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Chair: Mr. Peter Fonseca



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• (1530)

[English]

The Chair (Mr. Peter Fonseca (Mississauga East—Cooksville, Lib.)): I call this meeting to order. Welcome to meeting number 16 of the House of Commons Standing Committee on Finance. Pursuant to the motion adopted in committee on December 16, 2021, the committee is meeting today to continue its pre-budget consultations in advance of the 2022 budget.

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 using the Zoom application. The proceedings will be made available via the House of Commons website. Just so that you are aware, the webcast will always show the person speaking rather than the entirety of the committee.

Today's meeting is also taking place in a webinar format. Webinars are for public committee meetings and are available only to members, their staff, and witnesses. Members enter immediately as active participants. All functionalities for active participants remain the same. Staff will be non-active participants and can therefore only view the meeting in gallery view.

I'd like to take this opportunity to remind all participants at this meeting that screen shots and taking photos of your screen are not permitted.

Given the ongoing pandemic situation and in light of the recommendations from the health authorities, as well as the directive of the Board of Internal Economy on October 19, 2021, to remain healthy and safe, all those attending the meeting in person are to maintain two-metre physical distancing, and must wear a non-medical mask when circulating in the room. It is highly recommended that the mask be worn at all times, including when seated. All members must maintain proper hand hygiene by using the provided hand sanitizer at the room entrance. As the chair, I will be enforcing these measures for the duration of the meeting and I thank members in advance for their co-operation.

To ensure an orderly meeting, I'd like to outline a few rules to follow. Members and witnesses may speak in the official language of their choice. Interpretation services are available for this meeting. You have the choice at the bottom of your screen of either the floor, English or French. If interpretation is lost, please inform me immediately and we will ensure that interpretation is properly restored before resuming the proceedings. The "raise hand" feature at the bottom of the screen can be used at any time if you wish to speak or alert the chair.

For members participating in person, proceed as you usually would when the whole committee is meeting in person in a committee room. Keep in mind the Board of Internal Economy's guidelines for mask use and health protocols. Before speaking, please wait until I recognize you by name. If you're on the video conference, please click on the microphone icon to unmute yourself. To those in the room, your microphone will be controlled as normal by the proceedings and verification officer. When speaking, please speak slowly and clearly. When you're not speaking, your mike should be on mute. I remind you that all comments by members and witnesses should be addressed through the chair.

With regard to a speaking list, the committee clerk and I will do the best we can to maintain a consolidated order of speaking for all members whether they are participating virtually or in person. The committee agreed that during these hearings the chair will enforce the rule that the response by a witness to a question takes no longer than the time taken to ask the question. That said, I request that members and witnesses treat each other with mutual respect and decorum. If you think the witness has gone beyond their time, it's a member's prerogative to interrupt or ask the next question and to be mindful of other members' time allocation during the meeting. Therefore, I also request that members not go much over their allotted question time. Though we will not interrupt during a member's allotted time, I'd like to keep you informed that our clerk has two clocks to time our members and witnesses.

I would now like to welcome our witnesses.

From the Canadian Centre for Policy Alternatives, we have David Macdonald, senior economist; from the Canadian Taxpayers Federation, Franco Terrazzano, federal director; from the C.D. Howe Institute, Mark Zelmer, senior fellow, and Jeremy Kronick, associate director of research; from the Council of Canadian Innovators, Dana O'Born, vice-president, strategy and advocacy; from Équiterre, we have Marc-André Viau, director of government relations; and finally, from Sociétés d'aide au développement des collectivités et Centres d'aide aux entreprises, we have Pascal Harvey, general manager.

We're now going to hear opening statements from the witnesses. One witness per group will have up to five minutes to make their opening remarks before we move to questions by members.

• (1535)

We're going to start at the beginning of our list with the Canadian Centre for Policy Alternatives and Mr. David Macdonald.

Mr. David Macdonald (Senior Economist, Canadian Centre for Policy Alternatives): Thank you, Mr. Chair.

I'd like to thank the committee for the invitation to speak today.

I would refer members to our 2022 alternative federal budget, which lays out in much more detail the items I'll speak on today and provides you with other costed proposals for your consideration.

If COVID-19 in general, and omicron in particular, have taught us anything it's that there will be future waves of this pandemic. The federal government has played a critical role in buffering both households and the provinces from the worst economic impacts of COVID-19, but we need to move to longer-term resiliency against future waves so that we can all resume some sense of normalcy in 2022 and beyond.

The health care system in particular must be able to withstand future waves. We need a deeper bench in hospitals so that future waves can be absorbed without shutting down the rest of the health care system. This has to do with capital to some degree with respect to more intensive care beds, but it mostly has to do with staffing. I'm thinking of professions like nurses. Provinces need longer-term commitments to bolster their own systems. This should be through a federal workplace strategy for health care workers, but it should also be through a long-term reorientation of health care transfers in terms of federal commitments reaching 35% of total provincial health care costs, up from the pre-COVID level of about 23%.

Budget 2022 needs to keep in mind the atrocious long-term care death rates we saw in Canada. This certainly requires improved pay and more PSWs, but that's only part of it. New national standards are necessary that ensure that seniors care is universal, public, comprehensive, and portable and that these be conditions for new federal funding with the provinces.

We also need to improve worker supports in budget 2022. In the January data I think what we're going to see is the immense impact on workers due to sick leave as workers take time off due to omicron. Health and the opening of the economy are not in competition: the health of workers is a prerequisite for a properly functioning economy. Coverage of the self-employed, which did not exist prior to the pandemic through the EI system, has been roughly ongoing throughout the pandemic, first via CERB and the CRB, and more currently through the Canadian worker lockdown benefit. These programs have been haphazard, halting, and constantly changing. Looking forward to 2022 in the budget, I look forward to seeing a more comprehensive plan of how the self-employed can be more fully integrated into the EI system.

Longer term, the federal government needs to be more involved in the payment of the EI system, particularly once unemployment goes over a certain level. The Canadian system is somewhat unique in that only workers and employers contribute to it. Generally, in other developed countries governments themselves also contribute to the employment insurance system. That is de facto what has happened over the past two recessions, where the federal government has stepped in to bolster the EI system, but this should be more institutional, where the federal government is constantly contributing to the EI system, not just in times of crisis. This would allow for

much-needed improvements in the system, like a higher replacement rate or a floor on what the unemployed receive, something like the \$500 a week that we saw during the CERB and CRB periods, as well as a lower threshold for hours of entry into the system.

Direct transfers to households helped to keep poverty rates down in 2020 and 2021. In fact, it's likely that poverty rates were lower than they were in 2019, and we'll see that when the full data comes out. This was in large part due to CERB and the changes to EI, but also to one-time transfers. I think we need to build on that to better insulate adults in particular from poverty in Canada through two new programs. One is the Canada disability benefit, and the other is the creation of a new Canada livable income.

The Canada disability benefit was initially proposed in the 2020 Speech from the Throne. Substantial empirical work has been done since that point into how this could be implemented, the levels that would be needed. These are mocked-up in our alternative budget. We show that the various criteria for benefits, be they federal, provincial, or private insurance definitions for disability, can be unified in a common \$11,000-a-year benefit, improving the lives of Canadians with disabilities while saving the provinces substantial money.

When it come to a Canada livable income, substantial basic incomes already exist in Canada for families with children and for seniors. However, adults in the middle of their age range and who don't have high incomes are left out from supports. The one support that they might be able to access, the Canada workers benefit, has received several significant changes in recent years, although it only covers workers with working income. One of the reasons people live in poverty is that they don't have working income for some reason.

• (1540)

The alternative budget—and I hope the federal budget—will consider a Canada livable income that will replace the Canada workers benefit, provide coverage for more Canadians, particularly those without working income, and provide a floor of \$5,000 per person or \$7,000 a couple per year.

Thank you very much for your attention. I look forward to your questions.

The Chair: Thank you, Mr. Macdonald.

Now we'll move to the Canadian Taxpayers Federation and Mr. Terrazzano for up to five minutes.

Mr. Franco Terrazzano (Federal Director, Canadian Taxpayers Federation): My name is Franco Terrazzano. I'm the federal director of the Canadian Taxpayers Federation. We're a non-partisan advocacy group that has been fighting for lower taxes, less waste and more accountable government for more than 30 years. I thank you for inviting us to present today.

The year 2070 is when Canadians can expect to see their next balanced budget under the current trajectory laid out in budget 2021, and that's according to data published by the Parliamentary Budget Officer. That would add another \$2.7 trillion to the debt tab, and taxpayers would lose out on about \$3.8 trillion just to pay interest charges on the debt over those five decades of deficits.

That's trillions of dollars that can't go to hiring more nurses, reducing class sizes or fixing potholes. That's trillions of dollars that can't stay in families' pockets to help with the groceries or to make sure the kids get to hockey practice. That money would be going to the bond fund managers through interest payments.

Right now, each Canadian's individual share of the debt federally is about \$30,000. By 2070, that could reach \$67,000. It's a massive debt that we're piling onto the backs of Canadians' kids and grandkids. Right now, many families are already struggling with inflation and are rightly asking how they're going to pay for this unprecedented amount of government spending. Of course, there's technically nothing stopping the government from balancing its budget long before 2070, but this government is using the cloud of COVID-19 to go on a debt-fuelled spending binge.

In the last budget, the government planned to increase permanent spending by more than \$100 billion by 2026, and that's already on top of spending that had reached all-time highs even before the pandemic. In 2018-19, before the pandemic or any Canada-wide recession, the government spent more money than it did during any single year during World War II, and that's even after accounting for changes in inflation and population growth.

In our budget submission, the CTF has outlined a plan to get to a balanced budget in 2023-24 by returning program spending to pre-pandemic levels, adjusted upward for inflation and population growth. We are calling on the government to balance the budget by returning to all-time high levels of spending before the pandemic.

How do we get there? Well, with the massive amount of money that the government has been borrowing for years, finding savings in each department should be like finding water in the ocean.

Of course, the government must do the little things right: no more blowing thousands of dollars on sex-toy shows in Germany and no more marijuana simulation kits for the military or spending thousands of dollars on red-carpet parties for communications staff.

The government must also do the big things right: no more giving 312,000 federal bureaucrats pay raises during a pandemic while their neighbours lose their jobs and perhaps their businesses and take pay cuts, and no more giving businesses like the Ford Motor Corporation \$295 million. Also, we can't keep increasing the blank cheque the government gives to some premiers by \$1 billion every year forever.

There must also be leadership at the top. That means ending the pandemic pay raises that MPs and senators continue to gobble up. That also means that a Governor General shouldn't be able to leave the role early after serving for only about three years and still be eligible to collect her pension to age 90, totalling about \$4.8 million. That also means ending the expense account for retired Governors General, who can expense taxpayers for more than \$200,000 every single year for the rest of their lives, including for up to six months after their deaths.

