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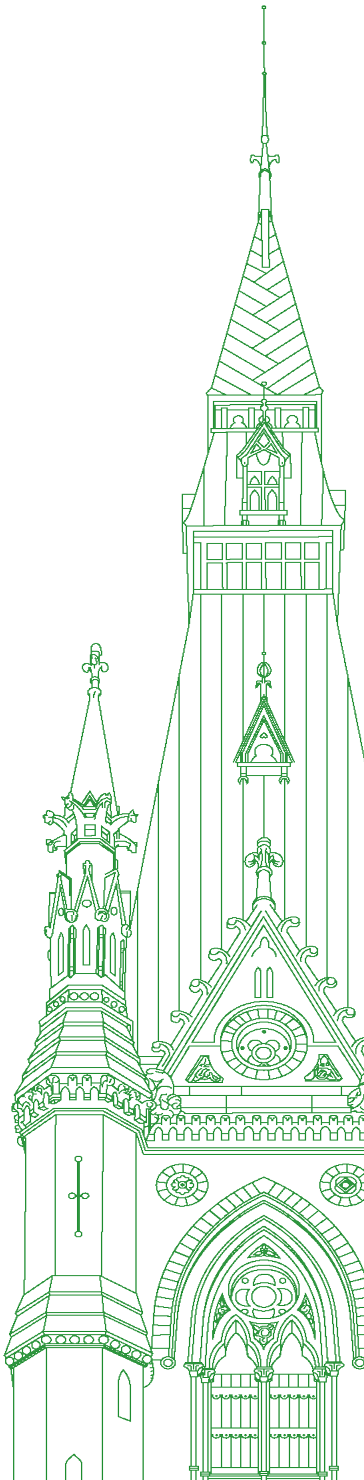

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● (1105)

[*English*]

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

Welcome, everybody, to our 100th meeting of the House of Commons Standing Committee on Finance.

Some hon. members: Hear, hear!

The Chair: Yes, in our 44th Parliament, it's a great day. It's a nice number.

I do hope that all of you have had a great summer with your families, friends and constituents.

Mr. Philip Lawrence (Northumberland—Peterborough South, CPC): On a point of order, has any other committee done 100 yet, Mr. Chair?

The Chair: That's 100 official meetings, MP Lawrence. I don't think any other committee.... I could be wrong. I'll look to the analysts or the clerk. They may know and provide that number. We've had that number of official meetings. I think we've had even many more than that.

Just on that note of summer, as I said, I hope that everybody had an opportunity to be with family and friends and recharge and talk to your constituents and to the many Canadians whom I'm sure you've heard from.

We've a lot of work to do with our pre-budget consultations. We're going to be hearing from stakeholders from labour, business, academia and civil society. I know that our excellent finance committee members are going to do a great job and be very active on this.

Also, here's another one: We have received what I believe is a record number of submissions and briefs to our committee from stakeholders for our pre-budget consultations. There are around 850....

I'll look to the analysts. Yes, there are about 850 submissions that we've received. Outside of our Ottawa meetings, we will be visiting communities across Canada in October and November.

Our committee is made up of members from right across our great country. We have a number of new members on our finance committee, and many veterans.

New to our committee is parliamentary secretary Bendayan; welcome. We also have MP Thompson and MP Weiler, who are new to the committee.

Our veterans are MP Baker, MP Dzerowicz, MP and Vice-chair Hallan, MP Morantz, MP Chambers, MP Lawrence, MP and Vice-chair Ste-Marie and MP Blaikie.

I'm not going to go through your riding names. I know that you're going to have an opportunity when you ask questions and get into discussions to highlight many of the things that are going on in your ridings and your regions.

Also, it's great to be back with an outstanding team. As I've said for the analysts, the clerks, the interpreters, the support team and all the members' staff who are with us here, we're all here to work together and to do a good job.

Let's get into it.

Pursuant to Standing Order 83.1 and the motion adopted by the committee on Thursday, June 8, 2023, the committee is meeting to discuss the pre-budget consultations in advance of the 2024 budget.

Today's meeting is taking place in a hybrid format pursuant to the Standing Orders. Members are attending in person in the room and remotely by using the Zoom application.

I'd like to make a few comments for the benefit of witnesses and members.

Please wait until I recognize you by name before speaking. For those participating by video conference, click on the microphone icon to activate your mike. Please mute yourself when you are not speaking. For interpretation, those on Zoom have the choice at the bottom of your screen of either floor, English or French. Those in the room can use the earpiece and select the desired channel.

Although this room is equipped with a powerful audio system, feedback events can occur. These can be extremely harmful to interpreters and can cause serious injuries. The most common cause of sound feedback is an earpiece worn too close to a microphone. We therefore ask all participants to exercise a high degree of caution when handling the earpieces, especially when your microphone or your neighbour's microphone is turned on. In order to prevent incidents and safeguard the hearing health of the interpreters, I invite participants to ensure that they speak into the microphone into which their headset is plugged and to avoid manipulating the earbuds and place them on the table, away from the microphone, when they are not in use.

I will remind you that all comments should be addressed through the chair.

If members in the room wish to speak, please raise your hand. For members on Zoom, please use the “raise hand” function. The clerk and I will manage the speaking order as best we can. We appreciate your patience and understanding in this regard.

In accordance with the committee's routine motion concerning connection tests for witnesses, I'm informing the committee—and this is through the clerk—that all witnesses have completed the required connection tests in advance of the meeting.

I would now like to welcome our witnesses.

Joining us as an individual is Ian Lee, associate professor from the Sprott School of Business at Carleton University. Welcome.

From the Canadian Labour Congress, we have Bea Bruske, president, and Chris Roberts, national director, social and economic policy. From Edge Reality Analytics Limited, we have Ben Rabidoux, who is a housing analyst. From the Front d'action populaire en réaménagement urbain, we have Véronique Laflamme, who is a spokesperson for the organization.

We also have, from Letko Brosseau and Associates Inc., Daniel Brosseau, president, and senior vice-president Peter Letko.

Also joining us, from Native Child and Family Services of Toronto, is director of governance and strategy Jeffrey Schiffer.

With that, we will start from the top with Ian Lee. You will have up to five minutes to make an opening statement.

Dr. Ian Lee (Associate Professor, Sprott School of Business, Carleton University, As an Individual): Thank you, Mr. Chair and members.

Here are my disclosures. First, I do not belong to or donate money to any political party, or allow lawn signs during federal, provincial or municipal elections.

Second, I was mortgage manager of the fourth-largest BMO branch in Canada—the Ottawa main office, now the Sir John A. Macdonald reception centre for Parliament Hill—during the late seventies and early eighties, when inflation peaked at 14% and interest rates peaked at 20%.

Third, I am a tenured professor paid by Carleton, not by business or NGOs, as I do not consult or lobby.

Fourth, immediately after the collapse of the Berlin Wall in 1989, through to 2020, I taught over 100 times in former centrally planned economies across central and eastern Europe, and later multiple times in Cuba, China and Iran, where governments frequently set prices and production quotas. I witnessed the massive systemic shortages of food and consumer goods across each of these economies in the early to mid-nineties.

Everyone in Canada today is understandably concerned with increasing interest rates and with inflationary prices, especially for food and housing. There is a tendency to blame the firms at the end of what Harvard strategy professor Michael Porter accurately calls the “value chain” system, not the profit maximization chain claimed by some MPs.

Restated, these critics focus on the symptoms of inflation rather than examining not only the totality of the value chain system of the two million corporations in Canada—per StatsCan—but what David Dodge, David Rosenberg and others call the economic fundamentals. Fundamentals include Canada's dramatic decline in productivity and our terrible decline in business capital investment.

However, before going further with this issue, I want to discuss inflation briefly, because it's central to everything we're going to be talking about, I think.

Inflation in the late sixties did indeed originate in the U.S., due to President Johnson's war in Vietnam and the war on poverty. This led to massive spending increases, but there was a simultaneous refusal in the American government to raise taxes or increase interest rates to cool down the economy.

However, when inflation crossed the border into Canada, it was exacerbated by very large Canadian government deficits and a refusal, initially, by the Bank of Canada to raise interest rates. I lived through this. Inflation went from 4% to 5% to 8% to 10%, peaking at 14%, causing the greatest harm to lowest-income people in Canada.

It was only when Governor Bouey of the Bank of Canada and Chairman Volcker of the Federal Reserve decided to attack the out-of-control inflation with enormous increases in interest rates that peaked around 20% that they finally killed inflation, while our fiscal profligacy was only finally addressed by the courageous decisions of Prime Minister Chrétien and Minister of Finance Martin in 1995 to eliminate the out-of-control fiscal deficits.

These monetary and fiscal policies produced very low inflation and very strong income growth for everyone for a third of a century. It's now very clear that we have forgotten those lessons and that it's time to go back to school.

Today, rising inflation has indeed been caused by the lockdowns and supply chain interruptions, but it has been exacerbated by massive, excessive monetary and fiscal stimulus, and rates were far too low for far too long. Please read Mohamed El-Erian's op-eds in the Financial Times. He's now the head of Cambridge University.

Some argue that interest rate increases cause inflation. These critics fail to understand the arithmetic of monetary policy. Interest rate increases subtract or take money out of the bank account of every last one of us and businesses, leaving less money to buy stuff.

Some argue that grocery store executives are greedy and profit-gouging. This is notwithstanding that for my entire adult lifetime studying this industry, any person who conducts interindustry comparative analysis knows that grocery retailing has notoriously low net profit margins, empirically validated by StatsCan and the audited financials.

I'm urging parliamentarians to return to an examination of the economic fundamentals of Canada by examining low productivity and protectionist policies in certain industries, such as airlines, telecom and agriculture, that exclude foreign competitors and drive up prices to much higher levels.

Examine competition policy that currently allows industry consolidation for a handful of oligopolistic firms when there is a clear consensus in economic research that concentrated or oligopolistic industries are less competitive and charge higher prices than fragmented industries with many firms.

I strongly urge parliamentarians to examine the role of government policies, including taxes that increase the cost of doing business. See the recent C.D. Howe study on how multiple government taxes increase average housing costs by up to a third.

You must undertake a fundamental review of the remarkable number of barriers in industry after industry that restrict entry by new firms, restrict competitiveness, or, through taxation, force prices to be increased.

● (1110)

In closing, it is timely to recall Pogo’s very wise words: “We have met the enemy and [it] is us”, or more precisely—no offence intended—it is you, the elected officials who have approved these extensive multiple barriers time after time, in bill after bill, year after year.

Thank you.

The Chair: Thank you, Mr. Lee. You're right on time.

Now we'll hear from the Canadian Labour Congress.

Witnesses and members, just before we go to the Canadian Labour Congress, I'll let you know that when there's about a minute left in your time, I'm going to put up this sheet so that everybody will know and it will keep you on track.

We will hear from the Canadian Labour Congress, please.

Ms. Bea Bruske (President, Canadian Labour Congress): Thank you, Mr. Chair.

Good morning, committee members.

I'm coming to you from the unceded territory of the Anishinabe Algonquin territory. It's my honour and my pleasure to be here with you today.

The Canadian Labour Congress advocates on behalf of all workers in Canada.

The 55 national and international unions that are affiliated with the CLC bring together over three million workers in virtually all sectors, industries, occupations and regions of this country.

Workers in Canada currently are suffering intense cost-of-living pressures, but with bold action, we believe that government can help alleviate these pressures. Government can make ambitious investments to provide more affordable, non-market housing for workers in need.

The CLC recommends that budget 2024 allocate $20 billion per year in capital funding to the national housing co-investment fund. Together with provincial partners and other public contributions, this will help build a minimum of 100,000 new units per year.

Budget 2024 should accelerate the rollout of the national housing strategy's federal lands initiative for affordable housing. Government should introduce a dedicated five-year, $10-billion public land acquisition fund to acquire additional land for the construction of non-market, affordable rental housing.

In order to assist the community housing sector to acquire existing affordable rental buildings, the government should create a $20-billion housing acquisition fund in order to maintain the supply of affordable housing for low-income and modest-income households.

The CLC also recommends that in order to cope with high food prices, budget 2024 impose a windfall profit tax on large food retailers and use the revenues to fund an extension of the existing grocery rebate program.

