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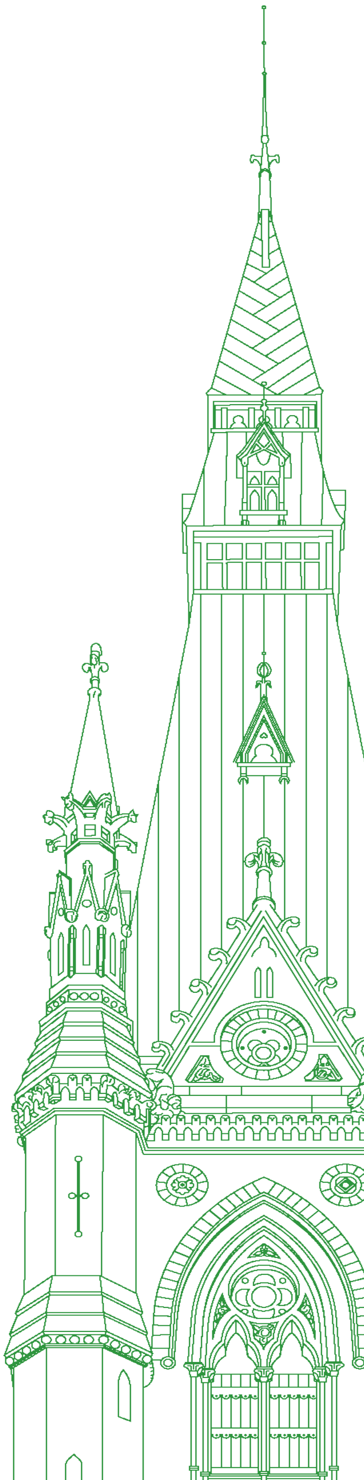

Chair: Mr. Peter Fonseca

Standing Committee on Finance

Monday, September 25, 2023

• (1535)

[*English*]

The Chair (Mr. Peter Fonseca (Mississauga East—Cooksville, Lib.)): Welcome to meeting number 101 of the House of Commons Standing Committee on Finance.

Yes, members, I have verified with the clerks that we are the committee with the most meetings on the Hill.

Quickly, I have some housekeeping for everybody.

Following the motion adopted at our previous meeting, please send the clerks your initial lists of witnesses no later than this Thursday, September 28, at noon, and your final prioritized lists no later than Wednesday, October 4, by 4 p.m., for our new study on policy decisions and market forces that have led to increases in the cost of buying or renting a home in Canada.

Now, pursuant to Standing Order 83.1 and the motion adopted by the committee on Thursday, June 8, 2023, the committee is meeting to discuss the pre-budget consultations in advance of the 2024 budget. Today's meeting is taking place in a hybrid format, pursuant to the Standing Orders. Members are attending in person in the room and remotely using the Zoom application.

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

Although this room is equipped with a powerful audio system, feedback events can occur. These can be extremely harmful to our interpreters and cause serious injuries. The most common cause of sound feedback is an earpiece worn too close to a microphone. We therefore ask all participants to exercise a high degree of caution when handling the earpieces, especially when your microphone or your neighbour's microphone is turned on.

In order to prevent incidents and safeguard the hearing and health of our interpreters, I invite participants to ensure that they speak into the microphone into which their headset is plugged and to avoid manipulating the earbuds by placing them on the table, away from the microphone, when they are not in use.

I 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 we can. We appreciate your patience and understanding in this regard.

In accordance with the committee's routine motion concerning connection tests for witnesses, I am informing the committee that all witnesses have been tested and have completed the required connection tests in advance of the meeting.

I would now like to welcome our witnesses with us here today. We have senior adviser from Bennett Jones LLP, Mr. David A. Dodge. Welcome.

From the Coalition for a Better Future, we have the Honourable Anne McLellan, co-chair, as well as the Honourable Lisa Raitt, co-chair.

Members and others, for your knowledge, they will only be appearing as of four o'clock. From four to five is when those witnesses will be with us.

We also have with us Alex Freedman, executive director, Community Radio Fund of Canada; Andrew Van Iterson, manager, Green Budget Coalition; Scott MacDougall, senior adviser, Pembina Institute; Shaughn McArthur, associate director of government relations, Nature United; and Gia Paola, national policy analyst, Ducks Unlimited Canada. From Questrade Financial Group, we have Tanya Woods, head and policy counsel, government and regulatory affairs; and Romit Malhotra, chief strategy officer. From Réseau FADOQ, we have Gisèle Tassé-Goodman, president; and Philippe Poirier-Monette, special adviser in government relations. Welcome.

With that, we are going to hear opening statements from our witnesses. We are going to start with Mr. David Dodge for up to five minutes, please.

Mr. David Dodge (Senior Adviser, Bennett Jones LLP): Thank you very much, Chair. It's a great pleasure to be at this committee not to defend a budget, as I did many times in earlier years, but to discuss one that is to come.

It's a very difficult one to come because of the difficult times in which we live. We're in a period of rapid and extensive structural change to which we all must adapt and this budget and future budgets have to address.

I think we know the issues. We have demographic change. Life expectancy at age 65 is increasing, and this requires major investment in care facilities and so on. Also, very importantly, there is increased savings on the part of workers, because they have a much longer period after they finish working now to finance.

The second is climate change. Dealing with climate change requires increased investment in adaptation to higher temperatures and more frequent storms, and it requires a huge investment in all forms of low GHG-emitting energy production and consumption in order to try to reduce the GHG level.

The third issue we have is a big change in the global trade order and adaptation to a more fragmented global economy. This implies additional domestic investment to improve security of supply.

Finally, it is a period of major technological change. AI and digitalization offer great hope for future productivity increases, but in the short term, they require a very significant increase in investment in intellectual property; in digital systems, including our antiquated payment system; and in R and D.

That's what's going, and adaptation to all four of these changes is not costless. It requires that businesses, households and governments devote a larger share of their revenues to investment than they were before COVID. While in principle some of this investment might be financed by borrowing, here in Canada, and indeed in almost all advanced economies, debt levels are high and savings levels are weak, so attempting to finance all these investments by borrowing is resulting in an increase in prices and in interest rates, and it will continue to do so at least over the next decade.

Faced with this reality, to increase investment businesses will need to have a smaller share of their retained earnings, which they distribute to shareholders; households will have smaller shares of their incomes to devote to their current consumption; and governments will have smaller shares of their revenues to devote to the provision of current services for their citizens.

This is not a pleasant prospect. Devoting a higher share of revenues to investment is never easy but can be managed more easily if incomes are growing fast and borrowing costs are low. Unfortunately, real incomes are not growing so quickly. Indeed, on a per capita basis, they have been falling. The cost of servicing debt has risen, and while it may come down a little from the current levels after 2024, it will remain well above pre-COVID levels. Therefore, Canadian households are curtailing, and will have to continue to curtail, some current consumption in order adapt to these structural changes.

People will look to governments for help, but governments face precisely the same issues as do households. Investment requires a greater share of revenues to facilitate adaptation to the four major structural changes I mentioned. At the same time, charges for public debt incurred in the past can eat up larger shares of revenues as interest rates rise. New borrowing to finance additional services for households or supports for business investment will simply raise further the fraction of revenues that must be devoted to interest charges and will further curtail government capacity to provide services in the future.

● (1540)

Governments cannot borrow their way out of these difficult choices involved in the reallocation of resources in order to manage these four big structural changes. Politically difficult as it may be, over the next few years budgets are going to need to be roughly balanced. To allow for additional public investment and support for private investment, the growth of government-provided current services or transfers needs to be somewhat curtailed or, alternatively, taxes on private consumption increased. However unfathomable such curtailment may be, failure to invest in adaptation will condemn Canadians to a much more unpleasant future.

Thank you, Mr. Chairman.

The Chair: Thank you, Mr. Dodge.

Now we're going to be hearing from the Coalition for a Better Future.

I said that the Honourable Anne McLellan and the Honourable Lisa Raitt would be coming on a little later, but they are with us now. Just bear with us, everybody. We do need to do a quick test with our interpreters.

We're going to suspend for a bit while we get this done.

● (1540)

(Pause)

● (1545)

The Chair: With that, I'm going to look to the two of you. I'm not sure if you're sharing your five-minute opening statement. If you could start, that would be great.

Hon. Anne McLellan (Co-Chair, Coalition for a Better Future): Thank you, Chair, for inviting the Coalition for a Better Future to participate in the committee's pre-budget consultations. I'm here virtually, as you've heard, with my co-chair, the Honourable Lisa Raitt.

The Coalition for a Better Future represents a diverse and growing group of Canadian organizations across business, labour and civil society, working together to advocate for inclusive, sustainable economic growth. Each of our 142 members brings to the table a unique perspective, but we are united in our belief that economic growth is a necessary precondition for job creation, rising incomes, a cleaner environment and a better quality of life.

We have three key areas of focus. How can Canada win globally and grow sustainably, and how can Canadians live better? We have a scorecard of 21 internationally recognized metrics that track Canada's progress in these areas, with an aspirational target for 2030. We believe that we must meet the scorecard's ambitious targets if we are to generate the right kind of economic growth to see ongoing improvement in Canadians' lives.

Our first report was released in March to show how Canada is doing on our 21 key indicators, such as GDP per capita and business investment in R and D. We are now tracking those numbers in preparation for our next update, which will be in Ottawa in early 2024, to which you will all be invited.

Lisa, it's over to you for some of our key metrics.

Hon. Lisa Raitt (Co-Chair, Coalition for a Better Future): Thank you, Anne.

The scorecard is an important tool for governments and for people in general to see where the country is going on important policy areas and basically where we need to go as well.

Where are we today? The pandemic created new challenges. It disproportionately impacted lower-income Canadians. Inflation is rising. Economic challenges are also growing and, as David Dodge pointed out, we have an aging population, weak business investment and poor productivity.

Our scorecard does show that we are moving in the right direction on some fronts, but we're not doing it fast enough. As the metrics are analyzed, we remain concerned about persistent weakness, which is threatening to undermine our future prosperity.