This government can balance the budget, stop piling debt onto Canadians' kids and grandkids, reduce the amount of money we're giving to the bond fund managers on Bay Street and avoid tax hikes by returning spending to pre-pandemic levels, which were already at all-time highs.

I assume that you're going to hear from hundreds of individuals and groups asking for more money. I am here on behalf of 235,000 Canadian taxpayers across Canada who are asking for less. For a bit of added context, since I've been talking, about \$1.3 million more has been added onto the debt.

Thank you. I look forward to your questions.

• (1545)

The Chair: Thank you, Mr. Terrazzano.

Now we'll move to the C.D. Howe Institute and Mr. Zelmer or Mr. Kronick for up to five minutes.

Mr. Mark Zelmer (Senior Fellow, C.D. Howe Institute): Thank you very much. We promise that we will combine well within the five minutes.

Good afternoon, Mr. Chairman and members of the committee. Thank you very much for your very kind invitation to join you today.

As you will note from my bio, I have more than 35 years' experience in dealing with financial sector policy issues in Canada and abroad. This past year, I helped prepare three papers for the C.D. Howe Institute that might be of interest to you in your deliberations.

The first one explored modern monetary theory, or MMT. It concluded that MMT overstates the degree of monetary sovereignty that countries such as Canada enjoy in a world where capital is mobile.

The second paper offered some lessons on how public accountability could be injected into the OSFI's supervision of financial institutions.

The most recent paper discussed the emergence of cryptocurrencies and promoted the introduction of a digital Canadian dollar by the Bank of Canada to support the development of Canadian dollar-linked cryptocurrencies by the private sector. It also argued in favour of having the digital currency issued in token form so that most of the benefits that Canadians currently enjoy with paper money can be retained.

Finally, given my past experience, let me note that Canadians and Canadian businesses now stand out for being among the most highly levered in the industrialized world.

Why does this matter? Well, I believe the tailwind of falling interest rates and rising asset prices over the past 40 years has helped to contain credit risk in our financial system, but this tailwind has dissipated and may become a headwind going forward. If I am right, then life may become more uncomfortable in the future for our highly levered private sector than conventional credit-risk metrics might suggest. This underscores the need to have some flexibility in our public finances to respond to future shocks.

Thank you again for the opportunity to meet with you today. I'll be happy to respond to members' questions on these or any other topics. I will hand over to Jeremy to finish off our five minutes.

Thank you.

Mr. Jeremy Kronick (Associate Director, Research, C.D. Howe Institute): Thanks, Mark.

I'll add my thanks to the chair and the committee as well for the invite here today. It's always an honour to be asked.

I'm going to touch on three topics very briefly and I'm happy to expand on any of them in the Q and A. I'll talk about inflation, the housing market, and the proposed bank and insurance tax.

On inflation, it was entirely appropriate for fiscal and monetary authorities to take an aggressive stance when the pandemic first hit. We saw much success in this regard. However, here and around the globe, these stimulative policies have continued long after the recession has ended, and the result, not surprisingly, is inflation well above comfortable levels for inflation-targeting central banks.

The seemingly coordinated hawkish response of late by developed world central banks might help in taming inflation here at home, but higher interest rates across the global board will slow aggregate global demand, which in turn will hurt domestic economic growth. This is one of the many problems with inflation. Once it takes hold, it is hard to break, and higher prices disproportionately hurt lower income folks.

The second topic is housing. One idea floated around has been lowering CMHC's mortgage insurance premium to get people over the affordability threshold. I worry about the precedent that this kind of move has for the relationship between government and Crown corporations whose job, in the case of CMHC, is to set these insurance premiums to ensure stability in our financial system and compensate the public for the risk they bear. In the name of increased affordability, we're increasing financial stability risk and this is a difficult trade-off.

The crux of the affordability issue is, of course, supply, and here, unfortunately the federal government is limited in the tools in its tool box. What it can do is focus on what prods it can use to encourage lower levels of government to improve their approval processes, their rules around density, and the way they charge development fees.

Lastly, I'll just mention the discussion on the bank and insurance tax. Taxes should of course be progressive, which this one is meant to be, but in our environment in Canada, banks and insurance companies will pass down this cost to consumers, to employees and to investors in the form of higher fees and insurance premiums, lower deposit rates, and so on. Now, if the Canadian financial sector was more competitive, some other competitor would come along and offer a better deal to customers, upending the incumbents. However, in our highly regulated sector, despite good competition from credit unions, it's unlikely to come to pass, meaning that more needs to be done to continue to improve competitiveness in this sector, which is a better way to tax any excess profits.

Moving forward with open banking and implementing the recommendations that came out of the advisory committee on open banking should be at the top of the list, because this is a zero-cost way of improving productivity.

I will stop here and thank the members of the committee again for the invite. I look forward to the Q and A.

• (1550)

The Chair: Thank you, Mr. Kronick and Mr. Zelmer.

We are moving now to the Council of Canadian Innovators and Ms. Dana O'Born.

Ms. Dana O'Born (Vice-President, Strategy and Advocacy, Council of Canadian Innovators): Good afternoon, Mr. Chair.

Can everybody hear me okay? Excellent. I see lots of nodding heads. I'm getting used to that on Zoom.

Thank you so much for the opportunity to present today and talk about the importance of budget 2022. I know there's a lot of content to get through.

I'm appearing on behalf of the Council of Canadian Innovators. We are a national business council representing 150 of Canada's headquartered fastest growing tech companies. Our members are headquartered, as I mentioned, here in Canada and employ north of 52,000 workers across the country. We're market leaders in the sectors of health care, clean tech, financial technologies, cybersecurity and more.

Addressing Canada's postpandemic talent crisis and improving Canada's innovation outputs in research, development and commercialization are the two priorities from our pre-budget submission that I will speak to today.

First, I'd like to brief you on the pressures facing domestic technology companies—and this talent issue is pervasive, I think, probably across all sectors, but specifically for the tech sector today—in their pursuit of attracting and retaining highly skilled talent to fuel the growth of their companies.

From governments to businesses to community organizations, so many of us have embraced new digital tools in the past two years. Today, more than ever, Canadians shop, bank, study and connect online, and this increased demand for digital services has helped fuel an economic rebound in the ICT space after the dark early months of the pandemic. A recent report from the ICTC estimated that by 2025 Canada's digital economy will employ 2.26 million Canadians—that's 11% of all employment in the country—but this will require an additional 250,000 jobs to be created over the next three years.

The good news is that CCI's members and Canadian scale-up companies are committed to creating many of those new jobs, but they face a serious talent supply issue. Nearly every conversation I have with our members tends to deal with workforce issues in some way. Scale-up companies can't just maintain their workforce; they actually need to grow it, and grow it rapidly. Adding the best and the brightest talent remains a constant priority.

Further, a recent survey of our membership found that most companies plan to increase their workforce by 20% this year. That's an additional 10,000 workers added to our workforce in Canada by this year's end.

For years, the shortage of skilled talent has been a driving concern for the council, but the recent shift to remote work has only exacerbated this problem. Canada's skilled workers are now part of a global labour market, where geography is no longer important. Our domestic innovators are finding themselves in fierce competition with global companies that can offer significantly higher salaries for the same crop of high-skilled workers. This is driving up wage inflation across our companies, with some finding that wage expectations have increased by 25% in the last year.

To meet the talent needs of our country's fastest growing companies, we need to increase the generation, attraction and retention of skilled workers for Canadian firms. We have many recommendations on how to address these challenges, including improvements to our immigration system and investments into upskilling and retaining programs. I look forward to engaging with you on these ideas today.

I'd also like to bring to your attention Canada's SR and ED program and its need for reform to help spur innovation and generate a greater return on investment for Canada. This tax credit is the cornerstone of Canada's innovation funding, and it's used by an overwhelming majority of CCI members, and more.

We have been calling for SR and ED reform for years. During last year's federal election, we were encouraged to see that leading political parties heard our calls and included plans to reform SR

and ED in their platforms. But we continue to be concerned that as the government promotes an innovation agenda, the SR and ED program does not allow costs related to the development and protection of IP to be eligible for the tax credit. Intellectual property is arguably the most valuable commodity in the innovation economy, and SR and ED badly lacks an IP focus.

In our budget submission, we also ask the government to stop giving SR and ED incentives to foreign companies that take their IP outside of Canada. The SR and ED tax incentive, particularly the refundable portion, delivers material and long-term value to Canada only if the IP flowing from the investment stays here. Without an IP strategy for SR and ED, Canada is doing philanthropy, not innovation. We also need to see the deployment of other tools to protect ideas as they commercialize, such as patent boxes.

I appreciate the opportunity to be here today to present on behalf of our innovators. I do hope you'll take the time to read CCI's full budget submission. I also urge you to get to know the innovative companies in your own ridings—I have checked many of yours, and they do exist there—and understand the challenges that are facing them in their pursuit of scale. Without a strong base of these homegrown, high-growth companies in Canada, we will not be able to generate the economic growth and public wealth necessary to pay for the public services that Canadians depend on.

Thank you. I look forward to your questions.

● (1555)

The Chair: Thank you, Ms. O'Born, and we look forward to asking you questions.

We are moving now to Équiterre and Mr. Marc-André Viau.

[*Translation*]

Mr. Marc-André Viau (Director, Government Relations, Équiterre): Yes. Thank you, Mr. Chair.

Members of the Standing Committee on Finance, thank you for having me here today. My name is Marc-André Viau. I'm the director of government relations at Équiterre, an environmental NGO with over 150,000 members and supporters. The organization focuses on agriculture, light and heavy transportation, consumption, energy and climate change in general. Last August, it submitted a brief on agriculture, energy and mobility as part of the pre-budget consultations. I'll outline the recommendations from that brief, some of which have been updated.

Climate change is affecting Canadian production resources and crops. Last summer's drought in Canada resulted in food supply shortages for retail, which are currently being exacerbated by the border barricades in Alberta, as well as yield losses for canola and wheat. As they say, when it rains, it pours. After the fires came the floods, especially on the agricultural plains of the Abbotsford area. Flood damage in British Columbia is estimated at \$450 million.

We welcome the new guidance provided by the federal government and its provincial and territorial partners. In both the Guelph statement and the mandate letter of the Minister of Agriculture and Agri-Food, climate risk management is a key issue. We want to see the government invest in solutions that will help farmers adapt to better manage climate risks, while using agriculture as a tool to fight climate change.

We believe that investment in soil health is needed to unlock the full potential of carbon sequestration by ensuring the resilience of our agri-food sector. To this end, we support the creation of a dedicated climate risk management program. We also recommend funding for the development of a pan-Canadian strategy to study best practices in soil health.