The situation with the cost of prescription drugs is also a major affordability issue for Canadians. We call on the federal government to accelerate the current plans to introduce a national public pharmacare program in Canada. That should entail passing enabling legislation by the end of 2023, implementing—without delay—an essential medicines formulary, and implementing the bulk purchasing plan by the end of 2023. The multi-payer, patchwork system that we currently have has left Canada paying among the highest prescription drug prices in the world. We know that Canadian households paid nearly $7 billion out of their own pockets for prescription medicines in 2020.

Numerous studies have linked the high cost of prescription drugs and related charges, like deductibles and co-payments, to patients' not taking their drugs as prescribed. That, overall, raises the cost of our health care system.

Canada's unions want to see a truly universal pharmacare plan, implementing a single-payer system of public insurance coverage for prescription drugs.

I'll remind you that the Hoskins report advocated a “universal, single-payer, public pharmacare” program and noted that it would reduce the cost of prescription drugs for employers and businesses by $16.6 billion and for families by $6.4 billion.

I also want to address the issue of employment insurance. Since 2019, the federal government has committed to creating an EI system for the 21st century that works for everyone. Canadians are still waiting to see the results of years of consultations on EI.

First, we had a global pandemic, and then this year we've had disastrous floods and the worst forest fire season on record. These disasters have displaced tens of thousands of Canadians from their homes, jobs and communities. Now the economy and the job market are beginning to cool, with the possibility of an economic downturn in the near term. The CLC calls on the government to introduce an annual government contribution of 20% to EI program costs, and we know that this will help pay for improvements while minimizing employment insurance premium increases.

We call on the government to commit to improving access by establishing a lower, uniform, national entrance requirement of the lesser of 360 hours or 12 weeks of insurable employment, and to provide up to 50 weeks of regular benefits to meet the needs of seasonal workers across this country. We're also calling for a raise on the ceiling of insurable earnings and for a substantial increase to the 55% benefit rate. We expect to see the end of a clawback of EI benefits due to severance and vacation pay that workers have earned prior to a downturn requiring them to apply for EI. We also expect to see the end of a 50-week restriction on combined special benefits with regular benefits, which disproportionately punishes women.

Finally, I want to touch on budget 2024 investments in sustainable jobs and the environmental transition. The CLC welcomes the sustainable jobs act. We want to see greater investments in social protections for workers in sectors at risk due to climate change. That includes transition supports for workers, including skills recognition, training and retraining, relocation assistance, mental health programming, family supports and other assistance programs. Budget 2024 investments in decarbonizing the economy have to include job-quality strings, building on the climate-focused investment tax credits that were announced in budget 2023.

● (1115)

Job quality requirements will ensure low-carbon jobs that are well paid and safe and that will afford workers a say through access to a union and ensure that green investments are made in consultation with workers.

Thank you. I welcome any questions from the committee members.

The Chair: Thank you, Ms. Bruske.

We go now to Edge Realty Analytics and Mr. Rabidoux.

Mr. Ben Rabidoux (Housing Analyst, Edge Realty Analytics Ltd.): Thank you, Mr. Chair.

Good morning, committee members.

I've covered Canadian housing and household credit trends on behalf of institutional investors for over a decade now. I previously testified before this committee in 2022 regarding housing's role in the cost-of-living crisis in Canada. If I could, I would just like to look back and quote from that testimony:

> Part of the current housing crisis can be traced...to 2019. At that time, population growth in Canada hit nearly 600,000 in [one] year, due in part to [an]... increase of 200,000 non-permanent residents....
>
> Allowing population growth at this level without consideration of the real world constraints is a policy failure that cannot be repeated.

Now let me fast-forward to today.

According to Statistics Canada, Canada's population has grown by 1.2 million in the past year, of which an unprecedented 730,000 consisted of non-permanent residents, such as international students and temporary workers. I've included charts in my submission, which I would encourage the members to review.

Importantly, the non-permanent resident cohort has no caps and no targets set in Ottawa and is separate from the federal permanent resident target of 465,000 for 2023. I want to be crystal clear that my comments to follow should not be construed as criticism of immigration policies broadly or of Canada's permanent resident target, which I fully support. We need to be careful not to position this issue as a binary all-or-nothing issue. There's plenty of area for thoughtful discussion between zero and the current levels of growth, which have clearly had unintended consequences that we cannot ignore.

Let's talk about those unintended consequences.

It's important to note that non-permanent residents are overwhelmingly made up of renters, so it should be no surprise that when we add nearly three-quarters of a million into the Canadian population in one year, we see an extremely disorderly rental market that has disproportionately hurt lower-income households.

We also need to be mindful that this growth has impacted the non-permanent resident cohort themselves, particularly international students, who often find themselves living in substandard housing if they can find housing at all. We have failed them too.

According to CMHC, rental apartment vacancies had already fallen to 20-year lows late last year, while average rents in 2022 posted the largest annual increase since at least 1998. It is certainly worse today, and your constituents who have tried to find rental accommodations recently can attest to that. This dynamic is also contributing to the cost-of-living issues as rents alone have added 0.4 percentage points to headline CPI as of last month.

I believe we have a misaligned incentive structure at play as post-secondary institutions and the for-profit partnerships they often work with have every incentive to increase international student enrolment due to the much higher tuition fees these students pay and without regard for the local rental market that doing so might impact.

Among the other unintended consequences is that this dynamic has contributed to housing speculation in recent years, as some landlords have discovered that while they cannot make a satisfactory return renting a single-family home to one family, the economics are very different if they can instead rent to a dozen or more international students. We are absolutely seeing this dynamic at play.

Finally, I believe this level of population growth risks stoking anti-immigration sentiment. Consider the results of a Nanos poll this month that found that the share of Canadians who want lower immigration targets has risen sharply from 34% in March to 55% today.

Our ability and willingness as a country to attract and welcome the best and brightest from around the world has been our superpower. It would be a shame if Canadians became disillusioned and lost that vision due to the disruptive trends we're seeing today.

I recognize that the provinces have a major role to play here, but the federal government still has some levers and some things that it can do, including establishing a provincial-level cap on international students and dissuading applications by raising student applicant visa fees or reducing the number of hours international students can work by issuing a fixed number of work permits for students each year.

Finally, there is incentivizing new construction, and on that point I would recognize that the elimination of the GST on new rentals is a welcome policy on that front.

Shifting gears for a moment, I'm going to leave that point there now, but I do also want to express my support for the submission from Mortgage Professionals Canada, which advocates for direct income verification between lenders and the Canada Revenue Agency as a means to dissuade mortgage document fraud, which has become a very real problem in recent years. This is a problem with a simple, elegant solution clearly articulated by Mortgage Professionals Canada, and there's absolutely no reason not to pursue this.

I will leave it there and I welcome your questions.

● (1120)

The Chair: Thank you, Mr. Rabidoux.

Now we go to Front d'action populaire en réaménagement urbain.

Madame Laflamme, go ahead, please.

[*Translation*]

Ms. Véronique Laflamme (Spokesperson, Front d'action populaire en réaménagement urbain): Good day.

Le Front d’action populaire en réaménagement urbain (FRAPRU) is a group of 145 social and community organizations active in various regions of Quebec. These include 30 housing advisory committees that are at the heart of FRAPRU’s initiatives.

For 45 years, FRAPRU has been working on housing rights and promoting social housing as fundamental to the progressive implementation of those rights.

The housing crisis is a hot topic these days. It is a multi-faceted crisis. The rental housing shortage, which is at a 20-year high in Quebec and elsewhere in Canada, is now affecting almost all municipalities in Quebec. One aspect of the crisis is the increasing unaffordability of rental housing. To give just one example, according to the Canada Mortgage and Housing Corporation, the CMHC, the average rent in Canada increased by 7.7% between 2021 and 2022. Quebec experienced a 9% increase. Gatineau next to Parliament Hill, had a 22% increase over the same period. The few rental units available are far more expensive. Last spring, the average rent for available listings in Quebec was $1,500. When housing is unaffordable, it has an impact on the ability of renters to pay. That ability to pay is part of the right to adequate housing.

It must be said that, first and foremost, this crisis affects tenant households and low- and modest-income households. I want to emphasize this because, as a percentage, far more tenant households have core housing needs; this problems affects low-income households in particular.

I'll give an example from the latest census, in 2021: 1,624,715 Canadian tenant households already spent more than the standard 30% of their income on housing. Those households have a median income of $30,000. In Quebec, that median income is significantly lower, at $22,800. Those households are unable to afford private-sector housing, much less newly-built private-sector housing, even with government assistance. That's why, in my speech, I really want to stress the importance of non-market social housing.

The Canadian government can and must do better to help low- and modest-income renters access adequate housing for the long-term, in a manner that respects their security of tenure and ability to pay.

There aren't 10,000 ways to do that: a bigger percentage of all rental housing stock needs to be non-market social housing. The current percentage is insufficient. The monopoly held by the private market is putting renters in a bind with no options. A number of them are becoming visibly or invisibly homeless give the lack of options. They need social housing, but they have to wait years to get it. In Quebec, the percentage of rental housing stock classified as social housing has actually decreased; it is now approximately 10.2%.

History proves, however, that it's entirely possible to reverse that trend. Between 1971 and 1991, sustained federal investments in meaningful policies and programs increased the share of social housing in Quebec, from 0.5% to 9.7%. Housing built during that time has become part o our collective heritage, which now serves as a bulwark against the rise in rents, real estate speculation and gentrification.

It is clear that the National Housing Strategy, presented as an $82 billion plan over 10 years—more than five of which have now passed—, has not kept the housing and homelessness situation from worsening. Our comments echo mounting criticism, whether from the Federal Housing Advocate, the National Housing Council, the Parliamentary Budget Officer or the Auditor General. The funds available under the strategy need to be reallocated. It should be a priority in the upcoming budget and even in the fall economic update. I'll speak to this in a moment.

The federal plan falls far short of the objectives set out in the legislation passed in 2019, specifically to support the progressive realization of the right to adequate housing as recognized in the International Covenant on Economic, Social and Cultural Rights.

The strategy has failed because the funding is scattered. To date, the government has chosen to leave it up to both the for-profit private housing sector and the not-for-profit public housing sector. Furthermore, the government's strategy focused solely on the construction of housing, without considering whether it meets the needs and abilities of the families and individuals most in need, about whom I spoke earlier.

● (1125)

Some federally funded projects even contributed to the rising cost of rent. Only the Rapid Housing Initiative was successful and reserved for the non-profit sector. However, it was the only non-recurring program and, unfortunately, the recent federal budget does not provide further funding for it.

The National Housing Strategy progress reports demonstrate that its two most important initiatives have, to date, been used to fund unaffordable housing. Even though we are critical of the national housing co-investment fund, which is not a significant program, it has helped to round out funding for non-profit and cooperative housing in Quebec. Nonetheless, the subsidies available under this fund ran out some time ago.

Consequently, FRAPRU believes that the federal government must change course and significantly increase funding for social housing. We urge the committee to...

● (1130)

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

[*English*]

Now we'll go to Mr. Brosseau and Mr. Letko, from Letko Brosseau and Associates Inc.

Mr. Daniel Brosseau (President, Letko, Brosseau & Associates Inc.): Thank you for inviting us this morning.

We want to talk to you about pension funds, which represent 36% of institutional savings in Canada, only slightly less than the banks. We're talking about a very large pool of capital.

Pension savings and how they are invested have been subject to major transformations over the last 30 years. Many changes have been unintended, and several have been quite damaging for both individual pensioners and the Canadian economy.

The negative effects include a substantial decline in the portion of private sector employees covered by pension plans; a rise in the much less efficient defined contribution plans at the expense of defined benefit plans; an increased reliance on subjective, opaque and illiquid private markets; a disinvestment from transparent and liquid public markets; an increased investment in low-return bonds; and increased herding, to the detriment of independent fundamental analysis, resulting in a decrease in vitality.

The negative effect that seems to attract the most attention has been the exit from Canada of Canadian pension funds. Canadian public equities held by Canadian pension funds fell from 80% of their total equities in 1990 to probably less than 10% now, representing under 4% of their total assets. The argument most often used to justify this behaviour is the expectation of higher returns in foreign markets. In fact, returns in Canada have historically exceeded many other world markets. By comparison, current valuation metrics are quite favourable.