The two most important measures of living standards are output per capita—labour productivity—and equality, and we're going in the wrong direction. For example, on a per capita basis, our economy is not only stalled; it's actually contracting. Real GDP per capita has fallen for four straight quarters, and we are producing less per person today than we did in 2018.

On labour productivity—that's the amount of output generated per hour—it looks even worse. It has fallen in 11 of the last 12 quarters, and the productivity numbers in the first half of the year are below what they were in the final six months of 2014. If things don't change, we'll soon be talking about a lost decade of productivity. The scorecard also shows business spending on research and development continuing to stagnate and lag behind our peers.

However, here is some good news: We see that businesses are slowly stepping up for the first half of the year. Non-residential business investment was up and annualized at 8%, which is pretty solid growth and is much stronger than the economy as a whole. There are also signs of rebounds in the construction of new factories, though we're still well short of prepandemic levels. We really have to double down on our collective efforts to figure out ways to continue to support an upward trend in investment.

It's back to you, Anne.

● (1550)

Hon. Anne McLellan: For Canada to succeed, the conversation about business investment must include transitioning to a net-zero economy. Achieving net zero by 2050 is one of the core beliefs of each of our coalition members, even though members will choose different tools by which to reach this goal. We welcomed the series of tax measures in this year's budget to incentivize green investment, but the tough part is still to come.

For one, the Canadian government has yet to release its legislative framework for carbon capture or its plan to provide certainty for industry around carbon pricing. Both are still in progress and are due this year. The government's pledge to streamline its regulatory approval procedures, a necessary condition to hit the climate targets, is still being developed, and we're watching closely how the government navigates the transition for our energy sector. These measures are necessary and urgently needed for businesses to have certainty to prioritize and to plan.

We do need a long-term economic vision as we look at ways to enhance the economy. We at the coalition have also taken special time to think about what youth, young people, are thinking about their futures in Canada. Lisa and I had the opportunity to do a university tour over this past year. What's interesting, ladies and gentlemen, is that young Canadians think that Canada is doing well in terms of being an equitable society and sharing economic opportunities. They think we're moving way too slowly when it relates to meeting the climate change challenges. Unfortunately, they are not particularly positive about their own long-term economic prospects. This is based on work that the coalition had done for it by Nik Nanos a few months ago.

It's important, and I'm sure all committee members would agree that the thoughts, the thinking and the aspirations of our young people are very important to our future.

Lisa, over to you.

Hon. Lisa Raitt: In conclusion, Mr. Chair—and thank you for your time—it's important to understand how indigenous Canadians' lives are impacted as well. Policies and projects are being put into place, and we need to make sure that indigenous communities are part of the equation. I know there's a lot of discussion in the government right now with respect to loan guarantees for indigenous people in these large resource projects. I would encourage and urge people to move more quickly so that we can get to the point where the projects can go ahead and economic indigenous reconciliation can be a real thing.

We hear from all of our members that they would like to see party lines set aside to work together and make real progress on the issues facing our country.

With that, we're happy to answer any questions that you may have at the appropriate time.

The Chair: Thank you to both of you. You're a great tag team. I'm sure that there are going to be many questions from the members.

We are going to hear now from the Green Budget Coalition. I believe the manager, Andrew Van Iterson, will be speaking on behalf of the group.

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

The Green Budget Coalition, active since 1999, is unique in bringing together 22 of Canada’s leading environmental organizations, collectively having over one million members, volunteers and supporters. The Green Budget Coalition’s mission is to present an analysis of the most pressing issues regarding environmental sustainability in Canada and, annually, to present a consolidated set of recommendations to the federal government regarding strategic fiscal and budgetary opportunities.

As the chair mentioned, I am pleased to be joined today by three of my expert colleagues to help answer your questions. They are from the Pembina Institute, Ducks Unlimited Canada and Nature United.

We are now in an emergency, and you've already heard reference from previous speakers as to the importance of net zero in dealing with climate change adaptation. Extreme heat, floods, fires, stronger storms, ecological disruption, dramatic loss of wildlife populations and a rapidly warming Arctic are being felt in Canada and around the world, causing widespread harm particularly to low-income and marginalized people. Science indicates that these and other impacts will intensify if climate change and ecosystem destruction remain unchecked. It is critical to take stronger action on the related climate and biodiversity crises to shape a world that is equitable, carbon-neutral and nature-positive and that provides secure, affordable energy for people in Canada and worldwide.

The Green Budget Coalition welcomed the federal government’s multi-billion dollar investments in budget 2023 and at COP15 in Montreal that advanced the coalition’s recommendations, particularly regarding clean electricity and also indigenous-led conservation. However, along with the imperative to use such existing funding effectively, we also need more funding.

In this context, the Green Budget Coalition is featuring five recommendations for budget 2024, compatible with some of the objectives that we've already heard this afternoon. These recommendations will create jobs, enhance affordability and support indigenous leadership and well-being.

The first recommendation is to finance nature protection and recovery in Canada to deliver on Canada’s commitment to halt and reverse biodiversity loss by fully implementing the Kunming-Montreal global biodiversity framework. This includes investing on a scale closer to that of climate change, prioritizing permanent financing to support indigenous-led conservation and acting to eliminate nature-harmful subsidies.

The second recommendation is to have, along with the increased emphasis on housing, a renovation wave for climate-resilient homes and affordable home energy. We are recommending that the federal government expand, complement and coordinate existing investments and programs across all departments; centrally deliver home upgrades to ensure impactful investments that integrate health, affordability and adaptation targets; and accommodate the unique needs of indigenous, northern and remote communities. We're recommending $24 billion over five years.

The third recommendation is to advance a zero-emissions electricity grid based on renewables. These are essential steps towards the major transformational investments required in the transmission, generation and demand side of electricity, including for remote indigenous communities. We are recommending about $26 billion over five years.

The fourth recommendation, which is supportive of that, is to have sustainable jobs for a net-zero Canada to help some of the youth who Anne and Lisa mentioned. We recommend scaling up investment in transition planning, job creation and worker supports to ensure that workers and communities have a smooth transition to a low-carbon economy. We are recommending $12 billion over five years.

The fifth recommendation is to have sustainable agriculture in order to help producers and Canada be leaders in sustainable and innovative agriculture with a resilient and diversified food system. We are recommending $4.5 billion over five years and then $130 million per year, ongoing.

In the coming weeks, we will be sending you our more detailed recommendations for the budget 2024 document, which will look a lot like this. It will provide more updates, more detail and many more recommendations supporting our submission to the committee, including those on climate adaptation, net-zero industrial policy, climate and biodiversity conditions on existing federal spending and environmental justice. Implementing these recommendations would lead to dramatic progress on advancing a healthier future for people in Canada from coast to coast to coast.

I would like to thank you again for inviting the Green Budget Coalition to appear today. We look forward to your questions.

● (1555)

The Chair: Thank you, Mr. Van Iterson.

Now we're going to go across the table to Mr. Freedman from the Community Radio Fund of Canada.

Go ahead, please, for five minutes.

Mr. Alex Freedman (Executive Director, Community Radio Fund of Canada): Thank you, Chair.

In Canada, there are more than 235 community, indigenous and campus licensed radio stations. They're all run by a community board. They regularly provide local news and information. In fact, they have to do so by licence. They are all not-for-profit organizations, so every single dollar they receive is reinvested in the communities they serve.

Recently passed amendments to the Broadcasting Act define the critical role they play in these communities by stating that they are uniquely "positioned to serve smaller and remote communities." They serve "different needs and circumstances of each official language community" and, importantly in this day and age, they "support local journalism" and "strengthen the democratic process".

[*Translation*]

These stations are the last to serve rural Canada and underserved urban communities. They broadcast content in over 65 languages spoken by Canadians, including dozens of indigenous languages. They are the home of original Canadian music and arts.

[*English*]

They consistently provide accurate and immediate coverage of civic news information to local communities, and as such, they really are the last line of defence against disinformation.

They are critical to Canadians in times of emergency. As we saw wildfires ravaging communities throughout B.C., Nova Scotia, Quebec and the territories all summer long, community radio stations provided critical and immediate local information to Shelburne County in Nova Scotia, to Yellowknife in the Northwest Territories and to Smithers, British Columbia—just to name a few—whose residents benefit from local journalism initiative reporters, with funding distributed by the Community Radio Fund of Canada.

They helped guide evacuations. They provided details on which stores were open and when the power was coming back. Most importantly, they gave people the information they needed to get home. The importance was amplified by Facebook's blocking of local news outlets. These stations were livestreaming and on air the whole time, and in these communities—MP Bachrach, you'll know what I'm talking about—a radio receiver and batteries are part of any emergency kit.

One difference between community broadcasters and commercial and public broadcasters is the funding they receive. As not-for-profits, community broadcasters don't benefit from the tax credits offered to commercial broadcasters, nor do they receive any federal operational funding like the CBC does. However, they continue to play critical roles for Canadians.

Therefore, we propose three critical priorities.

The first is to continue the local journalism initiative. We regularly hear about commercial broadcasters closing stations and about newspapers shutting down. This year, the LJI has allowed us at the CRFC to give salaries to more than 53 stations to hire journalists to produce civic journalism for underserved communities, including more than seven indigenous communities. More than 450 journalists are hired annually by all administrative organizations, but the LJI is slated to end next March. The program must be renewed and enhanced.

Second, we propose the community radio initiative, costing less than $25 million per year. It's not much in the context of a federal budget, but it would represent a paradigm shift for community broadcasters. This would provide key operational supports focused on labour costs and technical upgrades.

The CRTC is currently conducting a review of indigenous broadcasters. In the CRTC's initial report, the single most important element that these broadcasters need is operational support, and this is true of all community radio stations.

● (1600)

[*Translation*]

The reality of Quebec stations is different, because they receive provincial funding. In Quebec, the use of volunteers is less frequent, and staff are paid a decent salary. The number of stations there is also much higher than in the rest of Canada. This is in part due to support funding and other local initiatives.

[*English*]

In Australia, for example, they provide as much as $21 million to community radio. The result is that, in a country with two-thirds our population, there are nearly twice as many community radio stations. Minimal support makes a maximal difference.

