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Chair: Mr. Peter Fonseca

Standing Committee on Finance

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● (1535)

[*English*]

The Chair (Mr. Peter Fonseca (Mississauga East—Cooksville, Lib.)): I call this meeting to order.

Welcome to meeting number 159 of the Standing Committee on Finance.

Today's meeting is taking place in a hybrid format. All witnesses have completed the required connection tests in advance of the meeting.

I would now like to remind participants of the following points. Please wait until I recognize you by name before speaking. All comments should be addressed through the chair. Members, please raise your hand if you wish to speak, whether participating in person or via Zoom. The clerk and I will manage the speaking order as best we can.

Pursuant to Standing Order 83.1 and the motion adopted by the committee on Thursday, September 26, 2024, the committee is resuming its study on the pre-budget consultations in advance of the 2025 budget.

I would now like to welcome our witnesses.

With us today, from the University of Calgary's school of public policy, is president's fellow Dr. Jack Mintz. Welcome.

From Butler Mortgage Inc., we have Ron Butler, mortgage broker, who is no stranger here. Ron, welcome.

From Community Food Centres Canada, we have senior policy adviser Anthony Musiwa, who is with us via video conference.

From the Extended Healthcare Professionals Coalition, we have the chair, François Couillard. Welcome.

From the Front d'action populaire en réaménagement urbain, we have spokesperson Véronique Laflamme.

From the Toronto Biennial of Art, executive director Patrizia Libralato is with us. Welcome.

Each of the witnesses will have up to five minutes to provide their opening remarks before we move on to members' questions.

We are starting with Dr. Jack Mintz, please.

Dr. Jack Mintz (President's Fellow, School of Public Policy, University of Calgary, As an Individual): Thank you very much, Mr. Chair.

It's a pleasure to be here in person. It's been a very long time since I've had that opportunity. Usually it's been by Zooming, but it's very nice to see everybody in person today. Thank you for the opportunity to address the finance committee on the April budget.

I've decided to focus my comments specifically on capital gains taxation, which is one of the most complex areas of tax policy. Starting on June 24, 2024, the government increased the tax rate on realized capital gains from the disposal of assets by including two-thirds instead of one-half of gains as part of taxable income. For individuals, this increase applies to realized capital gains net of losses in excess of $250,000. For corporations, the higher rate applies to all of their net capital gains.

The budget estimates that only 40,000 individual taxpayers—0.3% of all filers—and 307,000 corporations—12.7% of all corporate tax filers—will be impacted by the increased capital gains tax. The lower number of personal filers hinges on the design of the tax change, including a $250,000 capital gains threshold for individuals, which the budget claims limits its economic costs and its incidence on the wealthiest.

However, capital gains are often lumpy, because assets are sold regularly. Many taxpayers may realize more than $250,000 in capital gains in a single year, but not in others. Significant asset disposal, such as selling real estate, farmland, business assets, secondary homes, or during events like death or immigration, may occur only once or twice in a person's lifetime. Longitudinal data from 2011 to 2021 shows an average of 40,664 tax filers per year reporting capital gains exceeding $250,000, aligning with the budget's forecast. If these were the same individuals each year, the affected group would be small. However, further analysis reveals that nearly two-thirds of taxpayers who reported over $250,000 in capital gains in 2011 did so only once in the subsequent 11 years, and only about 3.5% reported such gains in seven years or more. Importantly, many of these taxpayers have middle-class or modest incomes aside from their capital gains. In 2018, 50% of those with $250,000 in capital gains had non-capital gain taxable income below $117,592, with 10% only having $18,131. This demonstrates that significant capital gains can occur for individuals who are not consistently high earners.

Far more Canadians will be affected by the tax change than the government seemed to anticipate. I estimated that 22,088 unique Canadian taxpayers per year, or 1.26 million Canadians on a lifetime basis—4.3% of taxpayers—will be affected by the increase in the capital gains tax on individuals, half of whom earn less than $117,000 per year.

The other claim in the budget was that the capital gains tax increase would have no impact on business investment. I will argue that this is incorrect, for two reasons.

First, as in many other countries, Canadians have a bias to invest at home. Smaller companies don't have easy access to international markets. Companies that are Canadian-controlled need a significant share of Canadian ownership beyond 2.5%. Canadians have more information about domestic opportunities and risks than they have with respect to international assets. While Canada doesn't have capital controls, except for Investment Canada Act limitations on foreign direct investment, the dividend tax credit and certain other tax preferences apply only to Canadian resident companies, not foreign ones. If there was no home bias, Canadian household ownership of Canadian companies would obviously be much smaller and have little impact on the cost of investment for large companies. However, based on Statistics Canada data, I estimate that Canadian households own 35.5% of listed company shares in Canada. Under home bias, capital gains taxes have been shown to suppress equity values and raise the cost of equity finance investment of Canadian companies, based on studies looking at the capital gains tax reductions in 2000—and I will admit, I was an author with Kevin Milligan and Tom Wilson at that time.

● (1540)

Second, tax increases on corporate capital gains increase the cost of investment, not only for small and medium enterprises, but also for large corporations. Since the corporate tax applies to nominal capital gains, that capital gains tax increases the cost of investment even if there are no real capital gains. From 2011 to 2021, taxable corporate capital gains were roughly 7% of corporate taxable income of non-financial corporations. By the way, one should not look at financial ones, because financial traders are taxed on all their capital gains, and that should be recalled. Based on merger and acquisition data, and the market value of the stock market, I estimate that the annualized non-financial capital gains tax rate, the so-called accrual equivalent capital gains tax rate, rose from 6.4% to 8.5% due to the budget's capital gains tax hike.

Overall, the capital gains tax hike had a significant impact on the incentive to hold capital in Canada and on employment. Two-thirds of the impact is due to an increase in the corporate capital gains tax rate, and one-third is due to the increase in the personal capital gains tax rate. We estimate that the tax-inclusive cost of capital of Canadian companies rose by 5%. Based on a conservative assumption that an increase in the tax-inclusive cost of capital by 10% causes the capital stock to fall by 7%, I estimate that Canada's capital stock would fall by $127 billion.

The Chair: You're going to have to wrap it up.

Dr. Jack Mintz: Yes. I'm almost done.

Employment would permanently decline by 414,000. To put this in terms of its impact on unemployment, the capital gains tax hike would increase unemployment from 1.4 million to 1.8 million Canadian workers, based on the employment data for September 2024. GDP will fall by almost $90 billion, and real per capita GDP by 3%.

While the impact of the capital gains tax is not catastrophic, it is substantial. It is another hit on Canada's productivity and economic growth, on top of other tax increases and more important, regulatory obstacles to investment.

There are important policy objectives underlying the development of capital gains taxes in Canada, but I don't have time to discuss that in detail. However, I would be pleased to take these up during the discussion.

Thank you very much.

The Chair: Thank you, Dr. Mintz. There'll be a lot of opportunity for that.

We're going to Mr. Butler now.

Mr. Ronald Butler (Mortgage Broker, Butler Mortgage Inc.): Thank you, Mr. Chairman and honourable members.

Every time I come here, I feel compelled to say how impressed I am by the operation of Parliament. I'm an old guy who only came to this late in life. It's always a pleasure to see the members. We may argue about policy, but I've come to learn that everybody here works hard and wants to accomplish something good for Canadians, so thank you for that. Thank you, all.

We are faced with some major changes in the CMHC proposals that we saw come through. They will be enacted soon, in December 15 and January 15. We're going to see a $1.5-million cap. This is interesting, because in the United States, the maximum cap for their program that mimics CMHC is $766,000. Somehow we need double than a nation with New York, San Francisco and Los Angeles to manage our socialized housing perspective. It's really quite amazing that these numbers are necessary. My constant refrain is that the price of houses in Canada—certainly in British Columbia and Ontario—is just incredibly high. Measures that support a $1.5-million starter home reasonably have to be called into question. Sure, there's a need for it, but should there be a need for it? At this point, we have to really stop and think.

The interesting move to re-enter the refinance business.... CMHC is re-entering the refinance business, which it left 14 or 15 years ago, to provide extra units in up to $2-million homes. You can get a mortgage up to $1.8 million if you add extra units to an existing residence. Again, it's extremely high, and it's very interesting that we're back in the refinance business at CMHC.

It's a good purpose. Sure, we'd all like more mile density in our cities. It just makes a lot of sense. However, that is an extraordinary number that Canadian taxpayers will eventually have to backstop. I know, and it's been a constant refrain that I tell everyone, that CMHC has delivered returns to the taxpayers for the last number of decades. It's not the other way around. However, the level of risk has been radically increased.

This brings me back to my favourite discussion, which is lending mortgage document fraud in Canada. It was announced in the budget in April that steps would be taken, studies would be made and the implementation would be on its way. In spite of the best efforts of the Department of Finance, it is becoming clear that CRA provides a certain level of resistance.

My eternal ask is that we simply duplicate what's been going on in the United States through direct digital linkage to the IRS. In the United States, the IRS confirms tax documents that have been provided by the borrower. It has done so for over two decades. This is an effortless, low-impact, privacy-guaranteed relationship between CRA and only large financial institutions. Nobody like me, a mortgage broker, is ever going to have access to this. It's only going to be through big financial institutions under great security and total privacy. Yet, there is nothing yet and nothing until possibly next year.

It is my fondest hope that we can finally end this problem of mortgage fraud through false income documents in Canada because, even though it's not rampant, even 1,000 is too many, and believe me, there are more than 1,000. With increased levels of taxpayer-backstopped CMHC mortgages with a $1.5-million cap, I would think that these issues are vital, extremely important and should be managed as quickly as humanly possible. That's a lot of risk: $1.5 million of backstopped mortgage amounts is a lot of money. There's no question we should do a great job of making sure those documents are all factual. It's easy. It is not even hard.

● (1545)

Finally, I have to talk about the idea that CMHC was founded on the concept of a first-time homebuyer. That's the foundation of CMHC. If you go back all of those decades, that's where it came from. Is it possible, in two of Canada's largest provinces, Ontario and British Columbia, for the average family with a combined income in Canada of about $105,000—it's a little higher in Ontario and British Columbia, where it's maybe up around $114,000—to have a chance to buy a home when the average prices in those provinces are upwards of a million dollars?

Sure, people could start with a tiny condo, but the reality of life is that any access to low-rise residential properties cruises at around $900,000 to a million dollars, and that is eight times their income. I'm an old, semi-retired mortgage broker, and for my generation, when I was in the house-buying business, it was about 2.5 to 3.5 times our income. My great ask—which is difficult, because it has a lot of provincial and municipal problems associated with it—is to find a way to adequately help young people get a home in Canada.

Thank you.

The Chair: Thank you, Mr. Butler. That's something we all want.

