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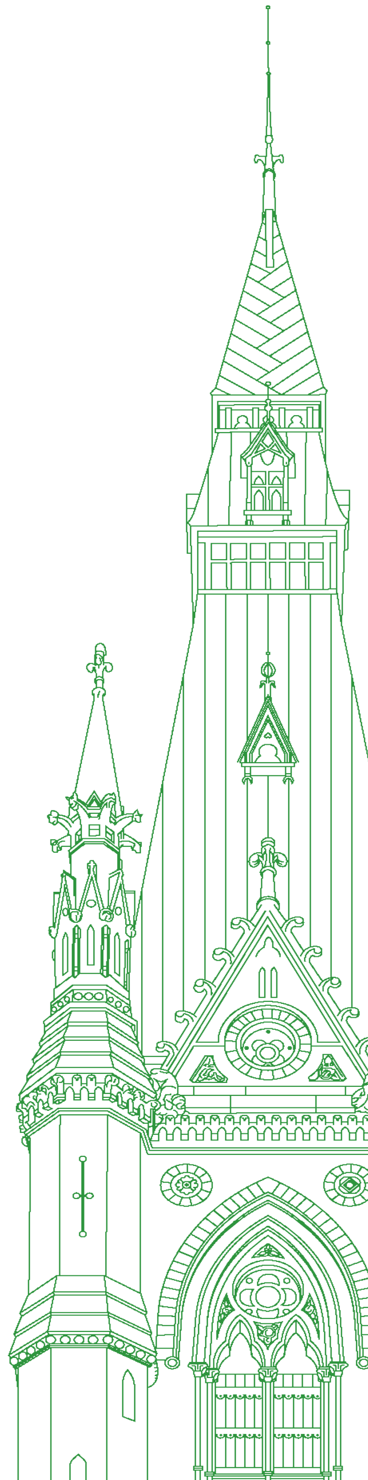

Chair: The Honourable Wayne Easter

Standing Committee on Finance

Tuesday, May 18, 2021

● (1100)

[*English*]

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

Welcome to meeting number 45 of the House of Commons Standing Committee on Finance.

Pursuant to Standing Order 108(2) and the committee's motion adopted on Tuesday, April 27, the committee is meeting to study the subject matter of Bill C-30, an act to implement certain provisions of the budget tabled in Parliament on April 19, 2021 and other measures.

Today's meeting is taking place in the hybrid format pursuant to the House Order of January 25. On your screen you will see everyone, but the system only shows the person who is speaking. That's the system we're operating under.

With that, we'll go immediately to witnesses. I want to thank everyone for coming, some of whom I know on short notice, as we're trying to pile a lot of witnesses in this week. I would ask if you could keep your remarks to about five minutes. That will give us more time for rounds of questions.

We will start with the Association of Day Care Operators of Ontario and Ms. Hannen, executive director.

Andrea, go ahead.

Ms. Andrea Hannen (Executive Director, Association of Day Care Operators of Ontario): Thank you, Mr. Chair, and good morning to everybody.

Thanks for inviting the Association of Day Care Operators of Ontario to make a presentation to the committee. We appreciate the work you are doing to study this bill.

ADCO was founded in 1981 and is the industry association for Ontario's independent licensed child care centres, both commercial and not for profit. Roughly a third of the Ontario families who use licensed child care rely on the services of an independent, licensed child care centre. Typically, these are small businesses owned and operated by women. Many of them are also registered early childhood educators.

ADCO envisions a thriving and diverse independent licensed child care sector. We provide our members with a forum to work together to continually enhance child care quality, affordability and choice for parents. Our goal is to help every family find the right child care fit—for both their child's unique temperament and their family's lifestyle, beliefs, budget and work arrangements. This goal is most achievable when governments prioritize parental choice.

Parental choice has four key elements: one, a diversity of providers, including commercial, not-for-profit and public programs; two, a diversity of settings, including centre-based, home-based, and workplace-based care; three, a diversity of hours, including full-time, part-time, occasional and 24-7 care; and four, a diversity of teaching methods so parents can choose the kinds of learning experiences they want their children to have.

Previous government efforts to introduce child care programs have not prioritized parental choice. Instead, they've funded large, public sector institutions versus smaller private and not-for-profit child care centres. Ontario families have seen this first-hand.

In 2010, when the province launched its full-day kindergarten program, forcing the closure of some 1,200 independent, licensed child care centres—both commercial and not for profit—not only were the kindergarten spaces in these centres lost, so were all of the spaces they provided for preschoolers, toddlers and infants. Since then, licensed child care has been far more expensive and far more difficult for parents to find.

ADCO is concerned that the proposed federal child care plan could have a similar impact across the country. If it follows a similar path—replacing existing child care infrastructure with new, public-sector institutions—it's predictable that similar challenges will occur. These challenges may be even more pronounced because of the diversity of systems we see from province to province. Other organizations across the country share these concerns. Among them are the Canadian Council of Montessori Administrators, the Alberta Association of Child Care Operators and the Child Care Professionals of BC.

Canada's child care sector is already fragile because of last year's extended pandemic closures. Taking a national, one-size-fits-all approach is risky. It could close thousands of woman-owned small businesses, destabilize existing provincial child care systems, and cause chaos for families. This would leave taxpayers having to pay not just to create any new licensed spaces but also to replace all of the spaces that are lost.

Support for all licensed child care centres, regardless of their corporate structure or ownership, is hugely important in mitigating this risk. The most efficient way to do this is to fund families directly, so parents can make the child care choices that work best for them. Not only is this the fastest way to help families who are grappling with child care issues right now; it also helps ensure they'll have access to the broadest range of child care choices for years to come.

In closing, ADCO offers this committee the following recommendations. One, prioritize parental choice by funding families directly through measures such as the Canada child benefit program. Two, respect provincial diversity; don't make funding contingent on changes in the provincial program and don't discriminate against small entrepreneurs who run child care centres. Three, support all child care spaces equally, regardless of whether they are in publicly owned, privately owned or not-for-profit centres.

ADCO looks forward to working with you to help all families find the right child care fit, however they define it. Again, it is about trusting parents and empowering families for the greater good of children and generations to come.

Thanks very much for your time.

● (1105)

The Chair: Thank you very much, Andrea.

We'll turn to Toby Sanger, executive director of Canadians for Tax Fairness, who is not a new witness here.

Go ahead, Mr. Sanger.

Mr. Toby Sanger (Executive Director, Canadians for Tax Fairness): Thank you very much, Chair, and good morning members.

There are a lot of positive measures in Bill C-30, and I'd like to commend the government for introducing them. These include the $15-an-hour minimum wage, extension of COVID and EI benefits, funding for child care, funding for infrastructure, funding for health care and much more. We're glad the federal government will finally apply the GST, starting July 1, to imports of digital services, short-term rentals through digital platforms and goods supplied through fulfillment warehouses like Amazon. This is long overdue but still appreciated, and it is one step towards levelling the digital playing field.

For far too long, Canada has given foreign digital giants—some of the largest companies in the world—generous tax preferences at the expense of Canadian companies and producers. This has contributed to hundreds of business closures, thousands of jobs lost and billions in revenue foregone. Since the pandemic began, it has only gotten worse, as sales by companies like Amazon have exploded while main street businesses across Canada have suffered enormously. The government should eliminate the tax deduction for advertising on foreign Internet platforms. This has contributed to billions in advertising flowing to Google and Facebook, and loss to Canadian media outlets.

We're glad to see the government commit to introducing a digital services tax on the revenues of foreign e-commerce giants starting next year, but the proposed tax will only apply to a small number of companies in specific sectors. Because a digital economy can't be ring-fenced, the Canadian government must also support fundamental international corporate tax reforms at the OECD negotiations now taking place, including support for a global minimum corporate tax at 21% or higher, as U.S. President Joe Biden has proposed; treating multinational enterprises as unitary enterprises for tax purposes; and allocating the profit of multinational enterprises among countries using real economic factors, just as we do among provinces in Canada.

We're glad the government has also finally taken some action on restricting a number of corporate tax loopholes and the stock-option deduction loophole. However, we believe the stock-option deduction loophole should be completely closed instead of just partially closed.

This government should also take inspiration from U.S. President Joe Biden, who is planning to eliminate lower tax rates on capital gains for the wealthiest. It's unconscionable that the wealthiest in society pay a lower tax rate on their investment income than ordinary working people pay on their employment income. This is something that wealthy investors, such as Warren Buffett, Bill Gross and Bill Gates agree with eliminating.

Speaking of the wealthy, inequalities of wealth have only gotten worse during the pandemic, with Canada's billionaires increasing their fortunes by about $80 billion over the past year. A mildly progressive wealth tax on fortunes of over $10 million could raise about $20 billion a year. I'm glad that this government has committed to identifying ways to tax extreme wealth in its throne speech, but disappointed that there was nothing about it in the budget. A large majority of Canadians, including Conservative supporters, support having a wealth tax. Even the IMF and OECD both recently called for countries to introduce and expand inheritance and wealth taxes. I hope to see them in a number of different election platforms soon.

Just as Canada's billionaires have become much wealthier during the pandemic, many large corporations have made record profits. The study we released yesterday revealed that 50 of Canada's large corporations made record profits last year, with a number of them also collecting the CEWS wage subsidy and paying low rates of tax. When the CEWS program was first introduced more than a year ago, I was the first to call for much stronger conditions. This would have prevented the type of misuse and wastage of public funds that we've seen with this program. We should now do what we did during the world wars and what the IMF recently suggested and introduce an excess profits tax and pandemic surtaxes on those who have profited excessively during the pandemic, to recover some of those public funds.

We're glad the government is making carbon incentive payments more visible. We've advocated for this for many years. However, the federal carbon pricing framework also needs to be significantly strengthened by ensuring that large emitters pay the full carbon price and by applying carbon tariffs and rebates on imports from and exports to countries without carbon pricing so that Canadian industry and jobs aren't adversely affected. We also need to finally eliminate the federal fossil fuel subsidies. It's long overdue that we end this climate hypocrisy.

● (1110)

Finally, I'd like to commend the finance Minister for committing to introduce a public registry of the real owners of companies. This will help reduce money laundering, tax evasion, and other criminal activities.

The federal government should also increase transparency and accountability in other ways, including strengthening whistle-blower protections, and requiring that large multinational corporations publish country-by-country reports of their sales, profits and taxes paid.

Thanks very much, and I look forward to a further discussion and questions.

The Chair: Thank you, Mr. Sanger.

We'll turn to the Maritime Fun Group, and Mr. Matthew Jelley, president.

Mr. Matthew Jelley (President, Maritime Fun Group): Thank you, Mr. Chair, for the opportunity to be here today.

Together with my three brothers, we own and operate a number of tourism attractions in Prince Edward Island and New Brunswick. They are amusement parks and water parks. As you can imagine, COVID-19 has been devastating to our businesses.

About 90% of our revenue occurs in the June to September period. We are very highly seasonal and very highly focused. This will represent my 32nd year in this business. It will be by far the most challenging year we expect to have, even more challenging than last year.

Over the years, we have reinvested and expanded our businesses. We continue to grow and expand them. We've tried to do all of the right things by investing in our facilities and becoming more year-round with our seasonal and administration teams. We went from a business that used to close for six months, and not even open the mail, to one that now has 15 year-round employees in New Brunswick and Prince Edward Island combined.

During the peak season in 2019, our Prince Edward Island operations would have 350 employees, and New Brunswick would have 200. Unfortunately, in 2020, we lost over 70% of our sales due to both capacity constraints and travel restrictions. Despite that, we were very proud to be able to employ 198 people on Prince Edward Island last summer and 115 in New Brunswick. For many, that is a household's primary income, benefits, and good jobs; for many others, it's a tuition payment, living expenses, and an income to set them up for the winter.

We are proud to be an employer that brings many people into the workforce and helps support them during their early years.

Budget 2021 has proposed extending the CEWS and CERS programs, while making drastic changes. Not only will these end in September, but supports for the hardest hit businesses will be decreased from over 75% in June to only 20% in September.

I wish these programs were no longer necessary and we could get back to welcoming thousands of guests everyday to our businesses without any thoughts of government assistance. While I share the government goal in getting to the point where this program is no longer needed, now is not that time.

By way of illustration, I'll give you the case study of our Shining Waters Family Fun Park. In a normal year, we could expect a $250,000 surplus, which would go to paying down debt and expanding our business. Last year, we lost $300,000. Under Budget 2021, and its most generous interpretation, that loss will widen by $70,000.

At our sister company, Sandspit, that loss will widen by a further $160,000 as a result of the decreased percentages in this year's budget. Instead of paying down debt or investing to grow our business, we are borrowing money simply to keep the lights on. It's unreasonable, at this point, to expect us to go further in debt to fund our operations under these conditions. It's simply not an option.

Unfortunately, this situation is going to continue until June of next year. We know now what the situation is for our businesses. We know now that this summer is going to be very challenging.

Mr. Sanger touched on it, and the media have certainly touched on it, that there have been abuses of the CEWS program. I share the concern about companies accessing the program that do not require it, but the answer is not to eliminate the program or to cut it back. The answer is to strengthen it, retarget it, and focus it on its objectives.

My business is among the tens of thousands that need this program. We cannot allow high profile abusers of the program to ruin it for those truly impacted, those truly deserving of assistance.

As it is constructed, the program will disappear on its own. It does not require the government to predict vaccination rollouts, efficacy or public acceptance. The government doesn't have to make predictions about compliance with public health directives or the emergence of additional variants. It does not require the government to predict changes of travel restrictions, border openings or air capacity. In a world full of uncertainty, the CEWS program provides a rare backstop that our businesses can depend on, and on which we can make appropriate decisions.

Last week, the Public Health Agency of Canada released a blueprint for summer stating that, with one dose protection, people will still be encouraged to avoid crowded areas, even outdoors. That leaves no doubt about the fate of our businesses for the upcoming season. There's nothing to be gained by waiting longer to make decisions for our business. We need to know now to make decisions on how to prepare.

● (1115)

Without any hay in the barn from this season, making it through next winter will be more challenging than this past winter. I have a decision to make. Do I close now and protect what capital I do have, or do I try to open under a very large amount of uncertainty?

We have made significant changes to how we manage our attractions, how we manage capacities and how we ticket things. Unfortunately, there's no pivot for a Ferris wheel or a roller coaster. They are good for only one thing. I can't just go and open longer into winter, whenever travel and tourism recover. The season ends for me on Labour Day, when kids are back in school.

The support that CEWS and CERS have offered highly affected businesses has allowed us to survive until now. Since the onset of the pandemic, we've been able to maintain all of our permanent staff. None of our employees have been asked to take reduced pay or furlough pay under the programs that were allowed. No one missed a paycheque even in the darkest days of March and April last year. I'm proud of what we were able to manage. I'm grateful for the assistance we received.

We cannot stop now, as the finish line is in sight. Look at the criteria. Look at how the program is applied. I encourage that, but we cannot wind it back now when things are still so uncertain in our industry. Tourism is going to be in need. It was the first affected. It will be the last to recover. It had the most devastating impact for the most sustained period of time. Even the recovery will not be a magic switch. We have to rebuild customer confidence. We have to restore transportation routes. We have to rebuild our human resource base at our businesses. Please extend the availability at the existing rates. Please allow us to contribute to the recovery for all Canadians.