Let's assume for a moment that returns in Canada will be lower. The question remains whether maximizing single portfolio returns to the exclusion of other factors is the correct global strategy for the country as a whole. If pension funds siphon away Canadian savings under the guise of higher expected returns without considering the effect this may have on the ability of their contributors to earn incomes, the return calculations are incomplete from the point of view of the Canadian economy.

Investing $100 outside the country may generate an extra dollar in returns, but the impact of the absence of the $100 invested in the local economy may be much greater. The loss in domestic investment, sales, salaries and profits because of a lack of local investment by committed domestic investors can easily overshadow any small pickup in income that may have come from a higher return elsewhere. We may already have started to see the effects of this dynamic. GDP per capita in Canada in 1980 was 92% of the U.S. GDP per capita. It has now fallen to less than 73%.

Now, consider two cases. In the first case, a Canadian investor takes $100 of savings and invests it abroad. After one year, they bring back the $100 and $10 of profit. Their return is 10%. In the second case, a Canadian investor takes $100 of savings and invests it in a machine that produces $205 of product in the year. The costs are $100 of salaries, $100 of wear on the machine, and $5 of profit. The return is less. It's 5%.

In case one, Canada’s GDP would rise by $10—the profit. In case two, Canada's GDP would rise by $205—the salaries, the machine and the profit. Even though the profit is less, the impact on GDP is much, much greater.

From the Canadian investor’s point of view, the foreign investment gives a higher return, but from a GDP perspective, from a GDP-per-capita perspective, from the perspective of Canada’s ability to save, the domestic investment is by far the better one.

In addition to these considerations, foreign investments can also present governance, political, legal, currency, supply, confiscation and other risks that can sometimes be better managed domestically.

It is unreasonable to think that Canadian pension funds will see the opportunity cost of the loss of investments to the Canadian economy and to the ability of their contributors to earn good incomes and save. They cannot consider what they can't see. As a result, moral suasion cannot correct for these negative effects. Only a national policy reflected in appropriate regulation can constructively deal with the problem.

● (1135)

In 2021, investment in Canada accounted for 20% of GDP, compared to 18% in the United States—so higher—but what these statistics hide is that investment in residential real estate in Canada was 9.7% versus 4.9% in the United States, which left 10.4% for non-residential investment in Canada versus 13.3% in the United States—

The Chair: Thank you, Mr. Brosseau. We're going to have to wrap up right there. You'll have an opportunity, of course, during questions from members, and I'm sure there are going to be many.

We do have to move on to the Native Child and Family Services of Toronto and Jeffrey Schiffer, please.

Dr. Jeffrey Schiffer (Director, Governance and Strategy, Native Child and Family Services of Toronto): Thank you very much to the chair and to the committee members.

I'm joining you this morning—or this afternoon, I guess, depending on where you are in the country—from Treaty No. 13, the ancestral homelands of the Huron-Wendat, the Haudenosaunee and the Mississaugas of the Credit.

I'm here today to speak a bit about the federal transformation that's under way with respect to indigenous child and family well-being.

Native Child and Family Services of Toronto has served families in the Toronto and Peel area for the last 30 years. We started as a prevention agency and in 2004 began legislated child welfare. We currently serve about 8,000 unique community members annually from across Canada, last year serving members from 207 different first nations across Canada.

I'm here to talk a bit about federal funding with respect to the transformation currently under way through new legislation under the act respecting first nations children and families, formerly Bill C-92, and the impact that's had for service providers who are supporting indigenous children and families in urban centres.

Funding to date has largely been distinctions-based, which means that funding from the federal level is going directly to indigenous governing bodies. To be clear, that's something that Native Child certainly supports. I think what we're seeing is that federal funding trends meant to support Canada's most important relationship, as stated by the Prime Minister—the relationship with first nations—and meant to move reconciliation forward are not always getting to the children and families who require those services.

While funding at the federal level is going to first nations and other governing bodies to do the work, which is largely on reserve and is deeply needed and supported, we're seeing the majority of indigenous children and families across Canada from coast to coast to coast living and accessing services off reserve. That's creating challenges for agencies that are operating in urban spaces that are trying to support the youngest, most rapidly growing and most diverse demographic in Canada, which is indigenous children and youth.

While these children and youth are continuing to face challenges that have been made much more acute by the pandemic and are again being made more challenging by the current economic space, agencies like Native Child are struggling. Understanding that all three levels of government have a responsibility to support indigenous children and that it's a collective responsibility to do that work, I'm here today to speak to some of the things that I think the federal government can do to get ahead of some of these challenges before they become acute and before they become drastically more expensive.

There are three really well-developed mechanisms right now that agencies across Canada can access to support indigenous children and families.

The first is Jordan's principle. That's a funding program that is meant to support indigenous children regardless of where they are. This is just to state that our access to that program really is leading to phenomenal outcomes and to say that the budget coming in 2024 should continue to invest in Jordan's principle so that first nations children can get access to the medical and mental health services they need.

The second program that's well developed is the urban indigenous peoples program, UPIP. That program historically has been quite underfunded, I'll say. The amount of money that's available for agencies working in urban spaces is quite small, given the magnitude of the challenges in front of us with respect to decolonization and reconciliation. We at Native Child encourage the committee to think about how that program could be expanded or invested in, in ways that continue to allow agencies like Native Child to expand the service delivery that we provide.

Finally, I think the most complex equation in front of us as a nation is the recent Canadian Human Rights Tribunal final settlement, which really is going to talk about how indigenous governing bodies begin to create their own legislation and change the way indigenous child and family services are delivered across the country. To date, that's been very distinctions-based. It's been led by the Assembly of First Nations and other parties to the settlement, but urban voices, which are actually providing the majority of the services, have not been included.

As an example, here in the province of Ontario, where a quarter of the children in Canada live, 85% of all investigations involving a first nations child that involve child protection are happening off reserve, and the majority of the funding right now federally is going to on-reserve services. That inequity creates challenges for urban agencies that are trying to get ahead of some of these challenges and support those kids.

Given the status of first nations children and the numerous challenges they face with respect to the history of colonization and current barriers, I think we have some work to do collectively to work across jurisdictions between the federal and provincial governments to ensure funding is available for agencies providing child and family services to indigenous children and families.

● (1140)

I will leave it there and thank the committee for the time. I look forward to any questions later.

Meegwetch.

The Chair: Thank you, Mr. Schiffer, and all the witnesses for those opening statements.

We will now move into our rounds of questions. In our first round, each party will have up to six minutes to ask questions of the witnesses.

Just for everyone's information, Madame Laflamme does have a hard stop at 12:25 p.m. She will have to leave at that time.

We will begin with the Conservatives.

MP Lawrence, you have six minutes, please.

Mr. Philip Lawrence: Thank you.

I have a quick bit of housekeeping. I'm wondering if the Governor of the Bank of Canada, Tiff Macklem, and the finance minister have accepted our quarterly invitation to appear, or if that's something we can follow up on. If you don't have an answer immediately, that's fine.

The Chair: I'll try to get an answer from the clerk.

Mr. Philip Lawrence: That's fine, Mr. Chair.

For their service on the finance committee, I'd like to thank Sophie Chatel, Heath MacDonald and former parliamentary secretary and now cabinet minister Terry Beech. Congratulations to Terry.

I'd also like to give a big welcome to Joanne Thompson, Patrick Weiler and Rachel Bendayan. I'm looking forward to working with you all.

Thank you, *merci* and *meegwetch* to everyone for coming today. You're great panellists.

My questions will focus on Mr. Rabidoux in my five minutes, or whatever is left, but please don't take that as any sign of disrespect. I'm sure you all have valuable contributions to make.

Mr. Rabidoux, you commented with some level of detail on the Canadian housing situation, in particular on how dire the situation is in terms of the doubling of mortgage and rental costs and the inability of Canadians to obtain reasonable housing. I'm wondering if you might be able to start our questions and answers by talking, as briefly as you can, about the current landscape and what you see coming in the Canadian housing market in the next six to 12 months.

Mr. Ben Rabidoux: Certainly. I'll try to be brief.

The current affordability dynamics will exert downward pressure on demand. I expect that we will see prices grind lower over the next six to eight months. Inventory is still remarkably low. There's not a lot to buy out there.

The concern looking beyond this immediate year or two, when interest rates will pressure affordability, is that we're starting to see a steep drop-off in investment in new housing, which is partly a function of higher rates. The concern is that on the other side of this housing demand trough, we may be facing a severe supply crunch and very quickly reverting back to the supply crises we've had in the past. We're currently in a trough. We may very well be heading for a severely stressed market going forward.

Mr. Philip Lawrence: One issue you've written and talked about in the past is static variable mortgages. Those are mortgages that are variable, meaning that the amount of interest being owed continues to increase as interest rates have been increased, but the actual payment stays the same. How the banks accomplish that is that they push out the amortization. However, the challenge is that when they renew, as they will in 2024 and 2025, it has to revert back, as I understand it, to the original amortization, pushing up the amount the individual will have to pay and owe.

Perhaps you could talk a little bit about that and about the issues that could cause for Canadians.

● (1145)

Mr. Ben Rabidoux: You've got the dynamic exactly right. The idea is that we hold payments constant, extend the amortization, and today we have a number of banks that have up to 20% of their mortgage book that is negatively amortizing.

The Bank of Canada has done good work on this. They found that if we roll the clock forward to 2024-25 and we look at rates where they are currently, a number of households will be facing 40% to 50% payment increases. That will just be unmanageable for some cohorts.

I'll stop there.

Mr. Philip Lawrence: Thank you, Mr. Rabidoux. I really appreciate that.

Today, I believe, the government five-year bonds hit a 15-year high at 4.278%. Can you talk about the impact that will have on the mortgage market?

Mr. Ben Rabidoux: Mortgage rates broadly have been more or less stable over the last three or four weeks. They'll start to trend up based on the pricing of the bond markets. We should expect by this time next week that fixed mortgage rates will probably be 20 basis points, or 0.2%, higher.

As to what that means for affordability, we're already at near-record levels of unaffordability. I don't know the exact number, but it will probably add another $100 a month onto the monthly mortgage payment a buyer would need in order to buy into this market on the average-priced home.

Mr. Philip Lawrence: Thank you.

You've also talked in the past about some of the potential consequences, which could be mortgage defaults, going forward. We saw from the time that the finance minister pronounced that they had won the battle with inflation that it actually increased by 43%. Of course, if inflation continues to go up, the Bank of Canada may be forced to increase interest rates, which will drive up mortgage costs.

With the static mortgages, the potential increase in interest rates, the overall increasing of inflation and the cost and the lack of supply coming onto the market, with the increased demand that you've talked about, could you see perhaps a scenario in which mortgage defaults increased dramatically in the next, say, 12 to 24 months?

Mr. Ben Rabidoux: Yes, I think it's very likely that they'll probably more than double.

For context, we're starting from an extremely low base. We have 15 basis points of delinquencies, which is pretty much an all-time low. They will go up. Partly it's been masked by pandemic savings and by some of the dynamics within the mortgage market, such as the static payment variable that has shielded Canadians from some of the impact of higher rates, but I think they'll likely double. Now, that sounds dramatic, but that still leaves us roughly in line with long-term norms. I'll stop there.

It could be much worse if we get an economic downturn. What I said assumes that the economy holds relatively constant.

Mr. Philip Lawrence: Yes. Unemployment is a big key to that as well.

Briefly, because I have only 20 or so seconds left, our leader Pierre Poilievre has announced a series of potential initiatives that would increase the amount of supply. To my mind, increasing the amount of supply is the key issue in the long term to solving this issue. Would you agree or not?

Mr. Ben Rabidoux: I agree. I think anything that incentivizes the municipalities to get on board and say no to Nimbyism is welcome. There are certainly demands that I imagine we need to explore, but I'll leave that for another time.

The Chair: Thank you.

Thank you, MP Lawrence.

Now we go to MP Dzerowicz for six minutes.

