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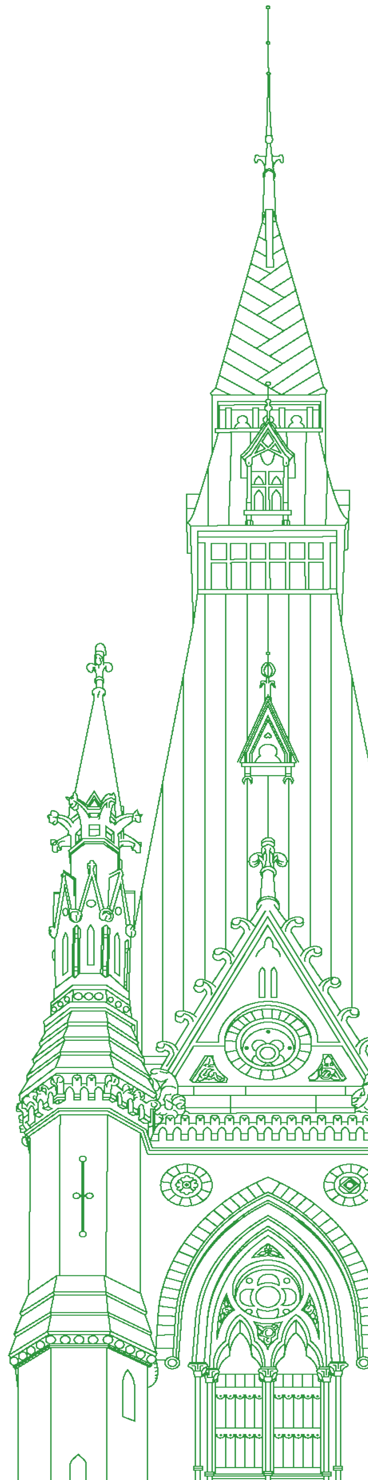

Chair: Mr. Peter Fonseca

Standing Committee on Finance

Thursday, May 18, 2023

● (1105)

[*English*]

The Chair (Mr. Peter Fonseca (Mississauga East—Cooksville, Lib.)): I'm calling the meeting to order.

Welcome to meeting 89 of the House of Commons Standing Committee on Finance.

Pursuant to the order of reference on Tuesday, May 2, 2023, and the motion adopted on May 16, 2023, the committee is meeting to discuss Bill C-47, an act to implement certain provisions of the budget tabled in Parliament on March 28, 2023.

Today's meeting is taking place in a hybrid format pursuant to the House order of June 23, 2022. Members are attending in person in the room and remotely using the Zoom application.

I'd like to make a few comments for the benefit of the witnesses and the members.

Please wait until I recognize you by name before speaking. For those participating by video conference, click on the microphone icon to activate your mike, and please mute yourself when you are not speaking. For interpretation for those on Zoom, you have the choice at the bottom of your screen of floor, English or French audio. For those in the room, you can use the earpiece and select the desired channel.

I will remind you that all comments should be addressed through the chair. For members in the room, if you wish to speak, please raise your hand. For members on Zoom, please use the “raise hand” function.

The clerk and I will manage the speaking order as best as we can. We appreciate your patience and understanding in this regard.

Before I welcome the witnesses, I want to thank the witnesses for graciously accepting our invitation.

I know you had very short notice to be with us today, to get your opening remarks ready and to be able to take questions from all the members. On behalf of all of us on the committee, thank you very much.

With us today we have Beer Canada and its vice-president of federal affairs, Luke Chapman. We also have with us the Canadian Bankers Association and Darren Hannah, vice-president, personal and commercial banking, and Angelina Mason, general counsel and vice-president of legal and risk. From the Canadian Canola Growers Association, we have president and CEO Rick White, and Dave Carey, vice-president of government and industry relations.

From the Canadian Chamber of Commerce, we have with us Alex Gray, the senior director of fiscal and financial services policy. From the Digital Asset Mining Coalition, we have Daniel Brock, a law partner with Fasken, and with Daniel we have a partner from EY Law, David Robertson. From the Hotel Association of Canada, we have with us Susie Grynol, who is the president and chief executive officer.

Welcome, everybody. It's great to have you here.

We're going to start off by hearing opening remarks from Beer Canada.

Go ahead, please, Mr. Chapman.

Mr. Luke Chapman (Vice-President, Federal Affairs, Beer Canada): Mr. Chair and honourable members, thank you for the invitation to appear this morning as part of the committee's study of the subject matter of Bill C-47.

My name is Luke Chapman. I'm the vice-president of federal affairs for Beer Canada, the only inclusive national trade association for Canadian beer companies. Our membership includes 48 small, medium and large-sized breweries, which when combined account for 90% of all beer produced in our country.

Domestic brewers are heavily invested in Canada. Last year, 88% of all beer purchased and consumed here was made here by some of the 20,000 Canadians directly employed by brewing companies.

The value chain for brewing, packaging, distributing and selling beer in Canada is long and interconnected. For a pint of beer to reach your glass, brewers depend on western Canadian barley farmers, can and bottle manufacturers in central Canada, and truck drivers and restaurant and retail staff from across the country.

When all the steps in the production, distribution and retail process are considered, the production and sale of beer in Canada supports 149,000 jobs, generating over $13 billion in economic activity and $5.7 billion in taxes. Currently, federal and provincial taxes and markups account for almost half of the retail price of beer, giving Canada the title of having the highest beer taxes among G7 countries.

I think we can all agree that beer is a social beverage. Enjoying a beer with family or friends at a backyard barbeque or sports event, an outdoor summer concert or a neighbourhood pub provides great social and community benefit. In a typical preCOVID year, restaurants, bars, concerts, sporting events and other public venues accounted for nearly a quarter of all beer sold in Canada.

It's not surprising, then, that the restrictions placed on social gatherings over the past few years due to the COVID pandemic had a dramatic impact on the Canadian beer market, with the total volume of beer sales declining by 6% over the past three years. Draft beer sales, which primarily occur at restaurants and bars, are still 25% below where they were prepandemic, in 2019.

As brewers were grappling with where and how they were allowed to sell their beer during the pandemic, inflation began to take hold, presenting a new set of difficulties and challenges.

For brewers, the concerns were twofold. First, in 2021 and into 2022, the cost of producing, packaging and distributing beer started to rise rapidly, with key inputs like barley and packaging materials up by as much as 60%. Second, the impact of rising inflation on the annual and automatic federal beer excise duty rate increases—which are determined using a formula that is tied to inflation—was also a concern that was front and centre.

Since the automatic indexing of federal beer excise duties was included in the 2017 federal budget, beer taxes have increased every year. While we continue to be concerned over this automatic approach to beer taxation and its negative impacts on the Canadian beer and hospitality sectors, we recognize that CPI inflation was relatively stable for most of the period between 2017 to 2022. As a result, the annual increases amounted to an average of around 2% over that period.

While the past automatic increases were not inconsequential, as we monitored CPI inflation throughout 2022 we reached the conclusion that this year's increase was likely to exceed 6%, making it the largest federal tax increase on beer in the last four decades.

As a result of the effort and support of MPs from across parties—some of whom are in this room today, so thank you—we were pleased to see the government address our immediate concern by including in the 2023 budget a 2% cap on the 6.3% excise duty rate increase that would otherwise have gone into effect this past April 1.

While this temporary one-year cap was not all that our coalition of barley farmers, unionized brewery workers, restauranteurs, consumers and breweries had been advocating for, and while our position remains that the continued use of automatic excise increase is neither appropriate or effective—particularly in an era defined by high inflation and declining beer sales—we do view a temporary 2% cap as a fair compromise. We certainly welcomed and appreciated that it was included in the 2023 budget.

In this respect and in conclusion, we encourage the adoption of section 124 of the budget implementation act to reduce the scheduled increase in federal beer excise duties from 6.3% to 2%, retroactive to April 1.

We thank the members of the finance committee for the opportunity to provide our perspective, which we hope will be helpful as they review and consider Bill C-47.

I'm happy to answer any questions after the other witnesses. Thank you.

● (1110)

The Chair: Thank you, Mr. Chapman.

Now we'll hear from the Canadian Bankers Association, please.

Mr. Darren Hannah (Vice-President, Personal and Commercial Banking, Canadian Bankers Association): Good morning. Thank you for the invitation to speak at the House of Commons Standing Committee on Finance on Bill C-47, the budget implementation act.

My name is Darren Hannah. I'm the vice-president of personal and commercial banking with the Canadian Bankers Association. I'm joined by my colleague, Angelina Mason, general counsel and vice-president, legal and risk.

The CBA is the voice of more than 60 domestic and foreign banks that help drive Canada's economic growth and prosperity. The CBA advocates for public policies that contribute to a sound, thriving banking system to ensure that Canadians can succeed in their financial goals.

While Bill C-47 is extensive and the committee is studying numerous provisions, our remarks will be focused on part 2, clauses 114 to 116, which retroactively amend the Excise Tax Act. This is a very small component of the budget implementation act, but it has profound implications on how businesses, entrepreneurs and investors, both domestic and international, view the opportunities and risks of doing business in Canada.

Simply put, the government is attempting to legislatively override a decision by the Federal Court of Appeal and to retroactively change the GST treatment of payment card clearing services, literally back to the introduction of GST in 1991, by expressly overriding the general legislative limitation periods under section 298 of the Excise Tax Act. The effect is, therefore, to retroactively tax transactions that happened as long as 30 years ago. In doing so, the government is ignoring widely accepted positions among taxpayers and tax professionals, as well as its own published guidelines for the appropriate and exceptional use of retroactive legislation. The government's position is inconsistent with its own treatment of payment card network services as financial services for the purposes of regulatory oversight by the Financial Consumer Agency of Canada. Moreover, through this proposed measure, the government is adding this tax burden at the very time the government is claiming to lower the cost of card acceptance fees for small businesses. Increasing taxes on card issuers and acquirers will inevitably impact the cost of card acceptance for merchants.

Retroactively taxing past transactions, especially in the face of court rulings to the contrary, erodes investor confidence in Canada, period. This is a concerning signal to investors, entrepreneurs and business owners. Core to the decision-making criteria of where to invest are certainty and predictability, not only in the rule of law and in its application but also in the ability to ensure that I, as an investor, can access the legal system to get fair treatment if I feel the law is being applied incorrectly. Indeed, this proposed measure fundamentally challenges the traditional understanding of tax law. This approach not only raises serious questions about fairness and legal certainty but also potentially inhibits future economic activity.

Imposing such a retroactive burden undermines the trust in the certainty of the tax system. While it might seem like an easy fix for fiscal shortfalls, it's important to consider the long-term implications of such a precedent-setting move. The retroactive tax measures in part 2 contradict these principles and, in doing so, undermine investor confidence in Canada at the very time we need to be attracting new investment, both from at home and from abroad. A recent study by RBC indicated that Canada will need an estimated $2 trillion over the next 30 years to finance the transition to a low-carbon economy.