Thank you, Mr. Chair.

● (1120)

The Chair: Thank you very much, Matthew.

We'll turn now to the Ontario Real Estate Association with Mr. Santos, chair of the government relations committee.

Mr. Santos, you're on.

Mr. Brian Santos (Chair, Government Relations Committee, Ontario Real Estate Association): Thank you, Chair.

Good morning, members of the committee. My name is Brian Santos. I'm a broker with Peak Realty in the Waterloo region, about an hour southwest of Toronto. I'm here as the chair of the government relations committee of the Ontario Real Estate Association.

By way of background, OREA is the trade organization that represents Ontario's 80,000 realtors and 37 local real estate boards across the province.

We are here today to speak in support of Bill C-30, the budget implementation act, and the measures that will help remove dirty money out of the real estate market, encourage more green energy retrofits and connect more Ontarians with broadband Internet. These measures will help hard-working Canadians and our economy bounce back from COVID-19 and set the stage for future economic growth, job creation and recovery.

I'd like to start by outlining our support for specific measures in Bill C-30.

First, it aims to get dirty money out of the real estate sector. It commits to creating a national beneficial ownership registry, something that OREA has advocated for for quite some time. Money laundering is a multi-billion dollar problem in our housing market and contributes to the crowding out of hard-working families looking to achieve their dream of one day owning a home. Ontario realtors do not want to see a single dollar of dirty money competing against hard-working young families in our housing market. That is why OREA commends the government and its commitment to create a national beneficial ownership registry. A registry will help make it harder for illicit funds to enter the country through the purchase of real estate by removing the anonymity of perpetrators of money-laundering crimes. By giving law enforcement and our government an important tool to keep dirty money out of Canada's housing market, those who are pushing home ownership away from hard-working Canadians can be identified and held accountable.

OREA is also pleased to see the government's plans to help make homes more energy efficient through investment in the Canada Mortgage and Housing Corporation over the next five years. Providing Canadian homeowners with interest-free loans will help them make their homes more energy-efficient by completing home retrofits, such as insulating their home, installing solar panels or replacing old windows and doors. OREA wants to ensure that the housing sector is doing its part in reducing our country's GHG emissions. Encouraging green home renovations will not only reduce the housing sector's contribution to these emissions, but will also help Canadians lower their energy bills, allowing them to put their hard-earned money elsewhere or save for retirement.

The proposed program will also encourage clean growth by establishing an industry for energy-efficient retrofits, generating economic spinoff activity, helping to kick-start the economy and creating new jobs.

Finally, as many Canadians look to move to more rural and smaller communities, having access to reliable high-speed Internet has become more essential than ever. One of the top questions realtors are asked by their clients when looking for a new home is about the quality of the Internet. The commitment to increase broadband investment over six years through the universal broadband fund will support a more rapid rollout of broadband projects in collaboration with the work currently being done in provinces and territories to ensure that every corner of the country is connected. The investment will help Canada reach its goal of having 98% of the country connected through reliable Internet service by 2026. Investing in broadband across the country will help address the infrastructure and competitive gap in our smaller communities. This new investment will ensure that more Canadians will be able to work remotely, creating jobs and reversing outmigration in more rural communities in Canada. In a modern economy where remote work is increasingly more common, especially now with the onset of the pandemic, Canada cannot compete globally if its people and businesses can't access good Internet service.

I would also like to take this opportunity to highlight other measures within Bill C-30 that OREA was pleased to see included.

The proposed GST new housing rebate will allow homebuyers to recover 36% of the GST paid on the purchase of a new home priced up to $350,000, for a maximum rebate of $6,300. Applying this rebate to lower and middle-income Canadians will make home ownership more accessible and affordable for more Canadians.

● (1125)

Additionally, with the pandemic creating a decrease in demand for retail and office space, expanding the rental, construction and financing initiative will support the conversion of vacant commercial property into new housing. This funding will assist in the development and conversion of commercial property space across Canada into hundreds of units of rental housing.

Last, the support of public transit projects across Canada will bring forward new subway lines, LRTs, electric buses, active transportation infrastructure and improved rural transit. The proposed new permanent funding will provide communities with the opportunity to plan for new transportation projects, which will encourage the creation of greater housing supply and make more desirable places to call home.

As Canada continues to look to get our economy back on track, Ontario realtors believe that housing has the potential to lead the recovery. OREA is pleased to see that Bill C-30 proposes support for the housing sector in a number of ways to help the government's efforts in putting Canada on the path to recovery.

Thank you, Chair and members of your committee, for your time. I am happy to answer your questions, should there be any.

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

We will turn then to Réseau FADOQ and Ms. Tassé-Goodman, president and provincial secretary.

[*Translation*]

Ms. Gisèle Tassé-Goodman (President, Provincial Secretariat, Réseau FADOQ): Thank you, Mr. Chair.

Ladies and gentlemen of Parliament, thank you for inviting me to appear before your committee.

My name is Gisèle Tassé-Goodman. I am the President of the Réseau FADOQ. With me, is Philippe Poirier-Monette, FADOQ's Collective Rights Advisor.

The Réseau FADOQ is a network of people aged 50 and over, with more than 550,000 members. In each of our political activities, we strive to improve the quality of life of seniors. In recent years, the federal government has taken some positive steps on behalf of seniors.

It was essential to keep the age of eligibility for the old age security pension and the guaranteed income supplement at 65. Automatic enrolment for the guaranteed income supplement for those eligible for the program was needed. The increase in the guaranteed income supplement was also well received, and the increase in the earnings exemption for the guaranteed income supplement is appreciated by the many experienced workers with low incomes.

Those were steps that our organization appropriately applauded. However, our concern today is about the federal government's choice to increase old age security pensions by 10% only for those aged 75 and older.

Although the Prime Minister was consistent with his 2019 commitment, thousands of seniors from 65 to 74 were hit hard by the measures announced in the recent federal budget. Our organization recommends that the 10% increase in old age security go to all those eligible for the benefit, so as not to create two categories of seniors.

For the Réseau FADOQ, a precarious financial situation is clearly not a matter of age. At 65, many have as much difficulty making ends meet as those aged 75. Today, a person receiving only the old age security pension and the maximum amount under the guaranteed income supplement would have an annual income of $18,505, which is below Canada's official poverty line.

In the Poverty Reduction Act, passed in 2019, the Government of Canada chose to retain the market basket measure as the metric for the official poverty line in Canada. For 2021, that market basket measure varied between $19,564 and $21,132 for a single person, depending on where they live.

It is unacceptable that a person receiving only the old age security pension and the guaranteed income supplement does not reach those thresholds. We must remember that the market basket measure is intended to reflect the cost of a modest basket of goods and services representing a basic standard of living.

Those with incomes at that level are not living, they are surviving. Furthermore, some items essential for household well-being are not included in the market basket measure. This is the case for some non-reimbursable healthcare, such as dental care, vision care and the cost of medications.

Let us not forget that, as they age, people have regular expenditures that can be greater than those in other age groups. These include the cost of medications and support items.

For the Réseau FADOQ, it is clear that amounts provided for the old age security pension and the guaranteed income supplement must, at a minimum, cover the basic needs in the market basket measure. As a starting point, the federal government must commit to increasing old age security benefits by 10% for all seniors eligible for the program, starting at age 65.

The proposed increase should be in effect for everyone, with no discrimination based on age. The Réseau FADOQ estimates that the federal government must also increase the amount under the guaranteed income supplement by $50 per month. By combining those two increases, a senior receiving only the old age security pension and the guaranteed income supplement would have an annual income slightly above the lower level of the thresholds set by the market basket measure.

This is the very least that seniors in Quebec and Canada must be able to expect from their government.

I would like to thank the committee members for welcoming us. We are ready to answer your questions.

● (1130)

[*English*]

The Chair: Thank you very much, Ms. Tassé-Goodman.

Before I go to the last witness, the lineup for the first round of questions will be Mr. Fast, Ms. Koutrakis, Mr. Ste-Marie and Mr. Julian.

We'll now turn to the Tourism Industry Association of Prince Edward Island, with CEO Corryn Clemence.

Corryn, the floor is yours.

Ms. Corryn Clemence (Chief Executive Officer, Tourism Industry Association of Prince Edward Island): Good afternoon to my fellow Islanders, and good morning to those from across the country.

Thank you for the opportunity to present to your committee again, a mere month after my last presentation. As the CEO for the Tourism Industry Association of Prince Edward Island, I have spent this past year reaching out to operators and identifying the ongoing challenges that our industry has faced since the onset of the COVID-19 pandemic.

With the initial shutdown of our industry back in the spring of 2020, tourism on Prince Edward Island faced that challenge with cautious optimism, opening to Atlantic Canada in July. While the season itself was difficult, many operators would not have survived without the full support of the Canada emergency wage subsidy. This program provided the assurance that operators needed to keep staff working and keep the doors open to the limited visitors we did have.

Decisions made last year were done with the optimism and hope that the 2021 season would bring us back to a more normal tourism year with increased capacities, further border restrictions lifted, and the vaccination programs being rolled out across the country. As we are on the brink of kicking off another summer season, operators are now faced with a third wave of the COVID-19 pandemic, enhanced border restrictions, and a beleaguered mindset.

In the recent announcement of the 2021 federal budget, the proposed wage subsidy decline would set many operators further behind than last year, and the uncertainties of both subsidy programs and restrictions leave many facing the impossible decision of remaining closed again and the harsh reality of not surviving the year. Some of our small owner-operators are balancing financial struggles, staffing issues and COVID protocols all at once, while navigating through the federal and provincial programs, looking for any type of assistance to help them through. The mental health strain is clearly visible, and we will continue to be concerned for these struggling Canadians. In what is a traditionally seasonal destination, these operators have a six-month window of opportunity to drive sales, pay staff, cover debt load, and plan to retain enough revenue to cover 12 months of expenses from the six months of business.

The Canada emergency wage subsidy and the Canada emergency rent subsidy programs provide a backstop for our businesses to keep those staff employed and keep the doors open during these difficult times of reduced capacity and border restrictions. While numbers for visitation and sales remain low, programs such as these have been a lifeline for tourism and hospitality businesses across the country. It is important to note that as visitation and sales increase, these subsidy programs in their current capacity naturally decline and become obsolete.

Should operators make the decision to shutter their business for the year, I want to highlight the domino effect that these decisions have on communities, other operators and our tourism product overall. For example, as Matthew mentioned earlier, if a main attraction in one of our smaller communities makes the decision to stay closed, this has detrimental implications to local accommodation providers, restaurants and retail businesses. We need to find ways to ensure that these businesses are equipped and able to open to protect the industry in both a rural and urban capacity. Demand-drivers like these are the reason for many to make travel plans, and without them, everyone suffers.

As we move to reopening to the rest of Canada, our industry is faced with the reality of no meaningful tourism on Prince Edward Island until the 2022 year. Even if they survive the 2021 season, without the ability to generate meaningful cash flow, they are looking at a long winter to prepare for what is hopefully an improved 2022. The industry will not see the 2019 levels of visitation and expenditure that we enjoyed only a couple of years ago, but is at the start of a struggle back to the thriving industry we once were. With that, our focus is on ensuring the survival of our operators and recognizing the importance of not only surviving but finding a way to see capital infrastructure investments and upkeep so that these businesses are well-positioned to welcome back visitors to our island.

We are not out of this pandemic yet, and our tourism and hospitality industry faces its biggest challenge to date: surviving a second year of pandemic lockdowns and limited ability to operate. We are asking the Government of Canada to maintain the Canada emergency wage subsidy program and the Canada emergency rent subsidy program at their current rates until the time comes for people to travel and restrictions are eased. Our industry is focused on people interacting, travelling and coming together.

● (1135)

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

We will turn, then, to the first round of questions. We'll start with Mr. Fast, followed by Ms. Koutrakis.

You have six minutes, Ed.

Mr. James Cumming (Edmonton Centre, CPC): Thank you, Mr. Chair.

Mr. Fast has yielded to me, so I'll be taking his spot.

The Chair: Okay.

Mr. Cumming, go ahead. You're on.

Mr. James Cumming: It's good to see you again, Mr. Chair. Thank you to all of the witnesses today.

I want to start off with Mr. Jelley.

Mr. Jelley, I have enormous empathy and respect for you as an entrepreneur and the crisis you're working through with those losses through what has been a very active business.

I want to talk to you about a couple of things. Is it not time that we looked at these supports with more of a risk analysis and a targeting...? Obviously, the government can't carry on these levels of support across the board. It's just not sustainable.

Would you not agree that we should now do a better risk analysis and have actual targeted supports?

Mr. Matthew Jelley: Thank you, Mr. Chair.

Thank you, Mr. Cumming, for your question.

I participated in a chamber of commerce video here five years ago promoting entrepreneurship, where I said that it's not realistic for us all to work for the government. I didn't realize that five years later that might come back to hit me.

I do agree. I highlighted in my comments that I think it is an opportunity to retarget and refocus, but what I am saying is that in tourism and hospitality, if we're looking to retarget, we are there. If we're talking about businesses down by more than 50% or more than 70%, those are the places where I feel we should be.

As far as public companies, private equity funds and very large companies are concerned, I think there are lots of policy considerations for you and your committee members. It is not my place to do that. For us, for small businesses and for those most highly affected by the pandemic through no fault of their own from the double whammy of travel restrictions and capacity limits, our businesses have been so devastatingly hit. Certainly, and all biases declared, I think we're in that category that is well deserving.

For a business that's down 11%...is it time to start weaning those off...? Certainly I think that's a very fair consideration.

I'm more than happy to share my financial situation, how it's impacted us and what that means. It's a water park designed to and does hold 3,000 to 4,000 people a day and is limited to less than 500. Expenses don't change. We still need to have lifeguards. We still need to have the water flowing on the waterslides. We still need to pay the insurance company.

● (1140)

Mr. James Cumming: Thank you for that.

Without question, I know that you would just like to be back in business and not on the support wagon. Unfortunately, we haven't seen the volume of vaccines for that to happen. Hopefully, it will partially happen this summer, but so far I don't think we see indication of that.

Have you looked at other jurisdictions for guidance, in terms of some of the efforts they've taken with opening larger-scale businesses, relating to rapid testing or tracing, and some of the activities they've gone into? I know that to open up in the U.K., they've put some standards in place.

Is that something you see as being important to your industry?

Mr. Matthew Jelley: Certainly. Our most obvious comparison in the amusement industry, and probably the largest component of it, is next door in the United States where there's been a whole different approach to COVID-19 and how it's been managed. Some of those parks remained open through most of this. Many in the last couple of weeks have ramped up to full capacity with the removal of mask mandates. I'm not really sure how all that is going to work out.

Locally, we have to work with our chief public health office. In Prince Edward Island, we have benefited for the most part and from a public health point of view, but we have an extremely conservative and careful approach. Rapid testing—and that being administered in businesses and that—has not been part of their current arsenal. It's something we would certainly look at and we have been doing a jurisdictional scan.

Ultimately, if travel restrictions and capacity limits aren't going to be lifted in the next 30, 40 or 50.... This season is gone. As for a recovery in August, I can't just open an amusement park full speed on August 1 and run it for 30 days. It takes time to get there. There have to be procedures in place.

