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• (1535)

[English]

The Chair (Mr. Joël Lightbound (Louis-Hébert, Lib.)): I call this meeting to order. Good afternoon, everyone.

Welcome to meeting number 20 of the House of Commons Standing Committee on Industry and Technology. Pursuant to Standing Order 108(2) and the motion adopted by the committee on Friday, April 8, 2022, the committee is meeting to study competitiveness in small and medium-sized enterprises.

Today's meeting is taking place in a hybrid format pursuant to the House order of November 25, 2021. Members are attending in person in the room and remotely by using the Zoom application.

Those who are here in Ottawa know the health rules in place, so govern yourselves accordingly.

Speaking of which, if I'm not mistaken, it's our first meeting as a committee at which we have witnesses present with us in Ottawa, so we're very happy to have you. Thank you very much. It's really great and much appreciated.

We also appreciate our witnesses with us today via Zoom.

Without further ado, we have, from Beer Canada, Luke Chapman, who is the vice-president of federal affairs.

From the Canadian Chamber of Commerce, we have Mark Agnew, senior vice-president of policy and government relations, and Alla Drigola Birk, senior director of parliamentary affairs and small and medium enterprises policy.

From the Canadian Federation of Independent Business, we have Corinne Pohlmann, senior vice-president, national affairs and partnerships.

From the Quebec Council of Employers, we have Karl Blackburn, president and chief executive officer, and Denis Hamel, vice-president of workforce development policies.

Finally, from Vivic Research, we will have Robin Shaban, senior economist, who will probably be able to join us a bit later.

[Translation]

I thank all the witnesses for being with us.

We will begin without further ado with Mr. Chapman, who is here with us in Ottawa.

Mr. Chapman, you have five minutes.

[English]

Mr. Luke Chapman (Vice-President, Federal Affairs, Beer Canada): Thank you very much.

Mr. Chairman, honourable members, thank you for the invitation to appear this afternoon as part of the committee's study on the labour shortages and productivity of Canadian small and medium-sized enterprises.

My name is Luke Chapman, and I am VP of federal affairs for Beer Canada, a national trade association comprising 48 member brewing companies that account for 90% of the beer produced in this country. We are the sole national inclusive association representing Canadian brewers of all sizes and all regions. Our member brewing companies are heavily invested in Canada. Over 85% of the beer sold here is made here by Canadian workers using Canadian-grown agricultural ingredients.

Prior to the pandemic, brewers directly employed nearly 19,000 Canadians and the production and sale of beer supported 149,000 Canadian jobs, from the western Canadian farmer growing the high-quality malt barley required to produce beer, to the many businesses along the supply chain, including packaging and label manufacturers, to the restaurant staff that serve our beers to millions of adult drinkers across Canada.

Most of the well over 1,200 breweries operating in Canada are small, local family-owned and entrepreneurial businesses. For many of these smallest producers that depend on their on-site taprooms for sales, the impact of the COVID-19 pandemic was especially difficult.

Since early 2020, brewers of all sizes across Canada have been on a roller coaster ride. In a typical year, more than 20% of all beer in Canada is sold and consumed at restaurants, bars, festivals, concerts and other social events. With the COVID restrictions placed on these occasions, brewers had to adjust their business models to respond to a new reality—first, by producing hand sanitizers and then by shifting to canned beer production for home consumption.

Unfortunately, a temporary uptick in packaged beer sales for home consumption has not been enough to offset a drastic decline in the draft beer typically sold in restaurants, bars and other venues. As a result, over the past two years, total beer sales in Canada have declined by nearly 4%, or, to put it another way, by the equivalent of nearly 460 million fewer cans of beer sold in just a two-year period.

As brewers and our partners in the hospitality sector look to emerge and recover from the impacts of the pandemic, supply chain disruptions and delays are contributing to rising production costs, including historically high prices for key ingredients like barley and other cereal grains, as well as packaging materials, including cans and bottles. Already-high malted barley prices have jumped another \$40 to \$45 per tonne. Similarly, aluminum can prices are up 25% to 30% since the beginning of the year, with suppliers requesting exponentially larger minimum order sizes and order lead times.

Despite mitigation efforts by brewers, Canadian consumers and businesses that depend on beer sales for revenue, like restaurants and bars, are already experiencing the effects of the rising beer production costs, as retail beer prices have increased by 5% so far in 2022, alongside rising fuel and labour costs. New costs are on their way, including an estimated \$75 million in industry-wide capital investments needed to respond to the government's ban on certain single-use plastics—specifically for our industry, the replacement of plastic ring carriers with alternative packaging types.

The Canadian brewing industry is fully committed to doing its part to support the government's effort to eliminate plastic waste, but brewers are being told to expect delays in the purchase and installation of the required new equipment due to global supply chain bottlenecks. It is imperative that the government account for these costs and challenges in finalizing its regulations banning certain single-use plastics by providing brewers with sufficient time, ideally three years to make the transition.

While some of these challenges facing brewing companies are outside the control of a national government like Canada's, in our view it is also imperative for the government to not further contribute to the problem. In this respect, the increases in federal beer excise duties in April 2020, 2021 and 2022 that were allowed to proceed were counterproductive and harmful, as brewers and our customers in the restaurant and bar business were struggling to keep their businesses afloat. Because these annual increases are automatically indexed to inflation, brewers and our partners in the restaurant and bar business are looking at a federal beer tax increase that could be as high as 6% to 7% next April, which represents an estimated \$50 million in new beer taxes in just a one-year period.

This automatic approach to taxation is simply not sustainable over the long term. As a case in point, from 2017 to 2021, the federal government's excise duty revenues from beer grew by 24% according to the Public Accounts of Canada, during a period when beer sales declined by 6.5%.

Given these circumstances, we are requesting that this committee recommend the repeal of the automatic annual increases in beer excise duty rates that are being imposed without any debate or vote by members of Parliament. Eliminating future automatic annual feder-

al beer tax increases will provide Canadian brewers of all sizes with much-needed additional cash flow to respond to the operational and market challenges at a critical time for the industry.

• (1540)

Thank you for your time and considering our comments.

I'd be happy to answer any questions.

[Translation]

The Chair: Thank you very much, Mr. Chapman.

I now give the floor to Mr. Agnew and Ms. Birk, from the Canadian Chamber of Commerce.

[English]

Mr. Mark Agnew (Senior Vice-President, Policy and Government Relations, Canadian Chamber of Commerce): Good afternoon, Mr. Chair and honourable members. It's a pleasure to be here as part of the committee's comprehensive study on small and medium-sized enterprise issues.

I'll split my time, as the chair identified, with my colleague Alla, who is joining me virtually as well.

I think it goes without saying that this study has come at a critical time for small and medium-sized businesses, which, as many of the members will know, are engines of job creation in communities both large and small all across the country.

Despite the important role SMEs play in the economy, it has been a very challenging period for them, whether we're talking about labour shortages, supply chain disruptions, debt management issues or the looming threat of cybersecurity concerns.

These challenges, I think it's fair to say, stem from both the direct impacts of the pandemic and pre-existing structural challenges that existed within the Canadian and global economies beforehand. Certainly the economy, which was not always the most conducive to business investment before the pandemic and created difficulties for SMEs, has unfortunately only compounded those problems, along with the debt management challenges facing those businesses.

We need tangible solutions for the business community, and I want to pick up on a few of those themes that have been identified in the committee's motion to begin this study.

The first one that I do want to speak to briefly is competition policy. The chamber supports efforts to ensure that Canada's competition policy is updated for the 21st century. However, certainly we're of the view that the government needs to launch a comprehensive, multistakeholder modernization process to engage the full suite of competition policy issues and put those on the table for consideration. Certainly the drip-feed approach of having issues come up and policies changed is not going to be one that's conducive for the business community and for understanding what the legal framework is in the competition policy landscape.

There are a number of changes in the budget implementation act. We've begun to hear from our members about those and what these mean for them, and certainly we would argue that an omnibus legislative approach is perhaps not the best vehicle for undertaking those changes to the Competition Act.

There are a number of things you talk about in the act, two of which I would initially put forward for this committee's awareness.

One is around the private right of access and ensuring that there is no proliferation of frivolous cases that could be brought forward by competitors, perhaps for strategic reasons.

As well as that, the changes that have been made to administrative monetary penalties represent a quantum leap in their severity, and they may pose a potentially chilling impact on business investment in Canada. Instead, we need to perhaps look at how more weight can be put on a proportional approach to how those fines are assessed on companies.

Competition Act changes are not going to be what make a difference at the end of the day in this inflationary environment, and we need to make sure that there are no knee-jerk reactions to how we go about updating Canada's competition policy. It is a fairly critical piece of legislation that impacts the business environment in a very real way for Canadian businesses both large and small, and across many sectors of the economy.

I'll now turn to my colleague Alla to talk about some of the other changes we'd like to put forward for the committee's consideration.

Ms. Alla Drigola Birk (Senior Director, Parliamentary Affairs and Small and Medium Enterprises Policy, Canadian Chamber of Commerce): Thank you, Mark.

Committee members, it's great to be here with you today.

While there has understandably been much focus on the effects of long COVID on the health of Canadians, today I would like to discuss the impact that "financial long COVID" has had on Canadian businesses.

Just like its medical counterpart, there is no short-term answer or looming relief. Moreover, small businesses in particular will take longer to recover; they have fewer resources, higher levels of pandemic debt and increased labour challenges.

To allow these businesses to begin to recover, introducing small-business-friendly measures is a necessary government action moving forward. These should include tax writeoffs for cybersecurity investment—

I'm sorry. I'm not sure if that was in French. Can I continue?

• (1545)

The Chair: Yes, you may continue. Would it be possible to bring the boom of your microphone up a little?

Ms. Alla Drigola Birk: Okay. Thank you.

These measures should include tax writeoffs for cybersecurity investment, waiving interest on all government-backed pandemic loans, including CEBA, BCAP and HASCAP, and encouraging domestic travel through new tax incentives on domestic tourism, travel and hospitality activities.

Next, we need to build a strong labour force that works for the Canadian economy. Simply put, Canada does not have enough workers to keep up with demand, and this structural labour deficit has no short-term fix.

The solution has to include elements such as reskilling and upskilling, but can also include more immediate solutions such as a streamlined temporary foreign worker program, a decrease in our refugee and immigration processing times and easier credential recognition in Canada for internationally trained professionals.

Finally, the government can ensure that small businesses have the tools for success through prioritizing the introduction and passage of severely needed updated privacy legislation. While the original version of the digital charter implementation act introduced in the previous Parliament was not perfect, outdated legislation risks holding Canadian businesses back among our international peers. It also encourages a patchwork approach at the subnational level.

As much as we all want to bounce back quickly, the road to recovery is a long one, made even longer by the lingering impacts of "financial long COVID" on small businesses.

Thank you, and we look forward to your questions.

The Chair: Thank you very much, Madam Birk and Mr. Agnew.

We'll now go to Madam Pohlmann from CFIB.

Ms. Corinne Pohlmann (Senior Vice-President, National Affairs and Partnerships, Canadian Federation of Independent Business): Thank you for the opportunity to be here today.

CFIB is a non-partisan, not-for-profit organization that represents 95,000 small and medium-sized businesses across Canada. We are also a research-based organization. We take our direction from our members through surveys. We conduct them on a regular basis. I have a deck that I hope was sent to all of you. I want to walk you through it and share some of that research with you.