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

I just want to say that it's great to see all my colleagues—all the returning ones and some of our new ones. I very much look forward to a productive session in which we're working on the issues that are important to Canadians.

I want to say a huge thanks to all the presenters. They were outstanding presentations. Thank you so much for beginning our pre-budget consultations today.

My first question, very quickly, is for Mr. Schiffer.

Mr. Schiffer, I'm really glad you presented to us today. Thank you so much for the work you do. I have felt, being on finance for a number of years, that the voices of urban indigenous leaders have been missing from the finance committee, so I'm glad you have joined us.

I just want to be clear on your recommendation. It seems what you've indicated is that there's a lot of great federal funding that is going to children but that it's on reserve, that we are missing a little bit in terms of the voice of urban aboriginal children's supporters at the table and that there's a need for us to maybe redistribute the dollars a little bit better.

Could you maybe clarify for the committee what percentage of on-reserve versus off-reserve children there are? Is it 50-50? Then, could you give us your specific recommendation?

I'll have to cut you off after a minute, because I have a few more questions for Mr. Brosseau and Mr. Letko.

● (1150)

Dr. Jeffrey Schiffer: Thank you.

We do see variation across Canada, but we can say that within every province and territory the majority of indigenous people are living off reserve. It's above 50%. In Ontario it's a little bit higher.

The other thing that I think is really important to note is that while many indigenous people are living on reserve, reserve communities don't often have all of the programs and the services they may require. We see a lot of indigenous people who live on reserve leaving the reserve to access those programs and services. Many of the people we're providing services to in the city of Toronto live here, and many don't. Many who are coming to access programs and services don't, so the on-reserve/off-reserve dichotomy is really not an effective one. It doesn't take into account the demographic shifts of where people live or how people are moving across those jurisdictions to access the programs and services they need.

A big gap is understanding how much of the service provision is actually occurring off reserve and the role of the federal government in funding those services.

Ms. Julie Dzerowicz: I think your recommendation, if I understood clearly, is that we already have three very well-developed programs and we should just better distribute the funds both on reserve and off reserve, depending on where the children are.

Dr. Jeffrey Schiffer: Yes, 100%, it can be a lot more work to create new mechanisms. Why reinvent the wheel when we already have it? I think we should pour more funding into those mechanisms, ensure that urban agencies have access and really look at some of the eligibility requirements around who counts as indigenous in terms of accessing that funding. I can leave an explanation around that for another time.

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

Mr. Brosseau and Mr. Letko, that was very disturbing information, but it's needed. It was necessary for us to hear that in 1990, 80% of pension investments were in Canada and now we're down to about 4%.

As someone who deals with a lot of innovators, we have a lot of great money to invest in new companies and new entrepreneurs. However, a lot more investment is needed in the second, third and fourth stages. There's a great need for funding of Canadian innovation and the Canadian economy.

My first question to you is how does the 4% compare to the situation in other G7 and OECD comparable countries? That's just so we get an idea about what typically happens with pension funds in other countries. Then, could you be a little more specific about your recommendation on how we can change that? I know you indicated that there is a mixture of policy and regulations, but can you be a little bit more specific on what your recommendation might be for our committee?

Mr. Daniel Brosseau: Canada distinguishes itself on being the developed country that invests the least in its own economy. Canada would be.... Let's say I take this 10% number. In Australia, for example, which would be a comparable country, it would be close to 50%. In the United States, which is one of the most developed successful economies, it's around 75%. We are very well below.

With regard to innovation and things like that, yes, we are a very innovative country, and it's well documented in things like this, but for every dollar we spend in R and D in Canada, Israel spends two dollars. Israel is a smaller economy. For every dollar we spend in Canada, the U.S. spends $40.

We are innovating in things like this, but we could do a lot more. With regard to potential solutions and things like this, I think we.... The last time I appeared in front of this committee was 40 years ago. Yes, it was 40 years ago. I was presenting in the name of the Canadian National Railways pension fund, where I worked at that time. The argument we were putting forth was that the10% limit on foreign investments by pension funds should be removed. Now I'm here arguing a bit the reverse of that.

Voices: Oh, oh!

Mr. Daniel Brosseau: That's how life goes. It's not my fault.

The solutions at that time were very stipulative. You had to do this. You had to do that. They were things like this. Now we're in a much more fluid world. I don't think we should go back to the strict stipulations.

One way of doing that—and I think it can all be done by regulations—is to introduce a concept of reserves. If you invest in an Indonesian bank, it's more risky—

The Chair: You'll have to wrap up, Mr. Brosseau.

Mr. Daniel Brosseau: Okay.

Basically, it's a system of reserves. I can go into more detail in our documents and things like that.

The Chair: I'm sure there will be more time for questions later.

Thank you, Ms. Dzerowicz.

Now we're going to MP Ste-Marie, please.

● (1155)

[*Translation*]

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

Greetings to all my colleagues. I'm happy to see them again. I'll echo Mr. Lawrence and Ms. Dzerowicz in greeting those colleagues who are present, thanking those who've left us and welcoming newcomers. I especially want to salute the new parliamentary secretary, Ms. Bendayan.

Ms. Bendayan, congratulations on your new duties.

My questions are for Ms. Véronique Laflamme, from FRAPRU. In passing, Mr. Chair, I congratulate you for saying FRAPRU's full name in French.

Ms. Laflamme, first, did you have time to complete your remarks? If not, would you like to do so?

Ms. Véronique Laflamme: Good day, Mr. Ste-Marie.

I think it was a little obvious, but I didn't have time to read our recommendations to the Standing Committee on Finance for the next budget.

First, we ask the committee to urge the government to reallocate, as requested by many of the organizations I mentioned earlier, all the funds for affordability under the National Housing Strategy in order to significantly increase non-profit social housing in Quebec and Canada.

This can only happen through comprehensive and recurring programs dedicated to the various types of social housing, whether housing co-ops, public housing managed in Quebec through municipal housing boards, or non-profit housing associations. Those three types of social housing respond to a variety of needs, including urban Indigenous, seniors, youth, families, female victims of domestic violence and individuals experiencing homelessness, to name just a few. Furthermore, funds need to be transferred to the provinces that already have such programs.

Next, new, predictable and recurring funding for the Rapid Housing Initiative must be made available immediately. Over the last few months, this program has allowed for the construction of social housing projects to meet urgent needs. Obviously, this initiative should also be expanded if it remains the only program to fund not-for-profit social housing, since, at present, it is reserved for households in extreme poverty. It is good, but we also need programs for low- or modest-income renters who don't necessarily have specific needs and aren't living on the streets, but who might wind up there if they don't get help quickly.

Additionally, a rental building acquisition and renovation program for social housing is needed, but with sufficient subsidies to guarantee the tenants' return to and occupancy of the premises. We are not asking for a federal fund, because we don't know how it would be managed across the country. So we're asking for a specific program with long-term commitments, with the funds to be transferred to the provinces that choose to create their own such program.

In conclusion, we need policies that support the implementation of the right to housing, which Canada committed to and recognized in legislation in 2019. It will take significant measures to achieve that goal; one-time cheques do not serve that objective, any more than financial measures targeting private sector investments do.

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

As was the case during your last visit, I would like you to explain to us once again the difference between "affordable housing", the term in the budget, and "social housing", which you talked about and which some programs cover.

Why is social housing the most important to support?

Ms. Véronique Laflamme: Thank you for the question. It's important.

"Affordable housing" is an elastic concept. When you look at the Canada Mortgage and Housing Corporation's definition of affordability, it's when you don't spend more than 30% of your income on housing. Different federal programs define affordability in different ways. A federal initiative even bases affordability on the income of all households, not just tenants. With this initiative, we funded housing units in the Montreal region that cost more than $2,250 a month. Affordability is unfortunately far too elastic and does not allow for a clear expression of what we are talking about. What we're talking about is social housing outside of the private market.

In Canada, in the past, what has been funded as social housing is public housing, low-income housing intended for low-income households, meaning people whose income falls below the cap on core needs, which is published annually. These are public services where there are, in general, unionized public servants and where households on the waiting list are answered without discrimination. Unfortunately, the waiting lists are very long.

What's more, there are housing cooperatives, which meet the needs of a mix of populations, both those with modest incomes and those with low incomes, and ultimately enable tenants to also own collectively, which gives them greater control over their living environment. There are also non-profit housing organizations; that formula is a little more flexible and the composition of boards of directors is different, but they are non-profit.

So that's what social housing means. This is non-private market housing where there is no profit motive, where there is a social mission and where affordability is sustainable. In fact, it is perpetual, if we properly protect these groups, as the act does in Quebec. In the past, co-ops and non-profit housing organizations have been protected from resale. Because they have long-term agreements, generally speaking, that protects affordability over time.

● (1200)

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

I will try to ask you more questions in the next round.

[*English*]

The Chair: Thank you, MP Ste-Marie.

Madame Laflamme, I do understand now that you are able to be here for the whole meeting. That's great.

Now we will go to MP Blaikie for six minutes.

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

I'll take my turn at welcoming the new members of the committee and saying hello to the returning members. I'll also thank previous members of the committee who are no longer at the table for their work.

This week we've seen a couple of announcements from various parties on the question of housing, but I would put to our witnesses that what those proposals share—whether it's the Liberal proposal on GST or whether it's Mr. Poilievre's bill on housing—is that they're both market-based measures.

I'll start with Ms. Bruske from the CLC.

In your opinion, do you think that market-based initiatives alone are going to solve the housing crisis, or do you think it's important that the federal government also implicate itself very seriously in a number of ways in developing non-market housing, whether it be through the co-operative movement, the non-profit movement or government-built housing?

Ms. Bea Bruske: We certainly believe that market-based housing has created some of the challenges and issues that we're facing currently. We believe that there is a very important role that the federal government needs to play in terms of becoming involved in the housing market, in terms of funding new opportunities and in terms of funding social housing.

The funds that we're looking for are really to make sure that there's an establishment of that opportunity for the federal government to play a more significant role. The expansion of the government role and the public ownership is absolutely critical if we want to solve the housing problems right across this country. We hear it every single day from workers right across this country, who are priced out of the housing market, whether it's due to renovictions or rental prices going up. We hear it constantly. We hear from workers working full-time jobs, having more than one working person in the household, who still not able to find affordable housing that meets their needs.

Our federal government absolutely has a critical role to play.

Mr. Daniel Blaikie: Thank you very much for that.

[*Translation*]

Ms. Laflamme, you talked a bit about this already, but I would like to ask you once again whether, in a strategy to end the housing crisis, it's appropriate to adopt only market measures, or whether it's necessary to focus on the non-profit sector, cooperatives, and even the government, to succeed in building social and affordable housing.

Ms. Véronique Laflamme: We agree with the previous witness. Market-based solutions have been favoured by the federal government for over 25 years, since it withdrew from direct funding of social housing. The housing and homelessness crises, felt from coast to coast in Canada, are partly due to the federal government's abandonment of the social housing sector.

As I mentioned earlier, when tenants who are undergoing a separation, women who are victims of domestic violence or people who can no longer make ends meet due to the high cost of housing have to leave their homes following an eviction, for example, they no longer have a social safety net. There's no housing for them. This is one of the reasons for the rise in visible and invisible homelessness. So we need to get back to structural solutions, for which we have an assurance of sustainability and an assurance that we're going to meet the most urgent needs.

As for market-based solutions, we don't believe flooding the market with new private housing is going to solve the affordability problem. We won't see a drop in prices. We need to intervene to flood the market with nonprofit housing, which will help reduce pressure and, at the very least, curb this inflationary trend.

● (1205)

Mr. Daniel Blaikie: Thank you very much.

[*English*]

Ms. Bruske, advocates for pharmacare certainly emphasize the benefits to human health and the health of Canadians and also some very real financial benefits. I wonder if you could speak about the importance of the single-payer model in realizing those financial benefits.

Ms. Bea Bruske: I'm sorry. Was that directed as me? I didn't hear the introductory part.

Certainly we believe very strongly that a single-payer pharmacare system is what is needed in Canada, and we hear from workers daily that they are falling through the cracks in not being able to access the medicines they need.