Now we're going to hear from François Couillard with the Extended Healthcare Professionals Coalition.

Please go ahead.

Mr. François Couillard (Chair, Extended Healthcare Professionals Coalition): Thank you, Mr. Chair. Thanks, everyone, for the invitation to speak to this committee.

I represent the Extended Healthcare Professionals Coalition as the chair.

[*Translation*]

I'll be making my opening remarks in English, but afterwards, I would be happy to answer your questions in French or English.

● (1550)

[*English*]

The Extended Health Professionals Coalition comprises over 100,000 of Canada's regulated health care professionals. Our coalition includes audiologists, chiropractors, dental hygienists, dentists, denturists, dietitians, occupational therapists, optometrists, pharmacists, physiotherapists, psychologists, speech-language pathologists, and registered social workers. The breadth of our services can help reduce unnecessary hospitalization, dependency on pain medication and premature entry into long-term care facilities, and improve health outcomes across the lifespan.

I would like to take this opportunity to first share a personal story on the importance of access to care that our members provide. Last year, in Ottawa, I suffered a small stroke, and as a result I lost a quarter of my sight. Thankfully, I'm okay. You don't need to worry about me; I'm good. I was able to identify the signs early and receive immediate intervention. It was health care systems, doctors, nurses and hospitals that managed the emergency. However, it was access to EHPC health professionals that brought back my quality of life and allowed me to return to work and regain my sight.

As you now understand the importance of our services, let me provide you with an overview of the EHPC pre-budget submission. That's my focus today.

It is, first, that the Government of Canada continue its expansion of the Canada student loan forgiveness program to include audiologists, dietitians, chiropractors, denturists, occupational therapists, optometrists and speech-language pathologists to help strengthen rural and remote care for Canadians.

We are thankful for the inclusion of some of our members in the government's announcement that more health care professionals in underserved rural and remote communities will benefit from loan forgiveness, including social workers, dentists, dental hygienists, physiotherapists, psychologists and pharmacists. We look forward to an update on the progress towards its implementation. Canadians living in rural and remote communities deserve access to all of our members and the necessary services they provide.

According to a report from ESDC and input from our members, we know that loan forgiveness would be an attractive recruitment option to attract health care providers to underserved areas. Our essential preventative, diagnostic and treatment care options are particularly important in rural and remote areas where the population has a higher concentration of indigenous and elderly populations.

Our second ask is that the Government of Canada ensure the ongoing collection of pan-Canadian health sector workforce data across the public and private sectors. Currently, the data collected at the federal level does not encompass all of the necessary health professions. The information also collects only the number of professionals per 100,000. It does not capture essential information for health human resources planning, such as where someone is practising, whether they are located in remote or rural areas, if they are practising in a public or private setting, or their demographics.

Our third ask is that the Government of Canada introduce a tax credit for eligible small and medium-sized employers to help them expand their coverage for extended health care benefits for their employees. We know from our members that health coverage has remained stagnant for many years. At the same time, the cost of doing business has risen with inflation. For example, vision care coverage today is the same as it was in the 1970s. Despite improvements to vision care diagnostics and imaging, coverage for our other member services is quite limited. An average coverage per employee is, say, $500 per year for services such as speech-language pathology, mental health, physiotherapy, occupational therapy, etc., which only pays for two treatments. The cost of providing these plans is the most expensive for small employers.

Our final ask is that the federal government establish a primary health care transition fund to improve access to interdisciplinary community team-based primary care that integrates services provided by extended health care professionals. With increased federal investments in primary care settings, early intervention and timely access to care, Canada has an opportunity to transform the current overwhelmed and expensive health system to a community-centric, health and wellness-based model of care, with an emphasis on health promotion and injury and disease prevention. This fund would help support and expand existing models such as Ontario's family health teams, Alberta's primary care networks and Quebec's local community centres to include more extended health care professionals.

We appreciate the time you have given us today, and we look forward to answering your questions.

Thank you.

● (1555)

The Chair: Thank you, Mr. Couillard, and we're glad to hear about your recovery.

Now we'll go to Front d'action populaire en réaménagement urbain and its spokesperson, Véronique Laflamme, please.

[*Translation*]

Ms. Véronique Laflamme (Spokesperson, Front d'action populaire en réaménagement urbain): Thank you, Mr. Chair.

Good morning, everyone.

Mr. Chair, deputy chairs and members of the committee, thank you for inviting me to appear.

The Front d'action populaire en réaménagement urbain is a Quebec-wide group of more than 140 organizations advocating for the right to housing. We advocate mainly on behalf of tenants in inadequate housing and all social housing applicants.

Quebec and all the provinces are experiencing an unprecedented rental housing shortage, the most extreme Quebec has ever seen. The housing crisis is no longer defined only by scarcity, but also, and mainly, by housing unaffordability. It is fuelled by speculation, inadequate measures to control rent increases and evictions, the discrimination experienced by some households and, more than anything, the lack of alternatives to private housing. While about 90% of the rental stock is private, it is now inaccessible to a significant portion of renter households.

The data from the last census are clear on the number of renter households in Canada that, in 2021, were already spending more than the standard 30% of their income on housing. The number is more than 1.6 million renter households across the country. Rents for the few available rental apartments are much higher, the stock of affordable housing is rapidly dwindling, and housing insecurity is now impacting more and more renter households that were previously unaffected.

Rental housing built in recent years, often by real estate giants, has unfortunately contributed to the growing unaffordability. This is proof that we cannot rely on them to solve the crisis. I'll come back to that.

The high cost of rents and the disparity between those rents and the incomes of a large number of tenants are at the root of a crisis that undermines their ability to pay. That ability is an important component of the right to decent housing, which Canada recognizes.

However, since the private sector owns 90% of the rental stock, as I said, there are very few alternatives to units that are too expensive for the very many households that are no longer able to find decent housing at a price that matches their ability to pay.

In this context, the lack of social housing contributes to the crisis and has clearly contributed to the increase in the number of people experiencing homelessness in recent years, all over Quebec and across Canada. In anticipation of the next budget, the Government of Canada must focus its efforts on the social housing sector as a long-term solution to the crisis.

Whether in the form of public social housing, co-operatives or non-profit housing organizations, social and community housing provides shelter that meets the diverse needs of tenants at a price that matches their ability to pay. These tenants include seniors, families, urban indigenous people, women fleeing domestic violence and people with low incomes. This is the most comprehensive and permanent form of housing assistance, as long as it is adequately subsidized through sustainable programs with clear guidelines. It is particularly important that the guidelines take into account affordability and democratic governance. This approach serves as a bulwark against not just the current crisis, but also real estate speculation for generations to come.

However, as I was saying, there is a bitter lack of housing. For three decades, the Canadian government's response to housing issues focused on non-profit and community-owned social housing. In the past, federal investments have made it possible to significantly grow our collective heritage. In the space of 20 years, these investments increased the share of social housing from 0.5% to about 9.5% of Quebec's rental stock, and the same is more or less true in the rest of Canada.

Since then, unfortunately, the federal government's chronic underfunding and disengagement have meant that the proportion has practically stagnated for the past 20 years across Canada. I won't be telling you anything new when I say that the national housing strategy, which was introduced in 2017, has clearly not helped to fund a large number of housing units actually intended for low and modest-income individuals and families with the most urgent needs, as data from the last Statistics Canada census show. There is a reason for that. Despite the objectives of the strategy, the initiatives were poorly targeted and the funds earmarked for housing are overwhelmingly used to build apartments at far too high a cost.

As you know, the Parliamentary Budget Officer and the Auditor General have tabled reports on the issue, as have the federal housing advocate and the National Housing Council.

There is no longer any doubt that the strategy has unfortunately missed the mark so far. However, billions of dollars are slated for housing over the next few years.

Fortunately, the last budget and Canada's housing plan reallocated some funds to provide more funding for social and community housing, as we have been calling for since the strategy was launched.

● (1600)

Unfortunately, most federal investments are still focused on the private sector, and those focused on non-profit housing are insufficient. Right now, out of tens of billions of dollars, only a few billion are earmarked for social housing.

We are therefore counting on the members of the committee to ensure that the next economic update and budget help a necessary shift come about. Public funds should first be used to strengthen our social safety net and provide decent housing to households with the most urgent needs. I'm talking about renter households and people who, unfortunately, are already experiencing homelessness. These people have been left behind by public policy for more than 25 years.

The share allocated to social housing should be greater to provide a real alternative to tenants in inadequate housing and counter the erosion of the still affordable rental stock that I mentioned. If we want to help the thousands of renter households in Canada, from coast to coast, to find adequate housing, that's the objective we need—

[*English*]

The Chair: Madame Laflamme, you're going to have to wrap up very quickly. Thank you.

[*Translation*]

Ms. Véronique Laflamme: I'm almost done.

In terms of the next budget, our main request is that the government set a clear target for the delivery of various forms of social housing over multiple years. Our suggestion, which is shared by other groups across Canada, is to build 500,000 housing units over 10 years.

In the very short term, in anticipation of the economic update, we're saying that the affordable housing fund should be dedicated entirely to the non-profit sector. The government should also give priority to social and community non-profit housing under the plan to use public lands for housing.

The Chair: Thank you, Ms. Laflamme.

[*English*]

There will be a lot of opportunity during questions.

Now we're going to hear from Community Food Centres Canada and its senior policy adviser, Anthony Musiwa.

Mr. Anthony Musiwa (Senior Policy Advisor, Community Food Centres Canada): Thank you, Chair.

Good afternoon to the committee members. Thank you for the opportunity to present today.

My name is Anthony Musiwa, and I am the senior policy adviser in the poverty action unit at Community Food Centres Canada.

I am joined here by my colleague Jasmine Ramze Rezaee, who is the director of the poverty action unit at Community Food Centres Canada.

At Community Food Centres Canada, we support and strengthen the community food sector, collaborating with our six regional networks and more than 400 partners for progressive policy change. We envision a country where the right to food is realized for all, and where every community has a place for food that nurtures health, well-being, belonging and social justice.

Our head office is actually located in Ms. Dzerowicz's riding, and we really appreciate the support she has provided us over the years.

As we gather this afternoon, it is crucial to acknowledge that we are facing a grave food insecurity crisis. Nearly 8.7 million people in our country are experiencing food insecurity. That is one in every four people who is compromising on the quantity or quality of food they eat, with some even going for days without eating. This crisis has only worsened, with food insecurity rates increasing by 26% in 2023 compared to the previous year.

Our partners on the front lines share alarming insights into the stress faced by the millions of Canadians who cannot afford adequate, nourishing food. For example, in 2023, the Depot Community Food Centre in Montreal distributed approximately 20,000 food baskets, and that is double the number they had distributed the previous year. They have had to turn people away from their food access programs and reduce the number of program days for the very first time ever. This is a challenging situation that is playing out across the country.