First, as you may see on slide 3, we found that only 42% of small businesses are back to normal sales, 35% have no pandemic debt, and just 18% feel that they've recovered from pandemic stress. For many smaller businesses, the pandemic is far from over. We need governments to continue to recognize that smaller businesses have been, and continue to be, amongst the hardest hit.

While it is good news that restrictions have lifted, many are now facing other challenges, which have already been cited today. As you can see on slide 4, the biggest impacts right now are rising prices, supply chain challenges, increasing government costs and labour shortages. I'm going to touch on the impact of each of these and then share some recommendations at the end.

First, over 90% report that their costs have increased substantially since the pandemic began. More than three-quarters think this will not be a temporary issue, as you can see on slide 5. The costs that are having the biggest impact right now are fuel and energy costs, followed by wage costs, insurance, taxes and regulatory costs, and product input costs.

While fuel costs have been going up more generally, so has the carbon tax, which is having a significant impact on many small firms. It's important to keep in mind that the federal carbon backstop has had a disproportionate impact on small businesses, a fact also recognized in a recent report by the federal environment commissioner. We estimate that small businesses pay approximately 45% to 50% of the federal carbon backstop, and only 8% and 10% is returned to them in the form of programs that have never been accessible or available to smaller companies.

Another significant impact, of course, is labour shortages, as you can see on slide 7. More than one in two are affected by labour shortages, but this grows to almost two in three in Quebec and almost three in four businesses in the construction sector.

There are many ways that small businesses have tried to address the shortage of labour, but some have proven to be more effective than others. You can see this on slide 8. For example, 33% of small businesses have invested in automation, and 81% of those folks found it to be effective in helping them address their labour shortages. Similarly, about 16% have used the temporary foreign workers program, but more than half found it to be useful in addressing their labour shortages. Those were the two most effective methods used by small businesses. They were more effective than increasing wages or bringing more flexible hours to their employees.

Another big challenge is the supply chain. As you can see on slide 9, product distribution constraints were relatively stable between 2010 and 2020, with only about 8% of small businesses on average having to deal with it. However, this started to shift when the pandemic hit, jumping to 18% by April 2020 and reaching as high as 28% this past February.

To respond, 84% have had to increase prices to absorb their increased costs, 79% have had to deal with delays in receiving shipments, and one in two have had to increase the cost of shipping goods to their customers. Particularly worrisome is that more than one in five had to turn down sales or contracts due to a supply chain issue.

Finally, before I get to recommendations, I want to touch on regulations and red tape.

Our most recent research found that regulations cost Canadian businesses about \$40 billion per year, \$11.3 billion of which is considered red tape—that is, unnecessary, duplicative or redundant regulations. As you can see on slide 11, the regulatory costs have a disproportionate impact on the smallest businesses, with costs being almost seven times higher per employee when compared with the largest businesses. Regulations have not only an economic impact. They have a social impact as well. As you can see on slide 12, almost 90% said that excessive regulations add significant stress to their lives, and almost two-thirds would not advise their children to start a business given the burden of regulations.

Despite the lifting of pandemic restrictions, many small businesses continue to struggle as they face rising prices, supply chain challenges and labour shortages. About two-thirds still have on average about \$160,000 in pandemic-related debt, just as the last of the government-related COVID supports shut down on May 7.

On the last two slides, you'll see a series of recommendations. I'll include a few here.

We would suggest that the government could put a moratorium on any costs to small businesses, such as maybe a freeze on CPP or EI or carbon tax for the moment, or offset those costs by introducing rebates for small businesses; lower credit card merchant fees, as promised in budgets 2021 and 2022; and help the hardest-hit small businesses deal with their debt by increasing the forgivable portion of their CEBA loans to 50% and extending the deadline to repay.

To help with labour shortages, create a pathway to permanent residency for temporary foreign workers. Provide tax credits that help stimulate automation, or quickly pass legislation to advance immediate expensing, as promised in budget 2021.

• (1550)

We recommend as well to introduce a payroll tax credit for new hires to offset the cost of training.

To address red tape, we believe that a policy of mutual recognition between all provinces could improve the flow of trade within Canada, and that the federal government could play a pivotal role in making that happen.

We recommend as well to improve the one-for-one rule within the Red Tape Reduction Act so that it applies not only to regulations but to legislation and policies as well.

I'll leave it there, but there are many other recommendations that I encourage you to take a look at. I'm happy to answer any questions you might have.

[Translation]

The Chair: Thank you very much, Ms. Pohlmann.

I now give the floor to Mr. Blackburn and Mr. Hamel, from the Quebec Council of Employers.

Mr. Karl Blackburn (President and Chief Executive Officer, Quebec Council of Employers): Ladies and gentlemen, members of the committee, good afternoon.

My name is Karl Blackburn, and I am president and chief executive officer of the Quebec Council of Employers. I am accompanied today by Mr. Denis Hamel, vice-president, workforce development policies.

I am an entrepreneur, the son of an entrepreneur and the grandson of an entrepreneur. Our organization, created in 1969, is a confederation of nearly 100 industry associations and a number of corporate members of all sizes and from all regions of Quebec, in both the private and parapublic sectors.

The labour shortage is clearly the major problem faced by employers. Over 6% of positions are currently vacant in Quebec. To illustrate the scope of the problem, I would say that there are more vacant positions in our province than employment insurance recipients. In a recent survey of our members, 94% currently feel they have a hiring issue, and nearly nine of 10 employers are concerned about the effects of the labour shortage on the quality, price and availability of the goods and services they offer.

They are right. Indeed, several recent studies demonstrate the major negative impact of the labour crisis and the high number of vacant positions on our economy: refusal of contracts, discontinuation of goods and services, displacement of production outside the country, delayed investments, reduced competitiveness, deterioration of the quality of goods or services, lost revenues for governments, and more. We are losing billions of dollars. For example, in Quebec's manufacturing sector alone, which accounts for 13.5% of the province's GDP, our colleagues at Manufacturiers et Exportateurs du Québec have estimated the losses due to the labour shortage at \$18 billion over the last two years. I cannot imagine the loss of revenue across the country.

We know that, given our demographics, this shortage will continue until the end of the decade. Data from census 2021 released last week by Statistics Canada confirm that the working-age population

in Canada has never been as old, with over one in five people—21.8%—being between 55 and 64 years old. That age group is larger than young adults between 15 and 24 years old. This large group of older workers will be retiring by 2030, thus exacerbating the labour shortage. There is an urgent need to act now, as our prosperity is being hindered by the labour shortage.

Employers are already making efforts, but with no success. These solutions include increased wages, additional benefits, hiring bonuses, the inclusion of original social activities and continued telework to expand the pool of potential employees. However, the number of vacant positions in Canada has doubled in one year, from 560,000 in the fourth quarter of 2020 to more than 915,000 at the end of 2021.

The labour shortage is an issue that affects all provinces and all economic sectors. It is creating a real crisis in the construction, manufacturing, retail, health care, and accommodation and food services industries, which account for over half of the total number of vacant positions. This is not just a problem for employers. Employees are also suffering, as the labour shortage leads to work overload and a lack of vacation or training. Moreover, for Canadians, the labour shortage results in service outages, delays in obtaining goods and services, closed restaurants and hotels that are operating at only half their capacity. No one wins from a labour shortage.

On a more positive note, the labour shortage must be an opportunity for businesses to adopt new solutions to support their long-term growth and productivity. I am thinking particularly of the adoption of new technologies, automation, and the development and integration of green technologies. To make this shift, increasingly qualified employees are needed, who are unfortunately not there.

In August 2021, we proposed 10 solutions to the labour shortage, as there is no one-size-fits-all solution to this problem. We called for labour market stakeholders to work together to find concrete short-term solutions to improve the literacy and numeracy of workers, increase on-the-job training, particularly through the employment insurance system, attract and retain experienced workers, support employers in their transition to diverse arrangements and practices, and modernize immigration programs to adapt them to this new reality.

• (1555)

We recognize the progress that has already been made by the federal government, particularly in terms of immigration. That said, the figures speak for themselves. This crisis is not over, and we must not give up. We must work together to find solutions as soon as possible.

Now, ladies and gentlemen, Mr. Hamel and I are available to answer questions from the members of the committee.

Thank you for your time.

The Chair: Thank you very much, Mr. Blackburn.

We welcome Ms. Shaban, from Vivic Research, who will be the last witness to give an opening statement.

Ms. Shaban, you have the floor.

[*English*]

Robin Shaban (Senior Economist, Vivic Research): Thank you, Chair, and thank you to the committee. I appreciate the invitation to be here today.

My name is Robin Shaban. I'm the senior economist at Vivic Research, which is an economic consulting firm. I'm also a researcher on competition policy in Canada.

The focus of my contribution today is to discuss current debates on the purpose of the Competition Act as it relates to SMEs. This debate is highly relevant, given the announced review of the Competition Act.

The purpose statement of the act, which is section 1.1, states that the aim of the law “is to maintain and encourage competition in Canada” in order to, first, “promote the efficiency and adaptability of the Canadian economy”; second, “to expand opportunities for Canadian participation in world markets while at the same time recognizing the role of foreign competition in Canada”; third, “to ensure that small and medium-sized enterprises have an equitable opportunity to participate in the Canadian economy”; and fourth, “to provide consumers with competitive prices and product choices.”

The question of what the stated purpose of the act ought to be is critical for two main reasons. First, from a legal perspective, the purpose statement of the act shapes how the Competition Tribunal and courts adjudicate competition cases. The purpose statement of the act determines which competitive harms are considered under the law.

The second reason the purpose statement is so critical is that it articulates the guiding rationale for the Competition Act. The stated purpose of the legislation guides policy-makers on what should be included in the legislation. Some have argued that the purpose statement of the act should be changed so our competition law's only objective is to promote efficiency in the Canadian economy, and that it should not have any particular regard for SMEs, or other stakeholders, for that matter.

A notable example of this argument is put forward by Professor Edward Iacobucci in a paper commissioned by Senator Wetston as part of a broader consultation on competition law reform. Professor Iacobucci argues that having multiple objectives for competition law—like creating equitable opportunities for SMEs to compete while also promoting economic efficiency—creates complications in the application of the law, since objectives may conflict with each other. Professor Iacobucci's solution to this problem is to have the government make economic efficiency the only concern of competition law.

In the Canadian context, efficiency has often been used to justify the law's permissiveness of market power and dominance, which can be detrimental to SMEs that are striving to break into new markets. The argument goes that other benefits that competition law

can provide, like ensuring equitable opportunities for SMEs to participate in markets, should be the responsibility of other policy areas.

While this approach may be an elegant technical solution from a legal perspective, it sidesteps the root of the issue, which is that competition policy is inherently political. Different stakeholders will inevitably have different preferences for the law. Ignoring this reality doesn't make it go away; rather, it creates a broader economic policy framework that works against itself. If the government followed Professor Iacobucci's advice, on the one hand we would have a competition law that promotes economic efficiency without regard for, and potentially to the detriment of, SMEs. On the other hand, we have ISED spending billions to support SMEs. How much further could those dollars go if we had a competition law that supports SMEs, rather than ignoring or working against them?

Even with the competition law we have today, there is scope to do more to support SMEs. I and some colleagues—Vass Bednar and Ana Qarri—recently prepared a report for ISED that outlines opportunities for reform of the Competition Act that would benefit SMEs. Extending the timeline the bureau has to review mergers after they have closed would enable it to rectify so-called “killer acquisitions”, whereby incumbents buy out new entrants that may become competitors in the future.

