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Chair

The Honourable Wayne Easter

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● (1100)

[*English*]

The Chair (Hon. Wayne Easter (Malpeque, Lib.)): We will call the meeting to order.

For the record, pursuant to the order of reference of Tuesday, April 30, 2019, we're looking at Bill C-97, An Act to implement certain provisions of the budget tabled in Parliament on March 19, 2019 and other measures.

We have quite a number of witnesses here this morning. If witnesses could keep their remarks to around five minutes, that would give us more time for questions.

We'll start with the Business Council of Canada, Mr. Kingston, vice-president of policy, international and fiscal.

Welcome back, Brian.

Mr. Brian Kingston (Vice-President, Policy, International and Fiscal, Business Council of Canada): Thanks for having me, Mr. Chair.

Committee members, thanks for the invitation to take part in your consultations on Bill C-97.

As you know, the Business Council of Canada represents the chief executives and entrepreneurs of 150 leading Canadian companies in all sectors and regions of the country. Our member companies employ 1.7 million Canadians and are responsible for most of Canada's exports, corporate philanthropy and private sector investment in R and D.

In the council's pre-budget submission, we asked the government to introduce a comprehensive strategy to improve competitiveness, diversify trade and attract private sector investment. Among other recommendations, we called on the government to undertake a comprehensive review of the tax system with the goal of strengthening the incentives for both investment and growth.

We therefore welcome the decision by the Government of Canada to allow temporary full expensing for investments in machinery and equipment as well as accelerated expensing for all other types of capital investment. We believe that this new measure will partially offset the negative impact on Canada's economy of recent U.S. tax changes while creating incentives for Canadian companies to make new job-creating investments. According to a recent survey of our members, 25% of respondents believe that the accelerated investment incentive will lead to an increase in capital spending at their companies.

We also welcome the introduction of the Canada training credit in budget 2019. It's no secret that competitive international pressures in new technologies are requiring workers to become more skilled more quickly. Recognizing these challenges, the Business Council of Canada has launched the business higher education round table, also known as BHER. We launched this in 2015 to connect businesses and post-secondary leaders and to help Canadians make the transition between school and work.

One key initiative under BHER is to help 100% of Canadian post-secondary education students get a work-integrated learning experience, and that's a co-op internship or applied research project. We believe the commitments that are made in budget 2019, including support for work-integrated learning and BHER specifically, are big steps in making Canada one of the most skilled countries in the world.

We also look forward to working with the government and consulting with our members regarding the design of the newly introduced Canada training benefit so it can achieve its goal of helping Canadians upgrade skills and remain active parts of the growing and changing economy.

Despite these positive announcements, we do believe that Canada still has competitiveness challenges that go much deeper than any single measure. We'll continue to urge the government to adopt a comprehensive strategy to foster business confidence, attract investment and enable the creation of new high-value jobs. This includes undertaking a comprehensive review of the tax system to both reform and simplify it and to restore our long-held tax advantage over the U.S.

In a recent survey of our CEOs, less than 10% of them expressed confidence in Canada's competitiveness. According to the survey, the tax and regulatory burdens, combined with concerns about talent, are the most important factors affecting company investment decisions and plans in Canada.

The federal budget confirmed that Canada's economy has slipped into low gear, underscoring the need for action to boost private sector confidence and ensure a future of good jobs and a high quality of life. With growth of only 1.2% forecast this year, we believe it's more important than ever for government to adopt a laser-like focus on economic growth and competitiveness.

Thank you very much for the opportunity to be here. I look forward to your questions.

● (1105)

The Chair: Thank you very much, Brian.

We will turn to the Citizens for Public Justice with Darlene O'Leary, analyst, socio-economic policy.

Welcome, Darlene.

Ms. Darlene O'Leary (Analyst, Socio-Economic Policy, Citizens for Public Justice): Thank you, Mr. Chair. Thank you, all, for the opportunity to be here with you today.

My name is Darlene O'Leary. I'm the socio-economic policy analyst with Citizens for Public Justice. Citizens for Public Justice, or CPJ, is a national, faith-based charitable organization that works on Canadian public policy, primarily in the areas of poverty eradication in Canada, ecological justice and refugee rights.

CPJ engages in networks of organizations working on public policy, both secular and faith-based. With our partners, Canada without Poverty, we co-lead Dignity for All, a national campaign for a poverty-free Canada. For the past decade, CPJ and the Dignity for All campaign have called for the creation of a comprehensive and legislated national anti-poverty plan for Canada. Our campaign has been endorsed by close to 800 organizations and over 12,000 individuals across the country. Today I'll speak specifically about the part of Bill C-97 that includes division 20, the poverty reduction act.

In an open letter sent to the honourable Minister Jean-Yves Duclos in February, sponsored by CPJ, Canada without Poverty and Campaign 2000 and signed by over 500 organizations and individuals, we outlined our position on the poverty reduction act and made specific recommendations to strengthen the legislation. As you know, this act, previously Bill C-87, was tabled in Parliament and went to second reading before being added without amendments to the budget implementation act.

We recommend that the poverty reduction act reflect Canada's international human rights commitments, including the commitment that Canada has made in adopting the United Nations sustainable development goals. The targets and timelines identified currently in the legislation reflect the minimum goals set out by the SDGs to reduce poverty rates by 20% by 2020 and by 50% by 2030.

ESDC is using the 2015 market basket measure rates as a starting point for these targets. However, the first SDG goal to which Canada has committed is no poverty. We recommend that the legislation be amended to reflect this as the ultimate goal with a much more ambitious timeline. Otherwise, we are failing to honour our international commitments and are implicitly claiming that it is acceptable to leave behind those remaining in poverty once the minimum goals are achieved.

We also recommend that the legislation be amended to affirm economic and social rights as ratified by Canada in international human rights law.

In addition, the legislation recognizes the new official poverty line as a market basket measure, or MBM. While the legislation indicates that the MBM be subject to regular review, it should ensure that review takes place no longer than every three years. It should also include public input to ensure that the costing of items identified as part of the basket of necessities reflects the actual costs experienced by low-income households and that the basket include an adequate and appropriate range of costs.

The current MBM base has not been updated since 2011, with a slight adjustment in 2012, though it is currently under review. That means the costs being calculated now, for example, the cost of shelter, are vastly underestimated for some communities. Given that the MBM could now be used to establish eligibility and access to needed programs and benefits for low-income people, regular and public reviews are essential.

The legislation should also recognize that no one measure of low income or costs captures the full reality of poverty. A range of publicly available data sets should be included in assessing progress in achieving targets.

Further, the new national advisory council on poverty is being established to advise and report to the minister and engage with the public in reviewing the progress of the federal poverty reduction strategy. For this council to be effective, it must be independent, adequately resourced and given authority to make recommendations and require remedial action for compliance with economic and social rights. There must be a transparent process for appointment of council members, including establishing criteria for qualifications, such as expertise focused on poverty eradication, people with lived experience of poverty and regional representation.

We recommend that proposed section 11 of the poverty reduction act, which authorizes the dissolution of the council once poverty has been reduced by 50% of 2015 levels, be removed or amended to ensure an ongoing mandate for the council to oversee a goal of sustained poverty eradication.

In addition to this legislation, we hope to see the federal government work in partnership with indigenous governments to co-develop initiatives to ensure accountability in the implementation of remedies for distinctive barriers faced by first nations, Métis and Inuit people living in poverty.

● (1110)

Further elaboration of our recommendations is available in the open letter and in the brief we submitted to the committee to contribute to this study.

Thank you very much for your attention.

The Chair: Thank you, Darlene.

Next is General Contractors Alliance of Canada, with Mr. Ainley, chair, and Mr. Côté, vice-chair. Welcome to you both.

Go ahead.

Mr. Matt Ainley (Chair, General Contractors Alliance of Canada): Thank you very much for having us at the committee meeting today.

We are the General Contractors Alliance of Canada. We are a national organization made up of over 450 general contractors across Canada. We build over 85% of the institutional, commercial and light industrial construction completed in our country on an annualized basis. Member companies range in size from small regional contractors to the 10 largest contractors in Canada.

The GCAC is a strong supporter of prompt payment in Canada and has developed extensive expertise on this subject through its involvement in the provincial prompt payment movement. Through provincial general contractor associations and local chapters, the GCAC and its member companies have been working with provincial governments in Ontario, Quebec and Saskatchewan to draft prompt payment legislation that achieves the objectives of both the government and industry.

The prompt payment portion of Bill C-97 is a welcome piece of legislation for the GCAC and our industry. We thank the government for working with us on this legislation, as it will make the Canadian construction industry more competitive and efficient.

Our comments today are practically based and are focused on making the bill workable, and this is an important point, so that the objectives of the bill are actually delivered as intended. We have developed a short list of recommendations.

First, proposed section 9, on submission of a proper invoice, should have a clause that would give Her Majesty and the contractor the ability, if all parties agreed, to negotiate, revise and resubmit the proper invoice within the 21-day review period while maintaining the original proper invoice submission date.

Negotiating and revising a monthly invoice is a normal industry practice, and maintaining this practice would significantly reduce adjudications. The provinces of Ontario, Quebec and Saskatchewan have adopted this practice. Consistency across the country is an objective of the industry.

The second point is on proposed section 16, regarding adjudication. A significant part of this function would be left to the regulations and is in the body of the act. The act should include two specific points in proposed section 16.

First is the definition of what can be adjudicated, including non-payment of a proper invoice and the cost of services or materials provided under a contract, including change orders, whether approved or not, and proposed change orders. Over 50% of construction non-payment issues are a result of a failure to pay change orders promptly. Ontario, Quebec and Saskatchewan have recognized this issue with their definition included in their acts. It also keeps the definition consistent from one jurisdiction to another.

Second is the ability of a contractor to consolidate the same or related adjudications in one adjudication, to be heard by one adjudicator at the same time. It's a key point. This would prevent the same adjudicated issue from being heard by two different adjudicators who might not render the same decision, thereby putting one party in an unfair financial position.

Our third point is that as Bill C-97 is currently drafted, there is no provision to deal with the specific needs of public-private partnership projects, or P3s, as they are called. The federal government has an active P3 building program. It will face issues with the lending market that currently funds P3 projects in our country. The Construction Act in Ontario has developed specific clauses with lenders and P3 companies that have properly dealt with the needs of lenders on P3 projects. The GCAC strongly encourages the government to include these in Bill C-97.

Proposed subsection 9(4), on submission of a proper invoice, refers to “verification of the construction work”. This would create confusion, as it is unclear what is meant by “verification”, as such a term is not a customary construction term. Additionally, there is no reference to a proper invoice. The GCAC proposes revising this drafting to say “certification of the proper invoice”, which includes a reference to the proper invoice and includes the term “certification”, as it is a customary construction term that is understood by our industry.

