



HOUSE OF COMMONS
CHAMBRE DES COMMUNES
CANADA

44th PARLIAMENT, 1st SESSION

Standing Committee on Finance

EVIDENCE

NUMBER 163

Tuesday, November 5, 2024

Chair: Mr. Peter Fonseca



Standing Committee on Finance

Tuesday, November 5, 2024

• (1635)

[English]

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

Welcome to meeting number 163 of the Standing Committee on Finance.

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

Now I'd 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 pre-budget consultations study in advance of the 2025 budget.

I'd now like to welcome our witnesses.

First, let me begin by thanking our witnesses for their patience. We did have a number of votes in the House. We are starting a fair bit later than our usual time.

With us today, we have Kim Moody from Moody's LLP Tax Advisors. I know that we had Kim Moody on before, and I guess we had some technical issues. Hopefully, everything has worked out this time and we'll be able to proceed and have you as a witness.

We also have with us, from the Canadian Steel Producers Association, the president and chief executive officer, Catherine Cobden, as well as the vice-president of trade and industry affairs, François Desmarais; from the Italian Canadian Savings and Credit Union Limited, Fausto Gaudio, president and chief executive officer; from the National Council of Canadian Muslims, Rizwan Mohammad, advocacy officer, and Manitoba advocacy officer Sadaf Ahmed; from the Toronto Police Association, its president, Clayton Campbell, via video conference; and from the Union québécoise des microdistilleries, Vincent Lambert, general secretary, and Nicolas Bériault, the co-founder of Distillerie 3 Lacs.

Welcome.

We are going to have each of the witnesses give their opening remarks for up to five minutes.

We are starting with Kim Moody for the first five minutes, please.

Mr. Kim G. C. Moody (Moody's LLP Tax Advisors, As an Individual): Thank you.

Good afternoon, committee members. Thank you for the opportunity to appear before this committee to discuss the capital gains proposals announced in budget 2024.

My name is Kim Moody. I'm a fellow of the Chartered Professional Accountants of Alberta and the founder of one of Canada's premier taxation and legal and accounting boutique advisory firms, Moody's Tax under Moody's Private Client. I have a very long history of serving the Canadian tax profession in a variety of significant leadership positions. I'm also a prolific writer and speaker on taxation matters. I write a weekly column on taxation for the Financial Post.

I spoke previously to this committee on September 24 about these matters, and I submitted my opening remarks at that time, but unfortunately, as noted by the chair, my remarks were marred by technology challenges, so I will simply update my remarks very briefly today.

With that, my updated comments are as follows.

Number one is the policy on capital gains. One can have a healthy and respectful debate on how capital gains are taxed. Should they be preferentially taxed? In my opinion, yes, absolutely, like they are in most countries around the world.

Prosperous countries realize that investors, including entrepreneurs, take significant risks that have extended, long-term benefits to society and the economy. Thus, the concerns when Canada introduced complex proposals earlier this year to increase the capital gains inclusion rate effective June 25, 2024.

For those who continue to mindlessly bleed out the "buck is a buck is a buck" line in support of the proposals, I'll repeat the comments made by former finance minister Edgar Benson in 1969. He said:

The government rejects the proposition that every increase in economic power, no matter what its source, should be treated the same for tax purposes. This proposition, put forward forcefully by the Royal Commission on Taxation, has often been summarized rather inelegantly as 'a buck is a buck is a buck.'

But although the government does not accept this theory in all its splendid simplicity, neither does it believe that the distinction between a so-called 'capital gain' and an income receipt is either great enough or clear enough to warrant the tremendous difference from being completely exempt and being completely taxable.

I totally agree with that.

In addition, I often hear that employment risk is absolutely the same as entrepreneurial investor risk. Right? No, that's hogwash. To people who say so, I challenge them to put their money where their mouth is and put up their life savings, including their gold-plated pensions, and start a business. Do you think it's easy? Do you think it's a guarantee to riches? Do it. I dare you. By "starting a business", I don't mean your one-man band consulting practice.

Number two is the disingenuous messaging. I have nothing further to add from my September 24, 2024, comments, other than to say I still shake my head at how this government is prepared to engage in misleading and shameful partisan politics to implement a simple tax grab. Canadians deserve better.

Number three is the implementation of the proposals. Again, I have nothing further to add other than a couple of quick comments. First, as we all know, today is November 5, 134 days after the proposals presumably became effective, and the very complex draft legislation is still not in the bill. What are taxpayers supposed to do? I wrote about that in my Financial Post article today. It's not simple. Frankly, it's shameful.

Overall, I'm very concerned about how these proposals will affect Canada's productivity, especially during a time of declining GDP per capita and the significant disincentive for entrepreneurs and/or investors to invest their capital and take strategic risks for the benefit of themselves and all of Canada. These poorly thought out proposals will cause significant damage to Canada.

Esteemed economist Jack Mintz recently wrote what the proposals will cause. He wrote that, "Canada's capital stock will fall by \$127 billion; employment would decline by 414,000; GDP will fall by almost \$90 billion; and real per capita GDP will decline by 3 percent." That is obviously significant and concerning.

Instead, we need, as Jack Mintz calls it, a "big-bang corporate tax reform". I think we need a big bang personal tax reform as well that incentivizes and rewards Canadians to work harder and take risks. Frankly, it can't come soon enough.

Thank you. I'm happy to take questions.

• (1640)

The Chair: Thank you, Mr. Moody.

Now we'll hear from the Canadian Steel Producers Association and its president and chief executive officer, Catherine Cobden, please.

Ms. Catherine Cobden (President and Chief Executive Officer, Canadian Steel Producers Association): Thank you, Mr. Chair and members of the committee. François and I are pleased to join you today to discuss the priorities of Canada's steel industry related to the upcoming budget.

The Canadian Steel Producers Association is very proud to represent 100% of Canada's domestic steel production, as well as sig-

nificant users of steel in our downstream market. Canada's domestic steel industry generates \$15 billion in economic activity and supports 123,000 direct and indirect jobs, from Alberta through to Quebec. Our steel is fully recyclable and supports many other sectors of our economy, such as the automotive sector, the construction sector, the infrastructure sector, the energy sector and the defence sector. We play, as well, an outsized role in the economy of tomorrow, where major clean technologies will require steel.

Despite the strategic importance of our sector, we are facing economic headwinds. It is a tough industry. We struggle to compete due to a prevalence of unfair trade from global overcapacity. We face major decarbonization investments and substantial hurdles to attract that needed capital, along with a lack of available decarbonization solutions. Finally, we face uncertain circumstances in our largest export market, the United States. That economy is taking measures to protect their domestic industry and workforce, particularly in the steel sector, from the same devastating impacts of global overcapacity we face.

In the past several months, we have seen significant support from all political parties for measures that will help Canada's domestic steel sector. These measures have included a steel tariff regime against Chinese steel products, as well as the full implementation of a domestic "country of melt" monitoring requirement on all steel imports that will bring much needed transparency to our supply chain. Incidentally, that "melt and pour" requirement came into effect today. We've also seen significant investment in the Canada Border Services Agency. We're very grateful for these moves. They will indeed help.

However, there's more work to be done. In CSPA's recent submission to this committee, we highlight several items that we believe are crucial in our fight against global overcapacity. They will strengthen our partnership with the United States and ensure our climate transition takes place, while also protecting the competitiveness of our strategic sector.

Some of our recommendations follow.

Number one, further our fight against the destructive forces of overcapacity by improving our anti-circumvention legislation. At the present time, there are legal barriers that prevent us from using this anti-circumvention regime, despite growing concerns about circumvention issues. We urge the government to amend this legislation and take an approach similar to that of the United States.

Number two, update section 53 of the Customs Tariff Act to include labour, environment and national security provisions, improving this tool to reflect the broader range of challenges we face in today's modern world.

Number three, have no doubt that climate is the new trade tool for many nations. Canada must be prepared to respond to detrimental global tariff developments that will affect our steel industry. We believe the best course of action is proactive. Canada should pursue a unified carbon tariff approach with the United States for our sector. Given the integrated nature of the Canadian and U.S. steel industries and our shared climate emissions progress, we believe this unification would be of mutual value on both sides of the border.

Number four, treat vulnerable sectors within Canada's carbon pricing regime differently. As outlined in the important work of Canada's Commission on Carbon Competitiveness, differentiated approaches are justified in order to prevent carbon leakage in Canada's most vulnerable sectors, particularly steel. Based on CSPA members' own analysis, we are seeking a freeze on stringency and price until 2040, in order to allow sufficient time for solutions and a successful transition to the low-carbon economy.