These are large, long-term investments that Canada is seeking from investors to pivot our economy to a low-carbon future. An investor will make that type of commitment only if they are certain that the terms, conditions and business environment upon which they make their investment decision will be respected, that the government will not suddenly seek to retroactively revisit those conditions, and that they will have recourse to the legal system should they need it. That's why we strongly encourage MPs to take action to restore investor trust in the Canadian economic and legal environment by removing the retroactive provisions of part 2.

I thank the committee for your invitation and look forward to your questions.

● (1115)

The Chair: Thank you, Mr. Hannah.

Now we'll hear from the Canadian Canola Growers Association.

Mr. Rick White (President and Chief Executive Officer, Canadian Canola Growers Association): Thank you for the invitation to appear here today. My name is Rich White, and I am the president and CEO of the Canadian Canola Growers Association, or CCGA. I am joined today by Dave Carey, our vice-president of government and industry relations.

CCGA represents Canada's 43,000 canola farmers on issues that impact their farms' success. It is led by a farmer board of directors, with representation from provincial grower associations from Ontario west to B.C. CCGA is also the largest administrator of Agriculture and Agri-Food Canada's advance payments program.

Canola is Canada's largest agricultural commodity, earning farmers $13.7 billion in farm cash receipts in 2022.

Canada exports 90% of the canola we grow to approximately 50 countries as seed, oil or meal. Exports were valued at $14.4 billion in 2022. Canada is the world's largest exporter of canola. International trade underpins the canola sector's $29.9-billion annual economic contribution that supports 207,000 Canadian jobs.

Rail is the only practical means of transportation to move canola from the areas of production to port. Canola on average travels 1,520 kilometres by rail from farm to tidewater to be in export position.

Transportation of grain is one of several commercial elements that directly affect the price offered to farmers. When issues arise in the supply chain, the price farmers receive for their grain can drop, even at times when commodity prices may be high in the global marketplace.

Additionally, recent announcements in the Prairies over the last two years of five new canola processing facilities or expanded capacity of existing facilities signal that demand for canola is on the rise. These private investments of over $2 billion will increase Canadian processing capacity by over 50% of what it was in 2020. Increased rail capacity will be required to move more produce, and the reliability and timeliness of rail service will be critical to enable Canada's farmers to meet this demand.

At full build-out, this increase in domestic processing will likely create a shift in dominant trade flows of canola products, with less raw seed being destined for the west coast for export and more canola oil being transported domestically, especially to supply the expanding renewable fuel sector in North America.

As such, we are very pleased to see the budget recognize the need to incentivize competition in our class 1 railways by proposing a pilot trial to increase the extended interswitching limits in the Prairies. If done correctly, this pilot will promote fair competition, reduce transportation costs and enable Canada to build its reputation as a reliable supplier of canola. To further strengthen this policy, this commitment should seriously consider the following three points:

One, set the extended interswitching distance to 500 kilometres to ensure competitive market forces are available to all grain elevators and major agriculture producing regions. Under the 160-kilometre radius proposed, there are significant regional geographies in the three prairie provinces that remain outside of the pilot, producing an uneven playing field based on physical location.

Two, ensure that extended interswitching is available to all North American railways to further integrate the North American—

● (1120)

The Chair: Mr. White, I'm sorry. I don't know if other members heard, but I was hearing another voice coming through. We paused the time. I apologize for the interruption.

Mr. White.

Mr. Rick White: Two, ensure that extended interswitching is available to all North American railways to further integrate the North American market and shorten the distance goods need to travel.

Three, ensure the pilot lasts a minimum of five years to unlock the full potential of competition. The functional use of an 18-month extended interswitching pilot may be limited due to the fact that many shippers have previously negotiated service contracts with the railways.

For my closing comment, although it is not in the BIA specifically, we were also pleased to see the announcement on the funding of $85 million for the Canada water agency, and that it will be located in Winnipeg. We believe the CWA can support existing provincial and new national water monitoring work, incentivize natural water management infrastructure and build on proven approaches to stakeholder engagement.

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

The Chair: Thank you, Mr. White.

Now we're going to hear from the Canadian Chamber of Commerce.

Mr. Alex Gray (Senior Director, Fiscal and Financial Services Policy, Canadian Chamber of Commerce): Thank you.

Budget 2023 presented the government with an opportunity to enable and sustain the conditions necessary to grow our economy and raise future generations' standard of living. Some elements are laudable. Taken as a whole, however, we see budget 2023's lack of a decisive strategy to attract the investment required for a strong, sustainable economic future for Canada as a missed opportunity that would have ensured our competitive advantage in perpetuity.

Indeed, the disruptions caused by the pandemic continue to reverberate through the economy. According to Statistics Canada, Canadian real GDP in the fourth quarter of 2022 was 6.5% less than the preCOVID trend would have predicted. That is more than $180 billion per year in lost output. If that lost output were its own industry, it would be Canada's third-largest contributor to GDP, behind real estate and manufacturing.

Additionally, our international competitors continue to outpace us as Canada experiences low growth and weak labour productivity. It was budget 2022 that first noted that labour productivity growth in Canada has slowed from about 2.7% in the 1960s and 1970s to less than 1% today. Correcting this trend requires government to create a strategy that eliminates the disincentives that drive away investment, while focusing on pro-business policies for the benefit of all Canadians.

However, strategy without execution is pointless, and there are many obstacles for Canadian businesses to overcome. We cannot hope to attract private sector investment without pragmatic, predictable policies.

Start with our inadequate trade-enabling infrastructure. The status quo impedes our ability to get goods like critical minerals and agricultural products from where they're produced to the ports of export and beyond. We need several measures, such as twinning rail capacity, increasing industrial lands around airports and ports, and investing in warehousing and bridge capacity. As with much of the Canadian economy, we need to move faster to evaluate and approve projects.

Indeed, the way we regulate major projects is badly broken. Said projects for developing and exporting energy and critical minerals take so long and are burdened with so much unpredictability and uncertainty that they die, not from government decisions but from its inability to make and implement them.

Additionally, our convoluted tax code continues to drag down our economic competitiveness. Most recently, the introduction of several sector-specific taxes introduces unwelcome volatility and unpredictability to the Canadian business climate.

In BIA 1, we are particularly concerned about the proposition of yet another such tax—the proposal to alter the GST and HST definition of a “financial service” in the Excise Tax Act to exclude payment card network operator services. First, as with the digital services tax, we oppose the retroactive nature of this proposal, which would allow the CRA to assess taxpayers as far back as 1991. Canadian businesses cannot plan and invest for the future with the ever-looming possibility of retroactive taxation.

Additionally, this new tax will decrease Canadian competitiveness while increasing the costs of doing business in Canada. In general, other jurisdictions exempt their payment card network operators from similar taxes. In defying this best practice, the government would be placing Canada's financial services sector at a competitive disadvantage relative to its international peers. Further, increasing the cost of card acceptance would force businesses to weigh shouldering a new fee or passing it along to consumers, a difficult proposition while the cost of living remains high for many.

Finally, with over 800,000 job vacancies in Canada, we'd also hoped to see the budget focus more sharply on the skills and talent our workforce will need now and into the future. Measures such as enhancing the express entry program, improving interprovincial and foreign credential recognition practices, and reducing seniors’ disincentives to work would cost little while helping businesses address a core challenge.

If these exhortations for progress on regulation, taxation and skills sound familiar, it is perhaps because they were singled out as impediments to growth in the 2017 final report of the Advisory Council on Economic Growth. We had hoped to see more progress between then and now.

It is regrettable that budget 2023 did not contain several of these low- or no-cost growth measures, yet Canadian business remains eager to partner with government to create a strategy that will meet the moment. Given the headwinds we face, this is needed more than ever.

Thank you.

● (1125)

The Chair: Thank you, Mr. Gray.

We'll now move to the Digital Asset Mining Coalition.

Mr. Daniel Brock (Law Partner, Fasken, Digital Asset Mining Coalition): Thank you, Chair, and thank you, committee members, for having us here to speak with you today.

My name is Daniel Brock. I'm a partner at the Canadian law firm Fasken. I'm joined by David Robertson from EY Law. Together, we are advising an industry coalition representing more than 23 companies and organizations, all participating in Canada's growing digital asset and blockchain ecosystem. The coalition came together last spring to address a surprise legislative proposal published by the Department of Finance in February 2022, which would increase our members' costs of carrying on business in Canada by 5% to 15%. It is about this proposal as it appears in Bill C-47 that we are here to speak with you today.

In 2017, Canadians might have been using their computers in their basement or garage to mine for Bitcoin. Today, almost all digital asset mining is big business. Companies are using industrial-scale computing to verify and secure transactions that occur on a public blockchain. At today's market rate, the transaction fees and subsidies for adding a single block to the Bitcoin network have a value of almost $200,000.

More than 1,000 blocks get added to the Bitcoin blockchain every week. That's more than $200 million in potential revenue per week for mining pool companies that mine for Bitcoin. There are, however, no major mining pool companies in Canada. All are non-residents to Canada, based primarily in the U.S.A., Asia and Europe.

Canada's role in this emerging industry is not in mining for Bitcoin. Instead, Canadians are the suppliers of high-performance computing power that makes Bitcoin mining possible. Canadian companies take advantage of our cooler climate, our skilled workforce and our excess hydroelectric energy to produce and export clean computing power as a commodity like wheat or precious metals. Canadian computing companies are quickly becoming industry leaders in the supply of the clean computing power that international blockchain mining pool companies want.

Since 2018, this high-performance computing sector has brought in more than $2 billion in revenue to Canada. It has paid millions of dollars in corporate property and payroll taxes. It has invested $1.5 billion in the rural and resource communities in which they operate, and it has created 1,500 well-paying high-tech jobs in these communities. The average age of employees in most of these companies is under 35 years old.

Our main concern with the Finance proposal on crypto-asset mining is that this early success and the potential for future growth in Canada are being put at risk. There are several problems with the proposed GST changes. Let me highlight three.

First, proposed new section 188.2 declares that a Canadian company that (a) allows its computing resources to be used by foreign non-resident mining pool companies for crypto-asset mining, and (b) shares in the proceeds of that mining, is not engaged in commercial activity and will not be able to receive input tax credits. By contrast, all other companies that allow their computing resources to be used by non-residents are entitled to input tax credits, regardless of how that computing power is used or how their fees are calculated.

Second, by denying input tax credits to Canadian computing companies, these new rules make them less competitive in the international marketplace. The GST replaced the old federal sales tax in 1991, specifically to remove Canadian sales taxes as an input cost for Canadian businesses. The GST is to encourage investment both in Canada and in Canadian exports, and to make our goods and services more competitive in international markets. Proposed new section 188.2 does the exact opposite.

Third, the GST proposal creates a competitive disadvantage for computing companies across Canada, depending on the province in which they reside. The GST proposal creates an incentive for companies operating, for example, in Quebec, or in Newfoundland, where the embedded sales tax cost will be 15%, to move their operations to Alberta, where the sales tax cost will be only 5%, or outside of Canada altogether. The GST should never lead to this type of competitive imbalance for businesses within Canada.