Bruce Reynolds and Sharon Vogel put together a consultation report for PSPC. It was a very good report. It went around the world and established best practices and what worked and what didn't work. It was very thorough. It outlines a number of recommendations for justice, PSPC and the government. The points we've made in our report to you are included in that report. There are many others, but these are the key ones.

● (1115)

The report gets to the heart of prompt payment and puts together a methodology that is really key to the success of this piece of legislation actually working in the field. That's the key part that we're trying to distinguish for you today. These changes are small, but they'll have a big impact on the day-to-day operation of the act, how the act is going to execute itself. It's not a contract; it's for when problems hit contracts. Having these pieces in place will allow those problems to resolve very quickly.

We're big supporters of the legislation. We thank the government for including it.

We look forward to questions. Thanks for hearing us.

The Chair: Thank you, Matt.

We'll turn to the Green Budget Coalition, with Mr. Van Iterson, manager, and Ms. Gue, co-chair.

The floor is yours.

Mr. Andrew Van Iterson (Manager, Green Budget Coalition): Mr. Chairman and honourable committee members, thank you for inviting the Green Budget Coalition to speak to you today about Bill C-97.

Lisa Gue, aside from being the co-chair of the Green Budget Coalition, is the senior researcher and analyst, science and policy, for the David Suzuki Foundation.

The Green Budget Coalition, active since 1999, brings together the expertise of 22 of Canada's leading environmental organizations, collectively representing over one million Canadians, to identify budgetary opportunities to advance environmental sustainability in Canada.

Today I will provide brief feedback on the 2019 budget, and then focus on the investment in zero-emission vehicles, as well as proposed changes to the Pest Control Products Act in Bill C-97.

The Green Budget Coalition was particularly pleased that budget 2019 increased funding to address climate change by including $1 billion in support of building energy efficiency and four measures to support zero-emission vehicles. The budget also provided some details on the peer review process with Argentina of federal fossil fuel subsidies, and we are hopeful that this peer review process will assist the government in finally eliminating subsidies and non-tax support to fossil fuels.

In addition, we were pleased to see renewed funding for contaminated sites cleanup, and new funding for food policy, energy data and first nations water and waste-water infrastructure.

Turning to zero-emission vehicles, or ZEVs, approximately one-quarter of Canada's greenhouse gas emissions originate in the transportation sector. The Green Budget Coalition recommended investments to accelerate the transition to ZEVs. We need a smart strategy that helps more people buy clean cars, not only to reduce harmful emissions but also to strategically position the entire auto manufacturing industry to grow with the global transition to electric vehicles.

We were pleased to see the commitment to national targets for zero-emission vehicle sales ramping up to 100% by 2040, backed by a $300-million investment for a three-year purchase incentive program. We expect this to immediately make purchasing electric vehicles more affordable and appealing across Canada. However, it is not clear that $300 million will be sufficient over a three-year period; additional funding might be needed in budget 2020 or 2021.

We also appreciated the $130-million investment in charging stations and the proposal for businesses to be able to write off 100% of the ZEV purchase price in one year, a strong incentive for high-distance businesses such as delivery and taxi companies and school bus companies to buy more zero-emission vehicles.

However, I would highlight that the Green Budget Coalition recommended a two-pronged approach, combining purchase incentives with mandatory sales targets for zero-emission vehicles. The budget announced that Transport Canada will work with automakers to secure voluntary sales targets. We believe regulated sales targets will be necessary to complement budget 2019's funding measures to ensure a sufficient supply of ZEVs for Canadians.

Finally, I would draw your attention to proposed amendments to the Pest Control Products Act in part 4 of Bill C-97. The Green Budget Coalition has highlighted the need for increased investment to enable Health Canada's Pest Management Regulatory Agency, the PMRA, to deliver on its legislative obligations for post-market review of pesticides in Canada, to ensure risks to health and the environment are not unacceptable. Unfortunately, budget 2019 does not adequately address the budget crunch at PMRA. While we understand these proposed legislative changes to the Pest Control Products Act are intended to improve efficiencies, it is important that this effort not undercut the environmental and public health purposes of the act or interfere with sound decision-making.

GBC member organizations are concerned that the proposed provisions as drafted could limit public participation and reduce transparency, potentially leading to unacceptable health or environmental risks. To address this, these Green Budget Coalition members have proposed discrete amendments to maintain existing legislative guarantees of consultation and accountability and prevent further erosion of public confidence in federal pesticide regulation.

To conclude, thank you again for inviting the Green Budget Coalition to appear today. We look forward to your questions.

● (1120)

The Chair: Thank you very much, Andrew.

From Mortgage Professionals Canada, we have Mr. Taylor, president and CEO, and Mr. Wolfe, chair of the board of directors.

Welcome to you both.

Mr. Paul Taylor (President and Chief Executive Officer, Mortgage Professionals Canada): Thank you.

[*Translation*]

Mr. Chair, committee members, good morning.

Mortgage Professionals Canada has more than 11,500 members across Canada, and I want to thank you on their behalf for giving us an opportunity to comment on Bill C-97 and the 2019 federal budget.

[*English*]

My name is Paul Taylor. I'm the president and CEO. With me today is Michael Wolfe, regional vice-president of residential credit for western Canada at Equitable Bank. He is also currently serving as the chair of the board of directors for Mortgage Professionals Canada.

As many on this committee know, since last year we've been asking for a number of changes to the mortgage macroprudential rules, but primarily for a reduction in the mortgage stress tests, a reintroduction of the mortgage insurance-eligible 30-year amortization for first-time buyers, a stress test exemption for borrowers who have paid as agreed to their first term and who wish to renew with a different lender, and an increase in the RRSP withdrawal limit on the first-time homebuyers plan, which was actually addressed in the budget.

These requests were made in the interest of supporting access to home ownership for younger, aspiring middle-class Canadians, whose long-term economic well-being has been disproportionately disadvantaged by the current regulatory requirements.

[*Translation*]

The federal budget contains measures that address our concerns, and our comments today will focus primarily on that subject.

[*English*]

First, we thank the government for implementing an increase in the homebuyers' RRSP withdrawal limit from $25,000 to $35,000. This increase is appropriate. The previous limit has been in place since the 1990s. Perhaps of even greater societal value, beginning next year the program will expand to include those who have experienced the breakdown of a marriage or a common-law relationship. We're very encouraged by this and believe it will assist people in those circumstances to find footing in a new home much more quickly. It's a good change.

The newly announced and highlighted first-time homebuyer incentive program we feel will likely not provide the support to the marketplace that is needed. Briefly, the new program aims to share equity in a home for qualifying purchasers. CMHC will own either 5% of the home if it's existing residential stock, or 10% if it's newly constructed, through a shared equity mortgage.

Because CMHC owns 5% or 10% of the home, the purchasers' monthly living expenses will be reduced because the traditional insured mortgage they take will be smaller, reduced proportionately by the size of CMHC's ownership. The difficulty we see with the program is that it doesn't assist anyone to qualify to purchase a home who wouldn't already have otherwise qualified.

Further, those who do qualify need to be comfortable with the government sharing ownership of their home. The prospective purchasers must also understand that the government will share in the appreciation or depreciation of the home at the time they come to sell it. Given that the purchasers won't require the program to qualify to purchase a home anyway, frankly, we see quite limited take-up from those who would be able to take advantage.

Additionally, the program restricts qualification to purchasers whose households earn less than $120,000 annually and limits the collective mortgage sizes to four times the actual household income. All things being equal in today's market, a family with reasonable credit would generally qualify for a traditional insured mortgage of around 4.7 or 4.8 times their household income. The new program actually further reduces the potential eligible homes, especially for those at the bottom end of the income bracket.

● (1125)

Mr. Michael Wolfe (Chair, Board of Directors, Mortgage Professionals Canada): Thanks, Paul.

In our view, the new program is an academic approach to solving a problem that, based on precedence, is expected to have limited uptake. For comparison purposes, the concept behind the federal program will be familiar to B.C. legislators. The B.C. homeowner mortgage and equity partnership program ended March 31, 2018, just 15 months after it was introduced, due to its low participation rate. As the B.C. government stated when ending the scheme, "When the program was first introduced, it was anticipated it would provide 42,000 loans over a three-year [time horizon], however, as of January 31, 2018, there were fewer than 3,000 loans approved."

A similar fate may be the future for the first-time homebuyers incentive program. While the federal program is not quite the same structure, some could argue that the B.C. program was more appealing to would-be home purchasers, providing interest-free mortgages with no required payments for the first five years. Loans of up to 5% for homes purchased under $750,000 were permitted, a considerably higher value than the maximum purchase price possible through the first-time homebuyers incentive program. In discussions with our lender and insurer members, an additional consideration identified is the very considerable IT infrastructure spending required to enable the program. Across the mortgage lending industry, the combined total expense will be significant. The required timeline to implement operational and technical changes is also creating concern in our community. We suspect that upon reflection, the required industry investment will prove excessive with the limited take-up received.

To our knowledge, the program was conceived and announced without significant industry consultation. As such, we have no understanding of the assumptions made to support the claim that the program will encourage 40,000 new first-time homebuyers to enter the market every year. This estimate seems unrealistic, given the limited take-up of past programs. We acknowledge that a number of details are still to come. For these reasons, we continue to recommend the reintroduction of a 30-year amortized insured mortgage for first-time homebuyers as a more practical, accessible and assistive measure. We are pleased that the leader of the NDP has publicly supported this suggestion.

We were disappointed not to see in the budget any amendments to the stress tests, given the continued reductions in real estate transactions across Canada, the significant price erosions now taking place in many regions and the highlighting of issues by members of this committee and senior officials of all political stripes who anticipated some adjustment to B-20. Critics have said that our recommended amendments will add fuel to house price inflation in hot markets. In our view, we're simply asking for a reduction in the suppression of activity we are witnessing with the stress test at its current benchmark or 2% level. We feel that a 75-point basis test would bring greater equilibrium to market activity, improving activity without adding excessive demand back into the market.

Last, regarding stress tests, I'll offer a word on our recommendation to permit borrowers who wish to move their mortgage at renewal to be exempted from the stress test. This is a supportive measure to ensure that Canadians who have a proven history of paying as agreed are able to access competitive interest rates and product offerings and not be restricted solely to their incumbent lender's renewal offer. Maintaining this provision is anti-competitive and anti-consumer.

Thank you for your time this morning and for providing us with the opportunity to share our thoughts and perspectives. We're happy to take any questions you may have.

The Chair: Thank you, Paul and Michael.

Next is the Smart Prosperity Institute. Mr. Elgie is the executive chair.

Go ahead.

Professor Stewart Elgie (Executive Chair, Smart Prosperity Institute): I have a few slides that I will pass around in case anyone wants to see them. There are some pretty slides. I apologize; they're only in English.