• (1645)

Finally, we should continue to provide support for research, development and the adoption of low-carbon production technologies through tax incentives, through programs and through addressing impediments to clean energy access across the country. We recognize the important partnerships that we have seen in the steel sector to date, notably Algoma and ArcelorMittal Dofasco's announcements. There is government and industry collaboration, which will take six million tonnes of CO₂ out of the atmosphere, as well as our collaboration in research and development. Canada's steel sector has an impressive track record of announced projects to date. Six million tonnes is significant not just for the industry but also, I believe, for the entire Canadian economy.

However, we have more reductions that we can achieve, and we will need partnerships to get there. Governments around the world recognize that we're in a race for these investments, and Canada must recognize this as well.

Thank you for your time and attention.

We look forward to answering any questions.

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

Now we're going to hear from the president and CEO of the Italian Canadian Savings & Credit Union Limited, Fausto Gaudio.

Fausto, many of the members here on this committee.... Actually, you serve many of our constituents, so thank you very much for the service you provide to many of our residents.

Mr. Fausto Gaudio (President and Chief Executive Officer, Italian Canadian Savings & Credit Union Limited): Thank you, Chair.

Thank you, committee, for allowing me to make this presentation.

I'm going to talk about what I think is a major distortion in the single-family housing market, particularly in the GTA. I'm referring

to single-family housing, not multi-family dwellings. I'm going to start with an ask that may not be all that popular in light of some comments I've already heard with respect to capital gains taxes.

I'm here to ask you to consider a punitive capital gains tax on speculative investments in non-principal-residence single-family homes if not held for a minimum period of two years. I am the CEO of the Italian Canadian Savings & Credit Union. We are deeply rooted in the real estate development and construction sectors of the GTA. As mortgage lenders, we've seen increasing speculation in new high-rise condo builds, such that by 2019 speculators accounted for up to 80% of unit purchases and possibly more. In their recent economic report, the chief economist of CIBC reported this number to be north of 70%.

This trend, I maintain, had the result of shifting the demand curve upwards. Speculators have not historically dominated the market to this extent, and they have different interests. Families buy a home to hold and raise kids and are often financially stressed, while speculators look for short-term gains and often have more money than families do. This shift resulted in housing becoming unaffordable for families. Additionally, this buying frenzy spilled over to other types of homes, including detached suburban homes. Private equity funds have been building portfolios of detached single-family homes to hold for capital gains. Families can't compete with the purchasing power of private equity funds.

Speculators bet on short-term gain. The primary intent of these investors is to flip their purchase contracts. In normal markets there are also investors that buy to hold. These are not the investors being referred to in this discussion.

This hyperdemand increased developers' margins very substantially. This is important to take note of. By some accounts, margins increased to as much as \$400,000 per unit. As the various sector partners took note of the developers' increased margins, contractors bid up their contracts, labour negotiated for more, prices of building materials increased and of course municipalities demanded more.

Rapid increases in interest rates in 2022 were very effective in taking the speculators out of the market. Urbanation, a real estate research and consulting firm specializing in condominiums, reports that there are currently 40,000 condo units for sale in the GTA, including unsold units in development, assignment listings and resale listings on MLS. They state that it will likely take up to 50 months for the market to absorb these units based on current sales rates.

A long-term strategy to return the single-family housing market to families is paramount for our social and economic well-being. If speculators or flippers return to dominate the market as interest rates moderate, families and first-time buyers will continue to be shut out of the market. Another significant effect will be a housing market that resembles a commodities market, whereby only people with money will invest and trade housing units as between themselves. There's already much evidence of that.

This commoditization or financialization of the single-family housing market may also impact mortgage financing in the long term. The security of having a fixed-rate mortgage together with a long amortization period are traditionally intended to make it easier for average income earners to buy a home.

• (1650)

Mortgage lenders have historically not questioned the risk associated with these features, as the value of real estate has traditionally been predictable. As the housing market becomes more like a commodities market, though, and therefore, more volatile, the question becomes whether mortgage lending should be more like commodities lending. Should mortgages look like margin loans, whereby, like with commodities loans, the lender can call a loan if the value of the house drops?

As I'm sure you're aware, the federal government holds substantially all of the risk for residential mortgages through CMHC's securitization plans.

In its economic and social report dated May 2024, Statistics Canada reported that "it is not yet clear" whether "inflation...in 2022 was driven by demand [or by supply] factors", and that rent paid "for housing contributed significantly to the high inflation in all four quarters of 2022."

There is no long-term upside in having speculators dominate the housing market, and left to interest rate policy alone, speculators will come back as rates stabilize. A fiscal policy that includes a very significant capital gains tax on flipping single-family homes may be more effective in correcting this anomaly. It will have the effect of stabilizing demand and reducing construction costs, and it will return the Canadian dream of home ownership back to families.

Thank you.

• (1655)

The Chair: Thank you, Mr. Gaudio.

I'm sure there will be a lot of opportunity during members' questions to expand.

Now we're going to hear from Rizwan Mohammad from the National Council of Canadian Muslims, please.

Mr. Rizwan Mohammad (Advocacy Officer, National Council of Canadian Muslims): Thank you, Mr. Chair and honourable members of this committee, for allowing us an opportunity to make recommendations as part of your pre-budget consultations.

My name is Rizwan Mohammad, and I am joined today by my colleague, Sadaf Ahmed.

Muslims comprise only about 5% of Canada's population, yet violent Islamophobia has resulted in more targeted killings of Muslims than in any other G7 country since 2017. This last year we've seen a massive spike in attacks on our community, including a massive surge of anti-Palestinian racism.

We are encouraged by the commitment—certainly in words—of all major parties to name and to address Islamophobia with the seriousness it deserves. To that end, we are here to recommend common-sense ways in which we can continue to work together to challenge Islamophobia and uphold our commitments to civil liberties and human rights. These will be further expanded upon in a longer brief that will be sent to this committee.

Ms. Sadaf Ahmed (Manitoba Advocacy Officer, National Council of Canadian Muslims): Our first recommendation is to invest in a dedicated, national anti-Islamophobia strategy. The persistent rise of violent and systemic Islamophobia demands proactive measures. We suggest two top priorities.

First, let's support good policy work in government and amongst the public. To that end, we recommend increased funding to both the special representative on Islamophobia and the York University Islamophobia research hub, which is providing strategic, non-partisan and evidence-based approaches to challenging Islamophobia and its intersections with anti-Palestinian racism.

Second, let's invest in public education campaigns to drive down anti-Muslim sentiment. As we know, Islamophobia kills and will continue to kill in Canada unless we take more proactive measures. We need to deal with it as we do any other public health problem: by investing in public education campaigns.

Mr. Rizwan Mohammad: Our second recommendation is to continue to commit international humanitarian assistance to wherever there is the most need as quickly as possible. Canada has a strong history of providing humanitarian support to vulnerable populations, to prevent crises from escalating and to foster a more peaceful world. Such stability helps ensure Canada's safety and the stability of our democracy both at home and abroad.

Budget 2024 proposed providing an additional \$350 million over two years to Global Affairs Canada to enhance Canada's ability to respond to humanitarian crises around the world. We recommend that Canada actively review its position and consider increasing international humanitarian assistance by an additional \$500 million to commit to wherever the need is greatest, from Sudan to Ukraine, but especially to people experiencing the most severe poverty and in need of the most medical support. Specifically, we recommend increasing Canada's support for UNRWA, given the humanitarian disaster affecting Gazan children and given that UNRWA is the best placed organization to deliver that aid.

Our third recommendation is to commit a budget line allocation to a new Canada Revenue Agency oversight body. Muslim charities have been unfairly surveilled in Canada. The government has admitted there was a potential problem and called for a review into how the CRA audits Muslim charities.

In November 2022, the taxpayers' ombudsman expressed concerns to the Senate committee on human rights that the review he had been tasked with had major gaps because of a lack of access to the files his office needed to conduct a fulsome review. In 2023, the Senate human rights committee's report on Islamophobia found that within the CRA's review and analysis division, or RAD, three-quarters of the decisions to revoke an organization's charitable status were directed at Muslim charities, despite Muslim charities representing less than 1% of all Canadian charities.

We also recognize that there has been bipartisan recognition by the Liberals, Conservatives and the NDP that there is systemic Islamophobia at the CRA and that there needs to be action.

Now, while we have long called for the RAD to be dismantled and we continue to make calls for urgent reform, we propose that a budget line be committed for the Department of Justice to introduce legislation that establishes an independent, civilian body to review decisions of the CRA's RAD to provide timely decisions on appeals. The CRA, unlike CSIS, the RCMP and the CBSA, lacks an appropriate oversight body, as seen by the failure of the taxpayers' ombudsman's report, despite his best efforts.