● (1130)

What's the solution? We think there is a simple solution that is consistent with good GST policy. We are asking this committee to add a clear and unambiguous exception to the GST proposal. This exception should state that if a Canadian company supplies its computing power to a mining pool operator that is a non-resident of Canada, then proposed subsection 188.2(2) does not apply to them and, instead, ordinary GST rules will apply.

We look forward to your questions.

The Chair: Thank you, Mr. Brock.

Now that we're experiencing better weather—I'll keep my fingers crossed on that—we're going to hear from the Hotel Association of Canada and Ms. Grynol, please.

[*Translation*]

Ms. Susie Grynol (President and Chief Executive Officer, Hotel Association of Canada): Thank you for inviting me to join you today.

[*English*]

My name is Susie Grynol, and I am the president and CEO of the Hotel Association of Canada.

Three years ago, tourism was in a total lockdown. Our industry was devastated. We lost a million workers in the first two months of COVID.

Since reopening, our sector has experienced a dramatic leisure demand renaissance. Domestic spending has already surpassed 2019 levels. U.S. bookings are up 111%, and Europe and Asia search patterns are up 132% and 114% respectively, while business travel and major events continue to lag behind prepandemic levels.

The problem is that we can't service the demand we have today or our future growth. We simply can't keep up, and we are turning guests away every day. That's because when you shut down an entire sector for two years and it loses its most precious asset, its people, it becomes very difficult to reopen and operate effectively.

This summer our industry will be short a staggering 360,000 workers. That's exponentially higher than any other sector. Today, in our off-season, 47% of Canadian hotels are pulling rooms off the market because they don't have the staff needed to maintain service standards. This has real impact. A 100-room hotel in one of your ridings that's short just nine employees stands to lose over $700,000 a year. They can't reinvest into their organization or recover the losses they experienced during COVID.

As a result of COVID shutdowns, Canada also lost major international events, fell behind in creating new hotel capacity, and dropped from fifth to 13th in our global competitiveness ranking. Top competitors like France, Australia and Spain are aggressively investing in the billions to capitalize on the global travel market, which is at an all-time high.

What can Canada do to address our reopening challenges and maximize our growth potential? Mr. Chair, we have three recommendations. The first is labour, the second is investment, and the third is a coordinated government approach.

On labour, we are doing everything possible to attract and reattract workers and repair the damage done through COVID layoffs when travel was shut down. Our members have increased pay, enhanced benefits and adopted new flexible ways of working, but these efforts won't be enough.

Our growth will need to come from immigration, so our number one ask of government is that our in-demand positions be prioritized for processing in both our temporary and permanent immigration streams, including consideration for seasonal peak periods. In addition, we should be better supporting new Canadians to find work in high-growth sectors like tourism and hospitality.

Our association ran a bridge program with the federal government doing exactly this for Syrian refugees before the pandemic. It was a significant success, according to the government's own report, and it could be resurrected with little effort and minimal funding to support the many Ukrainians who have arrived in Canada since the war. This program should be invested in immediately to support our critical labour shortage.

Our second recommendation is investment in tourism products and experiences. In this year's budget, we were delighted to see the investment of $108 million for local tourism projects and $50 million to attract high-value business events, but we can and must go further. The government has an opportunity to coinvest in new tourism attractions and experiences so that we can capitalize on the strong international interest in Canada. We need to keep marketing our Canadian brand to the world, and we need to ensure that we have enough experiences and hotel capacity to support this growth.

Finally, we are eagerly awaiting the announcement of the government's tourism growth strategy, where we assume rebuilding our workforce will be a central element, as it was not included in the federal budget. This strategy also has to include a coordinating body that would bring together multiple government departments to address our critical issues like labour.

This should be led by the Minister of Tourism and include IRCC, ESDC, International Trade, Finance and Treasury Board. This ask doesn't cost any money, but it is essential that we get the right representatives around the table with a mandate to help us solve our deepest COVID-related challenges.

● (1135)

Tourism is Canada's largest service export. We employ Canadians in every region and riding across this country. We proved through COVID-19 that we are resilient, and, given the opportunity, we can lead a remarkable recovery.

Members of the committee, the opportunity before us is historic, but the potential will not last forever. We need to act boldly and quickly to secure the next 10 years for Canadians and for our tourism industry.

Thank you.

The Chair: Thank you, Ms. Grynol.

Thank you to all the witnesses for your opening remarks.

We have approximately 90 minutes for members to ask questions. We'll start right away.

In our first round we have the Conservatives for up to six minutes. I have Mr. Baldinelli.

Welcome to our committee, Mr. Baldinelli.

Mr. Tony Baldinelli (Niagara Falls, CPC): Thank you, Chair.

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

I'd like to begin with Ms. Grynol. Thank you, if I may, Susie, for all the work and advocacy that you've done, not only for the Hotel Association, but for the Tourism Industry Association and the Coalition of Hardest Hit Businesses.

I think you're being a little shy, too, in not recognizing the fact that you're representing over 8,000 facilities and 460,000 employees. In Niagara Falls alone, I have 16,000 hotel rooms and 40,000 people who have come to depend on tourism for their livelihood.

You mentioned some of the distressing signs. It's been three years that we've essentially lost our tourism years. It was two years, because of COVID-19. I put the entire blame last year on a useless ArriveCAN app that did nothing but keep people away from this destination.

Let's talk about the labour situation, because that is something that is impacting my community primarily. We have huge backlogs on the full-time stream, as well as issues with regard to temporary foreign workers.

I want you to explain a bit more about the issues. In Niagara Falls I had hoteliers who were not renting out floors of rooms because they had no people to clean those rooms.

Can you provide more of a description of what we're going through?

Ms. Susie Grynol: I think the statistic that should stun the committee is that 47% of Canadian hotels today, in our off-season, are pulling inventory out of the market. That's in our off-season, and that's because we can't service that demand. What a missed opportunity.

When we think about global travel demand, it's at an all-time high. If you just look at Google as a major indicator, you see travel to Canada is up 100% from 2019. People want to come to Canada, but they won't be able to find a hotel room, and they'll be dealing with all sorts of tourism businesses that will be closed over this time period.

Our competitors are eating our lunch. They are investing in the billions, and they have also resolved the labour challenges. I think there are some really good examples that we should look to, like the temporary foreign worker program, which in Canada today requires businesses to guarantee 30 hours a week for 18 months.

What happens in the off-season? Now you have a temporary foreign worker who requires 30 hours. You're in the off-season. Are you going to lay off Canadians to keep those temporary workers? We're not maximizing that program, but other countries have figured out how to do this. There is a temporary tourism visa that allows workers to come in, service the season, but then also re-enter in other seasons without having to go through another round of paperwork.

● (1140)

Mr. Tony Baldinelli: You've probably heard this from several of your owners and operators. Even with the issue of bringing workers here, then there is no place to house them.

In Niagara Falls we already have one of the lowest rental and housing accommodation rates anywhere in this country. Where do these new workers live? There is a housing crisis as well that needs to be addressed. Quite frankly, this government's national housing strategy has failed. We're still looking for units so that we can even bring these individuals and the residents who live in our communities to work in these facilities.

As you said, we're leaving money on the table. How do we address that?

Ms. Susie Grynol: Housing is a major concern, for sure. I would look to the committee and its leadership, and across government to continue to work on that issue.

Our industry is getting creative about how we solve that, and building additional staff accommodations, but that gets really hard in downtown Toronto and Vancouver. There need to be more creative solutions there, for sure.

Going back a step, I think just getting the workers in Canada in the first place is a major consideration for our sector.

Mr. Tony Baldinelli: One issue, too, that you touched upon, as we're trying to recover from those three lost years, is that lots of these facilities leveraged themselves quite tremendously. For three years they haven't had an opportunity to raise or generate the revenues needed to pay off those rents.

During the discussions on how this $108 million will be spent over three years, have you been able to work with government officials to tailor the criteria for these new programs that are going to be distributed through the seven regional development agencies, so that the issues—like those we had previously with HASCAP and so on—can be addressed in some of the funding criteria that are going to be established?

Ms. Susie Grynol: I think it's too soon for that still. Certainly we're engaged with government on the rollout there, but we're not sure how that money is going to roll out. It is for regional development. I think the issue you're referring to is on the debt side, which is still a major consideration for sure.

The fact that we are leaving money on the table every day and not generating revenue to cover the crippling debt our industry has had to incur over the COVID period is just heartbreaking. The suggestion that we have here doesn't actually cost the government anything. It's nonsensical that we've not updated our immigration laws to both temporarily and permanently support growth.

The greatest opportunity in front of us is a bridge program that could help new Canadians who have arrived into Canada. We've run a program like this before for Syrian refugees. It enhances their experience when they land. It supports the settlement agencies. It brings the employers to the table. If we were just a little more prescriptive about where people are going to land—and we believe they should be in high-growth sectors like ours—we could be doing a much better job of supporting those new Canadians, getting them into available jobs and closing that gap from arrival to gainfully employed.

Mr. Tony Baldinelli: In communities like Niagara Falls.

The Chair: Now we go over to the Liberals and Mr. Baker for six minutes.

Mr. Yvan Baker (Etobicoke Centre, Lib.): Thanks very much, Chair, and thanks to all the witnesses for being here. I wish I had time to ask questions of all of you. I won't be able to do that. I hope you all understand that.

I'd like to start with the folks from the Canadian Bankers Association.

For context, I used to be a banker. That was my first job coming out of university. I used to be a management consultant. I consulted a lot in the payment space. I'm very familiar with this, so I come at this from that perspective.

Just to clarify, the issue you have is that the BIA would impose a change that would cause GST or HST to be charged on a service that networks charge to card issuers. Am I correct about that?

Mr. Darren Hannah: Yes. They are proposing to retroactively make a change to tax legislation to override a court case to effectively change the tax treatment of assessment fees. The card networks apply a charge to both issuers and acquirers.

● (1145)

Mr. Yvan Baker: It's a tax charged by networks. For the folks at home, when we talk about a network, we're talking about Visa or Mastercard. This is a service for which Visa or Mastercard charge the banks. The concern you have is there will now be HST charged on that.

Mr. Darren Hannah: The concern we have is that the government is retroactively trying to make a change. Our concern is with the retroactive dimension of this. It is trying to retroactively change, to use legislation to override, in effect, a court case and a court decision.

Mr. Yvan Baker: Would you agree that from 1991 until 2021, which is when the Federal Court released its decision, almost all banks were charged and paying GST on payment card clearing services? That's a yes or no question.

Mr. Darren Hannah: The answer is it was contested through the entire period.

Mr. Yvan Baker: I don't have a lot of time, and I want to make sure we're clear about the facts. Is the answer yes or no to that question?

Mr. Darren Hannah: The answer is that they contested it through the entire period. There was a charge, and then the institutions would go back to CRA. CRA did nothing, and then eventually they were taken to court and they lost. The interpretation—

Mr. Yvan Baker: You're not answering my question. I'll move on to the next question.