We are looking. We would certainly welcome any different approach, less so looking at Europe and more so currently looking at the United States.

Mr. James Cumming: Thank you, Mr. Jelley.

Ms. Hannen, you caught my ear with your presentation. Thank you for being here today.

It sounds as if your belief, if I were to frame it, is that for child care, the choice is not with levels of government, but it should be with parents and individuals.

Ms. Andrea Hannen: Yes. That's absolutely right. I think the number one consideration is that we have to preserve parental choice.

Mr. James Cumming: In preserving that parental choice by having those funds go directly to parents to make that choice, do you think it will create the spaces needed? Will the market take care of itself by making sure there's adequate funding to try to reduce the cost?

Ms. Andrea Hannen: Yes. I believe so. Certainly, what we've seen when there's been government intervention, picking winners and losers in terms of what parts of the sector they want to expand to create spaces, is that it has invariably resulted in fewer spaces overall.

If you fund families, and families want licensed child care, licensed child care owner-operators and not-for-profits that provide licensed child care are very quick to respond to community needs. They create the number of spaces that are needed. They tend to create them exactly where they're needed.

The Chair: This is your last question, James.

Mr. James Cumming: Do you think there's a jurisdiction, whether it be within the provinces or within Canada or elsewhere, that has really designed a program that works very effectively and that you would suggest we should model after?

Ms. Andrea Hannen: I think all provinces have some strengths and some weaknesses. It depends a lot of times on which government is in power at the provincial level. I think the big weakness we see is when any government tries to pick winners and losers. If you try to direct expansion only in the public sector, well, then you invariably lose centres in the independent licensed sector, whether they're commercial or not-for-profit. If you try to expand the not-for-profit sector by favouring that sector with subsidies or grants or things like that, then invariably you see closures in the commercial sector.

It's very important not to pick winners and losers. Really, just from a basic common sense level, parents will always pick the licensed child care providers they feel are best for their children, and will make other kinds of child care arrangements as well, if that's required. We have to trust parents. Parents know better than governments how to raise children.

● (1145)

The Chair: We have to move on to Ms. Koutrakis, followed by Mr. Ste-Marie.

Ms. Koutrakis.

[*Translation*]

Ms. Annie Koutrakis (Vimy, Lib.): Thank you, Mr. Chair.

Welcome to all our witnesses and thank you for joining us this morning.

My first question is for Ms. Tassé-Goodman.

Ms. Tassé-Goodman, welcome once more to the Standing Committee on Finance.

Budget 2021 proposes to launch the Aging in Place Challenge Program, which will help community organizations provide support to low-income and more vulnerable seniors so that they can stay in their own homes longer. The program will include a service to prepare and deliver meals, home repair, transportation and other daily tasks that will make seniors' lives easier.

We know that the growth in Canada's aging population will very shortly begin to exert pressure on our care systems, on healthcare, and on existing care facilities. Given that situation, how important is it for us to improve the ability of seniors to live in their own homes longer by means of initiatives of this kind?

Ms. Gisèle Tassé-Goodman: Thank you for the question.

We know that most seniors choose to live in their own homes, close to their families and their circles of friends. It is a kind of reassurance for them.

An increase of 10% in the old age security pension for seniors aged 75 and over was announced in the 2021 budget. We believe that, to help the people in need, that increase should be given to all seniors eligible for the pension. Not to do so may well create two categories of seniors.

Those aged 65 and over are feeling a huge amount of fear and distress at the moment. They are telling us that they are having difficulty making ends meet. We are therefore asking the federal government to change its approach and, starting in 2021, to increase the old age security pension for everyone aged 65 and older.

Ms. Annie Koutrakis: Ms. Tassé-Goodman, have you also received comments on this from those aged 75 and over? Do they feel that the increase would help them?

Ms. Gisèle Tassé-Goodman: The increase will certainly help them and we cannot be against that.

However, we can see that a number of those aged 65 and over are women, and caregivers at their parents' bedside. They are caregivers, but they are themselves seniors, and becoming poorer because they have to go with their parents to the doctor, to the hospital, for example, and have to pay parking, gas and meals from their own pockets.

Those aged 65 and older are themselves seniors, and in a precarious financial situation. We cannot deny that those aged 75 and older travel less, because, in many cases, they receive services from their children. That is why we believe that the 10% increase must be revisited and made available to all seniors who are eligible for the old age security pension.

Ms. Annie Koutrakis: Thank you, Ms. Tassé-Goodman.

[*English*]

My next question is for Mr. Sanger.

With regard to the $304-million investment in the CRA that was announced, your organization compares the revenue projections of the federal government with the estimates presented by the PBO. While the federal government predicts revenues of $810 million over five years, the PBO's analysis suggests that revenues could be much higher, with the federal government receiving five dollars for every dollar it invests in the CRA for tax compliance.

What are your thoughts on the discrepancy between the federal government's revenue estimates and those suggested by PBO analytics? From your perspective, what revenues will be generated from this $304-million investment?

● (1150)

Mr. Toby Sanger: It's hard to predict how much will be generated. The PBO estimates were for increased resources, particularly in the business programs. They show a strong rate of return, at five dollars for every dollar invested. Estimates from the United States show approximately a 10:1 return.

It's hard to predict this exactly, but I think each of these estimates shows that there is a really strong return from reinvesting in the CRA, in enforcement and in auditing. However, this needs to be combined with some political will to go after tax dodgers, as well as stronger legislation in different ways. The CRA has taken some of the larger corporations to court, but in some cases they haven't won. We need stronger legislation in that way and political will at the senior levels of the CRA to pursue some of these cases and prosecute them. Frankly, I don't like to call for more money for lawyers, but we need stronger prosecution in a lot of ways, because people can often be outgunned in court.

The Chair: I'm sorry, Annie, but we'll have to move on.

Ms. Annie Koutrakis: Thank you.

The Chair: We'll go to Mr. Ste-Marie, followed by Mr. Julian.

Gabriel.

[*Translation*]

Mr. Gabriel Ste-Marie (Joliette, BQ): Thank you, Mr. Chair.

My regards to all the witnesses and my thanks for their presentations. They were very interesting.

My questions will go to Ms. Tassé-Goodman and Mr. Poirier-Monette, to whom I also send my regards.

Ms. Tassé-Goodman, your presentation could not have been any clearer. You do not want two categories of seniors. You reminded us clearly that seniors from 65 to 75 also have many financial worries.

One point in your presentation struck me. You said that, even including the increase announced for those aged 75 and over, not for this year, but in more than a year from now, the amount of the old age security pension will still not be enough to raise seniors above the poverty line. They would not even reach the lower level of the poverty line. Is that correct?

Ms. Gisèle Tassé-Goodman: That is correct.

Mr. Gabriel Ste-Marie: So that is why you are also suggesting an increase of $50 per month to the guaranteed income supplement, which would just reach a survival level. You reminded us that a Poverty Act was passed in 2019.

Do you have any comments on the link between that 2019 act and the bill that is currently under study?

Ms. Gisèle Tassé-Goodman: For that, I will hand over to Mr. Poirier-Monette.

Mr. Philippe Poirier-Monette (Collective Rights Advisor, Provincial Secretariat, Réseau FADOQ): Good afternoon.

Thank you for the question, Mr. Ste-Marie.

When a poverty line is established, one expects the government's benefits for the less fortunate to come up to that line at a minimum. That is basically what we are saying. Although we would like everyone to get the 10% increase, it would be desirable to have another increase, specifically to the guaranteed income supplement.

As for the market basket measure, some goods and services are not included, such as dental care, foot care and the purchase of medications. A whole host of goods and services that should be considered in the market basket measure are currently not.

Mr. Gabriel Ste-Marie: Thank you.

I would like to emphasize one point that always strikes me when I am having discussions with seniors. I am told that the Government of Quebec provides hearing-impaired seniors with a low-quality hearing aid, and for one ear only. Even if the necessary increases were provided, we are still dealing with survival level, as Ms. Tassé-Goodman said.

In his reaction to the budget, Gérald Fillion, a Radio-Canada reporter who specializes in the economy, talked about a study analyzing the situation in 50 or so countries. It shows that Canada is one of the worst countries in terms of replacement rates. That means the income that a person earns when retired in comparison to the income they earned when they were working. It's almost half, not even 51%. The average for the countries in the Organisation for Economic Cooperation and Development, the OECD, is seven points higher and the average in the European Union is 63%.

We in the Bloc Québécois are proposing an increase of $110 per month for those aged 65 and older, simply to bring the average closer to that in the OECD.

Ms. Tassé-Goodman or Mr. Poirier-Monette, do you have any comments on those statistics?

● (1155)

Ms. Gisèle Tassé-Goodman: Mr. Poirier-Monette, do you want to answer that question?

Mr. Philippe Poirier-Monette: Yes, I will be glad to.

We submitted a brief on that issue to the committee. We specifically address the income replacement rates in Canada compared to the other countries of the OECD. Canada is not the worst, but is not the best. We used an analysis from the D'Amours report. The analysis showed that, in terms of old age security, the replacement rate has been going down over the years while the Québec Pension Plan and the Canada Pension Plan continue to follow salaries. Each year, the maximum eligible earnings increase is commensurate with the average salary, meaning as salaries increase.

We point this out, because the old age security already replaces income at a rate that does not vary from person to person. The higher your salary, the less the old age security is going to help you when you retire, on a proportional basis.

We are of the opinion that the way old age security is indexed should be improved, at very least to avoid any impact from increasing salaries, which are going up faster than the consumer price index, the CPI.

[*English*]

The Chair: We will have to move on.

[*Translation*]

Mr. Gabriel Ste-Marie: Thank you.

[*English*]

The Chair: We will go to Mr. Julian, followed by Mr. Falk and Ms. Jansen on a split.

Go ahead, Peter.

Mr. Peter Julian (New Westminster—Burnaby, NDP): Thanks very much, Mr. Chair.

Thanks to all of our witnesses for being here today. We hope you and your families continue to be safe and healthy as this third wave crashes on our shores.

Thank you for your important testimony on the many concerns that Canadians have with the lack of a budget addressing real needs in so many ways.

I'd like to start by asking Mr. Sanger a question.

Mr. Sanger, you've been very eloquent about previous crises like the world wars. We had strict laws against profiteering and to ensure that we were all in this together. Today you point out that Canadian billionaires have reaped over $80 billion during this pandemic. There is no wealth tax. Canadian corporations are at record profit levels. There is no tax on excess profits.

At the same time, we see in this budget bill the slashing of COVID benefits while the third wave is crashing on our shores: students being forced to pay their student loans; 60% of seniors excluded from even a modest top-up, which would bring them closer to the poverty line; people with disabilities getting no supports at all; an increase in homelessness; 10 million Canadians who can't pay for their medication, and the government says we can't afford pharmacare.

My question for you is simply this: Is there a cost that we pay as a society, and do Canadians pay a cost, for the fact that we have such an inequitable tax system, with banks and billionaires able to reap the profits and profiteer during a pandemic while so many Canadians struggle?

Mr. Toby Sanger: Absolutely, there is a cost. We came out with a tax fairness recovery plan before the budget in which we outlined a number of ways the federal government could generate over $70 billion in additional revenues. These could then be used both for paying for the pandemic by helping to fund the recovery and by introducing new programs such as those.

I do want to say that, after hearing the testimony of others, I really do want to commend parliamentarians and the government for bringing in really important programs. I do think that Canada's programs were some of the best in the world, but I do get concerned when some of them are not that well targeted, which then undermines confidence in government programs. Not only does it cost more, but it also undermines confidence in government programs.

The method of moving forward with things like the CEWS program can be problematic in that way. It would be better if it were targeted at those who really need it, and funds then don't go to things like hedge funds or highly profitable businesses, as we have outlined.

Then there are also different ways that the government could recover some of those funds, such as through an excess profit tax or through other things. We have really seen increasing inequality during this pandemic, and I think people are really compassionate and understanding about what's happened.

We do need to move forward, and there are a lot of ways that the government, which has very large deficits, is going to have to pay for these. There are a lot of ways that government can move forward by taxing the highly profitable corporations and the wealthy who have done very well not only over the past decade but over the pandemic as well.

● (1200)

Mr. Peter Julian: Thank you for that.

I flagged the government announcement of just a few days ago as well. They don't have the money or the resources to ensure that indigenous communities have safe drinking water—dozens of communities have poisonous water—and the government continues to pretend that it just doesn't have the resources to handle these issues.

I think you've pointed out an important point from the use of the wage subsidy. We've had companies that have used that subsidy for dividends, stock buybacks and big executive bonuses.

The government is saying that it is dealing with overseas tax havens—and I'd like to come back to that—which the PBO estimates cost us over $25 billion every year. CRA officials told this committee just a few months ago that they don't have the legislative framework to even tackle the widespread tax evasion that we're seeing through the use of overseas tax havens.

What could the government be doing to tackle, in a serious way the chronic blight on Canada of $25 billion a year going to overseas tax havens rather than being used to meet the needs of people in our country?

Mr. Toby Sanger: That's why I went into a bit more detail in my statement. There are some really important negotiations taking place this year through the OECD and G20 on a fundamental reform of international corporate tax rules. The majority of the revenues lost are on the corporate side, and most of them go to larger corporations and foreign corporations.

If we're talking about increasing competitiveness and the strength of the Canadian economy and businesses, we really need to address this problem. It's not just the lost revenues. Canada, actually, has a very good system of allocating taxable income between provinces, according to real economic factors.

If we implemented some of those rules that are under discussion at the international level, and if Canada were a champion of that, then we could largely do away with the problem of losses through tax havens and international tax dodging in different ways, so that—

The Chair: We are going to have to end it there, Mr. Sanger.

We will now go to a five-minute round.

Mr. Falk and Ms. Jansen are going to split the first period, and then we will go to Ms. Dzerowicz.

Go ahead, Mr. Falk.

Mr. Ted Falk (Provencher, CPC): Thank you, Mr. Chair. Actually, Ms. Jansen is going to take the next round, so I'll take the full five minutes.

Thank you to all the witnesses this morning. Your testimony has been very interesting and has provided our committee study with some very valuable information.

Ms. Hannen, in your earlier comments you talked about the choice for parents and how important it is that we leave Canadian parents with a choice. In your press release, following the government's announcement of a Canada-wide early learning and child care system, you said that this approach could see many families winding up with fewer child care choices.

I'm wondering if you could explain how a one-size-fits-all approach would limit the choice of parents. What would you recommend instead of that?

● (1205)

Ms. Andrea Hannen: First of all, we've seen parental choice limited in Ontario through the full-day kindergarten program, so we have some experience with this. Prior to the introduction of the full-day kindergarten program in the schools, a lot of the full-day kindergarten programming was provided by independent licensed child care centres.

When the government rolled out its full-day kindergarten program, it said that it would be free, except it wasn't. It also wasn't the same program, when it was in independent licensed child care centres. When it was in independent licensed child care centres, it was fully regulated under the Day Nurseries Act at that time, which is now the Child Care and Early Years Act, so it went from being a very regulated type of environment with very strict quality standards to being a much more basic kind of program. It also wasn't free.