It is critical that we provide the same level of coverage right across this country, regardless of what sector or what geographical location people are in. This is because we know that a single-payer pharmacare system also means a decrease in the cost to provide that kind of service to all Canadians. We know, based on the Hoskins report, that tangible savings can be seen not just for individuals, but also for employers and businesses right across this country.

It is critical that every Canadian be able to access the medicines that they need so that they don't end up in doctors' offices and they don't end up in emergency rooms, and the only way to do that is to actually implement a full single-payer pharmacare system right across this country.

Mr. Daniel Blaikie: Thank you very much.

Apparently I'm out of time. Okay. It's for the next round.

The Chair: Thank you, MP Blaikie.

For the second round—that's what we're moving into—we are starting with the Conservatives. Timings are a little different in this round, just for the witnesses' knowledge. It will be five minutes for MP Morantz.

Mr. Marty Morantz (Charleswood—St. James—Assiniboia—Headingley, CPC): Dr. Lee, thank you for being here. I wanted to ask you about the recent calling in of the grocery executives to Ottawa to dress them down for their so-called obscene, gross profiteering during the pandemic.

I would have loved to have been a fly in the wall for that meeting, but I'm pretty sure that when they showed up, they would have said something like, “Well, our margins are between 2% and 4%. Really, the problem has to do with the supply chain, and there are all kinds of reasons for that.”

One of the things that concern me, though, is that the Prime Minister has said over and over, as recently as yesterday in question period, that if they didn't lower their prices, he would hit them with a punitive tax of some sort. I'm wondering if I could get your thoughts on the idea of a tax. I'm not sure how a tax on grocers makes groceries more affordable for consumers.

Also, I'd like your thoughts on this idea that the government would publicly decide to use a tax as a punitive measure to punish a business because the business isn't doing exactly what the government wanted it to do, and what that says about our society.

Dr. Ian Lee: Thank you.

I'm sure you all know taxation has been studied by scholars and practitioners going back literally into the Middle Ages and going back to the government of England. It was the original instrument of government policies long before other, more sophisticated instruments came along.

Nobel prizes have been given in this subject. I'm going to summarize really quickly, and I think I'm fairly conveying the consensus of research in thousands of books and articles and so forth.

A tax increase is contractionary because, like interest rate increases, it takes money out of your pocket. A tax is defined as a “compulsory payment to government”. That's the OECD definition. Taxes raise costs. They don't reduce costs.

It doesn't matter what the motive is. We won't get into motive, whether it's because we're trying to reduce the use of carbon or we have some other alcohol taxes because we want to discourage alcohol. It doesn't matter what the reason is; when you put a tax increase through, it raises prices, and when you put a tax cut through, you cut prices.

In fact, I agree with Mr. Rabidoux about the tax cut for rental housing. That's going to be a game-changer for rental properties because it's going to reduce prices. It's not going to increase prices; it's going to reduce them, because they're reducing the tax. If such a tax was imposed on food prices in Canada, *ceteris paribus*, it would raise the price of food. The research, the literature and the empirical data on this are so crystal clear. I just can't explain it.

● (1210)

Mr. Marty Morantz: Could you touch on this idea of using it as a punitive measure, because that's sure what it sounds like? It sounds like a threat.

Is that appropriate for a government to be doing in Canada?

Dr. Ian Lee: Let me go more to a big picture, because I'm worried about this, as I've already mentioned in my opening comments. Nobody is talking about it in this country hardly at all, except David Dodge, I think, and a few other people like that.

We are seeing a decline in business capital expenditures. People's eyes glaze over and they say, “Capex, what's that?”

Philip Cross, a very senior distinguished economist for 35 years with StatsCan, came to my class just before the pandemic, and he put it really nicely. I've been using it in my class ever since: If you want to know what any economy in the world is going to look like in three, four or five years, look at total aggregate business investment today; if it's going down, your economy is going to look pretty shabby in three, four or five years.

Why? It's because business capital investment is the plant and equipment and the machinery that produces the growth, the revenues and the sales of every business in the economy. It is not just another investment; it is absolutely crucial to the prosperity and the standard of living of any country, anywhere—and our business capital investment is going down.

Now, to your question, if we start threatening companies, it doesn't matter what the motive or the reason is. We can have the best motives of all, but the road to hell is paved with good intentions. My point is that all we're doing is putting a target on us by saying, “Foreign capital or FDI, whether it's foreign direct investment around the world or domestic capital, we're not very friendly to you.” We're putting a target on us and saying: “Don't invest here. The United States is much more friendly and Europe is more friendly. Go there. Don't come here.” That's the last message on earth that we want to send to investment, because investment is mobile. We cannot compel investors with money to invest in Canada. They have choices.

That's my reaction to that.

Mr. Marty Morantz: Is that it, Mr. Chair? I have so many more questions. Just two more minutes...?

Voices: Oh, oh!

The Chair: You'll have more time, MP Morantz.

We'll go to MP Baker for five minutes.

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

I'd like to come back to Mr. Brosseau.

Mr. Brosseau, did you want to add anything at all to that discussion that was just happening? If not, I have some questions for Mr. Lee to follow up on your testimony.

Mr. Daniel Brosseau: I agree that investment is fundamental to the vibrancy of the country. Canadian pension funds leaving Canada is not a good sign. It's bad.

Mr. Yvan Baker: Okay.

Mr. Peter Letko (Senior Vice-President, Letko, Brosseau & Associates Inc.): Could I add something to this?

Mr. Yvan Baker: Sure.

Mr. Peter Letko: It's really important to understand what pool of capital is available here in Canada and who controls it. You have banks that have about 36% of financial savings, pension funds with about the same amount and insurance companies with about 27%. They each have different strategies that reflect the nature of their liabilities.

For banks, if you got your salary last week, you go to the bank and you go to the automatic teller and take your money out almost immediately. Banks have a very short investment horizon, so they tend to invest in short-term loans.

In the insurance industry, it's a longer-term liability, but it can be calculated out and it's quite structured. What insurance companies do is buy bonds of various durations over time.

Pension funds have capital available for the very long term: It's very stable capital and it can withstand lots of volatility. It's perfect for investing in equity, ownership in businesses and taking risks.

What we try to illustrate here is that the money is not staying in Canada. We've had a huge shift away from Canada, whether it's in the public markets or even in private equities. It's not good. This is a serious issue.

You have a pension fund like the Ontario Teachers' plan, which has 0.1% invested in Canadian stocks. Now, think about this for a second. They represent the people. The beneficiaries there are the folks who are training the next generation of Canadians for productive employment, and they're not investing in this country.

That is a big problem. It has to be addressed. We have some ideas on how we can do that. It may involve a bit of detail, but perhaps I could just stop there.

● (1215)

Mr. Yvan Baker: That's very helpful.

I have a minute and a half left with the two of you. I'll go with Mr. Brosseau, and Mr. Letko, if you'd like to answer, it's up to you.

You were talking to my colleague Ms. Dzerowicz about how you would go about ensuring that pension funds were invested here. You were talking about a reserve system. In 60 seconds, could you describe to us what that would look like?

Mr. Daniel Brosseau: Probably not.

Voices: Oh, oh!

The Chair: Do your best.

Mr. Daniel Brosseau: Okay.

If you have $100 to invest, do you invest it in Canada? You're not looking at your liabilities. You're either in solvency or a going concern. They are what they are. You look at your assets. With $100 invested in a Canadian company, your assets are valued at $100. For $100 invested in an Indonesian bank, you cut it to $80. The other $20 is a reserve. You still make the money on the $20, but you're only credited for $80.

The sponsor will say, “Do I really want to put up an extra $20 when I could get the same credit if I invested it in Canada?” The tendency would be to say, “No, I don't want to put up extra dollars.” That's basically the reserve system. For things that you want to discourage, you ask them to set aside reserves, and when you calculate the assets, you discount these reserves. That's all. It's very simple. You can do that by regulation.

Mr. Yvan Baker: That was excellent and it was very helpful. That was 60 seconds, so it can be done. Thank you.

If I may, colleagues—I apologize to the witnesses here—I would like to briefly take my last minute, Mr. Chair, to give a notice of motion. I don't plan to move it today and I can't, but I would like to give colleagues advance notice. I will read it now into the record, and we will email this to the clerk as well so that all members have a copy.

The motion is:

> That the committee undertake a study of the current state of Canadian pension funds and the plans' investments of Canadians' retirement savings abroad; that as part of this study, the committee study the drivers of greater investment allocations outside of Canada, assess the associated economic impacts to Canada's economy, and consider the merits of increasing Canadian domestic allocation; that the list of witnesses include executives of Canada's federally regulated pension plans, experts and academics to testify; that the committee hold no fewer than two meetings on this subject.

The Chair: Thank you, MP Baker. That is the time.

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

[*Translation*]

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

There are many interesting topics for us to consider. As the Chair said, I have two and a half minutes for this round. I have further questions for Ms. Laflamme.

You said that in the very short term, possibly as soon as the fall economic update, there should be new predictable and ongoing funding for the Rapid Housing Initiative, RHI.

Could you please reiterate why this measure is so important, in the very short term?

Ms. Véronique Laflamme: Thank you very much for the question.

Let's recall that this initiative was set up in the fall of 2020, during the pandemic. Initially, it was not part of the National Housing Strategy initiatives and funding. The initiative was divided into three phases. In Quebec, in particular, this has allowed social housing projects led, for example, by non-profit housing organizations to come to fruition quickly. So it's a decisive factor in a context where social housing projects are urgently needed.

We do think that the federal government should provide subsidies for tenant assistance and community support. At present, agreements have to be reached with the Quebec government to fund these subsidies for social housing projects. As Ottawa has done in the past, we should also provide funding for this financial assistance to low-income tenants, because rents may continue to be too high for them.

We therefore urge the government to plan a new phase of this initiative so that projects can get underway quickly.

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

You also mentioned the time lags between voting in funding for programs and transferring it, for example, to Quebec City.

Can you tell us more about that?

● (1220)

Ms. Véronique Laflamme: Yes.

Recently, that's made headlines in Quebec. I'm thinking in particular of the $900 million from the Housing Accelerator Fund, which mayors discussed at the end of the Homelessness Summit. It takes a long time. It can take up to three years for an agreement to be signed with Quebec following a federal announcement. That was the case for the first, second and third phases of the Rapid Housing Initiative. So we need to find a way to get the money flowing more quickly. We think this would be possible if programs targeted social housing and gave provinces with social housing programs the right to opt out with compensation. That would be one approach.

Another approach, in the very short term, would be to inject new funding into the contributions component of the National Housing Co-Investment Fund. This component enables projects to be unlocked and financial packages to be completed, as I mentioned. We're not ardent defenders of this fund, but technical resource groups in Quebec tell us that new funding would be very useful, pending other, more comprehensive federal announcements on social housing.

[*English*]

The Chair: Thank you, MP Ste-Marie.

Now we go to MP Blaikie for two and a half minutes.

Mr. Daniel Blaikie: Thank you very much.

Mr. Rabidoux, earlier you said you had some ideas on the demand side. We have talked today about the supply side issues in respect to the housing crisis. I was curious to hear some of your thoughts on what can be done on the demand side.

Mr. Ben Rabidoux: Yes, certainly.

Look, I think it's important to recognize that there are no silver bullets. There's no simple solution. It's going to be a number of small, incremental policies that can move the needle, but there's certainly some low-hanging fruit there.

I would say that the move towards a national beneficial ownership registry is a welcome move, and there's no reason to delay that. It's understood that we have a problem. We have a fairly porous border as it relates to international capital. We don't want to be a welcoming jurisdiction for anyone globally to park money here. We need to know who's owning these properties. Frankly, the creation of that registry would dissuade a lot of that capital flow. That's one.

The other thing I would suggest is that we look at a scaled down payment model for multiple properties. Right now, if you buy a second property in Canada, you need to put 20% down at a minimum. There's no reason it couldn't be 35% for the third one and 50% for the fourth one. We'd just scale up, because ultimately what we have right now is that people who are already in the market have access to housing equity, and that becomes the source down payment for multiple property acquisitions. It's very difficult for newcomers who are trying to get into the market. That's another.

The third I would point to is that we have a problem with mortgage fraud in Canada. I would encourage all the members to look at the CBC documentary from last year related to this. It's well known within the industry.