Finally, we're asking the government to give a portion of the advertising that it previously gave to Facebook and other social media giants to Canadian community news outlets. Enough of sending taxpayer dollars to Silicon Valley—we are asking the government to spend 8% of the more than $140-million advertising budget on community media. This will ensure that advertising is heard and seen by Canadians and that the money goes to support our system.

We're pleased to see the government withdraw those funds from Facebook after it initiated an attack on our local media, and now we're asking that this money be redirected to radio stations that continue to put local communities and reliable news first.

Thank you for considering these suggestions. They will make a significant impact on Canadians' access to local news and information.

I'm more than happy to take your questions in either French or English.

The Chair: Thank you, Mr. Freedman.

We'll now hear from Questrade Financial Group. Ms. Woods is with us via video conference.

You may start your opening statement, please.

Ms. Tanya Woods (Head and Policy Counsel, Government and Regulatory Affairs, Questrade Financial Group): Thank you, Mr. Chairman and committee members, for inviting us to appear today.

I am Tanya Woods, head, government and regulatory affairs, and policy counsel for Questrade Financial Group.

Appearing with me today is Romit Malhotra, Questrade Financial Group's chief strategy officer. We'll be tag-teaming on the comments.

Romit, over to you.

Mr. Romit Malhotra (Chief Strategy Officer, Questrade Financial Group): Thank you, Tanya.

Mr. Chair and committee members, Questrade Financial Group is a mission-driven company dedicated to helping Canadians become much more financially successful and secure. As one of Canada's foremost fintechs, we've enabled Canadians to take control of their finances.

Our journey began in 1999. Today we have over 2,800 employees and manage over $45 billion in client assets, all of that while maintaining our commitment to affordability, ease of use and cost-effectiveness. We've expanded from an investment brokerage into other financial verticals. We've done so by building customer-centric products and making strategic acquisitions, including that of Community Trust Company, a regulated financial institution; ThinkInsure, a home and auto insurance brokerage; Zolo, an online real estate business; and, more recently, Flexiti, a point-of-sale consumer lender.

Our first recommendation relates to Canada's mortgage ecosystem. Like you, we do not want to see Canadians left behind, struggling to pay their mortgages. However, the health and stability of small and mid-size federally regulated financial institutions must be a priority to ensure a competitive marketplace with diverse service providers for Canadians' lending needs, especially those excluded or marginalized by traditional institutions.

In 2023, with the introduction of various mortgage-related proposals and regulations, we've grown concerned about overlapping and conflicting government efforts. Some of these measures create unintended consequences, including administrative burdens and inefficiencies.

To maintain a competitive and responsive regulated lending ecosystem, we propose the establishment of a permanent round table involving industry, government and regulatory representatives. This round table would conduct semi-annual reviews of Canada's regulated mortgage ecosystem that would consider the impact of new regulations on lenders of all sizes. It should also develop a framework to assess government proposals, ensuring that they address the unique needs of small and mid-size regulated financial institutions and avoid negative consequences.

Tanya.

● (1605)

Ms. Tanya Woods: Thanks, Romit.

Promoting competition and maintaining stability are key goals for a healthy financial sector. In the digital era, this means that smaller innovation-driven companies have a place from which to succeed within the existing financial services ecosystem. It also means that consumers can access all products and services in the marketplace without artificial barriers, gather important data to make informed decisions and be able to control the uses of their personal data.

To these ends, we recommend that budget 2024 allocate funding to the ministry of housing, infrastructure and communities to study and improve Canada's housing and real estate data ecosystem. Measures to ensure real estate data transparency, open access and the promotion of sector innovation and competition are also needed. These will benefit Canadians and spur related digital ecosystems to develop across Canada to empower Canadians at every stage of their housing journey.

Our third recommendation for budget 2024 is to allocate resources and establish a clear plan for the swift implementation of a comprehensive open finance strategy so that Canada catches up with its global counterparts and delivers savings to Canadians. This strategy should ensure that, by the end of 2025, Canadians can access a modernized, cost-efficient, interoperable, secure and principles-based open financial ecosystem, enhancing their financial futures.

The cornerstones of an open finance ecosystem include implementing open banking, real-time payment rails, consumer data rights and portability, and an unbiased technological framework. As Mr. Dodge observed this past June, Canada is seemingly complacent in bringing key elements of its financial system into the digital age, which is perhaps the “result of a lack of political will, regulatory silos and the incumbent interests entrenched in our evolving economy”, which is not very good. He said, “At a time when budgets are stretched for both consumers and small businesses, these costs are difficult to bear and [remain] inequitable.”

As industry partners, we are committed to working with you—all of you—to fulfill the promises made over the past nine years. The time to act is now.

Romit.

Mr. Romit Malhotra: We want to acknowledge the government's delivery of the first home savings account. Questrade was the first to market this product. We saw first-hand the unprecedented level of interest from younger Canadians and the desire for our related educational information. In August 2023, a Leger survey found that 95% of Canadians viewed rising rental costs and housing affordability as significant issues, making them fearful about their futures.

Knowledge is power. Our fourth and final recommendation is that budget 2024 allocate adequate resources to the Financial Consumer Agency of Canada, so that FCAC can engage ecosystem stakeholders and codesign, promote and increase their delivery of objective and timely financial literacy programs to all Canadians.

Challenging times call for ongoing efforts to support Canadians. We remain committed to working with the committee to ensure that Canadians benefit from the recommendations we are providing today.

Mr. Chairman and committee members, thank you.

● (1610)

The Chair: Thank you, Mr. Malhotra and Ms. Woods.

Now to hear from Réseau FADOQ, we have Ms. Gisèle Tassé-Goodman and Mr. Philippe Poirier-Monette.

[*Translation*]

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

Honourable parliamentarians, my name is Gisèle Tassé-Goodman, and I'm the president of Réseau FADOQ. With me today is Philippe Poirier-Monette, who is responsible for government relations within our organization.

To begin, I would like to thank the members of the committee for this invitation to present our main budget recommendations.

Réseau FADOQ is a group of people aged 50 and older, with more than 550,000 members. In each of the issues we defend before political bodies, we aim to contribute to improving the quality of life of seniors.

As of today, individuals under 75 years of age receiving only the old age security pension and the guaranteed income supplement will have an annual income of $20,904. A senior in this situation earns an income that does not meet Canada's official poverty line, which is based on the market basket measure.

This index establishes the cost of a market basket measure. It excludes dental care, vision care and prescription drugs, which are major expenses for seniors.

Réseau FADOQ therefore recommends that the government increase the GIS by at least $50 per month for all seniors.

During the 2021 election campaign, the federal government promised to increase this benefit by $500 per year for people aged 65 and over who live alone, and by $750 for people who live with a partner. Two years later, seniors are still waiting.

Réseau FADOQ would also like to point out that the 10% increase in old age security for people aged 75 and over is controversial. People aged 65 to 74 feel left out. Given that financial distress knows no age limit, our organization recommends extending this enhancement to everyone aged 65 and over.

We must also address the shortcomings in the method of indexing old age security. This program is indexed on the basis of the consumer price index, while wages are moving at a faster rate of about one percentage point. As a result, federal benefits will play a gradually diminishing role in the retirement income replacement rate in the future. Our organization is calling on the government to review the method of indexing old age security to account for wage growth.

The labour shortage is a worrying issue. To alleviate this reality, Réseau FADOQ suggests that the federal government encourage experienced workers to extend their careers by introducing a targeted tax credit. This was another promise made during the last election campaign, and it has yet to be put in place.

Another unfulfilled promise concerns caregivers. The government committed to expanding the Canada caregiver credit into a refundable, tax-free benefit. We encourage the government to move forward on this measure. In Canada, 20% of caregivers experience financial insecurity.

Lastly, Réseau FADOQ would like to address the issue of dental care. About one in five Canadians said they do not seek dental care because of the cost. In the last federal budget, our organization welcomed the extension of the dental insurance program to seniors in 2023. Unfortunately, nothing has been announced yet. It is important that the government implement this program quickly and provide details on insured services.

I would like to thank the members of the committee for listening.

Mr. Poirier-Monette will answer any questions. I reserve the right to contribute.

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

[*English*]

Members, we have many distinguished guests and witnesses here with us today. I know you're all itching to ask many questions.

In this first round, for all of our witnesses' understanding, each party will have up to six minutes to ask questions.

We are starting with MP Chambers for six minutes.

Go ahead, MP Chambers.

● (1615)

Mr. Adam Chambers (Simcoe North, CPC): Thank you, Mr. Chair.

Thank you to all our witnesses.

I would like to go on the record saying that pre-budget consultations that have this many witnesses at committee are very hard, because there are so many great people to ask questions of. I wish every other committee would frankly take it upon themselves to dig deeper within their own remits and provide the government with some recommendations they want to see in the budget.

I want to spend a few minutes with Governor Dodge.

Governor, you mentioned a number of months ago one thing that the government can do. In fact, you said that about all the feds can do to tame inflation is slow their spending. Do I have that about right? That was in an interview you provided.

Mr. David Dodge: Yes, that's more or less right.

Mr. Adam Chambers: Okay.

I'm just curious. The government's top-line spending is about 28% above pre-COVID levels. Forget all about the COVID pandemic spending. Annual spending this year is up about 28% versus pre-COVID levels.

Does that represent a slowing of spending in your mind?

Mr. David Dodge: In real terms, it is up. In real terms, it's actually appropriate that it's up. It's a question of how much and what it is spent on.

Mr. Adam Chambers: That's fair enough.

If you think the government really has only one lever with respect to inflation, were you surprised when members of the government claimed that the government's plan to bring inflation down was working, when in one month, out of 28, inflation dropped below the 3% target of the Bank of Canada?

Mr. David Dodge: Bringing inflation down is going to take time. Once we got off track.... Just as we know from the seventies, it takes time. It takes a lot of effort on the part of the government. It takes a lot of effort on the part of the central bank.

Mr. Adam Chambers: I appreciate that.

One item driving inflation back up over 3% is volatility in energy prices. That's one of the key drivers. Do I have that right?

You're much smarter than I am. If the government reduces the price or the taxes on the good that's partially driving inflation and those price drops in the form of tax reductions are passed through to the consumer, does it not stand to reason that this would have a lowering effect on inflation?