Until the Federal Court of Appeal decision in 2021, is it fair to say that only a minority of banks were challenging the tax or filing “tax paid in error” claims?

Mr. Darren Hannah: For the last 20 years, institutions have been challenging this. They have been going to CRA. CRA has not been responding. The government lost. The government then did nothing, and sat on its hands for two years. Then, all of a sudden, we see retroactive legislation.

Mr. Yvan Baker: Let's go back to the impact of this.

As a percentage of the interchange fees earned by banks in any given year, could you estimate for us the percentage of those earnings that the GST paid on these payment card clearing services amounts to?

Mr. Darren Hannah: I don't know, and it's not the point. The point here is the principle that's at stake. The point is that there is an application of law happening in retrospect. They are changing the tax law. They are overriding a court decision.

Mr. Yvan Baker: I guess...you're not really answering my questions, are you? I'm asking you what the impact will be, because for the folks at home—

Mr. Darren Hannah: [*Inaudible—Editor*]

Mr. Yvan Baker: Let me now finish my question.

What my constituents in Etobicoke Centre are concerned about is whether this is an appropriate measure and what the impact of this measure will be. What are the pros and cons of this?

I've heard you on the retroactivity. You've said that multiple times. We've all heard you, but what I'm trying to understand is the monetary impact here, and what the impact of this is to the banks or the issuers.

Again, what I'm asking is this: Of that share of business of the interchange fees earned by banks, which you earn on every transaction that Canadians pay when they use their card or debit card, or whatever their payment mechanism tends to be, of that pool of funds that you make, what amount of money, what percentage of those earnings, does this GST on the clearing services represent?

Mr. Darren Hannah: I can't tell you the specific number. I can tell you that ultimately issuers and cardholders will pay more, and that merchants will pay more, because the tax affects both issuers and acquirers.

Mr. Yvan Baker: What you're saying is that banks make less money.

Mr. Darren Hannah: I'm saying that ultimately what will happen here is that cardholders will be affected and merchants will be affected.

Mr. Yvan Baker: As someone who knows a lot about the payment space, I don't agree with that assertion that cardholders will be affected and that consumers will be affected. I think banks could be affected by a very negligible amount. This is a very negligible amount we're talking about.

The other thing I would point out is that you've talked about the retroactivity quite a bit here. The Tax Court of Canada, in 2018, gave a ruling in favour of CRA in this matter, so if we're going to go back to court cases and how the courts ruled, I would note that not all the court rulings have been in your favour.

I think the point I would make, because I'm almost out of time, is simply that there are many.... Another witness from the chamber raised the fact of competitiveness in the context of this point. I think we do a lot to make sure that our financial services sector is competitive, and especially that in the payment space we're competitive. Countries regulate their payment spaces very differently around the world. There are lots of things we do to enable that here.

What I'm hearing is that a relatively negligible amount of additional money will have to be paid by the banks in HST. It conforms with a 2018 court decision. This change will have no impact on consumers. Yes, we'll ask banks to pay a bit more in HST, but I think we've done a lot of things to help the financial services sector and the payments sector thrive in this country.

● (1150)

The Chair: That is time, Mr. Baker.

Mr. Philip Lawrence (Northumberland—Peterborough South, CPC): I have just a quick point of order on process, Chair.

I just want to make sure that everyone is clear—I believe I'm not incorrect in this—that our job here is to ask witnesses questions, not ourselves.

The Chair: Yes, Mr. Lawrence.

We're going now to the Bloc and Mr. Ste-Marie, please.

Mr. Baker, you have a point of order.

Mr. Yvan Baker: Yes. On a point of order, Chair, I think it is really disappointing that Mr. Lawrence had the nerve to say that in this committee, after we just spent 25 hours listening to them speaking to themselves—

The Chair: We would ask for decorum from all the members—

Mr. Yvan Baker: —and wasting this committee's time.

Now, I didn't ask myself a question. I asked the witness a question, and the record will show that.

The Chair: Yes. Thank you, Mr. Baker.

We ask for decorum and respect. All members know that. We would hope that this would be the case and that we would continue in that vein throughout this meeting.

For the Bloc, next is Mr. Ste-Marie, please.

[*Translation*]

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

First of all, I'd like to welcome all the witnesses, who are most interesting.

As you can see, we work long hours, and sometimes things can get a little heated. However, I find the questions interesting.

My questions will be for Mr. Brock and Mr. Robertson. However, first I have a comment for Mr. Hannah and Ms. Mason.

I recognize that Canada's banking and financial system is one of the most stable in the world, and I salute that. However, I'm very critical of Bay Street banks, particularly with regard to the assets and activities they report in tax havens. If we want a fair and reliable ecosystem, we need stability, predictability and justice. To my mind, bringing in retroactive legislation against court rulings is worthy of a banana republic. Your views have been heard, and I hope the committee will be able to take your suggestions into account. On that I do agree with you. Thank you.

Now, Mr. Brock and Mr. Robertson, thank you for being here and for your testimony. You raise a lot of concerns.

I want to tell the committee that I'm really not a fan of cryptocurrency. It's not very attractive to me. However, as I said to Mr. Hannah and Ms. Mason, I am in favour of a fair tax system and stability. As you've clearly demonstrated, what we have in Quebec and elsewhere in Canada are companies with big servers, big computational abilities and high-speed fibre-optic Internet access. I know a bit about that ecosystem. What do these companies do? They sell their computational abilities to the highest bidder. I studied economics. One of my former professors worked with companies in Boston, where he could often rent computational abilities. The same goes for the pharmaceutical sector.

Bill C-47 is telling companies in this sector that when they sell their services to foreign mining companies, we'll treat them differently than companies in all other sectors of the economy. Under the rules, we'll let them deduct taxes, but other companies will no longer be able to deduct them. I have a problem with that.

The second problem relates to the point you raised about companies that create good jobs and bring in expertise. We have some in Quebec. Quebec businesses benefit from the cold weather and hydroelectricity, and therefore from green energy. So if Bill C-47 passes as is, for those businesses, the integrated sales tax will be 15%, whereas in Alberta, where hydrocarbons produce electricity, it will be 5%. Since it will be cheaper in Alberta, future activities will shift to that province. That's economy 101.

I would like to hear your comments on that.

What can the committee do to resolve the situation and even out the playing field again?

[*English*]

Mr. Daniel Brock: Thank you very much, Mr. Ste-Marie.

An interesting aspect of this proposal is that it seems to run entirely counter to the government's laudable efforts to combat climate change. Not to take anything away from the businesses that are operating in Alberta—they do great work as well—but in Quebec the opportunity is very rich for this high-performance computing industry to take hold, to create jobs, to attract investment and to bring revenue into Canada.

When this lobby was first being prepared for then minister Morneau back in 2015 and 2016, this industry didn't exist as it does today. It is a rapidly changing industry in which the technology is also rapidly changing, and Canada has found itself in a unique position to be able to supply this service globally, with clean power.

One of the criticisms of the crypto-asset or of the digital asset mining space is its high energy use. There are many industries that use a lot of energy, and this is one. When it uses energy from Canada, it's typically clean energy or low-carbon energy. When it uses its energy from Russia, from Kazakhstan or even from the United States, which are the three countries above Canada in supplying energy to this industry, it's fossil fuel-generated energy.

When this law was prepared, there was not that understanding of the industry. When the law was tabled in February 2022, the department.... We work with the department. We have respect for the officials who work in the department. They, like many people, are struggling to understand this industry. They had not consulted with anybody in this industry, which had just grown up since 2017. The $2 billion we talk about in revenue generated largely came in since 2018. They did not consult with the industry, so they couldn't really understand the impacts of this law on them.

The correction we're looking for is to take the law they created and create a very small clarification to the exception there. It would make it clear that Canadian companies that do high-performance computing and that sell high-performance computing as a commodity to the international marketplace should be treated like any other computing business. They would receive full input tax credits so that they can continue to grow their businesses.

David, did you want to add something?

● (1155)

Mr. David Robertson (Partner, EY Law, Digital Asset Mining Coalition): I can take you to the exact problem in the legislation.

If you have subclause 118(1) of the BIA available—that's proposed section 188.2—there's a definition of “mining activity”. Paragraph (c) says a mining activity includes “allowing computing resources to be used for the purpose of” crypto-asset mining. Think about that. I could be AWS. I'd have computers and computing servers, but their use by my customer—in this case, my customer outside Canada.... It's determining that I'm now being deemed to be engaged in their activity.

Then it has this provision: The definition of “mining group” means “a group of persons that...share mining payments”. Sharing is not something used anywhere in the legislation. If a landlord signs a triple-net lease and says, “I'll rent you this store, but one element is that you're going to pay me 2% of your revenue,” does that constitute sharing in the revenues of the store?

The officials from the Department of Finance suggested there is an exemption for this sector, but what I'm hearing from the Bankers Association about certainty.... We're looking for certainty. What we're asking for is a very simple amendment, added after, that says that with respect to a mining activity, if a Canadian is performing it for a non-resident mining pool, we're excluded from the legislation. It's as simple as that.

Thank you.

The Chair: Thank you.

Thank you, Mr. Ste-Marie.

Now, it's over to the NDP and Mr. Blaikie.

Mr. Daniel Blaikie (Elmwood—Transcona, NDP): Thank you very much, Mr. Chair. I have a question for Mr. Hannah.

I heard loud and clear that you don't have the number today, in terms of what the cost to banks would be if this legislation were to pass as is. Is that because your members aren't sure what their financial exposure is, as a result of these changes to law, or is it because they haven't shared that information with you?

Mr. Darren Hannah: I'll start by saying that, in some respects, it's both. You have retroactive legislation that applies, potentially, all the way back to the introduction of GST. When I have—

[*Translation*]

Mr. Gabriel Ste-Marie: Excuse me. I have a point of order.

We're not getting the interpretation.

[*English*]

The Chair: Okay.

We're good to go again. Thank you, Mr. Ste-Marie.

Mr. Blaikie, continue.

Mr. Darren Hannah: You have retroactive legislation that applies literally back to the inception of GST, if you take it back far enough.

When I get calls from clients—and I do, from institutions—their first question is, “I don't understand my exposure, because I have something here that has no end to it.” They are trying to figure that out for themselves.

Mr. Daniel Blaikie: I hear that, and I've certainly heard you say that the application of tax in this regard has been contested for a long time now.

In the labour movement, we have an expression: “Work now; grieve later.” I'm interested to know whether they have been paying the tax while they've disputed it. If this weren't to pass, and given the 2021 decision, would they be entitled to a rebate on the taxes they've already paid, or have they not been paying this tax while it's been contested and would have to pay it, going back?

● (1200)

Mr. Darren Hannah: No. They have been paying it. That's exactly the issue. They've been paying it and contesting it for the better part of 20 years. It was only when they got, frankly, to the point where they took it to court, and ultimately the government lost, that all of a sudden this came about.