We also know that indigenous and racialized people, people living with disabilities, single adults, female single-parent households, newcomers and trans people experience food insecurity rates that are two to three times higher than the national average. As food prices and the cost of living continue to rise while incomes remain stagnant, this crisis will only worsen. We need comprehensive, sustained and accountable government action.

Governments have been off-loading their responsibility to food banks, but food banks and emergency food programs are merely band-aid solutions to a much deeper problem. Food insecurity is fundamentally an income problem. In our recent pre-budget 2025 submission, we emphasized the need for urgent action that addresses the root cause of food insecurity, which is inadequate income, so that everyone can afford to meet their basic needs. We propose evidence-based policy options to increase household incomes and ensure all Canadians can afford adequate, nourishing food.

We recommend creating a dignified income support program for people aged 18 to 64 who are living in households facing food insecurity and poverty. This can be done in two complementary ways. First, we could transform the existing GST/HST credit into a groceries and essentials benefit that provides $150 per month per adult living on a low or modest income, and $50 per child, helping to offset the rising cost of groceries and necessities.

Another approach would be to transform the Canada workers benefit into an enhanced tax credit—a Canada working-age supplement. This could be achieved by removing the employment earnings requirement and increasing the benefit amount, ensuring that adults who are living on low and fixed incomes can afford their basic needs.

We also recommend creating a more equitable and fair Canada disability benefit. While the Canada disability benefit is a step in the right direction, the proposed regulations are inadequate to lift most people with disabilities out of poverty and food insecurity. We urge the government to raise the income threshold for eligibility above the poverty line, accounting for the additional cost of living with a disability. We also urge the government to increase the benefit amount, as a $200-per-month benefit is grossly insufficient. Lastly, we urge the government to broaden eligibility beyond the disability tax credit, which is already difficult for people with disabilities to access.

● (1605)

Finally, we call on you to set a target to reduce food insecurity by 50% and eradicate severe food insecurity by 2030. Establishing a clear target will drive focus, accountability and action. Success on this front will enable the development of an integrated approach across government, the private sector and civil society.

Food is a basic human right. It is the government's profound responsibility to ensure that everyone can live with dignity. Canada is such an affluent nation. We can and must do better. The decisions you make in the 2025 budget will determine whether or not we move forward toward a future where everyone in Canada, regardless of their circumstances, can live with dignity and security.

Thank you once again for the opportunity to share our ideas before this committee. My colleague Jasmine and I welcome any questions and the chance to discuss these critical issues further.

Thank you.

The Chair: Thank you, Mr. Musiwa.

Members, Mr. Musiwa just mentioned Jasmine on the screen. Unfortunately, Jasmine's headset is not working very well, so the interpreters cannot do their job. She will assist Anthony Musiwa with some of the questions if she has answers to them.

We will go now to the Toronto Biennial of Art and its executive director, Patrizia Libralato, who is here with us today.

Ms. Patrizia Libralato (Executive Director, Toronto Biennial of Art): Thank you, Mr. Chair and members of the committee.

Good afternoon. It's really wonderful to be here. Thank you for inviting me to appear before you.

My name is Patrizia Libralato. I'm the proud founder and executive director of the Toronto Biennial of Art, which launched in 2019. Our biennial is a 10-week international event held every two years. We commission Canadian and international artists to create new works for a city-wide exhibition in dialogue with Toronto's diverse local contexts and communities.

Our third edition, titled “Precarious Joys”, launched on September 21 and runs until December 1. You and all parliamentarians are most welcome to join us this year.

Our biennial is unique in Canada. All of our art exhibitions, public programs, performances and learning experiences are completely free of charge for the 10 weeks that the biennial is on. Free programming is essential in making contemporary art accessible to everyone. Access to art enriches individuals, creates lasting learning opportunities and contributes to vibrant and healthy communities. Our artists reflect our city and country. In our current biennial, 90% of artists identify as Black, indigenous or people of colour, and 78% of our artists identify as women, trans or non-binary. These stories enable us to connect across cultures and differences, sparking dialogue, community connection and social cohesion.

Our festival is also a major economic driver. According to the Ontario Arts Council, Ontario's culture sector provided more jobs in 2022 than the real estate, auto manufacturing, forestry and mining industries combined. Each edition of our biennial drives over $30 million of direct economic impact and creates over 500 jobs. On average, for each dollar that is invested in the arts in Ontario, we see a return of $25 in economic impact. That's an impressive return on investment in any industry, let alone the arts, which also create innumerable positive social impacts. The arts are also a major driver of tourism. Stats show that cultural tourists spend three times more than other tourists and tend to stay longer in cities they visit.

Our biennial partners with organizations across our city and country. We take pride in serving as a collaborative sector-builder, demonstrated by collaborations with over 200 partners since our launch. This edition of our biennial also proudly takes place at 11 venues across the city of Toronto. Partners for this edition include a co-commission with the National Gallery of Canada and exhibitions with the Art Gallery of Ontario, The Power Plant, The Image Centre and many more.

Finally, the biennial is learning-focused and made possible thanks to strong partnerships with school boards across the greater Toronto area. Through our free programs, we aim to serve over 3,500 students from schools across the region each edition, prioritizing underserved students. Our tools for learning are also available online, reaching across the nation to more rural communities.

We are proud to be Canada's biennial and to share the cultural story of our city and country with the world. Our biennial has also launched and accelerated the careers of many contemporary Canadian artists, with their works acquired by national and international institutions such as the National Gallery of Canada, the Art Gallery of Ontario and the Tate Modern in the U.K. The biennial enables Canadian artists to take their rightful place on the global stage and reach their full potential.

The Government of Canada has been a partner to us throughout our development. We have been extremely grateful to receive one-off tourism grants from FedDev Ontario and project support from the Canada Council for the Arts. These grants are not just investments in our biennial, but investments in our people, our economic impact and our Canadian culture.

That said, our current funding system has us twisting ourselves to fit a round peg in a square hole. While there are a handful of project-based, one-off grants, there is no sustainable funding available to support our organization. Programs within Canadian Heritage and the Canada Council for the Arts exist to support festivals and the visual arts, but because of our length, frequency and cost to attendees—which I repeat is zero cost—we are deemed ineligible. Members, this simply does not make sense. Programs at FedDev Ontario are extraordinarily helpful but represent limited, irregular investments rather than consistent, reliable funding to ensure the future of our organization and to enable Canadian artists to thrive internationally.

With this in mind, I've come to you today to ask this committee to make two recommendations for budget 2025.

● (1610)

The first is that the Government of Canada invest in permanent and stable funding for arts festivals, with particular emphasis on those like ours that provide free and accessible programming.

Second, as Canada's biennial, we respectfully request that the Government of Canada invest $1.5 million over two years in the Toronto Biennial of Art for the 2026 edition. With this contribution, the biennial would have predictable and stable funding to be able to deliver a world-class event that elevates Canadian artists on the global stage and that provides free access to contemporary art for all Canadians. This investment not only would be a meaningful contribution to our biennial, but also would send a strong message to private supporters of the national importance of our work.

I thank you all for listening to our presentation and for your time today, and I'm happy to answer any questions you might have.

Thank you.

● (1615)

The Chair: Thank you, Ms. Libralato, and thanks to all our witnesses for their opening remarks.

We're going to get right into questions now. In this first round, each of the parties is going to have six minutes to ask the witnesses questions.

We are starting with MP Morantz for the first six minutes.

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

I'm going to direct my questions to Dr. Mintz.

Dr. Mintz, it's a pleasure to have you back at committee.

It should be no surprise that I want to ask you about the capital gains tax. You paint a pretty stark picture of the effect of this tax. We had the finance minister come out, on the day she introduced it with the budget in the spring, basically saying that they are just asking the wealthiest to pay just a little bit more, and it's only 0.13% of Canadians. In your earlier testimony, you said that you calculated that it's far more than that, and it worked out to be about 5% of taxpayers over their lifetimes—just over 1.2 million people. Is that correct?

Dr. Jack Mintz: That's correct.

Mr. Marty Morantz: Does that include small business corporations that don't get the benefit of the $250,000 threshold allowance at 50% inclusion?

Dr. Jack Mintz: It's just based on the data that one gets working with Statistics Canada. It's called SPSD/M data, and there's longitudinal data available. Where the capital gains come from, there's no particular source.

Mr. Marty Morantz: There are some other things you talked about. I read your deep dive in September about the capital gains tax. Carbon tax is a whole other matter. You make some other claims. Even though the government said that this isn't going to have any significant effect on our economy, you opined that employment will decline by 414,000 people. Could you comment on that?

Dr. Jack Mintz: There's a bit of a history behind analysis of taxation on capital investment, which I've been part of, in terms of the work that was done over the years, going back to the work that I did with Robin Boadway and Neil Bruce in 1984. I came up to finance in 1984 to help them develop their analysis of corporate taxation and what's called the effective marginal tax rate modelling.

The reason I'm mentioning this is that, initially, when people did modelling, they included capital gains in the so-called years of cost of capital, although they normally did not think about corporate capital gains taxes at that time, and neither did we when we started working in finance. In fact, most people just left out capital gains. Recently, I've taken a lot of interest in this, and in fact I have someone working with me. Basically, it's just incorrect to assume that there's no impact of increasing the capital gains tax rate on investment. It's for the two reasons that I gave. One is that there's a home bias by individuals to own shares, and also there's the fact that when you increase the corporate capital gains tax rate, that will impact investment.

Mr. Marty Morantz: Just for the people watching, let's boil it down to the effect, as opposed to all the stuff that goes on under the point of the pyramid. All the great work that you do.... At the end of the day, people are interested in what the effect is going to be on their lives. You estimate that over 400,000 jobs will be sacrificed over this increase in the capital gains tax. Is that correct?

Dr. Jack Mintz: That's correct.

Mr. Marty Morantz: You also said that this is going to blow a $90-billion hole in our country's GDP, which you estimate to be about 3% of GDP.

I wanted to ask you about this. There's been a lot of writing by economists lately about our per capita GDP falling behind the U.S., and it's slow now, or it's slower than it was during the Great Depression. If you were giving advice to the government under these circumstances, if they came to you and asked whether increasing the capital gains inclusion rate would be a good thing to do while our GDP per capita is lower now than it was in the Great Depression, what would you tell them?

● (1620)

Dr. Jack Mintz: I would tell them that, first of all, the timing is bad. When you have almost two or three years—we're getting into my view now—of negative real per capita GDP growth, I think that's a very serious issue. The timing is poor in terms of doing it.

