HOUSE OF COMMONS
CHAMBRE DES COMMUNES
CANADA

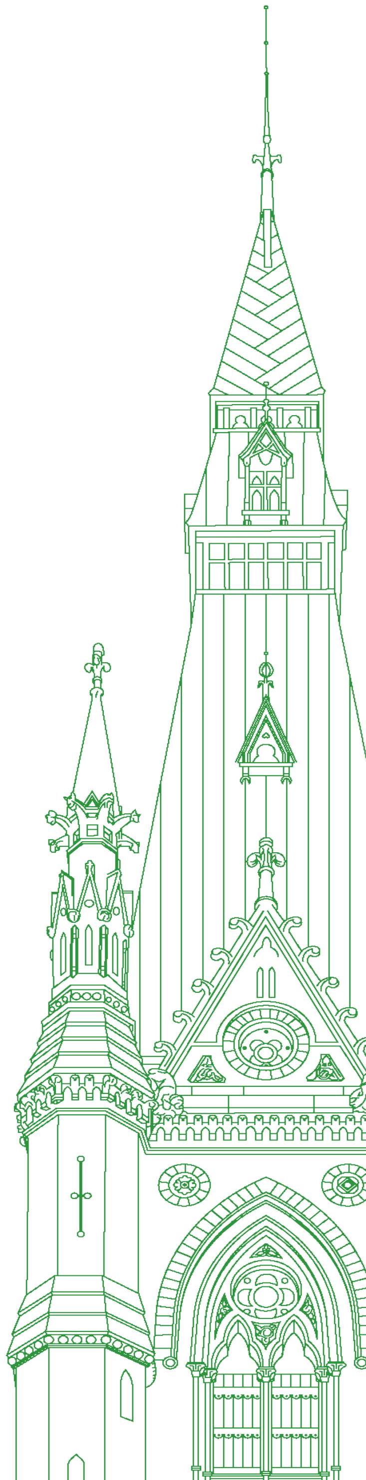
44th PARLIAMENT, 1st SESSION

Standing Committee on Finance

EVIDENCE

NUMBER 111

Thursday, October 26, 2023



Chair: Mr. Peter Fonseca

Standing Committee on Finance

Thursday, October 26, 2023

● (1100)

[*English*]

The Chair (Mr. Peter Fonseca (Mississauga East—Cooksville, Lib.)): I call this meeting to order. Welcome to meeting number 111 of the House of Commons Standing Committee on Finance.

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 your mike when you are not speaking.

For interpretation for those on Zoom, you have the choice at the bottom of your screen of floor, English or French. 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 health of the interpreters, I invite participants to ensure that they speak into the microphone into which their headset is plugged in and avoid manipulating the earbuds by placing them on the table away from the microphone when they are not in use.

This is a reminder 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.

Members, before we move on to our witnesses, just for some more clarity based on discussions that are ongoing, I can confirm with members that we're currently scheduled for two and a half hours on Monday with the Governor of the Bank of Canada. We are already checking to possibly extend that. We believe that we have three hours, but that will be dependent on the governor and on committee resources. We are still checking on that. That is for members for our meeting on October 30.

Now I would like to welcome our witnesses.

With us today, we have, as an individual, Mark Purdon, professor, chair in decarbonization, University of Quebec in Montréal. From the Assembly of First Nations, we have interim national chief Joanna Bernard and also Julie Pellerin, senior director, economic development and infrastructure branch. From the Business Council of Canada, we have senior vice-president of policy, Robert Asselin. From the Cannabis Council of Canada, we have the president and chief executive officer, George Smitherman. From Fintechs Canada, we have executive director Alex Vronces. From Oxfam-Québec, we have Diana Sarosi, director, policy and campaigns, joined by policy analyst Léa Pelletier-Marcotte.

We are going to get right into the witnesses' opening statements.

We'll start with Mr. Mark Purdon as an individual, please, for five minutes.

Mr. Mark Purdon (Professor, Chair in Decarbonization, University of Quebec in Montréal, As an Individual): Hello. Thank you very much for allowing me to speak.

I'll introduce myself briefly. I'm a professor at UQAM in Montreal. I'm a political scientist by training, but now I'm at the business school, where there is an interdisciplinary department focusing on environmental and social responsibility. I also hold the chair in decarbonization, and I do a lot of work on climate policy, Quebec and Canadian climate policy, and a lot of work on the Quebec carbon market, which is linked with California, as well as its relationship with transportation decarbonization. There are a lot of other regulatory instruments in the transportation sector, which is the second-largest source of emissions in Canada. I also do a lot of research on international climate finance, which could also be of interest to the committee.

I could speak to some opportunities to address decarbonization in the Canadian transportation sector. One issue is to continue with the clean technology credits. I think that this year's federal budget was an excellent start to the Inflation Reduction Act in the United States, which has really been a global game-changer in terms of clean energy production and incentives.

We need to be, perhaps, willing to do more on the production of clean fuels and clean vehicles. Some research that I've done suggests that when those incentives are available to individuals, they have positive political effects and people are ready to pay, to absorb a higher carbon price, effectively because they have those clean technology options as an off-ramp.

Other research in the transportation sector might consider efforts to address transportation demand management. That's how major metropolitan regions, other regions of Canada, manage emissions from transportation, getting people from using their private vehicles into public transportation. There's a lot we could do there with transportation system planning in major metropolitan regions.

There's some research we've done looking at California. California has a very rigorous transportation planning process using very sophisticated models to estimate the impacts on greenhouse gas emissions of their transportation planning in major metropolitan regions like Los Angeles, San Francisco, etc. That is tied to federal and state funding for transportation infrastructure. That's something you could revise or improve in the investing in Canada infrastructure program to have some more sophisticated requirements, maybe using some of these modelling tools seen in California.

The other issue I thought I would briefly address is emissions trading. Quebec has the emissions trading system with California, which is quite different from the federal carbon pricing system, and arguably it has, in my view, allowed Quebec to be more ambitious with its climate efforts than it would have otherwise been. Quebec reduced its emissions by 11% below 1990 levels without that emissions trading system, but, including the emission reduction allowances purchased by Quebec firms in California, it doubled that emission reduction and reduced Quebec's emissions by 26%. You can compare that with other jurisdictions in Canada. By way of comparison, if you want—it may be unfair—British Columbia has a carbon tax comparable to the $65 of the federal carbon backstop right now. British Columbia's emissions have increased by about 10 % or 11% since 1990, which is a 1% reduction since 2007.

There are some advantages. The reason that has worked in this case for Quebec is that it's cheaper to reduce greenhouse gas emissions in California because it's a dirtier economy than Quebec's, so to speak. There are some questions about that, whether the market is working. I'm happy to discuss it in more detail, but the prices on the Quebec carbon market linkage with California have been rising. They're about $47 a tonne right now versus $65 on the Canadian federal carbon tax. There is maybe something to revisit there.

I'd also emphasize that article 6.2 of the Paris Agreement was agreed to in 2021 in Glasgow, and that recognized legitimate usage of these emission trading systems at the UN level.

I'll conclude with that. Thank you.

● (1105)

The Chair: Thank you very much, Professor Purdon.

Now, to hear from the Assembly of First Nations, we have interim national chief Joanna Bernard, please.

● (1110)

Ms. Joanna Bernard (Interim National Chief, Assembly of First Nations): *Kwe kwe.*

Thank you for the invite. I do want to acknowledge that we are on the unceded and unsurrendered territories of the Algonquin people here in Ottawa. Again, thank you for inviting me.

First nations contribute to the Canadian economy when provided with an even playing field. Research consistently demonstrates that closing social, economic and infrastructure gaps benefits the Canadian economy.

Sorry, I'm a little nervous.

The Chair: Take it easy. *Meegwetch*.

Ms. Joanna Bernard: Thank you.

From a purely economic standpoint, investing in Canada's youngest and fastest-growing demographic just makes sense. Each year, we see new research data estimating the benefits to be realized by the Canadian economy and by all Canadians if we close the socio-economic outcome gaps for first nations.

In recent years, the National Indigenous Economic Development Board estimated benefits to the GDP to be $27.7 billion per year, or 1.5% of GDP. While progress has been made on first nations priorities, significant gaps remain. Without sustainable and adequate investments, these gaps will continue to grow.

The committee took delivery of the AFN's 2024 pre-budget submission that provides a road map for Canada to make meaningful investments that align with its obligations to uphold first nations' unique and inherent rights. While the economic initiatives are compelling, let's be clear on the term of the day, which is economic reconciliation.

Each of these investments allows detailed long-term investments towards first nation priorities to eliminate socio-economic gaps. They also meet the objectives set out by the United Nations Declaration on the Right of Indigenous Peoples.

First nations have always demonstrated good governance and are skilled negotiators. I remind all of you that first nations agreed to share their lands only to the depth of a plow. Canada must abandon its long-standing disputes and pay its debts.

In a single year, Canada's natural resource exports exceeded $330 billion—in 2021. Each year that Canada does not share the proceeds of these resources and fails to pay its debts to first nations results in increasing socio-economic and infrastructure gaps. Canada must acknowledge its obligation to provide adequate, predictable and sustainable funding to close these gaps and to ensure they remain closed. This includes resources for capacity-building and support first nations-led sustainable development and institutions.

Economic reconciliation occurs once we are no longer managing poverty but managing wealth. It is also about understanding that health, healing, resiliency and self-determination are the foundation of prosperity and wealth building. Economic reconciliation requires substantial efforts to overcome the impacts on first nations that have been dispossessed of their lands, economies, customs and cultures. Canada must take the "necessary steps" and "effective measures" to meet the obligations of the United Nations Declaration on the Rights of Indigenous Peoples Act.

An essential element of Canada's fiduciary responsibility is to ensure that first nations enjoy the same standard of living as non-indigenous Canadians and achieve equity and equality for all.

Economic reconciliation goes beyond equitable access to capital, participation in government procurement and resource revenue-sharing. Ultimately, it requires a new government-to-government fiscal relationship between Canada and first nations.

By the way, the AFN represents over 1.5 million first nations citizens, so it's a very large organization. We do deliver results for our people according to their unique priorities and needs.

For Canada to achieve economic reconciliation, a new distinct approach for budget-setting must align with inherent rights, international treaties signed by the Crown, and respect for nation-to-nation relationships. The current process for funding first nations priorities is outdated and ineffective.

Every year, the AFN condenses the budget priorities for over 630 first nations rights-holders into a 2,000 word brief.

● (1115)

The AFN and the first nations are then subject to the scrutiny of an external bureaucracy and the Department of Finance while hoping to secure incremental funding that remains far below the level of need. Canada has fiduciary obligations, and the first nations have rights, which do not change from one year to another and neither should the funding commitments required to uphold them.

