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Chair: Mr. Peter Fonseca



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• (1100)

[English]

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

We have a vote that is imminent, and the bells will start ringing.

As members know, it's their prerogative to allow for unanimous consent so we would continue the meeting and then be able to vote with our apps. Is everybody okay with that?

Some hon. members: Agreed.

The Chair: That will ensure that our witnesses are not held up and delayed with their time, and we will get our two hours of committee.

Welcome to meeting 109 of the House of Commons Standing Committee on Finance. 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 using the Zoom application. I would like to make a few comments for the benefit of the 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 microphone, and please mute yourself when you are not speaking. There is interpretation. For those on Zoom, you have the choice at the bottom of your screen of the floor, English or French. For those in the room, you 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 the 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 by placing them on the table away from the microphone when they are not in use.

I remind everyone that all comments should be addressed through the chair. For members in the room, if you 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 well as 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 have been informed that everybody has been tested and everything is good. The tests have been done and everything is working.

Members—before I welcome the witnesses—I will say that we had an excellent tour, by all accounts, of Atlantic Canada. We had the opportunity to be on the ground in P.E.I., New Brunswick, Nova Scotia and Newfoundland and Labrador, to hear from stakeholders and witnesses and to get a lot of great testimony for our study.

Now we're back here in Ottawa and we're delighted to have the witnesses we have before us today. From HEC Montréal, we have Pierre-Olivier Pineau, who is a professor and chair in energy sector management and is appearing as an individual. From the agri-food analytics lab at Dalhousie University, we have the director and professor Sylvain Charlebois. From the Alliance of Canadian Cinema, Television and Radio Artists, we have the national president, Eleanor Noble, and the national executive director, Marie Kelly. We have, from the C.D. Howe Institute, the associate vice-president of public affairs, Benjamin Dachis. Joining us via video conference, we have, from the Centre for Future Work, the economist and director Jim Stanford. From Confédération des syndicats nationaux, we have adviser, research and status of women, François Bélanger; and the treasurer, Yvan Duceppe.

Welcome, everybody. We are going to start with Pierre-Olivier Pineau for five minutes.

• (1105)

Mr. Pierre-Olivier Pineau (Professor, Chair in Energy Sector Management, HEC Montréal, As an Individual): Thank you very much for the invitation. It's a pleasure to speak about the few things I'll be mentioning.

Basically, I'll be arguing that we do spend a lot to pollute in Canada, and that's a problem. The good news is that we can reduce this pollution by making Canadians save money, actually get richer and have a better standard of living.

I'll be providing four examples of this huge spending that takes us in the wrong direction, both from an economic perspective and from an environmental perspective.

The first example is the evolution of the fleet of cars across Canada.

In 2022, Canadians spent \$81 billion to buy approximately 1.5 million new vehicles. That's almost back to normal, because in 2019 Canadians spent about the same amount. What's extremely concerning is that they've been spending \$56,000 on average for trucks, while a car would cost only \$46,000.

Basically, Canadians are increasingly buying more expensive trucks when they have access to cheaper cars. Also, these trucks actually will use more fuel than cars. For example, a mid-sized car like the Toyota Camry uses 6.3 litres per 100 kilometres, while an average new SUV will—

The Chair: Monsieur Pineau, I'm going to apologize for interrupting, but the bells are ringing. We see the lights here in the room.

Members, again, do we have unanimous consent to continue?

Some hon. members: Agreed.

The Chair: Okay. Thank you.

You may continue.

Mr. Pierre-Olivier Pineau: Okay.

I was just saying that trucks like SUVs—small trucks like SUVs—cost more and use more gasoline than mid-sized cars, for example. Canadians are buying increasing numbers of vehicles. Twenty years ago in 2000, there were fewer cars per 1,000 inhabitants in Canada compared to now. We're keeping the fleet growing faster than the population, which basically adds to congestion and to pollution. Basically, we are spending to create congestion and polluting more.

That's in personal transportation. In freight transportation, there are similar concerning trends.

In the last 20 years, freight truck transportation increased faster than trains, for example. All the statistics show that trains use less energy per tonne-kilometre and have less emissions per tonne-kilometre in moving one tonne over one kilometre, which is the standard unit in freight transportation—a tonne-kilometre. It basically costs more with trucks than with trains.

We've been developing the freight transportation modes with truck transportation, which is actually costing more for the Canadian economy and polluting more, in addition to creating more congestion on highways, instead of investing in railways that would actually free up space on the highways, cost less and pollute less. That's my second example.

My third example relates to housing.

In housing, building houses requires energy—resources—and once you have these buildings, you need to heat them and air-condition them. The trend all across Canada is that we have a bigger average square footage per house over time and fewer people in these houses.

The irony is that Canadians are spending more for more buildings at a time when there is a crisis in terms of housing, but there

are fewer people in the average house. That's again an example of where we grow these houses, and we of course increase the energy consumption of these houses for fewer people. The average household size is actually decreasing over time. Again, that's an area where we spend a lot while polluting more.

The last example I'll share with you is that of food. With food, we tend to like animal-based protein food, when plant-based food is actually costing less and polluting less. If you have one kilogram of beef, for example, it will cost more and pollute more than one kilogram of plant-based protein. There are different habits that need to be changed, but the truth is that we are paying more for polluting more, just because we have the ability to do so because we're a rich country.

In conclusion, I would just say that I love wealth and I love being rich, but this level of wealth should not be an excuse for polluting more. We should be designing policies, such as more ecofiscality, to encourage Canadians to spend less on items that pollute and spend more on items that don't pollute. There are a lot of services that could actually raise our standard of living and could basically reduce the energy intensity of our economy while freeing up some resources to invest in more productivity and more wealth for Canadians.