[*Translation*]

I'm going to speak in English today.

[*English*]

I am a professor of law and economics at the University of Ottawa and also a member of the federal government's economic strategy table for the resource sectors.

Today I am here as the chair of Smart Prosperity Institute, wearing two hats. It is Canada's largest environment economy research network, doing world-class research on clean innovation, resource efficiency and ways to drive both environmental performance and boost competitiveness at the same time. I am also the co-chair of a leaders initiative that has 28 CEOs from all sectors across the economy, including oil, mining and banking, who have put out a vision to make Canada a world leader in clean growth and innovation and a road map to get there.

The premise of my remarks today is that clean growth and innovation is a vital economic opportunity for Canada, but don't take my word for it. Radical environmentalists such as the Mackenzie Institute, the OECD, the World Economic Forum and the Business Council of Canada have put out reports in the last few years saying that. Countries that are leaders in energy efficiency, low-carbon production and innovation will be the most competitive in the decades ahead. It's a $35-trillion global economic opportunity across all sectors of the economy that we can't afford to miss.

That was also a finding of Canada's economic strategy table. It found that clean growth is a major opportunity for all parts of the economy because markets and investors are demanding it and it's where profits will lie. This was not just for clean tech, which we hear a lot about. There is indeed a fast-growing market which will be $2.5 trillion soon, and Canada is well positioned for it if we can overcome barriers. Also for the resource sectors, Canada's core economic strength, clean growth is a $3.6-trillion opportunity for them.

Turning to the budget, how can it advance clean growth and capture these opportunities? I have three points.

The first is transportation. It accounts for 24% of our greenhouse gas emissions and is also a big part of our economy. The budget invests in electric vehicle adoption through a $5,000 consumer incentive, a 100% tax writeoff for businesses, and the building of charging stations. One should always question whether a subsidy is a smart economic investment. In this case I think there is a good argument that it is. The government has historically provided incentives to support promising new technologies as their cost curves come down. We did this with the oil sands, and investing in the vehicles of the future seems like an equally good investment.

I have included a couple of charts to show that experience in three different provinces shows that incentives are effective. In Ontario, B. C. and Quebec they have more than doubled demand for electric vehicles.

I have two cautions. One is, don't overspend. You can provide too much of an incentive and you get diminishing marginal returns. I think $5,000, which is lower than the one we've seen in Quebec and Ontario, is right, given that the technology costs are coming down and getting closer to cost-competitiveness. Update it to make sure that as battery costs come down, your incentive is appropriate.

My second point is reforming how we regulate to drive competitiveness and innovation. This was the number one recommendation of the Barton growth council and the economic strategy table.

Canada ranks middle of the pack for developed countries in both the efficiency of our regulations and our environmental performance. That's not good. This is the low-hanging fruit for driving clean growth and competitiveness, the economic strategy tables found. The fall economic statement and the budget announce some of the recommendations: the external advisory committee and a centre for regulatory innovation. Those are good, but it falls short of what the Barton committee and the economic strategy tables recommended.

They recommended that we need an independent council with its own expert capacity to drive Canada toward world-class regulation for competitiveness and innovation. I would encourage you to go further and create that kind of independent capacity, which is different from simply putting more capacity in government. We need both. Reforming regulations is vital, but it's hard.

Tax incentives for clean growth were also a key recommendation of the economic strategy table both to keep pace with the U.S. cuts and also to spur investment in clean technology, at two stages: early-stage growing firms and also with adoption of technology by mature, large firms.

The fall economic statement had 100% accelerated capital cost allowance for clean technologies, which builds on the carbon tax by adding a tax cut for the same firms that are investing in low-carbon technologies. That's good. It doubles the effect and helps competitiveness. The problem is it's limited to just 19 specific clean technologies. It misses most of Canada's clean technology firms.

● (1130)

What you should do is expand it to cover all low-carbon technologies. Firms like Nova Scotia's CarbonCure, which is reinjecting carbon back into cement, for example, isn't captured by these 19 specific technologies, so expand it to cover all low-carbon technologies and, indeed, all clean technologies. If you want our resource sectors to be leaders in water efficiency and air pollution reduction, let's roll the incentive out to all those things, as the U.K. and the Netherlands have done.

I would add that the part of the budget bill about fossil fuel subsidy reform, which is a G7 commitment and is good, needs to be careful to distinguish those incentives for the oil and gas industry that support cleaner production. We don't want to be phasing those out. You actually want incentives to support cleaner production. They tend to all get rolled together when people put these lists out. Don't eliminate incentives for the oil industry to support clean production.

Last, the one big gap in terms of tax credits is that the economic strategy tables also recommended an investor tax credit to support early stage clean-tech innovative firms. This is what's known as the valley of death in terms of technology investment start-up. New Brunswick, B.C. and Alberta all have 30% investor tax credits for small growing firms and they work really well. We recommended the same federally. It hasn't made it into the budget yet.

The other advantage is that we've put $2 billion to support public investment through BDC, EDC and SDTC in these firms. This will pull in the private capital to leverage those public dollars, which is the end game you want. I would recommend that as a priority for budget 2020.

Clean growth is an opportunity we can't afford to miss. The government has a key role to play, as we've done in other areas like free trade and deficit reduction.

Thank you for the efforts you're making, and keep going.

● (1135)

The Chair: Thank you, Stewart.

We will now hear from Surety Association of Canada. We have Mr. Ness, president, and Mr. Cadieux, manager, business development.

Welcome. The floor is yours.

Mr. Steven Ness (President, Surety Association of Canada): Thank you, Mr. Chair and honourable members of the committee.

Our comments today are in relation to division 26, part 4, which deals with prompt payment in the construction industry.

I'm Steve Ness. The Surety Association represents the firms that guarantee the performance and payment obligations of project contractors. We protect taxpayers, as well as subcontractors and suppliers, from losses that arise from contractor failure. As the people who are called in to clean up the mess when a contractor becomes insolvent, we are strong and vocal supporters of any measure that brings about prompt payment in the construction industry, and we applaud the government for this initiative.

Our friends at GCAC mentioned the report by Reynolds and Vogel. It's 53 recommendations formed the basis of this legislation. It's a very good report, but there was one key area that was not addressed in that report: the impact of project contractor insolvency on the payments of subcontractors and suppliers down the chain. The reason it wasn't addressed is that the authors just didn't have the time to explore it thoroughly. One of the recommendations in that report was that further consultations be undertaken to find a way to address that risk. Of course, with the upcoming election, time was tight for the government as well, and there simply wasn't enough of it to undertake those consultations.

This measure, as it stands, includes nothing, no provisions, to address that risk of insolvency and to address how to complete the project and pay the bills. We're here today to propose a solution. The authors of the report, by the way, did recognize the importance of addressing the insolvency risk. I'll quote directly from that report. If a project contractor “becomes insolvent, there is significant risk that those further down the construction pyramid...will not be paid.”

For our part, we submit to this committee today that there can be no prompt payment without first ensuring certainty of payment, and that the insolvency of a project contractor is the most serious impediment to that payment certainty. In other words, if there ain't no money to pay ya, it doesn't matter how prompt the payment requirements are.

In our written brief, which I think all of you have, we talk about the role of surety bonds in addressing that insolvency risk. We set out the reasons why the bonds are the best and really, we would argue, the only remedy that effectively addresses that risk. By the way, I should point out here that with all this talk about insolvency, it's real. It's not hypothetical. It's not remote. In 2018, our industry paid out more than half a billion dollars in losses arising from construction insolvencies, and that included the largest single contractor loss in our industry's history.

In Ontario, which is the only province to date that has enacted similar legislation, they recognize this, and the Ontario measure includes mandatory performance and payment bonds on all public work.

What we're recommending today is that the legislation be tweaked to add a one sentence placeholder to proposed section 23 that would enable the Governor-in-Council to prescribe regulations that address that risk of insolvency through performance and payment bonds. We're not proposing a hard amendment to the legislation to make surety bonds mandatory, as they did in Ontario. We are only proposing that the government be provided with the flexibility to address that real risk at a later date within the framework of the act. It will also provide the time for that additional consultation and consideration. Again, this would be in keeping with the recommendation of the Reynolds report.

Why is it important? Well, this will allow the government to finish the job and allow subcontractors and suppliers to enjoy both the certainty as well as the promptness of payment. Looking down the road, should the government choose to bring in regulations around that, it will also mean that there will be consistency with other measures, notably Ontario's which does include that right now, and consistency across the country, we believe, is important. It will also, in addition to protecting the subcontractors and suppliers, protect the taxpayers. It will see that the projects are completed without any additional cost to government.

● (1140)

It is consistent with existing federal policy. For PSPC, Defence Construction Canada and all the big users of construction services, most of the work that they contract right now is already done under bonds as best practice and recognized as best practice.

Finally, it's in keeping with the stated purpose of the act as set out in part 4.

With that, I'll wrap it up, Mr. Chair.

Thank you to the members of the committee, and I welcome any questions you may have.

The Chair: Thank you very much for all those presentations.

I think we have the time to go to six-minute rounds in our first set. As you can see, there are about five different topics here, so it's all across the map.

Mr. Sorbara, you're up.

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

Welcome, everyone, and thank you all for your presentations. Excuse me if I don't get to all of you this morning.

I want to start off with the Surety Association of Canada. Thank you for your presentation today and for bringing this up.

In Ontario currently, there is an entity in the construction industry, AGC, that is insolvent. Can you describe the importance of having the certainty of payment for the subs in that situation and provide light to the members here on why it's so important to have this sentence inserted into the BIA?

Mr. Steven Ness: Thank you, Mr. Sorbara.

Yes, Mr. Sorbara is referring to a Toronto-based contractor. In the Toronto area alone, they had 12 major contracts on the go. They've gone into insolvency. Our member surety has moved in. As of the end of 2018, they had paid out, just to trades and suppliers, about a quarter of a billion dollars. Those are small businesses, small trade contractors, electrical and mechanical, that otherwise would have been left high and dry. Many of them would likely have gone out of business without that.

The feedback we've received is that the payment has been prompt, and the jobs are now on the way to being completed or moving toward completion. Without that, again, a great deal of economic upheaval would have been brought down on the local community. As I said in my remarks, that risk is real. It happens every day, and we're the guys who see the results when we have to move in and clean up after these messes occur.

Mr. Francesco Sorbara: With that, are the projects being completed and generally on time?

Mr. Steven Ness: Yes, that's right. There's always going to be some delay when a contractor fails. You can't magically bring them back online the next day, but our members moved in, got new contractors and got things back. Some of them are going to be completed within their existing schedules, which is pretty good going.

The Chair: I'll just interrupt for a second. I won't take the time from you, Francesco.