Now that we've talked about climate impacts on agriculture, I want to turn to energy. After years of promises with no real follow-through, we expect fossil fuel subsidies to end by 2023. However, we're also concerned that the repealed subsidies will be replaced by other subsidies. As over 400 experts recently stated, we're concerned that an investment tax credit will be proposed for carbon capture, use and storage, or CCUS. This could undermine our efforts to achieve carbon neutrality by 2050. Despite decades of research, CCUS is neither economically viable nor proven on a large scale. It has a poor environmental record and limited potential for significant and cost-effective emissions reductions. If the industry wants to tap into this area, so be it. That said, taxpayers are already saddled with the bill for orphan wells, for example.

We recommend that the government release its roadmap for phasing out fossil fuel subsidies in the next budget framework and avoid subsidizing carbon capture. All this, of course, goes hand in hand with the passage of legislation and a fair transition plan. There won't be any transition without workers and communities.

There's a great deal of movement in the mobility sector. In 2021, Canada moved up the ban on the sale of new gasoline-powered vehicles to 2035. However, zero-emission vehicles, or ZEVs, account for only 5% of new vehicle sales. Meanwhile, light trucks accounted for a record 81% of sales. We're talking about the type of trucks that you keep seeing on the streets of Ottawa right now. This is driving up the transportation sector's GHG emissions record, despite the fuel efficiency of the vehicles. When we look at the sales

figures in Quebec and British Columbia, we understand that we need a ZEV standard at the federal level to speed up the transition, which is currently being studied.

However, our organization believes that purchase incentive programs have run their course, and aren't sustainable in terms of funding the replacement of millions of vehicles. Not every vehicle should be replaced. Moreover, electrification must be accompanied by a modal shift to active and collective transportation, and also to shared mobility.

Since we're feeling very generous, we're proposing that the government save both money and GHGs in one program. It's time to transition to a self-funding program of feebates to turn a portion of the sale of polluting vehicles into a contribution to financial incentives for the purchase of electric vehicles. This means reforming the green levy program to make it proportional to energy performance and vehicle weight. This green levy will be used to replenish the coffers of the purchase incentive program.

In closing, I want to remind you that section 23 of the act respecting transparency and accountability in Canada's efforts to achieve net-zero greenhouse gas emissions by the year 2050 carries obligations for the Minister of Finance.

• (1600)

Under the legislation, the Minister of Finance must, in co-operation with the Minister of the Environment and Climate Change, prepare an annual report respecting key measures that the federal public administration has taken to manage its financial risks and opportunities related to climate change. We recommend that the Minister of Finance begin this accountability exercise with the 2022 budget.

Thank you for listening. I can answer your questions during the upcoming discussions.

The Chair: Thank you, Mr. Viau.

[English]

Now we're moving to Sociétés d'aide au développement des collectivités et Centres d'aide aux entreprises with Monsieur Pascal Harvey for five minutes.

[Translation]

Mr. Pascal Harvey (General Manager, Société d'aide au développement des collectivités et Centre d'aide aux entreprises): Thank you, Mr. Chair.

Committee members and guests, I'm pleased to be speaking to you on behalf of the network of Sociétés d'aide au développement des collectivités, or SADCs, and the Centres d'aide aux entreprises, or CAEs, in Quebec.

This wonderful network has 67 members, including 57 SADCs and 10 CAEs. It also represents over 1,000 people, including 400 permanent employees and 600 volunteers. The operation of these organizations is funded by Canada Economic Development for Quebec Regions, so by the federal government.

I also want to point out that our network is part of a larger pan-Canadian network, the Community Futures Network of Canada, or CFNC, which includes over 260 organizations like ours—the Community Business Development Corporations, or CBDCs, and Community Futures Development Corporations, or CFDCs—across Canada. Our network spans all of Canada's rural and semi-urban areas.

Today, I mainly want to talk about the Quebec fact in relation to a green and united recovery, to which we obviously want to contribute.

I also want to talk about our relationship with Canada Economic Development for Quebec Regions, which has been very successful and which gives us the opportunity to develop programs for our members on behalf of the federal government. It also enables our members to develop programs in rural and semi-urban areas, either in communities or with businesses.

I'll give you some statistics. Over the past year, through the regional relief and recovery fund, or RRRF, our members have loaned over \$128 million to 2,700 businesses, which is quite significant. They also invested over \$25 million in 3,800 technical assistance and local economic development projects.

We believe that, in terms of the pandemic, SADCs and CAEs have done a good job. We would now like to be part of a green recovery.

In the time that I have left, I'll tell you about what our members are doing on the ground. Each year, our members are involved in over 10,000 investment projects and over 1,000 development projects, mainly in the area of sustainable development. They carry out diagnostics, support companies, implement eco-conscious projects or fund sustainable projects.

Several of our members are involved in industrial symbioses in the circular economy, while others are working together on net-zero emissions projects. Some members have implemented forest biomass projects in their area, while others have even contributed to food self-sufficiency projects in their area.

It would be good if, through the Department of Finance, the government could consider decentralizing some of the work so that the agencies and organizations that I'm representing today could play a more significant and obvious role in our communities. Our strength is our outreach and the strength of our volunteers and professionals on the ground. However, our direct connection to the communities and direct connection to entrepreneurs make us a key partner.

This sums up our work on the ground, the work of our members and the strength of the network. I look forward to answering your questions for the next while.

● (1605)

The Chair: Thank you, Mr. Harvey.

[English]

Witnesses and members, we're moving to our rounds of questions. Our first round will give each party up to six minutes for questions. We are starting with the Conservatives.

Mr. McLean, you have the floor.

Mr. Greg McLean (Calgary Centre, CPC): Thank you, Mr. Chair.

Let me thank all the witnesses we have here today, because in the short time you were able to present to us, you gave us a whole bunch of information, and I think it's going to be useful.

I'm going to start my questions with Franco Terrazzano of the Canadian Taxpayers Federation.

Thank you very much for what you do and what you bring to the table here. I've been in Ottawa for two years, and often at all of these committee hearings we hear from those we call “rent-seekers”. They come in and tell us that we need to fund them more through government. They tell us that these are their programs and that we need to fund them, without giving us the other side of the equation and without any consideration for who's paying the bill at the end of the day. It's Canadian taxpayers who are paying the bill.

Thank you for your work and for being here at these pre-budget consultations.

Let's talk about the debt-to-GDP ratio. That ratio has gone from 30%, which we were trying to keep it level at, to 50%, and now the government proposes to keep it at that 50% level even though our GDP is increasing. Can you comment on that quickly, please?

Mr. Franco Terrazzano: It's an absolutely staggering amount, and I think what's so eye-watering is that it's not just where the debt is now, but where the debt is going under current projections laid out in the last budget.

I mentioned the PBO. I think many Canadians are rightly very concerned about the financial burden that they are leaving to future generations. Right now, debt per person is about \$30,000. Under current projections, over the next five decades that could be all the way up to \$67,000. Many people are worried about the financial tab they're leaving to their kids and grandkids, and I think that's something the government needs to take seriously.

Mr. Greg McLean: Thank you.

I want to go into that further because I had to ask a question in the House of Commons yesterday, and one of my colleagues across the aisle talked about the debt-to-GDP ratio. GDP is a national figure. It counts everything we do. Debt, the way the Government of Canada calculates it, is a federal number only, and yet all that GDP is also provincial. So we can't double-count the GDP.

Can you tell us what the debt-to-GDP ratio really is when you count in the provincial debt across the country?

Mr. Franco Terrazzano: It is true that gross debt is much higher than net debt.

One thing that I want to bring up, member, with respect, is that I talked about these projections of five decades of deficits. That is startling in and of itself, but the PBO also estimates from their data that it would take at least another two decades to finally pay off that debt. I think many taxpayers are wondering if they'll ever live to see a debt-free Canada. Even more startling is the fact that the PBO assumes relatively low interest rates. It assumes a steady upward march of economic growth. I think we should all be concerned about what happens if interest rates tick up and if we stumble into another downturn unrelated to the pandemic.

Mr. Greg McLean: It was music to my ears when you talked about returning to balanced budgets in 2023-24. This country needs to get back to balance and stop spending the dollars that our children and our grandchildren, and their children, are going to have to pay for the programs that we're incurring here now, because we're all going to have problems. You talk about the systemic problems that are going to emerge in society. There are going to be payments to be made in the future.

I want to talk about the \$560 billion that went out the door since the pandemic. As the Parliamentary Budget Officer indicated, \$170 billion of that was discretionary spending, and had nothing to do with the pandemic. Is that something we can move backwards on very quickly to get back to a balance?

• (1610)

Mr. Franco Terrazzano: Absolutely. We have to remember—and this is what I also noted in the full budget submission—that you could balance the federal budget in 2023-24 simply by going back to prepandemic spending of a few years ago, which was already at an all-time high. In 2018-19, you had the federal government spending more than it ever has—with no Canada-wide recession—than it did during any single year during World War II.

One of the other concerns that we're hearing from so many Canadians, of course, is inflation, especially when you have the Bank of Canada's printing press on overdrive. There was \$370 billion printed out of thin air and, of course, the more dollars the Bank of Canada buys, the less our dollars in our savings accounts and retirement accounts can purchase. A large chunk of what the Bank of Canada has been printing up is Government of Canada debt. It sure seems like Ottawa is financing a good chunk of its deficits by using the printing press.

Mr. Greg McLean: Yes, of course, and thank you for that comment on how we're financing it. There will be problems with that, as we know, going forward.

My final question for you, Mr. Terrazzano, is this. Can you explain the dichotomy between what we've gone through here as far as public sector payments are concerned versus private sector debt that's been incurred during this pandemic? The public sector has continued to grow its expenses significantly, and the private sector has borne the entire burden of everything that's happened in this pandemic, including lockdowns, cutbacks and unemployment. Can I get your comment on that, please?

Mr. Franco Terrazzano: It's unfortunate to say this but we're not all in this together. We've seen so many people in the private sector lose their jobs, take a pay cut, maybe even lose their small business, but we've seen no restraint from the federal government from spending more on everything forever. We've seen more than 312,000 federal government employees receive a pay raise while their neighbours in the private sector struggle. We've seen more government employees. We still have fewer jobs in the private sector than prepandemic.

The Chair: Thank you, Mr. McLean.

We're going to move to the Liberals with Madame Chatel for six minutes.

Mrs. Sophie Chatel (Pontiac, Lib.): Thank you, Mr. Chair.

I'm very proud of the fiscal prudence and good management of this government through the pandemic. We have one of the best net debt-to-GDP ratios for the whole of the G20 countries. That's something to be very proud of during this crisis and pandemic.

[Translation]

My questions are mainly for Mr. Harvey.

Mr. Harvey, I appreciated your remarks and I agree that Canada is on the verge of a major change, an economic transition. In this economic transition, there will be winners and losers. The winners in this transition will be the ones who are well prepared.

In your remarks, you raised one of my concerns. Are our small communities, the rural and semi-urban communities, ready for this transition? I represent a large constituency.

What are the best tools to ensure that we can support communities as they transition and that the communities are well established for the economy of the future?

Mr. Pascal Harvey: Ms. Chatel, I'd like to respond that the best tools are the SADCs and the CAEs. Taking care of rural areas and large, more isolated areas is part of our DNA.