Our fourth recommendation is to strengthen Canada's weapons permit and procurement policies to ensure that our country does not support war crimes. More and more Canadians are asking for clarity and transparency about the ways in which our weapons export permit policy functions and the ways weapons procurement operates at the highest possible ethical standard.

In 2021, the House foreign affairs committee issued a report entitled "Assessing Risk, Preventing Diversion And Increasing Transparency: Strengthening Canada's Arms Export Controls in a Volatile World". Given the recommendations of that report and the International Court of Justice's recent decisions and opinions on the need for all countries that support the international, rules-based order to be in compliance with it, we recommend a specific line to boost the transparency of Canada's weapons export permit and procurement rules to ensure that our government is in compliance with those rulings.

Subject to your questions, these are our submissions.

• (1700)

The Chair: Thank you very much.

Now we'll hear from the Toronto Police Association's president, Clayton Campbell, please.

Mr. Clayton Campbell (President, Toronto Police Association): Good afternoon, Chair, Vice-Chair, members of the standing committee and legislative staff. Thank you for allowing me to take part in your pre-budget consultations.

My name is Clayton Campbell, and I'm the president of the Toronto Police Association. The TPA represents more than 8,000 members of the Toronto Police Service, including frontline police officers, special constables, criminal investigators, community response officers and civilian members. Our police members cannot speak on matters publicly. They must remain impartial in the execution of their duties. Today, I'm here to speak for them. I'm also here to advocate for the communities we serve, because there's little difference between what we want, as police members, and what our communities want: safe and healthy neighbourhoods. The fact is that safe and healthy neighbourhoods need well-staffed police services. Right now, our numbers are dangerously insufficient.

Using Toronto as an example, our population has grown by more than 20% since 2010, while the number of police officers has decreased by 2%. Over the same time—since 2010—our percentage of the City of Toronto's budget has decreased by almost 3%. This deficit has a direct impact on how and when we deliver basic policing services to the public. We receive more than two million calls for service every year in Toronto, but our response time for the most urgent emergency calls is almost 18 minutes. That is unacceptable. There are simply not enough members to respond properly.

Although issues with recruitment and retention are directly tied to our battle with the City of Toronto and the Toronto Police Service Board refusing to pay our members what they deserve, we believe there is a role for the federal government. For instance, the 2025 budget could prioritize setting up a comprehensive strategy aimed at enhancing police recruitment nationwide. This strategy could highlight the positive aspects of a career in law enforcement and the diverse opportunities available within police services across Canada.

I would also be remiss if I did not mention that the lack of police resources is only one contributing factor to our community's sense of well-being. This is in large part due to the increase of gun violence and the prevalence of repeat violent offenders out of custody, on our streets.

On gun violence, efforts must be focused on the criminal use of firearms. I am not aware of any evidence that gun bans are effective in reducing gun violence, and Toronto is a strong example of that. So far this year, we have experienced a 43% increase in shootings, and the number of gun-related homicides has grown by 67%. Our members have seized approximately 600 crime guns. At least 85% of those can be traced to the United States. The federal government's gun regulations cost millions of dollars, but it's only a burden for lawful gun owners. We call on the federal government to end the handgun ban and the so-called buyback program with this budget, and to redirect those resources to all police agencies—not just the RCMP and CBSA—in order to address the influx of illegally smuggled firearms.

When it comes to bail reform, change is desperately needed. It is a daily occurrence for our members to arrest someone out on bail. They're being released back into our community only moments after committing very violent offences, such as carjackings and gun-related crimes. I am imploring the federal government, through this budget, to stop placating us with the system you think we need, and to give us the system we're asking for. At the very least, if you're not going to make the legislative changes needed, invest in the enforcement we need to keep tabs on those released into our communities. In Toronto, we used to have robust bail compliance units. Without adequate funding to maintain these units, the responsibility falls on local divisions. As I already mentioned, they are just barely managing to provide basic policing services.

In closing, there's no doubt you will receive thousands of recommendations during this period. While no voice should be larger than the other, I think it's safe to say that our suggestions would be echoed by many other police services and associations across the country.

Again, thank you for the invitation. I welcome any questions you may have.

• (1705)

The Chair: Thank you.

We're going to hear from Union québécoise des microdistilleries and its general secretary Vincent Lambert.

[*Translation*]

Mr. Vincent Lambert (General Secretary, Union québécoise des microdistilleries): Thank you very much, Mr. Chair.

Mr. Chair and members of the committee, thank you for your time and attention today.

My name is Vincent Lambert and I am the general secretary of the Union québécoise des microdistilleries, or UQMD. I also serve as the Quebec representative on the board of the Canadian Craft Distillers Alliance, or CCDA, which represents more than 300 Canadian distilleries. Joining me today is Nicolas Bériault, a member of the UQMD board of directors and co-founder of Distillerie 3 Lacs, located in Salaberry-de-Valleyfield.

The 50 members of UQMD generate over \$100 million in spirits sales annually. Our mission is to support the development of the microdistillery industry, to promote the production of local spirits, and to promote them here and abroad.

Since our meeting last May, when I had the opportunity to present our excise duty reform proposal for Canadian spirits, it has been supported by the Canadian Craft Distillers Alliance, which is an association of Canada's provincial craft distillers associations. This pan-Canadian support is a testament to the unity of our sector around this much-needed reform. As the director of the CCDA for Quebec, I am also presenting this national mandate in speaking to you today.

Over the past few years, there has been a real interest in Canadian craft distilleries, which is very similar to the rise of microbreweries in the country. Despite this growth, our distilleries are facing increased competition, especially from the United States, which makes it more crucial than ever to update our taxation model.

In stark contrast, Canadian distilleries are subject to an excise duty of \$13.57 per litre of absolute alcohol, compared to only \$0.98 in the United States. A Canadian bottle of spirits is therefore subject to approximately \$4 in excise duty, compared to \$0.29 per American bottle. This difference undermines the competitiveness of our spirits in the marketplace and makes it extremely difficult for our distilleries to expand and compete on a level playing field.

If we take the example of Quebec, taxes and markups account for about 75% of the price of a bottle. For example, for a bottle sold for \$40 to the consumer, barely \$10 goes back to the distillery. This greatly limits our industry's ability to invest in its growth and to contribute as much as it can to local economies.

Starting in 2018, the United States introduced excise duty reductions for small and medium-sized spirits producers. This has allowed the sector to grow rapidly and generate significant economic benefits. This strategy has created over 1,000 distilleries, tens of thousands of jobs and hundreds of millions of dollars in local economic benefits in every region of the United States. Drawing on this model and that of our own brewing industry in Canada, we propose a progressive taxation system based on production volumes that is designed to ease the tax burden on small and medium-sized producers so that they can become the Canadian economic engines they are intended to be.

Many countries have demonstrated the effectiveness of similar tax policies in stimulating their domestic industries. By applying an excise duty reduction for the three production levels in the spirits sector, we can create an environment conducive to the growth of local distilleries, which will allow Canadian distillers to achieve a level of economic development comparable to economies with similar approaches. This model is consistent with the principles of the World Trade Organization, which encourages policies that promote economic development without impeding free trade.

In conclusion, this proposal goes far beyond simple tax modernization. It is a true economic lever for a dynamic, innovative and growing industry. Reducing excise duties based on production volumes will create a multiplier effect that will benefit many related sectors. This measure will not only support local businesses, but also stimulate regional value chains, which will create thousands of high-quality, well-paying jobs and generate millions of dollars in economic development for our communities in all regions of our great country.

I'll leave you with that thought. Every bottle of spirits produced in Canada represents approximately \$20 in local economic development, including the value of the farm inputs used, distribution and associated tourism activities. If Canadians are consuming spirits, should we not find ways to ensure that those products are made here as much as possible, by businesses that are thriving? We could capture not only the tax revenue, but also that \$20 per bottle, in addition to the thousands of jobs that could be generated in all regions of the country.

Thank you for your time. We are available to answer any questions you may have.

• (1710)

The Chair: Thank you, Mr. Lambert.

[English]

Witnesses, thank you for your opening remarks.

We are going to move to members' questions. Each party will have up to six minutes in this first round.

We're starting with MP Kelly for the first six minutes.

Mr. Pat Kelly (Calgary Rocky Ridge, CPC): Mr. Moody, thanks for your remarks and for pointing out that successive Conservative and Liberal governments have rejected the simplicity of the “buck is a buck” quote from the Carter commission period.

I want to take you back to remarks you made earlier when you spoke about the capital gains tax changes being a “proposal that blows a hole in the policy of integration, which has been a core principle of Canadian [taxation] for decades and decades” and that would “cause [various] distortions that are simply not good.” This is partly because of the disconnection between, say, a small business owner with a private corporation and an individual, who are not treated the same, with the small business owner not getting the \$250,000 exemption.