I think there were changes required, but I would have done that through a more general tax reform. I think a number of complex issues are involved with capital gains taxation, such as inflation and the locked-in effect, and you can go on with a number of things. There's also the balance between dividend taxation and capital gains taxation. That's why it needs a general approach and not one that's very specific.

Mr. Marty Morantz: Okay.

In the few seconds I have left, I'm curious to know your opinion on one other thing. Setting aside the whole issue of the efficacy of carbon pricing, the PBO has now issued two separate reports basically saying that Canadians pay more in carbon tax, when you take into account the knock-on economic effects, than they receive back in rebates. Do you agree with his assessment?

Dr. Jack Mintz: Yes. In fact, I've argued that many times. We have to remember that a lot of businesses pay carbon taxes when they purchase energy. They have to either shift it forward to consumers or shift it back by reducing employment. Somebody ends up paying. They've given the rebates only to households, but they ignore the fact that there could be other behavioural impacts. That's where I think the PBO will try to pick it up.

Mr. Marty Morantz: Thank you very much.

The Chair: Thank you, MP Morantz.

MP Dzerowicz, go ahead, please.

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

I want to thank all the presenters for their excellent presentations.

My first question is for the Toronto Biennial of Art.

Ms. Libralato, I should probably mention that you are located in the Davenport riding. I will say that I feel very blessed in Davenport, because we have a lot of artistic and cultural organizations. They really punch up above their weight in terms of the programming they do for the city. I think it's very beneficial for us. I just want to say thank you. Ten weeks of free contemporary art, 55-plus exhibits, 11 unique locations, all free programming—that's a godsend for many families that just don't have a lot of extra money to spend.

You mentioned that the federal government provided some support, I think, through different organizations. Maybe you could just take us through what the current funding is and what that extra funding would actually do for the Toronto Biennial of Art.

Ms. Patrizia Libralato: Thank you, MP Dzerowicz. You're a big champion of the arts. We all really appreciate it.

Currently, our overall public funding is hovering at about 20%. In conversation with my biennial colleagues around the world, that is probably one of the lowest contributions. Most biennials in major cities around the world—Berlin, Liverpool, Sydney, Guangzhou—see investment at 50% and up in their biennials. That's because of the impact biennials have on these cities and their communities.

We've been super grateful for the support we've received from the Canada Council for the Arts through project grants at the federal level. We receive operating funding from the City of Toronto every year. This year, for the first time, we received a one-time operating grant from the Ontario Arts Council, which was really fantastic. The CEO, Michael Murray, said that they felt they needed to support us: no more $10,000 or $15,000 project grants; they wanted to support the great work and the impact we were having on the city and for Canadian artists.

The only level of government that we do not get any operating funds from is the federal government. It would be a real game-changer for us to receive some stable funding from the government just so that we could work more sustainably and create stability within our organization. With this ask of $1.5 million, we feel like we can move forward, close off this incredible edition, move towards 2026, plan 2026, and work in a way that is not like we're painting the plane while it's taking off all the time. We would have that kind of stability where we could deliver more art for more people, and more jobs, bringing the city and the country together through free and accessible programming.

● (1625)

Ms. Julie Dzerowicz: Thank you so much.

I want to turn my attention to Community Food Centres Canada, and I want to say a huge extra thanks to Mr. Musiwa, who valiantly tried to say my name and did a wonderful job. I just wanted to say that to you.

I also want to thank Community Food Centres Canada. It's been around for a while. You do heroic work around tackling food insecurity and poverty, not only in our city, the city of Toronto, but right across our country. I just want to say that, consistently, Community Food Centres Canada has been making excellent recommendations to this committee in our pre-budget consultations every year that I've been on this committee. I just want to acknowledge your excellent recommendations around the HST/GST transition to a groceries benefit and dropping the $5,000 minimum income requirement for the Canada workers benefit, plus a number of other recommendations that you made. I wanted to acknowledge that I've heard that.

The question I have for you, Mr. Musiwa, is this. Our federal government has very much made it a priority to support children and their families and to ensure that no child goes hungry in our country. We have introduced a national school food program, which is going to provide meals for up to 400,000 kids each year. It's just one step in our efforts. Can you maybe talk for a minute about the effects of having a healthy meal on a child's quality of life and success in school?

Mr. Anthony Musiwa: Thank you so much for the question, and thank you for the kind words in acknowledging the work that Community Food Centres Canada is doing. We really appreciate that.

We also really appreciate the government's efforts in implementing the national school food program. As members of the committee might know, we were the only country in the OECD community that did not have a similar program. Other countries in the OECD community had them, so we really appreciate that.

The national school food program is important in terms of giving children the opportunity to learn. What I mean is that we have children who come from different social backgrounds and different incomes, and they have different access to learning opportunities. One of those would be food insecurity. Households that are experiencing food insecurity and poverty are more likely to have children who have challenges in accessing learning. They might not attend school or they might be hungry at school. They might have challenges paying attention in class. They might have challenges connecting with other children within the school community and participating in the whole wide range of programs that are provided within the education system. If those children have access to school food, they're able to participate in learning, in sports and in extracurricular activities, and to form social connections with their peers, which is really important.

We also know that school food eases a little bit of the worry among the parents who have been sending their children to school hungry. They might have a little bit more in savings within the household to attend to other needs. We all know that food insecurity is an indicator of household circumstances, household financial hardship. By the time a household reports having challenges with accessing food, they are already having challenges meeting their other basic needs. What a school food program does is enable parents to have a little bit of savings to channel to other needs.

I also want to emphasize that having school food programs—

The Chair: Mr. Musiwa, we're well over time. We really have to wrap this up. I'm sure you're going to have more opportunity.

I'm sorry. I know time runs fast. Thank you.

Mr. Anthony Musiwa: I'm sorry. Thank you.

The Chair: We're now moving to MP Ste-Marie, please.

● (1630)

[*Translation*]

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

I, too, would like to welcome all the witnesses and thank them for their remarks, which were very enlightening. We don't have time to ask all our questions, but we are taking notes. The witnesses' remarks and answers will inform the documents we submit to the minister.

My questions are for Ms. Laflamme, but before I ask them, I'd like to say two things.

First of all, I agree with Ms. Dzerowicz that Mr. Musiwa and his organization have always provided very valuable content to this committee. I would direct my colleague's attention to the Montreal Canadiens calendar in the top-right corner of the witness's screen. He clearly has good taste, so I hope that most of my colleagues will take a page from his book. Good on you, Mr. Musiwa. You have good taste.

Second, I have a request for Dr. Mintz. We've had a lot of discussion about the capital gains changes. As you said, what the Financial Management Institute is saying is really quite different from what you are saying. The government, specifically the minister, told us that 40,000 people a year were affected. You said that it will affect 1.26 million people on a lifetime basis. That is not at all the same thing. According to you, the change would reduce real GDP per capita by 3%, which is significant. You also say that it would lead to the loss of 414,000 jobs. Personally, I'm very concerned. We don't know whether the matter will come back to the House, whether the notice of ways and means motion will be voted on or what the text of the bill will be, but all of this concerns me greatly.

I am therefore asking you to provide the committee, in writing, with your data sources, hypotheses and methodology so that we can ask economists to reproduce your results. We have the resources to do the translation. Your figures stand in stark contrast to what the government and the Financial Management Institute are telling us. I would therefore ask you to send us all of that in writing, if possible, so that we can seriously consider the issue, which is very worrisome. Thank you in advance.

Having said that, I will now ask my questions.

Ms. Laflamme, did you have time to finish your remarks, or do you want to take a few minutes to finish up?

Ms. Véronique Laflamme: If I may, I'd like to complete my presentation with our recommendations.

First, in the very short term, in preparation for the economic update, we think the tenant protection fund should be enhanced, that it be included in the budget. Several housing committees in Quebec are doing essential work, but they are overwhelmed by the multitude of requests. FRAPRU members have always believed that the Canadian government should fund tenant associations and housing committees that work with tenants to support them in defending their rights. We welcomed the announcement of the tenant protection fund in the last budget.

However, the program's thresholds unfortunately make it very difficult for small organizations to develop a project that meets the criteria. We believe that the government has a role to play in ensuring that local organizations are funded for this important mission. The program should therefore be reviewed and improved in terms of subsidies. Above all, it should better reflect the reality of organizations such as the housing committees and tenant associations in Quebec, which have been very disappointed in recent weeks by the difficulties associated with the program criteria.

Then, again in the very short term, we think the eligibility criteria for the new co-operative housing development program also need to be reviewed. At the time, we welcomed the announcement of the federal co-op 2.0. Unfortunately, we see that in this program, rents can exceed median market rents. We think this is unacceptable. Housing co-operatives must offer housing at below-market prices. We're concerned about the new rhetoric that says to justify the lack of government contributions as in this case, that housing may not be affordable now, but it will be affordable 20 years from now, because no one is making a profit. We think this is another example of the importance of having sufficient subsidies at the outset, to ensure that rents are truly affordable, while respecting the ability to pay low-income and modest-income tenant households. This illustrates the importance of the federal government aligning its affordability definitions in programs that allocate public funds.

I have a lot more to tell you, Mr. Ste-Marie, but I imagine you may have some questions to ask.

In the very short term, and in preparation for the next budget, if I had another concrete request to make, it would be the enhancement of the rapid housing initiative, another step forward that we welcomed. Unfortunately, there isn't enough funding associated with this new stream, which is attached to the affordable housing initiative. Again, if we really want to meet the most urgent needs, the funds must follow, and they must first be allocated to households with the greatest needs.

Before I conclude, allow me to make the connection with the right to healthy eating, which is linked to the right to decent housing. Right now, if demand is overflowing at food banks, it's because people are spending 50%, 80% or 100% of their income on housing, and there's nothing left to live on at the end of the month.

Investments are therefore needed on both sides. We have to keep in mind that when we invest in social housing, the money that stays in people's pockets stays in the local economy, and often at the local grocery store. It's not an expenditure to invest in social housing; it's an investment in our communities.

● (1635)

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

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

[*English*]

We're now going to go to MP Davies for six minutes.

Mr. Don Davies (Vancouver Kingsway, NDP): Thank you, Mr. Chair, and thank you to all the witnesses for being here.

I'll go to you first, Mr. Couillard.

Mr. Couillard, the Liberal government recently expanded the Canada student loan forgiveness program to include a number of allied health professionals. Can you briefly tell us who is included now in that program?

Mr. François Couillard: The nurses and the physicians have been included for several years. Recently it was expanded to include social workers, dentists, dental hygienists, physiotherapists, psychologists, and pharmacists.

Mr. Don Davies: In your pre-budget submission, you have called for that program to continue its expansion to include a number of other allied health professionals, including audiologists, speech pathologists, dietitians, chiropractors, optometrists, etc.