The AFN pre-budget brief consists of critical elements to meet first nations' diverse and significant needs, including investments detailed in the comprehensive analysis that supports the Minister of Indigenous Services' mandate to close the infrastructure gap by 2030.

Roads, utilities, digital connectivity, facilities and housing are fundamental for economic opportunity and growth. The AFN and Indigenous Services Canada worked with industry leading experts to codevelop a comprehensive costing report, "Closing the Infrastructure Gap by 2030", which covers several of these items, such as the $135 billion identified to meet critical and outstanding housing needs. That's just in housing.

Our submission also details investments required to meet first nations' needs in education programming and to immediately build, replace, repair and expand first nations schools to eliminate overcrowding. It includes investments and other means to properly fund infrastructure retrofitting to ensure first nations can meet the requirements to accommodate modern accessibility standards and to address inequalities faced by persons with disabilities.

It includes investments to bridge the digital divide for first nations by meeting the minimum broadband standards outlined in Canada's federal connectivity strategy: high-speed access for all. It details investments towards first nations leadership in climate, conservation and food security, which are the most effective means to combat climate and biodiversity loss crisis.

I think I'm running out of time.

The Chair: We do want to thank you, Interim National Chief Bernard, for your opening statement. Thank you for being here with us.

Ms. Joanna Bernard: Did I use my five minutes? I was going to my closing and skipping all that.

The Chair: You'll have a lot of opportunity during members' questions to expand on many of the points you've made, but we thank you.

Now we're going to hear from the Business Council of Canada.

Mr. Robert Asselin, go ahead, please.

Mr. Robert Asselin (Senior Vice-President, Policy, Business Council of Canada): Thank you, Mr. Chair.

The state of the world today reminds us of the inherent fragility of our international order and of the global economy. For a country such as Canada, geopolitical shocks such as these have a deep impact. The global environment is only further compounding the challenges we were already experiencing domestically.

Here at home, Canadians are feeling the weight of high interest rates, low productivity and persistent inflation. Canada's GDP per capita has been trending down for several quarters, and without our natural resources, Canada's trade deficit would be structural and significant.

Our population is also aging fast. Going forward, private sector economists' forecasts point to no growth in 2024 and subdued growth thereafter. Whether there's a technical recession will be of little comfort to Canadians as interest rates are expected to remain high for the foreseeable future.

For the federal government, debt service and costs will continue to be much more prohibitive than previously forecasted in budget 2023. Growth rates that are lower than interest rates will have a dramatic impact on fiscal policy. Governments can no longer run permanent large deficits without fear.

This fiscal year, the federal government will use almost as much of its revenues to service the debt as providing health care transfers to provinces and territories. That is why we continue to urge the government to adopt a new and credible fiscal anchor, one that would limit debt service and costs to a maximum of 10% of revenue going forward.

By doing that, we think it will preserve the government's capacity to fund programs Canadians rely on and will not put an excessive and unfair fiscal burden on future generations. The more the federal government spends on servicing the debt the less it has to fund anything else.

● (1120)

[*Translation*]

More deficit-financed spending at higher interest rates will eventually and inevitably lead to levels of indebtedness that will force future governments to cut spending and raise taxes. It will lead to a weakened economy with considerable uncertainty for businesses looking to invest, hire and grow in Canada. It will also put in jeopardy the social programs Canadians value. This is precisely what we must avoid.

We are not of the view new spending is required in the next budget. Over the last few budgets, the federal government has introduced many measures, especially for the energy transition, that have yet to be implemented.

We also urge the government to move ahead with a real, comprehensive program review as well as implementing measures announced in Budget 2023, such as the commitment to outlining a concrete plan on permitting reform by the end of this year.

In the aftermath of last week’s Supreme Court ruling on the Environmental Impact Assessment Act, it is essential that the government move quickly to provide clarity, certainty, and predictability on the rules for major projects. We must not lose out on once-in-a generation business investments that are necessary to reduce our emissions and foster economic growth for the benefit of all Canadians.

Thank you, Mr. Chair.

[*English*]

The Chair: Thank you, Mr. Asselin.

We'll now go to the Cannabis Council of Canada and Mr. George Smitherman.

Mr. George Smitherman (President and Chief Executive Officer, Cannabis Council of Canada): Thank you.

Good day, Chair, vice-chairs and members of the committee.

In the spirit of reconciliation, I wish to acknowledge the great privilege I have of being on these Algonquin lands and wherever I am in Canada celebrating my good fortune.

Members of the committee, it's such a great privilege to be here today, because all politics is local.

I want to say that I started my day in Simcoe North, where the leaves are hanging on, and I know in some parts of the country winter is fully in the grips.

I'm very privileged to be here today with the chair of the board of the Cannabis Council, Rick Savone, who previously served Canada with distinction as our ambassador to Brazil.

Our association is the leading voice for regulated producers and processors of cannabis in Canada, and we very much appreciate the opportunity to draw urgent attention to the state of the regulated cannabis sector, as October 17 marked the fifth anniversary of adult use legalization. That historic action undertaken by Parliament enjoys continued strong support among Canadians. Various reports issued after five years support the idea that the worst predicted outcomes of legalization have not occurred, while social and health impact studies have indicated areas where ongoing research about the potential of cannabis is warranted.

More challenging are the economic conditions facing the regulated cannabis sector. In a recent study involving more than 120 licensed producers and processors of cannabis in Canada, results indicated that profitability has been elusive, achieved by only 17% of the cannabis companies surveyed. These results are presented against a backdrop of massive investment and then dramatic subsequent disinvestment.

In a study completed by Deloitte on behalf of the Ontario Cannabis Store, data showed that during the first three years of adult use or recreational legalization alone, the industry invested $45 billion, building out 3,500 stores and operations among up to 900 production licences issued by Health Canada. The GDP impact of that buildout supported up to 150,000 jobs and impacts on par with powerhouse sectors like automotive manufacturing and dairy, albeit more broadly distributed, especially in rural Canadian communities.

I might add that the cannabis sector was powering forward with investment and expansion under Covid conditions while many other sectors were sidelined.

The conditions that contribute to challenges that we are facing certainly include those having to do with building an industry literally without a road map from anywhere on the globe. Difficult decisions to address surplus capacity are taking place, as in any business, and as the list of CCAA filings shows, the cannabis sector has been leading all sectors, sadly I say, with 40% of filers since 2022 coming from the cannabis sector.

Members of the committee know very well that such numbers have a personal implication for families and communities. Instead of having a world-leading, first-mover advantage, we're dealing with challenges in our own country that are dragging us down. Bluntly put, our sector is having its full potential to compete with the illicit market due to a suffocating government middle of taxes and fees, frequently representing well over 60% of the final price of any product paid by a consumer. This formula inadequately distributes the consumer dollar in a way that creates prospects for the unregulated and illegal players, and it also puts up barriers for those patients who find relief in medical cannabis that they can't find elsewhere.

In the meantime a considerable lack of interest in enforcement means that the illicit market flourishes without headwinds. Hard as this may be to hear after five years, the illicit cannabis world enjoys numerous commercial advantages even beyond the lack of taxes, fees and regulation. They are everywhere online. They use Interac. They use Canada Post. In contrast, many cannabis producers and retailers cannot access basic financial services, and when they do, they are usually subjected to usurious service rates.

It has frequently been described to me that it feels that if you put up your hand and say you are willing to be regulated, then government, frequently from different levels, has every tax, fee and rule for you, but if you set up an illegal shop on the other side of the line, almost nobody will take notice or care.

Last week our sector was in Ottawa, where we celebrated five years of adult use legalization. We drilled down on areas where we're asking for change. We need adjustments to the excise tax formula and to costly matters about how the formula operates. We need the elimination of a special tax of 2.3% in the name of a regulatory fee charged by Health Canada that neither alcohol nor tobacco pay. This is about $75 million off the bottom line of companies.

● (1125)

We need regulated formats that align with the cannabis consumer, especially in edibles, where the regulatory prohibition pushes people to consume untested products from the illicit market, which are a risk to them and their children because the products look like candy, chips and cookies.

We have presented these proposals for incremental change that can create the conditions for companies to be successful and fulfill the promise of legalization, including attracting more cannabis consumers to the protections afforded by a regulated environment.

Thank you. I look forward to any questions that might arise.

The Chair: Thank you, Mr. Smitherman. I'm sure there will be many questions.

We're going now to Fintechs Canada and Mr. Alex Vronces, please.

Mr. Alex Vronces (Executive Director, Fintechs Canada): Thank you, Mr. Chair, and members of the committee, for inviting us to participate in this pre-budget consultation.

My name is Alex Vronces. I'm the executive director of Fintechs Canada, which is an industry association of Canada's most innovative financial technology companies.

Collectively, our members serve millions of Canadians on a daily basis, which means that our members help your constituents manage their finances and pay for things every day. This is why the premise of our pre-budget submission isn't an easy thing for me to say out loud. We represent a growing chunk of the financial sector, yet here I am to tell you that the financial sector is letting Canadian consumers and businesses down.

Over the course of their lives, consumers pay thousands of dollars in banking fees. For many of them, you can imagine that what they're paying exceeds what their savings are able to generate in interest. The Canadian Federation of Independent Business surveys its members and puts out report cards on Canada's banks. They consistently get low scores for their customer service, access to capital, and fees. According to research from Payments Canada and Ernst & Young, Canadian businesses pay $14 billion to $32 billion every five years just to receive and send money.

The fees and customer dissatisfaction in Canada aren't unique. What's unique in Canada is that we get to do something about it. Other advanced economies, including much of Europe, the United Kingdom, Australia and the United States, have had the same issues, but they've been making their financial sectors work harder for their citizens. They've been doing it by modernizing their financial sector laws and infrastructure.

In other countries, citizens have been put in control of their financial information. This protects their financial security while giving them a way to access the tools they need to meet their financial goals, but that's not yet in Canada. Millions of Canadians choose to share their financial information in exchange for better services. A great example of this is a program that lets Canadians use proof of rent payments to build their credit score, so that one day they can qualify for a mortgage.

The way Canadians are forced by their banks to share that financial information today is unreliable and risky. Businesses in other countries have been given lower-cost and faster ways to send and receive money, but that's not yet in Canada.

Our members are finding that small businesses aren't being paid on time, according to their own research. That is forcing businesses to take out loans to make ends meet, whether that's to make payroll or fulfill a new order. According to the World Bank, Canada is one of the few countries in the world to not have a real-time payment system. When the United Kingdom built theirs, one of our members was able to slash costs for its customers by 20% immediately after gaining access to it.