What happened was—just to be clear—the institutions paid it. They would file a request with CRA for, in effect, a tax paid in error. CRA would do nothing. Eventually, CRA denied a claim. That's what precipitated the court case. The facts of the matter were heard, and the government lost at the Federal Court of Appeal. The government could have appealed to the Supreme Court, had it wanted to. It chose not to do that, which speaks volumes about the strength of its case. It then sat on its hands for two years. Finance said nothing, then, all of a sudden, retroactive legislation comes out that effectively tries to erase 20 years' worth of history.

Mr. Daniel Blaikie: Based on the 2021 decision, if this bill weren't to pass with those provisions in it, would the effect be that the government would be required to rebate the taxes they've been paying over the time they've been contesting the decision?

Mr. Darren Hannah: Yes, where there have been—

Mr. Daniel Blaikie: If it passes as it is, they would no longer be entitled to that rebate. We can contest whether that's right or wrong, based on the principle of retroactive law, but, effectively, this has the impact of stopping a rebate to banks on money they've already paid to government.

Is that a fair assessment of the impact?

Mr. Darren Hannah: Yes, it would make it so that the request for overpayment they made or would make in response to the ruling would then simply no longer be allowed to be processed.

Mr. Daniel Blaikie: Thank you very much.

Mr. Brock, I'm curious to know, with respect to the issues you've raised here today.... We heard from officials on this previously. What they were saying was that the current state of affairs they are trying to correct—we can argue the merits of that and obviously we will; you have to some extent already—is this: Because it's hard to identify the customer, given the makeup of mining pools and the anonymity that exists with respect to some of those pools and the way they're constructed, it's impossible to assess the GST. There's no way for government to raise revenue on the GST. I think their claim is that the input tax credits are designed to offset tax that would be paid. Here, structurally, we have a situation in which tax cannot be paid, so it doesn't make sense to extend the input tax credit. That's what I understood from officials.

Is that your understanding, as well, or do you think there's something else about it that the committee ought to know?

Mr. Daniel Brock: I'll let my colleague David go into the tax details.

What the officials came to speak to you about is the activity of these mining pool companies, their relationship to the bitcoin network, the transactions that happen on that network, and the bitcoin companies that verify and secure those transactions. That entire activity Finance is referencing happens outside of Canada. It doesn't happen in Canada. The Canadian businesses that provide the computing support for this industry and that make bitcoin money possible are in Canada. Their clients are outside of Canada. They are creating a service. They are creating a supply of clean, high-computing services that they are selling to a non-resident of Canada. They know exactly who their client is. Their client is the mining pool company. Their client pays them for the services they provide.

What this legislation does is confuse the whole thing. It tries to combine this Canadian activity—the discrete computing services—with broader questions about how, from a regulatory point of view, we should treat the bitcoin network and the people who transact on that network, and what the regulatory oversight should be. These are all perfectly legitimate questions the government should grapple with. There should be a framework of law and regulation that addresses these issues.

The issue of GST and these companies is very simple and clear. They're creating computing services. They're selling those computing services to a non-resident company. Those services should be rated zero for GST purposes, and they should be able to claim their input tax credits.

● (1205)

The Chair: Thank you.

Thank you, Mr. Blaikie. We're over time.

Members and witnesses, we're moving into our second round. We have Mr. Morantz, who is up for five minutes.

Mr. Marty Morantz (Charleswood—St. James—Assiniboia—Headingley, CPC): Thank you, Mr. Chair.

Mr. Hannah, I want to talk to you about this issue of the credit network operating services. Since I've been here, since 2019, I've seen the government break a lot of promises. If I were to list them all, I would run out of time. What I've never seen, though, is a government make a promise in a budget and then break that promise in the same budget.

Let me read you something from budget 2023. I realize that interchange fees are different from the card network operating services tax, so I'm not conflating those. The government says,

> The pandemic brought an increase in people using credit cards when they shop. Small businesses pay fees...with the largest component being the “interchange fee”.... [They promised] to lower these transaction fees.
>
> In Budget 2023, the government is announcing that it has secured commitments from Visa and Mastercard to lower fees for small businesses, while also protecting reward points for Canadian consumers offered by Canada's large banks.

Now, your organization and the Canadian Bar Association have made submissions. Moneris has made a submission.

In Moneris's submission, they say:

> We [want] to draw your attention to a proposed amendment to the Excise Tax Act respect to the Goods and Services Tax...Treatment of Payment Card Clearing Services and its impacts on not only the Canadian acquiring and payments industry, but on Canadian merchants and consumers. This proposed change may ultimately result in higher costs to merchants and therefore higher costs to Canadian families at a time when we are working towards making life more affordable....

On one hand, we have the government saying, “Hey, we're going to pat ourselves on the back. We made a deal with the credit card companies to lower these interchange fees,” and at the same time they're bringing in retroactive legislation to go back to 1991.

At the risk of being accused of what Mr. Baker was being accused of, I'm going to go on.

The Canadian Bar Association, in their correspondence, say:

> Canadian democracy is founded on the rule of law, and the “law should be such that people will be able to be guided by it.” It is important for people to be able to “foresee the consequences of their conduct in order that persons be given fair notice of what to avoid.”
>
> It is a “basic tenet of our legal system” that the legal consequences that flow from a person's conduct “should be judged on the basis of the law in force at the time.”

Given all of this, I recognize your frustration. It's more a comment than a question, but how are merchants supposed to deal with the situation in which the CRA can now go back 30 years and try to collect money from them that is based on this retroactive rule?

Mr. Darren Hannah: Your point is very well taken. Indeed, I mentioned it in the opening remarks.

It is ironic that the government is proposing this measure at the very same time it is claiming that it is trying to lower the cost of card acceptance fees for small businesses—

Mr. Marty Morantz: Exactly.

Mr. Darren Hannah: —because you're increasing taxes on issuers. You're increasing taxes on acquirers. Ultimately, it's going to affect the cost of card acceptance by merchants.

Mr. Marty Morantz: Thank you very much.

Now, Mr. Gray, your CEO, Mr. Beatty, has made a number of comments about this budget. They're mainly around productivity, and you alluded to productivity in your opening statement.

Budget 2022 acknowledges this problem, as you mentioned. In fact, the finance minister, in her opening statement, called this problem “Canada's Achilles heel”.

Now, we have a government that was brought to power in 2015. This is 2023. Canada is dead last in the OECD for productivity. This is a very serious problem, and unfortunately we don't have a government that's serious about solving it.

What do you think this government should do to solve it?

Mr. Alex Gray: I think, from our membership, we hear two key areas of concern that lead to lower productivity in the Canadian economy.

One is the difficulty of investing in a way that will yield a reasonable return. As we noted during our criticism of the stock buyback tax, companies don't buy back their stocks just because they want to. They do because they don't see anywhere else they can reasonably deploy their capital.

I think you could very well describe the same thing in terms of lagging productivity. Productivity is not an issue of Canadians not working hard. It's, in large part, a product of not having the tools necessary to do the job and to do it as well as it could possibly be done—for example, an employer not investing in the technology and software that would enable them to automate certain workflows or to streamline certain processes.

The other is a function of our just not having enough labour. There's a labour shortage. This is why we're coming out very strongly in terms of reducing seniors' disincentives to work and streamlining the express entry program to ensure that all Canadian businesses have the people they need to invest, thrive and grow.

I believe the best testament was offered here, by the Hotel Association of Canada. The amount of lost revenue at a time when they should be ramping up operations is absolutely stunning.

● (1210)

The Chair: Thank you.

Thank you, Mr. Morantz.

Now we'll go to Ms. Chatel, please, for five minutes.

[*Translation*]

Mrs. Sophie Chatel (Pontiac, Lib.): Thank you, Mr. Chair.

I can't resist the urge to jump into this debate.

I've worked in taxation for most of my career, and let me tell you, when it comes to retroactive legislation, there's a big difference between what we see in some countries and what goes on in Canada.

Since the GST was introduced in 1991, the Department of Finance's and the Canada Revenue Agency's position has always been that interchange fees were not related to financial services but rather to administrative services.

This was challenged before the Tax Court of Canada. In 2018, the court upheld the Department of Finance's and the Canada Revenue Agency's position, namely that these were not financial services, based the rule of law and the way it was enforced by the banks.

In 2021, the Federal Court of Appeal give the banks a huge gift by ruling that those services were now considered financial services. That gift would be paid retroactively to the banks by middle-class Canadian taxpayers. You'd expect a government to correct that to maintain what's always been its position up to 2021. I understand that there was a two-year period wthehen there may have been some legal uncertainty on this. With respect to the decision not to appeal to the Supreme Court, I would point out that the Supreme Court hears cases of national interest. I just wanted to set the record straight.

My questions will be for Mr. Gray. After the budget was tabled, the Canadian Chamber of CommerI have a couple of other ones for youce stated that it was pleased to see “a number of new measures introduced which will ensure our domestic clean technology players can remain competitive in the face of the U.S. Inflation Reduction Act”.

I would like you to explain two things.

First, why is it so important that the government invest in these measures to remain competitive with what the Americans are doing?

Second, in your view, what are the most important measures in that regard?

[*English*]

Mr. Alex Gray: I think it was imperative for the government to match the U.S. fundamentally. We have such an integrated economy with them. It would leave us in a very difficult economic position if we didn't recognize the moves they've made in that sense. We are grateful to see the government recognize that not acting to respond—whether it's to the IRA or the CHIPS Act—would be a fundamental problem for the Canadian economy.

We have heard from members, however, that there is a higher degree of difficulty in it in accessing what the Canadian subsidies would look like relative to the U.S. I don't mean to raise that as a critique. However, I would think, strategically, if you were trying to compete with a neighbour that had a much larger purchasing power, the one thing we could do is at least make our program as easy to access.

You had a second point. I'm so sorry. I forgot it.

● (1215)

[*Translation*]

Mrs. Sophie Chatel: There are a number of important measures in the budget—I won't name them all—but what do you think are the most relevant or important ones, the ones we should focus on?

[*English*]

Mr. Alex Gray: I think the fundamental one that our members have agreed upon and praised the government for is the investments in clean electricity. This is going to underpin the transition to EVs. It's going to underpin the electrification of homes, and possibly even appliances, running on battery power rather than on and off the grid, so as to stabilize demand throughout.

It's a competitive advantage upon which Canada can capitalize. Your province, Quebec, already has some of the cheapest electricity out there. We hear from several of our members, as wide-ranging as the cannabis sector, that having low-cost, reliable electricity is a competitive advantage that allows them to ship their goods worldwide cost-effectively.

The Chair: Thank you, Ms. Chatel.

Now we'll hear from the Bloc, and Mr. Ste-Marie.

[*Translation*]

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

Mr. Robertson, in Bill C-47, there seems to be some confusion regarding services and businesses, how it's done in Canada and how it's done elsewhere. You suggested an amendment to the bill that would solve the problems, but I believe you ran out of time before you could present it.

You have a solution, so I'm listening.

[*English*]

Mr. David Robertson: Thank you very much for the question. I appreciate Mr. Blaikie's question as well about identifying the recipient of the supply.