If somebody else wants to come in on any of these points, just raise your hand, and we'll let you in, whether you're in agreement or opposition. That goes with the exception of these guys in the—

Voices: Oh, oh!

The Chair: Mr. Sorbara.

Mr. Francesco Sorbara: No, no, I'm going to stop there, I think.

The work that Reynolds and Vogel have completed for the Province of Ontario is a standard we should all strive to achieve. We know that a majority of the general contract work that is undertaken in Canada, done and completed with all the RFPs, is done through the provinces. The federal government is a small sliver, but our standard is obviously going to be one that provinces that have not adopted prompt payment are going to look to.

I think this material you have provided is enlightening to ensure certainty of payment in the case of insolvency. We're living through a real-life situation, a real-life example now in the province of Ontario where we'll probably hit half a billion dollars this year, if we have not already.

● (1145)

Mr. Steven Ness: We have already.

Mr. Francesco Sorbara: We have already.

I do want to move on, Chair, to Brian.

Brian, welcome back to the committee. As you know, in our pre-budget report, we submitted recommendation 18. The committee submitted that an expert panel should undertake a comprehensive review of the Canadian tax system, a made-in-Canada approach to address competitiveness, drive innovation and reduce the administrative compliance burden for all users of the tax system. It is something our committee is beholden to.

Our government, in budget 2016, undertook a tax expenditure review. Some $4 billion of what I would call tax expenditures that weren't driving innovation and weren't adding to our competitiveness have been changed or eliminated. We introduced the accelerated investment incentive.

There's one question that I would really to hear your view on. The United States is running a deficit of about 5% of GDP. We're at about 0.7%. To undertake further measures, whether that's cutting taxes or introducing new programs.... There's $14 billion which is going to help manufacturers across Canada.

What do you feel about the United States running a deficit that would be equivalent here in Canada to about $100 billion a year? That would be fiscally reckless. Would you agree with that?

Mr. Brian Kingston: Yes. First, I should have recognized that the committee did make that recommendation. We noticed that, and we're very appreciative of the fact that you recommended comprehensive tax reform.

On the U.S. fiscal situation, of course, what they're doing is clearly unsustainable. We absolutely do not recommend going down that path. Tax reform can be done in a responsible manner, and you can do it in close to a fiscally balanced, neutral way by eliminating some inefficient tax expenditures, as your government has started to do, and broadening the tax base. I recognize that it is very difficult to do, because every expenditure will have a constituency, but there is a way to do it that doesn't mean running up the deficit, and we would not recommend taking that approach.

Mr. Francesco Sorbara: Thank you, sir.

Thank you, Chair.

The Chair: Thank you, Mr. Sorbara.

Mr. Kmiec.

Mr. Tom Kmiec (Calgary Shepard, CPC): Thank you, Mr. Chair.

All my questions will be for you, Mr. Taylor and Mr. Wolfe, because you talk about my favourite subject, which is the B-20 stress test.

You mentioned the impacts of B-20 on real estate markets across Canada, especially on homeowners across Canada. Do you think the shared equity mortgages, as laid out in the budget so far, will offset the impact of B-20?

Mr. Paul Taylor: No.

Mr. Tom Kmiec: Perfect.

With respect to the rollout of it so far, we've heard from department officials and from the head of CMHC at the public accounts committee, and nobody seems to know the details of the programs. The head of CMHC said that the board of CMHC only found out they were doing this program through the Crown borrowing program on the night of the budget.

How long would it take to roll out a program like this across the entire broker network in Canada and the banks, and what would that look like?

Mr. Michael Wolfe: As I mentioned in my remarks, just the IT infrastructure piece of this is very concerning for the lending community. As we sit here in mid-May, we don't have the fine details needed to even start the work on the IT infrastructure and to get the program off the floor in September. We generally need a 10- to 12-month road map or runway to get those programs up and running.

Mr. Tom Kmiec: If the timeline is September, because that's what the Department of Finance and CMHC have said, will that increase costs to get it rolled out faster?

Mr. Michael Wolfe: Absolutely. As soon as you start to reduce the amount of lead time for an IT project, it significantly impacts the costs for just the IT measure, along with all the other requirements for the program, which of course we don't know yet.

● (1150)

Mr. Tom Kmiec: One of the numbers used by the government repeatedly, as well as by CMHC, is that 100,000 first-time homebuyers are going to be helped. When I asked Department of Finance officials where they came up with that number, they said CMHC. When I asked the CMHC CEO where that number came from, he said the Department of Finance.

Nobody seems to be able to agree how 100,000 first-time homebuyers will benefit from this, but the number made its way into budget 2019. I did some “back of the napkin” math and for 100,000, let's say 5%—I'm excluding new home builds of 10%—that would help about 54,945 people at the maximum, assuming a home price of $230,000.

I'm not sure I can buy a house for $230,000. The average home price in Ontario is $594,000. In B.C. it is $686,000. The average price of a home in Canada is $455,000.

Can you help me out with these numbers? Do you know where they got these numbers? Can you validate any of these numbers provided by the government?

Mr. Paul Taylor: We've done our own “back of the napkin” math on this as well. A lot of times people talk about the maximum purchase price, but to do that you have to assume that a household is making exactly $120,000. That number comes in somewhere around $550,000 for a home. The average family with, let's say, $75,000 is probably looking to potentially be able to purchase a home worth $340,000 to $350,000.

The concern for us is not even necessarily that. Home prices are already out of reach of what the program mathematically allows you to attain. It's generally that most of the folks who would qualify under the program would have qualified for an insured mortgage anyway, and they actually would have qualified to borrow a little more than this program allows them to. Therefore, not only are you restricted in your purchasing power through the already reasonably strict regulatory environment under B-20, but if you take part in this program, your purchasing power is actually reduced even further, all things being equal.

Incomes don't necessarily match home values across the country, as you will know intuitively. There are certain areas of the country where I don't think it's going to have very much application at all, and there are some areas where there are probably more families that would qualify. However, even in those regions we're pretty skeptical about the level of take-up that's going to occur.

Mr. Tom Kmiec: You mentioned the B.C. home ownership plan. You talked about take-up. I think you mentioned that they had assumed 42,000 or 43,000 people would use it. About 3,000 people actually did and then they canned the program after 15 months. That was a much more generous shared equity program. When I asked the head of CMHC at the public accounts committee about it, he insisted it was a totally different program that would not work the same way. When I reminded him that none of those details are available publicly, and that he doesn't actually have the details because they haven't been decided upon, he got quite defensive.

Can you tell me more about the B.C. home ownership plan and why you think it failed?

Mr. Paul Taylor: There are definitely some differences between the two programs. In B.C. it was almost an interest-free loan. The CMHC program is a shared equity program. In B.C., if you purchase a home and the government gave you $50,000, five years later when you sell the home, you owe B.C. $50,000. In the newer program, the government is taking the market risk with the homeowner. If the house price depreciates by 10%, you will have to give the government back 10% on whatever the mortgage amount they gave you was. They really are on title and sharing ownership.

In B.C., the reason we would say it is arguably a more appealing program is that there was no interest on the mortgage payments for the first five years, which really helps people keep those carrying costs lower. In almost every market properties are going to appreciate, even slightly. A lot of people aren't really comfortable giving part of that investment proceed away. When you took the B. C. program, you knew exactly what your liability was at the end of the ownership period. With the new federal program, you don't really.

To be fair, there are an awful lot of details about the program we don't know yet, like its application, the description of how it would apply the order of who is going to get paid first if there's a problem on the mortgages, the collateral charge for registration and whether the government shares any investment that is made post-purchase if you make an upgrade to your home. We don't really have the full details yet. Without those, it's difficult for us to even tell you what consumer take-up would be.

In the current structure it doesn't feel very appealing.

● (1155)

The Chair: Thank you.

We'll go to Mr. Dusseault and then to Ms. Rudd.

Mr. Dusseault.

[*Translation*]

Mr. Pierre-Luc Dusseault (Sherbrooke, NDP): Thank you, Mr. Chair.

I want to thank all the witnesses for being here today.

I won't have time to ask everyone questions, but I took careful note of the excellent recommendations you made.

My first question is for Ms. O'Leary, and it's about the poverty reduction act.

I completely agree with you that the goal should be no poverty. We should start by replacing the word “reduction” in the act's title with the word “eradication” and making the purpose of the act to eradicate poverty in Canada.

I'd like to talk about the market basket measure that's used to establish the poverty line. Do you think this measure should be changed in the bill, or should there just be more transparency regarding decisions about the contents of the basket and the costs to calculate the poverty line?

[*English*]

Ms. Darlene O'Leary: Thank you for your question.

We're not recommending that there be a change in terms of having the market basket measure as the official poverty line. It's a measure that we have made reference to for several years. It provides a certain amount of helpful information. Given its methodology, it tends to reflect more of a cost of living differentiation across communities, so we appreciate that that can be helpful.

I think one of our main concerns is that the market basket measure, because it has a complex methodology, requires very regular review. The costs can change year after year, and we're looking at about 50 communities across the country. Each of these communities is being reviewed for their particular data and household set-up. There is an established basket, what they call a basket of necessities, and that should also be considered something that isn't set in stone. It also needs to be reviewed, in terms of whether or not that's adequately reflective of the actual necessities for people living on low incomes.

It's a complex methodology, and we feel that because of that, it requires very regular review. The last review for the market basket measure was quite a while ago. We're looking at 2011. It's currently under review.

The other complex issue is that it requires that Statistics Canada and Employment and Social Development Canada work in close contact to make sure these reviews are taking place. It also informs the progress, and the ability to track the progress, of the poverty strategy.

We do want to see a very robust process involved, and not necessarily to say that we don't think the market basket measure can have a function.

[*Translation*]

Mr. Pierre-Luc Dusseault: Thank you. I've taken note of your answer about transparency and the need for more regular review.

My other question is about mortgages. I just want to make sure I understand correctly. In your opinion, the government program for first-time home buyers won't help more Canadians qualify for a mortgage.

Mr. Paul Taylor: Thank you for the question. I'd like to answer in English, if I may.

[*English*]

You're absolutely correct. Because of the structure of the program, people who were qualified to take part in it would already qualify for an insured mortgage. The number of potential first-time buyers in the marketplace is not going to increase, in our estimation.

[*Translation*]

Mr. Pierre-Luc Dusseault: Exactly.

The NDP leader's proposal that was mentioned earlier, which would increase the maximum amortization period to 30 years, would help more Canadians qualify for a mortgage.

I'm going to change topics now. I'm sorry, but I know my time is limited.

● (1200)

[*English*]

The Chair: You have time.

Andrew, did you want in?

Mr. Andrew Van Iterson: No.

The Chair: Okay.

Go ahead, Mr. Dusseault. You have a little more than a minute—a minute and a half.

[*Translation*]

Mr. Pierre-Luc Dusseault: My final question is about prompt payment.