This is why we encourage the government to double down on its recent commitments to make the financial sector more affordable for Canadians.

We ask this committee to recommend that the government, one, gives Canadians a way to shop around for the best services. It can do this by implementing an open banking framework that puts Canadians in control of their financial formation.

Two, we ask this committee to recommend that the government protect Canadians' sensitive financial information. It can do this by establishing an independent oversight body that's going to be the referee of the framework, making sure that everyone is following the rules.

Three, we ask this committee to recommend that the government uphold the integrity of our financial sector. It can do this by supporting Payments Canada's efforts to build a real-time payment system.

Four, we ask this committee to recommend that the government give Canadians lower-cost, safer and faster ways to send and receive money. It can do this by amending the Canadian Payments Act to include credit unions and payment service providers in Canada's supervised payment system.

Other countries have done this and more. While other countries are making their financial sectors work harder for their citizens and small businesses, Canadians continue to wait for a financial sector that works harder for them.

On behalf of Fintechs Canada and all of our members, thank you again for the opportunity to participate in this consultation. We and our members are keen to keep working with all of you to make the financial sector more affordable for Canadians.

● (1130)

The Chair: Thank you, Mr. Vronces.

Now we go to Oxfam-Québec. I understand the time is being shared by Ms. Pelletier-Marcotte and Ms. Sarosi.

You have five minutes, please.

[*Translation*]

Ms. Léa Pelletier-Marcotte (Policy Analyst, Oxfam-Québec): Thank you, Mr. Chair.

Members of the committee, I'm fortunate to have with me my colleague Ms. Diana Sarosi, from Oxfam Canada. We thank you for inviting Oxfam-Québec and Oxfam Canada to present some of our recommendations today.

As we speak today, the world finds grappling with a multitude of crises: climate crisis, humanitarian crises, inequality crisis, all exacerbated by the COVID-19 pandemic, armed conflict and inflation. This context is conducive to weakening the foundations of democracy and the erosion of rights, especially those of women and girls worldwide. This is why Canada's next budget can and must be an opportunity to ensure our shared prosperity by fighting against inequality and climate change, but also for women's rights and gender justice.

In terms of development aid, given the current context, we need to increase the international aid envelope by at least $1.2 billion in additional funds over the 2021-22 level. Only such an investment will enable us to truly reduce global inequalities and promote a more stable, prosperous and greener global economy. In this regard, Canada must do its part and increase climate change funding in low-income countries, including more grants for climate change adaptation and for loss and damage, while prioritizing projects designed by and for women and girls and ensuring that they are involved in decision-making.

The climate crisis threatens the present and future of people everywhere. To build a sustainable future and meet its climate commitments, Canada must not only stop financing polluting projects, but also equip itself with the regulatory framework needed for sustainable finance.

A recent report by Oxfam-Québec on the carbon footprint of Canadian banks concluded that, if the eight largest Canadian banks formed a sovereign country, they would be the fifth largest emitter of greenhouse gases in the world, notably due to emissions financed by their investments, behind China, the United States, India and Russia. We therefore recommend that legislation be passed to ensure that Canadian banks have plans, targets and practices consistent with Canada's climate commitments and the objectives of the Paris Agreement that include measures to reduce financed emissions.

● (1135)

[*English*]

Ms. Diana Sarosi (Director, Policy and Campaigns, Oxfam-Québec): The soaring cost of living is now a predominant conversation topic among Canadians. Low-income Canadians in particular struggle with a cost-of-living crisis and a housing crisis, yet Canada’s biggest corporations are reaping record level profits and not paying their fair share of taxes. In 2021, corporations enjoyed their lowest ever recorded income tax rate, despite having their third-highest recorded profit rate, thanks, in part, to over $100 billion in federal pandemic support. Canadian corporations pay so little tax that less than one week of revenues covered all their income taxes for the entire year in 2022.

Meanwhile, public services that benefit all Canadians, such as health care, disability care, long-term care, education and public transport, remain dramatically underfunded. Also, a lot of the public services, especially in the care sector, are disproportionately done by women. In Canada, care workers make up nearly one-fifth of the total employed labour force, yet the care sector is characterized by low wages, low status and poor working conditions, especially for racialized women. The sector is left with a recruitment and retention crisis due to high levels of burnout.

Budget 2024 should respond to our current economic crisis by investing in the people who keep our society strong and resilient. Expanding the care economy and the public and emergency services on which Canadians depend should be a core priority.

Establishing a national care economy commission can identify current gaps, recommend solutions and best practices, and direct federal investments in a strategic manner.

To pay for the essential services on which we all depend, the federal government should raise new public revenues by implementing a wealth tax on the super rich and windfall taxes on large corporations that are reaping super profits.

The government should coordinate its investments in the care economy with its sustainable jobs agenda. A just energy transition presents a unique opportunity and avenue to promote gender equality and inclusiveness in the world of work. The sustainable jobs act, Bill C-50, mentions “the creation of employment opportunities for groups under-represented in the labour market, including women, persons with disabilities, Indigenous peoples, Black and other racialized individuals, 2SLGBTQI+ and other equity-seeking groups”.

This will require significant investments and a workforce strategy that explicitly recognizes care infrastructure as part of Canada's climate resilience. Canada's care strategy and climate action must come together in the sustainable jobs agenda.

To conclude, Canada's next budget should make clear that a more green, stable and fair world would benefit all Canadians.

Thank you.

The Chair: Thank you to Oxfam-Québec and to all our witnesses for their opening statements.

We're going to get right into members' questions. In the first round of questions, each party is going to have up to six minutes to ask questions.

We're starting with MP Morantz, please, for six minutes.

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

Thank you for your presentations. They've been very interesting.

Mr. Asselin, I want to start with you. I found your opening statement very insightful.

For the last couple of years, my colleagues and I have been arguing that the central bank's program of money printing—essentially, what they call “quantitative easing”—and the expansion in government spending is inflationary in nature. We made that argument in this committee several times. There's been very little buy-in, although Tiff Macklem did confirm, when I was questioning him about a year ago, that he thought that if government spending had been less, inflation would have been less.

We've never had Governor Macklem come out and say how inflationary the fiscal policy of the government could be until yesterday. During the monetary policy report press conference, he said that we “expect government spending to grow at two and a half percent. So, what that means is if all those spending plans are realized, government spending will be adding to demand more than [to supply]. And in an environment where we are trying to moderate spending and get inflation down, that's not helpful.”

Those are very strong words from a bank governor. Basically, he's saying that this spending is causing inflation and making his job harder.

Will you agree with that sentiment?

● (1140)

Mr. Robert Asselin: Thank you for the question, Mr. Chair.

I would agree that for the last few years, fiscal policy has not been aligned with monetary policy in that one has been working against the other. It is harder for the bank to do its job to bring inflation back to 2% if the government keeps spending over 2%, which is the price stability target for the bank over time. That's just simple math.

By the way, this includes provincial governments as well because they do spend quite a bit of money.

I think it's really important that, at the end of the day, fiscal policy is aligned with monetary policy. That's because we do want the cost of living to come down for Canadians, and we do want Canadians to have the purchasing power that enables them to live and to be able to afford things. If we don't do that, we're just making the lives of Canadians harder. I think that's just simple math.

Without going into the specifics, I would say that I very much agree with Governor Macklem's comments yesterday.

Mr. Marty Morantz: Thank you.

You have written on this subject recently. This is in the context of a government that likes to say it wants to help the middle class and those working hard to join it. You wrote, “One fact is a government doubling down on an expansionary fiscal policy in a time of monetary tightening and high interest rates will work against the best interests of the middle class.”

Given your point—which I completely agree with—that fiscal policy and monetary policy have not been working together, do you have any confidence that this government is going to get spending under control and try to bring them into line?

Mr. Robert Asselin: I think the finance ministerhas been saying that she understands this.

I'm hoping the government will understand the importance of bringing back spending to a reasonable level. Again, what's the finality here? The finality is to work for the benefit of Canadians. The benefit to Canadians, with fiscal policy, is to bring inflation back to 2% as fast as we can because the more time it takes, the more painful it is in terms of the cost of living. It's as simple as that.

It's not a question of having a small government or a big government. The question right now is just cyclical. We need to bring spending back to a level that won't make Canadians' lives harder.

Mr. Marty Morantz: Thank you for that.

On the question of the Minister of Finance, she did say, for example, in budget 2022, that the debt ratio was a line she wouldn't cross. Now she's saying she recognizes the problem.

I do have some concerns about whether or not she might actually follow through with the advice she's now getting from not only people like you, but from the Governor of the Bank of Canada as well.

In fact, I noted that in the paper you wrote with Governor Dodge, you said that you have very little confidence that the interest cost ratio and debt ratio will be able to be maintained over the rest of the decade, even though the finance minister has also promised that this was a line she would not cross and that it would continue to decline.

What is the concern if the debt-to-GDP ratio continues to rise over the rest of the decade?

Mr. Robert Asselin: The basic math is that the more you spend on debt servicing, the less you have to spend on anything else, as I said in my remarks. That includes health care, education and all the things that I think Canadians cherish and want more of, including international aid and more spending on defence. As we did in the 1990s, the more we spend on interest rates rising and servicing our debt, the less we spend on these core missions of the state, the core part.

I think it's important to say, Mr. Chair, that the fiscal anchor is not an end in itself. What the fiscal anchor is trying to protect is the ability of the government to preserve its capacity to give services and programs to Canadians without hiking taxes and without cutting programs. That was so difficult to go through in the 1990s when we had to do it.

The whole idea is to preserve that capacity so that we don't have to go back to a situation where governments, any governments, have to do difficult things and then, unfortunately, hurt Canadians with program cuts or higher taxes.

● (1145)

The Chair: Thank you.

Thank you, MP Morantz.

Now we go to MP Thompson, please.

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

Welcome to all of the witnesses.

Could I begin with Professor Purdon, please.

In a recent article, you argued that carbon pricing has minimal impact on the cost of living. Could you elaborate on that, please?

Mr. Mark Purdon: No, that's not what I was saying.

The question that was posed to me by the journalist was whether carbon pricing was the primary cause of inflation. Inflation is a reality. We're all feeling it, but the carbon pricing in Quebec is not the primary cause of that inflation. It's more the macroeconomic and political situation in Canada and the world right now, with conflicts, rising energy prices, shutting off oil, the results of COVID and the supply chain disruptions. In that context, my comments were to the effect that we can't blame the rising cost of living on carbon pricing.

Ms. Joanne Thompson: Thank you.

