safety? A lot of people are very concerned about safety, and that's critical—I'm extremely concerned about making sure that the homes we're building are safe—but if it's just because someone managed to lobby the government to get this code changed....

If you could give any examples, that would be really helpful.

Kevin Lee: I think there are a few different examples.

One that comes to mind is around safety, but it's actually doing safety properly. One of the most expensive things coming in the 2025 code is something called "lateral loads". Lateral loads are about protecting against earthquakes, which is obviously hugely important, and against high winds. Of course, we're getting a lot of new high-wind events in this country, but we've actually had zero incidents of failure from high winds on existing housing, whether that's a hurricane hitting Atlantic Canada or a derecho blowing through Ontario and causing millions of dollars of damage in trees falling and that kind of thing. We don't need to build our houses completely differently and have all kinds of engineering requirements to do it.

It's too much under the current circumstances. It's probably too much, period. That's the kind of thing we need to revisit and ask what the smart thing is to do here. What's the right amount of dealing with lateral loads versus the excessive amounts? We're experiencing this in B.C. They've started with this ahead of the national building code and have engineering costs of \$30,000 and more to do this kind of work on a house that didn't require any engineering before.

We have to get things like that correct.

The Chair: Thank you, Madam Goodridge.

Just to clarify, we have time to do another round after we conclude this one.

Mr. Chang, you have five minutes.

Wade Chang (Burnaby Central, Lib.): Thank you both for being with us this afternoon.

Mr. Lee, as the national housing strategy continues to evolve, what do you see as its most important success to date, and where do you see the best opportunities to build on the progress going forward?

Kevin Lee: I think that when the national housing strategy was put together a decade ago, it was very much aimed at non-market housing and social housing, and a lot of progress has been made. Obviously, you want to continue to make that kind of progress. The one thing that was missing from the national housing strategy was dealing with the rest of the market—as we say, the 95% of the market where the rest of Canadians live and want to be able to afford a home without subsidies and that.

That's where we need to go with the next national housing strategy. We need to make sure it's comprehensive so that we continue to look at rental that is being built and is affordable, but also, affordable rent leads to affordable units for home ownership as well. People should be able to afford a home. We know the stats of what Canadians want to do.

It's also critically important, if we're going to get enough housing built, that Canadians are able to afford it and are able to use their own investments to help invest in Canada's growing housing stock, which we ultimately need. We also need to remember that when it comes to social housing and supporting those most in need of core housing, we'll never be able to support them properly if people can't

afford their own homes and if we don't have affordability dealt with.

Otherwise, if you don't deal with market rate affordability, you'll be building more social housing and wondering why the lineup out the door keeps getting longer. The reason will be that people can't afford their own rent and can't afford to buy, and it messes up the whole system.

In answer to your question about where we go with the national housing strategy, it needs to be comprehensive. It needs to be that full continuum so that we can truly address all elements. Otherwise, whenever one part of the continuum fails, the others get affected very quickly.

● (1640)

Wade Chang: Thank you.

From your perspective, have the federal programs encouraged innovation and construction methods or faster project times in any meaningful way?

Kevin Lee: I think we're just getting started on that. Some of the biggest barriers to actually being able to.... Let's use the example of more factory-built, because it gets talked about so much, as well as modular construction. Although we can invest more and do that more and even more effectively to build houses faster—we have a labour shortage, so there's a lot to be said for that—there are so many barriers right now in terms of regulation, interpretation of code, etc., that we really need to go after that side of things.

If we can't build the same house twice doing stick-built, it becomes completely useless to be investing in more factory-built. We need to be able to do both. We need to be able to deal with that regulatory side of things so that we can really build at scale, because factories need to build the same thing over and over again to be really effective, and I think we need to do much more on that side to really innovate more.

Wade Chang: Thank you.

My riding of Burnaby Central is one of the most expensive places to rent in Canada today. In markets like Burnaby Central, how critical has the federal support been in enabling projects that might not otherwise proceed?

Kevin Lee: Yes, I would say that certainly programs like CMHC's different financing programs and that sort of thing have been very important.