Mr. David Dodge: You can lower a single price, absolutely, by providing a subsidy or in a tax. You can change a single price. That's undoubtedly true.

Can you change what's going on overall?

To change what's going on overall, of course, what is important from the government side is the balance—not a single price. To the extent that the government wanted to make a contribution to a more rapid disinflation, then a balance between revenues and expenditures.... We should have had much more revenue relative to expenditures than we have had.

Directionally, that is absolutely correct. For any single price, you're affecting the relative prices of different products. That's quite a different story from trying to deal with the level as a whole.

Mr. Adam Chambers: Thank you very much.

You mentioned debt-service costs as a percentage of revenue. I think you put out that, in your mind, there's a rule of thumb of about 10¢. We were approaching 10¢ in the last budget. For the last budget's economic projections, everyone—most economists—believed that interest rates would be lower today and through the end of this year than they were at the budget. They're actually at least a per cent higher.

By the way, the government is rolling over $421 billion of debt this year. Debt-service costs are going to explode, not to mention the losses at the Bank of Canada.

What happens when we breach that 10¢, in your mind? What do we have to think about? What does the government have to figure out in order to bring that number back down?

● (1620)

Mr. David Dodge: If you're spending 10¢ out of every tax dollar that you collect on servicing past debts, that obviously leaves you with less to spend on providing current goods and services.

The problem that we collectively face now and going forward is that we're going to have growth of the economy or growth of the base revenues of government that will be equal to or perhaps even less than the interest rates. The burden of past debt will increase year after year rather than being eroded.

Mr. Adam Chambers: Thank you very much, Governor.

I'm getting the hook from the chair here.

The Chair: That is the time, MP Chambers. Yes, it does go quickly.

We're going over to MP Weiler, please, for six minutes.

[*Translation*]

Mr. Patrick Weiler (West Vancouver—Sunshine Coast—Sea to Sky Country, Lib.): Thank you very much, Mr. Chair.

It's a pleasure to welcome all the witnesses today.

[*English*]

Thank you so much for your introductions and for the submissions you made in advance.

First, I'd like to ask some questions of the Green Budget Coalition. I look forward to your formal submission in due course.

Particularly for Mr. MacDougall, I recently read a report from the Pembina Institute that was looking at this year of profits for the oil sands. It showed that, if things hold, it's looking at the second most profitable year in the last decade. In spite of that, 75% of the cash flow is going to dividends and share buybacks. In spite of what we might be seeing on our smart phones and TVs and, ironically, on public transit from the Pathways Alliance, your report shows there's actually been no new investment in emissions abatement in the oil sands.

As Canada's largest and fastest growing source of emissions at 28%, why do you think there has not been investment to date? What actions do you think the government should take to ensure those companies invest in emissions abatement so they're able to do their fair share?

Mr. Scott MacDougall (Senior Adviser, Pembina Institute, Green Budget Coalition): Thank you for the excellent question, which covered all kinds of the background information required to answer. That's great.

I'm going to start with the second question, if I may, in terms of what's going to be required because, in part, it answers a little bit of the first part. The companies have, in many cases, said that certain policies that have been proposed need to be finalized, such as the investment tax credit for carbon capture sequestration. There are some great signs. The draft legislation is out and looks pretty good, so fingers crossed that it will get finalized pretty soon.

Also, they talk a lot about the necessity of greater certainty around carbon pricing, which often translates as carbon contracts for difference. Things are going a little slower on that, and a lot of folks have indicated they're holding off some investments while waiting on that legislation. Carbon pricing offers the lion's share of incentives for low carbon and decarbonization investments in Canada, so greater certainty on that is a huge force multiplier for the policies Canada already has in place.

I have to admit I'm not entirely convinced that voluntary.... I mean, those incentives are excellent and necessary to support those investments, but I'm not entirely convinced we will see the level of voluntary investment and decarbonization we would need. Therefore, I believe Canada's proposed cap on oil and gas sector emissions is absolutely needed. I'm very happy to hear Prime Minister Trudeau reiterating his commitment to see that at least drafted and out in public this fall. That's great.

● (1625)

Mr. Patrick Weiler: Great. Thank you very much for that.

Next I'd like to turn to the Coalition for a Better Future.

In your opening, Ms. McLellan, you mentioned that youth are seeing that government needs to act quicker on climate, but I was a little surprised in reading the scorecard for the coalition, which is using the target from the Harper era of only reducing emissions by 30% by 2030. I was hoping you might be able to square that with this committee.

Hon. Anne McLellan: Our scorecard was developed two years ago now, after a lot of conversation, especially with a number of noted environmental proponents, such as Professor Stewart Elgie. If he hasn't appeared before your committee, he may very well do so. We believe the targets we have set for 2030 in all areas are generally ambitious.

It does not surprise me—and, I think, Lisa—in any way that on an issue like climate change, young people in this country want ambition. I think all of our coalition members would agree that ambition is important. However, we need realistic targets that we hope current technological knowledge will allow us to meet. I am in no way surprised that young people want us to go further faster. I think that's encouraging for all of us, because they will provide the pressure on industry, on all of you and on governments at all levels, in fact, to do more faster.

Our target is one that was developed after much consultation with leading proponents and thinkers in the area, and we believe it's fair.

Go ahead, Lisa.

Hon. Lisa Raitt: I'd only add that we developed these metrics, MP, between August and October 2021, and that was prior to any further announcements that the government made. We made the decision that these metrics we put together in 2021 are to be frozen in time, because that allows us to measure them year on year. It doesn't mean that there isn't good work being done in trying to exceed these limits, but we're going to stick with what we have in order to compare apples to apples every year.

The Chair: Thank you.

Thank you, MP Weiler.

Now we go to the Bloc and MP Ste-Marie, please.

[*Translation*]

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

First of all, hello to all the witnesses. We have a really great panel this afternoon.

As my colleague Mr. Chambers said, even if we don't have enough time to ask each of you all the questions we would like to, that doesn't mean that the proposals you're making won't be included in our report on the pre-budget consultations.

Mr. Dodge, a special hello to you. I was teaching economics when you were Governor of the Bank of Canada, and it was a pleasure to unpack each of your speeches with students to better understand monetary policy.

That said, my questions will be for the representatives of Réseau FADOQ.

Ms. Tassé-Goodman, thank you for your presentation.

Mr. Poirier-Monette, your organization is asking that the guaranteed income supplement be increased by $50 a month. Ms. Tassé-Goodman said that currently, a person receiving the guaranteed income supplement will earn less than $21,000 a year, which is below the poverty line.

Can you remind us of the importance of increasing the guaranteed income supplement by $50 a month?

Mr. Philippe Poirier-Monette (Special Advisor, Government Relations, Réseau FADOQ): Thank you very much for your question.

We think that the guaranteed income supplement should be increased by at least $50 a month. As we often say, people aged 65 to 74 would also have liked to benefit from the 10% increase announced for people aged 75 and over.

Basically, right now, we have to ask ourselves some questions. How is it that people who live solely on the guaranteed income supplement and old age security have incomes below the poverty line set by the federal government itself? That's highly questionable.

We're just saying that these benefits need to be increased. We urge the federal government to keep its promise to increase them by $500 per year for a single person and $750 for a couple. They should have already kept their word.

● (1630)

Mr. Gabriel Ste-Marie: This commitment by the government goes back two years. Ms. Tassé-Goodman told us that this was still not done.

Do you think that's an acceptable time frame, given the exceptional inflation we are experiencing these years?

Mr. Philippe Poirier-Monette: A number of promises have been made to help seniors. We understand that you can't do everything all at once. However, these are the kinds of promises that seniors keep in mind.

We must remember that the people who receive the guaranteed income supplement are the poorest in our society. Their incomes won't change, except based on the consumer price index. These are people whose incomes are essentially fixed. They are being squeezed. That is the only income they have, and they depend on it. As a result, they expected this promise to come to fruition quickly.

Mr. Gabriel Ste-Marie: That is indeed a real concern, in the context of current inflation. The least affluent seniors who depend on government assistance are below the poverty line. The government has been making promises for two years, but it has yet to do so. As you said, the old age security pension has been increased by 10% for people aged 75 and over. That's fine, but it leaves people aged 65 to 74 out in the cold. Let's hope that this will be reviewed, because there must certainly be fairness.

Ms. Tassé-Goodman talked about applying for a targeted tax credit to encourage experienced workers to return to the labour market. Can you explain to us in more detail what you are suggesting?

Mr. Philippe Poirier-Monette: This has been shown in a number of surveys. In particular, the Conseil du patronat du Québec recently conducted a survey to determine what could encourage experienced workers to stay in the labour market or to continue their careers. Tax measures and financial incentives were at the top of the list. About 50% of the respondents said that this was one of the factors that would encourage people to continue working.

A similar tax credit was introduced in Quebec, the career extension tax credit. This is a progressive measure: an amount is first given to people age 60 to 65 and, after they reach age 65, the amount becomes more generous.

We would like to see a similar federal tax measure. In fact, I believe this was a promise made not just by the government, but also by the Conservative Party during the last election. There are two parties in the House of Commons that are interested in this measure. It would be very appropriate to introduce it. Ideally, it should be a refundable measure, so that people who have very little or no tax payable can benefit from it as well.

Mr. Gabriel Ste-Marie: The Bloc Québécois proposed it as well, as did the NDP, I believe. It is sad to see that proposals like this one, which are put forward by organizations like yours and which are unanimous, are slow to be put in place.

On the ground, many seniors in my riding are telling me that, because of inflation, they are having trouble making ends meet. If they go back to work a few days a week, all their benefits are taken away. A tax credit would correct this situation. Let's hope that this will be resolved.

I would also like to ask you about the indexing method, but I think I'll have to wait until my next turn.

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

[*English*]

We've exhausted our time, but I'm sure there will be another round.

We are going to the NDP. I do see our permanent member here, MP Blaikie, but I also see that NDP MP Bachrach is joining us for the six minutes of questions.