On the same thread, there are those who say that, if we cut the price on pollution to reduce the price on fuel and everything that depends on that in the production chain.... If we went with this idea, would the impact on the cost of living remain minimal or would that have a tremendous impact on the cost of living?

Mr. Mark Purdon: I think that if you want to project how carbon pricing and associates of carbon pricing.... We can talk about the price of the emissions allowances on the carbon market or the backup carbon price. There are also the clean fuel regulations that have been introduced, which you could say are a carbon price, although it's a differently structured instrument.

We are going to see rising costs. The carbon tax is supposed to rise to \$170. That would add about 32¢ to a litre of gasoline, given its current carbon content. I think clean fuel regulations would add 17¢ by 2030.

Yes, it's going to be politically sensitive. There's a lot of public opinion research out there that suggests carbon pricing increases.... If you transform that into a sort of number that people can understand like the price of gas, people are not so excited about it.

One thing I can mention here, and I reference it a bit more in detail in my submitted comments, is that we did a public opinion survey last year in Quebec. We asked people about different carbon pricing scenarios, higher and increasing, and one thing that came out in the results was very interesting. We also asked if they had an electric vehicle. When people own electric vehicles, that trend of declining support for increasing carbon pricing falls off. People are ready to support a higher carbon price because they have an electric vehicle. The downside is that only 8% of our respondents of our sample had electric vehicles, so it was sort of a very minor effect. The implication is that, if more people have access to these clean technologies, they're going to support more ambitious climate policy in Quebec or in Canada.

The final note I would say is that the carbon price in Quebec is linked with California. It's much lower, $47 versus $65. I know these numbers are a little wonky, but it's quite effective in the sense that a lot of emission reductions are being achieved in California. I know there's a critique that it's an outflow of capital from Quebec to California, but this is the situation with a lot of our economy. We buy things from the U.S. and other countries because it's cheaper for some reason. There's a logic behind that.

California is a bit of an outlier in the United States. Washington has come online. Nova Scotia is part of this Western Climate Initiative. It's generally cheaper, from my read of the literature, to reduce emissions in the United States relative to Canada. There's going to be a bit of that price advantage if we do emissions trading systems linked with the United States. It may be something to explore because it does allow costs to be brought down. There are concerns whether we are going to be able to hit that $170 target for the federal carbon tax. I know that for some of the Conservatives in the room, it's a very salient political issue right now.

There are some structures. I will just say that recently, in the past few years, emissions trading systems have been emerging in many other countries. China has one. There may be concerns there. India and Brazil are also establishing ones. There are some carbon climate finance mechanisms that are being developed under the UN under the Paris Agreement and the Glasgow Climate Pact that will also have some opportunities for reducing emissions in co-operation with other developing economies where costs of reducing emissions are lower.

It's something that Canada might want to revisit and consider.

● (1150)

The Chair: Thank you, MP Thompson.

Now we go to the Bloc and MP Chabot, please.

[*Translation*]

Ms. Louise Chabot (Thérèse-De Blainville, BQ): Thank you, Chair.

I would like to thank the witnesses for being here and for taking the time to share the best potential solutions to be found in the budget.

I would especially like to thank the representatives of OXFAM-Québec. My first questions will be addressed to them.

You began by explaining the context in which we find ourselves, which is one of crisis. Indeed, we are facing a housing crisis, a humanitarian crisis, major wars, and they are all alarming. To combat inequality, and particularly gender inequality, such as the circumstances of women and girls, one of your recommendations is that the Canadian government increase its international aid, that it devote its fair share of the budget, in other words. You recommend that $1.2 billion be added.

How can we convince the federal government to invest this amount of money? After all, this is an investment, not an expense.

What changes could this investment make?

Ms. Léa Pelletier-Marcotte: Thank you for the question.

I will begin answering.

[*English*]

I will yield to my colleague afterwards.

[*Translation*]

I think the first way to convince the government would be to use its own rhetoric, which is intended to be the rhetoric of a feminist government with a feminist international aid policy that presents itself as the defender of rights and equality across the whole world, as well as at home.

For Canada to make good on this promise, make a real difference and promote equality for women and girls around the world, it would have to use its own rhetoric to convince it to increase funding for foreign aid.

We're using the 2021 and 2022 figures because last year, before the 2023 budget was adopted, we had already made a request for additional funds to meet expectations.

However, that didn't happen. Instead, budget cuts were made. That's why we're reiterating our request this year, so that the government really does keep its promise.

Ms. Louise Chabot: Thank you.

[*English*]

Ms. Diana Sarosi: Yes, of course there's more incentive, but there's also a very pragmatic incentive in the sense that we all know that countries that are gender equal are more stable and more prosperous.

Right now we're seeing a backlash against women's rights and gender equality around the world. I don't think it's a coincidence that at the same time we're seeing increased crisis, militarization, conflict and so on. From a very pragmatic standpoint, it's in favour of Canada's security itself.

Our government has had to take Canadians out of countries around the world. That is a huge financial drain, but also a logistical dilemma.

Our supply chains are affected. We are not our own economy; we're part of the rest of the world. Everything is affected by what happens in the rest of the world.

It's really a good—

● (1155)

[*Translation*]

Ms. Louise Chabot: I still have a little time and I'd like to ask another question, if you don't mind.

What you are saying is very informative.

You've proposed a 15% tax on excess profits made by companies during the COVID-19 crisis and during the financial crisis we're currently experiencing. The government promised that major grocery chains that made a profit will have to lower their prices. Failing that, a 15% tax could be imposed on them.

You advocate a 15% tax on excess profits. Do you think we should adopt this measure or make it voluntary?

[*English*]

Ms. Diana Sarosi: Yes, we should definitely go ahead with that. Again, we're hearing that the government is struggling to meet its responsibility of delivering public services, yet we're seeing these corporations reaping in record profits.

In budget 2023, a financial sector windfall tax was being introduced. However, that's not enough. It really needs to cover all sectors that are profiting from the crises we're seeing, whether that's the energy crisis, food crisis, housing crisis and so on.

Yes, it's definitely a high priority.

The Chair: You have 45 seconds.

[*Translation*]

Ms. Louise Chabot: It's rather stunning to hear "if they were a sovereign country"… We wouldn't want that for them, but for ourselves, yes.

If we give them plans and practices that are compatible with climate change… Can you tell us a little more about that?

[*English*]

The Chair: Give a very short answer, please.

[*Translation*]

Ms. Léa Pelletier-Marcotte: I'd be happy to discuss this further, but I think we could follow the example of the European Union, which is already quite advanced in terms of banking regulations, efficiency and sustainable finance. I have a report on that subject and could discuss it at greater length.

[*English*]

The Chair: Thank you, MP Chabot.

Now we're going to MP Blaikie, please.

Mr. Daniel Blaikie (Elmwood—Transcona, NDP): Thank you, Mr. Chair, and thank you to all our witnesses for appearing today.

My first questions will be for Chief Bernard.

In the last budget there were more details about investment tax credits for a range of clean technologies and things of that nature. I'm wondering what you think the opportunities are for indigenous communities to be able to make use of those ITCs.

In the development of those structures, what could government and policy-makers here in Ottawa do to make sure that those result in meaningful equity stakes for indigenous communities? What is the potential for community benefit agreements and other tools to ensure that it isn't just multinationals coming in and taking things out, but that local people and indigenous people with rights to the land and resources are also economic beneficiaries?

Ms. Joanna Bernard: I'm going to hand that question over to my colleague, as I believe she was part of that submission last year.

Thank you.

Ms. Julie Pellerin (Senior Director, Economic Development and Infrastructure Branch, Assembly of First Nations): In response to the question of first nations participating in those programs as well, I think that we also need to address the fact that currently there's not enough funding for the first nations to be adequately prepared to take advantage of those programs, so that's a huge challenge for the first nations.

In our budget submissions, identifying those programs and providing support to those first nations in order to be prepared to take advantage of any programs the federal government puts forward is very challenging, so I might not be able to adequately respond to you, but I think that the mechanism we need to put into place is more important than addressing a specific program.

The pre-budget submission process for the 634 first nations that the AFN advocates on behalf of is not adequate for us to be able to provide the rationale for why we're asking for these priorities to be funded. I think that it's not an investment or a funding request. It is asking Canada to uphold its fiduciary responsibility and, by doing that, our mechanisms that we propose would be a new fiscal relationship whereby Canada negotiates and discusses collectively and collaboratively with the first nations in order to have a different, distinct, first nation-led process for its budget request.

I think as well that, with your permission—thank you for having invited us to present here—maybe I could yield some time to the national chief to do her closing comments.

● (1200)

Ms. Joanna Bernard: Thank you.

I want to remind you that Canada is delinquent in substantial and overdue debt and continues to incur court costs, lose court cases and settle court challenges. While these are long-term investments, they also represent an opportunity for Canada to repay its debts in good faith to first nations.

I ask for the support of this committee in saying to Canada that it is in all our interests that you pay the debt. Economic reconciliation requires Canada to abandon its adversarial legal approaches to fulfill its fiduciary obligations to first nations. Paying this debt will demonstrate Canada's commitment toward progress in our shared journey towards truth, healing and reconciliation.

With appreciation for your attention, the AFN and I thank you very much.

Mr. Daniel Blaikie: Thank you.

Chief Bernard, with what time I have remaining, I noticed your pin, and I wondered if you could speak briefly to the importance of establishing a red dress alert system in Canada. The New Democrats have been calling for it—

Ms. Joanna Bernard: It's red on red, and you noticed it. That's great.

Mr. Daniel Blaikie: Yes, I noticed.

New Democrats have been calling for it, and I think that I have had good leadership with my colleague from Winnipeg Centre, Leah Gazan, on this file. I'm wondering if you could speak to the importance of getting that up and going quickly.

Ms. Joanna Bernard: Oh, absolutely. It's something that goes hand in hand with the MMIWG, the missing and murdered indigenous women and girls. It's very, very important, but I think we might have gone a little too fast in pushing to have the name MMIWG, because we are getting a lot of requests from the Assembly of First Nations across Canada in reference to boys and men. I'm thinking and trying to figure out a solution not to have another set of MMIWG, but try to figure out how we could do this and save funding if we could find an all-inclusive, as well as the 2SLGBTQIA+ community and neglected indigenous peoples.... It's something that's bigger than what it is now, and I'm hoping to get it to that point where everybody and everyone is included and it's all-inclusive.

Mr. Daniel Blaikie: Thank you very much.

The Chair: Thank you, MP Blaikie.

Members and witnesses, we're into our second round of questions, and timings are a little bit different in this round.

We're starting with five minutes for MP Lawrence.