There is a simple, elegant solution here. Mortgage Professionals Canada has advocated for it in their submission. It's just to streamline direct income verification between lenders and the CRA. It's just a simple yes/no verifying of line 15000 on the notice of assessment. It's been live in the U.S. for 20 years. There's no reason we can't verify income directly from CRA. The mortgage industry is begging for it. When an industry's begging for regulation to weed out bad actors, we should listen to them.

Those are three off of the top of my head. We could go on, but I could follow up off-line.

Mr. Daniel Blaikie: Okay.

Are there any quick thoughts on the role of short-term rentals in the demand side equation of the housing crisis?

Mr. Ben Rabidoux: Yes, that's another one that I think is worth looking at.

Again, look, short-term rentals have been a part of the Canadian landscape in particular regions that tend to skew towards cottage and recreational properties. I don't fundamentally have an issue there.

I worry about the impact that it's having in some of the major metros, because the economics on short-term rentals are such that for many people you can make more renting short term than you can renting long term, so we have seen a flight out of that.

Now, I'm not against any bans that we've seen in cities. I think some of that makes sense. Part of the issue is that we have a broken landlord-tenant system—and I'm focusing specifically on Ontario right now—such that it is very difficult to get anything done both for protection of renters and for protection of landlords. We often miss that, because it's often so punitive towards landlords who try to get non-paying tenants out, as an example, that it encourages people to move into the short-term rental market.

There are multiple issues to look at within that dynamic.

The Chair: Thank you for that. Thank you, MP Blaikie.

Now we'll go to MP Chambers for five minutes.

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

It's a great discussion today. It's nice when we've had a bit of consistency in theme, but also, I think, we've had the opportunity for all of our witnesses to present.

I wanted to follow up on my colleague Mr. Blaikie's conversation with Mr. Rabidoux.

On the mortgage fraud issue, would it surprise you to understand that the CRA today is blocking third parties from verifying income when they already have consent from the borrower and a request from the lender to verify the income?

● (1225)

Mr. Ben Rabidoux: Yes, this is a frustration. I don't understand that.

I know the basic premise is that this is on privacy grounds, but that frankly does not make sense, because borrowers have already given the financial information to the lenders, and all that the lenders are looking for is a yes/no verification of the stated line 15000 income on the notice of assessment.

There is no privacy issue here. This is a pretty simple API that can be designed. We can debate the magnitude of the problem, but there's clearly a problem, and it's one that has a very simple solution. I don't understand why we're not pursuing that.

Mr. Adam Chambers: Thank you. That's very helpful. There was a small amendment to the budget bill last year, but it might have got mixed in with all of the other theatrics that were happening. I hope we can advance that issue over this fall and perhaps even into this year's budget.

Sticking with you for a second, we talked about short-term rentals. You talked about StatsCan. Does StatsCan have enough data or good data on the housing market with respect to how many people own 10 homes, how many people own three homes, how much investment activity there is and how much short-term rental activity there is in the market? Do we have the right data coming from StatsCan to allow us to make decent public policy decisions?

Mr. Ben Rabidoux: That's a great question.

Here I want to be careful not to criticize Statistics Canada. It does a great job with the resources that it is given. However, the reality is that when you look at the data availability in the United States, it's just an order of magnitude more detailed. One of the reasons I have a job at all working with institutional investors is that navigating the Canadian data landscape is such a challenge and such a steep learning curve. It's not easy to find the data that we need. In many cases there are glaring data gaps.

I would certainly welcome any move to better fund Statistics Canada and give more direction around studying the issue of housing and making better data available to us.

Mr. Adam Chambers: Thank you.

Sticking with data, OSFI is still struggling to figure out how much activity in the real estate market is happening in the non-bank sector, or what we call the shadow banking sector. At the same time, OSFI is actually reviewing some of those regulations with respect to stress tests, which—as an unintended consequence, perhaps—are pushing more people into the shadow banking sector.

In your opinion, if there will be challenges in the mortgage market space, are they likely to emanate from the shadow banking sector or from the highly regulated sector that OSFI is turning the screws on?

Mr. Ben Rabidoux: This is a big discussion. I'll try to make it really simple.

For the members that maybe haven't looked at this dynamic, in Canada we have a fairly vibrant private lending market. By and large, these are one-year mortgages. They are very short-term mortgages with high interest rates, typically to borrowers who do not qualify at traditional lending institutions.

There are two problems. One is the ultra-short-term nature of these loans. The second is that the funding behind them is often very flighty. It's often coming from retail investors. Many times they're leveraging a home equity line of credit to lend privately and pocket the difference.

There are some concerning dynamics there, and I do worry that we may see a bit of a liquidity issue there. That's where I'm looking first, and then we'll see where it goes.

Mr. Adam Chambers: Thank you.

Mr. Ben Rabidoux: I'm sorry, Mr. Chambers. I saw you. Were you waving at me there?

Mr. Adam Chambers: No, that was good. I was just checking my time. Thank you very much.

Mr. Ben Rabidoux: I cut that answer short, but I can elaborate if you want. I thought you were waving me off.

Mr. Adam Chambers: It's all good. Thank you. I may not have time for another question, but perhaps I can make an observation.

Pension funds aren't investing in Canada, perhaps because the opportunities to invest in Canada are very low. I'll just try to bring a couple of things together. We talk about a potential grocery tax. We talk about a bank tax, which is unlikely to bring down prices for consumers. Also, I was sent some information from a bank's energy investment department that said that 80% of the investments that it's made in the green energy space have actually gone to the United States. It's not for lack of capital; it's for lack of projects and a welcoming investment climate.

I will use my time up with that statement. However, hopefully one of my colleagues will follow up and let you respond accordingly.

Thank you.

The Chair: Thank you, MP Chambers.

Now we'll go to MP Thompson.

● (1230)

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

I have to begin by saying how pleased I am to be here. It's been a little bit of a quick study because I received notice late yesterday, but I am delighted to have the opportunity to speak to the witnesses today. Coming from the east coast and St. John's, I would like to say that I'm very pleased with the clean energy projects on the east coast and certainly in Atlantic Canada. I'm quite optimistic that indeed there is local investment, and we are leading the way for the country.

Could I go back to something you said earlier, Mr. Letko, and ask if you could elaborate, please, on the very complex reasons that the pensions are not being invested in Canada? I was reading some of this earlier this morning. Could you elaborate on that, please?

Mr. Peter Letko: Well, I think that what has been happening in the marketplace is that there's been a wave in the investment field towards indexation. Daniel often refers to it as the zebra mentality. People just want to have a portfolio that doesn't deviate too much from averages, and this has had a big influence on our industry. Canada is about 3% of the global markets in the Morgan Stanley World Index. This has encouraged many investors to think, “Look, I don't want to be caught way offside and have 10% or 20% in Canada.” The question is whether this level of investment is really adequate. We don't think so. In fact, as Daniel pointed out, it's been quite harmful and has reduced activity.

In the end, this is about jobs. Now, people may not be very sympathetic to whether the head trader at the Royal Bank of Canada is getting paid well, because he probably is. However, it begins there. The investment activity begins through the trading desks. Then it has impacts on financing, law firm activity and accounting. It just radiates through the economy.

I don't know whether that answers your question about why that is happening.

Ms. Joanne Thompson: Please go ahead, Mr. Brosseau.

Mr. Daniel Brosseau: Just on this indexing, 3% is correct. That is what's being used by the international actuaries to say what a diversified global market is. The problem with this is that it means that if you're a small country, you shouldn't invest in yourself. If you're a big country, you should. If you're the U.S., oh, yes, you should put all your money there, and in fact all the world should be putting their money into the U.S.; nobody should be putting any money into Canada.

It's a logic that makes absolutely no sense.

Ms. Joanne Thompson: What kinds of policy changes can we make to try to shift this?

Mr. Daniel Brosseau: As I think we outlined here, it can be done through regulation. We can incentivize certain behaviours and disincentivize other behaviours by this reserve system. It's quite simple. It's quite analogous to what's being done in the banking industry and in the insurance industry. There are precedents for this.

Ms. Joanne Thompson: Is there a global trend away from pension plans in terms of generational shifts? Are we seeing less investment in pension plans? I'm looking at this in terms of stability going forward. We know that there are strong reserves in pension programs now, but is investment in pensions continuing in workplaces, or are there alternative investments that younger workers in particular are making?

Mr. Daniel Brosseau: There's been a really large shift in the coverage of people by pension plans in the private sector. In the public sector, there's definitely a big increase, but in the private sector, there's a big decrease. It has a lot to do with the way the regulations have changed to shorten the investment horizon of the valuation of these funds.

Shortening the investment horizon, as has been done through actuarial valuations and things like this, has synched it with the business cycle. When the business cycle turns down, what happens? Interest rates go down. The bank reduces them to get the economy going again. What happens then is that the liabilities go up because the interest rates are used to value the liabilities. On the other hand, there's economic difficulty, so the assets go down. All of a sudden, you go through a business cycle and you have an increase in your liabilities, a decrease in your assets and a lot of stress. That stress requires you to put money into your fund. At a time when your business is not doing so well, you'll say, “Well, why am I going to do that?” The consequence is that all the businesses will say that they don't want anything to do with this.

I made a reference to 40 years ago. It used to be that we'd be able to amortize the assets over 25 years. We used to be able to make up the difference over 25 years. It was all smoothed out, which is also what we have to go back to.

● (1235)

The Chair: Thank you, MP Thompson.

We will now move on to the third round.

We have MP Morantz for five minutes.

Mr. Marty Morantz: Thank you, Mr. Chair.

Professor Lee, there's one thing, or a number of things, actually, I want to ask you about. Speaking of 40 years ago, I remember the government program called MURB, the multi-unit residential buildings program. It allowed average investors who would take the risk of investing in the development of multi-unit residential buildings to take the depreciation of capital cost allowance and soft-cost expenses in the year of construction against their personal or professional income. My recollection is that the program was highly successful at getting hundreds of thousands of apartments built across the country.

Now, it was nice to see the Liberal government actually providing a tax concession to business people, finally. If we did that, they'd be accusing us of providing tax breaks to our wealthy business friends. I won't say that about them, but that's what they would say.

In any event, I'm curious to know what you think about an idea like that. What other types of measures or tools could be used within the Income Tax Act to incentivize the construction of residences?

Dr. Ian Lee: I do remember the MURBs, because I financed some way back when. This was in the late 1970s and early 1980s. I can't remember the details now at all, I assure you, but they were very popular and they were used widely. It shows that incentives work. When you provide incentives like that....

I think I agree with Ben. The fundamental problem we have—and others are saying it, including CMHC in their latest report—is that we need to build more homes, not only affordable housing in the subsidized market or whatever word you want to use, but also in the commercial market.

I want to follow up to make my response a little broader. If you look at the sheer magnitude and you accept CMHC's number for a shortfall of 3.5 million units by 2030, and I think most of us do, the idea that governments, plural, can handle the majority of that 3.5 million I just think is preposterous. There was an op-ed in the Globe just this week showing the sheer math involved. Just multiply.

What it means is that it is going to be fundamentally the private sector that's going to have to be involved, and I'm not talking about geared-to-income units. Subsidized housing, or whatever word we want to use, is the role of government. I'm sorry that I'm not using the proper terminology. However, the vast majority of housing that needs to be built is going to be done by the private sector, private banks and private capital, so we need to incentivize that. Whether they're high-rise condos or low-rise townhouses and garden homes, I'm not going to get into that. I'm just saying that the idea that governments—federal, provincial, municipal—are going to solve this and come up with 3 million or 3.5 million homes is mathematically and financially nonsensical—

Mr. Marty Morantz: Thank you very much, Professor Lee. I don't mean to cut you off, but I want to get Mr. Rabidoux to chime in on the same question while I have about a minute and a half left.

Mr. Ben Rabidoux: Thank you.

I think depreciated capital or accelerated depreciation in capital cost allowance is something that's certainly worth examining. The proof is in the pudding. It has worked in the past. There's no reason to think that it wouldn't work in the future. I'll refer the members to some of the work done by Mike Moffatt out of the University of Western Ontario, I believe, who has done some excellent work on this front.