In the report, we also recommend making changes to how anti-competitive conduct is evaluated under the law and adopting a more rules-based approach that would be more predictable to implement and would potentially allow the bureau to block anti-competitive behaviours more successfully.

● (1600)

Competition law should aim to promote fair commerce in the Canadian economy by acknowledging and balancing the needs of all stakeholders, including SMEs, large businesses, consumers, workers, government and citizens in general. It's through the balancing of these needs that we derive the modern purpose of the Competition Act and also ensure the act works with, not against, the policies we currently have in place to foster fair and competitive markets in Canada.

Thank you again, and I'm looking forward to your questions.

[*Translation*]

The Chair: Thank you very much for your comments, which are very much appreciated.

We are ready to begin the first round of questions with Ms. Gray.

Ms. Gray, you have six minutes.

[*English*]

Mrs. Tracy Gray (Kelowna—Lake Country, CPC): Thank you, Mr. Chair.

Thank you to all the witnesses for being here today.

My first questions will be for Beer Canada.

I really appreciate your comments on how the escalator excise tax is going to be affecting your industry. Now with inflation with us, I want to touch on the cost of shipping and transportation and how this is affecting your industry.

Mr. Luke Chapman: It's certainly a challenge, as I noted in my remarks.

In early 2022, beer prices have already increased by 5% compared to the same period in 2021. It's certainly a combination of things. We're dealing with historically high malt barley prices and historically high aluminum can prices. As well, we're getting close to historically high fuel prices and labour costs are rising, so it's a perfect storm. When we put on top of that these annual federal beer tax increases, it's been a very challenging time for brewers across the country.

I think the message we're trying to send to the government today, and throughout the coming months, is that there's an idea around consistent small increases every year, but I think we can all agree this is far from normal circumstances when you're dealing with 6% to 7% inflation. We're asking the government to acknowledge there's already a lot of stuff happening in our industry, and to maybe take a second look at these annual increases moving forward, leading up to April 1, 2023.

• (1605)

Mrs. Tracy Gray: Thank you very much.

The next thing I wanted to ask you about was interprovincial trade and reducing red tape. We know there are a lot of restrictions in Canada and there's a lot of inability for people to ship across provinces. I'm just wondering how important it is, from your perspective, for the federal government to get to the table to remove some of these interprovincial trade barriers.

Mr. Luke Chapman: Absolutely.

We at Beer Canada, and our member companies, are fully supportive of the elimination of barriers that make it difficult to move our products from province to province. I think beer is unique in many ways, and it's also unique in its physical characteristics. When you compare it to both wine and spirits, beer is a much bulkier, heavier product, so it is more costly to ship between provinces. We as an industry are certainly supportive of the federal government doing what it can to work with the provinces to eliminate some of those barriers and provide more opportunities to brewers.

Mrs. Tracy Gray: Thank you very much.

My next couple of questions are for the Canadian Federation of Independent Business.

Actually, Ms. Pohlmann, you mentioned in your opening statement the one-for-one rule that formerly existed. As well, I note there was an advisory committee to help identify these barriers and I know that the CFIB was a representative on that committee. Is this committee still in place to advise the government?

Ms. Corinne Pohlmann: The committee that had been in place was dissolved. It's my understanding, though, that they are looking at reinstating the committee with potentially new members.

Mrs. Tracy Gray: Okay. When, approximately, would that have been dissolved? Do you recall?

Ms. Corinne Pohlmann: I think it was the spring or summer of last year.

Mrs. Tracy Gray: Okay.

The other thing I've noted is there used to be a scorecard that was publicized on red tape reduction across the country. It broke it down between departments. We haven't seen that posted online for a number of years. Do you know if that's still being done?

Ms. Corinne Pohlmann: The departments are still supposed to report the number of regulations each of them have and ones they've gotten rid of. If you go by department, you can sometimes see it, but it's certainly not updated for every department every year, as was originally the reason for it to be put into place. It does continue in some departments, but not in others.

Mrs. Tracy Gray: Thank you very much.

I know the scorecard had a little bit of different information other than that. Hopefully they'll bring that back again, because it actually did go into a lot more detail and had a different lens.

The other thing I wanted to ask you about was credit card fees. We know that for a couple of years now the government has been talking about reducing these, and yet we haven't seen anything concrete. We know credit card fees really affect small businesses a lot, especially now, during a time when people are ordering online more often. I'm wondering if you have any input on that and if it's more important than ever to look at reducing credit card fees.

Ms. Corinne Pohlmann: During the pandemic, we saw a huge transition in how people paid. Cash is really non-existent today. It's moved to digital payments. When that happens, it becomes much more expensive from a merchant's perspective. When you move online more, those transactions are even more expensive, because they're considered to be riskier.

While rates themselves have not gone up, the cost to small businesses has gone up as a result. We have been pushing the federal government to lower credit card rates, which they promised to do back in budget 2021, and it was mentioned again in budget 2022, but we have yet to see any movement on that.

There was a reduction, I will say, in 2020 to an average of 1.4%, but we believe more needs to be done to bring more of those savings to small businesses, because a lot of it gets spread out to businesses of all sizes.

Mrs. Tracy Gray: I have a last quick question.

I know the CFIB has reported that the average small business took on about \$170,000 in new debt during the pandemic, and many have shut or scaled down as a result. With this new debt, are you concerned that hikes in costs for things like CPP payroll tax increases and carbon tax increases earlier this year will put even more businesses on the edge?

• (1610)

Ms. Corinne Pohlmann: Yes, we're very worried. Now that supports are also going to disappear as of May 7, there will be nothing to help businesses that are feeling the load of the debt. We believe this is the target thing that we have to deal with now.

How do we help those really hard-hit businesses that are dealing with \$150,000, \$200,000 or \$250,000 in debt through no fault of their own? We'd love to see the forgivable portion of the CEBA loan increased, or other measures that we can think about to help those businesses get out of that debt.

I think in next three to six months, we may very well see more bankruptcies. I know that other countries, once they got rid of their supports, started to see a bit of an increase in those bankruptcy closures. I wouldn't be surprised if we started seeing that more here, unless we can do more to help with that debt.

[*Translation*]

The Chair: Thank you, Ms. Gray.

[*English*]

Thank you, Madame Pohlmann.

We'll move to Mr. Erskine-Smith for six minutes.

Mr. Nathaniel Erskine-Smith (Beaches—East York, Lib.): Thanks very much.

I want to stick with the Canadian Federation of Independent Business. I'll start with the red tape recommendation that you made. Maybe it won't be in your answer now, but could you commit to providing a list of examples of red tape at the federal level? It would be helpful to have more concrete examples that the committee could use. I appreciate the slide deck, but could you come back to us with some more concrete examples of red tape at the federal level?

Ms. Corinne Pohlmann: We can certainly do that, but I will say that it isn't about fixing individual pieces but about fixing the whole system. That's why things like the Red Tape Reduction Act have been very effective at helping to fix the entire system, by putting some constraints on regulators. We need to continue—

Mr. Nathaniel Erskine-Smith: Pause there, because that's really helpful. I have a question about the one-for-one rule.

We had the Treasury Board in the last Parliament testifying in front of us about similar issues around competitiveness. I appreciate the need to address red tape in the sense that if there's something duplicative or unnecessary, addressing that and reducing costs make a lot of sense. However, in other cases there are important rules that are in place in the interest of public safety or environmental protections, and casting those measures as red tape is sometimes unhelpful.

I've never understood the philosophical rationale behind the one-for-one rule. It's this idea that we just managed at some point in time to have the perfect number of rules. If we impose a new rule, there should be one fewer rule in some other place.

Shouldn't we be more focused in this conversation around what is unnecessary or duplicative and really gets in the way without a public interest rationale behind it?

Ms. Corinne Pohlmann: I think both are necessary, to be honest.

When it comes to understanding which rules, I agree that we need the rules. We need to protect the environment, we need to protect health, and we need to protect safety. There's no doubt about that. There also needs to be a bit more clarity for the people who create the rules to understand that you can't just keep creating, creating, creating; you also have to think about managing what's already in place. Having some sort of parameters around how to manage those rules already in place would help.

Right now there's a bit of that, but not enough to manage the volumes, because it just keeps growing. The volumes—

Mr. Nathaniel Erskine-Smith: That takes me to my first question again, I guess. In the interest of managing existing rules, can you give us a concrete list of existing rules that you think ought to be managed a bit better? That would be helpful.

Ms. Corinne Pohlmann: Yes.

Mr. Nathaniel Erskine-Smith: Similarly, I would find it helpful.... Look, we're not going to freeze the carbon tax and the price on pollution. It doesn't make any sense in the interests of tackling carbon emissions as we need to, as a matter of our obligation to the world and future generations. It makes no sense for us to do that. It's the most economically efficient way of tackling climate change.

If you could instead come back to us.... I did note that in your slide deck there is a piece to say that small businesses pay a disproportionate sum but don't benefit from the rebate proportionately. If you could, again, come back to us with a more elegant solution—freezing is not of interest to me—in relation to maybe taking a share of the revenue and distributing it fairly for small businesses, I would be interested in that, if you can come back to us in writing.

For the Canadian Chamber of Commerce, on the piece on Competition Act reform, I take the concern to be that we're in a difficult inflationary environment and that additional reforms right now may not be welcome if they create greater burdens in regulatory compliance. How do we square that, though, with the fact that we are a country of oligopolies, and oligopolies increase prices for consumers? We've seen that in telecommunications. We see that in grocery stores. We've even seen it in this inflationary environment, where the companies that exist within these oligopolies are profiting despite the inflation. It's not just that prices are increasing; their profits are also increasing at the same time.

How do we square those concerns? On the one hand, I take the concern that you've laid out, but I would turn the concern back by asking, "Don't we want greater competition to drive prices down?"

• (1615)

Mr. Mark Agnew: At the risk of having a caricature of what the business community is like, profit is not a bad problem in itself. I think it's worth stating the obvious in that regard.

The point about inflation particularly is that if you look at what is driving the inflationary pressures right now, and supply chain disruptions and labour shortages, I think there's a risk that we'll say that competition is the panacea that's going to deal with inflation and make a knee-jerk reaction to it.

This is a very complex area of law. It's not just about competition policy; it's also about how it interacts with other regulated sectors and sector-specific measures and other horizontal measures such as privacy. Doing this on the fly is not something that we want to do. Robin and I may disagree, perhaps, on some of the outcomes, but I think we both agree that whatever it is, we need to make sure that it is done in a deliberative way and it's done right.

Mr. Nathaniel Erskine-Smith: That's fair. My only comment back to you would be that when I see grocery stores, as an example, with \$4 billion more in profit in an inflationary environment post-pandemic than pre-pandemic, I'm a bit concerned when I think of the cost to consumers. However, I take your point that profit shouldn't be a problem in and of itself, certainly, for business.

To put the same question to Ms. Shaban, don't we want greater competition? Shouldn't we be using the act to increase competition if we're concerned about prices for consumers in the end, especially in the environment in which we live?

Robin Shaban: Yes. Yes, I think so, simply put, and I think that in light of the review, there are some opportunities for us to rethink specifically how we plan to use the act to accomplish that.

Coming back to the study I spoke about, which I and some colleagues did for ISED, one of the themes that came up again and again was how specifically the act evaluates anti-competitive conduct and whether this method for determining whether conduct is anti-competitive or not is actually tractable in our modern economy, where a lot of the effects of the anti-competitive behaviour that's happening today actually manifest many years from now.