Can you comment on the distortions that this policy, as presented, creates?

Mr. Kim G. C. Moody: Sure, and thank you for the question.

Yes, integration has been a long-standing core principle—and a good one, for that matter—for decades in Canada. It goes simply like this. From an investment perspective, people should be neutral as to where they place their investment dollars in a particular legal vehicle. In other words, if you invest your dollars individually, the tax results should ultimately be the same on the investment income you receive on that, including capital gains.

If you invest in a corporation, like a Canadian-controlled private corporation—a small business corporation, for example—and if you realize investment income, the ultimate corporate tax and the tax on the dividend should roughly be the same compared to the individual.

Now, with the \$250,000 threshold, individuals get that annual 50% inclusion rate, but corporations, which are apparently evil, do not. They're taxed on a two-thirds inclusion rate right from the first dollar. That incentivizes investors—smaller investors, of course—to invest personally as opposed to corporately, and that can cause a lot of distortions.

For example, it might be better to invest in a corporation for a variety of reasons—to reinvest in a business, to creditor protect, etc., but now Canadians will be incentivized to invest personally.

I'm concerned about that. The complexity it adds to the tax system is tremendous.

Mr. Pat Kelly: Will that positively or negatively impact the investment climate in Canada? When there's a productivity crisis with an enormous investment deficit in Canada when compared with the United States, is this going to make that better or worse?

Mr. Kim G. C. Moody: Overall, it will be worse. The integration is one thing, but just the increased rate and tax is another thing as well. I think that, overall, the answer to your question is that it's very negative all the way around, including the complexity. You have to pay clowns like me, you know, expensive amounts of money to interpret this legislation, and that's just not right.

Mr. Pat Kelly: The high cost of compliance drives away investment and is a drag on productivity. Is that fair to say?

Mr. Kim G. C. Moody: Absolutely, yes.

Mr. Pat Kelly: I know that in your practice you advise people about where to allocate capital and how to minimize their taxes. I couldn't help but notice that for Brookfield Asset Management, which is chaired by the Liberal leader's adviser—the Liberal leader is, of course, the Prime Minister, so this is the Prime Minister's adviser—his company has relocated from Canada to the United States. Is this just a really in-your-face example of how—

Ms. Julie Dzerowicz (Davenport, Lib.): I have a point of information, Mr. Chair.

I'm sorry. It's a point of order.

I just wanted to say that Mark Carney is actually the Liberal Party of Canada's adviser, not our Prime Minister's adviser.

Thank you so much.

Mr. Pat Kelly: Maybe I need to be clarified on this point of order, then, so as not to take from my time.

The Chair: Go ahead, MP Kelly.

Mr. Pat Kelly: Can you clarify, then? Are the Prime Minister and the leader of the Liberal Party the same person?

Ms. Julie Dzerowicz: Yes.

Mr. Pat Kelly: Okay. That's good. I'm glad we clarified that.

Mark Carney is the adviser to Justin Trudeau, who is the Prime Minister of Canada and leader of the Liberal Party. Are we all okay with that?

Okay. That's good. Thank you.

The question, then, was whether or not this could be seen as a rather spectacular example of businesses choosing the tax domicile or the business location that's in the best interest of their shareholders.

• (1715)

Mr. Kim G. C. Moody: Well, if you want a quick comment, I mean, certainly I don't know the insights, but do I think that it's a rather high-profile example of what I see in my practice day to day? Absolutely.

I'm sure that taxation has been a part of that overall equation. Obviously, I don't know, but I can tell you that in the files I deal with day in and day out, taxation in the last nine years—in particular, the last five—has been a significant factor for successful Canadians leaving Canada and it's concerning.

Mr. Pat Kelly: That's capital flight—

Mr. Kim G. C. Moody: Yes.

Mr. Pat Kelly: —and this results.... What are some of the consequences of this? Unemployment...?

Mr. Kim G. C. Moody: Unemployment, loss of taxation revenues on the investment dollars that were otherwise placed in Canada, the business loss: It's just a shame.

Mr. Pat Kelly: You spoke about Dr. Mintz's projection on how this will suppress the stock of capital. How does that affect working people, the people who rely on investment to give them the opportunity to earn better paycheques?

Mr. Kim G. C. Moody: Here's a real-life example that I'm working on right now. There's a manufacturing outfit in Ontario that I've been working on to move to—of all places—Florida. There could be a loss of 225 jobs because of that. Is high taxation a significant factor for that? Absolutely it is: There are other reasons, but taxation is towards the top of the list.

The Chair: Thank you.

Now we'll go to MP Dzerowicz.

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

I want to thank all the witnesses for their presentations today. They are very, very important. I won't have time to ask all of you questions, but I'm hoping to get to a couple of you.

I'm going to start off with Mr. Gaudio from the Italian Canadian Savings and Credit Union Limited.

Thank you for being here. We haven't heard the perspective of someone who runs a bank and has a lot of experience in seeing a lot of people take out mortgages, so thank you for being here.

If I heard you correctly, you said speculative buyers—I also use the word "investors", because there are lots of people listening at home, and I want to make sure I'm simplifying—are buying single-family homes. They're fixing them up and then selling them at higher prices within a two-year time frame. They're basically flipping them. This pushes up not only the housing prices but demand, and this also pushes up developer margins, and contractors up their prices as well.

Your solution is a punitive capital gains tax on non-principal residences that are not held for at least two years. Do I get that right?

Mr. Fausto Gaudio: That's almost right.

Ms. Julie Dzerowicz: Okay.

Mr. Fausto Gaudio: It isn't so much an investor who's buying a property and improves the property and then sells it within two years. That's not it. This is about investors who buy from developers three years before a project is finished, or possibly earlier. They buy a condominium unit and then hope to sell the contract before that unit comes to market. There have been many of these investors. CIBC says north of 70% of the purchases are of those type. I maintain that it's higher and the developers I talk to maintain that it's higher. These investors enter into a contract and then try to sell the contract before the unit comes to market.

Ms. Julie Dzerowicz: Are they able to sell that unit at a much higher price than they bought it for?

Mr. Fausto Gaudio: That has been the case, as we know, since the recession of the 1990s corrected, i.e., when prices began to increase again in 1995. By about 2000-01, these increases in real estate in general continued. Speculators came into the market in a very, very big way, and my position is that they now dominate the market because they buy substantially all of the new-build condominium units, and subsequently there was what I refer to as a "buying frenzy". Of course, they buy it with the expectation of making a capital gain by selling that contract, by flipping that.

Ms. Julie Dzerowicz: If I understand correctly, this whole scenario influences what developers want to build, because they can make quite a bit of money from this. Is that true?

• (1720)

Mr. Fausto Gaudio: I think we all know that there's been a huge build of microunits in downtown Toronto. I think these microunits—apartments of 400 square feet or 500 square feet—were all intended to capture more and more investors, in other words, smaller investors. By the way, there are a number of big investors, but many of them are quite small.

I think that these microunits that were built in downtown Toronto were intended to capture smaller investors. In 1995, in the recession of the 1990s, there was a phrase that said, "When the little guy gets in, it's time to get out." I think that's the point we're at now.

Ms. Julie Dzerowicz: You've been mentioning punitive capital gains tax on non-principal residences not held. What do you mean by "non-principal residences" That's for those who might be listening.

Mr. Fausto Gaudio: It means that it isn't somebody who buys a unit because they intend to live in it or they live in it. It's just a unit that they hold as an investment. It's not a multiple-family unit, a triplex or a multiplex. It's just a single-family unit.

Ms. Julie Dzerowicz: Thank you.

I'm going to turn my attention to the Canadian Steel Producers Association.

We talk a lot about productivity and competition. If we look at global competitiveness, we know that the EU—and depending on who wins in the U.S. today—and the U.S. will likely have in place a cross-border adjustment. This impacts our trade with two of our biggest trading partners in the world.

From your perspective, how do we remain competitive if our products will be subject to high tariffs for not keeping up with the standard of greening our products and greening our economy?

Ms. Catherine Cobden: Thank you very much for the question.

In fact, global benchmarking demonstrates that Canadian steel is among the greenest in the world, so it's not that we haven't kept up. It's that we may still continue to allow for trade with nations that don't have the same requirements and may practice unfair trade.

Specifically, in one of my recommendations, I asked for the government to consider carbon tariffs. A CBAM—carbon border adjustment mechanism—that you are referring to is a very specific type of carbon tariff. We suggest that we should be very serious about that, to your point. It is a potential threat, so we don't want to be caught off guard. We should proactively prepare for it. Furthermore, we should do that in collaboration with our largest trading partner, the United States.