The officials—we've listened to the testimony—have consistently said, "Well, with the blockchain, you can't identify who's transferring; therefore, the GST rules can't apply." For every member of our coalition, I have a contract, and I can identify exactly who they are selling their services to. They're selling their services to non-resident mining pools. Their services are allowing their computing resources to be used by those non-resident mining pools.

As has been emphasized, the reason I know this is bad GST law is that if this industry doesn't get an exemption, businesses in Quebec and Atlantic Canada will incur a 15% additional cost in their operations in Quebec and Atlantic Canada, where it's clean hydroelectric power. They are incentivized to move their businesses—taking all the computing services, the electricity and everything else—to Alberta, my home province, where they will incur only 5% non-recoverable GST on those costs, or move outside of Canada completely.

I know there are concerns about electricity and the amount of power the bitcoin network uses, but the very next thing, which takes even more, is AI. These organizations have brought high-speed Internet to the rural communities they serve. They are employing individuals with high-paying, sophisticated jobs to maintain these networks. My challenge is.... I've asked the officials who have testified in front you. I have walked them through and said, what am I missing in terms of the explanation? It's the non-residents of Canada—those non-resident mining pools that they're selling their services to—that are receiving the transfer fees from the transfer orders on this nebulous thing called the Bitcoin network. The Canadians are being side-swiped by this legislation.

As my friend noted, the legislation was drafted when Mr. Morneau was still the minister of finance. What's been presented and brought forward is first, legislation in February of last year, now revised based in part on our comments. The Finance officials say they recognize that there needs to be an exemption. We're asking for a very simple exemption that provides clarity for the sector: If you are a Canadian and you have a server farm with a whole bunch of computers, and you're selling your computing resources to a non-resident of Canada, let the normal GST rules apply. You get your input tax credits. You can recover the GST on your expenses, like every other exporter in Canada. That exemption is provided. In that circumstance there's no incentive for anyone to move from Quebec or from Newfoundland and Labrador to Alberta.

● (1220)

The Chair: Thank you.

Thank you, Mr. Ste-Marie.

Mr. Blaikie.

Mr. Daniel Blaikie: Thank you very much.

Just following up on this, I've been trying to track the interprovincial component. It seems to me that it hinges on the HST. Is that the case?

The provincial and federal sales taxes are tied up in certain provinces and not others.

Mr. Daniel Brock: The competitive imbalance is created because of the different provincial and federal taxes. HST jurisdictions tend to be closer to 15%. For non-HST or jurisdictions with no sales tax, it would be 5%.

To be clear, if this law is passed as is, everywhere GST is charged, people would be paying the GST. What is problematic and what the GST should never do is create an incentive for a business to move from one province to another. Provincial governments are free to incentivize businesses to come to their provinces as much as they would like, but federal GST should be neutral on this. This law is not neutral.

Mr. Daniel Blaikie: Strictly speaking, from the carbon perspective, it might incent companies to move not just to Alberta but to Manitoba or B.C., where there's an abundance of hydroelectricity. I think it's something like 98.5% of electricity in Manitoba is generated with renewable hydroelectric capacity. We don't participate in the HST in Manitoba. That would be another potential jurisdiction folks might be looking to move to.

Mr. David Robertson: The challenge with that is that there is provincial sales tax with respect to the commercial use of electricity. In terms of the incentives....

The reason I've emphasized it in Alberta is that there's no provincial.... All provinces have some form of provincial tax. For some it's through HST, some QST, and for some a provincial sales tax. Alberta is the example where you're seeing a challenge with this piece of legislation.

Here's the reason I know it's wrong. When we harmonized in 2010—Ontario joined the HST system and Quebec's system followed afterwards—the mutual fund industry said they were going to pick up from Ontario and move to Alberta. Rules were specifically introduced, called the selected listed financial institutions rules. They were heavily modified in order to ensure there wasn't a competitive advantage.

However, I have a piece of legislation related to a highly mobile industry—computer servers with electricity, selling that computing power through high-speed Internet to non-residents of Canada—that can easily pick up and move.

On the legislation, my biggest challenge in dealing with the Finance officials is when I've said, here's the fact pattern; tell me what I'm missing. I can identify who the recipient of the supply is. You keep telling everyone you can't identify them. I can tell you exactly who the counterparty is. Why are you bringing them into this legislation? The answer I've received so far is, I don't really agree with it, but I can't express why.

The Chair: Thank you, Mr. Blaikie.

Now we go to Mr. Lawrence for five minutes, please.

Mr. Philip Lawrence: Thank you very much, Mr. Chair.

After hearing the collective testimony, I noted that, as often happens in these budget consultations, there are very disparate topics here today. Once again, thank you. We've heard about everything from beer to banking today.

I'm struck, though, with one overwhelming commonality. After eight years, this government is failing all of your industries. The failures are as varied as your industries, from creating investor uncertainty through the inclusion of retroactive taxation, to undermining the hotel industry with a failing immigration system.

Even positives in this budget are merely band-aid solutions to self-inflicted wounds. The cap on the Excise Tax Act would not be needed if this government had not implemented the escalator tax.

Mr. Yvan Baker: I have a point of order, Mr. Chair.

Mr. Lawrence raised a point of order at the end of my time last time, arguing that this is not the time to be answering our own questions, but a time to ask questions of the witnesses. That's not something that I did, but that is something that he is now doing.

I would ask you to remind him of why we're here, and perhaps ask him to abide by his own point of order.

The Chair: I know we're a collegial bunch here. I'll keep it to that.

You know what? Go on, Mr. Lawrence.

Mr. Philip Lawrence: I hope my time was preserved through this point of order. Thank you.

● (1225)

The Chair: Yes.

I'm sure you want to get questions to the witnesses. They're eager to answer them.

Mr. Philip Lawrence: I do. Exactly. Let's pick up where I left off.

Even the positives in this budget are merely band-aid solutions on self-inflicted wounds. The cap on the Excise Tax Act would not be needed if this government had not implemented an escalator tax. The interswitching provisions would not have been necessary if the government had not cancelled the program from 2014.

I'm truly sorry for what this Liberal government has done to your collective industries and how it has let you down.

I'd like to start with one of the most serious issues. This is productivity, which, in fact, the Liberal Minister of Finance has said is the Achilles heel of the economy.

Mr. Gray, you talked a little about the disincentives to work. You mentioned seniors specifically, but I would broaden that also to parents and other taxpayers who are subject to clawbacks.

Low-income seniors are individuals earning less than $30,000 a year. With clawbacks, they are often faced with paying more than 50 cents per dollar if they wish to return to work. That means, if I'm a senior contemplating going back to work to help out, perhaps, the hotel industry or other industries in their time of labour need.... Maybe they want to make a little extra money. Maybe they want to give their grandkids a present. Whatever they want to do with those dollars, they have to hand over to the federal Government of Canada 50 cents on every dollar. These are people earning $30,000 a year. This is unconscionable.

Mr. Gray, perhaps you could talk about the impact on disincentives to work, such as the GIS clawbacks and other clawbacks and taxes this government is imposing on seniors and parents.

Mr. Alex Gray: I'm happy to discuss the matter. Thank you.

Seniors are some of our most knowledgeable and experienced workers, by virtue of their time in the workforce. At a time of a labour shortage, it would be a quick remedy to be able to make some of these changes, such as those you proposed.

We've also come out in support of initiatives such as making CPP and EI contributions optional for our seniors over, say, 65 or 70. These are not likely to be people who are going to be dipping in and out of the workforce, so to speak. These are people who are probably going for one last job for a few years and then trying to enjoy retirement.

Equally, we've called for reform of the mandatory RRIF withdrawals at 71 years of age. The RRSP system hasn't been reformed since its inception in 1957, when people could be expected to work until 65 and then pretty much die at 75. That's no longer the case, so forcing seniors to make withdrawals at 71....

I mean, a lot of Canadian tax planning is essentially a game of trying to minimize your income so that you maximize government benefits, isn't it? It's clearly an impediment to meeting the workforce demands of our country. We would be happy to collaborate with anyone here on reducing seniors' disincentives to work.

Mr. Philip Lawrence: Thank you.

I think nearly all here would be aware and would agree with me, in your varied industries, that one of the challenges that the Canadian economy is facing is with respect to productivity. Of course, we are undermining productivity through the disincentives to work, whether they be substantial tax rates or clawbacks.

The other significant issue—and I'll turn to you, Mr. Hannah, on this—is capital investment. We are scheduled to have the worst capital investment in the OECD over the next 20 years. Do you believe that increasing regulatory uncertainty or taxation uncertainty through retroactive taxation will further undermine the confidence of international investors, perhaps making our already desperate issue, with respect to capital investment, worse?

The Chair: Give a short answer, please.

Mr. Darren Hannah: Absolutely.

Is that short enough?

Voices: Oh, oh!

The Chair: Ms. Dzerowicz, the floor is yours.

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

I want to say thanks to all of the excellent witnesses for the important testimony that they have given today. Unfortunately, I have only less than five minutes to be able to ask some questions.

Because I'm always curious about labour and immigration, my first question is for Mr. Gray.

You talked about labour needs. Ms. Grynol also did so. We are bringing in a historic number of immigrants. You have identified and said to the committee that there are three areas we could focus on: express entry, credentialing across the country, and seniors.

What specifically do we have to do better to make sure we are matching those who are coming in and immigrating to our country...with the labour needs across our country?

● (1230)

Mr. Alex Gray: Those are both important points to consider.

The first one is streamlining the application procedure and making sure people can get here quickly. Even with the best of intentions to harmonize express-entry programs across provinces, we hear our members say they have a promising candidate but, through delays in the system, just aren't able to hire the candidate and bring them aboard on time. Whether that can be automated in some sense, or whether it can be expanded so that certain credentials are more easily recognized and, therefore, appropriate candidates are identified earlier in the process, that is one strong possibility for which we would advocate.

The other thing we need to do, more broadly, is to house these people who are coming in. It's all well and good to bring as many foreign, talented workers as we can, but they need a place to live. They need a place to grow their families. If I ran a restaurant and I typically staffed six people, were I to staff it with 100 people, I wouldn't be that much more productive, frankly. There is just a bottleneck there.

In the Canadian economy, one of the main bottlenecks is the high cost of housing. Again, it is something that we hear from our members: that they have candidates who would like to come from abroad to work here but are just absolutely daunted by the price of a home in Canada.

Ms. Julie Dzerowicz: The next question I have is around normalizing non-status workers. That is in the mandate letter of our Minister of Immigration.

If we found a pathway to citizenship for many of our non-status workers who are ready and are here, do you think that would be a positive thing to do in addressing some of the labour shortages?

I'm going to ask Ms. Grynol to respond to the same question.

Mr. Alex Gray: That is well outside my area of expertise. On the face of it, yes, it would seem sensible.

I hope Ms. Grynol has a more comprehensive answer than I can offer.

Ms. Susie Grynol: Thank you.

I actually don't know the exact number either, but I would advocate that anything helps.