It's not realistic for regulators to be able to summon the future in a crystal ball. Because of that, we need to be rethinking the core fundamentals of how the law works and how it's applied today, and that ties specifically to substantive tests—again, these methods by which officers at the Competition Bureau actually identify and determine whether certain behaviour is anti-competitive under the law.

Mr. Nathaniel Erskine-Smith: Thanks.

[*Translation*]

The Chair: Thank you very much.

I now give the floor to Mr. Lemire for six minutes.

Mr. Sébastien Lemire (Abitibi—Témiscamingue, BQ): Thank you, Mr. Chair.

I thank all the witnesses.

You have painted a great picture this afternoon to fully understand the urgent need to act on the labour shortage.

I think in particular of Mr. Blackburn, who told us that 6% of positions are vacant in Quebec and that nine of 10 employers are concerned about the labour shortage. He also said that there are nearly 1 million vacant positions, that there is work overload, and that quality, and even some contracts, are being abandoned.

However, there are solutions, and I think that the committee must leverage them if it wants its efforts to show results. One of those solutions requires that we look at demographic changes. We must find ways of making more room for women, families and seniors. In the context of the current labour shortage, the combination of several methods may be the solution that will work.

Mr. Blackburn, I have a question for you.

What do you recommend to make a return to work more attractive for experienced or older workers, given that they represent a potential of some 75,000 additional workers and could help mitigate the labour shortage?

Mr. Karl Blackburn: That is an excellent question.

Unfortunately, those who think that the labour shortage is a good problem are mistaken. The labour shortage has an extremely significant impact on the economy. You cited some examples.

I will begin answering your question and then turn it over to my colleague, Mr. Hamel, who can give you more details about experienced workers.

If Quebec had the same employment rate among experienced workers as Ontario, for example—we often like to compare ourselves with Ontario—as you mentioned, nearly 75,000 additional workers would be on the labour market now and in the future and could contribute to the economic recovery. To do that, tax incentives are needed, such as raising the income ceiling from \$5,000 to \$20,000 without penalties for their pension benefits. That would certainly be an interesting option.

For example, governments could exempt participating businesses that have experienced workers from paying into the Québec Pension Plan, for example, for the amount allocated to the war effort, if I can call it that, for experienced workers.

That is just one option. I could ask Mr. Hamel to give you others that could be put forward over the short, medium and long term.

If I may, I will now ask Mr. Denis Hamel to finish the answer.

• (1620)

Mr. Denis Hamel (Vice President, Workforce Development Policies, Quebec Council of Employers): Thank you.

To come back to experienced workers, I would say it's good that you have focused on them. They are a group that we can reach and very quickly bring back to the labour market, particularly if we eliminate the perception that they are working for nothing. We often hear that they will lose the guaranteed income supplement, that they will be required to return some of it to the government.

Tax laws must be adapted, and employers must be helped, through various mechanisms, to retain, attract and recruit experienced workers. We are thinking, for example, of employment insurance contributions, which could be suspended for experienced workers, as they do not apply for benefits. This is one example of many.

We also need to consider support for the management of experienced workers, who do not necessarily want to work 50 hours per week, 50 weeks per year. They must therefore be offered reduced schedules and timetables to encourage them to return to the labour market, particularly in the industries most affected by the pandemic, where there were many such workers. Since the start of the pandemic, we have lost a lot of workers aged 55 and over, particularly women.

Mr. Sébastien Lemire: Thank you, Mr. Hamel.

I will continue, again, concerning the expansion of the labour pool.

Mr. Blackburn, in a recent interview, you stated the following: "It is a must for us because, unfortunately, without such expansion of the labour pool through immigration, we would be unable to meet our objectives."

Earlier, you estimated the losses due to the labour shortage in Quebec alone at \$18 billion over the last two years.

Are your members concerned about the slow processing of immigration files? What solutions do you see?

Mr. Karl Blackburn: Indeed, there is an extremely significant problem in Quebec with respect to the processing of immigration data or files. Unfortunately, in Quebec, it can take up to 24 months before a file is resolved, while it takes six months elsewhere in Canada. That reality is unavoidable.

I will give an example for the benefit of the members of this committee. In 2017, a labour market assessment was conducted. First, to offset the retirement of 1.4 million workers in Quebec, we needed access to three main pools of potential workers. The first pool is students, who could meet 50% of needs. The second pool, which you referred to, consists of people who are a bit further from the labour market, namely members of first nations, people with criminal records, people with disabilities, women in some industries, older individuals and so forth. That group could meet 25% of needs. In addition, 23% come from immigration. The figure cited at that time to address the labour shortage and offset the retirements was approximately 64,000 immigrants per year. As you know, in Quebec, there is community-based immigration, family reunification and economic immigration. However, with 64,000 immigrants per year and the other pools, it was hoped that the retirement of 1.4 million workers could be offset.

Unfortunately, beginning in 2017, the number of immigrants never exceeded 50,000 per year and has been well below that in recent years, thus widening the gap. In late February 2022, nearly 250,000 positions were vacant in Quebec.

To address this situation, we must avoid conflicts concerning territorial jurisdiction. The changes made by the federal government to the temporary foreign worker program, were a breath of fresh air for employers in Quebec and employers in general. They allowed employers to access a larger pool or a larger percentage of workers for their own businesses. They also extended the deadlines beyond what was initially set out and thus provided some predictability in terms of the economy.

The economy, itself, is extremely volatile. It takes three conditions to be able to grow and prosper: predictability, certainty and longevity. Decisions related to immigration must provide these three ingredients for the recipe to work and help us address the labour problem we are facing.

• (1625)

The Chair: Thank you very much, Mr. Lemire and Mr. Blackburn.

Mr. Masse, you have the floor for six minutes.

[*English*]

Mr. Brian Masse (Windsor West, NDP): Thank you, Mr. Chair, and thanks to our witnesses.

I'd like to start with Ms. Shaban.

With regard to anti-competitive behaviour, how do we fit with our American cousins and Europe? What are the trends that are happening in those countries to deal with anti-competitive behaviour?

I'd be interested to hear where we're fitting in with those jurisdictions that we often do a lot of trade and connect with.

Robin Shaban: That's a big question to unpack.

To go back to the report that Vass Bednar, Ana Qarri and I did for ISED, one of the bits of analysis we did was compare cases that were taken in the European Union by the European Commission that dealt with cases of relatively similar conduct to cases also taken by the Competition Bureau in Canada. This included Google, for example, and the self-preferencing of its own shopping service on its website.

Both the Competition Bureau and the European Commission undertook investigations on this conduct. The European Commission found that behaviour to be anti-competitive and fined Google a lot—I can't remember how many billions of euros. In the Canadian investigation, the bureau found that there was no evidence of anti-competitive behaviour.

It raises this question of how the European Commission managed to fine Google billions of euros, yet in Canada, somehow this behaviour isn't anti-competitive. I think a lot of these same trends are occurring across jurisdictions, given the global nature of digital commerce.

The difference that we're seeing in Canada versus other major jurisdictions is that our competition law is not keeping pace with what competition laws elsewhere are able to do. Again, I know it's kind of boring, but this really comes down to specifically how the act understands and evaluates anti-competitive conduct. Moving towards a more rules-based system in which anti-competitive conduct means that it's illegal if you do a certain thing is closer to the European model, whereas in Canada we have this very effects-based approach whereby you need to show heaps of evidence that this particular behaviour is detrimental.

I'll pause there because I know you only have six minutes.

Mr. Brian Masse: Thank you.

If you hear a cat in the background, that's my Siamese cat. It's not even my cat; it's my daughter's cat.

At any rate, we finally saw some increase in support for the Competition Bureau.

You were saying that even with those supports, we're still offside on those things, so it really is about remaking our entire model. We can pour more money into it and we still might not get the proper outcomes. Is that fair to say?

Robin Shaban: Yes. You hear that a lot from a lot of folks in the competition policy space: "The solution is just more enforcement. We need more money in the bureau. The bureau needs to go out and take more cases." That's part of the solution, but again, if you don't have the right tools for addressing this anti-competitive conduct, you're just throwing money away. You're taking these investigations that don't actually lead to firms changing their behaviours, because the law just isn't there as an effective tool, especially in our more modern digital economy.

Mr. Brian Masse: Excellent.

I'm going to move to the CFIB.

One thing I asked the Business Development Bank of Canada about was whether they had any interest in having a credit card for small businesses. I thought it was pretty interesting that they did a study. They didn't know when it was—they were supposed to get back to us—but it was a long time ago.

The Business Development Bank of Canada is supposed to be the lender of last resort when the private sector does not come to the table in an appropriate fashion. I thought for sure that there would be interest in at least a credit card that had proper fees. If the government is not willing to regulate this area and bring it under control, I'm a bit surprised that they wouldn't take advantage of that opportunity as a lender of last resort, so to speak.

I'm wondering what the CFIB thinks about that. I'd be interested to see whether or not there's support out there to even ask them to contact their members and do a poll like they did before and find

out if that product is of interest. That might actually generate some sorely needed competition in this sector.

● (1630)

Ms. Corinne Pohlmann: My answer is that I don't know what our members would think of that. It would be something we would have to ask them. Their issue, of course, is more on accepting payments than it is on the credit card itself.

With regard to BDC, I agree with you. As a lender of last resort, they do a good job sort of trying to help businesses that can't find financing anywhere, and a credit card could be another option for them to offer that kind of financing for small businesses.

I don't know what they can really do on the "accepting payment" side of the equation. That's where it becomes a bit more tricky.

Mr. Brian Masse: It's one of those things, though, that I'm hoping they are going to take seriously.

Even with the transition fees and transaction fees, I know a lot of small businesses that keep hopping among operators because of the games they have to play in having to change machinery and equipment and training. It's all a net negative. It really isn't about creating opportunity for them to be effective in business; it's about managing financial transactions that are, quite frankly, abusive.

With regard to—

The Chair: Monsieur Masse, I'll have to stop you here, because we're out of time.

Mr. Brian Masse: Thank you, Mr. Chair.

The Chair: We'll get back to you.

[*Translation*]

Mr. Généreux, you have five minutes.

Mr. Bernard Généreux (Montmagny—L'Islet—Kamouraska—Rivière-du-Loup, CPC): Thank you, Mr. Chair.

I thank all the witnesses.

Ms. Shaban, you referred to a report. Could you tell us which report that is? We do not know exactly which report you are referring to. You have appeared before the committee previously, if I remember correctly. Is it a report prepared by the committee?

[*English*]

Robin Shaban: Yes. The report I keep referring to is a report that I, as well as two other colleagues, Vass Bednar and Ana Qarri, was commissioned to do by ISED.

[*Translation*]

Mr. Bernard Généreux: Okay. Thank you.

[*English*]

Robin Shaban: The nature of the report was an exploration of competition policy in data-driven markets, so it was looking at the impact of big data in competition policy and testing whether our Competition Act is fit to address these issues.

This report is available online on the Vivic research website. When I get back at my desk, I'll tweet it.

[Translation]

Mr. Bernard Généreux: Yes. That would be perfect.

Ms. Pohlmann, you speak French, is that right?

[English]

A little bit?

[Translation]

Ms. Corinne Pohlmann: A bit, yes.

Mr. Bernard Généreux: Okay.

The carbon tax does not affect Quebec as much, but I would like to talk about it anyway. You gave two figures that I found very surprising. You said that SMEs paid 45% of the tax but that only 8% of the tax came back to them. That is an appalling and very large gap. The government keeps telling us ad nauseam that the program is neutral and that there are normally no costs to any businesses. You are telling us that that is not true.