First, you suggested adding a fairly simple sentence to section 23 of the proposed federal prompt payment for construction work act. Can you repeat it to the committee?

Also, from what I understand, Ontario has a payment bond mechanism in case of insolvency. The federal government should institute a similar system.

Those are the two parts of my question.

Mr. Steven Ness: Thank you.

[*English*]

With your indulgence, I will also respond in English.

I understand you're asking for an explanation of the placeholder we're proposing.

We do set this out in our written brief, but I'll go over it for you.

Proposed section 23 of the act sets out the regulations for the Governor in Council. There are currently two. We're proposing a third be added. We've included suggested wording for one sentence:

> The Governor in Council may make regulations generally for carrying out the purposes and provisions of this Act, including regulations prescribing
>
> (c) the requirements for contractors to furnish Her Majesty with a labour and material payment bond and a performance bond on Construction Projects.

Again, this is just a regulation the Governor in Council may or may not choose to make. That's what we're proposing. Just give us the opportunity to do that, because as the legislation now reads, this is out of the reach of the legislation. This will bring it back within reach and allow the government the flexibility.

Does that answer your question?

[*Translation*]

Mr. Pierre-Luc Dusseault: Yes, it does. Thank you.

I have time for one last question.

Mr. Van Iterson, I'd like more details on your proposed amendments to the Pest Control Products Act. You mentioned them, but I don't think you went over them in detail.

Ms. Lisa Gue (Co-Chair, Green Budget Coalition): Thank you very much.

[*English*]

I'll take that question.

You will also have received a written submission from five members of the Green Budget Coalition, including the David Suzuki Foundation, spelling out the amendments we're seeking.

It's a bit difficult to sum up, but the proposed provisions included in the budget bill would essentially allow Health Canada's Pest Management Regulatory Agency to decide not to conduct special reviews of pesticide risks that would otherwise be required under the law.

Right now, the special review provisions of the act require that the minister re-evaluate registered pesticides if there's information to suggest an unacceptable health or environmental risk, or in the case where another member country of the OECD prohibits all uses of that pesticide for health or environmental reasons. The special review requirements serve as an opportunity for a double-check to confirm risk assessments outside of the regular re-evaluation schedule. Otherwise, Canada wouldn't regularly review pesticide risks for another 20 years, perhaps.

The provisions in the act allow the minister, rather than initiating a new special review, to consider the aspect of concern within the scope of an existing special review or re-evaluation if there's already another process under way to look at that same pesticide. The minister could even decide not to initiate a special review in response to a ban in another OECD country if the same issue had been re-evaluated in the past.

Our concern is that under the existing legislation, there are clear requirements for consultation on these aspects of concern that trigger a special review. Our first proposed amendment would specify that a decision to essentially merge consideration of an aspect of concern with an existing re-evaluation process be taken before the consultation on that existing consultation process. This would ensure that the consideration that would have otherwise prompted a special review is still the subject of consultation and the evaluation is transparent.

The other amendment we're requesting is that if the—

● (1205)

The Chair: We'll have to move on. We're way over. Mr. Dusseault manages to double his time sometimes around here.

We'll go to Ms. Rudd.

You might fit that in later, Ms. Gue.

Ms. Lisa Gue: Ten seconds.

The Chair: Ten seconds, then. Go ahead.

Ms. Lisa Gue: I just want to say that the other amendment we're requesting is simply a requirement for the minister to make public a decision not to initiate a special review, and to give reasons, in the name of transparency.

The Chair: Okay, thank you.

Ms. Rudd.

Ms. Kim Rudd (Northumberland—Peterborough South, Lib.): Thank you.

Thank you to all of you for joining us today.

I have a few questions, primarily for Stewart.

It's good to see you again. Thank you for joining us.

Stewart, you were part of the generation energy consultation that this government undertook—the largest in its history—asking Canadians, businesses, sector experts and researchers about what Canada's energy future would look like. Where our opportunities were, in terms of innovation and technology, was a huge part of that conversation, and the $5-trillion economic opportunity that we could see as a country by 2030, if we want to be at the forefront. If we're not, we're not going to see the benefit of that opportunity to the degree that we can.

There are a couple of things that you mentioned. I want to talk about the comment you made around oil and gas subsidies and the bad rap, if you will, that they get.

Certainly, the work with the G20 in Argentina and those initiatives are under way and moving through the process. There is one thing we have to remember. You mentioned oil and gas subsidies and the ability for them to innovate. I just want the panel and the rest of my colleagues to know that in 2017, NRCan undertook some experiments with the broader oil and gas sector to reduce the environmental footprint of extraction from the oil sands. The results have been excellent. It uses far less clean water because boiler tubes are no longer needed. It reduces the environmental footprint, and nearly all greenhouse gas emissions are sequestered underground. Instead of wet waste-water tailings, they're actually dry, which are much easier to deal with. Part of these subsidies are pushing us to a much better place in terms of the extraction of those fuels.

You talked about the flow-through shares, as in mining. As you know, the government went from a one-year renewal that's been going on for well over a decade, to five years to provide stability and opportunity for investment. Can you talk about what that might mean to the sectors in terms of the innovation that you were referring to?

Prof. Stewart Elgie: Sure. That's two questions.

In terms of the economic transition, I would just say that the world is moving to a cleaner, more innovative economy whether Canada likes it or not. Our choice is whether we go with the leading peloton or fall behind. I think that in 20 years.... Much like the transition to free trade 30 years ago, falling behind is a bad long-term decision.

That said, we still live in a world that uses oil and gas. We'll continue to use oil and gas for decades. We should be able to compete in world markets to produce that oil and gas and we should strive to have the environmental footprint of our production be as low as possible and support our producers in doing that.

For example, if an oil company used the accelerated capital cost allowance for clean technology, it would count as a fossil fuel subsidy right now. We don't want to count that as a fossil fuel subsidy. That's actually a good incentive. My point was to encourage incentives that encourage our industry to reduce its footprint, while at the same time we keep pace with the rest of the world in moving to a de-carbonized economy because that train has left the station and we can either get on it or not.

In terms of the incentives, to make a long story short, there's this valley of death. It's well known in the investment world that when you're starting up a small firm and you're moving from R and D to scaling up, it's really hard to get investment. We've done a really good job of providing public support through BDC, EDC, SDTC and other vehicles to help leverage that private investment, but these tax incentives pull the private funding that you need. That's ultimately what's going to carry these companies through to market. We don't want permanent public funding. We want to use it as a nudge, basically, to pull private investors in.

Flow-through shares have been very successful in mining. They're good for a cyclical industry. They're targeted. A targeted tax incentive that targets those early-stage innovative firms.... You don't have to limit it to clean tech. You could look at digital, for example. I would say that you want to target the technologies of the future. B. C., Alberta and New Brunswick have all done it. They've had these 30% investor tax credits. There are a couple of good external reviews that show they've been good value for money. They've pulled new funding into the marketplace that wouldn't have been there with a significant return on public investment, so it kind of seems like a no-brainer.

It was the big resource companies of the country recommending this. This is the oil industry, the mining industry and the forestry industry saying that they depend on those small innovative firms to feed the innovation that they then adopt and that's going to position them to be at the leading edge.

People think of clean tech as electric cars and solar panels. Clean tech is also the mining industry, the oil and gas industry and the forestry industry. These are the adopters of the clean tech and they're the backbone of our economy. The two go hand in hand.

● (1210)

Ms. Kim Rudd: I have a very short follow-up.

Electrification is the sort of next big step that we are taking as society in terms of being able to manage all the things that we want to have in our homes and on the road in an energy efficient way. Can you tell us what you think electrification and the larger electrification of the grid are going to mean and how we're going to get there?

Prof. Stewart Elgie: In one minute or less?

Ms. Kim Rudd: Yes. Sorry.

Prof. Stewart Elgie: Sure.

Basically, it's a transformation of the economy similar to the Industrial Revolution—in one minute or less. I'm being glib, but the Industrial Revolution in many ways was built on unlocking fossil fuels. It wasn't the only thing, but it was a big part of it. We're now going through a new industrial revolution that will be built on transitioning to a different set of fuels. We won't eliminate fossil fuels, but we'll depend on them much less. We will be generating clean energy, and we'll be using much less energy.

The good news for Canada is that we actually have a relatively clean electricity grid already. Most of our electricity is carbon-free. The government has brought in a law to phase out coal power production by 2030. That's a good idea. The market's going to kill coal power anyway, but this will do it earlier so that we can bring in the energy of the future.

If you want to move to things like electrifying heat and electrifying vehicles, which is where the world's going to be in 20 years.... In 20 years, you will not be able to buy an internal combustion engine car. China, India and western Europe have banned the sale of internal combustion engine cars in 20 years. So, let's move to where the puck is going.

The part I would say is this, though. We think a lot about this low-carbon transition in terms of reducing greenhouse gas emissions, but the other part of it isn't just the technologies we use. It's what we make as a country. We could meet our climate targets by buying electric cars from Nevada, solar panels from China and biofuels from Brazil. We'd meet our climate target, and we'd hollow out our economy. So, we actually want to be making that stuff too. We want to be punching above our weight for our vehicle industry, our resource industry and our manufacturing industry to be world leaders in low-carbon, clean and innovative production.

That's why—and I didn't get into it because I didn't have enough time—in addition to an incentive for electric vehicle adoption, we should be putting just as much energy into helping our auto manufacturing sector reposition itself to be making the vehicles of the future, not just cars, but buses, trains, etc., and making the biofuels that are going to be the transition fuels. This is also a manufacturing story, not just a consumer story.

We're doing well, but we have to keep going.

Ms. Kim Rudd: Thank you.

The Chair: We'll end it there.

Now we'll go over to Mr. Poilievre and move to five-minute rounds, although we're over in every round.

Hon. Pierre Poilievre (Carleton, CPC): Ms. O'Leary, what is the criteria for determining what is in the market basket?

Ms. Darlene O'Leary: That's a good question.

Right now there is a consultation process that happened this winter between Statistics Canada and Employment and Social Development Canada. They took input from a range of—

Hon. Pierre Poilievre: I don't mean to interrupt you, but we've heard all of that from the officials that were here to talk about it. We know the process. No one can tell me the criteria. Do you know the criteria? If you don't—

Ms. Darlene O'Leary: I don't know.

Hon. Pierre Poilievre: —don't feel badly because I don't know, and I'm the former employment and social development minister. The officials didn't know. They promised to get us the list of what's in the market basket, and the chair now informs me that we still don't have that list. No one can tell us what's in the basket or the criteria to determine what should be in the basket. Does that trouble you at all?

● (1215)

Ms. Darlene O'Leary: Very much. Yes.

There is a range of things that we do know, such as shelter. Shelter includes not only things like rent and mortgage, but also utility costs. I think they're going to be including Internet as a cost that's included as a necessity. There are things that are not included, like child care.