Does that answer your question?

Mr. Marty Morantz: Yes. We will have a look at Mr. Moffatt's work. Thank you for that suggestion.

Professor Lee, there's just one other thing. We've heard John Manley talk about this recently, and it's something that's been on my mind quite a bit. I'll try to encapsulate it.

If we have government engaging in excessive deficit financing at the same time as the Bank of Canada is engaging in quantitative easing and increasing interest rates to try to rein in inflation, do you see the fiscal policy of this government and the monetary policy of the Bank of Canada working at cross-purposes to each other at this point?

● (1240)

Dr. Ian Lee: Yes, I do, and so do many people. I mean, deficits are by definition stimulative, regardless of—again—the motive. It doesn't matter what you claim your motive is; deficits inject money into the economy.

There's a metaphor I like to use. I was a caregiver for my late remarkable mother, who lived on her own to 91. She drove until 88, when I took her car away because she used to drive down the side streets of Ottawa with—no exaggeration—one foot on the brake and one foot on the gas pedal. It used to confuse people behind her, believe me. They would see the car accelerating with the brake lights on.

Voices: Oh, oh!

Dr. Ian Lee: This is an excellent metaphor. Monetary and fiscal policy should be operating in concert.

When we go into a recession, if we stimulate through driving down interest rates and running up deficits, they're in concert, but right now we're trying to cool down the economy because the economy's too hot, as the governor has told us repeatedly in the monetary policy report.

What we're doing on the fiscal side is that we're counteracting, cancelling or partially cancelling or offsetting what the central bank is doing, so we should be sterilizing—that's the technical term—the deficit. It doesn't mean that we shouldn't be spending on pharmacare or whatever; it just means that any increases in our spending should be covered by an offsetting reduction somewhere else.

The Chair: Thank you, Mr. Lee, and thank you for that metaphor. The family stories are always welcome.

Thank you, MP Morantz.

We're moving to MP Weiler, please, for five minutes.

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

It's a pleasure to be joining this committee for the first time. Like Ms. Thompson, I just joined the committee—I just found out yesterday—so I'm quickly getting up to speed on matters, and we're already having a very interesting discussion today.

I want to pick up on part of the testimony from Mr. Rabidoux.

You mentioned a few of the demand side measures that you recommended the government take, and one of them was a registry for beneficial ownership. Of course, earlier this year, we passed legislation to have a beneficial ownership registry for companies that are incorporated under the Canada Business Corporations Act. It was set up in a way so that it could work very closely with provincial corporate registries, but what we're talking about here is real property, and in the province that I live in, in British Columbia, we brought in a beneficial ownership registry for real property as well.

I was hoping you might be able to expand a bit on how the federal government might be able to work closely with such registries where such matters are under provincial jurisdiction. How might that be able have an impact on the demand side and housing affordability as well?

Mr. Ben Rabidoux: Certainly. Thank you for the question.

As it relates to British Columbia, I'm a little concerned about the user-friendliness of that database. It's not easy to search.

Ultimately, the disincentive of a beneficial ownership registry is.... I'll use a cliché. Let's say that you are an international money launderer. You do not want to be within the purview of your local government or any jurisdiction, so any country that allows you to obscure ownership and creates a registry that's easily searchable and user-friendly, naturally, is a jurisdiction that is not particularly welcoming for you. British Columbia has made a step in the right direction. It would be nice to see it open that up and make it a little more user-friendly and searchable.

I'm not sure that I have a detailed answer for your specific question. I don't claim to know the inner workings of those various systems. I would certainly expect this to be a matter of great interest, particularly in the more affordability-challenged provinces such as British Columbia and Ontario, so I don't know why you wouldn't get a buy-in from the provinces.

With regard to the specific intricacies, I'm probably not the person to answer directly.

Mr. Patrick Weiler: Thank you very much.

I'd also like to pick up on a bit of what Mr. Brosseau and Mr. Letko were talking about with respect to pension investment in Canada and, really, the lack thereof.

I'm wondering if you could point to other countries that have been able to address this problem and what we might be able to learn from those international comparatives.

● (1245)

Mr. Daniel Brosseau: Canada is very particular. Other countries have not had to address it to the extent that Canada has.

As I said earlier, domestic equity exposure as a percentage of overall equity exposure in Canada is the lowest compared to anywhere else in the world. Australia's is about 50% and the U.S. is at about 80%, so this is a Canadian problem. We're the first. We'd better be the first to solve it, too.

Mr. Patrick Weiler: That's great.

Mr. Peter Letko: I would add that there is an issue currently being discussed in the United Kingdom. Their level of pension fund investment has been low too, but I don't believe any of that discussion has concluded. That might be a good place to look to for some guidance.

Mr. Patrick Weiler: In the material that you submitted, one of the fixes you mentioned relates to increased transparency and standards. I was hoping you might be able to share with this committee the need for further transparency as it relates to disclosures and reporting of pension fund investments.

Mr. Peter Letko: One very strong trend in the investment of Canadian pension funds is the move toward more investment in private equity, real estate infrastructure and so on. It now accounts for about 43% of total pension fund assets. What's important here is that when determining solvency, you have to come up with a valuation for these assets, and this is highly dependent on appraisal.

I don't know if anyone among you has ever hired an appraiser, but if you have, you might remember that the first question an appraiser probably asked you was, “What is the purpose of this appraisal? What do you need it for?” That should make you a little suspicious.

The other observation is that if you're not happy with that appraisal, you probably won't be bringing that appraiser back next year, so there's a concern here that there may be some kind of bias that builds into this valuation of 43% of our assets.

The Chair: Thank you, Mr. Letko and MP Weiler.

We will now go to MP Ste-Marie for two and a half minutes.

[*Translation*]

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

Ms. Laflamme, you're calling for all the funds earmarked in the National Housing Strategy to be devoted to social housing, including comprehensive, long-term programs. To that end, you said that it was important in the short term to provide new funding for the Rapid Housing Initiative, as this would make it possible to supplement housing funding. Finally, you said that we should launch a program to acquire and renovate rental properties dedicated to social housing.

Could you elaborate on the importance of this request?

If you wish, you can also use the remaining few minutes to address other aspects.

Ms. Véronique Laflamme: Thank you for the question.

I didn't mention the federal surplus land initiative. Unfortunately, that initiative was also used mainly for private housing projects. So we can see the negative effect of not targeting investments enough to ensure that initiatives serve the non-profit sector first. Today, we heard a great deal about fiscal instruments used to encourage the private sector, but we mustn't forget that we're depriving ourselves of these public funds, which provide many tax advantages, and that private developers already enjoy them.

The Federal Land Initiative could also be improved. In Quebec, there are federal lands, notably in the Bridge-Bonaventure sector, that should be used for social housing, as requested by the community. So not only should this initiative be improved, but it should also be more targeted.

What do we mean by a "comprehensive, sustainable program"? It's a program that stands on its own. The federal government did this, prior to 1994, through programs targeting housing cooperatives, non-profit housing organizations and low-income housing. So, in our view, we need a program that stands on its own.

That said, a new co-op program was announced two years ago in the budget. That program was welcomed. In fact, Quebec had said that the money could go into the Quebec program, which at the time was called AccèsLogis and provided funding for housing cooperatives. But in the end, we heard nothing more about the project. The program has yet to materialize. The federal government must have a greater sense of urgency, so that budget announcements come to fruition more quickly, even if that means setting up programs. The sector must be consulted, as it has proposals to offer.

I hope that answers your question, Mr. Ste-Marie.

● (1250)

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

[*English*]

The Chair: Thank you, MP Ste-Marie.

MP Blaikie, you have two and a half minutes.

Mr. Daniel Blaikie: Thank you very much, Mr. Chair.

I want to start by thanking all our witnesses. I do think it's been a very productive conversation. It's the kind of conversation that I think we would do well to have more often around this table. I apologize, because I think the next item of business will probably take up what remaining time we have.

There was some discussion in the summer about how the committee should structure its work over the fall. To that effect, I gave notice of a motion a couple of days ago that I'd now like to move, Mr. Chair.

The motion reads as follows:

> That the committee recognize and express its concern at the fact that consumer and business insolvencies are on the rise in Canada, as well as the fact that two-thirds of mortgage holders are having trouble meeting their financial commitments, including the nearly 40% of mortgage holders that are borrowing just to pay for daily expenses; and that the committee undertake a study of the public policy decisions and market forces that have led to steep increases in the cost of buying or renting a home in Canada, including but not limited to the acquisition of buildings with affordable units by large corporate or institutional investors mandated to maximize shareholder profit; the acquisition of residential properties for the purpose of running a short-term rental business; the acquisition of multiple residential properties for the generation of passive income; the tax treatment afforded to entities that buy, sell or lease residential properties; the rules governing the provision of mortgages for the purchase of residential properties in Canada; the terms and conditions of Canada Mortgage and Housing Corporation mortgage insurance and the funding of new social and affordable housing by governments in Canada; and that the committee dedicate its regular meetings on September 25, October 2, October 16, October 23, October 30 and November 6, 2023, to witness testimony on this study, as well as any other meetings the committee deems necessary; and that the committee include evidence from its March 23, 2023, meeting on “Inflation in the Current Canadian Economy” and its June 15, 2023, meeting on “Impact of Inflation and Interest Rates on Mortgages in Canada” in the evidence for this study; and that the list of witnesses for this study include, but not be limited to, the Governor of the Bank of Canada; the chief executive officers of Canada’s largest commercial banks; the superintendent of financial institutions; the federal housing advocate; the Canadian Federation of Municipalities; the Canadian Alliance to End Homelessness; the Minister of Housing, Infrastructure and Communities and the Minister of Finance; and that the committee report its findings to the House no later than February 9, 2024; and that the committee dedicate its regular meetings on September 28, October 5, October 19, October 26 and November 2, 2023, to witness testimony for pre-budget consultation; and that the balance of the committee’s regular meetings from November 9 to December 14, 2023, inclusive be used to examine legislation, prepare a report for the committee’s pre-budget consultation and prepare a report for the study initiated by this motion.

That motion having been moved, I'll just say that we did have some discussion this summer about the importance of what's happening in the housing market and the significance of the financial squeeze Canadians find themselves in, for all sorts of reasons, including higher interest rates and the effect they have had on mortgage payments. I think this committee has an important role to play, given the nature of a lot of public policy that comes out of the Department of Finance and influences the housing market.

I know that some members might wonder at particular dates or want to change some of the specific dates. I'm not closed to those ideas, but I do think it's important that we report out on this issue by February so that this committee's recommendations—I hope we will find our way to some recommendations in common and I expect we will—can feed into the budget process for 2024. I think that if we were to put off reporting our findings past the beginning of February, we may well do a great report, and it might even be better than it would be if it were issued at the beginning of February, but it would not be timely.

I think it's important that we.... There are always a lot of demands at this committee table. I know that we have some open studies. I really think there's an opportunity here to pronounce on the issue of housing and to try to provide some meaningful direction in terms of policy. We shouldn't waste that opportunity.

I would also say that not only should we adopt this study but that we should also be disciplined in our work. We've had a lot of extra meetings and a lot of extra time around this table that I would say that has produced very little value for Canadians. I think we should undertake this study. I think we should work hard on our pre-budget consultation and on making sure we have a timely report for the first time in a long time on that front as well. That should really be the focus of our work this fall.

If we do it well and if we don't needlessly delay the examination of other items, like the legislation that may come before this committee, I'm optimistic that we can make a valuable contribution to the policy debate around housing, that we can do a proper job of our pre-budget consultation and that we can do our duty in respect to the legislation that's sent here for examination by the House.

Thank you.

● (1255)

The Chair: Thank you, MP Blaikie.

I do have a running list of those who would like to speak to your motion. I have MP Hallan and MP Dzerowicz.

Just before MP Hallan speaks, I would like to say in regard to the dates that I did ask the clerks about Monday, because they need the time to secure witnesses for our PBC, our pre-budget consultations. We'll be doing PBC on Monday, the 25th.

Did you want to say something about that?

Mr. Daniel Blaikie: Yes. Maybe what we could do, then, Mr. Chair, in light of that, if we have the unanimous consent of the committee, is switch the placement of September 25 and September 28, which would make Monday a PBC day and Thursday a housing study day. If we could do that by unanimous consent, then we could address that issue right off the top.