[English]

Ms. Corinne Pohlmann: What I am saying is that of the carbon backstop that applies in Ontario, Manitoba, Saskatchewan and Alberta—the carbon tax in those provinces—about 45% to 50% of that revenue actually comes from small and medium-sized businesses, as well as the municipalities, hospitals and schools, but they make up only about 5% of that amount. The rest is all small and medium-sized companies.

[Translation]

Mr. Bernard Généreux: Okay, and they only get 8% back.

[English]

Ms. Corinne Pohlmann: They set aside 8% to 10% for that group, which was supposed to go into programs, but only one was ever created prior to the pandemic, and in order to access the program you had to invest \$80,000 in your business to get any money back in the subsidy. It wasn't accessible to small companies. Since then, the money has just been sitting in government revenues. Nothing has come back to small businesses.

[Translation]

Mr. Bernard Généreux: That is interesting.

Mr. Blackburn, I am glad to see you today.

Mr. Karl Blackburn: Me too.

Mr. Bernard Généreux: With respect to the labour shortage, you answered the question from my colleague Mr. Lemire earlier by saying that Ontario was better positioned than Quebec concerning workers aged 55 to 64. What is the distinction?

Is it a tax distinction between Ontario and Quebec that allows Ontarians in that age group to stay at work longer?

Mr. Karl Blackburn: It is simply that the participation rate in that category of workers is higher than here, in Quebec. If we want to reach the same level, tax measures must be adopted. The Government of Quebec and the federal government would be able to do

so. Unfortunately, they did not do so in the last two budgets, in Quebec or at the federal level, and yet, they were asked to.

• (1635)

Mr. Bernard Généreux: It was an election promise by the Liberals, and the Conservatives, to change the tax system to allow these people to remain at work longer.

Mr. Karl Blackburn: That is right.

Mr. Bernard Généreux: You say that, even in budget 2022, the Liberals did not take that into account.

Mr. Karl Blackburn: In the budget that was tabled, there was no specific measure to encourage experienced workers to remain on the labour market.

Mr. Bernard Généreux: If I am not mistaken, some measures have been taken in recent years.

Mr. Karl Blackburn: Yes.

Mr. Bernard Généreux: However, you say that the measures should be improved. Earlier, your colleague spoke about suspending employment insurance contributions for these workers.

Mr. Karl Blackburn: That is right.

Mr. Bernard Généreux: There are elements that could be eliminated. I am an entrepreneur myself, so I know what it costs. All the benefits charged to the employer represent at least 15% of the employee's salary. That is in addition to the salary.

Elements could therefore be eliminated to allow these people to remain at work longer.

Mr. Karl Blackburn: Yes, absolutely.

Mr. Bernard Généreux: Okay.

On April 4, if I am not mistaken, Minister Ng announced the launch of the Canada digital adoption program, a federal program aimed at increasing the use of technology in businesses. I don't know whether you saw that, but you said earlier that it was an important element.

Are you aware of that program? If so, has the Quebec Council of Employers examined it?

Mr. Karl Blackburn: I do not have all the details about that, Mr. Généreux, but there is no doubt that the program, along with specific measures, could be a helpful tool to address the labour shortage. I will ask Mr. Hamel to give a more concrete example because some of the solutions that we proposed are related to training, literacy and increased investment in technology.

For example, unfortunately, we have a literacy problem in Quebec, which hinders technological investments. Thus, in the current context, with specific measures to address this situation, we can achieve very important objectives.

Before turning it over to Mr. Hamel, I will come back to the employment insurance program, Mr. Généreux. The Government of Canada is reviewing the employment insurance program. Given that we have problems related to continuing education and skills, why not make the employment insurance program a continuing education program? That way, when people unfortunately lose their jobs, with employment insurance, they would be required to take training and would keep their skills up to date.

Mr. Bernard Généreux: That is an excellent idea.

By the way, a reform of the employment insurance program was proposed by the Conservative government over 10 years ago but was forgotten or bombarded with all kinds of negative elements. At the time, the very principle of that reform was to make it easier to match workers with jobs available in the various regions of Canada. Earlier, you in fact were saying that there were more positions available than workers available.

I remember that, at the time, there was talk of a radius of 60 kilometres or less than 100 kilometres to find work. Today, in La Pocatière, teachers at the CEGEP, the Institut de technologie agroalimentaire du Québec, the college and all the other institutions travel 100 kilometres from Quebec City to La Pocatière to work every day. The same is true for employees of Alstom and others.

The Chair: Excuse me, Mr. Généreux, I know you are on a roll. I didn't want to interrupt you, but all good things come to an end.

Mr. Bernard Généreux: I will resign from these committees.

The Chair: I imagine we'll be able to come back to this topic in other questions.

Mr. Gaheer, you have the floor for five minutes.

[*English*]

Mr. Iqwinder Gaheer (Mississauga—Malton, Lib.): Thank you, Chair.

Thank you to all of the witnesses for making time for the committee.

My first question is for Vivic Research. I just wanted to give you a chance to expand on the comments that you were making in response to Mr. Erskine-Smith's questions.

You mentioned that the way the Competition Act is set up right now, it's like looking at a crystal ball and predicting whether there will be an anti-competitive effect. Is there a replacement system that you have recommended? If there's a problem with that system, then what's better than it?

Robin Shaban: I think there's a spectrum of solutions. What I'd like to see from the review of the Competition Act is some deeper thinking on what some of these alternatives could be. This is where my point about stakeholders coming together and finding compromise is really important. We need everyone at the table to sit down and think about how exactly we want to be evaluating anti-competitive conduct.

That's a long way of saying there are lots of potential solutions, but what I'd like to see is our moving more towards a rules-based approach for evaluating anti-competitive conduct.

I don't want to be long-winded, but I will give a quick example. When it comes to evaluating mergers, in Canada you can't say to the Competition Tribunal to please block this merger because it literally creates a monopoly; you need to show that because this merger creates a monopoly, it's going to increase prices. That's just textbook Economics 101. We know that. Why do we need the commissioner of the Competition Bureau to re-invent Econ 101 in front of the Competition Tribunal?

I think integrating things—like if you have a merger to monopoly, it's just blocked outright—is pretty reasonable. That again is more of this rules-based approach to evaluating anti-competitive conduct and its harm. I can see other places where it could also fit in.

I don't have a definitive answer on what I think that would look like today. I think that's for a more open discussion.

• (1640)

Mr. Iqwinder Gaheer: Great. Thank you.

Just to follow up, I'm thinking back to law school. There are two ways to do things. One side is more of a subjective approach that takes into consideration more characteristics, but it becomes subjective. The other side is a rules-based order, but that can become rigid at times, and certain things will fall through the cracks. Is it a balance that you have to find?

Robin Shaban: Yes, I think that we need to restrike the balance. It may have been that in the past the balance that we had before was working. I think that this balance is becoming more challenging, especially in the advent of the digital economy, in particular the impact of big data on companies.

The reason big data is so important is that it can create these competitive advantages that firms in many cases just realistically can't challenge. As a small or medium-sized enterprise, if you're going against a behemoth that has data and can have a bird's eye view of the entire market and essentially swipe you and your customers at any moment because of this data and insight, how do you navigate that? A more rules-based approach may enable the bureau to pre-emptively prevent those sorts of situations from arising, or prevent them from arising in an anti-competitive way.

I think, again, that this balance needs to be restruck, given just the nature of commerce and the evolution of it, particularly over the last few years with digitization.

Mr. Iqwinder Gaheer: Thank you. I look forward to reading your report.

Robin Shaban: Thanks.

Mr. Iqwinder Gaheer: I want to shift gears a little bit. My next question is for CFIB and Ms. Pohlmann.

We talk about rising commodity prices worldwide. Isn't there a way in which Canadian producers to take advantage of that to their benefit? Supply chains having been disrupted worldwide, and if we can produce some of that stuff here and supply the rest of the world, couldn't that benefit us?

Ms. Corinne Pohlmann: Certainly, but rising costs impact you either way. It's a matter of being able to actually get out from underneath your debt load, invest in your business and move forward.

I think the nice thing about entrepreneurs and small businesses is that they are innovative and they do try to do what they can to build the business in any way they can. I definitely can see where there can be that advantage, but at the same time, you're also facing all of these other barriers in order to get there, which includes rising prices, inflation, shortage of labour and all of these other things that are affecting them right now—plus the fact that the pandemic has hit so many of them so hard.

There's no doubt there are still opportunities out there. There are going to be many that are going to try to take advantage of those, for sure.

Mr. Iqwinder Gaheer: Thank you.

Chair, how much time do I have?

The Chair: I'm sorry, Mr. Gaheer. You're out of time.

Mr. Iqwinder Gaheer: Thank you.

The Chair: Monsieur Lemire, you have two and a half minutes.

[*Translation*]

Mr. Sébastien Lemire: Thank you, Mr. Chair.

I will address the next question to Mr. Blackburn, from the Quebec Council of Employers.

Quebec is the only province in Canada that is responsible for its own labour policy. An ecosystem has been created with the Government of Quebec, the Quebec Council of Employers, Manufacturiers et Exportateurs du Québec, the Fédération des chambres de commerce du Québec and sectoral workforce committees.

In Quebec, our ecosystem produces all the studies needed to determine labour needs. In my opinion, the labour market impact assessment, or LMIA, is an unnecessary duplication.

Is one solution eliminating these federal LMIA's, which seem to be increasingly inadequate and hinder businesses?

• (1645)

Mr. Karl Blackburn: This time, I will turn it over to my colleague, Mr. Hamel, who does not have time to share his explanations with us when I talk too much, but I first want to say that our model in Quebec should serve as an example for the rest of Canada.

I will now ask Mr. Hamel to explain the benefits of the model and to provide more information in response to your question, Mr. Lemire.

Mr. Denis Hamel: Thank you.

Mr. Lemire, you are right in saying that LMIA's duplicate paperwork in many cases. Each year, the Commission des partenaires du marché du travail, the entire group that you mentioned, publishes

the trades and professions that are in deficit or surplus. In our opinion, it would make perfect sense for a mechanism to be triggered as soon as a profession has a deficit. That way, we would not need to justify the fact that we are looking for people or show that we posted the job for so many weeks.

There is already a measure in Quebec, accelerated processing, through which LMIA's can be bypassed. This measure should be applied to a much larger number of professions, precisely because employers, unions and governments agree on the professions that are in deficit—the latest figures put them at 234. Accordingly, for those professions, we would not need to justify the use of foreign workers.

Mr. Sébastien Lemire: Furthermore, LMIA's are based on data that are two to three years old now, so pre-pandemic.

Do you believe that our ecosystem in Quebec would be more comprehensive if the temporary foreign worker program were overseen by Quebec?

Indeed, this issue is related more to labour policy than to immigration policy.

Would that help our businesses in Quebec?

Mr. Karl Blackburn: I will let Mr. Hamel answer that question.

Mr. Denis Hamel: Where jurisdictional overlap occurs, it is essential that governments work better together. I agree with you: in its current form, the temporary foreign worker program is outdated and absolutely needs to be modernized. It was designed when the unemployment rate was between 12% and 15%. However, today's reality is very different.

What we need is better co-operation and less red tape because we are often doing things in duplicate. We have never had evidence that the federal government or Quebec would do better on their own.