The mandate given to us by the federal government through Canada Economic Development for Quebec Regions is to take good care of rural and semi-urban communities. It's also to take good care of businesses, because the wealth creators are the entrepreneurs. They had a hard time during the pandemic.

If we're considering a recovery, we must use the proactive nature of the communities. We must also use the instincts developed during the pandemic. For example, this may involve promoting short consumption cycles, buying locally and ensuring that entrepreneurs can develop other types of practices and clients, while developing other daily practices.

Since 2008, the network of SADCs and CAEs has had a sustainable development discussion group. The network members have been very proactive. Out of 67 members, about 40 are currently working in this task force. This has enabled us to play a very active role in the areas of activity that I referred to earlier. These include industrial symbioses and synergies that allow companies to come together to develop other types of clients, so that they're ready to deal with different kinds of pandemics.

Unfortunately, there will obviously be other disasters in the future. We must learn from our mistakes and change our approaches and, above all, our consumption methods. In my opinion, the SADCs and CAEs are well-equipped. In addition, our closeness to the community makes us key players in the recovery process.

• (1615)

Mrs. Sophie Chatel: As Ms. O'Born said, innovation is critical. In terms of the economy, the big winners will be the ones prepared for the digitization of the economy, green technology innovation, robotics, and so on. Personally, I feel that we're experiencing a bit of a historic moment, and we need to properly establish ourselves.

How do we bring innovation to our areas? Do we create innovation centres? If so, how do we get our areas to discover what will make them successful in the economy of tomorrow?

[English]

Ms. Dana O'Born: I think it's really important to consider, first of all, that there are some thriving centres of tech across the country. Six months ago nobody would have thought that Alberta would have been such a tech hub, and there's a lot of tech activity also happening in your home province as well.

If the idea is to create new structures maybe adjacent to the superclusters program, or I guess even in thinking about what the new CARPA program will look like, it's going to be really critical to understand what those investments look like for companies and make sure that they're serving the local, domestic ecosystem.

I talked a little bit about research and development tax credits in my deputation. Our budget submission also spends a lot of time talking about creating what we like to call "marketplace frameworks", which include the right standards and regulations to ensure that the wealth is staying here in Canada and servicing Canadians. That means that ideas that are generated are not picked off and taken out of Canada—and that's protected through tools like a patent box or through the Innovation Asset Collective that the government has already established to protect IP. A lot of that really has to be done in concert with Canadian technology companies.

It's a great question, but the planning of some of these structures really needs to be very strategic, especially if we're competing on a global landscape with countries like China, Israel and the U.S.

[Translation]

Mrs. Sophie Chatel: Maybe there are—

The Chair: Thank you, Ms. Chatel.

[English]

That is your time. I know it goes fast.

We are moving to the Bloc with Mr. Ste-Marie for six minutes.

[Translation]

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

I want to acknowledge all the witnesses and thank them for their insightful presentations.

Mr. Harvey, I can tell you that SADCs are very well established in our communities. In my constituency, we have one in Matawinie and D'Autray-Joliette. They're great teams that make a difference. I tip my hat to them.

My questions are for Mr. Viau from Équiterre.

Mr. Viau, thank you for your presentation and for the brief that you submitted last August. As you said, there have been a few additions since then. First, I'll address the last point in your presentation, which was about Canada's responsibility for climate change, just so we're on the same page. Bill C-12 was passed and the government has responsibilities with respect to climate change.

Could you explain that again and repeat what you're asking the government to do?

Mr. Marc-André Viau: Thank you, Mr. Ste-Marie.

First, I want to make a quick comment. Your colleague, Mr. McLean, referred earlier to the witnesses as rent-seekers. I want to clarify that only one of my four recommendations today calls for money. The others concern, for example, the elimination of fossil fuel subsidies. If you want to work on reducing federal government spending, I'll gladly work with the government.

Regarding your question, Mr. Ste-Marie, I want to draw your attention to section 23 of Bill C-12, which was passed, or the Canadian Net-Zero Emissions Accountability Act:

23. The Minister of Finance must, in cooperation with the Minister [of the Environment], prepare an annual report respecting key measures that the federal public administration has taken to manage its financial risks and opportunities related to climate change. The Minister of Finance must make that report available to the public.

We're asking that this section be implemented as soon as the budget is tabled and that the parameters be defined. This good responsibility was established. However, we don't have all the parameters on what climate accountability will look like. We need these parameters, because we must know how the various government departments and agencies will ensure that they support the greenhouse gas reduction targets, which have been set at 40%, 45%.

• (1620)

Mr. Gabriel Ste-Marie: Thank you.

This wasn't in last fall's economic update. You're asking for it in the next budget. That's very clear.

With respect to mobility, your proposal is zero cost. It's a tax on higher-polluting vehicles that would be used to encourage the purchase of lower-polluting vehicles. You said that the system of subsidies for the purchase of electric vehicles had run its course. I'd like to hear your thoughts on this.

Mr. Marc-André Viau: We noticed this in the first implementation phase of this subsidy program, which was an important program to generate buyer interest in electric vehicles. In terms of switching the entire personal vehicle fleet to electric vehicles, we're a long way from that. In the first version of the program, the budget was exhausted in a year and a half, when it was a three-year program. Zero-emission vehicle sales currently account for only 5% of vehicle sales.

If we want to reach the 100% electric vehicle target, the government should no longer pay for the incentives for the purchase of zero-emission vehicles. Instead, the buyers of polluting vehicles should fund the incentives until parity is reached. The various incentives can then be removed. That said, we aren't recommending a 100% electric vehicle target, since our roads can't handle that. You need only look at the current growth in the vehicle fleet to understand that there will be endless traffic congestion if all new vehicles are replaced by zero-emission vehicles.

Mr. Gabriel Ste-Marie: Your answer was very clear. Thank you.

You talked about eliminating fossil fuel subsidies progressively, but completely. You said that carbon capture and storage did not seem to be an interesting or promising solution.

In your opinion, public funds should not be invested to support this type of initiative. Is this correct?

Mr. Marc-André Viau: Previous witnesses talked about innovation. We have nothing against the fact that the industry is pursuing this type of research for development and innovation, if that is what it wants to do. However, in our opinion, taxpayers should not have to pay for these technologies.

We already pay very high environmental costs for the production of fossil fuels and its uses. We are paying the bill for cleaning up orphaned wells, for example. We already have a steep bill and

should not ask the public to shoulder a burden that belongs to the industry.

The effectiveness of these technologies has not been proven. All over the world, 0.1% of emissions have been captured, and 80% of projects attempted in the United States have been abandoned. Let's just say that the rate of success is not really convincing. We must reduce emissions as of now, and we should try other solutions.

Mr. Gabriel Ste-Marie: Thank you.

Have you studied the issue of hydrogen development? Is it promising or not?

Mr. Marc-André Viau: We have stated our opinion on this issue, both at the federal level and in Québec.

[English]

The Chair: Give a short answer, Mr. Viau, please.

[Translation]

Mr. Marc-André Viau: We are in favour of green hydrogen and the deployment of the green hydrogen sector, but only from that sector. Other sectors will serve only to continue to use fossil fuels.

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

I will come back to the issue of agriculture.

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

[English]

We are moving to the NDP and Mr. Blaikie for six minutes.

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

To Mr. Macdonald with the CCPA, I know that in your alternative budget you're recommending the establishment of a Canada livable income program and a Canada disability benefit. I just wondered if you might be able to speak to some of the ongoing challenges as Canadians try to find work and get enough hours in pandemic-affected industries, and some of the cracks that folks have fallen through, particularly since the Liberals made access to pandemic benefits much harder. Could you speak about how the establishment of benefits like this would help with that, both now in the pandemic context but also as we look down the road towards economic disruption as a result of climate change.

• (1625)

Mr. David Macdonald: Certainly when it comes to coverage of workers in the omicron wave and in future waves, this isn't necessarily the federal government's fault but there is this ongoing problem of paid sick leave, particularly for low-income workers. This is not just generally provincial policy. The federal benefit, the CRSB, has been a failure, frankly, because the take-up rates have been so low. That wasn't really the best approach. The best approach is to have this legislated provincially. I think the federal government could certainly do more to push for these types of sickness benefits being incorporated within provincial labour law, such that low-income workers have access to them, whether they have COVID-19 or any other illness.

Certainly when it comes to the coverage of self-employed workers, what's interesting is that the best coverage they had was at the very start of the pandemic, and the coverage has gotten progressively worse over the course of 2020 and 2021. The sequence of events started with the CERB, which was very easy to access for both people who were eligible for EI and those who weren't—who were self-employed but weren't eligible for EI. Those benefits were capped under the CRB and limited to \$300 a week. Those ended at the end of October and then we saw the creation of the lockdown benefit, which seemed like it wasn't a real benefit until lockdowns happened again and then all of a sudden we had to put the websites together. It seems like the federal government wasn't prepared.

This is a benefit that is and will be accessed by self-employed people who don't have eligibility under the EI system. There does appear to be a commitment to include self-employed workers within the EI system by January, essentially by this time next year. I look forward to those details. I know those consultations are ongoing. That certainly was one of the big lessons of COVID-19, the lack of coverage for self-employed workers. Many of them are part of the gig economy, and part of the problem is just straight misclassification, a problem that could be rapidly addressed by the federal government, which is to say that workers who look like they're self-employed but who really don't have choice in what they're taking—I think of an Uber driver—be correctly classified as employees and that the employer contributes to the EI fund. That would be something that could be rapidly addressed.

There are certainly employees who are legitimately self-employed and are not presently covered by EI. Hopefully changes in the EI system that we'll see over the course of this year will help to address that.

[Translation]

Mr. Daniel Blaikie: Mr. Viau, we have heard from the Green Budget Coalition about the necessity of having a very ambitious program, much more ambitious than previous federal government programs, to deal with the issue of renovating residential and commercial buildings.

Is this an initiative supported by Équiterre? What kind of budget should the federal government have in order to implement such a program and fund these renovations?

Mr. Marc-André Viau: I am not as well placed as my colleagues who appeared last Monday on behalf of the Green Budget Coalition. We support the Green Budget Coalition, but we are not

responsible for the housing sector. That said, we fully support the requests made, given that we are in the same Coalition.

The importance of energy-efficient retrofits is undeniable. We know full well that renovated buildings and new ones should be energy efficient. Related to mobility, perhaps, I would add that we should make sure electric charging stations are included in buildings' parking lots so that electric vehicles are always ready to be used. This includes not only residential buildings, but those of Crown corporations. For example, in the eastern part of the island of Montreal, Canada Post is building a new centre without charging stations for electric trucks or charging stations for its employees. This should be looked into, and the state should set an example here.

• (1630)

Mr. Daniel Blaikie: When it comes to charging stations, are you talking about help only for Canadians or a broader public network? Can you give us an idea of what the federal government could do to support the implementation of a public network?