I would love to come back to your first question about what we can do and what is broken.

To me, it's very simple. If you look at the permanent economic strains and the ways people are coming in—that's the 500,000; the new high-water mark for immigration—it's a points system. It lets in people who have multiple degrees. The challenge there—and we have credentialing issues in Canada, as you know—is that in our sector, the most in-demand positions are entry-level positions.

There is a fundamental misalignment with our immigration program. With a few small tweaks, we could start to resolve this in a meaningful way. We've already provided these NOC codes to IRCC and to ESDC.

Ms. Julie Dzerowicz: Thank you.

My last question is for Mr. Gray.

We have introduced the national child care program in Canada. We have seen an increase in women in the workforce.

Do you believe that has been positive in terms of productivity in Canada?

Mr. Alex Gray: Of course, it's a start. The more child care spaces, the better, though.

While the program has done very well in increasing the demand side of that, there are still supply constraints that prevent it from being fully realized. However, in terms of an effect on productivity, it could be nothing but positive.

Ms. Julie Dzerowicz: My last question just slipped my brain, actually.

How many seconds do I have left, Mr. Chair?

The Chair: You're out of time, Ms. Dzerowicz. Thank you.

Members and witnesses, we have time for a full last round. This will be our third round.

We are starting with Mr. Morantz for five minutes.

Mr. Marty Morantz: Thank you, Mr. Chair.

Mr. Chapman, I always love talking to you.

It seems to me that this government never misses an opportunity to put more taxes on beer. I know we've been talking about this for a long time. I guess it was nice that they froze it at 2%, but I want to continue with my theme of how this government has become so brazen about breaking its promises that it's actually doing it in the same budget documents.

Here we have a situation in which the government, after being dragged, kicking and screaming, by our party to freeze the excise tax, deigned it so and froze it at 2%. However, just this morning, the Parliamentary Budget Officer released a report on the second carbon tax—what they call the clean fuel standard—which says it's going to add another 17¢ per litre on gasoline.

That makes its way through the entire distribution chain, does it not?

● (1235)

Mr. Luke Chapman: It does, yes. I think one thing that differentiates beer from other beverage alcohol categories, like wine and spirits, is that it is heavy, bulky and quite expensive to ship across the country.

The price of beer is certainly influenced by the price of fuel.

Mr. Marty Morantz: Mr. Hannah, I wanted to go back to the part of your submission in which you talked about the possibility that the legislative sledgehammer—which is what it is—of applying GST to what should be an exempted service could trigger trade disputes. You said that the amendment violates Canada's international trade commitments.

Could you elaborate on how that's the case?

Mr. Darren Hannah: It certainly brings in new challenges, and it brings in new avenues and new concerns.

Our bigger concern, candidly, is the implication that retroactivity has on Canada as a target for investment. It creates a chill. It creates a question about the rule of law and about the certainty of law. It creates uncertainty at a time when Canada needs investment, and at the very time when investors are looking for certainty that they don't have.

Mr. Marty Morantz: Specifically, in your submission, you say that the amendment violates Canada's international trade commitments by treating resident Canadian suppliers and non-resident suppliers differently, opening Canada to trade-related legal challenges. Could you comment on that?

Mr. Darren Hannah: Potentially it could, absolutely. I can provide some additional details in writing afterwards.

Mr. Marty Morantz: Okay.

Mr. Gray, in your comments, you said—in the time I have left, which probably isn't a lot, Mr. Chair—the government needs to eliminate the disincentives that drive away investment. Could you give us some examples of the kinds of things you'd like them to eliminate?

Mr. Alex Gray: One of the main avenues we've been focusing on, on that front, is applying an economic lens to regulatory affairs. Again, as I mentioned in my opening remarks, this was something that was first proposed in the 2017 final report of the advisory council on economic growth—that regulators take into greater consideration the economic impact of what they're proposing and how they're regulating.

The main regulatory issue that I think international investors look at is the length of time it takes to get anything built and to get approval for major economic projects. There's a definite economic cost to that, which I don't think is always considered in regulatory processes. We would advocate for as much streamlining as can reasonably be achieved.

Mr. Marty Morantz: I'm good.

Thank you, Mr. Chair.

The Chair: We're over to Mr. Sorbara for five minutes, please.

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

It's great to be here, with all my esteemed colleagues getting along very well today, I see, as always.

I'd like to go over to Luke on the beer industry in Canada. Obviously, we've worked together on ensuring that the escalator increase was limited, and I want to say thank you for working with us and helping us get to where we needed to be.

Can you give an update in terms of the state of the industry in Canada?

Mr. Luke Chapman: Yes.

First off, thanks for your advocacy on this issue, Mr. Sorbara, and raising it within the Liberal caucus. It did not go unnoticed. We appreciate that.

Despite some of the media commentary over the past couple of years, the Canadian brewing industry is not growing. It's not flat. It is in decline on a volume basis.

As I noted in my opening remarks, from 2019 to 2022, beer sales declined by about 6% in volume, and at the same time we saw the cost of producing beer in Canada rise significantly. Key inputs like barley and packing materials like cans and bottles were up by as much as 60%. Also, brewers are supportive, but they are also spending a huge amount of money to eliminate the use of plastic ring carriers by the effective date of June 2024, so it's been a challenging period.

● (1240)

Mr. Francesco Sorbara: Thank you, Luke.

I want to give a shout-out to all the workers who work at the brewers, whether it's Molson or Labatt, whether it's in London or Etobicoke—all those union members who work there and have good, middle-class jobs and good benefits and so forth, and the workers in the restaurants and the whole continuum.

I'll go quickly to Alex, and then I want to go to Susie.

Alex, in terms of our investments in budget 2023, the income tax credits we put in place, whether it's forming up a solid electrical grid system in Canada—which we know we'll need to expand the baseload for significantly—to the manufacturing tax credits, those are measures that will increase the productive capacity of our economy.

Mr. Alex Gray: I wouldn't disagree.

Mr. Francesco Sorbara: Thank you.

Susie, one thing I've heard with regard to the hotel industry is actually that the number of hotels in Canada, the number of rooms in Canada and particularly in the greater Toronto area.... There's a trend that some of these hotels are being converted into condos, and there are not enough hotel rooms for our tourism sector. Can you comment on that, the state of the industry and any issues therein?

Ms. Susie Grynol: Yes, we did see slow development, certainly, over the COVID period. It has been slow to come back, and that is predominantly being driven by high input costs. The cost of development.... Development charges can be up to 40% of a total project. Those are municipal issues. The cost of building is significant, so we are seeing more multi-use facilities, and we have a hotel capacity problem all across the country as we speak.

Mr. Francesco Sorbara: Thank you.

Ms. Dzerowicz addressed the issue of labour, and she's done a lot of great work on that.

There are a number of us who are concerned that we not only encourage people who have multiple degrees, but encourage people who just want to come to Canada, work hard and build a better future. It's much like my parents. They came some 50-plus years ago, with very limited education, but things turned out pretty well with hard work and hope.

This is for the Bankers Association.

The issues of integration and the issues of retroactive taxation are issues I'm very well versed in and very well aware of. Canadian banks are a linchpin of our economy. They underpin our economy and are something we need to be proud of.

You're here. You've stated your case. There's been a healthy interaction with both sides on that case.

What is the numerical amount of the retroactive tax that would impact the industry?

Mr. Darren Hannah: I believe, according to Finance officials, the retroactive amount is $195 million, which represents about 5/100 of 1% of tax revenue.

Mr. Francesco Sorbara: There's going to be an argument about whether it should be retroactive or not—and we all have views—and whether the tax, in fact, should be put in place.

Is there an issue of whether, in fact, these services should be taxable?

Mr. Darren Hannah: Yes.

To the discussion earlier, it's an unusual thing to do to be increasing taxation on a service at the same time as you are trying to lower the cost of card acceptance.

Mr. Francesco Sorbara: Your argument was that the incidence of any increase in taxation would fall on whom?

Mr. Darren Hannah: The incidence of any taxation will ultimately fall on the users of the card system, which are both the consumers—because they are customers of the issuers—and the merchants—because they are customers of the acquirers.

The Chair: Thank you, Mr. Sorbara.

Now we'll go to Mr. Ste-Marie, please.

[*Translation*]

Mr. Gabriel Ste-Marie: Mr. Chair, I'm going to start with a point of order.

● (1245)

[*English*]

The Chair: You have a point of order.

[*Translation*]

Mr. Gabriel Ste-Marie: If members or witnesses don't have their microphones on when they start speaking, the interpreters can't do their job. I just want us to make sure that our mike is on before we speak. That was my point of order, Mr. Chair.

I want to thank all the witnesses again. This is a really fascinating panel. Unfortunately, we only have a certain amount of speaking time. That said, just because we haven't been able to ask you all our questions doesn't mean we haven't listened carefully or that we're not taking your testimony and the measures you're proposing into account.

For my last turn, I will address Mr. Robertson and Mr. Brock.

Mr. Robertson, you said that mining activities require a geat deal of computational ability, but artificial intelligence requires even more. We're developing expertise in Quebec and in Canada through businesses that have that computational ability. If Bill C-47 passes as is, it will hinder the development and future of this key business sector.

In the few minutes I have left, I'd like to hear what you have to say about this or about other factors related to your requests.

[*English*]

Mr. Daniel Brock: I'll make a quick comment on that, and maybe you can walk through the legislative proposal.

What this sector is doing right now is building the infrastructure for high-performance computing. Today, the economics of supplying that computing power to companies that use it to mine bitcoin are very attractive, which is why that computing power is going there. The highest return for the investment in that computing power is coming from that sector.

We don't know what the future's going to hold in terms of the development more broadly of high-performance computing. We have an expectation there will be other areas of the economy, other areas of innovation, that are going to be created, and we'll be able to draw on that capacity. This sector is laying the groundwork for that. It's attracting significant investment. It's enabling us to train young people in this new area of innovation and commerce.

Yes, what's happening here is on a relatively small scale, but it's the beginning of something that's going to be quite significant, and Canada is uniquely positioned to play a leadership role in supplying clean computing power to the world.

Mr. David Robertson: That's the exciting part, the side benefits.

The number of companies that are selling the heat from their computers to their local community centres, that are coming off the grid and not using natural gas, using immersion technologies to cool these machines and transfer that heat so we're not contributing to global warming, high-speed Internet to rural communities....

This is my challenge with.... We're not asking for it to be this huge exemption. What we're asking is that the Canadians who have the computers be specifically excluded if they're selling their services to a non-resident mining pool.

As I said at the beginning, the problem with the legislation is that it's basically saying, "Your customer is using it for crypto-asset mining, so we're going to treat you that way."

All we've done—we've put it together—is ask for a very simple amendment to be added to the legislation.

[*Translation*]

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

[*English*]

The Chair: Thank you, Mr. Robertson and Mr. Ste-Marie.

Go ahead, Mr. Blaikie.

Mr. Daniel Blaikie: Thank you very much, Mr. Chair.