I'll also say that the Lower Mainland has some of the worst development taxes in Canada, coupled with the GTA, and if we really want to deal with affordability in the Lower Mainland, then we need to do something about development taxes and find other means of funding all the things that development taxes are currently funding. That would go a really long way for ownership, as well as rental.

Wade Chang: Thank you.

Here is my final question for you. Has the federal government support helped improve builders' confidence or long-term planning when it comes to launching new housing projects?

Kevin Lee: I think we're starting to get there. There's still a great deal of uncertainty, as we've been talking about through the course of these discussions, and consumer confidence is waning, but again, things like getting those deals signed with other provinces outside of Ontario to deal with taxes—both the sales taxes and the development taxes—can really help to spur the market.

Certainly, in B.C., which is second only to Ontario in really hurting right now for starts and that, those kinds of moves can make a huge difference to start turning the market and giving some confidence to builders, and nothing helps builders' confidence more than having buyers come to the door, ready to make a purchase.

Wade Chang: Thanks.

The Chair: You have 20 seconds left. Thank you, Mr. Chang.

[Translation]

Ms. Larouche, you have the floor for two and a half minutes.

Andréanne Larouche: Thank you very much, Mr. Chair.

Thank you, witnesses, for being here. My question is for both of you.

What tools would be most effective to encourage the rapid construction of rental housing, without driving speculation, which is a major problem?

[English]

Mike Moffatt: I think the federal government has done a very good job of that with ACLP and MLI Select and some of the other programs, as well as the tax provisions such as accelerated capital cost allowance and taking the HST off purpose-built rentals.

I do think the one missing piece is that the federal government, during the last election, promised to bring back the 1970s-era MURB program, and they have not indicated whether or not the federal government will make good on that promise. I think implementing that, or at least announcing to builders and developers if that's not going to happen, would create a little more certainty in the market and give builders and developers an idea of the policy areas going forward. Then, obviously, there are my points earlier about immigration.

[Translation]

Andréanne Larouche: Okay.

[English]

Kevin Lee: Sorry, did you want me to answer?

[Translation]

Andréanne Larouche: You're welcome.

[English]

Kevin Lee: I would just add that in addition to those things, because there has been quite a bit of additional activity by the federal government to support purpose-built rental, one of the frustrations that our members have really felt is when the rules changed mid-stream.

In some of the programs that CMHC have, as they become over-subscribed, you start to see rule changes that then completely change the designs of buildings or make them non-viable. Really sticking with the game plan and not making so many changes to these financing programs would create that certainty and help more projects move forward.

• (1645)

[Translation]

Andréanne Larouche: What should we do to achieve a little more transparency regarding public assistance?

I invite you to answer quickly in a few seconds.

[English]

Mike Moffatt: I would say that with programs like Build Canada Homes, it would be having those key performance indicators, showing how many homes will get started—under any definition of start—over what time frame, how many will be market rate versus non-market rate and for the non-market rate, what the price points will be.

It's just that level of transparency that it's difficult for us.... As an analyst I don't know what the federal government is proposing to do, so it's hard for me to analyze whether or not that program is good value for money or if the program is even realistic when it's unclear what the goals, targets and indicators are.

[Translation]

The Chair: Thank you, Ms. Larouche.

[English]

Mr. Reynolds is next, for five minutes, please. This will conclude the first hour: Mr. Reynolds and then Madame Desrochers.

Colin Reynolds: Thank you, Mr. Chair. Thanks again, witnesses, for coming today.

Mr. Lee, I wanted to circle back to your discussion on building code. As I mentioned earlier, my background is in construction. I'm a construction electrician. I've been a foreman, a general foreman, on many projects over the last 20 years.

One of the things I've dealt with is the evolution of the Canadian Electrical Code and the building code as well, and one of the things I wanted to ask you is this: I noticed that, at the front of the Canadian Electrical Code book, it shows the list of people who are on the steering committee or the board that influences or adds their input into the Canadian Electrical Code book, and a lot of them are lobbyists or vendors.

I'm wondering if you could comment on that and whether the Canadian building code is structured similarly?