Mr. Marc-André Viau: I don't have the numbers in front of me for the current deployment. I know that efforts have been made to connect all of Canada's communities. Further efforts should continue, certainly.

Mr. Daniel Blaikie: Thank you.

[English]

The Chair: Thank you.

Members, we are moving to our second round. We have the Conservatives, with Mr. Stewart for five minutes.

Mr. Jake Stewart (Miramichi—Grand Lake, CPC): Thank you, Mr. Chair.

My first question is for the C.D. Howe Institute, either Mark Zelmer or Jeremy Kronick.

The C.D. Howe Institute published its annual federal, provincial and territorial report card this past year, a report card that saw my home province of New Brunswick receive an A-minus grade, along with Nova Scotia, Saskatchewan, Alberta, British Columbia and Nunavut. This same report card gave our federal government an F grade.

Can either Mr. Zelmer or Mr. Kronick explain to me how the federal government, with the answer key, can still receive a failing grade?

Mr. Jeremy Kronick: The C.D. Howe Institute paper was published by an individual. Neither Mark nor I wrote that paper. However, the fiscal accountability papers in general are based on a series of measures, a variety of measures: transparency, how close you stick to what you say you're going to do, and things of that nature. Based on that series of rankings, that's how the authors of those papers do that for the federal government and for the provinces, and they do it for the municipalities as well.

Again, neither of us wrote that paper.

Mr. Jake Stewart: I respect that.

Is there anything in that report that you found particularly alarming?

Mr. Jeremy Kronick: I think you always find it alarming when anyone is ranked at the bottom when some of the issues concern transparency.

Mr. Jake Stewart: Mr. Zelmer, the provinces tabled a report and the federal government didn't, which lacks accountability.

Would you say that holding public officials accountable for their spending, taxing and borrowing is fundamental in our roles as parliamentarians?

Mr. Mark Zelmer: I certainly would. In general, given the amount of money that we, the population, entrust to our elected officials at whatever level of government, we are entitled to have an accounting of how it's being spent and an understanding of the reasons they made the choices that they did.

We expect that increasingly of the private sector, and the public sector should lead the way.

Mr. Jake Stewart: How do you feel the current government is doing with respect to its spending and the accountability that the public has in that spending?

Mr. Mark Zelmer: I am not an expert in this area, so I don't think I can give you a very well-informed opinion. I'll ask Jeremy if he can, but I certainly cannot.

Mr. Jeremy Kronick: The focus continues to be on that paper, which neither of us wrote. To answer your question, there was a budget tabled last year. That would have markedly changed the rankings, because not having one certainly affected the ones you're discussing.

You're moving in that direction when you table a budget. That's what we're here to do today, to discuss some of the measures that will make it into this coming budget.

Mr. Jake Stewart: What advice can you give the committee when it comes to the government being more financially transparent? Do you have any advice for the current government on how they could improve financial transparency?

Mr. Mark Zelmer: One suggestion I would put on the table is that as much as possible, they should not only be accountable for what's going directly through their budget, but also be willing to explain on a more consolidated basis what's happening with respect to Crown corporations and other vehicles that exist, if you like, outside of the main budget. We have senior public officials who are accountable for those institutions, but talking about how things are happening on a consolidated basis would be important.

Also being accountable for and talking about some of the contingent liabilities that could exist for the government down the road and how they propose to manage the risks around that would be helpful.

• (1635)

Mr. Jeremy Kronick: Mr. Stewart, I could add one quick point to that, around misses.

If you're missing certain targets you had put in place in the budget, explain why that's happening when you do your updates. COVID threw a lot of the projections, at least of the budget that predated it, off course quite considerably. The key is to communicate with the public about where those misses happened and why.

The Chair: That's your time, Mr. Stewart. Thank you very much.

We're moving to the Liberals and Ms. Dzerowicz for five minutes.

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

I want to thank all the witnesses for their excellent testimony today.

I want to thank Mr. Zelmer and Mr. Kronick. Your last two recommendations were excellent. It's on our record and I really appreciate those comments. We could always be more transparent and more accountable, and they were both very helpful.

I have tons of questions and very little time, so let me try to get to them.

I'm going to start with the Council of Canadian Innovators. Ms. O'Born, you indicated that you have some recommendations around immigration and training. Are they in the report you submitted in your brief to the finance committee?

Ms. Dana O'Born: They are.

Ms. Julie Dzerowicz: Okay. I won't have you repeat it, because it's too much to go through.

I also appreciated your recommendations on how to improve SR and ED and the need to ensure that we are developing and protecting IP, as well as making sure that we give money to companies that are not taking our IP out of the country, but that they remain here. I heard that loud and clear. I very much appreciate that. I'm assuming that's also in the report you have submitted to us.

There are many who feel that we do not have a culture of patenting, or IP protection, in this country. You've made some recommendations on SR and ED. Are there any other recommendations you would make on creating that culture of IP generation, retention and education?

Ms. Dana O'Born: Certainly. A few of those are in our report, so I'm happy to follow up with that as well.

In my deputation, I did make reference to what is called a “patent box”, which is a way of treating patent taxation in Canada. As you can imagine, it's basically putting a little bit of a fence around an idea—that's what a patent does, in its simplest form—and making sure that people don't steal those ideas and generate them for wealth in different parts of the world. So the use of a patent box—for more notes on that, I can certainly follow up with the committee—would be a great tool.

The government has already taken a few steps. The initiation of the Innovation Asset Collective under ISED has been a great step in the right direction, but we also need to think about making use of and protecting some of the new technologies that have come out of the pandemic. I think the government provincially, federally and municipally—I know those are not all your domains—have put a lot of investment into health technology. How do we make sure that this stays in Canada and services Canadians?

When we look at some of the research and development at NR-Can, NRC, IRAP and some of the other investments that are being made through the strategic innovation fund, and we put those investments out into the ecosystem to try to generate business and growth, it's also important to keep tabs on how those ideas are being commercialized to make sure they're benefiting Canada.

Ms. Julie Dzerowicz: Thank you.

I'm going to shift over to you, Mr. Kronick. You gave a number of excellent recommendations. On housing, you mentioned that there are some limited tools at the national level. Then you went on to say that there are some things we can do, such as incentivize as we're giving dollars around housing; incentivize the lower levels of government to actually reduce development fees. I forget what else you said.

Could you repeat those? When I heard them, I thought, oh, these are excellent, and I'd like to record them.

Mr. Jeremy Kronick: Yes. What I said was that the federal government can prod lower levels of government in areas of the approval process, such as the rules around density and the way they charge development fees. I can expand on those, if you'd like.

• (1640)

Ms. Julie Dzerowicz: I'd appreciate it if you could send us an email on that, because then we could incorporate it as part of our recommendations.

The other thing I wouldn't mind your talking about for the last bit of time I have is open banking. You indicated that it's a zero-cost way for us to improve productivity. Would you mind elaborating on that further, please?

Mr. Jeremy Kronick: I probably should have been more careful with my wording around “zero-cost”. It's productivity-enhancing at

minimal cost, at least, in the sense that you are letting the private sector do the work. You have all these fintechs that would benefit immensely from access to the data that they would get through our putting open banking into play. I mean, some of this stuff is already happening, but the advisory committee gave some recommendations, quite specific recommendations, on what's needed to get open banking off the ground, and there hasn't been much movement on that. To the extent that there would be, the idea is that those fintech players would be able to provide at a lower cost to consumers some of the banking services and investment services, etc., that they're getting for much higher costs with the incumbents.

So it's not zero-cost, but certainly it's not the kind of thing where the government has to run the program and therefore spend billions and billions of dollars to do it.

Ms. Julie Dzerowicz: Thank you.

The Chair: Thank you, Ms. Dzerowicz.

Now we'll move to the Bloc.

Monsieur Ste-Marie, you have two and a half minutes.

[*Translation*]

Mr. Gabriel Ste-Marie: Thank you.

Mr. Viau, regarding agriculture, you spoke of soil health and climate risk management.

In two and a half minutes, could you elaborate on your requests?

Mr. Marc-André Viau: Of course.

[*English*]

Mr. Terry Beech (Burnaby North—Seymour, Lib.): I have a point of order, Mr. Chair.

The Chair: I'm sorry. I heard the chair called out, but I didn't hear—

Mr. Terry Beech: It's just a point of order.

The Chair: Oh, it's a point of order. Go ahead.

Mr. Terry Beech: I don't know if it's the same for everybody else, but the French and English translation are at the same volume. I don't know if that's unique to me or if other people are having the same issue.

The Chair: I'm hearing it okay, but I'll look around the room....

Everybody else is okay.

Mr. Terry Beech: I'm sorry. I'll adjust my set-up, I guess.

Thank you.

The Chair: Thank you, Mr. Beech.

Continue, please.

[*Translation*]

Mr. Marc-André Viau: Perfect, thank you.

What we are asking for, among other things, as an equitable organization, but also as a member of the Green Budget Coalition, are investments that will allow us to ensure good soil health.

If we want good soil health, it is because soil is a tool to fight climate change. It can capture carbon, but it is also a tool to increase the resiliency of our agrifood system. The more carbon is integrated into the soil, the better production becomes and the less necessary it becomes to use inputs that are not natural, such as nitrogen fertilizers.

That means this is very important to us. This is a tool for adaptation and a tool that leads to using best practices to ensure that we produce better, as well as capture carbon.

Among the financial requests, more specifically, there is 50 million dollars to test soil health programs and practices; 6 million dollars to develop a soil health strategy over a period of 3 years; 2 million dollars for a network to share information; and 3 million dollars over two years to analyze the cost-effectiveness of soil health and to assess measures put in place. Added to that are training and hiring programs for new regenerative practices and soil health advisory services officers.

That covers the whole of the requests we have made for this area.

Mr. Gabriel Ste-Marie: Thank you.

[*English*]

The Chair: Thank you.

Thank you, Monsieur Ste-Marie. That is your time, including stoppage time.

We are moving now to the NDP and Mr. Blaikie for two and a half minutes.

• (1645)

Mr. Daniel Blaikie: Thank you.

Mr. Macdonald, the alternative federal budget by the CCPA talks about the need to create hundreds of thousands of new, affordable, non-market housing units, as well as a number of other measures having to do with housing, including an acquisition fund to help non-profits to secure assets, whether it's existing buildings or land, in order to be able to compete in the current market.

I think it's pretty clear from a moral point of view why this is necessary. I'm hoping that you can speak to some of the economic benefits and some of the salutary effects that moving forward with these things might have on the situation in the current housing market.

Mr. David Macdonald: Thanks so much for the question.

There are really two sides to this. One has been the increasing activity of real estate investment trusts in buying up traditional pur-

pose-built housing with the goal of maximizing profits from those assets, as opposed to maintaining tenants in those apartment buildings for long periods of time.