The little bit of care that you need at the beginning and end of the day, what we call “wraparound care”, that mirrors parental work hours....Suddenly, parents had to pay for that, so it meant that the public sector system, or its preferred contractors operating in schools, was sometimes then charging parents as much for the little bit of wraparound care at the beginning and end of the day as parents were previously paying at independent licensed centres.

All of that was—

Mr. Ted Falk: Regarding independent licensed centres, I note in your press release that you also said that many of these small businesses were owned and operated by women, and that if the government actually proceeded with its nationalized day care plan, there would be a risk to many of these female-owned businesses.

What would you say about that? Do you actually anticipate their being able to keep their doors open and be competitive?

Ms. Andrea Hannen: No. Depending on the approach the federal government took, many of those small businesses would close.

I guess what is really disturbing from the parental standpoint is that not only would their existing child care arrangements be disrupted, those options will be gone forever. Those centres aren't going to reopen. It's not like you can just substitute a new public system for the existing system that exists in many provinces.

Independent licensed child care centres may find they can't stay open as a national public sector-oriented system is rolling out, so you could conceivably have small independent licensed centres closing all over the place two and three years before these new public centres are even built.

Mr. Ted Falk: The other point I would like you to wade into—though I think I'm just about out of time—is that the government is prescribing how parents should raise their children with this program. There are going to be many parents who make the choice and the sacrifice to have one parent stay home and raise their children at home, because they want to make sure they pass on the values and ideology that's important to them.

Can you talk about how this system that is being proposed could be better if parents were given the choice, and talk about how it's actually discriminatory to people and parents who choose to raise their children with one parent staying at home?

Ms. Andrea Hannen: Yes—

The Chair: Respond fairly quickly, if you could, Andrea.

Ms. Andrea Hannen: Yes, absolutely. I think it's really important that parents be in the driver's seat when it comes to child care choices.

Not every parent is going to need a full-time, licensed child care space that runs during the regular work day, 9 to 5 or 8:30 to 4:30 during the week. Lots of parents have more flexible employment than that. Sometimes one parent is at home part of the time.

We shouldn't have systems that require families to mold themselves to the system. The system should evolve to allow families to be in the driver's seat.

● (1210)

Mr. Ted Falk: Thank you.

The Chair: Thank you. I believe Ms. Dzerowicz is turning her time over to Mr. Fraser.

Mr. Fraser, you're on, for five minutes.

Mr. Sean Fraser (Central Nova, Lib.): Certainly. Let me begin with Mr. Jelley.

First of all, as an Atlantic Canadian, who is just across the Northumberland Strait from you, I can tell you that my family very much enjoys our summer visits to the island. I make it an annual habit of popping over to Shining Waters. I was there last year with our family. I was very impressed with the measures that you have put in place to allow for social distancing, despite the fact that you had, for the last summer, a fairly large number of guests visiting. In the outdoor environment that you manage, I never once felt as though I were being put in harm's way. I very much appreciate the steps you put forward.

I want to turn to your testimony about the wage subsidy in particular. Believe me, you're not the only tourism operator who has made this point, but I think you've broken it down in more explicit detail than others have. As I understand it, the transition away from the wage subsidy, as the hiring incentive ramps up, might be very appropriate in your view for businesses that perhaps have had a smaller hit to their revenue, or perhaps don't have the same operating costs that a business in your position does, or perhaps that could even earn their revenue over the course of an entire year.

However, what I'm hearing pretty loud and clear from you now is that for a business with significant operating costs, with a short season to earn your revenue, and one that's been hit extra hard because of the travel restrictions, this ain't going to work.

Can you tell me, in your own words, how we can adapt the program to make sure that we're continuing to support businesses like yours, which I am depending on to help kick-start the recovery. How can we avoid over-spending on businesses that would succeed with the planned transition away from the full subsidy while at the same stage preventing you from having to close your doors?

Mr. Matthew Jelley: Thank you, Mr. Chair.

Thank you, Mr. Fraser, for the question.

I certainly want to recognize the efforts of my staff in making last season a relative success for us. We couldn't have asked for a better response from them and, ultimately, from our customers.

Look, I think that's a very difficult part of this whole discussion and obviously something that we have to talk about. In terms of the targeting, if we look at businesses that are down more than 50% or more than 70%, perhaps it's sector-specific. It includes things that depend on travel and tourism, and I'm sure there are other highly affected sectors out there. It's really about trying to zero in on them and on the businesses that were viable pre-pandemic, as well to make sure that the reason sales aren't down is that there's been a complete change away from their business model, or whatever if might be.

I think the hiring credit for many comes in a year when we've been navigating so many programs and so many criteria, which have added a further level of complexity and a calculation. You may remember that in my comments, I spoke about the pride I have in the year-round team we built. We will actually be penalized under the hiring credit because we had wages in March, whereas some other seasonal operations wouldn't be. If you run a seasonal restaurant and you had no wages in March, but you have wages in June, July, August and September, that program will work for you, and in fact it might work better than the wage subsidy would. I'm not sure whether that was the intention or not, but it is a reality. I think for us it's a matter of taking the wage subsidy criteria and formula, those percentages, and trying to keep them similar to where they are now—so if you're down roughly 75% or 70%, you're eligible for 75%—and trying to exclude those companies that have a much different situation, whether they are publicly traded or something to that effect. I think it is really about trying to focus on those that are down significantly and to show that there is a road out, and there is a future.

Accounting for seasonal businesses having all of their revenue happening in 80 days while their expenses are spread out over 365 days, I think, is difficult. No one program is going to fit every company, and they're not going to be made completely whole no matter how this program emerges from this committee and from this budget, but we need to keep those rates in place now for the most highly affected businesses and give them a chance to make it through this season.

The Chair: You can ask a fairly quick question, Sean.

Mr. Sean Fraser: I do have a trip booked for August if the Atlantic bubble comes back, so I'll pay you a visit should you open your doors this summer.

I have a quick question for Ms. Hannen on a point of clarity.

I don't believe anyone within the government has ever suggested that our plan is to build a series of federally owned and operated day care centres in every community. I take some exception to the characterization by Mr. Falk. I quite like Ted as a friend and colleague, but I strongly disagree that the issue is really ensuring that parents have the choice to stay home. I think it's giving them the choice to do that, and giving them the choice to work if they do want to.

I'm curious about the following, Ms. Hannen. If the outcome of this program, per our intention, is to create spaces in communities that may not have them and to make it more affordable for families to access day care centres that may already exist, do you not think that giving that choice to a second parent who's currently making the economic decision to stay home, because they can't afford child care if they're going to work, will have the potential to give more choice to parents by expanding access either to facilities that exist now by making them cheaper, or by expanding through partnerships with communities and provinces, facilities and communities that don't have day care today?

● (1215)

Ms. Andrea Hannen: I think actually that if child care is more affordable for families, more families will be able to access it, certainly. However, the question is how you make child care more affordable for families.

I believe that making child care more affordable for families comes from giving families more money, letting them keep more of the money they earn in their own pockets and supporting their choices. I don't think it's a very good use of taxpayers' money to start building centres here, there and everywhere that will ultimately be taxpayer-dependent when, in fact, if you just gave the money to families, the private sector and not-for-profit sector would look after creating the new spaces that are needed.

The Chair: I know there could be an extended debate on that one, but we have to move on to Mr. Ste-Marie, who will be followed by Mr. Julian, and then Ms. Jansen.

Mr. Ste-Marie, go ahead, please, for two and a half minutes.

[*Translation*]

Mr. Gabriel Ste-Marie: Thank you, Mr. Chair.

Yes, these are passionate debates. If we had more time, we could discuss the Quebec family policy model.

My next question goes to the representatives of FADOQ once more. I'd like your comments on the two categories of seniors, those from 65 to 74, and those aged 75 and older.

Also, what do you think about the increase in the old age security pension being scheduled for the summer of 2022, not for this summer?

The one-time payment of $500 to seniors aged 75 and older, which will be paid in August, gives us an idea of the date on which the government could call an election. Do you have any comments on that?

Ms. Gisèle Tassé-Goodman: Thank you, Mr. Ste-Marie.

With that announcement, the Prime Minister is clearly being consistent. He actually announced that he would be increasing the old age security benefit by 10% on September 18, 2019, when he was courting seniors. They welcome that. However, why create two categories of seniors? We know that those aged 65 and older are in great financial distress. At the Réseau FADOQ, we wonder why the old age security benefit is not being increased by 10% now, this year, for all seniors, not just for those aged 75 and older.

Furthermore, in a lot of cases, the financial distress is worse among women. Most of the time, the women have stayed at home for years to raise children and look after their education. They were not able to earn income in the workforce during that time. That means that they have not accumulated any pension funds. In addition, a number of those women, even those older than 65, are becoming caregivers to their aging parents. Again, they are the ones who have to deal with the shortfall. Beyond 60 or 65, women are much more likely than men to survive their spouse. In that respect too, women are at an economic disadvantage.

Increases in the cost of living are undeniable. During the pandemic, delivery services had a considerable effect on those aged 65 and older, as did the increase in the cost of a basket of groceries.

We receive thousands of messages and calls from those aged 65 and older. They do not understand why the government has created two categories of seniors by providing the increase only to those aged 75 and older. One senior told me that, when he goes to the supermarket and has to pay for his groceries, he knows full well that he won't be able to make it to the end of the month. He will have a hard time paying for his medications, his rent, the electricity bill, and so on. So you can see precarious financial situations everywhere.

● (1220)

[*English*]

The Chair: Ms. Tassé-Gordon, we'll have to move on to Mr. Julian, who will be followed by Mrs. Jansen.

[*Translation*]

Mr. Peter Julian: Thank you very much, Mr. Chair.

Ms. Tassé-Goodman, I would like you to keep talking about this. The decision to exclude 60% of seniors from an increase, albeit a minimal one, is irresponsible and makes no sense. As you have so clearly said, those seniors are just under the poverty line.

So let me invite you to continue talking about the consequences of this irresponsible decision that the government seems to want to put into place. Those aged from 65 to 74 are forced to meet their own basic needs through their own means, without the assistance of a minimal increase in old age security.

Ms. Gisèle Tassé-Goodman: So many seniors are frustrated that we do not keep a count of them anymore. Currently, hundreds, if not thousands of them are protesting on social media, calling us and sending us emails. They do not understand in the least what Mr. Trudeau's government is doing.

Most seniors live in their own homes and close to their circle of friends. They are creatures of habit in their lives. Their shops and their families are close. That is the way they like it.

However, those receiving the old age security pension and the guaranteed income supplement, the GIS, receive $1,500 per month. That means that they have to do without. Dental care, for example. A visit to the dentist becomes a luxury for them. For many of us, it's a regular part of our lives. For them, it is not on their list of priorities.

The same goes for visits to the podiatrist. A number of seniors have problems that require foot care. Some have told us that they have hammer toes and bunions, for example. They have told me that a visit to the podiatrist costs at least $100. People on the old age security pension and the GIS can't afford that kind of expense.

I can add buying glasses. Although the eye exam is free, seniors have told me that there are always additional costs, which can vary from $30 to $60 depending on the reason for their visit. Sometimes, it's an MRI scan, sometimes an X-ray, or eye drops. As for getting prescription glasses—

[*English*]

The Chair: I'm sorry, Ms. Tassé-Goodman. We have to move on to Mrs. Jansen, who will be followed by Mr. McLeod.

We can move into the next panel a little bit, because there are fewer witnesses in the next panel.

Mrs. Jansen, you have five minutes.

Mrs. Tamara Jansen (Cloverdale—Langley City, CPC): Thank you very much.

I want to first direct my questions toward Ms. Hannen. I was recently talking to a provincial counterpart of mine, and they were saying that universal day care is not universal anywhere. It actually supports the upwardly mobile more; it is shown to be harder to access for those most in need.

We have found out from a pilot project done here in B.C., under the NDP, that in the end, with their attempt to get $10-a-day day care, more people are paying less but there are no new spots.

I wonder if you could maybe talk about that.

Ms. Andrea Hannen: Yes. I think that experience actually is echoed in a number of jurisdictions across the country. We did a research study on that a number of years ago. In areas where there has been the most intervention into the child care market, such as provinces that have tried to eliminate anything but a public sector and not-for-profit sector system, that's where access to licensed child care tends to be lowest. They just don't create the number of licensed spaces needed.

Mrs. Tamara Jansen: Right. I was talking to a provider here, and he was mentioning that there's a particular chain that has actually, due to this pilot project and the new rules that the NDP has put forward in order to achieve the $10-a-day day care...that there are 18 facilities that that chain has now shelved their plans to open. He himself was planning on two, but now he's rethinking the second one. He's kind of at a point where he can still decide not to do that. He was just saying that there are so many things that are different. Like, there's no one-size-fits-all program. For instance, in our area you need 40 square feet per child, but in other areas you need 30 square feet per child. It's also like the teacher-child ratio.

This one-size-fits-all program that they seem to want to put forward just doesn't work. You will lose many spaces and, as you mentioned, the choice for parents to go with the day care or the child care of their choosing.

● (1225)

Ms. Andrea Hannen: Yes. I think that's exactly right. When we lost, here in Ontario, all of the independent licensed child care centres, 1,200 of them, during the rollout of the full-day kindergarten program, originally those licensed child care centres.... They mostly also provided full-day kindergarten. Among those licensed child care centres, there were about 20 different recognized, reputable and high-quality teaching and learning methodologies used. This would include things like Montessori, Reggio Emilia and a few different curriculums like that.

When those centres closed in favour of this full-day kindergarten program, we lost all of that diversity of programming as well. There was a sameness and kind of a lowest-common-denominator approach taken to the whole sector as opposed to giving parents choices. That's a really key element of parental choice. You tend not to have parental choice when the focus is on creating these big, monolithic institutions to deliver care.

Mrs. Tamara Jansen: Absolutely.

Now I'm going to shift over to Ms. Clemence.

When I heard the Prime Minister talk about a one-dose summer, my heart broke because I recognized the tourism industry was absolutely hooped by that sort of talking point. I wonder if you could talk a little more about the challenges. I know the Tourism Industry Association of Canada has been saying over and over again that these supports they've been getting shouldn't stop until the government stops telling people to stay home.

I wonder if you could talk about that.

Ms. Corryn Clemence: Certainly. Thank you for the opportunity.

I think it's a unique challenge in each of our provinces. Obviously, Atlantic Canada has handled the COVID restrictions differently than other jurisdictions with our Atlantic bubble last summer. We're looking again at an Atlantic bubble. We were really optimistic that the vaccine rollout would provide some benchmarks and a roadmap to return to travel and visitation.

With the vaccine rollouts as they are now, the one dose versus two and the varying restrictions in different jurisdictions, it's very challenging. One of the things we've had conversations on with the Tourism Industry Association of Canada and governments is trying to find ways to clarify those restrictions. Even as we start to see some jurisdictions open up, ease those border restrictions and increase capacities, to be able to move freely, have consumer and visitor confidence, and have people understand what the restrictions are in each jurisdiction is really important.

Mrs. Tamara Jansen: I think Mr. Jelley mentioned the fact that when you look down south, you can see that we could have been open this summer had we had a timely vaccine rollout and had our procurement had gone well. Basically, this government lost your summer.

Mr. Jelley.