Mr. Philip Lawrence (Northumberland—Peterborough South, CPC): Thank you to all the witnesses for being here. Everyone did a great job of presenting material and we really do appreciate you being here.

Unfortunately, as a committee, we have to make such weird transitions from one subject to another subject.

Mr. Asselin I'm going to talk to you a little bit about productivity. It's something that you've talked about. We've heard a lot about productivity from all sides of the table.

I don't wish to get into a partisan discussion; I just want to talk meat and potatoes here about productivity. One comment from your article entitled “New Trudeau cabinet, same old spending—this hurts the middle class” was, “Redistributing borrowed money may look virtuous, but at the end of the day it will make us all collectively poorer.” Then you go on to talk about the 23¢ on every dollar that goes towards debt servicing.

Can you talk about that and the impact of the government spending money? Although it might have the best intentions, it actually will hurt the most vulnerable in our society. Do you agree with that?

Mr. Robert Asselin: Thank you for the question, Mr. Chair.

I think it's fair to say that we do have a growth problem in this country and a business investment problem, which is obviously linked to productivity. The way to remediate this problem is to have pro-growth policies and a pro-growth framework that allow us to grow our economy, so that we can do all the good things that I think people around this table want to do for our economy and for Canadians.

In the absence of growth and in the absence of productivity enhancement in this country, unfortunately we'll just do deficit financing on every new measure. That leads to more debt servicing and to governments at some point making hard decisions on program cuts or raising taxes, which would decrease business investments.

The other thing I would say is that we live in a very competitive world. The U.S. has moved aggressively on the IRA. It has led to huge business investments. Here, I would say that we're still very tentative. All these tax credits the government put forward for the green transition are yet to be implemented. I cannot stress enough how important it is that we compete on a level playing field that allows business investments to grow.

Therefore, we need more business investments to do all the good things that we need to finance.

● (1205)

Mr. Philip Lawrence: I think that's right. In listening to some of Mr. Morneau's comments, I think he would echo a lot of those comments with respect to the lack of growth.

Is it a bridge too far, Mr. Asselin, to say that if this government continues to spend at the rate that's ever growing, at 2.5% or beyond, that we're going to start to put at risk some of our social policies, social benefits and some of the things that Canadians hold dearest, if we don't get our spending under control?

Mr. Robert Asselin: I certainly don't like the trend we're on. As I said in my remarks, the big game-changer here is that interest rates are now higher than growth rates. That will affect the primary deficit, which will just grow by itself.

As I think Mr. Dodge explained to this group last week or previously, this is what happened in the nineties. We were not able to generate enough growth to reduce our deficit. Growth has to come first.

Mr. Philip Lawrence: Thank you very much.

On the same topic of economic growth and innovation, I'm going to switch to Mr. Vronces.

I'm going to ask you a flippant question, but I think it's important to underscore your point because the government members don't seem to be able to understand this.

What year is it and what season are we in?

Mr. Alex Vronces: It's 2023 and it's looking like fall outside.

Mr. Philip Lawrence: Okay, that's my understanding, too.

When did the government say it would have open banking legislation in front of us?

Mr. Alex Vronces: It was no later than the beginning of 2023.

Mr. Philip Lawrence: We're well past the beginning of 2023.

Are you aware of any legislation that's been passed or put in front of the House of Commons with respect to open banking?

Mr. Alex Vronces: No legislation has been put forth.

Mr. Philip Lawrence: Switching topics, but in the same vein, I don't think many Canadians understand this. Perhaps you can help explain this to Canadians.

I think most Canadians believe that when they use their Interac card or their credit card, it's in real time, that it's instantaneous. It's actually not, to my understanding. To use a colloquialism, it's a little bit like a duct-taped system, just to make those payments go through. Not only is that system weak and potentially vulnerable, it's also holding us back with respect to developing as an economy.

Is that true?

The Chair: I need a 15-second answer, because we're out of time.

Mr. Alex Vronces: Though a lot of these payments feel like they're being made in real time, they are not, and the institutions making them are essentially fronting money to one another, creating credit risk in the system.

The Chair: Thank you. That was 11 seconds, which was great.

Now we're going over to MP Baker for five minutes.

Mr. Yvan Baker (Etobicoke Centre, Lib.): Thanks very much, Chair.

Thanks to all the witnesses for being here today. What a wonderful panel, and I wish I had at least five minutes with each of you, but I don't. I apologize to those who I won't have a chance to ask questions of, but know that we value your presentations and that we're listening to your responses to the questions of others as well.

Before I begin with the person I want to ask questions of, I will say that it's great to be here with a few folks who I know well, George Smitherman in particular. He's former deputy premier of Ontario and, as I recall, someone who grew up in my riding of Etobicoke Centre. He now lives in Etobicoke North, which I try not to hold against him. It's still a sore spot for me, but it's good to see you here, George.

Chief Bernard, it's wonderful to see you here and all the others as well. Thank you.

I going to start with Mr. Asselin.

Sometimes what happens when the Governor of the Bank of Canada or anyone else speaks, there are certain MPs who have selective hearing. They hear the things that they want to hear and maybe don't hear the things they don't want to hear.

We've had the Bank of Canada governor come to this committee multiple times, and he's spoken here and publicly about what's caused inflation. What's he's talked about is the war in Ukraine and the impact that's had on food and energy prices around the world. He's talked about supply chain bottlenecks post-COVID. He's talked about extreme weather events that have caused droughts and floods that impacted our agriculture sector around the world. He and many others have come to this committee, and they are objective, non-partisan experts on the economy saying that these are the major causes of inflation.

Would you agree with that?

● (1210)

Mr. Robert Asselin: I would agree that they were major components to inflation rising, and all the ones you mention, I think, are correct.

Mr. Yvan Baker: It's interesting, because we had someone who is an expert in agriculture and the price of food come to speak with us. I think it was the last meeting that we had here last week. He echoed what we just talked about, but he talked about how the cause of food inflation that Canadians are feeling in particular, which is the area I hear the most concerns about from my constituents in Etobicoke Centre, is primarily caused by these factors. I think it's important to note that.

You've talked a little bit today about the fiscal future and that you'd like to see restraint. I think the challenge that I have as a member of Parliament is that most of my constituents, but also, I think, other folks who are sitting here today.... We hear from a lot of folks here. I hear from a lot of folks in my community who say that we need to invest in more here. We've heard from the chief. We've heard from the Business Council of Canada. We've heard from Oxfam and others. There are a lot of demands for government to increase spending in certain areas, and there are existing programs that people depend on.

To get to the fiscal position that you're suggesting, what are the things you would have recommended that we not spend money on or that we should not spend money on going forward that we are spending money on? What should be cut? That is what I'm asking.

Mr. Robert Asselin: It is for the elected government to decide where it wants to put its focus in terms of spending priorities. What I'm saying is that, going forward, the fiscal framework that has a structural deficit in the context of high interest rates and rising going forward will put these very important priorities—I agree with you, they all are important—in jeopardy, so this is what we want to preserve. We want to preserve health care. We want to preserve post-secondary education. We want to preserve international aid. By spending more, unfortunately, you will put these things in jeopardy, in my opinion.

I'm not here to say to the government where they need to cut. What I am saying is that the trajectory of spending right now is not sustainable.

Mr. Yvan Baker: The corollary to that is, if we followed your advice, we would have to find something to cut. You're presenting a problem, but what is the solution?

Mr. Robert Asselin: The first solution is to grow the economy higher than what we have right now, which is stagnation. Because inflation was high, the Bank of Canada had to do a lot of work here, but going forward, a growth rate, a real GDP of 1% or below 2% , will make it very difficult for the government to finance the things it wants.

Again, I'd love to have all these great social programs sustainable and protected, but without growth in a high-interest rate environment, we will struggle to keep them in place, unfortunately.

Mr. Yvan Baker: Is that my time?

The Chair: Yes, that is your time, MP Baker.

We are going to MP Ste-Marie for two and a half minutes, please.

[*Translation*]

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

I welcome my colleagues and all the witnesses, whom I thank for being here today. I also apologize for arriving so abruptly.

Mr. Baker, I regret having a chairman who is so strict with committee members. I think he's just as strict with witnesses.

Madame Pelletier-Marcotte, I believe you had started to tell us about the recommendations regarding decarbonization or the carbon footprint as it relates to Canadian bank portfolios.

Could you expand on that?

● (1215)

Ms. Léa Pelletier-Marcotte: Indeed, last fall, Oxfam-Québec published a report on the carbon footprint of Canada's banks and major deposit-taking institutions.

We realized that, if they were a sovereign country, they would be the world's fifth-largest emitter of greenhouse gases, not just because of their day-to-day activities or energy sources, but because of the emissions they finance. This would place them behind the USA, China, India and Russia.

We're asking the federal government to take the lead and be ambitious about how we regulate the banking sector, since it's not moving forward on its own. We're asking for a little nudge through legislative and regulatory measures that would force financial institutions to be more ambitious and disclose the full carbon footprint of all their portfolios, including their investment portfolio.

We also want Canada, like the European Union, to adopt a green taxonomy that clearly defines terms like “sustainable” and “green” and is transparent to Canadian consumers and savers.

An expert panel examined the issue of sustainable finance in 2019 and made several recommendations, which were not adopted in full. We recommend that they be adopted in their entirety.

There's also a bill before the Senate, Bill S-243, which is progressing slowly. It's not perfect, but it would be a good start nonetheless.

We also want recognition that polluting investments in polluting industries present a significant financial risk to Canada's economic vitality.

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

[*English*]

The Chair: Thank you, MP Ste-Marie.

We'll now go over to MP Blaikie.

[*Translation*]

Mr. Daniel Blaikie: On the same topic, do you think that Ms. Freeland's decision regarding the acquisition of HSBC by Royal Bank of Canada, or RBC, has any implications, whether symbolic or strategic, for the future of Canada's financial sector and its ability to invest in a greener economy?

Ms. Léa Pelletier-Marcotte: Thank you for the question.

I can't give you a specific answer. I'm neither an economist nor a specialist in either competition or the banking sector. However, I do think we should be concerned about the reduction of competition in all areas, including the banking sector.

Our report doesn't target any particular banking institutions more than others, but it's no secret that RBC's investment portfolio is quite problematic.

As for the HSBC acquisition, we'll have to see what's driving it.

[*English*]

Mr. Daniel Blaikie: In terms of competition in the financial industry and this problem that you've highlighted of an oligopoly that tends not to have a sufficient amount of competition, are you concerned that approval of the RBC-HSBC merger will tend to perpetuate the current less-competitive culture in Canada's financial sector? Do you think that this could have negative consequences for Canadian consumers of financial products?