Mr. Taylor Bachrach (Skeena—Bulkley Valley, NDP): Mr. Chair, it was a pleasure to sit in on the presentations from the witnesses, and I do see that my colleague, Mr. Blaikie, has arrived. Before he digs into the questioning, I'd love to ask a question of Mr. Freedman, since he gave a generous shout-out to my home community. Of course, community radio is important right across the country. Here in northwest B.C., the folks at Smithers Community Radio CICK and Nuxalk Radio in Bella Coola are doing some very important work bringing local news and culture to their communities.

The question is around your proposal, Mr. Freedman, to dedicate a percentage of the money the federal government was giving to Facebook and provide that funding to community radio stations across the country. I wonder if you could elaborate on what that would amount to. I believe you were proposing that 8% of the portion formerly spent on Facebook ads would be redirected to community radio stations. What would that amount to? How does that compare to current federal funding for community radio stations, and what could stations like CICK in Smithers or Nuxalk Radio in Bella Coola do with that increased investment in the important work of community radio?

● (1635)

Mr. Alex Freedman: Thank you for the question.

In terms of the total number, by some rough estimates, about $140 million is spent annually on advertising, with the majority of that particularly through Facebook and Google, so 8% of that would be just north of about $11 million.

To your question, community radio stations, campus radio stations and indigenous radio stations currently receive next to no funding. There is the local journalism initiative. Of its annual $10 million, we receive $1 million, and we're very grateful for the top-up that came from some of the COVID funding. Generally, though, unlike the funding allocated to public broadcasters or the tax credits for commercial broadcasters, they receive nothing. Many of these stations rely on radio bingo and local advertising. Again, in the post-COVID era, local advertising still has continued to not rebound in the same way we would have hoped.

What would it do? Currently, many stations pay their station managers $20,000 to $30,000 a year. That's not even a living wage. To have some level of continuity would be amazing. We continue to evolve in terms of the role we have to play in how people can get access to these radio stations—livestreaming and the new technologies that are required to podcast—and at the same time, community radio stations, because of their role in these communities and remote communities, must continue to stay on the airwaves.

Technological advancements, which currently are put together with duct tape in some cases but are critical to their ability to move forward, would be enhanced through this sort of funding, as would, very importantly, their ability to do critical programming to unite communities. I think of CJNU in Winnipeg. My colleagues here on the panel know about that. This is a radio station dedicated to nostalgia broadcasting for people who are 70 plus. As we speak about the measures, as my other colleagues on this panel talked about, to support senior citizens, having these stations able to create a community for these people is vital to Canadians.

As another one of my colleagues mentioned, knowledge is power. To be able to transmit that knowledge and make sure that it gets to the people who need it, particularly on a local level, is vitally important.

Thank you for the question.

Mr. Taylor Bachrach: Thanks so much, Mr. Freedman.

With that, Mr. Chair, I'll turn it back to my colleague Mr. Blaikie and thank the committee for allowing me to sit in.

Mr. Daniel Blaikie (Elmwood—Transcona, NDP): Thank you, Mr. Chair.

Thank you, Mr. Bachrach, for subbing in for me while I participated in debate on Bill C-56 in the chamber.

I have a question for the Green Budget Coalition. Often in Canada, when we talk about major energy infrastructure projects, more often than not it's a conversation about pipelines. We know that the current federal government has invested over $30 billion in one particular pipeline.

In your proposal for the next budget, you talked about a zero-emissions electricity grid based on renewables. I wonder if you could speak to the potential for generating employment and wealth out of that kind of grid in addition to lowering Canada's emissions.

Mr. Scott MacDougall: Yes. We're happy to be talking about infrastructure projects that are different from pipelines in our electricity recommendation.

Inter-regional transmission infrastructure is actually the larger piece of our recommendation around clean electricity. Clean electricity in Canada is often referred to as a major potential differentiator for attracting investment to Canada. Not only are there the jobs associated with developing the clean electricity itself. There are also the jobs that would go with investment in Canada, foreign direct investment and industrial investment, that would leverage that clean electricity.

We also think that indigenous-led electricity projects are extremely important in Canada. There's a great opportunity, as came up earlier today, to enable greater indigenous ownership in infrastructure projects in general and electricity in particular in this case.

Related to all this is that we also have a recommendation around sustainable jobs in Canada. I mean, there's playing defence, but there's also playing offence in sustainable jobs, which I just want to highlight. The jobs that come with this electricity, that's definitely on the offence. It's creating opportunities. On the defence, there's also the fact that the energy transition is happening to Canada. It will ramp up over the years. The more we can do to give workers and communities options to participate in that transition and not be negatively impacted by it, the better.

Thank you.

• (1640)

The Chair: Thank you.

Thank you, MP Blaikie and MP Bachrach.

Members and witnesses, we are moving into our second round. Timing is a little bit different in this round. I just wanted you to know that I am adding 10 minutes onto our meeting today. We started a little late and, also, we suspended for a few minutes.

Now, in this round we have the Conservatives up. I believe it's MP Morantz, for five minutes.

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

Governor Dodge, I have a few questions that I wanted to get your opinion on. One of them has to do with this issue of whether or not, in our current circumstances, government fiscal policy and the bank's monetary policy are working together.

I want to bring you back to something you said in 2002 at the Donald Gow lecture. You talked about policy coordination and cooperation. You said that inflation targets are joint targets of the bank and of the government and that "when the government changes fiscal policy, it needs to think of how these changes will affect inflation and, consequently, interest rates."

Those were your words back then.

We know recently that Mr. Manley talked about his quote, which became known in the media, about pressing the gas and the brake at the same time. I wonder if you think, under the present circumstances, that the federal government's fiscal policy is working at cross-purposes to the bank's attempts with regard to quantitative tightening—to try to get rid of some of the bonds that they had to acquire—and the increasing of interest rates?

Mr. David Dodge: I'm not sure I'd use the word "cross-purposes". All I would say is that it's not providing additional disinflationary pressure at the moment. I think that is correct. Although, in very strict measurement terms, because the deficit actually has been coming down, this year is less bad than last year, if you will.

Mr. Marty Morantz: I suppose that's something.

The reality is that we saw new spending announced in the spring of about $60 billion at the same time that the bank is trying to get inflation under control. You, yourself, said recently that unless inflation gets under control within the next 18 months, then we're going to be in for a return to a—and you used the words—"pretty awful era" like that between the1970s and 1980s, characterized by a lack of pricing predictability and social upheaval. I know you just said that a couple of months ago.

Are you concerned that, in your words, the federal government has not provided any disinflationary incentive because of its spending, so we're not going to get there and we will be in for a "pretty awful era"?

• (1645)

Mr. David Dodge: Once you lose control, and once people feel that inflation is not in control, then it actually requires much more effort to keep it down or get it back than when people have confidence. I think it's absolutely true that at the moment the level of confidence—certainly the level of confidence in financial markets that we have things fully under control—is not there. Therefore, there's a term premium on interest rates, because there's a worry that we will not be at 2% again.

The bank is pursuing a policy to try to provide a degree of restraint. As I said—

An hon. member: I'm listening to David Dodge at committee, here.

The Chair: Could you mute please? Thanks.

We'll add a few seconds. You have about 45 seconds or so.

Mr. Marty Morantz: Thank you.

Governor, I have one other quick thing. You said in your opening remarks that budgets will need to be roughly balanced. Do you have any confidence that this government is in any position to do that?

They promised to balance the budget by 2019. You know that in the fall economic statement they had promised a surplus in 2027 and 2028 of $4.5 billion. Then, in the spring budget they completely reversed that and forecasted a $14-billion deficit in 2027 and 2028.

How can anyone have any confidence that they're going to be able to take your advice?

Mr. David Dodge: I don't think any government has an easy time in balancing the budget. It doesn't matter what government it is. It doesn't matter when it is. That is always true.

This is particularly difficult at the moment, as I tried to point out in my opening remarks, because governments need to make very large investments and they need to provide room for the private sector to make very large investments. That's very difficult to do when they have to continue to strike a balance. It means that other important items have to get less.

The terrible job—I use those words advisedly—of governing is that you have to make the choices of how you strike that balance. It's not easy.

The Chair: Thank you, Mr. Dodge and MP Morantz.

Now we'll go over to the Liberals with MP Dzerowicz.

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

I want to thank all of our excellent witnesses today. Honestly, I, too, have hours of questions but only five minutes.

I just want to mention very quickly to Mr. Freedman that I read your recommendations and fully agree with all of them. Thank you. Local media is critical. I think we need to do far more. I think we're all struggling with what that is. I appreciate your recommendations.

Questrade, you've made some very thoughtful recommendations. I'm particularly partial to open banking. I know there are countries like Australia that are at version two, three and four. I know that we are trying hard to get to version one. I think it's critical for us to do so.

I'll direct my first question to Mr. Dodge and then I'll ask Ms. McLellan to follow on it.

Mr. Dodge, you did a great job of talking about a lot of the global shifts that are happening right now and about the very unique situation that we're in right now. I'm a very big supporter of finding ways to make our internal economy stronger and more resilient. Do you agree that we should be moving on eliminating interprovincial trade barriers? If so, how do we do that?

There are many who say that we've studied this for a long time. We're not able to move. If we take away wine and beer, there are thousands of other things we can be moving on. How do we get started on it? Do you think it's important for us to do so?

Mr. David Dodge: Everywhere and always, trade barriers are bad in the sense that they raise the real cost of producing goods and services, they reduce competition and they encourage monopoly, all of which are bad for the consumer, for productivity and for the economy. Yes, everywhere and always, pulling those barriers down is critical.

Having said that, our constitution is set up to give powers of regulation, in many of the important areas, to the provinces. To the extent that those provinces individually want to exercise those powers in a way that creates barriers, it is very difficult.

Historically, I have to say, ever since Justice Haldane and the JCPC back in the 1890s, the federal power to regulate trade and maintain that balance has been eroded over time. The trade and commerce power, which initially the fathers of Confederation viewed as being a very powerful, transcendental power, has been eroded by our courts.

We have ourselves to blame for it, but it's not something the federal government alone can deal with because the regulatory powers that create the barriers are provincial powers.

● (1650)

Ms. Julie Dzerowicz: Ms. McLellan, how would we go about eliminating interprovincial trade barriers, given the challenges that Mr. Dodge just talked about?