Mr. Gray, I expect we may not agree on all the finer points of employment insurance policy, but one thing that I know both the Canadian Labour Congress and the Canadian Federation of Independent Businesses have talked about is the decision of the government to attribute 25 billion dollars' worth of CERB debt to the EI account. The EI account has a legislated mandate to balance over a seven-year horizon. This is essentially going to push up premiums without any added value to the employment insurance program.

I'm wondering if the Canadian Chamber of Commerce also has a concern about this decision to allocate that debt to the EI account, as opposed to keeping it on the general ledger.

Mr. Alex Gray: I think it's a pretty reasonable concern to have. It's not something that's come across my desk. However, that seems at first glance to not make a whole lot of sense, to be honest.

It's actually something I'd be happy to discuss further.

Mr. Daniel Blaikie: Right on.

Mr. Chapman, I was curious to know about this. We're obviously making an exception to the excise tax rules as written. As somebody who thinks it's important for Parliament to approve financial matters, that principle of having an automatic escalator tied to inflation for things like the excise tax has never sat comfortably with me.

I wonder if you think there are some lessons learned there about choosing to proceed with excise tax increases in this way more generally.

Mr. Luke Chapman: This tax mechanism has been in place since 2017. I think 2023 is the perfect example of why we have opposed this since 2017.

These annual increases are determined using an inflation indexing formula. As inflation rises, the size of each annual increase goes up. As I noted in my opening remarks, this year's increase was triple the previous five-year average. In those past five years, none of the increases went before Parliament for a vote.

Looking forward to next year, it's going to be another outsized increase of between 4% and 5%, because of the nature of inflation. This is going to be an ongoing headache until inflation gets below or around 2%.

From our perspective, our industry would love to see these annual increases—or any increases—go before Parliament for a debate.

I'll end by saying thank you, Mr. Blaikie and the NDP, for your support in raising this issue leading up to the federal budget. We appreciate your meeting with our union reps. They see this as a big threat to their jobs during a period of declining beer sales. Taking more money away from the businesses reduces their ability to negotiate with their bosses.

We appreciate the NDP's support in raising the issue. Thank you.

● (1250)

The Chair: Thank you, Mr. Blaikie.

Now we go to the Conservatives and Mr. Lawrence for five minutes.

Mr. Philip Lawrence: Thank you very much.

I'll start with the Canola Growers, if I can. Either Mr. Carey or Mr. White, feel free to respond.

The interswitching program was changed in 2017 to a program that, to my understanding, due to red tape and bureaucracy, was no longer usable. This budget is going to put forward a pilot program for interswitching again.

Some of the critics have raised some objections to that. I'd like you to have the opportunity to dispel some of those myths, such as that there might be a slowing in rail traffic or a loss of employment for the railways.

Could you please tell me why I'm wrong?

Mr. Rick White: Thank you for the opportunity to respond to that. We've heard the myths being portrayed by the railways that this type of pilot project would be bad for the economy, bad for the supply chain resilience and bad for labour. We've heard all [*Technical difficulty—Editor*]

The Chair: We're having some technical challenges, so we'll wait until we get Mr. White back.

Mr. Lawrence, continue if you like.

Mr. Philip Lawrence: I think I saw Mr. Carey. We have the in-person version, too.

Mr. Dave Carey (Vice-President, Government and Industry Relations, Canadian Canola Growers Association): There's certainly been a lot of rhetoric about this. Interswitching has been used in Canada since the 1900s. Railways are consistently switching the locomotives or train cars. Actually, every shipment that goes to the port of Vancouver, whether it's CP or CN, ultimately gets put on a CN locomotive to go over the bridge. Those 160 kilometres are a good start; however, it will handle only about 90% of grain handling facilities. It misses massive growing regions of our country, such as northern Alberta and northern Saskatchewan. Interswitching is the only tool we have, with the duopoly of class 1 railways, to incentivize any competition.

The key part of interswitching is not its use; it's that the threat of its use allows shippers to negotiate with their originating carrier to try to get a better rate and better service.

The other one around labour is that there is an agreement among the International Brotherhood of Teamsters that says that U.S. crews cannot come up into Canada and Canadian crews cannot go into the United States. Every railway that's running in Canada is run by a Canadian union crew. There are a lot of myths out there. I'd say a lot has been dramatized for dramatic purposes.

Mr. Philip Lawrence: Thank you very much.

I'm going to switch to Ms. Grynol.

Your members have been through a very difficult time, whether it be COVID or now the labour shortage. My questions for you are going to be specifically with respect to the carbon tax.

We had the original carbon tax, which I would assume would hurt the travel industry, as it makes travel more expensive. That's set to triple over the coming years. In addition, we just heard from my colleague, in talking about the Parliamentary Budget Officer, that there's a brand new carbon tax that's set to add another 17¢ to the cost of a litre of gasoline. I'm wondering whether you believe that is helpful or hurtful to your industry.

Ms. Susie Grynol: Any time there is cost introduced into the system, it makes it more expensive to travel. That's obviously not a good thing.

I will say that when we look at the global traveller across the world, almost every data point suggests they are planning to travel in the immediate future, notwithstanding rising costs. If you look back to the recession in 2008, in fact, travel was one of the few counterweights to other sectors that would typically see regression over that time period. We are fairly confident that travel is a really good investment. At this point, I think our focus is more on how we maximize that investment, because it seems at this point in time that people are planning to travel regardless of those rising costs. It's one of the few things they are not prepared to part from—maybe because it was taken away for two years—and so it's here to stay.

Our biggest fear, of course, is that Canada doesn't capitalize on our market potential, because we have labour policies that don't allow us to have hotel rooms open and have a functional tourism industry.

● (1255)

Mr. Philip Lawrence: Thank you very much.

Mr. Gray, I have a bit of time here, so I'll go back to you quickly.

One of the other items you pointed out on the laundry list of challenges your members are facing was our cumbersome Income Tax Act. Maybe I'll give you the floor for whatever time I have left—

The Chair: You have no time, but make it a short answer.

Voices: Oh, oh!

Mr. Philip Lawrence: Talk about the 10,000 pages in the Income Tax Act in three seconds.

Mr. Alex Gray: Governments have promised tax reform since 1967, and that was the last time it happened, so let's get to it.

The Chair: Thank you.

Thank you, Mr. Lawrence.

Now we go over to Mr. Baker, please.

Mr. Baker, you will be our final questioner today.

Mr. Yvan Baker: That's great. Thank you very much.

Thanks to all the witnesses again for being here today. I'd like to go back to Ms. Grynol.

We had the chance to ask you a few questions the last time you were here at committee, a number of months ago.

During your testimony, you made several recommendations. One of them was around the labour shortage. I think you talked about a program that was successful in employing some of the refugees who have come to Canada from Syria, and how it could help the Ukrainians. Could you expand on that?

Ms. Susie Grynol: I would be delighted to expand on that.

A few years ago, we worked with the government and the minister of immigration at the time to create what's called a bridge program. Effectively what this does is it supports new Canadians who arrive and can have a somewhat random experience in terms of where they end up working, whether they end up working and how quickly that process happens. This program was hugely successful, by the government's own report.

What it does is it supports people who come in. It brings the employer to the table with various job opportunities. It enhances training. It had an incredible success rate. The infrastructure is there. There was not a significant cost to it.

Our immediate recommendation is that the government reinvest in that program. It's called Destination Canada. It would allow us to mobilize and be purposeful about where some of these new Canadians are ending up working, especially as we are staring down the barrel of a high-demand season and an opportunity we don't want to leave on the table.

Mr. Yvan Baker: How would that work? For the folks at home who are watching, how would that program work in today's context?

Ms. Susie Grynol: We work with a partner, Tourism HR Canada, and we already have all the infrastructure set up. We have relationships with all the settlement agencies. There's an intake process. When new Canadians arrive, we would do an assessment of their skills and we would be able to easily place them into a variety of work.

To be clear, these are not just entry-level positions. We have had a mass exodus, in case anyone hasn't noticed, so we have a range of positions available. It's about matching skill with available positions, bringing employers to the table. It's almost white-glove servicing them through that process to ensure they end up where they need to be. They have a job that makes sense. They have training. There's also training available for their families. It's really an extra care package to make sure the people coming to Canada....

Many of the Ukrainians who are here are actually unemployed at the moment and could really benefit from some increased enhancements at the settlement agency level.

Mr. Yvan Baker: I really appreciate that. I think all the members in this room meet with and are trying to help new Canadians settle in Canada all the time. For my part, a large percentage of those folks happen to be Ukrainians who are fleeing the war. When I heard you mention that there's an opportunity, potentially, here, I got a bit excited. I'm glad you expanded upon that. It's something for us to definitely consider.

It's really important that, no matter where folks are coming from around the world.... There happen to be a lot of Ukrainians coming into to Canada right now because of the war, but no matter where people are coming from—

Ms. Susie Grynol: Exactly. It doesn't discriminate. It can be anybody who comes, regardless of their skill level.

Mr. Yvan Baker: That's right. It's that they're able to find employment.

You're basically putting your hand up and saying, “We need people.”

● (1300)

Ms. Susie Grynol: We'll take them, and we'll support them.

Mr. Yvan Baker: A lot of folks who are coming are qualified to work in your sector.

Ms. Susie Grynol: Anyone. Even if they have no command of the English language, we can employ them.

Mr. Yvan Baker: That's great.

Can you talk about how important the funding of $108 million in the last budget is to the regional development agencies for local tourism?

Ms. Susie Grynol: We're very pleased to see that funding in there. It's $158 million in total—$108 million to the regional development agencies, which will support local regional tourism development, and $50 million to support business events.

As you may know, business events.... We were closed for a period of time in Canada. The lag time to book those big events has meant that we have some catch-up work to do. That money is incremental. It's going to support Destination Canada in attracting back those big business events.

We're thrilled. However, what we did not see in the budget, of course, were any of our major labour recommendations, which is why we're here today to talk about some refinements there, which, again, are at no cost to government. They're quite easy to make and would allow us to capitalize on all the investment opportunities we can see here in Canada.

Mr. Yvan Baker: I know, with regard to the labour piece, that it's not necessarily requiring a significant cash outlay. With the $108 million and with some of the other asks that were made to us today, I think it's a good reminder of how challenging being minister of finance can be, isn't it?

Ms. Susie Grynol: Yes, absolutely. We are grateful.

Mr. Yvan Baker: There are so many asks before us, many with great merit. When we grant resources in one direction, those are resources we can't grant elsewhere.

Anyway, thank you for your time.

Ms. Susie Grynol: Yes, it's very helpful.

Thank you.

The Chair: Thank you, Ms. Grynol, and thank you, Mr. Baker.

We had a full house here, with great questions from the members and great answers and great testimony from the witnesses. We've heard about food, hospitality and beer—alcoholic and non-alcoholic—and the weather is pretty good outside.

We again thank our witnesses for coming before us in such short order and for being able to provide the testimony that you have for our study.

● (1305)

Members, we're going to adjourn at this time, and we'll be back this afternoon, after question period.

Thank you.

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