Mr. Alex Vronces: Though the association is not close enough to the particulars of the deal to have an informed opinion about whether the acquisition should be approved or disapproved, we don't think the decision should be taken lightly.

The five big banks in this country control 90% of the banking assets. They also control a lot of financial infrastructure. They gatekeep in that financial infrastructure. Any decision that does significantly lessen rivalry between our banks will just put upward pressure on banking fees, customer service, cost of capital and all the things we need to grow the economy.

Mr. Daniel Blaikie: Thank you very much.

Thank you, Mr. Chair.

● (1220)

The Chair: Thank you, MP Blaikie.

We go now to MP Hallan for five minutes.

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

Thank you to the witnesses for being here.

Mr. Asselin, my questions will be for you. Thanks for being here.

In a recent letter to Chrystia Freeland, Goldy Hyder said that he wanted her to avoid spending in the fall economic update and to “set a clear fiscal anchor focused on managing the growing cost of servicing debt.”

Numerous people, whether it's the former governor of the Bank of Canada, David Dodge, the current Governor of the Bank of Canada, Tiff Macklem, or even the Minister of Finance, Chrystia Freeland, have all said that deficits fuel inflation. Because of that, in the last 19 months, there have been 10 interest rate hikes, putting Canada most at risk in the G7 for a mortgage default crisis now. All of that spending led to inflation and to these interest rate hikes, and now Canada is in a really risky position.

To quote Goldy in that letter, "With long-term interest rates at the highest they have been in years, it is irresponsible to suggest that economic growth will be higher than interest rates for years to come,” and as you said, “Governments can no longer run permanent large deficits without fear. The era of low interest is no longer with us, and that is a reality the government must address.”

Can you reiterate whether one of those fears is this mortgage default crisis? What other fears are you talking about when you say “fear”?

Mr. Robert Asselin: Thank you for the question, Mr. Chair.

To me, the faster we go back to price stability, which is 2%, the better it will be for the economy, for Canadians and for the government to get back into a position—to your point—where we can reinvest and grow the economy, and where we're not worried about putting too much debt onto future generations.

The more time it takes to get back to 2%, the more painful the crisis of affordability will be. The higher the prices remain, the less good it is for all Canadians.

This is why fiscal policy right now needs to be very disciplined. We need to be very disciplined. This is not a political statement from me. It's just a policy stance.

Mr. Jasraj Singh Hallan: Is it disciplined right now?

Mr. Robert Asselin: I think Governor Macklem was correct yesterday when he said that over 2% growth in spending for governments doesn't help him to bring inflation back to 2%. That's just a factual thing. I don't want to go into the politics of it. It's just math.

We need to go back to 2%. I think the governor is keen to go back to 2%. He understands the importance of it. We, as a country, have decided that 2% is important for inflation and for price stability, and the more time it takes, the more painful it will be for Canadians, unfortunately.

Mr. Jasraj Singh Hallan: In that vein, as we were discussing in pre-budget consultations, I believe it's really important that we include the context of where Canada is in terms of the battle of fiscal and monetary policy and its effect on inflation. Yesterday, the Governor of the Bank of Canada, Tiff Macklem, at his monetary policy report press conference reiterated his concerns around government spending adding more to demand than what supply can keep up with. In other words, when you have too many dollars chasing too few goods, you get inflation.

The Liberals have had inflationary deficit after inflationary deficit, adding more to the national debt than every government before them combined. That flooded the economy with money, driving up demand, while historic low productivity meant supply could not keep up. As a result, we have 40-year highs of inflation, followed by the fastest interest rates hikes in Canadian history; and now mortgages, household debt and even government debt are all more expensive. As we discuss with Canadians what Canadians need to see in the next budget, I think it's important that we include the context given yesterday by Governor Macklem.

That is why I wish to move the following motion:

> That the committee concur in and report to the House of Commons the comments made by the Governor of the Bank of Canada on October 25, 2023, when he said quote, “We expect government spending to grow at 2.5 per cent. What that means is, if all those spending plans are realized, government spending will be adding to demand more then to supply is growing and in an environment where we are trying to moderate spending and get inflation down, that’s not helpful.”

I'd like to move that motion and continue on.

The Chair: The motion has been moved by MP Hallan.

MP Blaikie.

Mr. Daniel Blaikie: I presume notice had already been given of that motion, or is he giving notice today and then moving it on another day?

The Chair: He is giving notice right now, at this moment.

● (1225)

Mr. Philip Lawrence: On a point of order, I believe that this is permitted because we are on the same topic of the day, so notice is not required.

The Chair: It does pertain to the PBC.

Mr. Daniel Blaikie: I'm sorry. It's not obvious to me that a motion to agree with a statement that was made outside the context of this room is germane to a pre-budget consultation. If it was a motion that had something to do with how we were going to conduct ourselves in a pre-budget consultation, that would be one thing. If it was something arising out of testimony, it would be another thing.

This is completely another thing. It's fair game for Mr. Hallan to give notice of a motion like that today, but I don't see that it's relevant to our pre-budget consultation study except in so far as Conservative members have talked about what the Governor of the Bank of Canada has said, but I think that's pretty slim grounds procedurally to be able to move a motion like this without notice.

The Chair: Thank you, MP Blaikie.

We're going to suspend, and I'll confer with the clerk.

After conferring with the clerk and the analysts, in my opinion, it does not pertain to the PBC.

We will continue with our meeting.

Mr. Philip Lawrence: Mr. Chair, I have a point of order. This has happened a couple of times, and that's why I raise this.

We've had discussions and debates with respect to the administration of this committee. Conservatives have raised an issue. We've heard the other side, but we don't often get a chance at a rebuttal, which I don't think.... I think it actually violates the principles of natural justice.

The Chair: That's not a point of order. I've made my decision. You can challenge my decision, MP Lawrence, but I've made my decision.

Mr. Philip Lawrence: Mr. Chair, that was a point of order. It was pertaining to the future operation, which is what a point of order is. It's about the rules of the committee, and I was making a valid point of order with respect to the operation, so it was a valid point of order.

I just put it in your ear for going forward. It was meant to be instructive going forward, not with respect to this decision, and I am aware that I can challenge your decision, as I have done before.

The Chair: MP Baker.

Mr. Yvan Baker: I'd like to raise a point of order on that very topic of how we work going forward.

I think it's important that we respect the witnesses who are before us and are here to present. Many of them have travelled here to speak about pre-budget consultations, so I would suggest, as we move forward as a committee, that we refrain from political grandstanding and debates before the witnesses, and that we set aside time for that if that's where the committee wants to spend its time.

The Chair: Thank you, MP Baker for that.

We do have a great group of witnesses here. We would like to respect the witnesses, and we would like to get back to the questions and answers.

Mr. Philip Lawrence: We would like to respectfully challenge the chair, and this is why:

We believe that the motion directly talks about spending, and pre-budget consultations are primarily about how the government is spending the resources. We believe we're solidly within the topics raised today and, in fact, that testimony was not only raised once but multiple times at this committee prior to bringing the motion. One of the things that of course Conservatives are keen on, and that, in fact, we've heard from Mr. Asselin as well as numerous other witnesses, is that spending should be brought under control and that monetary and fiscal policies should be brought together as opposed to operating separately.

As John Manley said, this government continues to hit the inflationary gas pedal, and we need that to stop so that Canadians can keep a roof over their heads.

● (1230)

The Chair: Thank you, MP Lawrence.

The question is whether the decision of the chair should be sustained.

(Decision of the chair sustained: yeas 7; nays 4)

The Chair: The decision is sustained, so we'll get back to our questions and answers.

MP Hallan you have a minute.

Mr. Jasraj Singh Hallan: Mr. Asselin, Phil Cross appeared before our committee recently and reiterated his concerns about Canada's productivity. He noted productivity as low as it was in the 1930s—the Great Depression, literally.

Professor Ian Lee, and the former governor of the Bank of Canada, David Dodge, also warned about Canada's declining productivity.

How concerned are you guys about the impact of these high interest rates, low productivity and the lack of investment coming into Canada? Is there a link between those?

Mr. Robert Asselin: Mr. Chair, absolutely.

Structurally, these things cannot continue, otherwise our living standards will decline, unfortunately, as a country.

I'm happy to see the wage increases for workers right now, but they're not sustainable if we don't have the productivity that comes with them. At some point, we're going to have to become more innovative and productive to sustain these wage increases. Otherwise, they will be inflationary, and it will just make the Bank of Canada's job more difficult, unfortunately.

The Chair: Thank you, MP Hallan.

Now we're going to MP Weiler, please.

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

I appreciate getting back to the testimony from our esteemed witnesses. I appreciate what they've already provided to our committee today.

I would like to turn my questions to Mr. Smitherman and the Cannabis Council of Canada.

It's really incredible to think that an economic sector that was created out of nothing in just three years invested $45 billion into the Canadian economy and 150,000 broadly distributed jobs across Canada through the legalization of cannabis.

Given that cumulative taxes have reached the level you mentioned, it's not surprising that so few companies are at profitability today. I understand that the structure and formula of the excise tax has greatly contributed to the relative tax that's paid by producers and that this formula may have been based on an assumption that no longer holds true.

I was hoping you could explain this to the committee.

Mr. George Smitherman: Thank you so much for the question and for your interest in our sector.

At the heart of it, when cannabis was first proposed for adult use through recreational legalization, the premise that Finance advanced was that a $10 gram would have a $1 tax. We have the $1 tax—it never changes—but the gram is $3.50, so the ratio of the tax is enormous. Actually, as our producers have reduced prices—anti-inflationary—over the last number of years, the implication has been that the ratio of the tax has even grown.

When you look at, say, a one ounce bag, 28 grams, which is a pretty common purchase, upwards of 50¢ or frequently 60¢ on the dollar is going to government in one form or another. This varies by province because we have a lot of different models out there. It's just not leaving enough for the regulated sector on either side—that's the retailers, and the producers that I represent, who've been involved in that $45-billion investment in those first three years—which produced, by the way, out of that $45 billion alone, $15 billion in taxes for governments in all forms.

Mr. Patrick Weiler: What impact would returning the tax structure to the original intent of 10% have on the profitability of the sector?

Mr. George Smitherman: I think that the impact would be that we'd be doing a better job of fulfilling the obligations of legalization, which included getting as many cannabis-consuming Canadians as possible to consume safer and tested products.

The impact on profitability would be very positive, and the impact of that would be that cannabis companies would be able to pay taxes across the range of taxes, rather than just seeking to pay their excise.