Hon. Anne McLellan: First, let me say that Mr. Dodge should be teaching constitutional law somewhere, as I did for many years.

You did a good job, David.

On trade and commerce power, I think it's fair to say that, wherever Lisa and I go and when we talk to our members, one thing we hear is the importance of reducing interprovincial trade barriers. David may have a better estimate than I do, but it's at least $3 billion annually, if not more, that we're just leaving on the table in relation to interprovincial trade barriers.

David is right that these trade barriers emanate from the provinces, and I do think that you've seen some progress. I am sitting here in my home province in Edmonton, Alberta, and certainly Alberta, along with Saskatchewan and Manitoba, has made some small progress in terms of reducing interprovincial trade barriers.

I think it requires the collaboration of the provinces, the territories and the Government of Canada, everybody working together, in fact, identifying...and we have done this. We have done this, as you know, for decades, quite truthfully, but it's continuing to identify the barriers and having honest conversations about who the winners and the losers will be—because there will be some of both—and how we mitigate the losses for those who are identified as losers and move forward.

We hear over and over again that Canadians, let alone our members, do not understand why, as a federation, we continue to have these non-tariff barriers that get in the way of the free movement of goods and people. Yes, small steps have been made in this regard, but we have a long way to go.

Ms. Julie Dzerowicz: Can I ask one more question?

The Chair: No, we don't have time for a question. Do you want to make a quick comment before we move on?

Ms. Julie Dzerowicz: No. I have a whole other question.

The Chair: We're off to the Bloc and MP Ste-Marie, please, for two and a half minutes.

[*Translation*]

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

I'd like to thank Ms. Dzerowicz for giving me her remaining time.

Mr. Poirier-Monette, Canada is one of the worst countries in terms of replacement rates. I would like to ask you to explain to us again what the replacement rate is.

In connection with that, you say that the government must review its indexing method. It's currently based on the consumer price index, but it should instead take into account changes in average wages.

Can you explain that again and remind us of your request?

Mr. Philippe Poirier-Monette: Thank you very much for your question, Mr. Ste-Marie.

It's often said that, in retirement, to have a standard of living equivalent to the pre-retirement standard of living, you have to have a replacement rate of 70% of your pre-retirement income. Let me give you an example in round figures. If someone earned $100,000 a year before retiring, the goal is to have an income of $70,000 a year at the time of retirement. That is what will allow them to maintain the same standard of living.

In Canada, we have various types of retirement support. First and foremost is the old age security program. These are the foundations, the base. Then, in Quebec, there is the Quebec pension plan; in Canada, there is the Canada pension plan. Then there are private pension plans, as well as individual savings.

With the public plans in Quebec and Canada, we arrive at an income replacement rate of about 40%. We can see how high the stride is to achieve the 70% income replacement rate. Of that 40%, 25% comes from the Canada pension plan or the Quebec pension plan, while about 15% comes from the old age security program. So it represents a fairly low replacement rate for the average wage.

In terms of the method of indexing the old age security program, the problem does not concern those who are currently retired, because indexing to the consumer price index, the CPI, means that they do not lose purchasing power. Indexation is done on a quarterly basis. The problem has more to do with future retirees.

As I was saying, the old age security pension currently replaces about 15% of the average salary. However, since the CPI changes less quickly than wage growth—about 1%—people who earn an average wage and who will retire in 20, 30 or 40 years will have a lower income replacement rate from old age security.

We're just saying you have to look at the CPI, but you also have to look at wage growth. Otherwise, year after year, the old age security pension will play a less important role in the replacement rate of future retirees' retirement income.

● (1655)

Mr. Gabriel Ste-Marie: That's very clear.

Thank you very much.

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

[*English*]

Now we go to MP Blaikie, please, for two and a half minutes.

Mr. Daniel Blaikie: Thank you very much.

To the Green Budget Coalition, I know in your budget submission you talk about youth employment programs to build a more equitable and inclusive future for conservation. I just wonder if you could expand a little bit on what you think some useful employment programs for youth would be in terms of both mitigation and adaptation.

Mr. Scott MacDougall: Thank you very much for that.

I'll jump right to it: Provide a $150-million tuition credit program over five years to fill the gaps and skills shortages that are in part a product of inadequate youth recruitment and retention, and provide more information about sustainable jobs and pathways to them.

I guess that is the main one that is particularly focused on youth. They're impacted by lots of the different recommendations we have in here. Maybe I'll just stop right there. I won't go into a lot more right now—but I could.

Mr. Daniel Blaikie: Sure, I hear that. I am curious to get a little bit more feedback. I think it is useful for the committee to hear some of the ideas you may have in terms of how to do that.

I'm also interested to hear you elaborate on a number of other things, like improving public transit service. I know we saw the federal government, during the pandemic, provide a fair amount of operating funds for transit, but that is now gone. Despite the fact that the federal government moved on, transit services certainly haven't. We're continuing to see an impact on transit coming out of the pandemic, even as we know that having more Canadians feel confident in using public transit is an important part of decarbonizing our economy. I wonder if you could speak a little bit to the role the federal government could play in improving transit services across the country.

Mr. Scott MacDougall: I'd be happy to. Thank you.

A matching of the emergency funding the provinces were given is going to be needed. That's $750 million for the 2024-25 period in order to start to prop up public transit systems, $3 billion per year in 2024-25 for major capital projects, plus $1.5 billion per year ongoing for additional permanent core funding divided across major central capital projects, as well as the creation of a per-ride subsidy until we can start to bring back ridership levels.

● (1700)

The Chair: Thank you, MP Blaikie.

Now we're going to MP Lawrence for five minutes.

Mr. Philip Lawrence (Northumberland—Peterborough South, CPC): Thank you, Mr. Chair.

Thank you to all the witnesses, both in person and virtually, for appearing today.

Ottawa's never in a shortage of crises, but I believe there's one that actually isn't getting enough talk. You'll actually hear, I think, agreement across the aisle, across all the parties, that we are in a productivity crisis. We are starting to see the fruit being born of that, as our GDP per capita, as Ms. Raitt talked about, is actually contracting.

Governor Dodge, you've written about this extensively. I was wondering if you might comment on that and whether you would agree that Canada is in a productivity crisis, or at least that we're moving towards one.

Mr. David Dodge: Yes.

Mr. Philip Lawrence: I'm not accustomed to those types of answers, especially from former politicians, but I do appreciate that and your frankness and honesty.

When we look at some of the issues, we see that we have very low capital investment—in fact near the bottom of the OECD. Actually, we're predicted, by the OECD, to have the lowest capital investment in the coming future.

I'm wondering, Governor Dodge, if you might be able to share a couple of things you might want to see in the upcoming budget that would help increase capital investment in our country.

Mr. David Dodge: It's a long-standing problem we've had in this country: low capital investment. That's both in terms of machinery and equipment per worker, where we slide down relative to other countries, in particular, the United States, and in what you might call the R and D side or the innovation of different ways of doing things. On both of those measures, we have not done very well historically. Since about 2015, we have been doing quite badly, because we have lost the heavy investment in the oil and gas industry that we had for roughly the first 15 years of this century. In aggregate, we are doing very poorly.

In part, that's due to changing prices and changing structures of demand. Where we have done badly historically—and where we continue to do badly—is in investing in new IP and the most modern equipment in order to boost the productivity of our individual workers in both the goods and the service sectors of the economy.

When I talked about having to make investments in my opening remarks.... It's in those areas we need to focus in order to raise productivity in those sectors. In raising productivity, we then have the money and ability to adjust to these changes in the world, which are not helpful for Canada. The fragmentation of the global trading system is very unhelpful for us. We have to do extra, if you will, to make up for the fact that, as that system changes, we lose access to markets. In some cases, we will lose access to cheap imports as well.

● (1705)

Mr. Philip Lawrence: Thank you for your answer. There is a lot to unpack here.

I want to get to one specific policy area, especially when it comes to tax incentives that will specifically focus not on consumption but on investment.

Do you think this is something that could potentially help us with our lack of capital investment in Canada?

Mr. David Dodge: Yes, absolutely. How to go about that precisely is a more nuanced thing. Essentially, what we need at the moment are relatively larger investment tax credits to encourage the reinvestment of retained earnings. That's number one.

Number two, governments need revenue to do all the things everybody is asking them to do. Quite frankly, to get those revenues in a way that doesn't undermine investment, governments will have to reach back to consumption taxes. They will have to reach back to the GST, as will the provinces, because those revenues do not undermine the incentives in the private sector to invest, nor do they undermine the incentives in the household sector to save, which is extraordinarily important. You need both sides to operate in that way.

The Chair: Thank you for that.

Thank you, MP Lawrence.

We're now moving to MP Baker for five minutes.

Mr. Yvan Baker (Etobicoke Centre, Lib.): Thanks very much to all of our panellists.

I, like the others, won't be able to ask you all my questions, but I thank you very much for being here and for your time. We'll take very careful note of your testimony and your answers to questions from colleagues.

Mr. Dodge, I'm going to come back to you, if I may.

One thing that I've taken away from your remarks is the importance of making sure that we're taking into account not just the government's fiscal position—deficit, surplus or whatever the case may be—but also the fact that interest rates are higher and expected to be higher. That imposes a cost, and we make a provision for that. It's very sensible, and I appreciate your comments.

There has been a lot of conversation here at this committee over the last couple of years or so about the number one issue facing my constituents—I think most of our constituents—which is the cost of living and what's causing it to be so high.

There was an article I was looking at from the spring, from May of last year, where you're quoted. It talks about some of the things that Mr. Pierre Poilievre was speaking about at the time in terms of inflation. I want read this to you, and then I'll ask you to comment. It says that, on another Poilievre stance—that cryptocurrency allows people to “opt out” of inflation—Mr. Dodge said, “he has no idea what he's talking about”.

You went on to explain what you meant by that.

> He's just wrong because the issue of rising prices...that you have to cope with out of your income is fundamentally at the moment a structural one.... We have limitations on supply, in part because of a war, in part because of COVID, in part because of ongoing features of the economy—we're all getting older—the labour force is not growing as fast.

That was something that you said.