We can maintain the current system, but there is a real need to improve co-operation, so as to eliminate red tape, particularly wait times, which are ridiculous.

Mr. Karl Blackburn: Of the 10 solutions that we propose to address the labour shortage, modernizing the temporary foreign worker program is one on its own. On Friday, we welcomed the Prime Minister of Canada, who was participating in an event put on by the Quebec Council of Employers. We asked him twice, not just once, for a genuine modernization of the temporary foreign worker program. Indeed, it has truly become outdated and does not reflect the reality in which we currently find ourselves.

Mr. Sébastien Lemire: Thank you.

The Chair: Thank you very much.

Mr. Masse, you have the floor for two and a half minutes.

[*English*]

Mr. Brian Masse: Thank you, Mr. Chair. My question is to Beer Canada.

My colleague Richard Cannings has introduced a private member's bill that would eliminate the excise tax on non-alcoholic or low-alcohol beer. It's treated as special by having it taxed fully.

Can you confirm support and perhaps speak a little about why this would be an important step to assist not only the larger brewers but also the microbrewers that want to get into lower-alcohol beverages?

Mr. Luke Chapman: Thank you very much for the question.

Beer Canada did have the opportunity to meet with Mr. Cannings to talk about the excise treatment of non-alcoholic beer. In Canada, it's an obscure situation that kind of caught us by surprise. Beer, compared to wine and spirits, does pay excise, while those other categories are exempted from any excise at all.

I will say that while the COVID-19 pandemic was a challenging time for beer sales, there was some promise in non-alcoholic beer sales. We did see some substantial growth in that segment of the category over the last two years.

There are brewers that are making substantial investments in that space of the market, and we were pleased to see Mr. Cannings, and I believe yourself, raise the profile of that issue and for the government to take a look at that and include it in this year's budget. That's a good-news story for the beer industry, and I think it will send a positive signal to the brewers across Canada to look to invest in that space of the market moving forward.

Mr. Brian Masse: I appreciate that.

I always get a little flustered when we just use red tape without indicating the specifics. We've had recommendations before without really having the specifics to go with them. I think this is one of those times that could be used as an example.

I have a local brewer here. Of course, most people do. Do you think that more microbreweries would get involved in limiting this? I know it's not the only thing and it's not a huge thing, but it's one of the hits they don't need to have. That's what I'm sensing and what I'm hearing. I'm just wondering if that's across the country.

• (1650)

Mr. Luke Chapman: It is, absolutely. I think that's a big reason that we did see growth in non-alcoholic beer sales over the last two years. Small brewers are becoming more interested in that space, and I think it's being driven by consumers looking to lead healthier lifestyles and to look at experimenting with more non-alcoholic products.

I like to say that the types of non-alcoholic beer products that we're seeing on the market today are unique and much more distinct than what we saw 10 or 20 years ago. We're seeing styles like west coast IPAs, stouts and other types of beers that are produced with no alcohol in them, and they still have the characteristics and tastes that consumers would naturally associate with beer.

It's a very complicated process to produce a non-alcoholic beer product and to be able to preserve those tastes and characteristics. There's a lot of investment required to make high-quality non-alcoholic beer products, and again, Mr. Canning's private member's bill was helpful in raising the profile of this segment of the category,

and I do think we'll continue to see both large and small brewers investing in this space and the market moving forward.

The Chair: Thank you, Mr. Masse and Mr. Chapman.

We'll move to Mr. Kram for five minutes.

Mr. Michael Kram (Regina—Wascana, CPC): Thank you very much, Mr. Chair.

Thank you to all the witnesses for joining us today.

Ms. Pohlmann, in your opening statement you talked about the carbon tax. If I'm quoting you correctly, you said that the federal carbon tax backstop has a disproportionate effect on small businesses. Could you elaborate on why that is the case?

Ms. Corinne Pohlmann: Sure, and I'll point out that just last week, I believe the environment commissioner also mentioned that in his reports as well.

Essentially, as I mentioned earlier to Mr. Généreux, the fact is that in the province where it applies, about 50% of the revenue that is taken is from small and medium-sized companies. Only about 8% to 10% is set aside to give back to small and medium-sized companies. Even that 8% to 10% has never been given back, other than in a program in about 2019, under which you had to invest \$80,000 into your company in order to get a little bit of money back from the government. It wasn't very accessible.

There have been no programs made available to small businesses to help them with their environmental footprint. We're still hoping to see something, either a rebate or new programs that are easy to access to invest in more energy efficiency. Those are the things we'd like to see that money used for. It would ideally be something that allows things to be a bit fairer to them.

Mr. Michael Kram: If I understood you correctly, you're also recommending a freeze in CPP, EI and carbon tax flows. Is that correct?

Ms. Corinne Pohlmann: It is a moratorium during the years when they are struggling. We're not necessarily suggesting that this be permanent. It's just about the costs that are being layered on top of small businesses. These are the costs that governments control, and perhaps during this difficult period it would be a way for us to put a moratorium on them for maybe another year or two, until they can get back on their feet again.

Mr. Michael Kram: Okay.

Mr. Chapman from Beer Canada, you spoke about the automatic increase to federal excise duties for beer. Could you explain and elaborate on why that is a challenge for the competitiveness of your sector?

Mr. Luke Chapman: Absolutely.

As I alluded to earlier in this session, brewers are already dealing with historically high input costs. The number of dollars it costs to produce beer in Canada has risen quite substantially over the last two years. Our message to the government is that brewers are not opposed to paying their fair share of taxes. In Canada, right now, nearly 50% of the retail price of beer is one form of tax or another. What we are opposed to is automatic annual increases that are devoid of any debate or vote by members of Parliament, especially considering the high-inflation environment that we're in right now. These annual increases are indexed to inflation, and what we're dealing with is monthly inflation that is at 6% or 7%. We're looking at an increase in April 2023 of as much as 7% to 8% on beer.

We're at a very challenging time for the industry and also a very challenging time for our big customers in the restaurant and bar business. Our message to the government is to look at the environment we're operating in.

Brewers are also making multi-million-dollar investments to transition away from plastic ring carriers. We support that, and we're doing our part to make sure that the government objective to eliminate plastic waste is reached. We're just asking for this government to revisit this approach to taxation at this point in time.

Mr. Michael Kram: If I understand you correctly, if politicians want to raise taxes on your sector, it should not be automatic. Politicians should have to table a bill and debate it on its own merits like any other tax. Is that correct?

• (1655)

Mr. Luke Chapman: That is exactly it.

Mr. Michael Kram: Okay.

I will circle back to Ms. Pohlmann.

Could the same argument be made about the carbon tax? If politicians want to raise the carbon tax, they should debate that in a budget, as they would any other tax increase, such as GST or income tax. Would that be a reasonable position for the CFIB?

Ms. Corinne Pohlmann: Certainly. Any time any kind of tax is brought forward, it should be debated, discussed and thought through in terms of its policy outcome and the impacts it's going to have on the people it affects.

Mr. Michael Kram: I believe, Ms. Pohlmann, you also spoke about the need to decrease credit card fees for small businesses.

What would you recommend the federal government do to stimulate competition when it comes to credit cards for small businesses?

Ms. Corinne Pohlmann: That's a tough one.

The one thing we were able to introduce in Canada, about 10 years ago, was a credit and debit card industry code of conduct, because merchants have always had the perspective that they were price-takers. They had to take whatever it was the credit card companies wanted to impose on merchants in terms of costs.

When the code of conduct was created, it certainly helped level the playing field. It put in a set of rules the credit card companies had to follow, and it allowed merchants to understand what those rules were in a better way and what to expect. It's not perfect.

There's still a lot more that can be done. In fact, the government is currently going through a review of that code of conduct in order to update and modernize it, because certainly the digital payments industry is going through many changes.

We need to make sure that the code of conduct is updated with those changes, and that it incorporates a lot of these companies, which are mostly not Canadian. They are often international companies, and we want to make sure they are brought into the mix so that Canadian merchants can understand what it is they are paying and how it's being paid, and that they can actually read the statements they are given so that they can shop around. Right now, it can be very difficult to do that.

Mr. Michael Kram: Thank you very much.

The Chair: Thank you.

[*Translation*]

Ms. Lapointe, you have the floor for five minutes.

Ms. Viviane Lapointe (Sudbury, Lib.): Thank you, Mr. Chair.

[*English*]

My questions are for Robin Shaban.

In your opening remarks, you stated that competition policy is inherently political. Can you expand on that point?

Robin Shaban: Yes. The fact of the matter is that among the various stakeholders impacted by competition policy, there are going to be varying needs. A lot of the time, these needs and interests are going to conflict. This is just the reality of the situation we are bringing ourselves into with the review of the act.

The reason I bring that up is that in competition policy circles and among experts, there is a desire to, or belief that we can, sanitize competition policy and remove it from this political context. As I explained in my remarks, that's not actually the case, because if we ignore the reality that there are conflicting interests at play in light of the review, we're just kicking the can down the road. We're passing this problem on to other policy areas. I think this passing the buck can be more expensive to government and ultimately to taxpayers.

Per the example I gave, how much more expensive would it be for ISED to deliver more grants or more supporting programs to small and medium-sized businesses? Could some of that be offset with better competition law and better enforcement of that law?

The great thing about competition law is that in a lot of ways it's pretty inexpensive. All you need to do—well, it's not this simple—is create legislation and develop an enforcement agency. A lot of the mechanism is simply the threat of enforcement. There's a deterrence effect. Deterrence is pretty inexpensive as far as policy interventions go. It's a lot more inexpensive than writing cheques to small businesses or consumers in the form of tax and transfer.

This is the point I'm making. There are intersections in the interests of the stakeholders who will be at the table, and we need to reckon with that and acknowledge it, because it has implications for how competition law intersects with other policy interventions at the federal and, I would also say, provincial levels.

• (1700)

Ms. Viviane Lapointe: If you had to advise the government on how to modernize and reform the Competition Act, what would you say are the top two things the government should do?

Robin Shaban: I spoke about the purpose statement of the Competition Act is because I think that this is actually one of the most critical aspects. I think it's less critical from that legal perspective. The legal importance of the purpose statement is not that critical. What's most important is setting a purpose statement that orients the conversation in a way that is productive and that brings in all stakeholders. That includes big business, small business and all these other stakeholders that I mentioned.

I think the second most important thing is something I've already talked about here too. It's rethinking how we actually evaluate and identify anti-competitive conduct because, again, our economy's changing, and, unlike in the past, I think we're faced with more problems of having to predict what behaviours today are going to do and the implications of them in the future. There are limits to that. Perhaps taking a more rules-based approach, while it may be a more blunt instrument, can actually help us prevent some of these anti-competitive problems before they get a bit out of control.

Ms. Viviane Lapointe: If the goal is fair commerce, what does that look like for SMEs?

Robin Shaban: That's a good question.

I think ultimately SMEs have to answer that, but my take on it is that it is in dynamic marketplaces that SMEs can realistically enter the market and achieve some sort of scale in order to be an effective competitor.

Something that's really unique about markets today—in particular, markets where there's lots of data, where there are network effects—is that it's very difficult for businesses to enter those spaces and scale up. Part of that is the business model and part of that might be legitimate business advantages that incumbents have, but I think a lot of it has to do with the nature of data and the role that data can play as a competitive advantage. I think we need to ask ourselves whether we're okay with large firms having large amounts of data that they can then use to essentially hivel themselves off from competition or protect themselves from new entrants that might come in and challenge their dominant position.