You rightly point out that the U.S. is doing the investigative work to prepare for carbon tariffs on steel, in particular. Our view is that this won't be a function of whoever is in the administration. We think either outcome of tonight's election means that carbon tariffs will very much be a trade tool the U.S. will contemplate.

Thank you.

Ms. Julie Dzerowicz: Thank you.

The Chair: We will now go to MP DeBellefeuille.

[*Translation*]

Mrs. Claude DeBellefeuille (Salaberry—Suroît, BQ): Thank you very much, Mr. Chair.

Thank you very much to the witnesses for their presentations.

My question is for Mr. Lambert.

My colleagues may not have heard you say this earlier, but in addition to representing the Union québécoise des microdistilleries, you are speaking on behalf of microdistilleries in Canada today.

Mr. Vincent Lambert: That's correct.

Mrs. Claude DeBellefeuille: Can you repeat the number of microdistilleries in Canada?

Mr. Vincent Lambert: There are 300 craft distilleries in Canada. The CCDA represents all of the provincial associations, which in turn represent those distilleries.

Mrs. Claude DeBellefeuille: Great.

Can you expand on the different approaches of the federal government in Canada and the United States? Can you also explain how the tiered taxation system you are proposing could have a competitive effect on the American market, for example?

Mr. Vincent Lambert: In the United States, there are two production levels. For the first level, the normal excise duty is about \$13 per gallon of absolute alcohol. For the second level, there is tax relief, and the excise duty is just under \$3 a gallon, which corresponds to nearly \$1 a litre in U.S. excise tax, as I mentioned earlier.

The difference really is that the U.S. responded to a growing industry, one that was meeting the needs of consumers and for which there was national interest. They took the opportunity to give this industry a boost. At the end of the day, it's not a gift to distilleries. Yes, it is, but the country's ultimate objective is to generate as much of a multiplier effect as possible. That's what we're seeing today. It's been six years since the U.S. introduced this relief, and billions of dollars have been pumped back into regional economies across the United States.

The industry is growing in Canada as well, but we have not yet responded to that reality, which is choking our distilleries. It's not just because of excise duties. Our laws and regulations pertaining to spirits are still very much a reflection of prohibition-era attitudes, both provincially and federally. If the federal government showed leadership towards this industry, it would be a good step forward, and the provinces could in turn draw inspiration from that.

• (1725)

Mrs. Claude DeBellefeuille: You clearly illustrate that the industry is booming in Canada and that microdistilleries are making a name for themselves. I'm looking at Mr. Bériault, from Distillerie 3 Lacs, who is with you today. If I may say so, his distillery probably makes the best gin in Canada. Of course, it's a matter of taste.

Can you clarify what the average output of your union members is? I don't know if Mr. Bériault could answer that question more specifically.

Basically, what would the average savings be if we made the change you are proposing?

Mr. Nicolas Bériault (Co-Founder, Distillerie 3 Lacs, Union québécoise des microdistilleries): I'll take that question.

Thank you for your compliment, Mrs. DeBellefeuille. We have in fact won gold medals in a number of Canadian and international competitions.

If the tiered relief proposal were implemented, approximately 90% of Canadian distilleries would be in the first tax bracket. That would represent an annual tax break of approximately \$150,000 per distillery in Canadian dollars. That's a substantial amount of money for those distilleries. Lastly, it would give oxygen to an industry that really needs it and that still has to deal with tax rates that date back to the prohibition era.

Distilleries have not yet received a break, unlike microbreweries and wine producers. The brewing sector and the wine industry have had relief over the past few years. Distilleries, on the other hand, have seen four rate increases in the last five years. So we're not keeping up at all.

This relief would help us remain competitive with foreign products here in Canada. It would also allow us to increase our liquidity to further move into U.S. and European markets. We could also develop new technologies and remain competitive and innovative. That's not to mention the beneficial effect on local tourism in our regions.

Mrs. Claude DeBellefeuille: As you said, Mr. Bériault, microbreweries were given some relief, and it had an impact on them.

Today, we are talking about microdistilleries. What do you propose in practical terms to improve the financial health of the members of your union?

In your opinion, the relief you are proposing would provide significant liquidity for each microdistillery. You gave an estimate earlier. That's not a lot of money compared to large commercial, industrial or international distilleries such as Diageo, in my riding. We're really talking about small and medium-sized businesses that have great hopes for their innovation and want to receive the same relief or support from the federal government as the brewing industry recently received.

Mr. Nicolas Bériault: Absolutely. It's important to point out that it's really to help the smallest businesses. It must be said that SMEs are an economic driver and are the foundation or pillar of our economy.

However, we are really lagging behind in this industry, because just 7% of the spirits consumed here are manufactured here in Canada. Compared to any other agri-food industry, we are well below typical levels.

The goal is therefore to boost the competitiveness of smaller businesses.

Mrs. Claude DeBellefeuille: Okay—

[*English*]

The Chair: That's your time. Thank you, MP DeBellefeuille.

[*Translation*]

Mrs. Claude DeBellefeuille: Thank you, Mr. Chair.

[*English*]

The Chair: Now we're going to MP Davies, please, for the next six minutes.

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

To the National Council of Canadian Muslims, in 1949, the United Nations Relief and Works Agency, or UNRWA, was established to provide direct humanitarian relief and development for Palestinian refugees. It is funded almost entirely by voluntary contributions from UN member states, including Canada.

Can you describe the impact of UNRWA's work on Palestinians living in Gaza and the West Bank today?

• (1730)

Mr. Rizwan Mohammad: Mr. Chair, UNRWA is exactly the way that it has been described. It's providing basic, life-saving aid to those who need it the most. We support providing international humanitarian assistance to everybody who needs it, and, in particular, today, to Palestinian civilians in Gaza, especially Palestinian children who are not only caught in the violence that's ongoing, but who are suffering a polio epidemic and are dying from things like malnutrition. UNRWA is helping there.

We support Canada to get aid to those children using the most effective means available as quickly as possible to save their lives. We don't think that children should suffer punishment because of the political conflict going on around them. That's why we support Canada to increase aid to those who need it most—not just Muslims, but Muslims, non-Muslims and all people who have the greatest need for this.

That's the kind of life-saving aid that UNRWA is providing. That's why we support Canada continuing to support it.

Mr. Don Davies: Now, there are some, including some people in this Parliament, who have called for UNRWA to be defunded. However, given that the UN Secretary-General, António Guterres, and sources as diverse as the U.S. ambassador to the UN, Linda Thomas-Greenfield, have been clear that there is no alternative to UNRWA for delivering aid to Gaza in particular, could you outline how defunding UNRWA would affect the overall humanitarian situation for Palestinian civilians, including children?

Mr. Rizwan Mohammad: Mr. Chair, that question highlights and recognizes that UNRWA is the largest UN agency and has the most capacity to effectively deliver life-saving aid. If it were defunded, it would be an incredible disaster, the likes of which we've never seen. We've been disgusted by the attacks we've seen on UNRWA from various sectors. UNRWA runs hospitals and provides water and food to people who have been suffering from violence and displacement for over a year.

Defunding UNRWA, we think, would be unreasonable as a response to concerns about it. It would be as unreasonable as—if I can use an analogy—allegations of multiple MPs of different parties contributing to or participating in foreign interference. If we were to argue that based on those kinds of allegations, we should dissolve the institution of the House of Commons, we would not find that a reasonable response. Similarly, we should not defund UNRWA.

UNRWA is essential to providing life-saving aid to people in the region who need it the most, so we should continue to support it.

Mr. Don Davies: Thank you.

You touched on this in your opening remarks, but I noticed that on June 6 this year, Stephen Brown, the CEO of the National Council of Canadian Muslims, said the following in his testimony before the Standing Committee on Justice and Human Rights:

In the last few months, there has been a drastic rise in Islamophobia and anti-Palestinian racism across Canada. In Q4 of last year, the number of such hate incidents across Canada reported to us increased by 1,300%.

Our communities are experiencing unprecedented levels of hate and violence from every level of society, including but not limited to professionals losing their employment or receiving disciplinary actions after calling for a ceasefire in Gaza, Muslim women with hijabs attacked and harassed in public spaces, children intimidated at school by staff for standing in solidarity for Palestinian human rights, and peaceful protesters labelled as supporters of terrorism.

In your view, what specific measures should the federal government implement to address this rise in Islamophobia and anti-Palestinian racism to protect affected communities and ensure their safety and rights in Canada?