This is a change from the traditional ownership structure that you'd see in purpose-built housing from smaller, more local enterprises that might be focused on steady streams of income versus larger, profit-oriented publicly listed companies whose goal is to extract as much profit as possible from tenants.

On the one side, I think it's important to eliminate the tax preference for real estate investment trusts, which is one of the reasons they've gained so much prominence. The other side is to put co-ops and non-profits on an equal footing for their ability to purchase purpose-built housing and to retain it not for the profit of investors, but for a livable place for tenants to live—likely lower-income tenants—often in downtown cores.

Mr. Daniel Blaikie: Can you take the time remaining to spell out a bit more some of the recommendations CCPA has in respect of housing?

Mr. David Macdonald: Yes. Certainly, in terms of a land and existing assets acquisition fund, we're recommending a fund of \$340 million a year. This would be partially offset by the removal of the real estate investment trust tax preference, which allows the pass-through of profits that investors can then deduct on their side, often because they're not in RRSPs. This trade, in essence, would shift the balance of power, to some degree, back towards non-profits.

I think the other thing to mention, of course, is that there has been a fair amount of recent attention on the national housing strategy and the fact that it does appear to be funding many at-market units, in essence. Its definition of "affordable" is extremely generous, and many projects that were going to go ahead on the private side are being funded in any event, and some of the structures within the NHS actually make it more difficult for non-profits and co-ops to gain access to the funds.

The Chair: Thank you.

Thank you, Mr. Blaikie.

We are moving to the Conservatives and Mr. Patzer.

Welcome, Mr. Patzer.

Mr. Jeremy Patzer (Cypress Hills—Grasslands, CPC): Thank you very much, Chair. It's an honour to join this committee today.

My questions are for Mr. Terrazzano.

In Bill C-8, an act to implement certain provisions of the economic and fiscal update, there's a provision for the Income Tax Act to introduce a new refundable tax credit to return fuel charge proceeds to farming businesses in backstop jurisdictions.

Have you had a chance to look at that? What are your thoughts on that system, and is it essential to have in place?

Mr. Franco Terrazzano: I have not seen that specific proposal, but we do hear from a many farmers and businesses that the additional taxes—carbon taxes, fuel taxes—are really a pain. We've put out an analysis that shows, depending on the province, that between 31% to 42% of the pump price comes through taxes.

One thing we would like to see is some tax relief during the pandemic. We've seen a number of other countries around the world...Spain and France are reducing their electricity taxes. We've seen South Korea reduce its gas tax by 20%. We've seen other countries provide their citizens with relief, but unfortunately we've seen Ottawa stick its constituents with a higher tax bill.

Mr. Jeremy Patzer: If I'm not mistaken, that's supposed to only increase on April 1, and no, it's not an April Fool's joke.

Do farmers get back more than they pay in carbon taxes in Canada?

Mr. Franco Terrazzano: You know, I've heard that thrown around sometimes, but it's really magic math to think that the government is going to hammer us with a tax and then somehow make people better off. The truth of the matter is that the carbon tax is causing a ton of pain, and so are booze taxes and payroll taxes which continue to go up.

The first role of government during a pandemic should be first, do no harm, but as you mentioned, the carbon tax is set to increase for the third time during the pandemic. It's supposed to continue to go up all the way until 2030 where it will be nearly 40¢ per litre. Also, we have a second carbon tax coming in through fuel regulations. You mentioned a rebate, but as far as I'm aware, there is absolutely no rebate on the second carbon tax, which could add another 11¢ per litre to the price of gasoline.

● (1650)

Mr. Jeremy Patzer: Unbelievable.

One of your recommendations for the government is to end the gun ban and buyback program. Have you had a chance to do a fiscal analysis of that? What are you projecting that the buyback program is going to cost the taxpayer?

Mr. Franco Terrazzano: The Parliamentary Budget Officer has done a partial analysis, and it could cost \$756 million, but that's just a partial cost. That's only to reimburse gun owners. We have seen an analysis done by a professor at Simon Fraser University who says that the biggest cost hasn't even been factored in, and that's administration and staffing, which could add billions of dollars to the price tag.

Not only is it going to be expensive but we've also heard from the officers who are charged with protecting us on the front lines. The largest police union in Canada, the NPF, has said that the gun grab is not going to address the current and emerging themes or urgent threats to public safety, and even worse, the gun grab and buyback program could make Canada less safe, because it would be diverting resources from actually cracking down on crime to targeting law-abiding Canadian citizens.

Mr. Jeremy Patzer: One other recommendation you have that is of particular interest to me, because I hear about it on a daily basis from my constituents, is to phase out equalization.

Could you comment on that one further?

Mr. Franco Terrazzano: That's correct. We have a plan to phase out equalization over 20 years. Next year, some provinces would still get \$19 billion.

One of the key concerns.... I'm from Calgary. That's where I have lived over the last few years. It's just so unfair. I mean, really, how many more Albertans need to lose their jobs before Ottawa understands that a \$650 bill per person for Albertans is just too much through equalization? But it's not just Albertans that it's harming; it's also harming the residents of Newfoundland and Labrador.

This is how absurd the program is. Under equalization, Newfoundland and Labrador is considered to be a "have province", but then you still have the federal government doing backdoor bailouts with that province. We do think that equalization does need to be phased out over 20 years.

Mr. Jeremy Patzer: Thank you very much.

Chair, I only have about 15 seconds left, so I'll cede my time.

The Chair: Thank you.

We're now moving to the Liberals and Mr. MacDonald for five minutes.

Mr. Heath MacDonald (Malpeque, Lib.): Thank you, Chair.

Interestingly enough, when we're talking about Alberta, 98% of the federal COVID funding went to Albertans, so I think there are a lot of businesses and individuals in Alberta who are certainly appreciative of and thankful for what has taken place in the last two years related to COVID-19.

My question is for the Council of Canadian Innovators. I just want to ask Ms. O'Born about venture capital. It has become a very dominant force in the financing of innovative companies, especially in the U.S.A., and I'm wondering if she could elaborate a little bit on why there is such low venture capital investment in Canada?

Ms. Dana O'Born: Thank you so much for the question. Just to set the table, we are kind of arm's length from the venture capital community, although we do have a lot of interplay with them, and obviously they're helping start-ups grow and fuelling a lot of the talent issues and other pieces that I mentioned earlier. Look, I think everybody wants to get involved in the tech game, right? The transition we have seen happen in the last two years, during the pandemic, even just with us sitting here on a Zoom call is, I think, something we never envisioned happening for a parliamentary committee, and that means there are all these new ideas and new innovations being brought to the table, and people are interested in playing a part in those.

I think from the government perspective, there have been some interesting attempts to get involved in some of that venture capital activity, with VCCI and VCCI Stream 2. BDC has also been quite active in the tech space, but I think what you're going to see is a lot of the venture capital investment coming up from the U.S. still being a major factor at play in Canada's tech ecosystem. However, I would be remiss if I did not mention that our vice-chair is also leading one of the largest VC funds in Canada, and so he might argue otherwise.

The trend is starting to shift, which means that there is more capital available to companies that are getting a leg up in Canada. I think it's just something to monitor. It's very interesting, so thank you for the question.

• (1655)

Mr. Heath MacDonald: Thank you. You always hear about small start-ups. I worked closely with the DMZ out of Toronto and it was always very interesting to hear about, but sometimes when the companies get to a certain level, then they're gone and you know why they're gone. They're in New York City with a venture capital fund, and it's tough to see for small Canadian companies that grow and expand, but maybe they'll be like Shopify and come back.

CCI also responded to the fall economic statement, and while expressing understanding for the government's focus on the pandemic, you also mentioned steps to improve Canada's footing in the digital economy, specifically open banking and modernizing privacy regulations, etc.

Can you expand on what that would look like for the average Canadian small company or small business?

Ms. Dana O'Born: Yes, that's a very interesting question actually.

So on the fintech side, a fintech report was issued. Actually it was mentioned earlier today. I think what we're seeing is some fintech companies that are really growing quickly in Canada and wanting to offer different packages, products and portfolios to customers. We all use banks, I hope, and we're all transferring money and doing everything on our smart phones. So how can we modernize and effectively and efficiently allow some of these new start-ups and this new innovation into the banking sector, which has been pretty closed off for the last several decades?

To your question about privacy, there was a privacy bill introduced under former minister Navdeep Bains, and I think it came as a little bit of a surprise to the ecosystem in the sense that it was just not anticipated. There hadn't been any consultation. I know the government has taken that back and done some more thinking on it, but again, we're sitting here on Zoom, and there are privacy protocols we all had to endure as we set up for this conversation today, and we need to be thinking about that more broadly for Canadians. We all have the privilege of being on this call this evening, but there are a lot of Canadians who aren't aware of the privacy issues or what's at stake being online all the time.

For us it's really important that the government get this right for citizens but also for companies. Having several layers of regulation

and compliance with Europe and the U.S., it's just going to be very difficult for companies to excel in Canada.

Mr. Heath MacDonald: How much time do I have, Chair, or am I done?

The Chair: You have about 15 seconds.

Mr. Heath MacDonald: Just quickly, our level of employment is almost back to what it was pre-pandemic. I just want to know how the IT sector was affected or whether it was affected at all relative to COVID-19.

Ms. Dana O'Born: It was affected badly in the beginning. The government responded, but we've seen all kinds of employment growth. I think in Alberta right now, for instance, there's a zero unemployment rate in the tech sector. It's the same in Ontario and Quebec. The space is booming.

The Chair: Thank you, Mr. MacDonald.

We are moving to the third round, members. We have the Conservatives up first with Mr. Chambers for five minutes.

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

Thank you, witnesses, for being here. It's nice to see so many people. Of course, with so many of you, we don't have time to get to everybody.

I'd like to spend a few minutes with the C.D. Howe and Mr. Kronick. You talked about inflation. We've seen inflation continue to increase. The Bank of Canada holds interest rates. Some expect that inflation will continue to persist into the year, and the Bank of Canada says that they have absorbed all the slack in the system. What challenges and upward pressures are there on inflation with a government that's still going to spend money coming up in the next budget?

Mr. Jeremy Kronick: That is the problem. When slack's been fully absorbed in an economy, if you're adding additional pressures on it, you are going to get upward pressures on inflation. The Governor of the Bank of Canada was clear that, despite not increasing interest rates last week, interest rate hikes are coming. The more pressure you put on inflation, obviously, the more you're going to have to hike rates to get inflation back to target.

As my colleague Mark Zelmer mentioned, Canada's debt load is not just in government. There's a lot of focus here in this panel on government debt, but private debt—household and business debt—are also incredibly high in Canada and any upward pressures on interest rates that feed through from the bank increasing the overnight rate are going to put strain on Canadian households and Canadian businesses.

• (1700)

Mr. Adam Chambers: Thank you. You might even say we're very addicted to debt in this country in the private and public sectors and households.