It does feel like there's a bit of arbitrariness in terms of what ends up getting included in the basket. That's why, as these things are reviewed, we want an engagement with people who have lived the experience of poverty. However, yes, you're right. The arbitrariness is uncomfortable for sure.

Hon. Pierre Poilievre: My concern is.... Normally we say that consultation is a great thing. However, when we're determining what should be an objective measurement, a mathematical measurement of a poverty line, I would think that human subjectivity would not be a helpful thing. It would be, you know.... The other measures of poverty have been very mathematical, such as the LIM. It's very simple: median income divided by two. If you're income is below that, you're considered low income. For the LICO, we take the share of income that the average Canadian spends on the basic necessities of life, and anybody who spends 20% or above that amount on the basic necessities today is considered to be below the low-income cut-off line. It's mathematics.

Ms. Darlene O'Leary: Yes.

Hon. Pierre Poilievre: The market basket measure is a basket of subjectively determined goods and services. I mean, the wealthiest kings of the Middle Ages would have lived in the most sumptuous circumstances and they would not have considered a smart phone to be a necessity, so if we say that a smart phone is required to live above the poverty line, then we are making a subjective determination that in no time in history would have been considered for a poverty line.

My concern about this whole measurement is that we're just going to allow a lot of opinions to determine what goes in the basket, rather than a mathematical standard. How are people supposed to know what poverty is when it is just an ensemble of bureaucratic and interest group opinions that determine what someone must have to avoid being poor?

Ms. Darlene O'Leary: I am aware that Statistics Canada has a methodology for how they establish criteria. I know through engagement in the consultation process that this was not fully clear to the people participating. It's a complex methodology.

I think the benefit of the market basket measure is that it does try to incorporate cost variations, because the cost of living is different across the country in different communities. Up until the current review, the territories were not even included in the market basket measure data, so that's another problem.

It's going to be a challenge to make sure that the MBM is a solid and transparent measure of poverty. It's the official poverty line. We have tended to rely more on the low-income measure for our own reporting, but of course no one measure is going to give you all the information you need.

We know that in the poverty strategy the expectation is that there will be an opportunity to have a range of measures to provide that data.

Hon. Pierre Poilievre: Right. Okay.

Thank you for your comments on that. Right now it does remain a case for unsolved mysteries, and hopefully we can solve the riddle at some point, all of us together.

My next question is for the Surety Association of Canada. We had the Strandherd-Armstrong bridge construction in my riding. The general contractor went broke. A bonding company stepped in and picked up the cost, and taxpayers were generally protected as a result. The government now proposes something called an infrastructure bank, which would provide loan guarantees, subordinated equity and other measures that protect investors against losses.

How will this work? For example, in the event that the Strandherd-Armstrong bridge in my riding had been infrastructure bank-backed, who would have paid the extra cost of the bankruptcy, the extra cost of the delays and the penalties that came along with those delays? Who would have paid that, if it had been a government-backed risk?

● (1220)

Mr. Steven Ness: Do you mean, had there been no surety bond, just the protection from the bank?

Hon. Pierre Poilievre: Yes.

Mr. Steven Ness: It would depend on how that was structured—perhaps no one.

The closest analogy I can bring up to address your question is that sometimes in lieu of surety bonds we see owners call for bank letters of credit as security. In those instances, we find that the owners—in the case of the Strandherd-Armstrong bridge, the City of Ottawa—would have been protected by the letter of credit, but there would have been nothing available to pay the subtrades and suppliers. That's how that would generally go down, because the letter of credit runs in favour of the project owner.

Depending on how it is structured, I think that is likely how it would go down.

The Chair: Okay. We are substantially over time here as well.

I will say, Pierre, on your question on the market basket measure, that we did ask officials for the information. I expect that is yet to come, but we will have officials before the committee when we go to clause-by-clause. I expect it's a question that will be raised, so they'd better be prepared for that.

Mr. Fragiskatos.

Mr. Peter Fragiskatos (London North Centre, Lib.): Thank you, Chair.

Thank you to the witnesses. It's a great discussion this morning.

Mr. Kingston, I want to start with you. It's good to see you again. You'll recall that we met, I think it was in Toronto, during the pre-budget consultation back in the fall. I enjoyed listening to your presentation again this morning.

I have a question relating to your suggestion on a comprehensive tax review. You won't be shocked. We've heard this time and again. Just yesterday in fact, the Canadian Chamber of Commerce presented and asked the same thing. I wasn't on the finance committee when they recommended that we go down that path. I think we should go down that path, seeing as it was the 1960s when we last saw a comprehensive tax review—1963. I could be mistaken. We need to look at this.

However, I'm a bit perplexed, because any time the idea of a comprehensive tax review is suggested, it's left there. What exactly does that mean? Are we talking about simplification of the tax code. If so, in what areas? Are we talking about reducing taxes? If so, in what areas?

I would love some insight on that, because it's one thing to say that we need a comprehensive tax review, but what exactly does that entail? What areas would we look at? Are we talking about corporate taxes? Are we talking about small business taxes, personal income taxes or all of it? This is a big question mark for me.

Mr. Brian Kingston: It's an excellent question, and you're right. You hear calls for this repeatedly, but when you scratch below the surface and ask for details, you don't necessarily get information on exactly what the objective should be.

Our view is that it has to be comprehensive, meaning that you're not just looking at corporate tax. You're not just looking at personal tax, or consumption tax. You have to look across the board. We have not taken a look at the balance of federal government revenues since that last review in the 1960s. Are we taxing the right things? Are we taking in the right amount of tax from companies, as opposed to individuals? That's the first part. It absolutely has to be comprehensive.

Second, it has to be about simplification. I was speaking with a retired financial official recently, who had worked in the tax branch, and who can no longer do his own personal income taxes. That's a concern. If a tax expert can't do their own taxes, I think we have a problem with the system.

We need simplification, and to look at ways to make it easy for Canadians to file, and easy for corporations to file, and go through the audit process, as well. There's a huge piece of work to be done there. Some countries are way ahead of the curve with respect to digitalization of the tax system. That has to be a big piece of it.

Finally, it's going to mean looking at tax expenditures and determining which ones are actually achieving their desired objectives. The one I always raise is the small business deduction. It's one of the most expensive tax credits in our system. Reams of evidence suggest that it is not efficient in doing what it's supposed to do, which is support small business. That's just one example. We have to look at every single tax credit out there and determine whether it's necessary.

● (1225)

Mr. Peter Fragiskatos: I realize I'm putting you in a somewhat unfair position, because that is such an important question, and there are so many stakeholders who would have a view on what a comprehensive tax analysis would look at. It's good that it's on the record. In fact, I could be wrong about this, Mr. Chair, but that might be the first time we've heard from a witness during this review of the BIA, maybe even this year, on what a comprehensive tax review ought to entail. Thank you very much.

Prof. Stewart Elgie: May I say something very quickly?

Mr. Peter Fragiskatos: I was actually coming to you next.

Go ahead.

Prof. Stewart Elgie: It's probably different. I won't anticipate your question.

I agree with Brian. We should look at what we tax, too. One of the things to keep in mind is that if you look at the rest of the OECD, Canada ranks second last in terms of taxing pollution and waste. Most other OECD countries have begun to move their tax system and diversify what they tax. If you tax income, you're discouraging the thing you tax. You're discouraging working. You're discouraging investment. We don't want to discourage those things.

If you tax pollution and waste, you're discouraging pollution and waste. We do want to discourage those things. We should also look at what the rest of the OECD is doing, but do it in a way that is tax neutral, so that we're actually cutting other taxes as we're bringing those up. We're not increasing the net tax burden. We're just shifting towards things we want to discourage.

Mr. Peter Fragiskatos: I appreciate that. Unfortunately, we've had, and still have it would seem, particular parties and members of Parliament who deny the existence of climate change and global warming and the effect that human activity is having; hence, we're a bit late to the party when it comes to the issue of putting a price on pollution. This government has ensured that we're getting there.

Mr. Elgie, I want to come to you on a matter relating to the issue you just raised, but a bit different. Yesterday we heard from Dale Marshall of Environmental Defence Canada. He raised the idea that Canada ought to legislate a move towards the purchasing of electric vehicles such that auto manufacturers, by a certain year—let's say 2025, as they suggested—would be selling 25% of their vehicles as electric vehicles. I asked him for examples of other jurisdictions that have done this. He cited Norway and a few other examples.

I have a very open mind on this. I'm not very familiar with this, but you are. You've made the environment your focus. Is this doable? Is this realistic? Should we be having this conversation in Canada?

Prof. Stewart Elgie: That's a good question. The world is going to transition towards fossil-fuel-free vehicles. The question for us is, do we move ourselves among the leaders of that pack or are we late adopters?

There's probably a basket of things you could do to encourage that transition. Having vehicle fuel efficiency standards is part of it. It might encourage you to move your entire vehicle fleet towards lower polluting, more efficient vehicles. That's really the low-hanging fruit. We should definitely do that.

As the U.S. relaxes its standards, we should keep pace with California. As long as you're moving with a big enough part of the North American economy, the market is going to supply.

Mr. Peter Fragiskatos: I don't mean to cut you off. It's just time restrictions.

Are there unintended consequences, though, to a proposal such as that?

Prof. Stewart Elgie: The good unintended consequences are that we'll have cleaner vehicles, fewer kids with asthma and fewer people going to hospital from dirty air, and we'll be reducing our greenhouse gas emissions. Those are all good consequences.

The thing you need to worry about is having enough market demand that you're moving with big players. If you move with California and with some of the northeastern states, you have enough of a core market demand that the manufacturers are going to be producing the basket of vehicles you need.

Say it's the same thing with electric cars. If you want to have a portfolio standard for a certain percentage of them, you don't go it completely alone. Make sure you're moving with at least enough of a chunk of the North American market, which probably means California and the northeastern states.

The other thing to really worry about, which I said before, is that we make a lot of these cars, too, right? We really need to be thinking about moving a big part of that value chain on the production side in Canada towards manufacturing not just electric cars, but more fuel-efficient trucks and engines. There are lots of firms in Canada, such as Westport Innovations in Vancouver, that are part of that cleaner, more innovative production chain for vehicles of the future.

Part of the link between those two is that when your firms think about where they're going to situate their manufacturing and R and D capacity, it's an advantage if you're actually using the stuff they're making.

Right now, we tend to be making the dirtier vehicles. That's probably not a good thing. We should be trying to move our whole auto manufacturing sector towards more of the value chain on the cars of the future. That's where firms such as GM are going, and if we miss that boat, as we're seeing in Oshawa, we're going to lose out.

● (1230)

The Chair: Thank you.

We'll go over to Mr. Richards, and then Ms. Bendayan.