I think that there can be policy interventions, both through competition law and perhaps also through other policy tools like data trusts, that enable small and medium-sized enterprises to get access to this data and be effective competitors in the space.

Again, it ties into some of the themes that my colleagues and I talked about with that report for ISED that I've been referencing.

The Chair: Thank you very much.

[*Translation*]

Mr. Deltell, you now have the floor for five minutes.

Mr. Gérard Deltell (Louis-Saint-Laurent, CPC): Thank you, Mr. Chair.

Ladies and gentlemen, it is very nice to see you today. I am always impressed by the quality of witnesses we hear from and the submissions provided.

[*English*]

Thank you so much for what you're doing for this committee and especially for this country.

[*Translation*]

My questions are for Mr. Blackburn, from the Quebec Council of Employers.

Mr. Blackburn, I give you my respect.

For everyone's benefit, I should point out that Mr. Blackburn served as a member of the National Assembly, so he knows a thing or two about the issue before us today.

I also want to recognize Mr. Hamel, from the Quebec Council of Employers.

Mr. Blackburn, thank you for your contribution. You cited one figure that surprised me.

You said that there are currently more people unemployed than jobs available. Is that correct?

Mr. Karl Blackburn: That is right.

Mr. Gérard Deltell: How do you explain that?

• (1705)

Mr. Karl Blackburn: The unemployment rate is currently around 4.5%. Given that the unemployment rate is so low, but the participation rate is high—I would even say historically high—we are witnessing a perfect storm. Someone used that expression earlier, and it is an extremely appropriate image. We are currently in a situation of full employment.

Unfortunately, if we are unable to expand the pool of workers, we will not be able to deal with the current situation. Indeed, employment insurance recipients and youth who are not in employment, education or training, referred to as individuals who are NEET, will not be enough to address it. We must therefore be able to expand the pool of workers. In that context, experienced workers and other individuals are part of the solution.

It will not be possible to get all employment insurance recipients in the workforce. However, the employment insurance system should adopt a continuing education program. That way, the members of society would be better trained. A society that is better trained and more skilled is a richer society collectively and individually.

Mr. Gérard Deltell: How do you see the continuing education program, the program that you are proposing?

If the unemployment rate is 4.5%, that means, in theory, that youth can find a job within one week. Am I right?

Mr. Karl Blackburn: That is correct.

In the current context, why are we witnessing the greatest labour shortage in our recent collective history when the unemployment rate is at 4.5%?

It is important to remember that the pandemic did not cause the labour shortage. The pandemic accelerated the labour shortage in some industries, in particular, the tourism, aerospace, retail and accommodations sectors. However, growth in other sectors is truly exponential. The movement of a certain number of workers underscores the importance of providing training, to increase skills. Training is a tool that will allow us to deal with the situation.

Earlier, I listened to the comments from the representative of the Canadian Federation of Independent Business. One thing that she did not mention, but that we feel is important, is to extend to the end of the year the programs put in place to support Canadian businesses during the pandemic. This must be done for certain industries, especially the accommodations, food services, tourism and aerospace industries.

Why do we need to do that? It is to allow these industries to deal with another economic cycle, which will give them the capacity to strengthen their operations. Despite the circumstances, if the current supports are not maintained longer for these key, but more fragile, industries, the consequences could be catastrophic for many of them.

Mr. Gérard Deltell: Recently, France did something quite special. As you know, inflation is very high in Canada, at nearly 7%. In France, the inflation rate is much lower, 4.1%. One of the measures adopted by the French government consists of freezing tariffs for an indefinite period to deal with current inflation. As we know, inflation has a direct impact on business owners.

Do you think the government could draw inspiration from what was done in France and freeze tax and tariff increases to give workers, Canadians and, of course, businesses a break?

Mr. Karl Blackburn: In my opinion, that certainly could not hurt the situation. In a way, it could help minimize the current pressure, which is causing an inflationary spiral. I note that the inflationary spiral is caused by significant pressure on the markets, which are unable to meet demand. This is primarily due to supply chains that have been hit hard by the pandemic. The reopening of markets has unfortunately put major pressure on supply chains.

The current labour shortage also contributes to the inflationary spiral. We can clearly see that there is a significant increase in wages. For example, I would refer to the forum that we hold each year, in the fall, concerning wage forecasts for the coming year.

The estimates from all the experts who presented outlooks for wage increases in 2022 foresaw increases of 2.9% to 3.1%. We are well above that. In some industries hard hit by the labour shortage, the increase is between 25% and 30%.

A series of events, mostly linked to the present economic climate, have significantly increased that pressure. We are in an inflationary spiral.

Through the central bank, the government has a role to play in reducing inflationary pressure. Ultimately, however, everyone will pay because interest rates are going up. At some point, there may be a recession, which would have significant economic repercussions. Finding a balance is not easy. What will help slow the current inflationary spiral is not a single measure, but a combination of several measures.

Canada can draw inspiration from what is being done elsewhere.

• (1710)

The Chair: Thank you, Mr. Deltell and Mr. Blackburn.

I now give the floor to Mr. Dong for five minutes.

[*English*]

Mr. Han Dong (Don Valley North, Lib.): Thank you very much, Chair.

Thank you to all the witnesses for coming today.

You know, as I was listening to your testimony, I went back to the motion. We really should distinguish between domestic market competition and international market competition, because the role of government will be very different. With international competition, we'd be looking at branding, the value of the dollar, our labour cost advantage, trade agreements and so on and so forth. I think today, particularly from the conversation here, we're mainly focusing on domestic market competition.

When it comes to the domestic market, we have to look at the government's role. We talked about the costs of labour. We talked about the administration costs, logistic costs for businesses, consumer behaviour changes during the pandemic and whatnot. More importantly, I think, we have to look at the domestic economy.

I'll let you answer this. Would you agree that in the last two or three years, Canada, as compared with the rest of the world, in terms of economic recovery and the health of its economy, has been enabling small and medium-sized businesses to grow and be sustained, with all the support from the government and the preparation of the playing field?

I'll start with Ms. Pohlmann.

Ms. Corinne Pohlmann: Canada's been blessed that over the years we have had good growth in small businesses. We've been very fortunate that we've always had more small business created every year than lost. There's always been net growth.

What's been happening, though, is that just before the pandemic and during the pandemic, that hasn't been happening as much. We've sort of evened out and have even seen more closures than growth. I think that should worry us. Is that a pandemic response or is there something deeper? I think that's what we're going to have to wait and see, because—

Mr. Han Dong: I'm sorry. I have limited time here.

I understand that, but would you say that compared with the rest of the world and the rest of the governments around the world, the Canadian government has been there for small businesses to minimize the loss of our small businesses in Canada?

Ms. Corinne Pohlmann: Certainly during the pandemic there were, I think, good supports that were very helpful and that I think will continue to hopefully bear fruit as we continue to recover, but we're going to have to wait and see, because now we're at that pivot point, right?

Mr. Han Dong: You also mentioned that you observed some change of behaviour from consumers during the pandemic. Now there's a trend of shopping online and whatnot. Are you aware of the \$4-billion digital adoption program? Can you tell me how your members are finding this program? Is it widely used? Is it helpful, or...?

Ms. Corinne Pohlmann: On the digital adoption program, I'm not sure: That is my answer right now.

We're certainly trying to promote it and let our members know about it. I think it came a little late in the game. Many of them adopted digital systems earlier on in the pandemic. That's maybe when it would have been needed more. I know that it was based on the program called "digital main street" out of Ontario, which was really well liked and well used.

I think the idea behind it is good. My worry is that accessing it is a bit complex. There are multiple stakeholders involved. Depending on where you are, you have to apply through a different group. That's my worry. It might be a little too complex for many small businesses to actually take advantage of it, and it may be a little late.

We're going to certainly do what we can to encourage businesses interested in that type of growth to get that.

Mr. Han Dong: Was there a role in the digital main street program for the federal government?

Ms. Corinne Pohlmann: The digital main street program was sort of a private sector thing. It was supported initially, I believe, by the Government of Ontario, and has since expanded beyond that.

• (1715)

Mr. Han Dong: Wasn't it supported by the municipal government as well?

Ms. Corinne Pohlmann: It was the municipal government as well, yes—Toronto.

Mr. Han Dong: Okay. That's good. I'd be very interested in finding out, because \$4 billion is a large pot. I want to know if it's effective or not.

Second of all, I see that in the budget there is a significant amount of dedicated resources that will allow small business to grow and still continue to pay lower tax in the category of small business. Do you think that's helpful and is in the right direction?

Ms. Corinne Pohlmann: I think you're referring to the increase in the taxable capital limits for the small business tax rate.

Mr. Han Dong: That's right.

Ms. Corinne Pohlmann: Yes. That's something we've been pushing for over many years. It had been sitting at \$15 million for probably 20 or 25 years. It needed to go up, so going from \$15 million to \$50 million was a very good step forward.

Some businesses had large taxable capital but revenues still under \$500,000. They had all this large capital on their property, such as the case of a farm implement dealer or dealership, but their revenues were still under \$500,000, and they would lose access to the small business tax rate. Therefore, I think that is going to be helpful for those businesses to potentially grow their businesses. Yes, we think that was one of the good measures in the budget.

Mr. Han Dong: That's great.

The Chair: MP Dong, I'm sorry. We're out of time.

Mr. Han Dong: I have a beer question to ask.

The Chair: I've been very generous with the Conservatives and with Mr. Généreux, so go ahead, Mr. Dong. I will try to be fair.

Mr. Han Dong: I will keep it very short.

The reason I want to ask this is that my fishing buddy is a brewmaster. Over the years he's been telling me about the nature of the business.

In the last two or three years, has the industry been growing in terms of the number of craft brewers and microbrewers? Is there a sort of inner competition between the microbrewers and the craft brewers?

Mr. Luke Chapman: Before the pandemic, the small to medium-sized brewing category was growing. One thing that's unique about that segment of the market is that those companies rely much more significantly on sales through their on-site taprooms. Obviously, when COVID-19 hit, there were restrictions in place for consumers to go and enjoy a pint of draft beer. I would say they were more negatively impacted by the COVID-19 pandemic.

We like to say in the beer industry that there's a beer for every occasion. In the summer, you like a light lager and in the winter you might like a heavy stout. I think the competition within the category is healthy, but there are certainly challenges at the same time.

The Chair: Thank you very much.

[Translation]

Mr. Lemire, you have the floor for two and a half minutes.

Mr. Sébastien Lemire: Thank you, Mr. Chair.

My question is for Mr. Blackburn or Mr. Hamel.

I understand that you did not want to make a shocking statement about the federal government, but I would nonetheless like to hear more from you.

The Quebec Immigration Lawyers Association was able to obtain an admission from the federal government that files of skilled workers were set aside and that the processing of Quebec files was deliberately delayed. We also heard Minister Mendicino admit that last year.

Owing to the federal government, over 51,000 skilled workers are waiting to be admitted to Quebec. Never have so many immigrants waited to be admitted to Quebec, and it is extremely hard to know the status of their applications.

Would you agree with urging the federal government to immediately admit those 51,000 people? We could then get back on track. Clearly, this would allow all programs to function again and help everyone to get out of a precarious situation, particularly businesses that have invested in the system and that need skilled candidates who are immigrants.

What do you think?

Mr. Karl Blackburn: First, I must digress slightly. At this late hour, and after discussing beer, I really want a beer. I don't know why.