Is there any reason why these health professionals whom you want to have added were excluded from the program? Is there any difference between them and the ones who are included?

Mr. François Couillard: Not that we know of. We asked the government that question, and we have not received an answer.

Mr. Don Davies: Can you briefly elaborate on how expanding that program to include the additional health professionals you propose would strengthen rural and remote care in Canada?

Mr. François Couillard: There are two major health coalitions in Canada. There's us—we have about 12 members—and there's a broader one, Heal, which has 40 national health care associations. I was past chair of that group, so I know it well. Both have identified as priorities health human resources—attracting Canadians into health professions and keeping them there.

The additional challenge is the regional geographic distribution of these professionals. If you look at optometrists, for example, there are enough optometrists in the country; they're just not in the right place. There are a lot in Toronto and in Montreal, but not in rural regions. That applies to a lot of our professions, so we have to find creative means to attract professionals to these regions and keep them there. We know that 20% of Canadians are in remote areas, so we need to find a way to do that. They deserve the care of all our professionals, not just doctors and nurses.

Mr. Don Davies: You anticipated where I'm going with this. I was health critic for the last eight years, and I think they say, “Old health critics don't die. They just get more critical.” I note that in your pre-budget submission you also call on the government to ensure the ongoing collection of pan-Canadian health sector workforce data across the public and private sectors. Can you outline for us what types of data should be collected to support health care system planning, recruitment and retention?

Mr. François Couillard: Absolutely. We listed some of them in our submission. Once a year, CIHI will reach out to our professions. For example, they'll reach out to optometrists, whom I represent, and they'll ask us for the number of professionals we have, and that's about it. However, you don't get into any granularity that would help you develop models to assess where to put your health care resources. Do you need more schools? Do you need to invest more in the private or the public sector? Knowing gender, knowing the distribution of those resources in the country, knowing whether they're working in private or public practice.... Those are the sorts of questions we're asking.

Now, with the new agency, Health Workforce Canada, they're going to be developing models, but they'll need the data, so we're encouraging government to do a better job. Be more ambitious in your collection of data.

● (1640)

Mr. Don Davies: Thank you.

To Community Food Centres Canada, you identified that nearly one in four people in this country experiences food insecurity—that is, inadequate access to food due to financial hardships. I think all of us should be shocked and ashamed that a country as wealthy as Canada has nearly 25% in that position. Can you outline the main factors that are contributing to high levels of food insecurity in Canada?

Mr. Anthony Musiwa: Thank you, Mr. Davies, for the question. It's a very important one.

There are a multitude of factors that are driving food insecurity. In our statement, we mention that poverty is the number one factor that is driving food insecurity, and that encompasses a multitude of factors. When you look at the cost of living, it has been increasing over time; on the other hand, we haven't had any significant increases in people's disposable incomes. For example, from 2021 to 2022 the cost of living, in terms of inflation, rose by nearly 10%. This is not a recent phenomenon. If we cast a wider look, say for the past 25 years, we've actually seen that the cost of living has risen by roughly 67% in terms of the consumer price index, but when you set that aside and look at the increases in personal income, you actually see that it has risen by only 36%.

In other words, what we're saying is that the cost of living has increased twice as much as people's incomes have increased, so that leaves households with little to afford their basic needs.

Mr. Don Davies: Are there any immediate federal actions that you recommend to this committee to address that escalating crisis of food insecurity? What should we do about this?

Mr. Anthony Musiwa: The easiest one—which we highlighted in our statement and in our pre-budget submission—would be to create the groceries and essentials benefit. That would build on a system that we already have in terms of the GST/HST credit. The government has done that before, when they provided the one-off top-up to Canadians who were experiencing hardship due to inflation in 2023. That's a system that provided money to households quickly and directly, but it was only temporary, so we can build on that.

The groceries and essentials benefit is simply a matter of increasing the amount that families could receive while also ensuring that it's within the tax system that we already have and it's kept in terms of the amount that goes to households. For example, if we look at the benefit thresholds, it actually—

The Chair: Mr. Musiwa, I'm going to need you to wrap it up in five seconds.

If you want to close with anything before we move on, go ahead.

Mr. Anthony Musiwa: What the groceries and essentials benefit typically does is provide money to households that need it the most, households that are living on less than $25,000 a year.

Mr. Don Davies: Thank you.

The Chair: Thank you, MP Davies.

Members and witnesses, we're moving to our second round. Times are a little different here in terms of questions.

We're starting with MP Kelly for five minutes.

Mr. Pat Kelly (Calgary Rocky Ridge, CPC): Thank you, Mr. Chair.

Mr. Butler, it's good to see you here at committee.

Can you talk a little bit about the affordability crisis? People know that housing is very expensive in Canada, but I'd like to hear some of your street-level experience with young people trying to buy homes. I fear that we have actually already descended into being a country where, in many cities, there are really two kinds of families: those who already own real estate and those who maybe never will. Families, through co-signing and sharing equity in existing homes, are what it takes to make home ownership possible.

Can you comment, at the individual consumer level, about the challenges and barriers to home ownership?

● (1645)

Mr. Ronald Butler: When I started in the mortgage business nearly 30 years ago, there was a constant flow of people coming to mortgage brokers who worked as assistant managers at Loblaws or as practical nurses. There were a number of people with absolutely median-level incomes who easily accessed housing through CMHC and other means. These people don't exist anymore.

Without family help, without co-signers and without significant gifts of down payments, in major centres across Canada there are no opportunities for people with a moderate income of $55,000 to $65,000 to enter the housing market, except in the tiniest, microscopic levels of living in a condominium of less than 500 square feet. That's a tragedy. That's the only way to describe it.

Mr. Pat Kelly: Over the last nine years, have we reached the point where home ownership is no longer a reasonable middle-class expectation?

Mr. Ronald Butler: For young people, it's gone, unless they have significant help from their family.

Mr. Pat Kelly: Will increasing the insurable mortgage ceiling to $1.5 million and extending the amortization period over which people can repay the money change or increase access for middle-class people to become homeowners on their own?

Mr. Ronald Butler: At the maximum level of the new CMHC program, the income required is $352,000. There is no opportunity, no chance and no reasonable hope that that encompasses people of average earning.

Mr. Pat Kelly: What about young people?

Mr. Ronald Butler: Without parental assistance.... The old cap was $1 million. The number of people who could take advantage of the CMHC program near the cap is microscopic. If you talk to CMHC, the numbers are incredibly small. Again, without parental assistance, the barriers to home ownership in this country for young people with moderate incomes are vast, unless they live in very small rural communities in the Prairies or in Atlantic Canada.

Mr. Pat Kelly: We've heard from Dr. Mintz that per capita incomes are dropping, so people's incomes are actually not rising to this new price structure. They're going the opposite way.

Mr. Ronald Butler: Yes.

Mr. Pat Kelly: What is it going to take for young people to have some hope of attaining home ownership like their parents did?

Mr. Ronald Butler: I operate a small business, with many of my employees under the age of 35. None of them are homeowners. We're in the business of getting people homes. We're in the mortgage business. Their ability, financially, to accomplish this is simply not there.

There have to be major changes, structural changes. Some of it is a fed-prov problem, in that we have incredible costs layered into municipalities and at the provincial level, just to get a new home built. For a developer to build a new home, it's 30%. Unless we start to approach some of these critical issues, it's unlikely they're going to improve.

Mr. Pat Kelly: Is the problem in the short term going to get worse than on the other end? We see that per capita incomes are falling. The population is increasing, but the supply of homes is not increasing.

What, from your experience, can you tell us about the supply of homes?

Mr. Ronald Butler: The supply of homes in Ontario and British Columbia in 2025 will go into a free fall. The whole building structure of homes is 80% high-rise in those two very populous provinces. High-rise has stopped. In the last 10 months of this year, of 78 sales offices that opened to sell condominium units in the city of Toronto, 75 just shut because there was no ability to pre-sell enough units to get to the point that they could commence construction. We're going to reach a point in four years where—I've seen the estimates—the total number of new homes constructed in the 416 area will be 1,550 homes in 2029. That's the direction in which we're headed.

● (1650)

The Chair: Thank you.

Now we'll go to MP Sorbara, please.

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

Welcome, everybody, to the committee. There was some great testimony today.

There are a couple of things I'd like to highlight today, which I think are very important.

First off, welcome, Mr. Mintz. It's great to see you. I enjoy reading the literature and the research you put out. I try to read everyone's, from C.D. Howe to MLI, Fraser and sometimes even the Canadian Centre for Policy Alternatives, which tend to be more to the centre on the other side.

Today is a good day, I think, in a lot of ways. No only is today a great day, but I think this decade is Canada's decade. I say that based on the investments of our government and based on the resources and the human capital we have in this beautiful country.

The IMF came out with their economic forecast today. In 2025, Canada will lead the G7. I was looking at the numbers earlier here. It says that Canada will have a 2.4% economic growth rate for 2025. That's better than the United States, the Euro area—and every country within the Euro area—Japan and the United Kingdom.

As we know—and I say this to everyone gathered here—economic growth is hard to generate in a country. You have to have a lot of things in there. The recipe has to be done right. I think we've largely done a lot of good things.

The other thing I wanted to note is that the report talks about inflation. I'm going to take a minute to read what it says about the inflation we very much experienced. There are two different types of inflation. You know this, Mr. Mintz, and so do many of the folks here. You're going to have it driven by central bank policy, like in other countries in Africa or in Venezuela with the printing of money, or you can have a supply-and-demand shock, which we had during COVID.

I pretty much respect the folks at the IMF and the World Bank and the economists there. They have people who have Ph.D.s and master's degrees in economics. They are people who do really interesting work and lead, I would say, the global economy in many ways. It is led by individuals on the ground, like my wonderful residents.

In its “Word Economic Outlook” for October 2024, it says:

> ...the war in Ukraine led to spikes in commodity prices. Evidence suggests that the pass-through of sectoral price pressures to core inflation and the steepening of the inflation-slack relationship—that is, the Phillips curve—are essential to understanding the global surge in inflation. This evidence is consistent with key sectors hitting their supply bottlenecks as demand rotated across sectors and was boosted over time by a drawdown of savings. This chapter offers a new lesson and confirms an old one for monetary policy. In extreme cases when sectoral supply bottlenecks are widespread across an economy and interact with strong demand, inflation can surge....

We had some bottlenecks during COVID. Then we had commodity prices in Ukraine. That's where we got our inflation, not the other way around. I think that's important to understand, because now inflation has come back down. The chapter is called “The Great Tightening: Insights from the Recent Inflation Episode”.

As an economist, as someone who did a graduate degree and could have gone on to do a Ph.D., I chose to go to Wall Street instead.