Kevin Lee: Certainly, with the electrical code, you see a lot of manufacturers looking to have their particular type of equipment regulated. I won't go too far down the road of arc fault circuit interrupters, a type of electrical plug that's very expensive. It got put into the electrical code a few years ago. We see a lot of lobbying to put different types of things in the code. That's why we talk about the critical need to look at affordability in the building code. It's not a core objective of the building code, and it really needs to be. Affordability needs to be a core objective of all standards the building code calls up, like the electrical code and others, which don't have a requirement to look at affordability.

Given everything going on with our housing crisis, we need the code, and all the standards it calls up, to be much better in terms of cumulative price impacts when all the charges come together. That's because \$300 here, \$1,000 there and \$3,000 there doesn't sound like a lot—until you add it all up. It becomes \$50,000 to \$100,000 on a new home.

Colin Reynolds: That's especially so when you're adding it to the per-suite cost. I was working on a 500-suite student residence. Each one had its own panel, and we had to add arc faults. Yes, it added tremendously to the overall cost of the project and the per-suite cost.

Speaking of the building code and building in Winnipeg, we had to build things that obviously met the National Building Code. In certain cases, this meant meeting earthquake standards. Now, there are no earthquakes in Winnipeg, or hurricanes, high winds or anything like that. Obviously, we have some jurisdictional issues with cold and such.

A voice: There are floods.

Colin Reynolds: There are floods, yes.

How come the National Building Code doesn't have certain codes for certain jurisdictions? Why is it a blanket code across the country—a “build to this standard” thing, even though it's not really applicable in other areas?

• (1650)

Kevin Lee: It is, actually, very regionally specific. It has different snow loads, wind loads and seismic stuff for earthquakes. That varies across the country, so you get different requirements.

As I was talking about earlier, that wind load on lateral loads is being done in a way that will apply practically everywhere, but we don't have the scientific and experiential evidence that shows that there's actually a problem there. You do get different regional variations, and that is important, obviously. When it's colder, you need more insulation, to put it in simple terms. It's that kind of thing.

However, we have to be smart about what we put in the code and what outcomes we want, so we can take care of affordability at the same time.

Colin Reynolds: I've also seen a significant increase in cost through codes being added in for future EV chargers and things like that. Obviously, the uptake hasn't been that great.

There are certain jurisdictions that are doing better at housing starts in Canada versus others.

Can you comment on the best jurisdictions in Canada and what they might be doing differently that we could adopt in some of the worst—or at least underperforming—jurisdictions?

Kevin Lee: Atlantic Canada has been doing well. The Prairies have been doing pretty well. Let's talk about Alberta. That's probably been doing the best over the past couple of years.

First of all, there's no provincial sales tax on housing. That's a good start. Their development taxes have been lower, although they're growing faster than we like to see. That's a bad example. I think they're learning bad lessons from Ontario and B.C. We would like to see that slow down, in some cases. They have a much more elastic.... I'm sorry. I won't use an economic term. They are able to respond to demand a lot faster because they can get shovels in the ground faster...because they can get permits out faster. There's less regulation. The approval system is a lot faster. When the market turns, they're able to respond much more quickly. They also do a pretty good job with building codes and with being consistent across the province.

They have a lot of things going right in a lot of ways that other parts of the country could learn from.

Colin Reynolds: Thank you very much.

The Chair: Thank you, Mr. Reynolds.

[*Translation*]

Ms. Desrochers, you have the floor for five minutes.

Caroline Desrochers: Thank you very much, Mr. Chair.

Witnesses, I truly thank you for the wonderful discussion we're having today. Hearing your perspectives has been very enlightening for the committee.

[*English*]

A few weeks ago I met with the Mechanical Contractors Association of Canada. I'm pretty sure you're familiar with them. We had a long discussion about the shortage of skilled labourers and the forecast for the future, which is not looking very good. I know it's uneven, like everything. It's uneven across the country and in different markets.

I'm wondering whether you had the chance to look at what we unveiled last week in the spring economic update, particularly around training 100,000 skilled workers, bringing young people into the trades and, really, having a single-window approach. If you've had a chance to look at that, I'd love to hear your first take on those programs that we are going to be launching and whether you think they're going to help bridge that gap.