You speak there to some of the reasons that you believed prices were rising. Do you still believe that? Are those still driving inflation?

Mr. David Dodge: Yes, they are, and that's an ongoing issue of supply. It comes back to the issue we were all discussing earlier about productivity. Unless we can get the output per worker or the output per unit of invested capital up, then, indeed, we have a problem. The first thing that happens is that prices go up. Those prices go up to curb demand, to bring the demand back down in line with this rather weak capacity to produce.

The way forward for us, especially in this difficult period when we have all this change going on, is that we have to increase the share of our national income that we devote to investment to raise that productivity. That's just the very unfortunate fact of life we're in. That means that in the short run we are going to have to give up, collectively, some elements of consumption in order to provide the real resources, both human and physical, that are needed for the investment to raise that productivity over time.

● (1710)

Mr. Yvan Baker: Could I just—

Mr. David Dodge: Technological change will help us eventually, but we have to make the investment first before we get the benefits down the line. It's a very hard message, because we don't like—none of us like—to give up some of our income or defer some of our income in order to be in a good position in 2030 and 2040.

Mr. Yvan Baker: That makes a lot of sense.

I will ask you this quickly. I only have about a minute left.

In your quote, you mentioned the war. I presume you mean the war in Ukraine. Would you agree that the war—the blockades of food exports and the impact on energy prices—is having a significant impact on inflation around the world and in Canada?

Mr. David Dodge: Absolutely, and it still is.

Mr. Yvan Baker: If Ukraine were to win the war, in other words, no longer face the blockades, control its territory, be able to export its grain and those sorts of things, would this have a positive impact on inflation?

Mr. David Dodge: That I just don't know. All I think that's really important to note and remember is that for 30 years since the wall came down, we have had a tremendous advantage of being able to divert resources from production of war goods into production of goods and services for ordinary Canadians. We exercised a peace dividend after the collapse of the Soviet Union.

We are unfortunately on the other side now, and indeed you, as members of Parliament, are going to have to take into consideration how it is that we provide Canadians with the security we need given the current level of budget. We may have to spend more. That may, unfortunately, be one of the things—

The Chair: Thank you, Mr. Dodge.

Thank you, MP Baker.

Members, we are moving into our third round. To get through this third round, we have to be very strict on time, and I will be, so if I cut you off, that's why.

We're starting with the Conservatives and MP Morantz.

Go ahead, please.

Mr. Marty Morantz: Governor, to continue on with our conversation, in another paper you co-wrote in January with Mr. Asselin, one of your conclusions was that there was a high risk that the government would not be able to deliver the promises it made in the 2022 budget and the fall economic statement. You said that, if anything, even more spending and borrowing might be required in order to deliver on its policies.

It's pretty clear to me that you're basically sending a message to the government that they need to get their spending under control while at the same time investing in infrastructure and trying to grow the economy. I get that from your opening remarks.

I'm wondering if you could comment on that particular conclusion.

Mr. David Dodge: Yes, it is an unfortunate fact of life that indeed, if you're going to deliver a service, there's a real cost to delivering that service. For some of those services that collectively we look to governments to provide—in particular health, education and security services—the cost of actually providing those services in real terms is going up over time. It's very hard to deliver that promise and to expand on that promise in terms of what you're going to deliver without devoting more revenues to it.

What I was saying was that, given that those things are costly and they were promised, I was very worried that the amount of revenue the government was going to have was totally insufficient to deliver on the services that were promised. It's not just this government here in Ottawa. That is a collective problem that governments are having in the provinces and in Europe and that, a fortiori, they are having in the United States.

● (1715)

Mr. Marty Morantz: In terms of the revenue question, one of the things the government can do is to raise taxes. As Conservatives, we hate that. Do you think that's something that is in play?

Mr. David Dodge: I don't think anyone likes paying taxes, but the taxes are there to pay for the services the government delivers and to allow government, on its part, to make the investments in its services and in the future of its services and, at the same time, to ensure that it has a tax structure that allows the private sector to make the investments it needs to make.

Mr. Marty Morantz: We have a situation in which government debt from Confederation to 2015 was $600 billion. From 2015 to 2023, it was $600 billion. We had a Prime Minister and Governor Macklem saying money was essentially free and interest rates would be low forever, and they just borrowed and borrowed. Now interest rates have gone up, which eats away at the pie that we can use to pay for services.

Isn't there some blame on the government for blowing the bank?

Mr. David Dodge: Look, we faced a situation in March 2020 where we really didn't know what was going to happen. We didn't know what COVID was going to do and how we were going to control it. You sat here in 2020 and you had to make decisions, the government had to make decisions, on how to deal with it, and I think it's very hard to fault the decisions at that time. We did not know at that time what we were up against.

I think your comment is much more trenchant with respect to what happened after the second half of 2021. I think that is much more trenchant when we should have known better, although most economists on the outside—not me—thought we would come through this relatively easily and that rates would not go up. There were only a few of us who kept warning, quite frankly, that we were going to be into high rates.

The Chair: Thank you.

Thank you, MP Morantz.

We'll now hear from MP Thompson, please, for five minutes.

Ms. Joanne Thompson (St. John's East, Lib.): Thank you.

Thank you to all the witnesses. It's really difficult to try to narrow down questions in this very short period of time, but I will actually begin with Ms. McLellan and Ms. Raitt, because I want to focus on the rural economic trends because I come from Newfoundland and Labrador. Obviously it's a very big physical space with a very small population and a disproportionate population of older persons. We also have the economic opportunity around clean energy, wind, hydrogen and essential critical minerals that reside within rural aspects of rural parts of the province. We have to grow population. At the same time, we don't always have the housing, access to health care, transportation and all those other necessities to really engage a new population to remain in the area. We have challenges.

What I'm really interested in is how we can work across municipalities, how we can engage civil society, community sectors, and really navigate with data and with that long-term view how it is we're going to manage this economic opportunity, while understanding we are a rural province for the most part.

Either of you can chime in if you want to.

● (1720)

Hon. Lisa Raitt: Anne, you can go first.

Hon. Anne McLellan: No, Lisa, over to you.

Hon. Lisa Raitt: I always like to say that Canada's future prosperity goes through rural communities, quite frankly, and that's a very real situation. We have been able to put what we call a rural lens on some of the scorecard metrics we actually measure, and the importance of that is exactly what you said: making sure we understand what's happening in rural communities. Access to broadband is one of the very largest things. Also important is access to immigration, having enough people to be able to come into the areas in which jobs and talent are needed. Those are things that preoccupy.... We've met with the Federation of Canadian Municipalities, and they have lots of concerns in the area with respect to making sure municipalities have the right tools to be able to look after themselves. It's the same thing in rural Canada as well.

I would submit one thing, if I may. On business investment, either in rural Canada or in urban Canada, we really have to do better. A report that came across my desk today from a coalition partner actually brings it into stark contrast. If you'll indulge me for a second here, in 2021, U.S. firms spent 103 times more than Canadian firms did, but the U.S. GDP is only 11 times greater than Canada's GDP. When you think about it in that way, you really get that understanding that we're not doing as much as we can when it comes to business investment in R and D.

I appreciate your question on rural, and we're going to continue to make sure we focus on the differences we have in Canada amongst all of our municipalities and regions.

Hon. Anne McLellan: Lisa mentioned one important part of infrastructure, broadband, but I think in terms of infrastructure generally in rural and small-town Canada there's figuring out what it is communities need to sustain themselves but also to attract the immigrants, for example, Lisa just talked about. Part of the challenge.... My family lives in rural Nova Scotia, and they haven't had a family doctor in 15 years. Those are the kinds of things that we are really going to have to bear down on, working together as civil society and levels of government, to ensure that either human infrastructure or the physical infrastructure is available. Otherwise, young people will continue to look for their futures elsewhere, and that's obviously not good for any of us.

Ms. Joanne Thompson: Thank you so much.

With my remaining time, I'm going to switch to Mr. Freedman.

I will also say that, in Newfoundland and Labrador, we have 16 of the community radio programs funded, and we certainly see the community, campus and indigenous, so I'm very supportive of the program. However, you referenced that with Quebec there's provincial support. I believe you said that the community radios tend to do better financially at being able to sustain themselves.

Would you speak about whether that has implications for the rest of the country? There is, yes, certainly, federal support, but do we need also to move across provincial and territorial levels of government as well, understanding that increasingly the radio voice is becoming more urgent than ever?

Mr. Alex Freedman: Yes—

The Chair: Thank you, MP Thompson.

Mr. Freedman, just a very quick, short answer, please.

Mr. Alex Freedman: Very quickly, yes, provincial supports are as important as federal supports. There are some provinces that are more inclined to do so, but certainly we do need supports of any kind.

To speak to what my colleagues were just talking about, the success we'll see in rural Canada will be from a sense of understanding that there is a community. From radio stations and media that can represent those local communities, we will see an increase in immigration. We will see an increase in prosperity when people feel at home in these communities and feel that there is a sense of a future.

The Chair: Thank you.

Thank you, MP Thompson.

Now we go to the Bloc for two and a half minutes.

MP Ste-Marie, go ahead, please.

[*Translation*]

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

Mr. Poirier-Monette, you talked about your requests for family caregivers, who are usually female family caregivers. These people play an essential role in our communities. You pointed out that a very high percentage of them live in financial insecurity. However, to be eligible for the current credit, the person has to pay taxes, which is not always the case for family caregivers.

Could you explain the situation and the request of Réseau FADOQ again?

● (1725)

Mr. Philippe Poirier-Monette: Thank you very much for the question, Mr. Ste-Marie.

You were right to mention that family caregivers are mostly women. In fact, 20% of family caregivers live in financial insecurity. I was looking again at the figures we had, and it turns out that they spend an average of $7,600 annually on the family members they support. These people help us by supporting their loved ones at arm's length, since we need fewer resources from the public sector. If we added up the number of hours they spend caring for loved ones, it would mean that we would need about 1.2 million more people in the public system to do the same.

We are simply asking that the government keep its promise and that the Canada caregiver credit be expanded and amended so that it is refundable, so that people with very little income and who pay very little or no tax can also benefit from it.