Mr. Richards.

Mr. Blake Richards (Banff—Airdrie, CPC): Thanks, Mr. Chair.

My questions will be for Mortgage Professionals Canada. Mr. Taylor and Mr. Wolfe, you can decide between you who would like to answer.

I had to step out for another meeting briefly, so I apologize in advance if I repeat some questions you've already had. No doubt my colleague Mr. Kmiec would have been asking questions. I'm quite certain of that. I hope I'm not being repetitive, because he never has done that before—right, Mr. Chair?

I do want to ask about the government's shared equity mortgage plan. We're awaiting a lot of detail, as I'm sure you are, to see what that program looks like. I want to see if my initial thought on it is one that you share, and if so, why.

In terms of background, I was in the real estate industry before politics and I dealt with a lot of first-time homebuyers. From what I hear in the time since, it doesn't seem to have changed much in that the biggest challenge a lot of first-time buyers face is not so much the mortgage payments themselves but saving for that down payment. Of course, when rents continue to go up and things such as that, it's that much harder to imagine doing that.

I don't see that the plan does anything to actually address the bigger issue for those first-time buyers, which is that down payment. Would you share that thought, and if so, why?

Mr. Paul Taylor: We actually run consumer surveys twice annually, and most of the folks who are purchasing homes will suggest that it's taking longer and longer to amass that down payment. I think the real estate market has actually been performing very well for the last number of years. I don't think anybody would refute that. An awful lot of measures that have been implemented since 2007 have actually made borrowing more restrictive, and honestly, appropriately.

For a two-year period, with zero dollars down, you could get a 40-year amortization. We've definitely been tiering that in, but as property has been appreciating and requirements to amass larger down payments have changed, and now with restrictions through B-20 and such, folks are going to have to save longer, just because of the market's performance, to get in.

As we said in our remarks, the current program, as it was announced anyway, because you're right that there are quite a lot of details we're still awaiting, won't create any new eligible would-be purchasers. If you qualified in the past, you would qualify for this, and if you qualify for this, you would have qualified in the past.

Mr. Blake Richards: That leads to my other two questions.

The first is in regard to the problem I raised in my initial question. I see the possibility that this policy could actually compound that problem. When we talk about new builds, 10% would be the shared portion from the government. I don't know about you, but if I were a builder, I might look at that and say, “That could be fun,” and maybe prices would go up a little bit as a result. Could it compound the problem as a result? I'd have to think a builder would look at that and say that if the government's going to kick in a little bit, maybe the prices can go up a little bit. Do you think that might be a possibility?

Mr. Paul Taylor: I actually don't, no.

Mr. Blake Richards: No? Okay.

Mr. Paul Taylor: Mr. Siddall made a number of statements regarding the program. It's quite specifically created not to add any fuel to the fire.

Mr. Blake Richards: Okay.

Mr. Paul Taylor: The program is really quite restricted so that folks who are eligible for it are actually able to borrow less than they otherwise would have been.

Mr. Blake Richards: Right.

Mr. Paul Taylor: It's a very surgical program. It allows the government to make statements that it's supportive of construction, even though I'm not really sure there's going to be an awful lot of take-up with the program that would create that.

Mr. Blake Richards: Yes, whether the take-up will actually....

● (1235)

Mr. Paul Taylor: I think it's supposed to create jobs within the construction industry more than it's supposed to be inflating values, because the restrictions on income multiples would actually keep that activity level down, I would say.

I don't know if you want to add to that, Michael.

Mr. Blake Richards: You're convinced that it won't have much take-up, so therefore, it maybe won't have that intended effect. Is that what I'm hearing?

Mr. Paul Taylor: Yes, I don't think it's going to be as successful as projected.

Mr. Blake Richards: Okay.

The Chair: Mr. Wolfe has a point.

Mr. Blake Richards: Can I just...?

The Chair: We'll give you another chance after he answers. We have lots of time today.

Mr. Michael Wolfe: I think the potential exists that it would dissuade homeowners from investing in their properties. If the government is sharing in the gains of that property but is not sharing in the cost of renovations or landscaping or such, it might have a knock-on effect there as well.

The Chair: Mr. Richards, go ahead.

Mr. Blake Richards: That's interesting.

The other angle that concerns me, and I want to hear your thoughts on this, is with regard to the government's equity portion of this. I know it's hard to imagine in most markets in Canada right now, but there are times when housing prices can decline. We don't know the details, but if this were to end up being such that we would be exposing the taxpayer to some risk if home prices were to decline, would the government's share of equity also decline? One would assume that would likely be the case.

Given that you've already indicated that you don't see there being a lot of take-up here, is there maybe more potential risk to taxpayers than there is potential benefit for anyone?

Mr. Paul Taylor: I could probably get a much more technical answer from one of the insurers that belongs to our association, but at first blush, I would say that I don't think there's any real additional risk. Because the insurance already existed on the mortgage, in the event that there was a downturn and somebody had to default, there would be taxpayer liability already.

On the potential for regional depreciation, I think the current regulatory environment in the mortgage marketplace is such that it has actually created pretty significant equity erosion in quite a lot of markets. It's not difficult to imagine. I just came back from Regina, and there's quite a lot of activity reduced there.

If we don't try to address the restrictive marketplace measures that are there, we create a bit of a self-fulfilling prophecy that drives prices down, and that potentially creates a problem. We really need to look at an equilibrium through the current stress test to make sure that we're not continuously choking down. I know that critics say that we're trying to add fuel to a fire. We're really not. We just want to stop pouring so much water on it.

Mr. Blake Richards: Okay. Thanks.

The Chair: We'll have to leave it there. We usually run out of time because we usually have an hour and a half per panel. Today we have two. We're doing fine.

Mr. Ainley and Mr. Côté, you haven't been in any of these rounds yet. If you want to come in and there's a point you want to make, raise your hand.

Ms. Bendayan.

[*Translation*]

Ms. Rachel Bendayan (Outremont, Lib.): Thank you very much, Mr. Chair.

Thank you to all the witnesses.

I just have a few questions for Mr. Ainley, and I'll ask them in English.

[*English*]

I was very interested in the specific recommendations that you put forward. I want to give you an opportunity to expand a bit on the third recommendation.

Public-private partnerships work very well in Quebec and in Montreal. I would be interested to hear a bit more about the recommendations for amendments that you're proposing with respect to P3s.

Mr. Matt Ainley: P3s are a slightly different form of contract. There's actually a project agreement that exists between the public-private partnership entity, which has no assets, and the particular owner. In this case it could be Defence Construction, by way of example. That entity then contracts with the general contractor.

The prompt payment legislation as written doesn't recognize that relationship. It has the lenders concerned, because they don't have direct visibility into the payment scheme as they would under a traditional, non-prompt payment piece of legislation.

The simple answer is they think their security is at risk. Ontario shifted the definition inside a P3 contract, the project agreement, to have the general contractor take the upfront piece when it comes to prompt payment.

It's not a lot of language. It's about five or six clauses, but it would work very neatly inside this particular bill. It's proven, and there was a lot of heated debate in Ontario when Bill 142 was passed. In fact, the lenders were not going to play. There was a big sit-down with the Attorney General and the drafters to dissect the agreement inside a P3 arrangement. When everybody understood the problems, the answers came out fairly quickly and were then incorporated into the final piece of legislation, which is now law.

● (1240)

Ms. Rachel Bendayan: Thank you.

You also mentioned in respect to your second recommendation that approximately 50% or more of the disputes are related to a failure to pay a change order.

In your opinion, would that be alleviated, somewhat at least, by your first recommendation with respect to invoice changes?

Mr. Matt Ainley: No.

They are two different pieces, actually. The one you just referred to, your second piece, is that it's normal for invoices to be negotiated every month. A general contractor receives 20 to 30 invoices monthly from its subtrades. They negotiate a bit. Then it's incorporated into the bill that goes to the owner. That is the bill I'm referring to.

That's the invoice that goes in every month. It's normal for the general contractor and the owner, usually through the architect or engineer, to negotiate that bill. In Ontario and the other provinces that have adopted this type of legislation, they've allowed that negotiation to take place. That's your last point first, if you will.

Ms. Rachel Bendayan: Has that been successful?

Mr. Matt Ainley: It is successful, because it prevents unnecessary adjudications. It's an operational thing. The aim of legislation is to try to take away problems. It's trying to drive cultural and behavioural change. It's getting people to actually work out the problems as they occur and not save them up.

To your first point on changes, every project goes through changes. It's normal. Owners change their minds or unforeseen conditions come up, and that sort of thing. Contractors have issues. There are changes. Typically what's been happening—and this is sort of an aged problem—is that the changes are usually slow to adapt. Every contract you sign as a general contractor or as a subtrade says you're not supposed to make any change without a signed change order. Nobody does that. It's bad, but that's just the cultural norm, because you want to make the change to keep the project moving. You're looking for timely processing of submissions of the costing for that change, its review and the eventual change order, which amends the contract. Then you pay on that.

If you look at the backlog and why prompt payment is actually here in front of us today, over half of the cases—and 50% is actually a conservative number on that; our statistics say it's more like 60% to 65% of the prompt payment issues—are a direct result of slow processing of changes on a project. Often the owner is actually saving them up until the end of the job, which effectively has the general contractor and its subtrades bankrolling the job on changes for the owner. That's something the industry is fighting against.

Ms. Rachel Bendayan: Thank you.

I do have further questions, but I also have another round.

The Chair: Go ahead with your second question, and then we'll have two more.

Ms. Rachel Bendayan: No problem.

My question would be for Ms. O'Leary.

I noted that in your response to questions and in your earlier testimony, as well as in the brief you submitted with your recommendations, that by and large, although you do have several recommendations, you are not looking to amend or change anything with respect to the substantive policy in the national poverty reduction strategy. Is that correct?

Ms. Darlene O'Leary: Yes, it is. We've called for all the pieces that are included in the legislation and the strategy so far—targets and timelines—not so much an official poverty line but certainly the need for clarification around poverty rates and also for the advisory council. Those are all things we wanted to see as well as legislation for the strategy.

Ms. Rachel Bendayan: Of course.

When it comes to the substantive policy of what the government has put forward in the budget, let us use the example of the Canada child care benefit. Is that, in your opinion, something that works? Are there no recommendations from your organization in particular with respect to changing the CCB?

Ms. Darlene O'Leary: I think the CCB is one example of a program that's been effective. I think we have yet to see the full benefit. We've had some preliminary data come out with the Canadian income survey. There seems to have been a positive impact in terms of lowering the poverty rates of those who are eligible for that program. That's a good thing to see. It's one piece of what we would want to see as a comprehensive range of programs involved in the poverty strategy. I think that what we have at this point is a package of programs that has been put under the umbrella of a strategy, but it's not so much a strategy. There are good programs in place that are under that umbrella. We want to see more of the strategic approach in terms of how targets are going to be reached, item by item, in a comprehensive range of programs, and also more funding, as the strategy itself hasn't received any funding.