Mr. Rizwan Mohammad: Mr. Chair, those remarks by our CEO are relevant today, which is why we are recommending that, because of the unabated urgency of Islamophobia in Canada, what we need to see is a rigorous and empirical understanding of how and why Canada is burdened with these kinds of challenges. What we need to see is a dedicated anti-Islamophobia strategy. That strategy, as we mentioned, should include investing in a research hub that can provide scholars an opportunity to work together and collaborate to produce the evidence basis for the kinds of policy changes we need to see to address these concerns, and we need to continue to support an office to combat Islamophobia.

• (1735)

Mr. Don Davies: B'nai Brith came to this committee and talked about the rising anti-Semitism that I think we're all aware of in this country. We've heard your testimony today and that of Mr. Brown. We're seeing today outbreaks of tension between Sikhs and Hindus in places as diverse as Ontario and British Columbia.

What advice would you give this committee on how to prepare a budget that can allocate funding in an effective way to ensure that we can promote peaceful dialogue and respect for human rights in Canada?

Mr. Rizwan Mohammad: Mr. Chair, I think what we need to do is invest in the dedicated strategies we need to work together to fight all forms of hate.

The Chair: Thank you, MP Davies.

Members, a number of you and some witnesses have spoken to me about timing and some of the commitments you have today. We're going to do one more round and that will conclude today. We'll have this second round and that will be it.

We're starting with MP Dancho.

Ms. Raquel Dancho (Kildonan—St. Paul, CPC): Thank you, Mr. Chair. It's an honour to be here at the finance committee of Canada today. Thank you for having me.

Thank you, witnesses, for your testimony today.

I have a number of questions for Mr. Clayton Campbell. Clayton, thank you for coming to the committee and for your opening testimony.

Mr. Campbell, you are the president of Canada's largest police union, with over 8,000 members. Is that correct?

Mr. Clayton Campbell: That's correct.

Ms. Raquel Dancho: Thank you.

I want to extend a sincere thank you to you and your members for the work that you do and for putting, frankly, your lives and well-being on the line every single day to keep our communities safe. Thank you very much for the sacrifices of you and your members. We deeply appreciate your service to this country and to Toronto.

Recently, your police union put out a number of concerning statistics, notably a 45% increase in shootings and a 62% increase in gun-related homicides just in the last year alone in Toronto. Is that correct?

Mr. Clayton Campbell: Yes, that's correct.

Ms. Raquel Dancho: Thank you, Mr. Campbell.

Recently, we've also learned that the Liberal government updated numbers showing that, currently, the government's plan to confiscate lawfully owned firearms from the illegal gun owner community is costing upwards of \$75 million thus far, yet not a single firearm has been purchased from a lawful owner. In fact, no impact has been had, of course, on the criminals and on the illegal gun trade that's going on. Can you comment on what the Toronto Police Service would do with \$75 million to combat gun violence?

Mr. Clayton Campbell: The \$75 million would go a long way.

I do want to comment that in Toronto, we're seeing that 85% of the firearms that are seized—and we seized 600 this past year—are from the U.S.

We completely feel that the current gun ban and the buyback program have zero impact on crime in the city of Toronto and that it focuses on legal gun owners, not on the criminals committing offences.

Another thing that's so important is our bail reform. We are seeing repeat violent offenders, time and time again, firing illegal handguns in the streets of Toronto. It's absolutely ridiculous, and we've called upon the federal government, time and time again, to implement stricter bail for repeat violent offenders, and we're asking that again today.

Ms. Raquel Dancho: Thank you, Mr. Campbell.

In your remarks a few weeks ago, criticizing the Liberal Prime Minister for taking a quite strange, I would say, victory lap on social media about their so-called handgun freeze, you were quite direct in your criticism of that. In fact, you said that it was “offensive to...police officers.” Frankly, we've seen a number of other police associations join you, from Surrey, B.C. to Hamilton, Ontario, so there seems to be a very widespread message coming loud and clear from police associations that the current tactics of course are not working to stop gun violence.

In fact, as you well know, gun violence, in general, across Canada over the last nine years of the Liberal government is up 116%, in addition to a general increase in violent crime of 50% in nine years. You're of course familiar that \$75 million has been spent thus far, but the Liberal government's own estimates put the regime of confiscating from lawful firearms owners at \$1.8 billion, and in fact, the Fraser Institute has estimated it would be well over \$6 billion to institute the confiscation regime.

Can you outline for members of the finance committee what \$6 billion or even just \$2 billion would do for police services across Canada to combat violent crime in particular, and gun violence as well?

• (1740)

Mr. Clayton Campbell: That amount of money would be a game-changer for policing services across Canada. In Toronto, our budget is just over \$1 billion with 8,000 members. That type of money could really impact our ability to provide adequate and effective policing, track down these violent criminals and keep them in custody. It would be absolutely a game-changer for policing across Canada.

Ms. Raquel Dancho: Thank you. As you've outlined, the vast majority of crime guns that you have seized are traced to the United States. Can you just outline again the impact that is having on the safety of Toronto?

Mr. Clayton Campbell: It's literally a daily occurrence. We have hundreds of shootings every day. A day doesn't go by that we don't have, unfortunately, a firearm offence in Toronto.

I go to community meetings all the time. Our citizens are scared. They're scared to go out in the street. We're seeing violent offences all the time, and the biggest problem, again, is that they are repeat offenders. We continually arrest these people, and they're back out on the streets, in a matter of days at times, committing offences again.

Ms. Raquel Dancho: Thank you for outlining that. We know that bail was made the default, in essence, by Bill C-75 a few years ago. It was a Liberal bill, and it's obviously having very far-reaching consequences in this country.

Just to conclude, Mr. Campbell, as you outlined, the majority of the crime guns are coming from the United States. I'm sure you would support more robust security measures at our border to stop those crime guns from coming into Toronto. Is that correct?

Mr. Clayton Campbell: Absolutely. When we have 85% of these illegal firearms seized coming from the United States, we completely support more resources at the border to prevent them from coming across and causing chaos in our city.

Ms. Raquel Dancho: Thank you.

The Chair: Thank you, Ms. Dancho.

We will go now to MP Sorbara, please.

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

Good afternoon and welcome to all the witnesses. Thank you for your individual testimony from your respective organizations.

First, to the Toronto Police Association, welcome, sir. I will say on the record that a sibling of mine is a 25-year veteran of a police force in Canada. I'm proud of his service. Our family is proud of his service. We always pray that he and all frontline officers who serve the public go home to their respective families.

My first question is for...Colin, correct?

Mr. Clayton Campbell: It's Clayton.

Mr. Francesco Sorbara: I'm sorry. Excuse me.

Clayton, who determines the police budget in terms of the approval of budgets, hiring and so forth on an annual basis?

Mr. Clayton Campbell: It's the police services board. It's made up of four appointees from the City of Toronto and three from the Province of Ontario.

Mr. Francesco Sorbara: So the budget and the hiring of police officers are determined by the municipal government and the provincial government.

My understanding is that Toronto's police force has not kept up with the population in Toronto. Is that correct?

Mr. Clayton Campbell: That's absolutely correct. We're seeing that our numbers are less than they were in 2010, with a population increase of 20%.

Mr. Francesco Sorbara: I've often heard that you're maybe 700 police officers short. Is that an accurate number?

Mr. Clayton Campbell: Our chief of police at the last police services board meeting quoted 1,400, using a pop-to-cop ratio. It's a lot of officers.

Mr. Francesco Sorbara: Okay. We have to get that on the record. Funding coming from the province and the city determines the size of your police force. I have the privilege of representing York region. I know that they just had a police services board meeting and they approved a substantial increase in police officers.

Moving on to CBSA, we know that under the prior government, the number of full-time equivalents, or FTEs, for the Canada Border Services Agency—I'm going to get this on the record—went down from 14,833 in 2011-12 to 13,774 when we assumed office. So under the prior Conservative government, over one thousand CBSA officers, full-time equivalents, were let go or not rehired through attrition.

I want to get that on the record. We have invested substantial sums into the CBSA, while the Conservatives, like they would do...is cut. That is a factual number. You can look it up.

Secondly, Clayton, you mentioned bail. Please tell me who is responsible for the administration of the bail system in Ontario.

Mr. Clayton Campbell: Well, I think it's multi-level, but I think Bill C-75 has—

Mr. Francesco Sorbara: Yes, Clayton, it's multi-level, but in your introductory remarks and in your comments to Ms. Dancho, you never mentioned that it was multi-level.

Bill C-48, the bail reform bill we passed, was passed unanimously by all parties. It was supported by all provinces. But in your testimony, you never mentioned that. You just said "federal government". You never mentioned the province. You never mentioned that the JPs and the Crown prosecutors are appointed by the province. You never mentioned that the jails are run by the province. You never mentioned the reverse-onus provision. You never mentioned that jails are full.