Seventeen per cent of companies being profitable after five years is a significant canary in the coal mine for those many companies that are invested and are operating in communities, many of them in small, rural and relatively remote communities. They're operating in very challenging constrained times, as there is no additional capital available for the sector.

● (1235)

Mr. Patrick Weiler: Further to that, you also mentioned in your opening statement that the sector is facing challenges accessing basic financial services or facing usurious rates if they do.

I was hoping you could please explain to the committee why that is and what that looks like.

Mr. George Smitherman: It's a situation where the big banks don't have any interest in participating in providing services to small companies. I run an industry association that does not touch cannabis. TD Bank, which is my historic banker, doesn't want to touch our association. We're forced to go and get our services from Alterna Savings. They charge our association, which doesn't touch cannabis, an extra $4,000 a year and $100 a month just for the privilege of having operating accounts. Those independent retailers that many of you will have in your ridings, depending on the province you're from—understand that those retailers are burdened with the lack of access to financial services and are frequently forced to pay outrageous amounts just to get basic banking services.

Another point mentioned by Alex was that they are sometimes proprietary, such as the big banks around the use of the Interac system. One of the ironies is that our legitimate, legalized, regulated sector does not have access to financial services, but the same banks and their Interac system operate and provide lots of services to the online illicit market. As well, Canada Post delivers those illicit products. There's a real stinging irony to that circumstance for many in the legalized cannabis sector.

The Chair: Thank you, MP Weiler.

I'm just looking at the time. I want to get through another round. This will be our third round. I will have to be pretty strict on the time. I'll say [*Inaudible—Editor*] MP Ste-Marie for that.

We'll start with MP Chambers for five minutes.

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

Mr. Smitherman, welcome. It's always nice to see a neighbour here at committee.

I want to stay with you for a minute on the excise tax. I understand the principal basis for which we might request that the government review their position. If they're not inclined to do so, there's also an issue or an opportunity with labelling, is there not, to reduce the costs placed on producers that could save them significant amounts of money?

Mr. George Smitherman: Yes. The operation of the excise tax, which includes this stamp, quite an onerous application on the wide variety of products that we have, as well as the means of remitting excise in its own right are two operational matters that could be addressed and significantly assist with bottom-line costs for cannabis operators.

I could say also that we pay a regulatory fee. That is a priority that we have advanced to the government that they might get at to offer more urgent relief.

Mr. Adam Chambers: My understanding is that the overburdened requirements for physical labelling create a lot of costs for producers. If you moved to accepting a digital label or a scanned QR code, you wouldn't even have to touch the excise tax. You could strip out a lot of cost for industry, correct?

Mr. George Smitherman: Yes, it's true. In a certain sense, this is what we might call a non-cost item for government—or for “governments”, because obviously the provinces and territories are partners in this matter. That would be an opportunity to significantly abate operating costs.

For anyone who has purchased a cannabis product, and if you haven't, go try one out—

Voices: Oh, oh!

Mr. George Smitherman: —we have a range of products.

Mr. Philip Lawrence: Did you bring samples?

Mr. George Smitherman: We can't bring samples, sadly. That's not legal. But I was anticipating the question.

Voices: Oh, oh!

Mr. George Smitherman: For anybody who's witnessed it, we have a stamp model where for every province and territory a producer must apply that province or territory's stamp. They're really tricky. It's pretty much a manual process. That makes it very expensive.

The worst is the circumstance where you ship your product to Saskatchewan, let's say, and it isn't moving. If you want to bring it back and reapply it into Manitoba, the stamps have to be removed by hand. They have to be stuck to a piece of paper. They have to be resubmitted to CRA. For any one that you lose, you have a $30 fine and six months to wait to get paid back, etc. This is an area of significant opportunity for operational cost reduction without losing anything, if you will, from the revenue side for governments.

● (1240)

Mr. Adam Chambers: How many times per year is a producer audited by CRA?

Mr. George Smitherman: The producer is audited by CRA at least quarterly, I think. The thing is that audits that were in place before COVID fell off during COVID, which created quite a conundrum for a lot of companies who got kind of out of sorts with CRA. That is causing some very, very aggressive collection work at the moment.

There's also a lot of duplicative auditing. We have a regulatory system called CTLS that Health Canada runs. Very frequently the audits that we're involved in with CRA are a duplication of the same information that's already been shared in those systems.

Mr. Adam Chambers: Thank you. That's very helpful. If they move the excise sticker to a digital one, it makes no difference, it can save a lot of money and we can move on.

Mr. Asselin, the government has had a varying number of fiscal anchors over eight years. A tweet from the Minister of Finance yesterday seems to indicate that the new fiscal anchor is that we have the lowest debt in the G7 and we have the lowest debt-to-GDP in the G7. In your mind, does that count as a fiscal anchor? If not, I think you recommended one. Maybe you can explain why.

We have 30 seconds. I'll stay on time for the chair.

Mr. Robert Asselin: Thank you, Mr. Chair.

Yes, I think the debt anchor that the government has right now is not one that we're going to be able to meet, frankly. The debt-to-GDP ratio is going to go up this year and probably next year. Unfortunately for the government, it doesn't look like the fiscal anchor will be respected.

We think debt servicing costs of 10% of revenues is reasonable. We think that will prevent all the bad things that I explained earlier.

The Chair: Thank you, and thank you, MP Chambers.

Now we will go to MP Dzerowicz for five minutes, please.

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

Thanks to all the witnesses. I have 10 minutes of questions for each one of you, so I don't have all the time I would like to have.

Mr. Smitherman, thank you for being here. You have a long history in politics. You have done an enormous service to Ontario and to our country, so thank you so much. Thanks for taking on this enormous role. You've been very clear in terms of your recommendations around the adjustments to the excise tax, the elimination of the health tax fee, and the regulated format for things like edibles, etc. Thank you for being clear. *Bem-vindo* to your board director. It's nice to have him here as well. I don't have any questions for you. I just wanted to say that your recommendations were clear.

Mr. Asselin, you are not a stranger to this committee. You have been here fairly frequently. We're always pleased to have you. Your messages have also been very clear on keeping spending to 2%, a comprehensive program review, a new fiscal anchor, the IAA clarity, and certainty and predictability. The thing that I'm slightly disappointed on—I'm going to shift over to Mr. Vronces, but I'm hoping to come back to you if I have time—is that I would love to have heard more suggestions from you on growing the economy.

As you know, I have spoken many times to Mr. Hyder about interprovincial trade barriers. This is a huge thing. If you think it's a huge thing, then you're never going to be able to tackle it, but there are ways to break it down and there are things that we can do. Having suggestions that are productive from the Canadian business council would actually be helpful to us.

The productivity levels in business investment—this is not a new thing. It didn't just happen overnight. It didn't happen over the last four years. Productivity is something we've been dealing with for 30 years. We have issues around the Competition Act. We know this. We know that we have productivity issues. We know that we have business investment issues. We know that our businesses are not investing in machinery. They're not investing in training. It is a problem.

It would be really helpful if you could actually come to us and say, “Here is how you can get businesses on track. Here is how you can provide some incentives to get more businesses to provide those types of investments.” That would be helpful to us. If we don't have time today, I'd be grateful if you could actually make that submission to our—

● (1245)

Mr. Robert Asselin: We need to get it solved.

Thank you, Mr. Chairman.

With great respect to the member, I think I've written at least four or five papers on industrial policy, innovation and productivity. We have a lot of solutions for these problems.

Ms. Julie Dzerowicz: That's great, Mr. Asselin, but it would have been great if you'd mentioned that today: Here's what you need to do in terms of restraining your growth; here's where you need to focus on; and if I had to give you one or two or three recommendations for federal budget 2024, this is where we'd like them to go.

Mr. Robert Asselin: I did mention permitting. I did mention implementing tax credits that the government announced last budget.

Ms. Julie Dzerowicz: Yes. Actually, that's the other thing I wanted to mention. We did put quite bit of money into our clean energy federal tool kit. We'd love to hear feedback from you that, for instance, it's great on these levels, but here are the things you need to be adjusting. I say with all genuineness that we want to get it right. It is fundamental that we get that right. So if you could provide that, that would be great.

I'm hoping to come back to you, Mr. Asselin, but right now I'm going to Mr. Vronces.

Look, I'm a big supporter of open banking. I have been a big supporter and am on record for that. There was testimony from Mr. Sabia, the former deputy minister, at a Senate committee in May 2023, earlier this year. He indicated very clearly that the federal government is actually seized with this. We are trying to make sure we're moving as fast as possible. He said that right now there's a complexity around how we can provide the stability that the system needs while moving and shifting into open banking in a world that is highly unpredictable right now.

I just want to let the record show that this is something that we have indicated is a priority for our government, and imminently we hope to be able to put that forward.

My question for you, in my remaining minute, is that I know with Fintechs there are a number of different ways to pay, such as 4Pay, Pay Send, Stripe and Square. How do the Fintechs members help build credit for the financially underserved in Canada? What role do you see your membership playing in the future? Could you respond to that, please?

Mr. Alex Vronces: One of the best examples I can think of that has gotten plenty of attention anywhere that it's been talked about is Borrowell's Rent Advantage program. They have a product that allows Canadians who might not have a lengthy credit history or new Canadians who don't have a credit history that's recognized by financial institutions to use rent payments to build their credit score. My understanding is that they were the first company in Canada to do that. That kind of product is built on the back of what open banking would enable.

Unfortunately, the problem now is that the only way that banks give to Canadians to share their financial information is unreliable and risky. Connections are often coming down, resulting in disruptions to the service. It gets in the way of Canadians trying to meet their financial objectives.

I also agree that any time you try to change financial sector policy there are going to be complexities and risks that need to be managed, but the status quo is also fraught with risks, and those risks need to be managed.

My understanding is that the department and our open banking lead are ready to go. They have been ready to go for months. They have been consulted on this for a long time. They've been consulting on this for over five years. What we need now is attention from the Minister of Finance to actually make a decision and give Canadians a way to access a wider range of financial services without compromising their financial security and their privacy.

Ms. Julie Dzerowicz: Thank you so much for that.

The Chair: Thank you.

Thank you, MP Dzerowicz.

Now we'll go to MP Ste-Marie, please, for two and a half minutes.

[*Translation*]

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

My question is for the Oxfam-Québec representatives.

We are obviously all very concerned by the growing wealth disparity. But the fight against the use of tax havens is the battle that must be waged.

What other measures, or complementary measures, can make the tax system fairer?

[*English*]

Ms. Diana Sarosi: As I mentioned in my comments, a wealth tax is definitely one fiscal leveller that a government can use. It's very clear to everyone these days, just that exorbitant level of inequality in wealth; people on the streets talk about it now because it's so extreme.