Kevin Lee: I'm definitely taking a good look at that, because you're absolutely right that labour shortages are.... Hopefully, this market turns around. We're going to see labour shortages everywhere, because, prior to COVID, and even at any time that the market is normal, we have dramatic labour shortages in residential construction. It's going to get worse. That's why more productivity through factory builds is good, but we're also going to need lots more workers.

In terms of the announcement last week, it's a step. I will say this, though: When it comes to residential construction, it's often misunderstood that only about 10% of the workers in our industry, outside of Quebec, are getting unionized, so it's really important that we're not just looking to unions to do training.

Also, when it comes to residential construction, a lot of the occupations aren't well classified within the system. A lot of them are not Red Seal trades. We use Red Seal trades, for sure, in residential construction, but, again, a majority of our skilled workers are not Red Seal trades.

We're really looking to work with the government on how we address the rest of the market as well. It's not to say that the support for Red Seal trades and going through unions isn't important. We need that, but we also need to do a lot of work to support the rest of the sector and the skilled workers who are doing that kind of work that won't be supported. It's systemic right now, and it even affects immigration. We have to get it done properly.

• (1655)

Caroline Desrochers: Thank you.

Mr. Moffatt, go ahead.

Mike Moffatt: Yes, I would agree with all of that.

I would also suggest that governments, both provincial and the federal government, need a strategy to retain existing skilled workers. We are seeing, in the GTA, that many of them leave the industry because the work is simply not available. Again, all of my earlier remarks around creating certainty and a helpful investment climate are incredibly important.

My father left the homebuilding industry, during a deep recession, because there was no work. While it is important to train the next generation, I think it's as important or more important to make sure that we're able to retain the trades workers we already have.

Caroline Desrochers: This is for either of you: Are your organizations engaged with technical schools or guidance counsellors? How do we get young people to want to go into these jobs? That's basically my question. Are your industries involved in that?

Kevin Lee: Yes, certainly with the Canadian Home Builders' Association and, really, all of our local and provincial associations, there's a lot of engagement with both the institutes and colleges.

There's more outreach to high schools as well. Frankly, we did quite a disservice in this country, 20 years ago, by starting to dismantle all of the woodworking shops and everything like that in high school, as we prepared for the knowledge economy and all of that. I mean, we still need the people who build houses and do a lot of important skilled work across the country.

Without saying that we need to increase immigration, I think we need to make sure we get immigration right too, so that the people we are bringing in are those types of workers. There's a lot of emphasis on bringing in high-skilled...the brightest talent from around the world. That's great to add to the economy. However, frankly, we're a really well-educated society. Sometimes it's hard to get Canadians to do the jobs of building Canada that a lot of the immigrant population has done, historically. Immigration has really built Canada, quite literally as well as figuratively. We would do ourselves a favour if we got better at that again too.

Caroline Desrochers: Thank you.

Mike Moffatt: I'll just add that my father was one of these people. After he left the homebuilding industry, he became a high school shop teacher and was in the shops that are being downsized. I think all of that's important.

Oftentimes, people who are considering going into the trades might have an older sibling or someone who went through an apprenticeship program and wasn't able to complete it. That can be a turnoff as well. It's incredibly important to make sure that the people who go into the trades are actually able to complete their apprenticeships, get jobs and start good careers. The stories of folks who weren't able to find apprenticeships really harm that pipeline.

[Translation]

The Chair: Thank you, Ms. Desrochers.

[English]

That concludes this first hour.

I want to thank the witnesses for appearing.

Before we suspend to move into committee business, a budget is required to do this study. I need approval from the committee to adopt the budget of \$18,750 to do this study.

An hon. member: Is it balanced?

The Chair: Well, it is at the moment. We'll know as we get to the end. It's a projection.

Do we have approval of the budget to conduct the study that you approved to undertake?

Some hon. members: Agreed.

The Chair: Thank you.

We have adopted the budget.

I will suspend for a moment while we transition to the business portion.

Thank you, witnesses.

The meeting is suspended.

[Proceedings continue in camera]

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