This is important, because this is policy, and we know that policy is important. I needed to put that out there, because, yes, this is Canada's decade. It absolutely is. We need to do a few more things, for sure, but I think we largely got it right. To the per capita GDP argument, we had a population surge in Canada with temporary foreign workers and students. We're getting there.

My question is actually for Mr. Couillard.

Voices: Oh, oh!

A voice: Do I get to answer?

Mr. Francesco Sorbara: No, you don't get to answer. We'll talk about that another time.

Mr. Adam Chambers (Simcoe North, CPC): What a plot twist.

Mr. Francesco Sorbara: Mr. Couillard, my wife, my loved one, my partner is a speech and language pathologist. How important is it that we extend the Canada student program that you've identified to include audiologists, occupational therapists, and speech and language pathologists?

Can you answer that, please?

Mr. François Couillard: As I mentioned earlier, it's really key. All these professions serve the public. They serve everybody. If we want to attract health professionals in all regions of our large country, we need to find creative ways. If you have other ideas, as an economist, we'd welcome other ideas.

We think this is a low-hanging fruit. It's already being done for many other professions. Speech-language pathologists, optometrists and the other professions that haven't been covered are all essential. You're wearing glasses. If you lived in a rural area and you didn't have anybody to see you and support you, where would you go?

● (1655)

Mr. Francesco Sorbara: Of course. Frankly, confident countries invest in their citizens, and Canada is a confident country. We'll continue to invest in our citizens.

Thank you.

The Chair: Thank you, MP Sorbara.

MP Ste-Marie, go ahead, please.

[*Translation*]

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

Ms. Laflamme, in your presentation, you clearly illustrated the importance of having more non-market social housing. We understand that, at present, it represents 10% of the rental stock, and you're asking that it be at least 20%. For that to happen, the government must make a serious effort in social housing, because housing that is considered affordable in the private market doesn't make it possible to achieve the objectives of recognizing the right to housing.

Can you remind us what more you're asking us to do for social housing?

Ms. Véronique Laflamme: Thank you for your question.

We saw another example in Montreal this week. A housing project funded by a rental housing loan program was announced. However, the rent for these units will be much higher than the median rent in the neighbourhood, which was Côte-des-Neiges—Notre-Dame-de-Grâce. People in the community and the media are always surprised when housing units are announced that the federal government describes as affordable, and then we learn that rents will exceed the median rent in the area.

Despite the many criticisms, since the strategy was announced, some programs have continued to use affordability definitions based on the income of all households, not just renters, resulting in exorbitant rents that have no connection to the reality of tenant households. It's therefore urgent to review the affordability criteria.

Of course, if we want housing to be truly affordable, we can't think that it can be done with a minimal government contribution. However, social housing, in its various forms—co-ops, public housing and non-profit housing organizations—is the only way to guarantee the sustainability of investments and housing in communities. That changes everything, because these investments are sustainable, whereas, when we invest in so-called affordable housing that isn't really affordable and that's built by the private sector, the only people who end up putting money in their pockets are the developers. These are investments that we think are poorly targeted and serve the collective interest less well.

That's why we think that in the programs that come out of the strategy, it needs to be clear what funds are earmarked for the non-profit sector. I'd even say that we have to make it very clear that we're talking about social and community housing. We also need to make it clear how important it is that funding be accompanied by governance rules that allow communities, municipalities or tenants, in the case of housing co-operatives or other formulas, to control the situation and ensure that there is no change in vocation.

So language is extremely important. That's why we've been saying for years that we need to stop talking about affordable housing. We feel we were heard a bit in the last budget, but now time is running out. It shouldn't be the smallest part of the billions of dollars invested in housing by the federal government that goes to this sector, which is the only one acting as a bulwark, as I explained earlier.

It's clear—

The Chair: Thank you, Ms. Laflamme.

[*English*]

You're well over time. Maybe you'll have an opportunity to expand on that. Thank you.

Thank you, MP Ste-Marie.

It's now over to MP Davies, please.

Mr. Don Davies: Thank you, Mr. Chair.

Ms. Libralato, NDP leader Jagmeet Singh recently wrote to Finance Minister Freeland about the Toronto Caribbean Carnival. By our numbers, it contributes hundreds of millions of dollars to Ontario's GDP when it's held. It attracts hundreds of thousands of visitors spending money, yet it needs an immediate injection of about $2 million, and I think $1.5 million over each of the next three years, to stay alive.

I'm just wondering if you can tell us a little bit about the economic contributions that Canada's festivals produce to our economy and what the multiplier effect to our economy might be of investments in carnivals.

● (1700)

Ms. Patrizia Libralato: Thank you, MP Davies. That's a great question.

Of course, I believe that festivals contribute a great deal to economies. Caribana is a long-standing festival with great impact that brings not only the Caribbean community together, but all communities to celebrate that diversity and culture. It's a unifying moment, and that's what festivals can do—especially free ones.

Their festival is different from ours. It's one weekend and mostly outdoors. Our festival is 72 days—10 weeks—of free programming and exhibitions. However, I think it's the same goal. We're bringing people together and giving them experiences. We also see this in Toronto with Nuit Blanche and other festivals that bring a great number of people out to experience art or street festivals. I think there's a great deal of impact that comes from those festivals.

We're relatively new. We're in our third edition, and we still create over $30 million of direct economic impact every time we bring the biennial into Toronto.

Mr. Don Davies: Are you aware of any hard economic data that would give us a general idea of the cumulative economic impact of festivals and carnivals in Canada? Do you know if that data exists?

Ms. Patrizia Libralato: I know there is a lot of great data. We're also neighbours with Pride Toronto, but our work is fairly different.

I'm sure I could get that data to you, if you were interested. We're always doing research on impact and partnerships. That's why we love to partner with other organizations and festivals. I feel like together, the impact is always greater.

Mr. Don Davies: If you could, that would be wonderful.

Ms. Patrizia Libralato: I'd be happy to.

The Chair: Thank you for that. You can send that to the clerk.

Ms. Patrizia Libralato: I will do that.

The Chair: Thank you, MP Davies.

Now we're going to MP Chambers.

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

Thank you to our witnesses for their attendance.

Dr. Mintz, I'll start with you. Why should we be concerned with GDP per capita and not just GDP growth, as my friend was referencing earlier?

Dr. Jack Mintz: First of all, there's a very simple equation, and I'll try to describe it simply.

By the way, I enjoyed Mr. Sorbara's lecture. At some point, maybe we'll have a discussion.

Voices: Oh, oh!

Dr. Jack Mintz: Growth rate is equal to the growth rate of per capita GDP plus population growth, roughly. For example, let's say our growth rate for this current year, 2024, is 0.9% for GDP. Who knows what will happen in 2025? Even for the IMF—and I taught some of the people who are there—these forecasts are kind of hard to do, given all the uncertainty these days. Taking this year, you have 0.9% growth in GDP for Canada, if I recall the number correctly. The growth in population has been a little over 2%. That means our per capita GDP has fallen, minus 0.9%. It has declined, because all our GDP growth in the past couple of years—almost three years now—has been due to population increase, and our per capita GDP has actually dropped.

Mr. Adam Chambers: Using the economic pie analogy, the pie is getting bigger, but the slices are actually getting smaller.

● (1705)

Dr. Jack Mintz: I think that's a good way to put it.

We also have to remember that per capita GDP growth depends on two factors. One is the increase in productivity, which has been virtually zero over the past five years. Productivity is the amount of GDP per working hour, but it's also affected by the employment and unemployment rates.

One thing that's happened is this. Two years ago, in July 2022, we actually had the lowest unemployment rate that we've had for quite a long time, which was 4.9%. That was good news. It has now climbed up to 6.6% in August, and 6.5% in September. The number of unemployed has increased quite dramatically to almost 1.4 million people—over 400,000 people in two years. What's really concerning is that one-third of those are young people between the ages of 15 and 24. Not only are there people who can't buy a home, but there are young people who are having trouble getting jobs. I think that is a huge concern that we have to be worried about.

Mr. Adam Chambers: Thank you very much.

Just quickly, before I move on, I want to confirm something with a brief yes-or-no answer.

Your testimony was that 50% of those impacted by the capital gains tax would otherwise make less than $117,000 a year and that we would see a loss of $90 billion of GDP and an increase in unemployment of about 400,000. Do I have correct?

Dr. Jack Mintz: That's correct, yes.

Mr. Adam Chambers: Thank you very much.

Dr. Jack Mintz: I should add that there's a paper of mine that C.D. Howe is going to put out that gives a lot of the references and detail, and it will be available. That's in answer to Mr. Sorbara.

Mr. Adam Chambers: Thank you very much.

Mr. Butler, thank you so much for coming back. It's wonderful to see you. I regret I don't have more time with you.

Did I hear you correctly? In four years, the number of homes that will be built within the 416 area code will be 1,500. It's not 15,000, but 1,500.

Mr. Ronald Butler: That's correct. By these big condo towers, it's easy to graph when they're completed within about an eight-month cycle. There are no new ones being developed, so at that point, you end up with no homes.

Mr. Adam Chambers: That's based on the current economic environment today. That's what the result is going to be.

Mr. Ronald Butler: That's correct.

Mr. Adam Chambers: When the finance minister says that her economic plan is working, do you think that's what she means?

Mr. Ronald Butler: I don't know what she means, but I can tell you factually that there's going to be significant unemployment in the construction industry in Ontario within the next two years, and there will also be this catastrophic fall-off in developing units for people to buy.

Mr. Adam Chambers: Thank you, Mr. Chair.

The Chair: Thank you, MP Chambers.

Now we'll go to MP Thompson, please.

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

Mr. Couillard, I'll begin with you.

Often in this committee, when we speak about primary health care, it's through the lens of a single provider, physician-based, so thank you for expanding that conversation to the true multidisciplinary team-based collaboratives, because I firmly believe that is how we're going to meet the primary health care needs of Canadians in rural, obviously, and in urban areas, understanding that there is a real challenge in urban areas in Canada. I certainly believe that the loan forgiveness—and I hear you clearly—needs to be expanded to other professionals. That's been one really important piece of this.

I also wanted to centre on the historic health care transfers the government has made to the provinces and the territories. I certainly can speak to my province of Newfoundland and Labrador. It's been topped up by significant transfers.

One of the challenges for me is the lack of movement toward true team-based approaches to primary health care. I would ask you to speak to that and what it is you feel that your organization can do or what you're seeing across the country. Is there a movement toward these multidisciplinary teams, or are we still looking for a physician-based solution?

• (1710)

Mr. François Couillard: We think there's movement. We hope there's movement. It's not huge, but there's a little bit of movement, so what we're looking for is to amplify the momentum of that movement.