You never mentioned that a gentleman was killed in a detention centre in the city of Toronto while awaiting trial. The conditions.... Judges have stated that they won't send individuals who should not be allowed to be out on bail to these detention centres run by the Province of Ontario.

You didn't mention any of that stuff. You threw it on our lap, when you know—

Mr. Clayton Campbell: I have to say—

Mr. Francesco Sorbara: Please go ahead.

• (1745)

Mr. Clayton Campbell: —that the current government in the province of Ontario is the most pro-police, pro-public safety government that I've seen in my lifetime. I know that a list of recommendations were just sent to the federal government to consider in regard to bail.

I can only speak to what I'm seeing on the ground with my members who can't come here and speak. I can speak on their behalf. Something needs to be done, because the violence is out of control. We need to keep these repeat violent offenders in custody.

Mr. Francesco Sorbara: I would like to get on the record, Chair, in my remaining time, my thanks for the efforts of the York Regional Police service and all the frontline officers. I fully support providing the police with all the tools they need, and I know that city councillors across York region do.

Gun offences and weapons violations in the city of Vaughan today are down 23%. Sexual violations, year to date, are down almost 30%. Thefts of motor vehicles in the city of Vaughan are down 31%.

Now I'm reading the statistics from York Regional Police. Residential break and enters are down 6%. Commercial break and enters are down 11%. Robbery is down 18%.

In the city of Vaughan, going back to 2017, homicides have always ranged from two to six. Homicides, the most heinous of crimes, have gone from two to six. We're at five this year; unfortunately, there have been some occurrences, but never more and never less. Our population has increased from about 300,000 to 350,000. It's an incredibly safe city and an incredibly safe region.

Yes, bad things happen. The police need their tools. We can always do better. I want to give my shout-out to the York Regional Police for all the work they do to keep the residents in Vaughan and across York region safe.

Thank you.

The Chair: Thank you, MP Sorbara. That is our time.

Now we go to MP Ste-Marie, please.

[Translation]

Mr. Gabriel Ste-Marie (Joliette, BQ): It will be Mrs. DeBellefeuille, Mr. Chair.

[English]

The Chair: I'm sorry.

[Translation]

You have the floor, Mrs. DeBellefeuille.

Mrs. Claude DeBellefeuille: Thank you, Mr. Chair. We're having fun at the Standing Committee on Finance.

Mr. Lambert, what would you say to Ms. Bendayan, the parliamentary secretary to the Minister of Finance, if you had a minute and a half to try to convince her of a measure that absolutely must be added to the next economic statement or the next budget so your industry can continue to develop and thrive?

Mr. Vincent Lambert: Thank you for your question, Mrs. DeBellefeuille. I'll let my colleague answer it.

Mr. Nicolas Bériault: Thank you, Mrs. DeBellefeuille.

Thank you, Ms. Bendayan.

I want to start by saying that the 300 members of the spirits industry in Canada are, at their core, passionate about their industry. They are being choked right now though by excessive taxation.

In Canada, taxes on spirits are 1,300% higher than in the United States, which completely prevents microdistilleries from being competitive, both in our local market and in foreign markets. Locally, it doesn't allow us to pursue our ambitions and invest in new technologies that would make us more productive. We are also unable to generate the liquidity needed to break into new international markets, as we are struggling to survive in our own country.

In addition, 90% of the spirits consumed in Canada are not produced by Canadian businesses. It's completely out of sync with today's reality. Why is that? It's because we can't compete, because prices are too high as a result of Canadian taxes.

It would be fairly simple to implement tax relief measures quite quickly. That would give 300 dynamic start-ups in Canada some breathing room. In addition, it would make it possible to catch up with the wine industry and the beer industry, which have received relief in recent years. The spirits industry is a bit out of step, historically. There was the wine boom, and then the beer boom. Now, spirits are flourishing. We think it's our turn to get that relief.

I would conclude by saying that all of this would allow us to have more high-quality jobs in our businesses, hire qualified staff, automate our production and, as a result, improve our competitiveness.

• (1750)

The Chair: Thank you, Mrs. DeBellefeuille.

Ms. Rachel Bendayan (Outremont, Lib.): I have a point of order, Mr. Chair.

[English]

The Chair: You have a point of order, Ms. Bendayan.

[Translation]

Ms. Rachel Bendayan: Yes, just before the meeting I asked the representatives of the Union québécoise des microdistilleries if they had submitted a pre-budget request. I understand they were going

to do that, and I would also like it to be submitted to the Standing Committee on Finance.

Mr. Nicolas Bériault: Yes.

Mr. Vincent Lambert: It will be done.

[English]

The Chair: You can send that to the clerk, please.

Now we're going to hear from MP Davies, please.

Mr. Don Davies: Thank you.

Ms. Cobden, in 2018, former president Donald Trump imposed tariffs of 25% on Canadian steel and 10% on aluminum. In your view, were those tariffs warranted?

Ms. Catherine Cobden: Those tariffs were very difficult for our industry.

Mr. Don Davies: No, I asked if they were warranted. Were they justified?

Ms. Catherine Cobden: I don't believe they were warranted in the least.

Mr. Don Davies: Thank you.

Those tariffs led to retaliatory measures by Canada. Of course, they strained trade relations with Canada until they were lifted in 2019. In 2020, a WTO panel found that the U.S. section 301 tariffs on imports from China violated the United States' obligations under the GATT.

In 2022, a WTO panel ruled that the U.S. section 232 tariffs on steel and aluminum violated global trade rules. That's three times—2018, 2020, and 2022—in six years that the United States tried to impose tariffs on steel and aluminum—in that case on Canada and China—and all three times these were ruled illegal. However, you have said, I think, that you want to integrate our position, and I think your organization has called for a 25% tariff on all melt and pour Chinese steel entering Canada.

I'm just curious. Obviously, we don't want to get into a trade war, and when tariffs start flying, retaliation occurs. I met with the canola growers of Canada this morning who have already been hit. Shouldn't we adopt a procedure where, if people think there's dumping or there are violations of trade rules, they go to the WTO and make their case first, instead of imposing tariffs that, I can tell you have, in the last six years, as done illegally by United States every two years, caused all sorts of economic disruption, including to Canada? What's your view on that?

Ms. Catherine Cobden: Thank you very much for the question.

I must confess that we are absolutely standing with the canola growers on the devastating impact of China's activities. The steel sector, too, understands the direct implications of what unfair Chinese activities do to jobs in this country. We stand with them, so I'm very glad you're meeting with them. That's point number one.

Point number two is that the devastating impact I'm describing must be addressed. The first thing would be to use the trade remedy system. The Canadian steel industry, at great expense, has taken out case after case against China, and yet their imports into our country continue to grow and put our jobs at risk. This is a devastating situation. We are losing market share.

We felt those tariffs were very important to address, which is why we were so happy your leader was supportive of our tariffs.

Mr. Don Davies: Were your cases successful?

Ms. Catherine Cobden: Our cases were absolutely successful. However, what was necessary.... They were not fast enough. As you heard, we've seen China grow, despite the cases, and effectively take our market share.

We need to level the playing field and to urgently respond. There are two factors. It's not just about alignment with the United States; it's also about protecting our domestic jobs and industries.

• (1755)

Mr. Don Davies: Thank you. I'm sorry that I don't have more time to give you.

The Chair: Thank you, MP Davies.

Now we're going to MP Chambers.

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

To confirm, I have not been promoted, even though I'm a bit closer to you. I'm still usually at the end of the table.

Thank you to all of the witnesses for their testimony. I appreciate their being here.

Mr. Moody, I want to come back to you on a couple of things.

We've heard some testimony today about additional taxes on, say, flipping. I want to bring in a bigger question around this: The government also brought in an underused housing tax which, surprise, surprise, has cost more in administrative costs than it has actually collected through revenue.

I wonder if you want to comment on the general position of the federal government with respect to land-use planning and how it should be taxed. That is normally done by municipal and provincial governments.

Mr. Kim G. C. Moody: Thank you, Mr. Chambers.

This is something I've written a lot about in my Financial Post columns. I'm not a big fan of the tax system trying to be the answer to solving Canada's housing challenges. There have been a whole bunch of measures. You mentioned one of them, the UHT. There is a witness today who suggested we should introduce a flipping tax. Well, we already have a flipping tax. It was introduced on January 1, 2023. This is very duplicative. We already have a flipping tax in

the Income Tax Act. Surprise, surprise, the B.C. provincial government followed the lead of the federal government and introduced a flipping tax, as well.

I find all of these measures to be very silly and dangerous. For example, there's a prohibition of deductions on Airbnbs, where they operate in a municipality that prohibits them. All of these are very interventionist and simply not helpful.