Mr. Matthew Jelley: I certainly can't comment on that specifically, but I can say that with what we know now, we do not see meaningful improvement in tourism results over the next few months. Our need for assistance remains.

From my point of view, and as a business owner just trying to welcome people into his business and get back open, I have nothing to gain by trying to apportion blame. I want to find a solution. The one bit of certainty I have in my business right now is that even if nobody comes, I get assistance with my wages to help support my staff and support my team.

That's what I'm asking to be continued today. That's where our business is very much focused.

Mrs. Tamara Jansen: I really appreciate that.

● (1230)

The Chair: Thank you.

Sorry, Ms. Jansen, you're over time.

We're going on to Mr. McLeod.

Mr. Michael McLeod (Northwest Territories, Lib.): Thank you, Mr. Chair.

Thanks to everybody who made presentations. It's a very interesting discussion.

My first question is to the Ontario Real Estate Association and Brian Santos.

I found the presentation very interesting. The comment about encouraging housing repair and energy efficiency being part of that is something we're really focused on here in the Northwest Territories. We see it as an easy way to create employment. A lot of people could use the upgrades on their houses and even build new ones. I really support that.

The one comment that caught my attention was the issue of Internet availability. I've sat on a number of studies that took place in the north because the issue of isolation is a big factor for our youth. I had opportunity to travel around and talk to youth about their mental health and depression. Internet availability was pointed to as an area that was really impacting them. It also had an impact on distance learning and education. It really resulted on a lot of outmigration from our smaller communities to larger centres.

Mr. Santos, you said that it also has an impact on the housing market and on the decision people make when they want to buy a house. How much of a factor is it in the the decision to buy a house in areas with low Internet availability? That really impacts me in the north. We still don't have high-speed Internet in some of our communities.

Mr. Brian Santos: Thank you so much for your time and for the question.

I think it's huge. I see that as a practising realtor. I also sell real estate in southwestern Ontario, and many of my clients won't consider a property or a home if it doesn't have suitable Internet, because that's what connects them both to work and to everywhere else.

Without good Internet, it just doesn't become an option for people. Right now people are looking to continue that dream of home ownership. Having the opportunity to have Internet in all places, equitable Internet, would give people more choice and more opportunity to buy homes in different places and not just in the bigger cities.

It is very important, especially now as people are trying to find a place they can afford. Having Internet is essential and crucial.

Mr. Michael McLeod: Thank you for that.

My next question is for the Tourism Association of P.E.I. I listened with interest to how much the CEWS and CERS have supported your industry. It's the same in the north. The backbone of our economy is mining, but tourism was a growing industry, and we had companies and operators popping up. Every year we were seeing more and more of them. Now that a number of them have reduced their operations, it's really hurting the rest of the population. The closure of a tourism business really has a spin-off effect in the hospitality sector, for sure, but it does in other areas, too.

In the north we've been trying to look at doing things differently. Most of the people in the north have had their second vaccine, so there are a number of exemptions that are being made for ecotourism for people who are operating in very remote areas. Sport hunters and ecotourist operators are allowed to bring in people. It seems to be helping a good percentage of our operators, but it still doesn't help everybody.

Yukon, for example, has now lifted a restriction so that anybody coming to Yukon who has had both their vaccines doesn't have to self-isolate; they can travel back and forth, and that means a lot more travel within the territories.

If people with both vaccine shots were able to travel freely within our country, within Canada, how much would that help your industry when it comes to enough businesses staying afloat?

● (1235)

Ms. Corryn Clemence: In terms of Prince Edward Island, to put that into context, in 2019 we would have welcomed approximately 1.6 million visitors, so on an island with a population of just under 160,000 people, you can appreciate the impact that tourism has for us.

While we say that 60% of our overall visitation comes from Atlantic Canada, the reality is that those are day trips or weekend trips, and they're not bringing in the economic impact that our visitors from Ontario, Quebec and even the New England states would bring. Those would be our biggest drivers, and we have a lot of visitors from Ontario and Quebec still booking right now, and I think there's optimism and a desire to travel; we know that's there.

If people with both doses of vaccine were able to move around with no self-isolation requirements, I think that would be a game-changer for a lot of our operators this year.

The Chair: Okay, thank you, all.

Mr. Michael McLeod: Thank you.

The Chair: I have one question, and Mr. Fast and Mr. Fragiskatos, if you have a single question you want to ask, we'll go that way.

My question really relates to what Mr. Jelley said earlier. He said that we needed to strengthen and retarget the wage subsidy.

What about timing, Matthew? It can be changed by regulation. It's in the budget bill, I know, but it can be changed by regulation. What about the timing? I think timing is fairly critical in your industry as we're getting near to June.

Mr. Matthew Jelley: Thank you, Mr. Chair.

Timing is critical. We're one month after the budget, and we don't really know much more about the hiring credit. When I'm doing my calculations, I have to take the most favourable view of how it may work.

With regard to the wage subsidy and the rent subsidy, for businesses like mine that are trying to ramp up.... You know, we've committed to opening our business, at least all of the maintenance expense and that lead-up. We couldn't wait any longer. We had to do that part. However, whether we bring on our next wave of staff.... We're in a holding pattern right now. That means that every business around us is in a holding pattern, and many are struggling to make decisions right now. Therefore, it's critical that we come out and even give some guidance—whether it's for smaller, under 1,000, or for privately held or whatever the distinctions are—that we're going to make some adjustments to Bill C-30, that we're going to make some adjustment to the regulations, and that we're going to be there.

Last year, adjustments came midsummer and in the fall and, in some cases, after periods had already started, and do you know what? Last year, we were all figuring it out. We were opening on a hope and a prayer. However, now we have the hard financials from last year. We know that without this assistance there's no feasible way for us to open, so the sooner we know, the better it is for everybody—the better it is for our employees, the better it is for our communities.

Therefore, I would certainly urge that we get to that discussion of how we can strengthen it, how we can keep it intact, not how we can make it disappear when we're still in a third wave and when we're still below two-dose vaccinations.

The Chair: Thank you.

Mr. Fast, you have time for a single question.

Hon. Ed Fast (Abbotsford, CPC): Yes. I'll direct it to Ms. Clemence because Mr. Jelley has been doing a lot of the answering.

There have been persistent calls for the government to now pivot to targeted, sector-specific support for the most heavily impacted sectors of tourism and hospitality, and Mr. Jelley signalled that in his testimony earlier.

Could you tell this committee what targeted, sector-specific support for your sector should look like? Obviously, the enhanced CEWS program is part of that, but are there other elements that you would welcome?

Ms. Corryn Clemence: I think Matthew has articulated, certainly, the hardest-hit sectors as being attractions. We see it with our experience providers and accommodation providers. I'm not an expert on what those formulas might look like, but when you start to look at the percentages of the hardest hit, I think that's a true indicator of where we see those deficiencies in the support.

The Chair: Mr. Fragiskatos, you can ask the last question, and then we'll have to close this panel.

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

Thank you to the witnesses.

I want to ask Mr. Santos, who's in Waterloo, a question.

I'm just down the road, Mr. Santos, in London.

As you might know, we have seen a very dramatic increase in the average cost of homes here since 2015. I've told this committee before that, on average, in the past five and a half years since that time, in this city here, there has been a 150% increase in the cost of homes. I think the same phenomenon has been experienced in your community roughly and in southern Ontario in general terms.

What is the position of your organization on what is driving that, and what does this mean for middle-income families? When we think about the middle class, home ownership is part and parcel of the conception of what a strong middle-class family can expect or should be able to expect; however, increasingly, I'm finding that middle-income families are being priced out of the market.

● (1240)

Mr. Brian Santos: You're absolutely right, but what remains undefeated is supply and demand. Supply remains very, very low, and demand is a lot higher.

There are two reasons for it. One is financial. People have more money in their pockets in the last year because they're not spending as much on discretionary spending. There are low interest rates right now, and then there's the psychological aspect of people's spending more time at home and realizing that they need more. I just had a client yesterday close on a property. They had to move because they were working from home and needed more space, and they have kids at home. It is a big issue right now with the real estate prices increasing so much and very quickly.

What our organization believes in is that there are opportunities elsewhere across the province. There are small towns. There are big opportunities. In order to get there, we need to good infrastructure, including transportation, as well as quality Internet. Without that, people have limited choice. We believe that the dream of home ownership is still alive and well, and that's it.

There are just the other factors as well. With regard to the construction of new homes, a lot of builders have put their projects on pause in the last year, and that has limited supply. Our biggest challenge here is not enough supply in the market, and that's what we're constantly fighting. There are definitely a lot more buyers out there than there are homes available.

The Chair: Thank you, both.

Mr. Peter Fragiskatos: Thank you.

The Chair: On behalf of the committee, I want to thank all of our witnesses for taking the time to make their presentations and answer our questions. We certainly had, on quite a number of topics, fairly wide-ranging discussions, and we appreciate that.

To committee members, we will suspend for two minutes and go to the next panel.

The meeting is suspended.

● (1240)

_____________________(Pause)_____________________

● (1245)

The Chair: We will reconvene the committee.

Welcome to meeting number 45 of the House of Commons Standing Committee on Finance. We are continuing our prestudy on the subject matter of Bill C-30, an act to implement certain provisions of the budget tabled in Parliament on April 19.

With that, we'll go to presentations by the witnesses. We'll start with Mr. Macdonald from the Canadian Centre for Policy Alternatives.

Welcome, David. You've been here before.

Mr. David Macdonald (Senior Economist, Canadian Centre for Policy Alternatives): I have indeed. Thanks so much for the invitation to come back to speak to you today about Bill C-30 and Budget 2021.

The last time I was at the committee, I presented you with the results of our 2020 child care fee survey in the context of the fall economic update. I was pleased to see those child care figures appear in Budget 2021 as the starting point for the government's ambitious national child care plan.

Parents have two main complaints about child care in Canada. First is that fees are high, and second is that wait lists are long. Targeting a reduction in fees, particularly with quick and substantial reductions by 2022, will have a noticeable impact and make a big difference for parents with young children. However, the expansion of spaces at the same time will be an important corollary to fee reductions to ensure that we don't trade lower fees for longer wait lists. I look forward to specific targets on space increases, as well as reductions in fees.

When it comes to building a recovery from COVID-19, affordable and accessible child care is in a unique position. It certainly supports women as they return to the labour force after they have been harder hit than men during the pandemic due to job loss, but it also provides improved productivity due to higher female labour force participation, thereby driving long-term real GDP growth. Moreover, it pays higher tax dividends than other programs do.

The reduction in child care fees so far has been largely driven through provincial expenditures—certainly in Quebec, but also in Manitoba, Prince Edward Island and Newfoundland, which all have set fee programs, although at a higher rate than Quebec.

The higher income tax that results from higher female labour force participation goes disproportionately to the federal government, despite the provinces being the ones that support it. This makes the federal government an ideal partner on this file, as it is also the main beneficiary of that increased tax revenue.

Budget 2021 is relatively limited in its focus on new revenue generation. I'm not overly concerned about deficits, but now is the time to start to consider new measures so that they can be properly implemented in the future. In the short term, I would encourage the committee to consider a CEWS clawback for profitable companies. In the initial months of the rollout of the wage subsidy, the barriers to entry fell quickly. The upside was easy access for businesses that needed it to continue to operate. The downside was that businesses might squeak by on the rules, but that the subsidy, in the end, would boost profits.

While the CRA has aggressively pursued CERB recipients, there is no corresponding effort on the business side. Recent media reporting has highlighted publicly traded companies successfully receiving the CEWS all the while declaring substantial profits. I would encourage the committee to consider a CEWS payback regime, whereby companies that received it but also declared profits pay it back.

Given that more support has gone to business than to jobless Canadians during the pandemic, it only makes sense that profitable companies that don't need the wage subsidy send it back to support other recovery efforts.

In the longer term, I would encourage the committee to consider other revenue options. The federal government could build on its closure of the stock option deduction scheduled for July through an examination, for instance, of the capital gains inclusion rate. Given its immense cost, this could provide additional funds for the recovery, as could a more thorough review of tax expenditures given that many of those tax loopholes go to a very small slice of the upper end of the income spectrum.

The proposed digital services tax at 3% of revenue provides a model for how profit-shifting by international corporations can be tackled. The 3% of revenue is a sort of minimum corporate tax for foreign companies, although it could certainly be expanded far beyond digital services, which is its starting point.

It is clear from American disclosure that many multinational companies regularly employ profit-shifting strategies to declare profits in tax havens instead of in the countries where those profits were generated. Examining a minimum corporate tax, possibly based on the 3% revenue rule, would go a long way to avoiding corporate freeloading on Canadian infrastructure done by foreign multinationals, all while levelling the playing field for Canadian companies that do pay those corporate income taxes.

Finally, like the government, I have limited concern about federal deficits and new federal debt. Interest paid on the federal debt has fallen to historic lows when adjusted for GDP. This is true even when one includes the record pandemic deficits and new spending over the next five years. Incredibly, we would have to look to before the First World War to see the federal government paying less to service its debts, adjusted for GDP, compared with today. Those low rates make this an ideal time for the federal government to invest in short-term pandemic economic recovery but also in long-term issues, like much-needed changes to avoid the impact of the climate emergency.

For members concerned about interest rate increases, it's important to remember that those increases would hit all sectors, not just the federal government. Including the pandemic spending, the federal government's debt-to-GDP ratio now sits at roughly 50%. Household debt-to-GDP stands at more than twice that, at 112%. The corporate equivalent is at 130% of GDP.

● (1250)

The debt of these portions of the private sector, household and corporate, have jumped 10 points during the pandemic, so even small changes in the interest rate brought about by, say, the Bank of Canada's increasing the overnight rate would have big impacts on the private sector. The impacts would not only be because they are more leveraged but also because they pay a higher interest rate to start with. In that sense, heavy indebtedness of the private sector will protect the federal government from interest rate increases.

I thank you for your time and look forward to your questions.

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

We'll turn to the Gros Morne Cooperating Association, Ms. Colleen Kennedy, executive director.

Ms. Colleen Kennedy (Executive Director, Gros Morne Cooperating Association): Thank you, Mr. Chair.

Committee members and fellow panellists, I did have a PowerPoint presentation, but I'll go by the seat of my pants.

I work for a small not-for-profit that was set up in 1993 by Parks Canada, and which later expanded its mandate to include communities. I'm in a very fortunate region, because we have a lot of tourism and some fisheries. Pre-pandemic, we had about 250,000 visits in the region, and generated a total revenue of $312.5 million. The average spending by a visitor was approximately $1,250 a day, and we employ about 1,200-plus in that industry.

Our region is made up of seven enclave communities. We refer to Gros Morne National Park as our “other fish plant”. The communities have a population of around 3,000. They are engaged in visitor experiences, because that's how we build capacity, by using what's around us.

Current needs in the tourism marketplace have shifted quickly, because of the pandemic, and we've become ever reliant on technology and connectivity.

I'd like to thank the federal government for its investment over the last year or so in connecting some of these small communities to allow us to compete. With these investments in technology, our businesses need this now for sure. We projected expansion into these markets in five to eight years, but because of the pandemic, we've had to fast forward and catch up quickly, so technology's been a big part of our growth and reach-out since the pandemic.