In polling that was recently conducted, 89% of Canadians were in favour of a wealth tax. A wealth tax of 2% over $5 million, 3% over $50 million and 5% over $1 billion of wealth could raise $30 billion in revenues in the first year. Again, this is one of the measures that could help in making sure there are no services cut in terms of inflation and the debt issue.

● (1250)

[*Translation*]

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

Thank you, Chair.

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

[*English*]

Now we're going to MP Blaikie, please.

Mr. Daniel Blaikie: I certainly appreciate the extra time.

Voices: Oh, oh!

Mr. Daniel Blaikie: Professor Purdon, obviously the carbon tax continues to go up. So do oil and gas company profits. Earlier, I know, you were able to translate what increases in the carbon tax meant at the pump for Canadians. Have you yourself or anyone you're aware of done work to try to translate the increase in profits for oil and gas companies into a cost at the pump for Canadians, and how would that compare to the carbon price increase?

Mr. Mark Purdon: That's an interesting question. I haven't looked at that, and I don't know anyone who has, but I think it could be done. Maybe it's something that we could look at. I work regularly with economists at UQAM and others across Canada. I'm not an economist by training, but I try to speak the language.

Yes, that could be something that could be increasing.... I don't want to speculate here, but I think that as colleagues at Oxfam were also mentioning, there are still substantial subsidies to the oil and gas sector that make it so that there's not really a level playing field. We could probably get.... There are probably pretty clear numbers on that in Canada although reducing the costs is going in another direction for consumers and producers, but it's definitely a worthwhile issue to consider.

Mr. Daniel Blaikie: It seems to me that the increase in profits that oil and gas companies have experienced far exceeds what revenue is being generated by the carbon tax. I think it would be interesting to do that comparison as an apples-to-apples exercise, because if you're a Canadian and you're looking at your household budget and trying to figure out how to put food on the table, it doesn't really matter whether an increase comes in the form of a tax or whether it's an increase in order to pay higher dividends to oil and gas shareholders. At the end of the day, it puts the same amount of pressure on your budget.

It certainly seems like oil and gas companies have been getting a pretty good ride through the pandemic period. I think that even from 2019 to 2021 there are some examples of profit increases of up to 1,000%, which sounds far more dramatic to me than the increase in the carbon tax.

I thank you for that. Certainly, if you do find some of those numbers, if you could forward them on to the committee here, we would be very appreciative of that information.

Thank you.

The Chair: Thank you, MP Blaikie.

MP Morantz, go ahead for five minutes.

Mr. Marty Morantz: Thank you, Chair.

Mr. Asselin, after eight long years of this Liberal government, despite historically high deficits, this Liberal government has left Canada with the lowest GDP per capita since the Great Depression. Ms. Dzerowicz says she's disappointed and has asked that you explain all of the things you've written about over the years that her government should have done over that time—

Ms. Julie Dzerowicz: On a point of order, Mr. Chair, let the record show that I did not say that.

Mr. Marty Morantz: —to make the economy grow, so here is your chance.

Ms. Julie Dzerowicz: On a point of order, I did not say that.

Mr. Marty Morantz: Oh, I'm sorry. You said you were disappointed.

Ms. Julie Dzerowicz: I did not say that, Mr. Morantz.

Mr. Chair, point of order.

The Chair: It is a point of order. The member is just being clear as to what was said on the record.

Go ahead, MP Morantz.

Mr. Marty Morantz: Okay. I appreciate that.

Do I have my time back on that point of order, Mr. Chair?

The Chair: MP Morantz, the time is yours.

Mr. Marty Morantz: I know you're always fair with time.

Mr. Asselin, here's your chance. Explain to Ms. Dzerowicz all the things you've written on over the years that would have helped her government make sure we have high growth instead of anemic growth over all those years.

Mr. Robert Asselin: I'll focus on one thing that's very close to my heart, which is innovation. I think every country that takes industrial policy seriously has innovative capabilities. In this country we have high-performing universities that do world-class research and we have great companies, but what we haven't done is connect the two together the way the Americans, the Germans and the South Koreans have done with institutional capabilities such as DARPA and NASA in the U.S. and Fraunhofer in Germany.

All this intellectual capital we're producing in Canada does not translate into the economy because we have not created the incentive for it to transfer into our private companies. As long as we don't address this fundamental problem in our science and technology architecture, I believe we're going to have weak performance in productivity.

I've written many papers on this. If members are interested, they can go onto the Business Council's website to get more on this.

● (1255)

Mr. Marty Morantz: Thank you very much.

I have a question for you, Ms. Bernard and Ms. Pellerin. It has to do with Bill C-69, what we affectionately call the “no more pipelines" bill. I wonder if your organization has a position on this. We know that the Supreme Court recently opined that several sections of this bill are unconstitutional, and the government announced that it's going to have to retool it.

My understanding is that this legislation makes no mention of UNDRIP and doesn't really address the idea of economic reconciliation, which is one of the points you raised in your opening statement. I'm wondering if you agree that this legislation is seriously flawed and needs to be reworked.

Ms. Joanna Bernard: I apologize. I thought the question was for Mark—

Mr. Marty Morantz: No.

Ms. Joanna Bernard: When I heard you explaining it, you were saying the submission makes no reference to UNDRIP?

Mr. Marty Morantz: Yes, Bill C-69, what we call the “no more pipelines” bill, creates administrative roadblocks not only to oil and gas but also to things like mines, critical minerals and those types of things. The Supreme Court of Canada just ruled that many of the bill's sections are unconstitutional. I was wondering if your organization has any opinion on that piece of legislation, which does not mention UNDRIP.

Ms. Joanna Bernard: I believe the court decision on that was recent. Is that the one you're talking about, Bill C-69? Maybe you could refer to it.

Ms. Julie Pellerin: With regard to AFN's position, we don't really have a position. We support and advocate for the first nations, and the issue of pipelines is one that each individual first nation will be addressing.

However, when it comes to references to UNDRIP and to the UNDA, we are looking at all of the legislation that is put forward by Canada. If Canada enacts the United Nations Declaration on the Rights of Indigenous Peoples Act and its subsequent national action plan, the AFN will be ensuring that all the legislation in Canada—and Canada should also be doing this as their commitment—will reflect their commitment to those documents—UNDRIP, UNDA and the national action plan.

I know that doesn't necessarily specifically answer your question, but it's not in my sector, so I'm not as able to elaborate on it as much, but actually perhaps we can follow up and provide some information.

Mr. Marty Morantz: Sure. That would be great, if you have information on it.

The Chair: Thank you. If you could submit that to the committee, we'd appreciate it.

Thank you, MP Morantz.

MP Thompson, you're going to be our last questioner of these fine witnesses today.

That is five minutes to you, please.

Ms. Joanne Thompson: Thank you.

Again, Mr. Asselin, I'm sorry there isn't more time to ask you some questions.

Clearly we've just come through the worst summer in history for forest fires in Canada, across all sectors. Companies are saying that they are feeling the impact of climate change.

A KPMG study from last week stated that nearly six out of 10 Canadian small businesses have been affected by some type of extreme weather event this year, more than 50% of businesses surveyed have experienced a significant rise in their overall costs, and 44% are saying that it has directly hit their revenues.

Can you speak to climate impacts on businesses over the last year?

● (1300)

Mr. Robert Asselin: Thank you, Mr. Chair.

I think the question is very relevant. Every company, big and small—we represent larger firms, obviously—is dealing with this thing. It's not going to go away; it's just going to accelerate.

The Business Council has been supportive of carbon pricing for the last 20 years. This is something we've been supportive of.

For the government, I think it's a question of being proactive on climate policy, but also on climate adaptation. I think this summer has shown that the adaptation part was maybe underlooked by policy-makers, given the size of what's happening in the world. On climate change, I think we're all realizing that the adaptation side will need to be a more important focus for policy-makers.

Ms. Joanne Thompson: I'm going to zero in on that for a moment. Do you believe that carbon pricing is an effective way—there are many things that we have to do—in helping to address the climate crisis?

Mr. Robert Asselin: Yes. In general, I think carbon pricing is something we've been supportive of.

What I think is worrisome is that when I look at the government's intention, for example, to cap oil and gas production, I think that would be overkill and would actually deconstruct the carbon pricing mechanism that is agnostic of sectors. I would warn the government to really be careful about this measure.

Ms. Joanne Thompson: Thank you.

How much time do I have?

The Chair: You have two and a bit minutes.

Ms. Joanne Thompson: Okay, good.

I'll stay with you, Mr. Asselin, and then I have one more question for Mr. Purdon.

It's not just small businesses, as you referenced, that are being impacted by the climate crisis. It's obviously larger businesses as well. They're saying that the climate crisis will negatively impact their organizations' prosperity over the next three years.

Has your organization surveyed members on this, and if so, are you able to share that with this committee?

Mr. Robert Asselin: We have not.

What we've done is produce a policy document, “Innovate, compete and win” recently, which I think addressed the climate challenge from an economic perspective and a competitiveness standpoint. I encourage all members to read it.

Ms. Joanne Thompson: Thank you.

If I could switch to Professor Purdon for a quick question, do you feel that Canada is on track to achieve its climate targets in 2030?

Mr. Mark Purdon: That's a big question.

I think the ambition is there. There is not a consensus on this among academics working on these issues in Canada, but my feeling is that, as the cost of carbon pricing goes up, there is going to be increasing political resentment to those costs. The amount of $170 per tonne is about double what we're at right now.

For Quebec to meet its emission reduction targets, some of the economic lobbying I've seen said that pricing could go up to $300 a tonne to meet it, which is a bit more ambitious than Canada's target.

It seems that it could become politically salient.

I'm happy to talk more about the Quebec-California carbon market, but carbon pricing isn't really politically salient in Quebec. We have agreement of both parties, the CAQ and Liberals, and the others....

There are debates on other issues of climate policy, and that is maybe because the carbon price has been lower than in the rest of Canada. That's one issue which, in the back of my mind, I think international emissions trading could be explored as a sort of backstop on the backstop, if I can say that, in terms of carbon pricing, and also as a way of fostering international co-operation and allowing for other parts of the world where it's cheaper to reduce emissions to accelerate their decarbonization efforts there.

The Chair: Thank you.

Thank you, MP Thompson. That is the time.

We want to thank our excellent, diverse group of witnesses we have with us here today. You've done a tremendous job of informing us in this study of the pre-budget consultation in advance of budget 2024.

We thank you on behalf of all the members, the clerks, the analysts and the interpreters, who have done a fine job, and everybody in this room. Thank you very much. We appreciate your coming before us.

Members, we are adjourned.

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