Ms. Dzerowicz, my colleague, quite rightly pointed to competition. It's nice to see others thinking the same way within the banking sector, but the truth is that increased competition across more than the banking sector, such as telcos and other federally regulated industries, including airlines and financial services, can help keep inflation low.

Would you agree with that?

Mr. Jeremy Kronick: Yes. There are two parts to it: increased competition and increased productivity. In both senses, what you're trying to do, in the case of competition, is to force the incumbents to offer lower prices, but in the case of productivity, you're improving your ability to produce things more efficiently, and therefore you can charge lower prices. Obviously, in a world where we do have this much debt, anything that keeps inflation in check and lowers prices prevents us from having to increase interest rates.

Mr. Adam Chambers: Thank you. It also has the benefit of being a very low-cost measure the government can implement.

I'd like to turn to your colleague Mr. Zelmer.

Mr. Zelmer, you've written a little bit about MMT. You spoke about it at the beginning. I posed this question to other economists on the panel: What would have happened to interest rates had the Bank of Canada not purchased government debt?

Mr. Mark Zelmer: I think, given that at the time the credit and financial markets generally were seizing up, at the beginning of the pandemic, getting out there and expanding the balance sheet, along with a lot of other central banks around the world, helped keep financial markets functioning. In the acute phase, if you like, of the pandemic, when there was a great deal of uncertainty, that was a fairly reasonable and rational response that worked in the financial crisis back in 2008-09 and certainly helped to unlock the financial markets when the pandemic first set in.

The question going forward is really one of... We're through the worst of it. There is more certainty as to how the world is unfolding, so the question is how you taper down and return the balance sheet to a more normal level. I think that going forward as they're dealing with the inflation pressures, yes, there will be interest rate hikes to come, as the governor has highlighted, but the other key of the equation is at what pace they will return some of those securities back into the marketplace and how they can do that in a way that doesn't unduly disrupt the marketplace.

Mr. Adam Chambers: Thank you.

Perhaps we can get to this in a future round, but I'll mention with my last 10 seconds that the first thing every economic student learns is there's no free lunch. In regard to some of this MMT activity, I think we will be paying for it, and we're seeing it in higher inflation.

The Chair: Thank you, Mr. Chambers.

We are moving to the Liberals and Mr. Baker for five minutes.

Mr. Yvan Baker (Etobicoke Centre, Lib.): Thanks very much, Chair, and thanks to all the witnesses for being here today.

Ms. O'Born, it's great to see you again. I might not be able to direct my questions to you. If I have time remaining, I will.

I want to begin with Mr. Macdonald.

I was very interested in your opening testimony during which you spoke about the importance of national standards for long-term care. Can you explain why, in your view, national standards for long-term care are important?

Mr. David Macdonald: Quite a variety of care standards exist at the provincial level. What's needed is to start setting some national standards, not only national standards without money but national standards with money from the federal government so that it's quite clear what the federal government expects the provinces to obtain in terms of hours of care per recipient or per client. This is the thing that we need to go into more detail on.

Certainly there's a staffing problem, which is that PSWs, particularly within long-term care, are poorly paid—or enough of them. Something like the essential worker wage top-up that happened in the depths of the pandemic sets potentially a precedent to continue to increase wages, particularly at the low end. However, this isn't purely about staffing. We also need to provide some sorts of standards that all the provinces attain, such that it doesn't matter whether you're in Ontario or Prince Edward Island, you get the same level of care; or whether you move from Ontario to Prince Edward Island, you would still receive the same level of care because such benefits would be transportable between provinces.

• (1705)

Mr. Yvan Baker: To the point you're talking about, moving between provinces, but even within each individual province, presumably by setting that standard we would be disciplining ourselves to ensuring that seniors receive the quality of care that we believe they deserve.

Am I right about that?

Mr. David Macdonald: Yes, that's quite right.

This will certainly involve staffing. It might also involve capital. This might have to do with large build-outs of long-term care such that we don't have four people in a room, we have one or two people in a room. Even if you don't have the means to pay for a private room, because you have lived in Canada and contributed to this country, we believe you deserve a certain level of dignity if you're in a long-term care home.

Mr. Yvan Baker: I don't want to put words in your mouth, so please clarify if I'm not getting this right, but one of the things I heard in your opening testimony is that you recommended that the federal government provide funding to help realize the delivery against those national standards for long-term care. However, you suggested that funding be tied to results or outcomes.

Am I right about that? If so, why is that important?

Mr. David Macdonald: It's more that the funding be tied to the national standards so that we're evaluating on a regular basis whether the standards are being obtained and whether the funding is commensurate with that.

Obviously this would be in negotiation with the provinces. You'd expect the provinces to also bring money to the table, but the federal government is in a position here, and I think it has shown it, where the massive fiscal strength of the federal government can do great things in a time of crisis.

This is one of the lessons learned from COVID-19. Hopefully the federal government will take that up in the next budget and proceeding budgets really to ensure that this system is not overrun in future waves of this pandemic or in other emergencies.

Mr. Yvan Baker: When you talk about tying the federal funding to national standards, what does that look like? What does that mean? Why not just provide funding to the provinces for them to allocate?

Mr. David Macdonald: It's important that the federal government in essence know what it's buying. The federal government is coming to the table with a certain amount of money and it's buying something. It's working with the provinces on something that's measurable. There's a new investment being made, but there's something that comes from that investment.

Unfortunately, as everybody knows who works with budgets, money is fungible, and money can come in one way and then leave a different way, unless there are some sorts of standards that you're attempting to attain through new investments in particular areas.

Like other areas of health care, in long-term care, it's often far too easy to put money in and then have money taken out someplace else such that you don't actually see an improvement for the people for whom you want to see that improvement, which is people living in long-term care.

Mr. Yvan Baker: Yes.

What I hear you advocating is for federal funding to support those national standards for long-term care for the reason that we want to make sure that this funding, as much as possible, actually goes towards delivering against those standards that we believe need to be set to get seniors the quality of care they deserve.

Mr. David Macdonald: That's right.

Mr. Yvan Baker: Okay. I know my time is limited, so thank you very much, Mr. Macdonald.

The Chair: Thank you.

We are moving to the Bloc and Monsieur Ste-Marie for two and a half minutes.

[*Translation*]

Mr. Gabriel Ste-Marie: I'd like to remind the committee that the problem with the health care system is that it has been underfunded by the federal government for decades now. I can guarantee that the governments of Québec and the provinces do not need standards for nursing homes and the whole of care and services; they need Ottawa's cooperation.

When Ottawa creates standards for social housing, fighting homelessness or infrastructure, we note that we have to wait years before the funding granted for them actually gets out the door. This leads to inefficiency and duplication and, in its wake, squabbles over flags. The Bloc Québécois will keep fighting to increase health transfers from the federal government. We are against establishing standards, because we know that the government of Quebec and the National Assembly are able to ensure that the money will make it to the right places.

That said, Mr. Viau, in the document you presented to the committee, there is mention of the circular economy. Could you re-explain what that is and why a strategy is needed for it?

Mr. Marc-André Viau: Certainly.

The basic principle of the circular economy is to transform what is already there. So, we're talking about—

● (1710)

[*English*]

Mr. Greg McLean: I have a point of order, Mr. Chair.

The Chair: Yes.

Mr. Greg McLean: Are you going through the order correctly here?

The Chair: I had Mr. Chambers, Mr. Baker, Mr. Ste-Marie, and then I believe Mr. Blaikie will be up next.

Mr. Greg McLean: Okay I thought—

The Chair: That's the order I have.

Mr. Greg McLean: Perhaps I missed something here. We got the doubles going earlier, but I thought we had—

The Chair: I'll look to the clerk, but I believe the order has been correct.

The Clerk of the Committee (Mr. Alexandre Roger): It is correct.

Mr. Greg McLean: My apologies.

The Chair: Okay. I did stop the time.

Monsieur Ste-Marie, please continue.

[*Translation*]

Mr. Gabriel Ste-Marie: Go ahead, Mr. Viau.

Mr. Marc-André Viau: The goal is to use the least possible amount of new resources and use what is already there, to put it back into the economy and develop resources more sustainably. This economy has a great deal of potential for development. We can look at what is being done by the Netherlands, for example. I invite members of the committee and the minister of Finance to take an interest in what is being done in the Netherlands, where they are trying to establish a completely circular economy by 2050. The country is a true forerunner in this area.

We must have circularity indicators for different economic and industrial sectors. We also need to establish circularity targets to ensure that progress is being made in this area. We also want to see circularity in procurement, as well as in the rules for procurement, proximity criteria, environmental criteria. The environmental criteria could impact circularity.

Businesses also need help developing ideas for this economy, whether it's the repair economy or something else. A circularity accelerator is also requested, as well as a labour and employment strategy.

The Chair: Thank you.

[*English*]

The Chair: That is the time.

We are moving to the NDP and Mr. Blaikie for two and a half minutes.

Mr. Daniel Blaikie: Thank you very much.

Mr. Macdonald, one of the glaring inequities in the government's response to the pandemic has been the vigour with which they pursued Canadians below the poverty line to repay CERB benefits, and the complete lack of any attempt to recover money from large, publicly traded companies that benefited from the wage subsidy while increasing dividend payments to shareholders.

I'm just wondering if you can speak to how much the government could reasonably expect to get back from Canadians who are living below the poverty line versus the amount they might reasonably expect to get back from some of those large companies that are making big profits.

Mr. David Macdonald: Certainly when it comes to CERB repayment, it was an unfortunate feature that at the start of the pandemic, Canadians were encouraged to apply for the CERB and receive that benefit if they needed it, and many of them have been pursued as a result of this, which is unfortunate. Part of this is that there was question as to whether they met the income threshold, which is to say whether they made \$5,000 in the preceding 12 months or preceding year. If you're not making \$5,000 in the preceding 12 months or one year, you have pretty low income. So if you're making \$3,000 instead of \$5,000 or there was some form of wage theft that happened that you were paid that amount but it wasn't correctly recorded on a T4 because you were working in sort of insecure employment....

To my mind, it's unfortunate that CERB recipients have really borne the brunt of trying to, after the fact, go back and change the rules in essence of this program. It seems to me that is the way this has unfolded. It didn't have to be that way, but that's the way it unfolded, and that's unfortunate.

On the other side, when it comes to the CEWS program, for instance—and this is very predictable—in the recent report that I did that looked at the most highly paid CEOs in the country, a third of them headed companies that received the wage subsidy. Here you have some of the best-paid people in the country receiving massive bonuses at the same time they're receiving federal support. Many of these companies were paying out dividends to shareholders or declaring profitability over this period. That is an unfortunate feature of that program, too. It was pretty predictable; we could have put constraints in place at the outset. None of this is illegal per se, but it's just the program wasn't designed in such a way that you could catch this early on.

Other countries did. Other countries restricted their wage subsidy programs to medium and small companies or to companies that

weren't paying out dividends to shareholders and weren't paying extraordinary bonuses to CEOs. We didn't do that. I'm not sure how much of that money could be recovered after the fact. Clearly there's an attempt to recover it from CERB recipients, but there's really no attempt to recover it from large businesses.