The rapid response by the federal government was very much appreciated from an employee, employer and community point of view. The current structure of the wage subsidy will not work for industry, nor our region, to survive. If we don't have the option to explore and adapt to the new norm we won't have a chance to grow.

The Canada emergency wage subsidy must continue until the fall of 2022 to make the rebuild of this sector feasible. The investment feeds directly into jobs, the economy, and allows our industry to continue its pivot to become one of the world's best destinations for sustainable tourism. We see this as a way of growing our community.

We've lost our accessibility. Our market is very much a domestic market, with 70% of our visitors coming from Canada, mainly Ontario and Quebec. Our international market is about 30%, and that's very much dependent on the U.S. and U.K. The accommodations, experiences and restaurants just before the pandemic were getting their feet under themselves, and could have responded to the capacity at the peak of the season.

Roughly 70% of our operators are older. With the final life cycles of their businesses, they are looking to sell in the next few years. Succession planning for them is a big challenge because of the lack of financial options for younger entrepreneurs who would like to enter the industry. They are challenged by that. For those businesses that were sold in 2020 and bought, they're facing new challenges of no previous employees and no previous revenue. That puts up a barrier for their accessing some of the programs the federal government is offering to assist them in their recovery.

I can't stress enough how important access is to us in the province of Newfoundland and Labrador. Since the pandemic, we've lost 19 flights in Atlantic Canada, and are really challenged while we rebuild some of that. Our operators were 50% open last year. Some of them, about 50%, were probably at 15% of revenue; the others, less than 8%. We dropped about 95% of our visitation and revenue last season, and we don't anticipate much growth in 2021.

With the complications of the vaccination rollout and its being delayed, we can't see.... Even the Canadian Tourism Commission alluded to the fact we'll probably be into September before we see movement in the Canadian market. There are many challenges for small business in our region, but we have a lot of thank yous for the federal government for its assistance in getting us this far.

● (1255)

We really see that the opportunity is in the wage subsidies and in bringing employees back on, showing them how to do it right, and responding to the new expectations of visitors to feel safe. We see that as a better option than extending unemployment and sort of stay-at-home pay.

Thank you so much for your time. I'm sorry that the PowerPoint didn't work, but hopefully I set the stage for where we're at in Gros Morne small business.

The Chair: You explained it well, Ms. Kennedy. Thank you for that.

Before I go to our last witness, the first round of questions will be Mr. Fast, Mr. Fragiskatos, Mr. Ste-Marie and Mr. Julian.

The next witness, Mr. Poloz, who is a special adviser with Osler, Hoskin and Harcourt LLP, is not new to this committee. He is a former governor of the Bank of Canada, who is in a new position.

Stephen, the floor is yours.

Mr. Stephen S. Poloz (Special Adviser, Osler, Hoskin and Harcourt LLP): Thank you very much, Chair.

Good afternoon to you and to the committee. Thanks for asking me to participate in this study of Bill C-30.

I would offer three points by way of introduction. The first point concerns the context in which we find ourselves. The impact of COVID-19 on people and our economy has been massive. There will be some permanent damage. However, the damage has been mostly limited to sectors that have been shut down. In a typical recession, bad news in one sector usually infects the other sectors through lower confidence. This has not happened this time. I think this is the main reason that the economy has significantly outperformed most forecasts during the past year.

This economic strength has generated a debate around the appropriateness of fiscal stimulus. It has given the government far more fiscal room to manoeuvre than previously expected. However, any major economic trauma will scar the economy. These scars will run deeper the longer it takes for the economy to heal. Scarring manifests itself as a level of national income that would be lower than it otherwise could be—literally forever—and so I therefore subscribe to the view that it makes sense to push the economy harder during the early stages of recovery, because this will encourage business investment and create new economic growth.

My second point concerns fiscal sustainability. A credible fiscal plan in which the level of government debt relative to national income stops rising and debt service costs are manageable meets the minimum—or, we should say, perhaps technical—standard of sustainability. I draw your attention to the table on page 328 of the budget, which shows that these criteria are met. By the way, comparing this table with a similar one from the 2019 budget two years ago demonstrates that this budget does not represent a sharp turn toward big government, as many have said. The planned budgetary expenditure trend line returns to about 15% of national income, just as it was pre-COVID. The budgetary revenue trend line does exactly the same.

There is a legitimate concern that this minimum standard of fiscal sustainability would leave the economy vulnerable to future shocks. Well, that issue is for broader political debate, a debate that I think should acknowledge the challenging fiscal situation in our provinces. When we combine federal and provincial debt together, as we should when considering Canada's future resilience, our fiscal picture is not very different from that of other major economies.

My third point is that there are many ways to build future resilience without government austerity or higher taxes. If we put our minds to it, we can grow out from under our COVID debt burden, just like we grew out from under our World War II debt when I was young. There are many ways in which we could boost our long-term economic growth rate and grow our way out of our indebtedness.

First of all, immigration is Canada's most important economic growth engine, just as it was in the 1950s and 1960s. Anything we can do to make that process more efficient will be a good investment in future growth.

Second, a national child care program, as announced, can also help boost labour force growth. I do hope it can be deployed without delay. This is the sort of program that can literally pay for itself. If we can boost the level of national income by a mere 2% in this way, which amounts to $40 billion to $50 billion more national income every year, then $6 billion to $8 billion will automatically land in government coffers, also every year.

Third, as I've argued before in this committee, one of our biggest untapped sources of future economic growth is to harmonize provincial regulations across the country to reduce interprovincial business frictions. This initiative has about twice as much economic growth potential as the child care proposal, and in fact would cost nothing to implement. It seems to me that finding innovative ways to boost economic growth and avoid raising taxes should be at the top of our list, at this most precarious time, at both the federal and provincial levels.

Thank you, Chair.

● (1300)

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

Thank you to all our witnesses.

In the first round of six minutes, we have Mr. Fast, followed by Mr. Fragiskatos.

Ed.

Mr. James Cumming: Chair, I will be substituting for Mr. Fast in this first round, if that's all right.

The Chair: Okay, you're on first again, Mr. Cumming.

Go ahead.

Mr. James Cumming: I know how much you've missed me.

Mr. Poloz, I'll direct my questions to you. It's good to see you at committee again. Thank you for your presentation.

Quantitative easing and the amount of stimulus that we've seen into the economy.... I know when you had appeared previously, you had forecasted that inflation was in check and that it didn't appear to be an issue, but we're seeing some trends now that are quite concerning about inflation. In particular, industry has suggested that because of supply chain and shipping issues—we're seeing that very much in several sectors—we're starting to see that spike up.

Is this not a concern on two fronts? The first is affordability in a variety of different sectors and competitiveness. The second is the potential now for interest rates to start to rise to offset that inflation.

Mr. Stephen S. Poloz: Of course, inflation risk is something we can never take lightly. However, I would just add a couple of things to your premise. One is that most of the anecdotal evidence we have around higher prices is coming from commodity markets. Commodity prices, in fact, have been quite depressed for the last while. In fact, if we look at the CRB index of global commodity prices, they're just now returning to the levels they were at back in 2014.

If you look at the Bank of Canada website, you'll see the commodity price index. There, too, with all the basket of commodities relevant to Canada, prices have been low and now are returning. This is not inflation. This is normalization of prices.

I know there are some exceptions and some prices have gone up a lot, such as lumber. It's a good example. There are also still the laws of demand and supply. They still work. Last year, there were plenty of cutbacks in production because the consensus among a lot of economists was that the economy would be very slow for a very long time. As I mentioned in my introductory remarks, the economy has bounced back far exceeding all of those expectations because economists had modelled it in the traditional way that recessions normally work. This one isn't like that at all.

I think some sectors are still catching up to the recovery in demand. Inflation almost never comes from commodity prices because with commodities you can find more product. You can expand capacity in time, so usually when prices go up enough, somebody brings more capacity online and that causes that price to settle back down again.

I agree with what I've heard from various central banks, including our own, that the inflation we're observing right now is very likely to be transitory.

● (1305)

Mr. James Cumming: Would you agree, though, that it's not just those commodities? We're seeing a significant spike in real estate and certainly an inflationary run on the value of real estate in the country.

Mr. Stephen S. Poloz: The price of houses is a special item. As you know well, it's not just something we buy. It's an asset. It gives you a stream of housing services literally forever. As a consequence, when interest rates are low, the price of all assets tends to rise, including the price of houses.

Also, the laws of supply and demand have not been ruled out. We still have excess demand for new housing relative to the supply that's being created. I note that the latest numbers show that housing starts are picking up strongly. That's just like commodities. Supply can come on the market and meet that.

I'm not going to pretend that the price of houses has not gone up, but that isn't, strictly speaking and in and of itself, inflation as we describe it. It would need to be something that is sustained for a long period of time for it to be part of inflation. Of course, it is captured in various ways in StatCan's consumer price index.

Mr. James Cumming: Mr. Poloz, you suggested in one of your points that economic growth is an opportunity to dig ourselves out of this hole, and I actually completely agree with that.

There are two things. One is that we've seen a decline in the competitiveness of Canadian companies due to the tax structure, and probably in addition some these commodity prices. However, should the focus not be—if there's going to be any kind of stimulus spending—on assets that will help produce revenue, improve competitiveness or improve innovation? Certainly, we have to be, according to your remarks, I think, export-focused rather than selling to ourselves. We have to be looking at the broader markets. Would you agree that any kind of stimulus should be focused towards assets that will improve competitiveness?

Mr. Stephen S. Poloz: Well, competitiveness is a complicated thing to measure. Anything that contributes to the cost of a company is affecting its competitiveness. Often, economists point to the exchange rate as a key part of that, but of course, all forms of taxation, the cost of obtaining permits, lags in obtaining permits, and the cost of electricity—which, as you may know, is much higher, for example, in Ontario than it is in Michigan right next door—are all the things that go into effecting competitiveness.

Now, how can policy-makers contribute? Competitiveness is usually driven by productivity, so anything that encourages new investment, new investment in digitalization, or opportunities for automation.... Yes, the tax structure matters. Infrastructure matters a great deal to Canada's competitiveness. There are things going on on a wide range of fronts that should help us improve our competitiveness. Possibly the most urgent would be around the ability to digitalize, so there's broadband Internet, as well as the skill sets to go with that.

I'm sorry that I'm giving you a vague answer, but that's because the question is such a wide-ranging one. I certainly agree that the government should be using its tools in every way it can to facilitate companies' abilities to improve their competitiveness. That's not necessarily the same as using stimulus dollars to buy things or make certain things happen, but infrastructure, if I use the term broadly enough, is for sure a facilitator of competitiveness.

● (1310)

The Chair: Okay, we went substantially over there, but I think we needed a full-scale answer.

We'll turn to Mr. Fragiskatos, followed by Mr. Ste-Marie.

Peter.

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

Mr. Poloz, I'll continue with you, as a matter of fact.

I want to ask you about your specific impressions of Budget 2021. You were quoted in the media recently as saying:

> The minimum ingredients that one needs to have in a sustainable plan are present, and that was done without a meaningful increase in taxes of any kind.

Could you expand on that?

Mr. Stephen S. Poloz: As I said in my opening remarks, if we just look at page 328 of the budget, you can see clearly there that the forecasted debt-to-national-income ratio stops rising next year and is projected to decline very gradually from there.

As I said in my opening remarks, that meets what I call the minimum or a technical definition of sustainability, which is that debt is not continuing to rise—debt is actually slowing—relative to your ability to service it. Debt service, public debt charges, remain not much above 1% of the national income, which for reference is around one-fifth of what they were in the mid-1990s, for example, when we hit a bit of a fiscal wall.

That's a positive way to put it. If you believe that it leaves us unequipped to deal with the next big shock that comes to the economy, that's a judgment. I won't make that judgment today, but if you believe that, then you would probably argue for a faster decline in indebtedness over time. That's something for the political process to work out, but it's not necessary to meet what I call the minimum requirements of sustainability.

Mr. Peter Fragiskatos: Thank you very much for that. There are a lot of interesting things in there—of course, in your testimony as well—but I have limited time.

I'd like to explore some things that you said specifically about the budget, particularly in response to criticisms of it that suggest that it is leading to a massive expansion of the state. What you said in response to that criticism was that “What I take a little bit of exception to is its being cast”—the budget, that is—“as this pathbreaking move to big government. There is a conservatism around those numbers.”

What do you mean by that?

Mr. Stephen S. Poloz: Well, as I indicated in my opening statement—again referring to the same table, page 328 of the budget—shows that, once we get past the activities around COVID, next year and in subsequent years budgetary revenues settle down at about 15% of national income, which is the total tax take of the federal government and other fees. That's exactly what it was before COVID, and it's exactly how it was laid out in the 2019 budget.

If I look at program expenses, they, too, settle down to 15% of national income, and they were around 15% of national income before COVID and in the 2019 budget. Therefore, the budget is not taking more of the economy or spending more as a share of the economy than it was before.

Mr. Peter Fragiskatos: Thank you.

Finally, you've commented on economic growth and drawn a line under structural changes that could be put into place by way of programs that will add to economic growth, and here you've voiced support for the government's vision on a national early learning and child care program. Other countries have pursued this. Moreover, Quebec has pursued it with great benefit for its economic growth in general terms. Can you speak more about how, in your view, a program like this would add to economic growth for Canada?

● (1315)

Mr. Stephen S. Poloz: It would add to economic growth in the same way that it added to Quebec's economic growth during a similar program, which is now over 20 years old. What it does is allow for an uptick, particularly in female labour force participation. Labour force growth is the most important ingredient of economic growth. To put it in its simplest possible terms, the growth in the economy will be equal to labour force growth plus whatever productivity growth we're able to generate.

The Canadian labour force is no longer generating growth. All of our growth, pretty well, is now coming from immigration, so if we have immigration of around one per cent per year, we can generate one per cent economic growth every year, on top of which we get maybe half a point, or even as much as one percentage point, from productivity improvements.

What we can do is add to that equation some decimal points by getting more women to participate in the workforce through a more fulsome child care and early learning program. It worked in Quebec, and it's one of the reasons why Quebec's finances were in better condition going into COVID than other provinces'.

As I said in my remarks, I see no reason why it couldn't add as much as two per cent to the level of national income. That's $40 billion to $50 billion per year of additional national income, and it's also, of course, the additional tax revenues that come with that.

Mr. Peter Fragiskatos: The point that's being raised by some, and we heard it at one of our sessions—

The Chair: Sorry, Peter, we're over the time. I was on mute when I tried to cut you off.

Mr. Peter Fragiskatos: I promise I didn't try to pull a trick there, Mr. Chair. I promise. Thank you.

The Chair: I think Gabriel and Peter Julian are competing with colourful rooms here today.

Go ahead, Gabriel. You're on for six minutes, followed by Mr. Julian.

[*Translation*]

Mr. Gabriel Ste-Marie: Thank you, Mr. Chair.

My regards to all the witnesses and my thanks for their presentations, which were very interesting.

My questions go to Mr. Poloz.

Good afternoon, Mr. Poloz. It is always a pleasure to have you at the committee and to hear what you have to say. Your presentations are always crystal-clear.

I will start with a question about what you have just said on immigration as an important engine of economic growth.

When you say that an immigration rate of 1% can bring about a 1% increase in economic growth, does that also hold true in measuring the per capita GDP, the gross domestic product?