Mr. Gabriel Ste-Marie: You were saying that this was another long-overdue promise. Is that correct?

Mr. Philippe Poirier-Monette: That was promised in the last budget, and it was also part of the Liberal Party's last platform. Family caregivers obviously expect this promise to come to fruition quickly.

Mr. Gabriel Ste-Marie: I hope your request will be heard, as well as this one, because it's a social investment.

Mr. Chair, I will take the 20 seconds I have left to wish Mr. Morantz and my other colleagues with Jewish ethnicity or faith a happy Yom Kippur, despite the sad events that occurred in the House in connection with the international visit.

[*English*]

The Chair: Thank you, MP Ste-Marie.

Now we go over to MP Blaikie, please, for two and a half minutes.

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

My question is for Ms. McLellan and Ms. Raitt.

It seems to me that we're in a moment where acceleration toward the lower-carbon economy is happening. It's happening all over the world to varying degrees. Investors are interested in investing in products that have a lower carbon footprint.

I know you're measuring metrics in three different areas and we've talked a lot at this table, even just today and certainly not just today, about productivity and business investment. To what extent do you think we are in an important moment where if Canada doesn't invest in lower-carbon infrastructure we could miss a moment of important opportunity that sets us back on some of those other metrics, like productivity and business investment, for a very long time and puts Canada at a structural disadvantage?

Hon. Lisa Raitt: Mr. Blaikie, I would just say that the investment needed is so great that you can't do it unless it's the government plus business and civil society. There's no other way to do it. We are at a crucial point right now, because people are doing their business plans out for 10 years. That takes us to 2033. That's beyond the first time we actually do measurements. It's beyond our measurement. It's absolutely crucial.

There's not enough money in the government to do it all by itself, but it has to do something.

Go ahead, Anne.

Hon. Anne McLellan: I agree with Lisa, and I agree with the premise of your question, Mr. Blaikie. Absolutely, this is not only a moment for Canada, but it's a moment globally, as we heard last week at the UN and we continue to hear.

Absolutely, government and the private sector need to work together, because at the end of the day, the amount of investment required.... Lisa's absolutely right. You also see us lagging in R and D, which drives innovation. You see us lagging in our metrics on intangible investment, investment in material and investment in the training of the new human resources with the new skills required to drive this new green economy.

There's an awful lot of work that has to be done by governments, the private sector and civil society working together, and we'd better get with it.

Mr. Daniel Blaikie: A lot of our competitors have industrial policy that they've set, sometimes with just business at the table and other times with business and labour. How important do you think it is to have explicit industrial policy for certain strategic industries to create the kind of investor confidence we would want to see internationally for investment in Canada?

We saw in Alberta recently a big veer away from what the stated policy was prior to the election. To what extent does that kind of vacillation harm investor confidence when folks are looking at Canada as a place to invest in the new energy economy?

● (1730)

The Chair: Thank you, MP Blaikie.

We are well over time, so I'll allow for a quick answer.

Hon. Lisa Raitt: Uncertainty is bad.

The Chair: Thank you, Lisa Raitt, for that. That was about as quick as you can get.

We have the Conservatives and MP Hallan for five minutes, please.

Mr. Jasraj Singh Hallan (Calgary Forest Lawn, CPC): Thanks, Chair.

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

It's my first round today, so I'll start off with Questrade. We're seeing an increase in concern around housing affordability and Canadians struggling to afford their mortgage, even now, with all of these interest rate hikes. We're seeing that the increase in inflation is also causing more upward pressure on interest rates, so there's a risk of them going up again.

While we need to increase the housing supply, what policy changes should the government look at to address the issues of affordability for both purchasing real estate and taking out a mortgage? Could you please keep your answer brief?

Ms. Tanya Woods: Thank you, MP Hallan.

I'll start, and then I'm going to share this one with my colleague Romit.

Housing affordability is a top issue and, as an industry representative today, we want to make sure that we're very clear. There are a number of cross-purpose policy and implementation challenges we've experienced that look like they will drive costs up for the end consumer.

Financing housing is the essential part of turning the idea of home ownership into there being a home to own. We're very hopeful that, in fact, the government will form the round table to make sure that it can keep pace with the changes that are being made and implemented right now relating to mortgages and other housing policy measures, and to ensure that they understand the marketplace.

I'll invite Romit to add a couple of additional comments.

Thank you.

Mr. Romit Malhotra: Thank you, Tanya.

Thank you for the question.

All I would add is that there have been several proposed recent changes to policy or regulation, and while they may be well-meaning individually, we've found that at times they're often in conflict with each other or could be disproportionately unfavourable to small and mid-sized financial institutions, which has the effect of limiting choice for Canadians and/or increasing costs.

I'll make it tangible quickly by way of citing one example. CMHC's “Advice No. 18” targeted issuers of mortgage-backed securities in single-family housing, but if it goes as proposed—

Mr. Jasraj Singh Hallan: I'm sorry to cut you off, but I have very limited time.

I want to shift to Mr. Dodge. Thank you for being here.

We're seeing commentary from economists at several financial institutions talking about a recession or a downturn that is now all but avoidable. A strategist with Desjardins told the CBC, “The path forward looks bleak”.

Oxford Economics is reporting that the recession of the Canadian economy has arrived. Household debt remains high. Bankruptcies and solvencies are up. We now see banks increasingly preparing for loan defaults. Even BMO has shut down its auto loan unit out of concern for loan defaults.

I just want to get your thoughts on what this is signalling to you.

Mr. David Dodge: I think we've always understood that we would need a period of essentially zero growth in order to rebalance demand and supply. We thought that a year ago. What happened in the intervening period is that we actually had stronger demand than we had anticipated, so that period of zero growth basically got pushed back. It's now what we expect to see over the next 12 months or so.

That's not the end of the world, I have to say. To be able to disinflate from the levels that we were at and get back to close to 2% sometime at the end of 2025 without a major rise in unemployment and a major disruption was really quite a trick.

Yes, in the next 12 months, we would not expect demand to be strong. In fact, we need it to not be strong in order to break the expectation that inflation is going to stay high.

● (1735)

The Chair: Thank you very much.

Thank you, MP Hallan.

Now we're going to our final questioner.

It will be MP Weiler, please, for five minutes.

Mr. Patrick Weiler: Thank you, Chair.

I'd like to ask my first question of Mr. Dodge.

In your opening, you mentioned four key areas where the government should focus investments. One that we haven't spoken too much about is the last one, which is AI and digitization. I was speaking with a management consultant a couple of months ago. He was talking about how much further ahead a lot of businesses in Europe were in utilizing AI. I was just reading a report recently that said only 4% of Canadian businesses are using AI.

I was hoping you might be able to expand a little bit on that fourth pillar that you talked about. How might the government be able to look at that as an area for improving our productivity?

Mr. David Dodge: What do we try to do? We try to do it, essentially, through an R and D tax credit, which is at least the appropriate instrument. Whether it's precisely well articulated has always been a question. I am on the board of a small firm. It certainly is critical to us in terms of making our investments in new technology. I think it is important, but there has to be a will on the part of private industry to go ahead and do it. There has to be an attitude that the only way we can move forward is in fact to be innovative, to do new things and to invent our own IP, which we can then sell to the world rather than importing IP from the rest of the world and paying for it.

This is one where government can set a framework, but it is really up to business to pick it up. I won't say it's the rare business, but it's a small fraction of businesses and always has been. It is true in other countries as well that a small fraction of businesses pick it up. This is going to be a collective effort of the business community. The target that Anne was talking about is really important. Until we see that start to move, it's not clear what government can do, other than talk about it and provide that tax incentive or tax refund for the small guys. You need it as a refundable credit in order to be useful.

All I can say is that, in my own experience, for the small struggling company that produces IP, it is a very important incentive. We certainly use it and would do less well if it were not available.

Mr. Patrick Weiler: Thank you.

With my remaining time, I'd like to ask the Coalition for a Better Future a question.

The scorecard is very useful in really showing the scale of the challenge that we have in Canada, but I was hoping you could provide some ideas not just on the “what” but on the “how”.

Both Ms. Raitt and Ms. McLellan, could you identify one area that you would suggest we focus on in the next budget to increase our productivity?

Hon. Anne McLellan: Unfortunately, my colleague, Lisa, had to leave to do a CBC interview.

First of all, let me say that, while it's not specific, we hear this over and over again: “Why can't we collaborate in this country to achieve the inclusive, sustainable economic growth we all want?” Canadians talk to us about the fact that they are so dispirited by the fact that different parties and levels of government seem unable to talk in a respectful way with each other to come up with the solutions that Canadians know and feel will meet these big challenges. It's collaboration among all three levels of government, but then also collaboration with the private sector, levels of government and civil society. Yes, that's a general motherhood thing, but Canadians palpably feel that we are lacking collaboration to deal with these big problems. They want to see it. That is one message I would leave you with.

Otherwise, it's important.... Here, I suppose I speak directly about the Government of Canada. I think the Government of Canada has to show leadership in terms of providing both that spirit of collaboration and some of that certainty that the private sector needs to be confident in terms of its investment going forward. Actually, what will ultimately drive the transition to a green economy—governments have to be there, absolutely, especially at the beginning—is private sector investment.

We need to ensure that governments—probably at least federal and provincial governments collaborating and working together—provide the framework in which we have the certainty to make the investments. We really do need to do a better job of providing that framework—calling it a plan may be too specific—in which people can organize their businesses and, quite honestly, their communities.

● (1740)

The Chair: Thank you.

Thank you, MP Weiler. What a great note to finish on.

MP Lawrence, I'm going to give you a few seconds. I think you wanted to say something.

Mr. Philip Lawrence: I need three seconds.

Have we confirmed the Minister of Finance's appearance?

The Chair: Okay. We'll get to....

What I'd like to say right now is that the Honourable Anne McLellan was a great note to end on.

The members know this full well, but I'll tell all the witnesses: We have many challenges, but the biggest challenge on this committee is time. We have distinguished, diverse witnesses with us. We wish we could listen to all of you and hear from you a lot more. We want to thank you for your testimony for our pre-budget consultation. It means a lot to have you all here with us. Thank you very much.

That concludes our meeting. We are adjourned.