That said, resolving the files that are on hold and restarting the calculation from scratch would indeed be a good idea. However, I would ask Mr. Hamel to give you concrete examples.

Mr. Denis Hamel: Mr. Lemire, we have heard the statement by the federal ministers. At the time, the minister in Quebec, Mr. Jolin-Barrette, had also made a public apology, as he had set aside immigration files. The two governments are in somewhat of a competition to see who will look good, but the result is often the opposite.

When the information about the 51,000 files came out, the two governments were asked to agree and resolve the situation. Some of the files date back 10 years. The government was called upon to resolve the files and allow those people to stay here as permanent residents and fill the many job vacancies. It is essential to do some cleanup and to start from scratch with the new files being received. Those new applicants will probably meet the needs of the labour market better than applicants whose files have long been pending.

That request has already been made, but it's clear that there is still a disagreement between Ottawa and Quebec City about who is delaying the files and who is advancing them.

• (1720)

Mr. Sébastien Lemire: I would also add that these are human lives, so this is also about dignity. They are not only workers, but also people who want to integrate into our society.

Thank you for being here.

Mr. Karl Blackburn: We could settle this over a good beer.

The Chair: Yes. Thank you very much, Mr. Lemire and Mr. Blackburn.

Mr. Masse now has the floor for two and a half minutes.

[English]

Mr. Brian Masse: Thank you, Mr. Chair.

Ms. Shaban, I wonder if you have any opinion on the CRTC. When it gets a directive from the minister, I think it could be stronger with regard to decisions based upon competition. Do you have an opinion on that or on whether the CRTC needs some reformation? You don't have to answer if you don't or if it puts you on the spot. I'm just curious if you do have an opinion on that.

I have some reservations, of course, with the directive of the CRTC. It doesn't seem that some of the decisions are consistent with telco competition, for example.

Robin Shaban: Unfortunately, I have nothing to share about that, in part because I just don't have an in-depth understanding of the CRTC process. It's not my wheelhouse; that's not my nerddom.

Mr. Brian Masse: That's fair enough.

Those are all my questions, Mr. Chair.

Thanks to the witnesses. They have been excellent today.

[Translation]

The Chair: Thank you very much, Mr. Masse.

Mrs. Gray, you now have the floor for five minutes.

[English]

Mrs. Tracy Gray: Thank you, Mr. Chair.

I have a couple of questions for Mr. Agnew.

When you went through the new budget 2022, did you see activities or policies in there to help address inflation for small businesses? We hear that's one of the biggest concerns out there for small businesses, so are you satisfied with what you saw in there regarding inflation? Can you maybe talk about that?

Mr. Mark Agnew: If you look at what's driving inflationary pressures right now, we think it's driven by a couple of factors, but certainly supply chain disruptions come to the top of the in-tray, as well as labour shortages. I think that on both of those issues, there was not a whole ton in the budget that we think will directly address inflationary pressures. Some of these things are due to market forces, but we would like to have seen a bit more infrastructure funding around things like the national trade corridors fund, as an example.

Mrs. Tracy Gray: Thank you.

I note that the chamber, in the past, said, "SMEs are still struggling with short-term debt servicing that will hold back their ability to grow."

I wonder if you could touch on how inflation is leading to making it more difficult to pay down debt for small businesses, especially at this time when, as part of this study, we're looking at competitiveness as well.

Mr. Mark Agnew: Not to be too flippant about it, but certainly cash is king, and businesses need to have a cash flow to pay to pay payroll, their suppliers, the taxman and the landlord, so the more you have inflationary pressures, the more you see those input costs go up. It means that there is less cash to go around to pay these expenses.

Relief on interest payments on the COVID support programs is something we think could demonstrably reduce those cash flow constraints on businesses.

Mrs. Tracy Gray: Thank you.

I'll ask you a question similar to one I asked another witness with regard to interprovincial trade, specifically around red tape reduction. I'm wondering if you can speak to what you're hearing with lost opportunities of interprovincial trade and how that needs to be a priority moving forward.

Mr. Mark Agnew: Again, not to be too tongue-in-cheek about it, I feel we have a loss of direction at the moment, to be frank. We have this Canada free trade agreement that doesn't seem to be going anywhere fast. A litany of exemptions exist in there.

I know, Mrs. Gray, that you previously helped create a portfolio, so you know all about trade exemptions, and it's a shame that we have to have trade room internally so that goods, products and people can move across the border. Progress has been glacially slow. I admit the pandemic, perhaps, has put a dent in that, but this is a problem we faced well before the pandemic, and unfortunately it shows no signs of abating any time soon coming out of the pandemic.

Mrs. Tracy Gray: Thank you.

I want to ask you about the previous one-for-one rule, which seemed to be focused on in the past. What are your thoughts on that, and are you seeing a lot of activity around that or hearing about that from your members? Are there suggestions you're making, or are you getting feedback that this is working? Do you have any suggestions on reducing some of those other regulations that might be helpful?

• (1725)

Mr. Mark Agnew: We haven't heard a whole lot on the one-for-one rule itself as of late. Certainly no business is going to complain about the administrative burden being reduced.

The one thing we have heard about consistently that we can advocate is that federal regulators need to have an economic competitiveness mandate. To the point that Corinne made earlier, it's not about excluding environmental, social or public safety concerns; it's about ensuring that they think about economic competitiveness.

I can think of one conversation I had with someone who is in a regulatory agency, and I made a comment about the need to think about business impacts. They said that it's just not in their mandate to think about those things.

We need to make sure that regulators are told to do that. Admittedly, they're following the rule book that is set by their political masters, so having an economic competitiveness consideration is quite important to the regulatory process here in Canada.

The Chair: That's about it, Madam Gray.

Mrs. Tracy Gray: Thank you, Mr. Chair.

The Chair: Thank you.

We'll move to Mr. Fillmore for our last round of questions.

Mr. Andy Fillmore (Halifax, Lib.): Thank you, Mr. Chair; and thanks to the witnesses who are here in person and joining us online.

I'll start with a very brief parenthetical comment on energy, and then I'll crack into another thing.

I want to just agree with Nathaniel Erskine-Smith. The carbon price is here to stay. The whole point of a carbon price is that it is a price signal to change behaviours. People or organizations and businesses that are creating carbon pollution need to pay for that. Ultimately they don't want to pay for it, but that's what changes behaviour, so if we rebate them everything they've paid for the pollution price, it defeats the whole purpose. There needs to be a bit of pain there. That's the point of it.

It's the families and individuals who get the rebate, and that makes things better at home. I would add that the Canadian Climate Institute said, on the release of our 2030 emissions reduction plan, that in every post-2030 scenario they ran, energy prices were reduced from what they are today. Therefore, I want to separate energy from the other hardships that businesses are facing, separate energy and carbon pricing, because I think they're very different.

Now I'll turn to my actual point, which is that the world has changed. We heard from the CFIB that 90% of your members are experiencing increased costs, and 75% think they're here to stay. There's wage inflation, which arguably could be a good thing. There's the cost of interprovincial trade in dealing with very powerful subnational governments.

There are some things that the federal government might be able to help with, such as bank and insurance fees. However, the business case fundamentals have shifted for SMEs in Canada as a result of the different world that we live in now, and there's a cohort right now that's stuck in this inflection.

I invite the chamber to jump in on this, as we haven't heard from you, as well as any of the other panellists. Is there something here about the nature of capitalism that means you have to adapt to the conditions that are before you? For example, Robin, you said Canada is different from other countries when it comes to competition. We're also a bit different when it comes to what some people call "zombie companies". We're keeping companies alive whose business case fundamentals have changed substantially, and maybe it's really not their time to survive. Do you know what I mean? Fail fast, fail cheap, and move on to the next thing and survive.

I just want to invite people into a journey of the imagination on the changed world we live in and how government might help businesses adapt to accommodate that. It's a big question, but I open it right up there.

Ms. Corinne Pohlmann: I'll go first.

It is a big question in many ways, and a very philosophical question. I think most people would agree that this is the churn, right? Small businesses are created and lost every single day, and every year businesses come and go.

The difference right now that we have to recognize is that a lot of businesses might be struggling and near the end of their lives, but it's not because of something they did as a company. They did everything right, but they then had to shut down. They had to do things to help society at large, and as a result, they have incurred lots of debt. They have incurred lots of stress. They have lost their employees and have to figure out how to build back. I think that's the difference.

I would completely agree with you that you have to adapt, because society has changed and the competition changes. That's just the nature of things, and businesses are fine with that. However, when you go through a pandemic in which changes were pushed onto you that created circumstances that you couldn't control, that's where I think it's a bit different, and we have to think a bit more about how to help businesses that might still be very viable, might still have opportunities in the future and are willing to shift and change. Thousands and thousands of businesses did. Many pivoted and shifted and did things differently throughout the pandemic. Now they're at a point of deciding. Do they go back to their old ways, do they stick with where they are or do they go in a different direction?

A lot of businesses are doing that every single day. We're fortunate that we have people who are willing to do that, but we still need to recognize that there are businesses that are struggling still because of debt. We need to be empathetic to that and think about how we can still help them get out of that, to a point. I agree that there's a point where you're going to have to say, "No more."

• (1730)

Mr. Andy Fillmore: I agree with you.

I'm interested in the other part of it, which is what do we do differently? Yes, we have to help people in that cohort, but what else?

Does anyone else want to jump in?

Robin Shaban: I'd love to.

Here's another little plug on work that I've been doing. Vivac Research did some work with Policy Horizons, which is the foresight think tank in the federal government looking at how key technological changes may change the competition landscape.

The question you're raising points to some of the preliminary thinking we're doing on this, because with the rise of certain technologies—in particular, AI—there's inevitably going to be displacement. It's an unfortunate reality of competition that some businesses will go extinct. That churn is part of a healthy competitive environment. What we need to watch out for—and it's something that kept coming up again in our work—is that these technological advancements tend to have a lot of the same dynamics as the business

models we're seeing today, like social media platforms and the rise of big data, where you get a snowballing effect that naturally leads to dominant firms.

The big question that policy-makers are going to have to grapple with is not only what we're going to do with folks that are competed out of the market, but also how we grapple with the displacement of economic value as a result. That includes not only small and medium-sized businesses, but also workers.

It's a bit easier to think it through with workers. If AI is going to replace my job, where am I going to go? How am I going to make a living if the economic value that I used to gain from doing that job is now being captured by an AI program owned by Google?

There is this shift in who is capturing the economic value of different activities in the market. There is a very real reality that this economic value is going to continue to be amalgamated by large, dominant digital players in our economy.

The churn is one part of the story. I think the flip side of that dynamic is where the value is that the company was generating. Where has that value gone? Who is getting that value, and how are we ensuring that the value is being shared within the economy in a way that is allowing us to meet all our needs and allowing all of us to participate in the economy in an autonomous, self-directed way?

[*Translation*]

The Chair: Mr. Fillmore, that is all the time you had. You even had a little more.

[*English*]

Mr. Andy Fillmore: Please, Mr. Chair, give me 10 more minutes.

[*Translation*]

The Chair: I am sorry, Mr. Agnew, but we have already exceeded the time allotted to us.

I want to thank our witnesses for this extremely interesting discussion. I think I speak for all members of the committee when I say that.

[*English*]

Thank you colleagues for co-operation. We're finishing more or less on time, which is great tonight, because Mr. Chapman has given many of us a thirst for a good Canadian beer, and certainly Mr. Blackburn and myself included.

Thank you very much. Have a great evening. Take care, everyone.

The meeting is adjourned.

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