In your opinion, one of the factors limiting an increase in business productivity is the labour shortage. Did I understand correctly? Would you like to mention anything else?

Mr. Stephen S. Poloz: Thank you for the question, Mr. Ste-Marie.

[*English*]

If you don't mind, I'll answer in English.

I was making a very rough statement. Let me dig into it a little more.

Labour force growth will be at roughly the same rate as immigration because Canada's aging workforce is no longer generating growth itself. It's going to stop generating growth in the next two or three years. All of our net labour force growth will therefore come only from immigration, unless of course we're able to boost participation from under-represented sectors, such as women, indigenous Canadians, etc. These are important considerations around the edges.

That 1% growth is roughly the immigration target. The government has actually targeted a little higher than that 1% growth. We can assume about 1% economic growth from that. Doing it that way suggests there is no increase in per capita growth. That's implicitly what I'm saying. I'm not saying that's what will occur; I'm saying that's just a simplifying assumption. In fact, we would expect that it would add to productivity for two reasons. One is something you alluded to, which is that there are, in many sectors, shortages of workers. That impedes the productivity of firms that can't find the workers. These would be in various skill sets. The other is that, on average, the immigration populations are more entrepreneurial than the average domestic population is—that is, they start more small businesses—and those new businesses add to productivity at the margin. These are not large effects that I'm talking about, but that's what you need to boost per capita income—some extra effects like that.

● (1320)

[*Translation*]

Mr. Gabriel Ste-Marie: Thank you. Your comments are very interesting.

Is this labour shortage cyclical or structural? Is it a problem, or a challenge that will last a number of years, given the aging population?

[*English*]

Mr. Stephen S. Poloz: I think it is fairly structural. It's not just a short-term cyclical thing. What we have are very important structural changes in the economy that are giving rise to persistent excess demand in the trades— construction trades. We know we're going to be building infrastructure heavily for the next 30 years—lots of green infrastructure for sure, lots of transit infrastructure, since ours is aging. We know there is going to be a lot of demand for the construction trades. The housing sector continues to grow of course, and immigration will fuel that. I think that is a structural shortfall.

I think we're going to see increasing demand in the health care sector given the aging workforce. There are going to be shortfalls there, not just in doctors but throughout the whole chain. Those are just some examples. I definitely think it's not a cyclical thing; it's a structural thing.

[*Translation*]

Mr. Gabriel Ste-Marie: Thank you very much.

How much time do I have left, Mr. Chair?

[*English*]

The Chair: You have two minutes.

[*Translation*]

Mr. Gabriel Ste-Marie: Okay.

Mr. Poloz, it is a little early to draw conclusions about the current pandemic, which we are not yet out of.

However, we can still see what the last 14 months and a few days look like in the rear-view mirror.

In your opinion, could some policies or actions have been different, both for the Bank of Canada and for the government?

[*English*]

Mr. Stephen S. Poloz: You're asking about lessons learned, I guess.

[*Translation*]

Mr. Gabriel Ste-Marie: Yes, exactly.

Mr. Stephen S. Poloz: Okay.

[*English*]

Well, I do think it's early to be drawing real lessons, but I guess from my own point of view, I would say that speed mattered. You see some countries that were slower to react, just because fiscal policy requires a bunch of negotiations or something passed in their parliament or in Congress. I think one of the things we did well was that we made tools that are, as I call them, “elastic”. They get bigger if the economy is more challenged. They get smaller when the economy does better. That's a form of automatic policy. I think the lesson that everyone around the world has learned is that the more automatic tools there are, the better things work in this situation.

We also learned that fiscal policy is the most important tool when interest rates are so low. Not only is it the only one that really can work, but it's a very powerful tool. That's something we knew since Keynes in the 1930s, *franchement*, but I'm glad it worked the way that it was said it would.

That's a limited answer for now. I think we should give it more time.

[*Translation*]

Mr. Gabriel Ste-Marie: Thank you.

Mr. Stephen S. Poloz: Thank you.

● (1325)

[*English*]

The Chair: Thank you. We're getting you economists on a roll.

Welcome, Colleen Kennedy, to the screen. We see you.

We'll turn to Mr. Julian for six minutes. Then there will be a split between Mr. Falk and Ms. Jansen, I believe.

Mr. Julian.

Mr. Peter Julian: Thank you very much, Mr. Chair.

Thanks to all of our witnesses for coming forward today. It's very important testimony. We hope that you and your families continue to be safe and healthy through this pandemic as the third wave crashes on our shores.

I'd like to start with you, Mr. Macdonald. Thank you so much for your testimony today. You pointed out a number of things that should happen with overall revenue. You're not concerned about the deficit, but we all need to be concerned about the profoundly unequal tax system that we have. The government is refusing to put into place a wealth tax, though it worked in the Second World War; is refusing to put in place a pandemics profits tax, even though we know it's an effective measure that other countries are taking; and is refusing to take any meaningful action against overseas tax havens that the PBO tells us cost over $25 billion a year.

How important is it to have a fair tax system to actually put in place those measures so that we have the wherewithal and the resources to help so many people who are struggling now through the pandemic and in the rebuilding afterwards?

Mr. David Macdonald: Thanks, Mr. Julian, for the question.

Certainly, the tax system can play the role of equalizing or creating a more equal society in an after-tax sense, which is to say taking that money and redistributing it, but also restricting the maximum gains you get at the top end.

In terms of raising the revenue, of course, what this does is it provides us with fiscal room for additional programs. For instance, if we wanted to further expand the child care program or provide much better standards of long-term care from new transfers to the provinces, this is the sort of thing that would give the federal government more flexibility in doing so.

The present federal government's take of the Canadian economy in terms of revenue to GDP is relatively low. It has been much higher in the past. We're nowhere near all-time highs in the revenue take on either the revenue side or the expenditure side of the federal government. The points that you mention about a wealth tax or an excess profits tax are additional things that I think are worth examining in the context of COVID-19. That's in addition to other measures—for instance, some way in the short term of clamping down on profit-shifting as we wait for the BEPS committees at the OECD to work through international proposals on how we do that in a more coordinated way.

Mr. Peter Julian: Thank you very much.

I'd like to come back to one of the big missing pieces of this budget. We had a vote in February on our proposed Canada pharmacare act. The government members voted against that legislative framework modelled on the Canada Health Act for pharmacare. Pharmacare, of course, has basically been tossed aside, even though it was something the government committed to in the 2019 election.

How important is it to have in place pharmacare given the economic costs of not having public universal pharmacare in place, and also the social costs of having 10 million Canadians who have no drug or medication plan to pay for often life-saving medication?

Mr. David Macdonald: Certainly, in the context of the pandemic, many Canadians are receiving drug insurance through their employers. With the big disruption in employment over the course of the pandemic, in particular in the sectors where there are often more women than men, not only are you seeing a certain sector of the population that is just not covered for drug insurance, but you are also seeing another section of the population whose drug coverage may well have been interrupted during the pandemic.

When we look at this as an economy-wide problem, there can be substantial savings from a national pharmacare plan. One of the challenges, of course, is that the savings don't necessarily all go to the same place. The provinces might see savings from pharmacare, because they would see reduced health care costs, whereas it might be the federal government that pays for it. I think that sorting out the jurisdictional issues has, unfortunately, really retarded the development of a national pharmacare plan that, in an aggregate sense, would likely lead to savings, except that those savings will go to different places from who pays for it.

Certainly, in the context of a national pandemic, it highlights the need for coordinated action on health care issues generally in public health, but also certainly on things like drug coverage.

Mr. Peter Julian: Thank you very much.

You also referenced a climate emergency. We have a bombshell—there's no other way to put it—International Energy Agency report this morning that states that if we are to stave off a profoundly damaging climate emergency, we have to say no to new oil and gas projects.

This government has invested heavily in oil and gas subsidies, as we know. We have the government as well, so far, pumping $18.5 billion into the Trans Mountain project, which is vociferously opposed by first nations, by British Columbia and by the cities involved. To what effect should the government be switching from these massive subsidies for the oil and gas sector and building Trans Mountain to actually investing in clean energy infrastructure, clean energy development, and the hundreds of thousands of jobs that come with that?

● (1330)

Mr. David Macdonald: This is really an ideal time, when we look at the cost, to take out new debt to pay for the things that we need to move away from reliance on fossil fuels, not only to get around in terms of transportation but also in terms of key industries in particular provinces. This is the time to start to develop just transition strategies, so that workers who did work in oil and gas, who made good money working in oil and gas and flew in to work in that sector, can find someplace else where they can also make good money. It's not reasonable to simply abandon workers on this path to net zero.

That's not going to happen tomorrow. It's not going to happen by 2025. It's going to happen by 2040 or 2050. But now is the time to start, particularly at a time when we can make critical investments in those areas. It's not a time to put this off out of some fear of high interest costs when we have such low interest costs on new debt that we might incur toward that end.

The Chair: We will have to end that round there.

We will go to, I believe—you'll have to correct me if I'm wrong—to Mr. Falk and Ms. Jansen, who will be splitting their time. No? Who's on?

Hon. Ed Fast: Mr. Easter, I'll be taking this round.

The Chair: Okay. You guys are switching all over the place today.

Hon. Ed Fast: We are.

The Chair: Mr. Fast, for five minutes, followed by Ms. Dzerowicz.

Hon. Ed Fast: That's what we call “elasticity”, Mr. Chair.

The Chair: Okay, good.

Hon. Ed Fast: Mr. Poloz, Stephen, it's nice to have you back at committee and see you again.

I want to address your opening comments. You referred to the inflationary impacts of stimulus, and you tended to downplay them. I think the word you used was that they are “transitory”.

Now, if they're not transitory and they are more pervasive and persistent, would you agree with me that that would represent a significant challenge to the sustainability premise of the budget?

Mr. Stephen S. Poloz: It's a highly hypothetical question, isn't it?

To me, the sorts of policies that have been put in place around the world post-COVID all look to people as if they would be inflationary, but what they are doing is counteracting an enormous deflationary force to keep us roughly where we should be.

When things normalize, one would need to transition to a more normalized set of policies across a wide front, and that, of course, is a matter of judgment when that actually takes place. Given that central banks, virtually every one that I know about, are pursuing inflation targets, then you'd expect them to continue to pursue those inflation targets.

To me, it's almost too hypothetical. If you're asking the question what happens to government debt when inflation goes up, indebtedness goes down. The economy, as it's measured in terms of national income.... Today, let's say it goes up, if things settle to normal and we're growing at, let's say, 2% per year real and 2% inflation, that would be 4% nominal growth.

Hon. Ed Fast: That was not my question. My question was about the premise on which the budget was built.

The stimulus measures that were being introduced, the stimulus that's sitting on the sidelines in savings accounts on the corporate and household side, and the massive stimulus on the American side are all said to be transitory and will not have significant pervasive and sustained impacts on inflation, so we are told not to worry about interest rates, as they're going to stay around where they are right now.

If those assumptions are wrong, if you're wrong about the inflationary impacts of the stimulus, that changes a lot, doesn't it? That's my question.

Mr. Stephen S. Poloz: If that premise is wrong, then the economy will show signs of being much stronger sooner than expected, and those very same elastic policies that we talked about will immediately retreat and reduce the amount of stimulus that is being delivered. That's the beauty of the automatic formulation that's being used. If you're talking super-hypothetically, is it possible to overstimulate? It is, but I argued in my remarks that going gradually, as occurred during the 2008 to 2010 period, left a long legacy of permanent scars on the economy, and I think that suggests that a more rapid return to normalcy here will reduce the amount of scarring and therefore reduce the permanent effects.

● (1335)

Hon. Ed Fast: I hope you're right. I really hope you're right.

Mr. Stephen S. Poloz: I hope so, too.

Hon. Ed Fast: I want to touch on one other thing. You mentioned that the increase in housing prices isn't necessarily inflationary, that housing price inflation would have to be sustained for it to be considered inflation. Out my way, out on the west coast, we've had sustained housing inflation for a long time. If your statement were just hanging out there, I know it would attract a lot of attention, so do you want to clarify that?

Mr. Stephen S. Poloz: What I want to clarify is that StatsCan captures the cost of living in a home in your consumer price index—of course it does—and, importantly, that includes not just the price of a house but also the cost of servicing the mortgage that goes with it. If you look at charts that show debt service in the household sector, you see that basically the household sector has maintained a pretty constant level of debt service, because the rise in house prices has been offset by falling interest rates, roughly speaking—not everywhere, but for the aggregate economy. For that reason, we don't see a lot of evidence of skyrocketing house prices showing up as part of consumer prices.

I know that in individual markets the prices have gone up tremendously. As I've said previously, that is a side-effect that is pretty hard to avoid when you're stimulating the economy like this, and it's the main area that's grown, so the best antidote to that is to increase the supply of houses. To me, that's the most important thing. Houses are in short supply.

Hon. Ed Fast: Of course, that's easier said than done.

Mr. Stephen S. Poloz: Agreed.

The Chair: We are quite a bit over the time, so we'll have to move on to Ms. Dzerowicz, followed by Mr. Ste-Marie.

Ms. Julie Dzerowicz (Davenport, Lib.): Thank you so much, Mr. Chair.

I want to thank all three panellists for their excellent presentations.

My first questions are for Mr. Poloz.

Mr. Poloz, welcome back. It's nice to see you. I was very happy to hear your comments about the need to harmonize and reduce interprovincial trade barriers. I have valiantly tried to convince the opposition members on this committee of the need for an urgent study for us to move forward on eliminating interprovincial trade barriers. I have been unsuccessful to date.

You mentioned that it would cost nothing and could boost our economic growth by as much as child care—so up to around 2%. As you have indicated, Budget 2021 does have some money to start tackling the interprovincial trade barriers. Can you maybe talk a bit more about the importance of this and some of our initial steps or what some of the next steps should be?

Mr. Stephen S. Poloz: First, in my remarks, I indicated that there's twice as much potential economic growth in harmonizing trade barriers across provinces as there is in the child care initiative.

The best empirical work conducted by a professor from the University of Calgary, along with people at the IMF, suggests that for the country as a whole, we could boost national income by about 4% by erasing these inconsistent regulations across provinces.

That, to me, is free money because it just means sitting down and saying that, okay, there are eight different regulatory specifications for furnaces for homes across this country. Imagine if you're the manufacturer of furnaces; you need to manufacture to eight different standards. What is the purpose of that? It's an accidental outcome. Provinces do their own regulation, and over time, you get these divergences.

All we need to do is to have a weekend where everybody rolls up their sleeves and is committed to doing this. If we did this, then you could also leave the room and say, “We think we can do this without raising taxes.” Wouldn't that be a good news item?

To me, the motivation has never been higher than it is today to get down and to get serious about this. Of course, there are some things in there that people will defend very vigorously. Maybe it really is important that the creamers you get in the coffee shop in Montreal must be a different size than the ones you get in a coffee shop in Toronto. Maybe that's really important to someone, but I'm afraid I don't understand it.

● (1340)

Ms. Julie Dzerowicz: Thank you so much, Mr. Poloz. Thank you for mentioning the investments in immigration that we have in Budget 2021. They, indeed, will also help boost the economy, as well as grow jobs.

My next question for you is this. There's also a significant amount of investment for skills and training. Can you also comment on how this will help boost economic growth and help job creation?