The associations, the professionals we represent, really work on the margins of the current health care system. The current health care system is all about hospitals, doctors and nurses, and our members work on the margins. Because they work on the margins, they're not part of the health care networks at the provincial level or at the national level, so they don't have a voice.

When you're president of a hospital, you have a lot of political power. You have a lot of voice, and it's easy to get money in. When you're an individual dentist, optometrist or pharmacist, you don't have that voice. You're an individual running your little business. Intuitively, it makes sense to find a way to better integrate all these professions so that we can work together. There is some collaboration, of course, but we need to do it at a systematic level, sharing information, sharing data about patients and outcomes.

Ms. Joanne Thompson: Thank you.

I don't have a lot of time, but this is very important to me. I agree that the data piece is critical. Again, in part of the conversations we've had over the past year in this committee, I've heard colleagues in other parties talk about dental care as though it's not part of health care, which I find frightening. I certainly want to give a shout-out to how important that program is, because it is about health outcomes.

What are the barriers, and how do we break down those barriers within society, within governments and within the professions that are really part of this multidisciplinary team? How do we break down those barriers so that we are stronger when we work together and so that we have the right person at the right time? It is efficient. I know it works, because I was part of those systems, but there are clearly challenges in moving this forward.

First of all, what are those challenges, and how do we overcome them?

Mr. François Couillard: I think if you look at some of our coalitions—I mentioned Heal and ours at the EHPC—we get together on a regular basis and we find a way to agree on those priorities. We're able to say, on an annual basis to government, what we think are the three or four things they should focus on right now. We've been very consistent. Heal, which represents 40 national associations, has identified mental health, home and community care, and health human resources as their priorities. Everybody works together. These meetings are at a bigger table than this. Everybody agrees. We all write documents together. It's not a fight.

What I'm saying is that a good start would be to listen to these tables. Listen to the EHPC. Listen to Heal. You have one-stop shopping. Instead of listening to only one profession that is trying to get more money for their own members, or another profession, listen to these coalitions. You get the common ask and you get the priorities.

I don't know if that's helpful. Putting that into operation at the local level and the provincial level is a different challenge.

Ms. Joanne Thompson: Thank you for highlighting that, because I think that's a real barrier.

Ms. Libralato, I'm a real supporter of the arts as well. In Newfoundland and Labrador, we love to tell our stories and we love art in all forms.

I do want to highlight that our government has doubled the budget for the arts, with $1.1 billion in new funding and $180 million ongoing, which I think is incredibly important. Again, there's that same theme today of sustainability. In terms of your organization, certainly, but I'm thinking of my province as well, how do we as a federal government also coordinate with provinces, with municipalities and within the sectors in the communities to really maximize the funds that are available so that we don't see some groups able to thrive while other groups fall to the side? How do we somehow come together and ensure that by working together we don't leave groups behind?

I think it's all so important now in terms of how we build our stories and our understanding of who we are within our communities.

The Chair: We're well over time. If you can answer in 15 seconds, go ahead.

• (1715)

Ms. Patrizia Libralato: Thank you, MP Thompson, for your words.

I think the way forward is always partnerships. The Toronto Biennial of Art was built on partnerships. We partner with everyone, from local community groups and artist-run centres to the National Gallery of Canada. That is our way forward—sharing resources, sharing knowledge, sharing ideas.

I think that's how we move forward. That also falls within the levels of government in terms of how we partner.

The Chair: Thank you for that.

Members, I'm just looking at the time. We don't have time for a full round, but we still have a significant amount of time. We have about 20 minutes. We're looking at about five minutes for each party to ask questions in this final round.

We'll start with MP Hallan.

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

Dr. Mintz, our friend Mr. Sorbara, in his lecture or cabinet audition—I couldn't tell which one it was—painted a very rosy picture that Canadians have never had it better. Something that I think the Liberals continue to mislead Canadians about is that they've never had it so good. We know, because the Bank of Canada has confirmed it, that Canada is in a “break glass” productivity crisis right now. GDP per person is on the decline. We also know that private sector job growth is flat or declining.

I just wanted to give you some time to respond to Mr. Sorbara and the Liberals about what is, in our opinion, a very misleading fact that Canadians have never had it so good, and what that means to Canadian standards of living, which we know are declining.

Dr. Jack Mintz: First of all, I really wish I could agree completely with Mr. Sorbara that it's wonderful and that this is going to be a great decade that's going to come. In fact, tomorrow I'm giving a speech at eight o'clock in the morning, which is why I'm here, that will be exactly on this topic.

To be very brief, our per capita GDP has now dropped so much below the U.S. The U.S. per capita GDP is now 50% higher than that of Canada. I think it's the biggest gap we've had for quite a long time. Huge amounts of pressure come with that. I just saw something today that Ontario's per capita GDP is now equal to Alabama's. That's not great.

We have to understand that we'll start losing many people, young people particularly, who feel they don't have an opportunity here in Canada when the incomes are much better there. In fact, right now I'm working with somebody on some very interesting immigration data. We're finding that one major factor that influences Canadians to move to the United States—this is just over the past few years—has been better economic opportunities in the United States, more so than family, which surprised me. By the way, taxes also play a role, but not as big a role as simply the much higher incomes that are available. We also asked people how they're doing and whether they're disappointed with what they ended up with in the United States. It's quite the opposite. It's turned out better than they expected, on the whole.

I think we need to be very worried about this. If our standard of living is declining, it means we won't have the income and we won't have the taxes to pay for many things, such as art. I'm very concerned about the food issue. I think that's a major issue. It's the richer societies that can afford to pay for these things. It's the poorer societies that have a lot more difficulty.

I won't go into all the details now, but I think the next five years will be very challenging for Canada. I wish I could agree with Mr. Sorbara, but I don't.

Mr. Jasraj Singh Hallan: I remember that in 2014, I used to read articles that had headlines saying that the American dream had moved to Canada. That was under a Conservative government. Just up until last year, there were headlines saying that the Canadian dream was gone. Can you explain a little bit about that? I know you talked about youth and why they're moving out of here, but can you talk a little bit more about that? Does that have to do with economic issues or with investment? What changed?

Dr. Jack Mintz: Well, we've had very poor private investment now for almost a decade, since the 2014 crash in commodity prices. We have to remember that we are a resource-based economy, so it's very important, but many of the sectors have not done very well in investment. We're not growing. Businesses are not adopting the latest technologies. In fact, our research and development has actually dropped in the past decade.

When you look at some countries, even in the United States, it's far more than what we have here. Of course, we've seen with the United States that the technology industry has really been a huge factor underlying its growth.

● (1720)

Mr. Jasraj Singh Hallan: What are some of the barriers that are stopping that investment from coming into Canada? Why is it going the opposite way?

Dr. Jack Mintz: There are a number of factors, but I think regulatory factors play a very big role. We can go into a lot of detail about that.

I think in the case of taxation, some areas of taxation play a role. We have to remember that some things we've done since 2000 have been good at encouraging investment, but I think right now there's been a real discouragement of it, in the past number of years. We've been raising taxes in a number of areas. The capital gains tax is a recent one.

Mr. Jasraj Singh Hallan: I have a last question for you. We hear the Liberals saying that they want to bring in generational fairness. Then we look at all these taxes, including the carbon tax, which you talked about with my colleague, the capital gains tax hike, declining GDP per capita, higher deficits and the doubling of the debt. Is this really generational fairness for anybody?

Dr. Jack Mintz: I think we need to be very worried about the fact that our young people right now are taking a hit in many ways, which includes not just higher housing prices and rental prices, but also the fact that their incomes are not keeping up. The unemployment rate has gone up exceptionally. There are now close to 500,000 unemployed between the ages of 15 and 24 out of that 1.5 million. That's a big concern.

The Chair: Thank you, MP Hallan.

Now we go to MP Dzerowicz, please.

Ms. Julie Dzerowicz: Thank you so much, Mr. Chair.

I actually want to talk about productivity and economic growth, and I'd like to direct my questions to you, Mr. Mintz, so I was glad we kind of got there anyway. There's a lot I could say about some of the comments you made. One of the key reasons we introduced the capital gains change, which I think you know but might disagree with, was that, for us, it really was about fairness. It was about trying to find a way to redirect some additional dollars to a sector of our population that we felt was being disproportionately impacted by what's actually happening in the world today.

You might not agree with the tactic we've taken, but there's been a very real effort and a very real recognition of what our millennials and our Gen Zs are very much thinking: “How is it that I'm going to have a better life than my parents? How is it that I can actually ensure that I have a good quality of life moving forward?” I can assure you that we're very much seized with that.

I will tell you that for a number of years on this committee—I've been blessed to have served for over four years—I've always pushed for some sort of interprovincial trade barrier study. I'm also very concerned about the regulatory barriers. I was meeting with the Canadian fertilizer industry yesterday. They said that the truck weight limits are different in every province, which to me is ridiculous. The fact that our trucking industry has to care about their tire width sizes, which are different in Quebec than they are in Ontario, I find completely ridiculous. I actually think there's something around the terminology. For me, all provinces, as well as our country, should care about this as a number one priority, because all of us are better off if we actually start tackling it: The provinces are better off, our small, medium and large businesses are better off, and Canada is better off.

I will be honest and tell you that when I originally talked about interprovincial trade barriers, I would incorporate regulatory barriers, but I'm now separating it out. They're two different things. If there's one thing we could be doing right now in interprovincial trade barriers that would just get us moving on it, what would that be? If there's one thing we could do on regulatory barriers, what would it be?

I'll mention that in the past we've heard that if we could just do a registry, so we could actually start seeing.... I think that was on the interprovincial trade barriers. I don't know whether you would say the same for regulatory barriers.

If you could address both of those elements, I would be so grateful—action-oriented would be very helpful.

Dr. Jack Mintz: First of all, I think you and I do agree on the importance of the regulatory barriers in terms of impacting that growth. I think that is actually a major factor.

There are a number of things that I worry about, even going beyond the interprovincial one, which I think is absolutely correct. There's been very slow development on interprovincial barriers to trade in terms of trying to reduce them. There's been the TILMA in western Canada. Alberta actually said they were going to unilaterally get rid of a number of these barriers, hoping that other provinces would take it up. It's been a very slow process. A wonderful book written two years ago that won the Donner Prize really went through the history of this issue. You realize how slow it is in developing.

There are other issues too. There's the difficulty of getting anything built in this country and the time taken. I talked to people in the condo industry recently. In Canada, it can take a number of years before a condo building will go through all the approvals and get built, while in the United States it's a year and a half.

We could do a lot more in terms of our access to tidewater. I've argued for a long time that we should be looking at—

● (1725)

Ms. Julie Dzerowicz: I have only one minute left. Do you have any recommendations?

Dr. Jack Mintz: We should be looking at the Australian system. I've been a great believer in the northern corridor concept as a way of trying to get our goods and services out to the rest of the world. I think we should continue working on that.