The Chair: Okay. I see a thumbs-up for that. I do see all thumbs up. That's great. We do have UC.

I have MP Ste-Marie.

[*Translation*]

Mr. Gabriel Ste-Marie: Point of order, Mr. Chair.

Can we excuse the witnesses, since we're now discussing upcoming committee business?

[*English*]

The Chair: Yes. That's a good point, MP Ste-Marie. I think they're very interested in what we're talking about, but yes, the witnesses are free to go.

Thank you very much.

We want to thank our witnesses for the amazing testimony. You gave us a lot of food for thought in terms of housing and in terms of many of the other issues that we are dealing with. It will inform our pre-budget consultation and the report, as you heard MP Blaikie say, that hopefully we will get out by the end of this year.

Thank you.

Mr. Philip Lawrence: They might have suggestions for some agendas.

Voices: Oh, oh!

The Chair: We'll go to MP Hallan and then MP Dzerowicz.

Is there anybody else? Please raise your hand if you would like to get on the list.

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

I also would like to take this opportunity to welcome all the new members to the committee and to welcome back all the old ones.

Thank you to Mr. Blaikie for bringing this forward. I think it's well in line with the mortgage study that I had wanted to get started as well. Given the risk of a mortgage default crisis in Canada, according to the IMF, and a serious risk of even negative amortizations, I think this is a very important study right now, and very timely.

I want to suggest two things with this study. One is that because of the crisis we're in right now, I don't know if we can have as many witnesses within the dates given. I would propose that we extend the dates to November 20, November 27, December 4 and December 11. In our discussions, Mr. Blaikie wanted to make sure we had a report at least before the next budget. I think that still gives enough time to the clerks, given their okay that they could have something ready for us, to at least get a report ready by then.

I also want to see if we could add to the witnesses included here. I know the motion says “not limited to”, but I would add the CMHC, the Canadian Real Estate Association, others in the real estate industry and, although I know the motion says “banks”, any other related people who can talk about some of the real risks in mortgages today.

Those are the things that I would like to propose. I don't have anything fully prepared in writing. Those would just be added through a friendly amendment.

The Chair: Thank you, MP Hallan.

I have MP Dzerowicz on the list next.

MP Bendayan, you have a point of order.

[*Translation*]

Ms. Rachel Bendayan (Outremont, Lib.): I simply wanted to know whether we would receive these amendments in writing.

● (1300)

[*English*]

The Chair: I believe they are not in writing.

Mr. Jasraj Singh Hallan: I can get them in writing.

The Chair: Okay.

We'll go to MP Dzerowicz, who's on my list, and then MP Lawrence.

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

Thank you to Mr. Blaikie, who sits very close to me in the House. I'm sure we're going to have many discussions on this in the near future.

Look, housing is a huge issue. I know that anything we could do to address this issue would be appreciated by the residents of my riding of Davenport as well as all Canadians.

The focus for me, Mr. Blaikie, is that this is largely on the financialization of the housing market, which is fine. We need to get to the bottom of what's happening here. What do we need to change? What do we encourage and what do we discourage? I wholeheartedly agree with the study. I don't have an issue.

We might want to leave it up to the clerk to determine the dates. I think October 2 is a statutory holiday because of truth and reconciliation. On October 30 we have the bank governor. I would love to see an even balance between our pre-budget consultations and this study. I don't have all the dates right now, but I wanted to point that out to you.

I would also say to you, and I would like this on the record, that I have met with a number of non-profits in my riding that have been trying to build deeply affordable housing, not only within my riding but also across Toronto, and every single one has literally come up with a list: Here's what's stopping us at the city level, here's what's stopping us at the provincial level and here's what's stopping us at the federal level. Literally, I'm starting to come with that list, so my only comment around it is this: If it's only limited to federal agencies, which I know we have the authority to be able to change, we might want to have some provincial or municipal representation whereby people can speak to that as well. We can incentivize as well what happens at the municipal and provincial levels as we are moving forward, whether it's on regulations or on law.

I just wanted to make sure we articulated that. That came across very clearly over the summer. It was very useful information for me.

Thank you so much, Mr. Chair.

The Chair: Thank you, MP Dzerowicz.

I have MP Lawrence next, but I just got a note from our other clerk that we're coming up to a hard stop here....

We've been able to secure another 15 minutes.

I have MP Lawrence and then MP Blaikie.

Mr. Philip Lawrence: I'm going to provide you with a rebuttal of my argument before I give it.

Voices: Oh, oh!

Mr. Philip Lawrence: In Mr. Blaikie's motion, it says “including but not limited to” in discussing potential areas with respect to housing. The one thing that I would like to see specifically added, and I think it's actually very similar to what Ms. Dzerowicz was talking about as well, is that we include here explicitly that we are going to review and study barriers to the construction of new homes, or barriers to the creation of new supply, regardless of government level.

The Chair: Thank you, MP Lawrence.

We'll go to MP Blaikie and then PS Bendayan.

Mr. Daniel Blaikie: I would thank Phil for offering such an excellent rebuttal to his own argument, but I think “rebuttal” is not quite the word, because it implies that there's a difference in opinion or that there's some kind of antagonism, when there simply isn't.

The reason I said “not limited to” is exactly because it's hard to come up with a comprehensive list. I think today was a good example.

When you start getting experts in, if we're not listening to just ourselves at this table, which I would say we have too often done, new things come up and we learn things, and then we find out that not all of our preconceptions are true or that there are other things that we left out in our analysis. It's very deliberately constructed to allow us some flexibility as new issues come up or to be able to pursue existing issues as they are articulated.

To Ms. Dzerowicz's points, I hear you, and that's why it's not a limited witness list. We should think about who else we want to invite. However, notwithstanding Ms. Bendayan's point about some of these dates, the idea was to have enough dates that we have room for extra witnesses and to get input from the committee on who those witnesses should be.

I will note that the Federation of Canadian Municipalities is one of the named witnesses. That's exactly because I recognize that municipalities have an important role to play and that sometimes barriers to being able to create more supply happen at the municipal level. I think that is also Phil's point.

What I want to say is that I think, even as it's written, there is room for all these things.

Given that we're up against some time constraints, if the committee knows it wants to proceed with the study, my suggestion would be to pass it today, because that empowers our clerk to be able to start going after some of the witnesses and scheduling them. If we then want to formally amend the study motion to include some of these things or if we find that we're able to work it out at the operational level, it's all the same to me, but I would say let's pass it today. That empowers our clerk to be able to get our work together for us and bring people together.

I certainly hope that this won't be the last time we discuss how to proceed with this study, who we should hear from and what the important issues are.

● (1305)

The Chair: Thank you, MP Blaikie.

I have PS Bendayan and then MP Lawrence.

[*Translation*]

Ms. Rachel Bendayan: I will be brief, Mr. Chair.

I just wanted to thank all my colleagues for welcoming me; I am most grateful.

[*English*]

I feel the love.

[*Translation*]

I would now like to respond to my Conservative colleagues.

[*English*]

Colleagues, I appreciate that the amendments you proposed are not ready in writing, but that's fine. I think we should get them any moment now. That's wonderful.

With respect to the witnesses you're suggesting, I think we can come to an agreement on these, and of course, Mr. Lawrence, the housing supply periods that you're proposing make a lot of sense.

In the spirit in which Mr. Blaikie just finished his intervention about perhaps getting to a vote on this important study today, I would suggest that we reserve, as it is indicated in the motion.... Let's see how things go. If we need additional meetings, that is possible, but to change the dates, as was proposed by the Conservatives, would seem to me to leave not enough time to complete the pre-budget consultations, which I know is a priority for this committee.

As colleagues also know, government legislation is going to be coming to this committee. I would propose, in the interest of the cooperation I'm seeing around the table, to accept the witness amendments and the housing supply period amendment proposed by my colleague Mr. Lawrence, and leave the dates as they are in Mr. Blaikie's motion. Again, this is with the hope that we can come to a vote before the end of our meeting today.

The Chair: Thank you, MP Bendayan.

I have MP Lawrence.

Mr. Philip Lawrence: I'm sorry. How much time do we have left?

The Chair: We have about seven minutes.

Mr. Philip Lawrence: Can we saw off the difference here and just add two of the dates? Other than that, I agree with Ms. Bendayan's suggestion.

Your French is much better than Terry Beech's. I'm just going to say that.

The Chair: Members, does anyone have any further discussion?

Ms. Rachel Bendayan: I'm sorry, Mr. Lawrence; you're proposing what? Can you just repeat your proposal for the purpose of the vote?

Mr. Philip Lawrence: Adam, do you want to go there?

Mr. Adam Chambers: I think we had proposed four or five additional dates. I'd just say to add two additional dates to respect Ms. Dzerowicz's very good suggestions about having additional witnesses. I know we have a witness list that is not fully complete, so I would just say that if we can add two additional dates to the list.... Maybe we can do it by the number of meetings as opposed to the actual dates, which might be a little bit easier to manage from a proposal perspective for the clerk. That might clean it up.

The Chair: I'll go to Ms. Bendayan and then MP Blaikie.

However, members, the fall economic statement and any government legislation would take precedence. Is everybody in agreement with that?

Some hon. members: Agreed.

The Chair: Okay. Go ahead, Ms. Bendayan.

Ms. Rachel Bendayan: I'm happy to hear the mover of the motion on the proposal on the table. From my perspective, I think we're trying to perhaps schedule and confirm too much in the space of four minutes.

I understand that normally we have an opportunity to look at witness lists and submit other witnesses. There are also provisions in this motion that would allow us to add additional meetings if necessary. I would submit, given that we are coming up to four minutes before the end of our time, that perhaps we take the spirit of collaboration that we started this meeting with in order to advance an important issue—and that is housing.

● (1310)

The Chair: Go ahead, MP Blaikie.

Mr. Daniel Blaikie: Given the point that was made about October 2 and October 30, why don't we replace October 2 with November 9 and replace October 30 with November 20? That's a starting point. We can talk more about dates, but that would at least correct some of the issues with meetings that are superceded by the presence of the Governor of the Bank of Canada, although we may want to incorporate that into the study as he is one of the called witnesses for this study as well. On the other hand, we could just add November 9 and November 20 to the list. I'm fine with that, too.

Do you have a preference, Phil? Do you just want to add them?

Mr. Philip Lawrence: Just add them.

Mr. Daniel Blaikie: Can I move an amendment, then, to my own...?

Mr. Philip Lawrence: I just want the barriers to supply in there—as well as Ms. Bendayan, if I can say her last name here.

Mr. Daniel Blaikie: Okay. I just need some wording for that. I'm not opposed.

Mr. Philip Lawrence: It would be to also study barriers to new housing supply.

Mr. Daniel Blaikie: Okay, so we'll add, in the itemized list of things to study, “barriers to housing supply”—

The Chair: As the mover of a motion, you cannot amend it.

Mr. Daniel Blaikie: I can't move an amendment.

The Chair: No. It would have to be someone else who would do that.

Mr. Daniel Blaikie: Okay. Can I propose an amendment for someone else to move?

The Chair: Yes.

Mr. Daniel Blaikie: Then what I would propose is that someone move that we add to the list of things to study “barriers to housing supply” and that we add to the list of dates for this study the dates of November 9 and November 20, 2023.

Mr. Adam Chambers: I'll move that, Mr. Chair.

Voices: Oh, oh!

Mr. Philip Lawrence: That came out of nowhere, Adam.

Voices: Oh, oh!

The Chair: Mr. Chambers moved that amendment to the motion.

[*Translation*]

Ms. Rachel Bendayan: Mr. Chair, I am more than happy to support my colleague's proposed amendment.

[*English*]

The Chair: Okay, we have a seconder. That's great.

Members—and I'll look to the clerk—is there agreement on the amendment to the motion?

(Amendment agreed to [*See Minutes of Proceedings*])

(Motion as amended agreed to [*See Minutes of Proceedings*])

The Chair: Okay, that's great. We have a study.

Thanks, everybody. Thanks for the collaboration. Thanks for the 100th meeting of our committee.

The meeting is adjourned.