● (1245)

Ms. Rachel Bendayan: Thank you, Ms. O'Leary.

The Chair: We will have to leave it there.

We'll go to Mr. Dusseault, and then if there's a question over here...and Mr. Blaney will wrap it up.

Mr. Dusseault.

[*Translation*]

Mr. Pierre-Luc Dusseault: Thank you, Mr. Chair.

I'd like to come back to the debate on fossil fuel subsidies. I think Mr. Elgie mentioned them.

The majority of Canadians would like to see tax incentives or subsidies go to companies that really need them, companies that could make a difference if they had support.

Loblaws recently received a grant to make changes within the company and improve its energy efficiency by buying new fridges. But most Canadians wonder if Loblaws really needed $12 million. Didn't the company have enough money to cover that expense on its own? It was a commendable expenditure, but I think Canadians expect help to go to those who are truly in need.

Generally speaking, do you think that the fossil fuel industry, especially the oil industry, really needs Canadian taxpayer investment to make changes in order to reduce its energy consumption? Can't these companies improve their energy efficiency themselves by adapting to the stringent greenhouse gas emission regulations implemented by the government? They are required to comply. Taxpayers shouldn't have to subsidize that kind of change in practices, even if the change itself is commendable.

I'm just trying to understand your position on the issue of making sure subsidies go to those who actually need them.

[*English*]

Prof. Stewart Elgie: That's a good question. I think I mostly understood it; I didn't have a translation device.

There are a couple of things I would say. One is that we give incentives to businesses to take on new technology all the time. The accelerated capital cost allowance, for example, is an incentive to businesses. We've given incentives to the oil sands for years for adopting new technologies through accelerated cost writeoff. We do it for the mining industry. Government quite frequently picks particular businesses or technologies for which they deem an incentive is a good idea to encourage certain types of production or technology.

I would say that, if your goal is to encourage the uptake and investment of low-carbon technologies, you have three choices. You can regulate it, tax it or have an incentive. Those are your three tools, as government.

If you were to set a carbon price really, really high, you probably wouldn't need incentives, because people would have all the incentive they need, but it would have a lot of.... To put that high a price that quickly probably isn't a good idea. What the government is doing, starting at a relatively low price and ramping it up gradually like B.C. did, is really a textbook way to bring in a carbon price.

I would say, yes. You have to be really careful, though. The questions you have to ask are: Can you show that this is a type of technology for which there isn't already a business case for the firm to do it itself? Do you actually need a government incentive in order to encourage the uptake of that technology? Be rigorous about that.

In this case, yes, emissions from refrigerants is a huge area of greenhouse gas emissions. These kinds of technologies really are leading edge. Their uptake is just beginning, and if you want to encourage the country's largest employer to be an early adopter of that technology, it will encourage the manufacturing of that technology in Canada and create an example that will encourage others to do it.

I can't speak to the amount of the incentive. I haven't looked at the economics of it to know if they paid the right amount, but, yes, giving targeted incentives where there is a promising new clean technology, and there's not yet a market case.... It's exactly the same as the electric vehicle incentive. In the same way that we're giving consumers and businesses, too, an incentive to adopt electric vehicles, we're giving businesses an incentive to adopt low-carbon refrigerants.

That shouldn't be a permanent strategy, though. That's a time-limited strategy. As a new technology comes in to a market, costs come down, as we saw with computers and digital communication technology in the last 20 years.

● (1250)

The Chair: Okay. We'll have to leave it there.

Mr. Fragiskatos is next, and then we'll go to Mr. Blaney.

Mr. Peter Fragiskatos: Thank you, Mr. Chair.

Mr. Taylor, prior to the stress test, 20% of mortgage holders held loans that were four and a half times in excess of their annual income. That's from the Bank of Canada. This was at a time when we saw—and we continue to see, but particularly at that time—historically low interest rates. Most people, if not all, who study these things would agree that these are not sustainable numbers. Post-stress test, that number has gone down to 6%, a much more sustainable situation, I would say, and I think you would agree.

What do you have to say to them? All of this comes from the Bank of Canada, which advised that a stress test be put in place. We've had the Governor of the Bank of Canada here, Stephen Poloz, who is much more confident now about where things are and who worries much less about household debt leading Canada into an economic downturn.

How do you respond to those figures and that narrative?

I found myself over the past couple of meetings questioning witnesses saying this. I don't mean to be combative with this. I'm genuinely interested in your perspective on it.

Mr. Paul Taylor: I understand. This is almost the exact conversation that we've had about a hundred times, honestly, and Francesco and I have debated this ad nauseam, almost.

We have no concern, or I should say, we are not averse to stress testing. We never have been. From the moment the first stress test was introduced only on the insured side of the marketplace, our association was recommending that it be applied to the uninsured space as well, but at a reduced level so that we didn't have the same impact on activity and erosion of marketplaces where the economy was not already firing on all cylinders.

There's a pretty easy narrative to trace. Because it was easier to qualify for an uninsured mortgage than an insured mortgage for a period of time, more people were finding their way, miraculously, to getting a 20% down payment. That increased the average loan to value of the banks' uninsured business, so of course there also had to be a task to mirror to make sure that that risk profile was returned.

What we've seen in the market though, I think, is an overshooting of the expected cooling or the rolling back of those debt-to-income levels that are the big concern. We're 100% supportive of making the marketplace more secure. Lenders and insurers are our members. We want to ensure that the system is fully capitalized and funded, but we do want to make sure that we're not disproportionately affecting the folks at the bottom end of the economic ladder with a 20% borrowing power reduction. If the stress test had been brought in at somewhere around a 75 basis point mark, we would still have had a far more prudent underwriting environment than previously without necessarily having the same, at times quite dramatic, reduction in activity.

Mr. Peter Fragiskatos: I wanted to ask you one last quick question on a related but separate matter.

You talked about the shared equity mortgage proposal that the government has come forward with in budget 2019. You've said that those who are slated to take advantage of the initiative would have been able to get mortgages anyway, but at what rate of interest would you say that would be, on average, for the people in that category? Would you have a number? Have you looked at that?

Mr. Paul Taylor: I'm going to leave that for my banking friend here to address.

Mr. Michael Wolfe: We don't see any change in price for an individual who would take advantage of that program or for someone who wouldn't take advantage of that program. We don't see any pricing advantage for doing so. I could say that current interest rates in our environment on a five-year insured mortgage would be 3.04%. That's a current rate that would be available in the market.

Does that answer the question?

Mr. Peter Fragiskatos: Well, without a deep analysis, it doesn't answer it completely because that's lacking. I would just worry that a lot of those folks would be faced with very high rates of interest and it would be very difficult for them to make payments.

● (1255)

Mr. Paul Taylor: I'm not sure I agree.

Mr. Peter Fragiskatos: I'm just suggesting it. I don't have that evidence. I was pointing to you to ask if you've done an analysis on that question.

Mr. Paul Taylor: There's not too much analysis required on that. Since the mortgage is going to be insured, you're probably going to get the best available rate in the market. In fact, if you have a down payment of less than 20%, because that mortgage is insured, you're generally actually qualifying for a better interest rate than if you had a down payment of greater than 20% today.

The Chair: Okay, we'll have to leave that one there.

We'll go over to you, Mr. Blaney, and then we'll have to close. You have four minutes.

[*Translation*]

Hon. Steven Blaney (Bellechasse—Les Etchemins—Lévis, CPC): Thank you very much, Mr. Chair.

I'm pleased to be replacing Tom Kmiec.

[*English*]

May I remind you that he worked for me at some point? Although I've been here for a while, it's at least 10 years less than you have been.

[*Translation*]

Hello and welcome.

I didn't get to hear your testimony, but there's something I want to clarify with regard to an answer you gave Mr. Dusseault.

The flagship measure in the Liberals' budget is their much-touted first-time homebuyer incentive.

Mr. Taylor, I just about fell out of my chair when you said this measure doesn't seem to be having the miraculous effect we were promised.

The measure is described as follows: “To help make homeownership more affordable for first-time home buyers, Budget 2019 introduces the First-Time Home Buyer Incentive”.

[*English*]

My first question is as follows: Will this measure in the budget increase the number of families able to have access to a property?

Mr. Paul Taylor: We don't think so, no—

Hon. Steven Blaney: No?

Mr. Paul Taylor: —because the qualification criteria are effectively the same.

Hon. Steven Blaney: Okay.

I listened to Mr. Fragiskatos' question, but I would call it fake news. The budget says that we want to let new families get a new house, but what you're telling me—you're an expert, you're a professional, you're with Mortgage Professionals Canada—is it's zero. The only thing it will do will be for the person who already qualifies. Well, this person will get this benefit at the expense of all Canadians, but they already qualified. Frankly, I'm disappointed in the budget. I was willing to vote against it and now I have one more reason.

[*Translation*]

I'm also disappointed because access to home ownership is a major issue for future generations. As we know, the Liberal government just dug us $20 billion deeper into debt. Future generations will be footing that bill.

One way to build capital is to buy a house. Earlier, you talked about stress tests for mortgages. The Liberals have reduced access to home ownership by implementing stricter criteria. I'm a little disappointed, because access to home ownership is important.

You also said that this measure has negative effects. You talked about resale and the fact that people may not be willing to reinvest.

I'd like to hear what you think, Mr. Wolfe, if I have enough time left.

[*English*]

Mr. Michael Wolfe: My comment about investing or reinvesting in a property is related to the fact that the government would share in the equity if you wanted to do a refinance, add a basement suite or do some landscaping of the property. It's not yet known whether any of those investments back into the property would be shared with the government on the equity share program. When we have those details, we'll be better able to speak to it, but it is a concern we have.

[*Translation*]

Hon. Steven Blaney: It's a concern I have as well, because we want to preserve the value of our housing stock and Canadian assets.

You're saying that this measure gives a new homeowner no incentive to invest in maintaining or increasing the value of their property. This doesn't seem like a particularly brilliant measure to me. In fact, it does the opposite of what was intended.

Thank you for that answer.

[*English*]

The Chair: Okay.

Go ahead.

Hon. Steven Blaney: I thought you told me I was done.

The Chair: You are done.

Pierre wanted to get in on a question, but we don't have time for him either.

We're going to wrap up, but for committee members, keep in mind that the deadline for amendments is five o'clock on May 22.

For the committee's information, and just so people are aware, on Monday, May 27, we start at 11 a.m. and go until 6 p.m. On Tuesday, we start at 8:45 and go until 9 p.m. That's just so people are aware.

Thank you for your presentations, for your debate on the questions. It was a very informative session.

The meeting is adjourned.