Ms. Julie Dzerowicz: How do we get past the regulatory burdens? What's the next step on that?

Dr. Jack Mintz: I think it's something you just have to work out sector by sector. I don't think there's an easy silver bullet in any way. I know that some people have had this idea that if you introduce any new regulation, you have to get rid of two others. I'm not sure that's a great idea.

Ms. Julie Dzerowicz: Would you say the same thing for provincial trade barriers? Do you like the idea of a registry to actually start articulating and creating some transparency?

Dr. Jack Mintz: We already have quite a bit of information on where the barriers are; it's about trying to get the provinces to agree. That's where, of course, the federal government could take leadership in trying to get the provinces to reduce it, which might require some adjustments in other areas, including more money to the provinces to help fund things like health care.

Ms. Julie Dzerowicz: Thank you.

The Chair: Thank you, Ms. Dzerowicz.

We'll now go to MP Ste-Marie, please.

[*Translation*]

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

Ms. Laflamme, you said earlier that it was important for the Canada rental protection fund to be increased and earmarked for the various forms of social housing.

Could you tell us more about that? I'd also like to know why the tenant protection fund needs to be increased.

Ms. Véronique Laflamme: Thank you for your question.

I didn't have time to talk in detail about the Canada rent protection fund. This is another new development that we've welcomed in recent months. We make a lot of criticisms, but we also recognize the advances.

Again, this is a fund that's intended to protect housing affordability, with no guarantee that it will be used to acquire buildings for social, public, non-profit or community housing purposes. Obviously, we don't think that a private company will be able to sustainably protect the affordability of buildings that this fund would take off the market, as is the objective. We don't think we're far from the goal. It seems clear that's what this fund is going to be used for. That needs to be clarified, but more importantly, there need to be more guarantees to ensure that tenants can stay in the units that will be purchased with federal funds. Once again, this illustrates the fact that clear guidelines are needed when it comes to affordability and the protection of tenants who will remain in the units that will be purchased with federal funds. This is a good step, but we need more safeguards. The funds allocated aren't enough, given the real estate situation, particularly in a number of major Canadian cities. Funding has to be set up accordingly. Buildings are already too expensive to allow non-profits to guarantee truly affordable housing. Low-income households and very vulnerable people need access to rent subsidies.

The purpose of the tenant protection fund is to fund tenant support organizations across Canada. In Quebec, this funding is provided in part by the Government of Quebec. We have always said that the federal government should also contribute, especially since it has recognized the right to housing.

What's complex about the new fund is that, in the call for projects, what was asked of the groups that wanted to submit a project didn't quite correspond to the reality of organizations in Quebec and a number of other places in Canada. Local organizations don't want to propose projects to receive a few thousand dollars. They want a contribution that will enable them to carry out their mission of helping renters, as the government now intends to do. The parameters of this fund make it difficult and discouraging for local housing committees—there are dozens of them in Quebec—to do this work with tenants.

In our view, the fund needs to be improved quickly. It needs to be improved. When we look at the funding allocated to this fund, we see that it's woefully inadequate. All organizations in Quebec, such as the Front d'action populaire en réaménagement urbain, the Regroupement des comités logement et associations de locataires du Québec and grassroots organizations, can submit a project. The funding is woefully inadequate.

● (1730)

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

You also said that the government should set aside surplus public lands and buildings for housing for social and community housing to achieve 20% non-market housing.

Do you have any additional explanations for us in that regard?

To your knowledge, has the federal government started giving away federal lands or buildings for social housing in Quebec?

Ms. Véronique Laflamme: The short answer is no. A new tool called the land bank was recently launched. You can consult a website that maps out all federal lands in Quebec and Canada that are part of the bank.

The way it currently works is that we say we want to receive proposals for these lands instead of saying that public lands will be reserved for social and community housing projects. If we did that, we would be sending a signal that it would be worthwhile for communities to organize and for non-profit organizations to submit their projects quickly. However, the opposite is true. Competition is created between private developers and potential social and community projects. It isn't encouraging, and it doesn't send a positive message.

In Rimouski, in particular, there is public land that could be used for a housing co-operative. People in the community are already organized and have set up a co-operative project. There are also public lands located in the Petit Champlain neighbourhood in Quebec City. Once again, these lands were just added to the land bank.

I want to clarify that very few federal surplus lands have been placed in this bank and that other federal surplus public lands are under the responsibility of Canada Post or the Canada Lands Company, for example. There are major challenges, for example at the Wellington Basin in Montreal; the community has mobilized so that the land can be used to meet the needs of the community, which is very organized. A wonderful redevelopment project has been created in the Pointe-Saint-Charles neighbourhood. Since there are no clear guidelines from the federal government on the priority use of surplus lands, we have to negotiate on a case-by-case basis. So an immense weight is being placed on local organizations and the public. We need to reverse this trend by establishing clear guidelines for the use we want to make of public lands, which belong to the community.

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

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

[*English*]

MP Davies, you have the final five minutes to ask questions before we thank our witnesses.

Mr. Don Davies: Thank you, Mr. Chair.

Thank you to all the witnesses for their excellent testimony.

Dr. Mintz, if I understand your estimation, you forecast that increasing the capital gains inclusion rate to 66% and change for corporations and individuals with gains of over $250,000 per year will cause Canada's capital stock to fall by $127 billion, employment to decline by 414,000 jobs, GDP to fall by almost $90 billion and real per capita GDP to decline by 3%.

We all know that the capital gains rate was established in, I believe, 1972. That was at 50%. In 1988, the Mulroney Conservatives increased the capital gains inclusion rate from 50% to 66% and change, exactly the rate proposed now. What impact did that move have on Canada's capital stock, employment rate, GDP and real per capita GDP?

Dr. Jack Mintz: First of all, the few studies I've seen that were done on capital gains tax changes earlier on did estimate that there was an impact on investment and the cost of capital. That would have had an impact. The numbers that I used—

● (1735)

Mr. Don Davies: Do you know what those numbers are?

Dr. Jack Mintz: I don't remember. I'd have to go back to the studies. The one that I can think of had very similar kinds of results.

Let me just add very quickly that we have to remember that the reason the capital gains inclusion rate was increased at that time was that we lowered the corporate income tax rate quite a bit. In fact, one argument I would give is that in 2000, when we started lowering the corporate income tax rate in Canada, we reduced the dividend tax credit because of our integration system of corporate and personal taxes, but we didn't increase the inclusion rate slowly at the same time, which I think would have been appropriate, at least in terms of tax policy.

Mr. Don Davies: You may be anticipating where I'm going. If there were those negative impacts after the Mulroney Conservatives increased the inclusion rate in 1988, were the Conservatives economically asleep at the switch, then, in 1990 when they increased the inclusion rate to 75%? In that two-year period, they either failed to appreciate that there were negative impacts of their increase to 66% or they were oblivious to those negative impacts, because they then increased it again to 75%.

Can you help me understand that move by them?

Dr. Jack Mintz: Don't forget that the Conservatives also introduced the $100,000 capital gains exemption in 1987. They also introduced the special one for farmers and small business. The increase in the inclusion rate reflected the reduction in the corporate tax rates at that time. It was a way of trying to keep the total tax on realized capital gains similar to the top tax rate on dividends.

I'm not arguing against that as a principle. What I'm saying is that right now is not the time to do it. In fact, I would have preferred a much more thoughtful approach to the whole of capital gains taxes because of the complexity of the issue, including issues like inflation.

Mr. Don Davies: Dr. Mintz, where is corporate income tax today relative to where it was in 2000?

Dr. Jack Mintz: In 2000, our federal-provincial rate was 43%. Today it's around 26%, on average.

Mr. Don Davies: So corporate tax rates are significantly lower today.

Dr. Jack Mintz: Right—and we have not increased the capital gains inclusion rate since 2000.

Mr. Don Davies: Yes. I realize it's difficult. There are so many moving parts. I mean, it's hard to isolate one thing.

Dr. Jack Mintz: Exactly. It's complex.

Mr. Don Davies: I appreciate that. You seem to have isolated the current increase in capital gains tax with some very precise numbers about what you think will be calamitous negative impacts, but we did not experience those calamitous negative impacts when they were raised twice before by Conservatives. That's what I'm trying to understand. You point to different economic moves at the time, but there are different economic moves happening now, including historically low corporate income tax rates and lower interest rates.

Incidentally, I would point out as well that investment in machinery, equipment, technology and innovation actually did not drop after the capital gains inclusion rates were raised in the late 1980s and early 1990s, but they have dropped in the last 10 years. Do you have any sort of explanation for that?

Dr. Jack Mintz: First of all, we have to remember that investment depends on many factors that are changing. For example, there was a major recession in 1990 to 1992, and that caused investment to decline, caused GDP to decline and caused a huge increase in unemployment, part of which may have been contributed to by some of the public policies at that time, but we have to remember that.

The main point is that when I did this estimate, it was based on keeping all other factors constant. Now, of course, if there are other changes that are going to occur, then what will actually happen to GDP and everything else will vary, but this is what economists do; they isolate the factor. My main point is that you have to be realistic. The capital gains tax increase will have an impact on GDP and on employment. The number isn't huge, in my view, but in fact, we don't even.... The number I did not include was the loss in tax revenues as a result of the reduction in GDP, so actually, to get back to the earlier question on that, I think we have to remember that the total revenue impact is actually not just looking at the capital gains revenues that are raised.

The Chair: Thank you.

Thank you, MP Davies. That will be the final question.

Ms. Rachel Bendayan (Outremont, Lib.): Mr. Chair, would there be time for another Conservative and Liberal round? I'd like to get in on this discussion, but I appreciate that—

The Chair: No, there's no time for that.

MP Chambers, do you have something really quick?

● (1740)

Mr. Adam Chambers: I don't want to surprise any members of the committee. The CRA is scheduled to come. I would like to make a request to the clerk for a few briefing notes that are specifically related to the topics for which the CRA is coming. I'm not requesting unredacted documents. The CRA can treat this as an ATIP request and redact as many of the documents as it likes. However, to support our discussions with the CRA, I would like to make this request to the clerk for documents—

Ms. Rachel Bendayan: Mr. Chair, we don't have time for further rounds with witnesses present, but we have time for this—

Mr. Adam Chambers: I'll bring a motion on Thursday, and we can vote on it then.

Thank you.

The Chair: Okay. Thank you, MP Chambers.

First, before we head out, everybody, let's thank our expert witnesses.

You've been generous with your time. We thank you so much for coming before our committee for our pre-budget consultations on budget 2025. We really appreciate all the testimony that you've provided to us and to our committee.

Thank you very much. We wish you the best for the rest of your day.