Mr. Stephen S. Poloz: Skills and training investments ensure that we get the matches we need. We mentioned some shortages before. There are easy-to-identify shortages in the workforce.

I think this is going to become a larger problem as we go through and exit from the pandemic. You've probably heard me talk about the K-shaped economy. At the top part of the K, everything is performing quite well, and it's perhaps 97% of the economy, but then the bottom 3% that is struggling is going to continue to struggle. What we need to do is find ways for those folks to find their way into the top part of the K, just as we did after oil prices collapsed back in 2014-15. There was a K-shaped economy then.

Skills training helps folks find their way into the top part of the K. It improves the matching and the efficiencies and, therefore, the productivity of the economy. We can't do all of this through immigration. We need to do it with the folks who are dislocated by the shocks that hit our economy.

Programs exist, and the programs work, but I think those investments will pay off even more in the future because, basically, the technological revolution is being accelerated by COVID, so the displacement of workers will accelerate. We will need to invest more resources in that transition.

Ms. Julie Dzerowicz: Thank you.

My last question for you is about the economic scarring that you were talking about a little earlier.

We've heard on many occasions that our finance minister has been committed to sustained stimulus spending to ensure a lasting and strong economic recovery. We learned from 2008 that we don't want to be pulling out too quickly.

How do you think we can avoid the mistake of pulling stimulus too early and have a sustained recovery? Do you think we have the timing about right in our budget right now? I think we have the emergency benefits staying in place until late in the year.

Mr. Stephen S. Poloz: That last part is hard to say. Of course, it depends on the vaccinations, the success of the vaccinations, whether there's a way forward and those kinds of things. I really have no way of forecasting that.

Again, I emphasize the elasticity of the programs that were set up so that—provided that there's a willingness to maintain them a little longer, if necessary—we know that they'll automatically shorten themselves if we succeed with rapid vaccinations and things get back to normal.

We can do that with confidence, knowing that it's not like we're just spending money. We're actually making something available, and people only tap into it when they don't have a job.

That was a good model. It should serve us well as it unfolds. The timing, therefore, is something else. It's beyond any of our control, but the system is designed to accommodate different timing. I think that's appropriate.

In terms of the stimulus afterward, as I said at the beginning, it's a judgment call, really, and I'm not in a position to judge that overall. If for some reason, as Mr. Fast is asking, it turns out to be a little too much, well, the signs will be there. Then it will be possible to adjust policies in different ways in an endogenous fashion.

Ms. Julie Dzerowicz: Thank you.

The Chair: Thank you, both.

Before I turn to Mr. Ste-Marie, I just want to throw in a question to Ms. Kennedy.

I know you're in the Gros Morne area, Ms. Kennedy. You did mention the wage subsidy, and we had people on the previous panel on the emergency wage subsidy. How important is it to your industry and your area that changes be made to Bill C-30 with regard to the wage subsidy?

Second, I know you're in a national park. What difference does the national park in Gros Morne make to your region?

● (1345)

Ms. Colleen Kennedy: Thanks very much.

The wage subsidy is actually going to be just as important this year as it was last year. In 2020 we lost, as I said, about 95% of our visitors. This year anything that's outside of Newfoundland is going to be a challenge. We are looking forward to the bubble, but we're not sure. We're anticipating probably 15% at the maximum again this year until September and the vaccine rollouts.

A lot of these businesses that didn't open last year and didn't open this year are going to be very challenged to bring their employees back on. Without that wage subsidy, they can't even figure out how to open their doors to the visitors and what the change in behaviour at the workplace is going to be. Actually, they need the investment more this year than they ever did to continue on, to welcome, hopefully, season 2022, which is looking way better.

We're in a national park and we're very blessed, because on the north of the park basically the communities are depending on the fishery and they're very challenged in doing that and in sustaining their communities. Last year you guys, the federal government, made big investments in the Internet and Internet expansion to these communities, which was huge. It was important because it became so important this year to be able to communicate and to stay in the tourism game with the different trade partners they have and tour companies they use.

I know a lot of businesses have lost out this year, with mostly cancellations for this season, but 2022 is not looking too bad. If they don't have the resources to get them to 2022, all is lost. The two-year fight will be lost for them.

As I said, we're very fortunate to be in a national park. We're fairly new in the tourism business. We've been in it for about 40 years, so we're just getting to where our next family of businesses is developing experiences in this region. We have a lot of opportunity. We have a lot of federal presence here with regard to new highways, new experiences, and a lot to show the rest of Canada, so we're hoping that Canadians will look to come and know more about other special spots in Canada.

I do think the government can't underestimate the value of keeping people in that industry in the next year, and they can't do that without your assistance.

The Chair: Thank you very much.

Mr. Ste-Marie.

[*Translation*]

Mr. Gabriel Ste-Marie: Thank you, Mr. Chair.

I will start with a comment.

I just want to remind our guests that, in my opinion, all members of the committee agree with increasing interprovincial trade. Just because we did not support the idea of the committee doing a study, does not mean that we are against trade of that kind. In my opinion, the issue is the negotiations that have to take place among the provinces. Canada is a federation. It's a historical compromise. Although we are seeing more and more pressure for everything to be decided in Ottawa, the fact remains that we have various levels of administration and not everything is up to “big daddy” in Ottawa.

For example, in Bill C-30, I especially regret the funding for centralizing securities. That is detrimental to Quebec's economy and to its head offices, because it threatens their financial position. The Bloc Québécois clearly cannot support that idea.

My questions go to Mr. Poloz once more.

Mr. Poloz, the extent of the crisis and the responses by governments and central banks, which have implemented measures all around the world, are enough to make one's head spin. Some plans are unprecedented and they seem to be working. However, the sums involved are really high and I understand perfectly the fears about inflation, or deflation, as you said in a previous life.

We also have to be afraid of bubbles in some sectors, especially real estate. We are therefore looking at all the risks to determine what could happen, given that we are losing our reference points a little.

Which sectors, which risks, could lead to the recession becoming longer, or even to a new recession? I talked about inflation and deflation. We could also talk about exchange rates. You mentioned a K-shaped recovery.

In your opinion, could the sectors that recover more slowly represent a risk in terms of a recession becoming longer, or of a new crisis?

Should we actually be assessing the risks in terms of climate change?

Which risks should we be closely monitoring in order to prevent another crisis or an extension of the one we are currently in?

● (1350)

[*English*]

Mr. Stephen S. Poloz: Of course there are many risks. As you indicated, we've never been here before, so the signposts that we're reading are not as reliable as usual. I can say flippantly not to worry about inflation; inflation depends on demand and supply and it always has, but we don't know for sure how much demand has been suppressed by COVID-19, how much the policies we're putting in place will translate into more demand, and what the supply side is doing.

When I talk about scarring, I'm talking about permanent losses of companies, jobs, and industrial or commercial capacity. That means that if supply is coming down when demand is rising, of course that would have inflation potential.

The way I portrayed our response is that we should be playing those odds. What risks do we want to manage? Well, let's have policies that increase investment, both directly—such as in infrastructure and social infrastructure like child care—and in incentives to vastly increase investments in carbon capture, for example, which is investment, but on the green line. Those things add to capacity and are anti-inflationary in their effect, so they mitigate that risk of an outbreak of inflation.

Central banks, of course, are watching this much more carefully than I do. Their job is clear, so I have complete faith in how that will turn out. A fourth wave or a fifth wave are major risks that we face. Sectors that are struggling, as I said, can translate into exits.

I would just say on this that there have been many company entries and many firms created during this episode. I was quite amazed: We lost more than 100,000 businesses during last summer, but by the time we got to the end of the year, we had gotten back over 80% of the businesses. They're not the same businesses. They are brand new businesses that are entering the market in the middle of a pandemic. This shows how resilient the Canadian economy is.

The last risk I'll mention is that I think there's a risk that there will be some form of a crisis somewhere else in the world—an emerging market crisis. Some countries do not have the institutional capacity or the fiscal capacity that we have, but they're dealing with the same problems that we are—countries like Brazil, for instance.

The Chair: We have to move on.

[*Translation*]

Mr. Gabriel Ste-Marie: Thank you.

[*English*]

The Chair: We're going to move on to Mr. Julian followed by Mr. Kelly and Ms. Koutrakis, and we'll have to close there.

Mr. Julian, you have two minutes.

Mr. Peter Julian: Thanks, Mr. Chair.

I have a question for Ms. Kennedy. The government is scaling back substantially on COVID support starting in a few weeks, and we're in the midst of a deadly third wave. Do you think the government is acting prematurely in cutting back all of those supports that people desperately need at a time when we are very much in danger?

Ms. Colleen Kennedy: Yes, I do. I think the government responded very well to the needs of Canadians when the pandemic started. Yes, we might have the vaccine and we might be getting closer to the end, but we are far from financially independent or wealthy enough in some of these cases for these companies to move on without assistance. We're still probably months out before we're back to even 50% of our business capacity. A lot of that's not going to happen for about six months out.

Like I said, it's not just a matter of getting the vaccine for us. We've lost 19 flights in Atlantic Canada. We almost have to rebuild our traffic routes and our access routes to fill our businesses and our accommodators again, so I don't think pulling out in the next three or four months is a wise idea for us.

● (1355)

Mr. Peter Julian: Thank you so much.

Mr. Poloz, you talked about growing out of World War II debt. Of course, in World War II, we had strong measures against profiteering, a wealth tax and a 100% excess profits tax at the end of the war, as you well know.

We have a government that has done absolutely nothing about the revenue side—no wealth tax, no pandemic profits tax, no cracking down on overseas tax havens. Do you feel it's important that we start to address tax fairness and the fact that we have billionaires and big corporations making money hand over fist and so many Canadians are struggling at this time and need resources and support?

Mr. Stephen S. Poloz: Perhaps the question is offered in a very abstract way, but I can just say that Canada has, if not the fairest, one of the fairest tax structures across the OECD. There is an easily available summary of statistics on the OECD website of its cross-country analysis. I'm not saying that it's perfect—of course it's not.

Should the government be considering other things? Well, as I indicated in my opening remarks, whether you believe that stopping the rise in government debt and having it gently decline as a share of national income is sufficient to prepare us for another rainy day, that is more of a political consideration than an analytical one. I'm not going to express an explicit view on it. What I said was that technically it is sustainable in the way it has been presented, but I would listen to someone who thought that it was not good enough for the next crisis that might come along.

For that you would need some other measures, I guess, but I believe that putting those efforts into boosting economic growth is the fastest and the best way to do exactly that—adding to our future resilience. I don't know why we would raise taxes when you have all of those other great opportunities to boost economic growth. That's my position.

The Chair: We will split the time between Mr. Kelly and Ms. Koutrakis for about four minutes each.

Go ahead, Mr. Kelly.

Mrs. Tamara Jansen: It's going to be me.

The Chair: It's going to be Ms. Jansen.

All right, you guys, go ahead.

Mrs. Tamara Jansen: We're just switching it up here.

Mr. Poloz, originally you said that there would be no inflation, and here we are. Unfortunately, your prediction was wrong, so why should we believe you now when you suggest that inflation won't last?

Mr. Stephen S. Poloz: Well, I hope you don't mind if I take exception to your question.

When we went through a shock the size that we did, a lot of prices fell. I'll give you an example. I went down to Toronto back in November to do a televised thing. I stayed at the Sheraton in Toronto for $169. I'd been there back in the spring, and it was $469. Now what would we call this? That is deflation, correct?

Mrs. Tamara Jansen: I believe that the government is now charging quarantine hotels, and it's like $3,000 or something.

Mr. Stephen S. Poloz: I'm not going to comment on that.

When the price of the hotel room goes back up to $269 or whatever it goes up to, you would call it inflation. But I'm saying it's just a return to more normal pricing and it measures as inflation. It's transitory, because when prices go up, unless they go up, up, up year after year, it's not inflation. All it is is a return of prices to normal.

That's as short an answer as I can give.

Mrs. Tamara Jansen: Okay.

The biggest source of federal government funds last year came from the central bank—not tax revenue, not lenders, just central bank money-printing. So now we have too many dollars chasing too few goods, meaning working people pay more for housing, food and fuel.

Since the Bank of Canada has committed to continue printing more money, to the tune of $156 billion to cover the $154-billion deficit the Liberals have announced, it would seem that inflation will continue for at least another year. It's not so transitory, as you're suggesting.

Who is a Canadian to believe in regard to inflation—you or their grocery bill?

Mr. Stephen S. Poloz: I am not going to answer questions that are actually questions for the Governor of the Bank of Canada. I am not the Governor of the Bank of Canada. But what I will explain is that when prices go down and then they go back up again, that so-called inflation stays in the inflation numbers for a whole year. We call it a “base effect”. Then it comes back down.

That is a transitory rise in prices. The prices stay up, but the inflation rate only goes up temporarily and comes back down a year later. That is the sort of phenomenon you're describing.

I'll leave my comments there. I am not here to defend the Bank of Canada's current policies. It's not my job. It's not appropriate.

● (1400)

Mrs. Tamara Jansen: Okay—

The Chair: I will have to end it there.

We'll go to Ms. Koutrakis.

You have about three minutes, Annie.

Ms. Annie Koutrakis: Thank you, Mr. Chair.

Just for the record, I want to correct my colleague Ms. Jansen. The Government of Canada is not setting prices on how much hotels are charging for the quarantine. I think that's important to put on the record.

Mr. Poloz, we heard from your testimony that a lot of the programs we've put in place have helped save our economy. We've seen higher-than-expected growth rates in the second half of 2020. With the vaccine rollout well under way, we're potentially looking at a recovery from the pandemic that's faster than originally expected.

How do you see our economic recovery progressing over the months and years ahead? What role does this budget play in putting us on track for strong growth?

Mr. Stephen S. Poloz: I think you're right. We have seen.... The recovery so far, if I can call it a “recovery”, or the period during which measures of output have gone back toward normal, has outpaced all of the forecasts that were laid out last year, in fact all the way up until Christmas, and not just in Canada. It's everywhere. The resilience that I've referred to has been seen in many countries.

As I said in my opening remarks, I believe it has to do with our normal understanding of how recessions work. We think of them as being widespread across the entire economy instead of in certain pockets. In these cases, those things have been shut down. I feel very bad for those people. It's awful. Their businesses are at risk. Their jobs are at risk. But it has stayed in those sectors. It has not spread across the whole economy. Therefore, the recovery goes in a completely different way than normal.

Given that, I'm quite optimistic that once vaccination become more widespread and we are back on firm footing, we're going to see some of the savings that have been made during the pandemic unleashed. I don't think we're going to have the roaring twenties—I think people are going to be fairly conservative—but there's going to be a savings-led mini-boom, at least, by the consumer. I think we're going to see a continuation of growth from there. I think what has to happen next is that the growth leaders have to switch back to investment and exporting, and that's exactly what I would expect to see.

So I can't be anything but optimistic over the next couple of years. I think the right ingredients are present.

The Chair: I'm sorry to all. We could have used another hour here, but the committee meets with another panel in a little less than 30 minutes.

On behalf of the committee, I want to thank all of the witnesses. Thank you all for coming and answering our questions. It's been a very interesting exchange at times, even a little testy, but that happens at the finance committee.

The meeting is adjourned.