Mr. Adam Chambers: Thank you for that perspective.

In your view, if there are already taxes imposed on a particular activity, an additional tax doesn't necessarily drive the behavioural response people are expecting—mostly because there is, for example, already a tax in place.

Is that one of the reasons why you're not supportive of it?

Mr. Kim G. C. Moody: Absolutely. What that drives is complexity. The Income Tax Act is by far the most complex and voluminous statute we have in Canada. What we need is an attempt to simplify the Income Tax Act, as opposed to continuing to add duplicative measures that will do nothing to drive the behaviour.

Are we going to have another flipping tax on top of the flipping tax on top of the tax that was in addition to it? It is, quite frankly, ridiculous.

Mr. Adam Chambers: On the issue of tax simplification, in your view, do you support a Carter-like commission? Do you think we could do something quicker than that? How much work needs to be done to simplify the tax code?

Mr. Kim G. C. Moody: There's a tremendous amount of work that needs to be done.

To answer your question on whether I support a Carter commission, of course I would. Do we have the time to do that? Probably not.

I would wholly support a shorter, Carter-like review, which was proposed by your party earlier this year, that focuses on productivity, tax reduction and other measures.

Mr. Adam Chambers: Thank you very much.

The last time you were at committee, you testified about having an increased number of inquiries from potential clients—individuals—to your firm who are looking at or exploring potentially leaving the country and taking their assets with them.

Is that still the case? Are you still being solicited for your advice in those circumstances?

Mr. Kim G. C. Moody: I am almost every single day, Mr. Chambers. It's actually quite sad.

I know that numerous of my colleagues across Canada are facing the same kind of challenges and issues.

Mr. Adam Chambers: Obviously, these are individuals with financial means or a significant amount of assets, who could take those assets or income and move it to a more favourable jurisdiction.

Is that basically the premise of what they're seeking to do?

• (1800)

Mr. Kim G. C. Moody: The short answer is yes.

In most cases it's the United States. Some might say that the United States is not all that preferential compared with Canada. The short answer is that it is, so a lot of them are going to the United States.

The odd one goes to Europe and to other jurisdictions, but mostly it's to the United States.

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

The Chair: Thank you, MP Chambers.

Now we'll go to MP Thompson.

MP Thompson, you will be our final questioner with the last five minutes for our witnesses.

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

If I could, I'd like to begin with you, Ms. Cobden.

You spoke in your brief about the need to increase our competitiveness while improving our carbon footprint.

Where do you feel Canada is positioned currently in the global race to decarbonize major steel industry production methods?

Ms. Catherine Cobden: Actually, I know with some degree of certainty that we're doing very well in this race, but I'm worried about the future.

Again, I spoke of the six million tonnes of CO₂ emissions. I think that's global leadership in action here in Canada in the steel industry. That's brought, in large part, by the partnership between the industry and the provincial and federal governments.

However, we have further work to do. The significant challenges we face are very significant and we are going to have to work hard to get the next set of investments in the country.

Ms. Joanne Thompson: Thank you.

Actually, to that point, I appreciate the emphasis you put on the steel industry to decarbonize production and work towards net-zero emissions and it's the financial supports.

Could you speak to the ones that currently exist to support the industry to further decarbonize?

What would you like to see as we move into the next couple of years?

Ms. Catherine Cobden: There's an array of programs and tax credits that support the steel industry. They support the heavy in-

dustrial sector for sure, not just the steel sector. Those are certainly helpful.

The challenge we're now facing is the impact of the uncertainty of the carbon pricing regime, which falls off a cliff after 2030. Nobody has any idea what's going to happen to carbon pricing at that point. There's also the increase in carbon pricing year over year at \$15 a tonne every year.

Those are remaining barriers. Despite the array of supports for investment, we're now facing a different challenge in terms of attracting investment to the steel sector.

Ms. Joanne Thompson: Thank you.

If I could switch to you, Mr. Mohammad, you referenced in your opening statement the need to do more in public education.

Would you speak to that?

More specifically, across the country, what can we do as a government? How we can begin to engage provinces, territories and municipalities, so there really is a cohesiveness around how we work intentionally to build safer communities and expand our understanding of tolerance?

Mr. Rizwan Mohammad: Mr. Chair, thank you for this question.

The urgency of combatting Islamophobia in Canada calls for public education and awareness campaigns. To that end, we're asking that any comprehensive national anti-Islamophobia strategy includes public education. We're seeing very little public education campaigning coming from the Government of Canada around Islamophobia in particular.

If we want to look at models that could give us some glimpses of how this could work, we would recommend looking at Toronto for All. We would also consider looking at how London's new anti-hate education pilot was developed in consultation with diverse communities.

The Chair: MP Thompson, go ahead.

Ms. Joanne Thompson: All right. Thank you.

Mr. Chair, that's it for me.

The Chair: It is? Okay, thank you, MP Thompson.

We do want to thank our excellent expert witnesses who have come before us to testify for our pre-budget consultation in advance of budget 2025.

I know that it is American election night tonight. Some of you may be wanting to get to your screens to watch that, but we wish you the best for the rest of your evening.

Thank you very much for coming before our finance committee.

We're adjourned.

Published under the authority of the Speaker of
the House of Commons

SPEAKER'S PERMISSION

The proceedings of the House of Commons and its committees are hereby made available to provide greater public access. The parliamentary privilege of the House of Commons to control the publication and broadcast of the proceedings of the House of Commons and its committees is nonetheless reserved. All copyrights therein are also reserved.

Reproduction of the proceedings of the House of Commons and its committees, in whole or in part and in any medium, is hereby permitted provided that the reproduction is accurate and is not presented as official. This permission does not extend to reproduction, distribution or use for commercial purpose of financial gain. Reproduction or use outside this permission or without authorization may be treated as copyright infringement in accordance with the Copyright Act. Authorization may be obtained on written application to the Office of the Speaker of the House of Commons.

Reproduction in accordance with this permission does not constitute publication under the authority of the House of Commons. The absolute privilege that applies to the proceedings of the House of Commons does not extend to these permitted reproductions. Where a reproduction includes briefs to a committee of the House of Commons, authorization for reproduction may be required from the authors in accordance with the Copyright Act.

Nothing in this permission abrogates or derogates from the privileges, powers, immunities and rights of the House of Commons and its committees. For greater certainty, this permission does not affect the prohibition against impeaching or questioning the proceedings of the House of Commons in courts or otherwise. The House of Commons retains the right and privilege to find users in contempt of Parliament if a reproduction or use is not in accordance with this permission.

Also available on the House of Commons website at the following address: <https://www.ourcommons.ca>

Publié en conformité de l'autorité
du Président de la Chambre des communes

PERMISSION DU PRÉSIDENT

Les délibérations de la Chambre des communes et de ses comités sont mises à la disposition du public pour mieux le renseigner. La Chambre conserve néanmoins son privilège parlementaire de contrôler la publication et la diffusion des délibérations et elle possède tous les droits d'auteur sur celles-ci.

Il est permis de reproduire les délibérations de la Chambre et de ses comités, en tout ou en partie, sur n'importe quel support, pourvu que la reproduction soit exacte et qu'elle ne soit pas présentée comme version officielle. Il n'est toutefois pas permis de reproduire, de distribuer ou d'utiliser les délibérations à des fins commerciales visant la réalisation d'un profit financier. Toute reproduction ou utilisation non permise ou non formellement autorisée peut être considérée comme une violation du droit d'auteur aux termes de la Loi sur le droit d'auteur. Une autorisation formelle peut être obtenue sur présentation d'une demande écrite au Bureau du Président de la Chambre des communes.

La reproduction conforme à la présente permission ne constitue pas une publication sous l'autorité de la Chambre. Le privilège absolu qui s'applique aux délibérations de la Chambre ne s'étend pas aux reproductions permises. Lorsqu'une reproduction comprend des mémoires présentés à un comité de la Chambre, il peut être nécessaire d'obtenir de leurs auteurs l'autorisation de les reproduire, conformément à la Loi sur le droit d'auteur.

La présente permission ne porte pas atteinte aux privilèges, pouvoirs, immunités et droits de la Chambre et de ses comités. Il est entendu que cette permission ne touche pas l'interdiction de contester ou de mettre en cause les délibérations de la Chambre devant les tribunaux ou autrement. La Chambre conserve le droit et le privilège de déclarer l'utilisateur coupable d'outrage au Parlement lorsque la reproduction ou l'utilisation n'est pas conforme à la présente permission.

Aussi disponible sur le site Web de la Chambre des communes à l'adresse suivante :
<https://www.noscommunes.ca>