• (1715)

The Chair: Thank you, Mr. Macdonald.

Thank you, Mr. Blaikie.

Now it is your turn, Mr. McLean, and you are up for five minutes.

Mr. Greg McLean: Thank you, Mr. Chair.

I want to apologize to the witnesses here. You heard a statement earlier by my honourable colleague from Malpeque, who said that 98% of benefits during COVID went to the province of Alberta, if we heard that correctly. I want to assure you there is some numeracy involved in the House of Commons finance committee. We got it checked and we want to make sure that's part of the record. I'm certain he will appreciate the correction that we're putting on the record here.

[*Translation*]

I will now turn to Mr. Viau.

Mr. Viau, I am sorry, I will have to ask my questions in English, because I have to be exact.

[*English*]

You talked a lot about CCUS, carbon capture utilization and storage, and yet every world body says that carbon capture utilization and storage will be essential to meeting our actual decarbonization goals going out to 2050. If every other body in the world is saying this is essential and you're saying we shouldn't participate in it, who do you suppose is wrong?

[*Translation*]

Mr. Marc-André Viau: Thank you for your question and your introduction in French.

I am not saying that the industry cannot develop this technology; rather, the government of Canada should not be subsidizing these measures. As I said, the technology will not lead to achieving targets. We're spending a great deal of energy and financial resources on developing this technology to limit fossil fuel extraction emissions, but we're not talking about negative emission technologies.

If we want to reduce emissions, this is not the way we are going to get there; it will be by reducing the sector's emissions. It is not by encouraging production while telling ourselves that we will get there, that we might reduce emissions, when in the end it does not work.

[*English*]

Mr. Greg McLean: I appreciate what you are saying, and it is expensive. It has been expensive to this point in time and, as the technology has advanced, it is coming down in price. We have made a significant investment in this technology sector in Canada through public money, both provincial and federal.

We were once the world leader in this technology for good reasons. We've lost that lead now to the U.S. The U.S. is the leader. They're going to continue to advance this technology. The latest technology has it bringing it down to potentially \$50 per tonne to store carbon underground. That is world changing.

As we say, as we develop these technologies, they become more efficient. As we're losing this to the United States because of bad government policy that hasn't kept up, we're going to lose this technology, we're going to lose this industry and we're going to lose this environmental benefit.

Everything I've heard you talk about, like green hydrogen, is much further down the development curve. Can you tell me how long you think it will take for green hydrogen to start delivering some environmental benefits? Is it one decade or two decades? No matter what, I'm going to propose to you that it's significantly longer than getting environmental benefits from carbon capture utilization and storage.

[Translation]

Mr. Marc-André Viau: I am also not saying that green hydrogen is a panacea. It is actually the opposite. We think that green hydrogen is the only type of hydrogen that should be developed. That does not mean, however, that it will change the world. We cannot count on this solution to reduce emissions in a significant way; rather, it can reduce them in a targeted way in some industrial sectors that are harder to decarbonize. This includes the heavy trucking sector, for example, or industrial sectors that are the most difficult to decarbonize. Those are the sectors we are targeting. These are therefore very specific uses of green hydrogen that, of course, will not happen tomorrow.

When it comes to carbon capture, no environmental advantage has yet been demonstrated for it. I am all for giving the benefit of the doubt, but I find it curious that we are the ones insisting that taxpayer money not be used to invest in it, when there are no successes that...

• (1720)

[English]

Mr. Greg McLean: That's okay. There's one second there.

The Chair: Thank you, Mr. McLean. That is your time.

We're moving to the Liberals now with Madame Chatel for five minutes.

[Translation]

Mrs. Sophie Chatel: Thank you, Mr. Chair.

[English]

I have a question for Mr. Harvey, but before I turn to him, I want to correct something.

I'm sure Madame O'Born didn't say that we will need to introduce a patent box in our tax system. As a reminder to everyone, it's an OECD and Canadian commitment not to have a patent box in the country's tax system. Globally, it's a minimum standard to prevent base erosion and profit shifting.

I wanted to highlight this.

Ms. Dana O'Born: May I respond very quickly?

Mrs. Sophie Chatel: No. If I have time, I will go back to you.

Ms. Dana O'Born: Okay.

Mrs. Sophie Chatel: I just want to flag that it's Canada's minimum standard.

[Translation]

Mr. Harvey, you spoke earlier of the impact on the regional network. This is an important subject, because we are on the cusp of a new economy. We also spoke with Ms. O'Born about innovation issues.

I know that currently, the CFDC Network, or Community Futures Development Corporations, can fund projects that are, all told, small projects. When we talk about innovation, we're talking about strategic investments into major projects, 20 million or 30 million dollars.

Between these two extremes, is there a middle ground that would help us to ensure our regions can innovate outside of just very small or very big projects? Would that be possible?

Mr. Pascal Harvey: I thank you for your question.

There is, in fact, a great deal of room. We are doing what our means allow us to do with the businesses we fund, which are businesses with 20 employees or less and sales of 2 million dollars and under. We want to introduce them to a culture of innovation. As you may suspect, Ms. Chatel, by introducing them to a culture of innovation, we are far from funding projects that would lead them to making this culture a reality.

A few years ago, the network created an innovation committee and an innovation group. We were trying to find out how we, within our own organizations, could establish a culture of innovation in order to better help other businesses. However, we quickly saw that impostor syndrome could come to the forefront. Ideally, there would have been money to access the ecosystem, consultants, innovation specialists in Quebec as well as educational institutions. This would have allowed us to better support businesses.

All that we could do was bring the message about innovation to their door, but it stopped there, because we did not have the means to do anything else. As you said, big businesses can access funding that allows them to lead innovation projects, whereas the small businesses or medium businesses have a harder time doing so.

If the federal government, through its agencies, were to grant us a certain amount to fund our clientele's innovation projects, that would be a significant asset for our network and our members.

• (1725)

Mrs. Sophie Chatel: You mentioned an innovation committee. In each large region, there are innovation super-committees—I think there are five. These are partnerships with businesses and universities, for instance. We are currently in an economic shift.

Could we do the same in the regions, perhaps on a smaller scale?

Mr. Pascal Harvey: Absolutely.

The model you are referring to is drawn mainly from the innovation superclusters model. The only problem is that gateways need to be built between the clusters. Indeed, these clusters often work in isolation. The goal is to promote the emergence of smaller clusters in smaller regions, that is to say in rural and semi-urban areas.

However, creating gateways would be important so that the clusters could communicate back and forth. Often, innovation clusters are attached to specific economic sectors. It would be worthwhile to break the clusters open so that more businesses could benefit from their expertise, as is the case in the circular economy.

[English]

The Chair: That's your time, Madame Chatel.

I'm looking at the time, members, and there are so many questions. I know we have many, but we're getting close to the end.

We just have enough time to allow each party one quick question and answer.

We'll start with Mr. Chambers from the Conservatives.

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

This is for the Canadian Taxpayers Federation.

You mentioned a spending review at government. It's been 10 years since the federal government has done any widespread review of its spending. That's a really long time for a government to have the increased spending to the degree it has and not actually having focused on where they're getting value for money.

Do you want to comment any more on that?

Mr. Franco Terrazzano: I think it's very important.

We have to remember that even before the pandemic, in 2018 and 2019, the federal government was spending at all-time highs—and that's accounting for inflation and population growth. We're seeing a ton of wasteful spending. We saw the federal government blow \$8,800 on a sex toy show in Germany and hundreds of millions of dollars for the Ford motor company.

I think those examples make it very clear that we need our federal politicians on the Hill to start taking the spending problem seriously.

The Chair: Thank you, Mr. Chambers.

We'll now move to the Liberals with Ms. Dzerowicz for a quick question and answer.

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

My last question is for Mr. Kronick and Mr. Zelmer.

What is your top recommendation for budget 2022?

We'll start with you, Mr. Kronick and then go to you, Mr. Zelmer.

Mr. Jeremy Kronick: My top recommendation for budget 2022 is around the bank tax. I think the bank tax should be avoided at this moment in time; I don't think it will be helpful for growth. At this point, we're looking for as much productive growth as we can.

Ms. Julie Dzerowicz: Mr. Zelmer.

Mr. Mark Zelmer: Thank you.

My top recommendation would be to make sure that Canada's public debt-to-GDP ratio for all levels of government stays towards that of the better part of the pack of G7 countries so we have the room to cope with the fact that the private sector has record levels of indebtedness globally and over time.

The Chair: Thank you, Ms. Dzerowicz.

[Translation]

Mr. Ste-Marie, of the Bloc Québécois, now has the floor.

Mr. Gabriel Ste-Marie: Thank you.

Mr. Viau, should Parliament pass green finance legislation that would promote private investment in transition programs instead of projects that pollute more?

Mr. Marc-André Viau: It is hard to say no to this proposal.

Of course, we did note some of these proposals during the last election campaign. We were highly motivated to work with parliamentarians on the issue of green finance.

As we said earlier, when we raised the issue of the minister of Finance's responsibility in terms of transparency and accountability, there is transparency and accountability, but there are also commitments in terms of investments. These commitments must align with our greenhouse gas emission reduction targets. We will get there only if investments follow that same path.

● (1730)

Mr. Gabriel Ste-Marie: Thank you.

[English]

The Chair: We'll move to Mr. Blaikie. You're up for a quick question and answer.

Mr. Daniel Blaikie: Thank you.

Mr. Macdonald, we've heard a lot of concern today about Canada's public finances and recommendations to control spending, but we haven't heard a lot of talk on the revenue side. We're in a position now where 1% of Canada's population controls 25% of the wealth, which hasn't been the case for a very long time. I'm wondering if you can speak to the revenue side of the equation when we talk about balancing the government's books.

Mr. David Macdonald: Yes, of course there's always a focus on attempting to cut back government spending. Often that will kick the problem to some other part of the Canadian economy, whether the provinces or households, which then have to deal with that debt because health care costs are rising or something like that. Certainly, the other side that I think is underappreciated, as you point out, is the expenditure side. A wealth tax could raise \$10 to \$20 billion a year; increased taxation of the corporate sector, for instance, could raise \$7 to \$8 billion a year. The corporate income tax promise was that big increases in capital investment would result, which never appeared, unfortunately. So I think it's time to turn back—the way the Americans and those in the U.K. are—towards higher corporate taxes, as well as closing corporate tax loopholes,

particularly for large corporations. These are ways we can also reduce the deficit without harming people who rely on government services like health care, child care and so on.

The Chair: That is our time.

Thank you, Mr. Blaikie.

To the witnesses, on behalf of the members, the clerk, the staff, the interpreters and everybody who makes the magic happen here, we want to thank you so much for your testimony and answers to the many questions as you inform our pre-budget consultation and report.

The Chair: Members, we'll adjourn this meeting at this time.

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