I'll stop here. If you have questions, I'm able to answer them.

• (1110)

[*Translation*]

The Chair: Thank you, Professor Pineau.

[*English*]

Now we will go to another professor, to Professor Charlebois.

Please proceed.

Dr. Sylvain Charlebois (Director, Agri-Food Analytics Lab and Professor, Dalhousie University, Agri-Food Analytics Lab): Mr. Chair and committee members, today I aim to address three key issues before the committee: carbon pricing, sales taxes on food and the prospect of implementing a Canadian SNAP program.

Let's talk about the carbon tax first. The question of whether the carbon tax serves as a convenient scapegoat for high food prices is not the right question to ask. Instead, this is what we should inquire: Is the carbon tax negatively impacting the competitiveness of our food industry? Carbon pricing undeniably holds significant weight in Canada. Nevertheless, it is imperative that we rigorously evaluate its effects on the affordability of food for Canadians and the long-term competitiveness of our industries. Unfortunately, comprehensive analyses in this regard have been lacking, and much of what we have encountered appears to be influenced by biased narratives. The efforts of our team of 10 researchers at Dalhousie University have shed light on the scarcity of research in this area.

The Bank of Canada's estimated 0.15% inflation figure applies solely to the direct impact of the carbon tax on three products included in the CPI—gasoline, heating oil and natural gas. This estimate does not encompass second-round or pass-through effects. As a research team, we believe it is challenging to quantify how the carbon tax affects food retail prices due to the multitude of factors influencing prices, starting with consumer behaviour. Our primary focus at Dalhousie has been on industrial and wholesale prices, where we have identified noteworthy disparities between Canada and the United States.

While the elimination of the carbon tax is not advisable, a temporary pause on any carbon pricing policies affecting our food supply chain should be considered until we gain a clearer understanding of their impact. We are diligently continuing our work and anticipate releasing reports soon.

With regard to CRA rules, regrettably, many Canadians are unaware that over 4,600 items in grocery stores are subject to taxation, or they incorrectly assume that taxes apply exclusively to unhealthy products. This misconception needs clarification. We estimate that grocers levy taxes ranging from \$300 million to \$700 million on items that in our opinion should not be taxed. Prepackaged, healthy salads with a premium price tag, Canadian-made natural bars and an increasing number of “shrinkflated” products, among other examples, are all subject to taxation.

Ottawa can provide immediate relief to Canadians by eliminating all sales tax on groceries. Taxing essential food items is regressive and raises ethical questions, particularly during a time when food affordability poses challenges for many. It is high time for a meaningful dialogue about which food items should be subject to taxes in grocery stores.

The final area is a national nutrition coupon program. As the government in Ottawa explores avenues to assist food-insecure Canadians, it may be an opportune moment to consider launching a national nutrition coupon program fund specifically designed to support children and families who generally cannot afford healthy food. This program could resemble the Canadian adaptation of the supplemental nutrition assistance program, or SNAP, commonly known as the food stamp program in the United States, but it would be inspired by farmers' markets across the country and supported by farmers' markets across the country. Those programs actually exist in Canada—in Nova Scotia, Montreal and B.C. We just need to nationalize it.

Such a program could be meticulously targeted to provide essential grocery store assistance to those in dire need. Through this initiative we could empower Canadians to purchase healthy, locally sourced food products and support farmers, thereby supporting our agri-food sector and ensuring access to a nutritious diet for us all.

Thank you, Mr. Chair.

• (1115)

The Chair: Thank you, Professor Charlebois.

Now we will turn to the Alliance of Canadian Cinema, Television and Radio Artists with Ms. Noble and Ms. Kelly.

Ms. Noble, you will start.

Ms. Eleanor Noble (National President, Alliance of Canadian Cinema, Television and Radio Artists): Thank you for the opportunity to speak on behalf of 28,000 members of ACTRA, the Alliance of Canadian Cinema, Television and Radio Artists.

For 80 years, ACTRA has been representing professional performers across Canada who bring Canadian stories to life. We play a vital role in a nearly \$14-billion industry that generates a quarter of a million jobs a year, but we have a major problem in Canada. We do not have enough Canadian production in this country because it's not financially supported.

When U.S. studio production comes to a halt here as a result of SAG-AFTRA and the WGA going on strike, we unnecessarily suffer the consequences. We need to be more than just a service industry to the U.S. We need ongoing Canadian production created by Canadians, so that we may continue to create a viable, sustainable and remarkable Canadian film and television industry here, one that is not solely dependent on foreign investment for success but rather provides real incentive for Canadian creatives to stay.

In addition, ACTRA has been shamefully locked out of commercial work for the last 541 days by union-busting advertising agencies that represent some of the wealthiest brands in Canada—Rogers, Wendy's and Canadian Tire, to name a few. These corporate giants boast record profits while refusing to pay minimum rates to ACTRA performers who helped build those brands, and with the introduction of commercial advertising on paid streaming services such Netflix and Disney+, the fight for ACTRA to protect our jurisdiction is at a critical juncture.

Even Canada Post, a Crown corporation, is producing non-union commercials, and my complaint to Minister Jean-Yves Duclos has gone unanswered. We have demanded that the federal procurement policy be revised to forbid the use of scab labour, directly or indirectly, and we have the full support of the Canadian Labour Congress. In June, the federal government selects its next agency of record. Please ensure it is an agency that, like its current one, is not using replacement workers. In our written submission, we've proposed simple solutions to address these issues.

I would now like to hand things over to ACTRA's lead negotiator and national executive director, Marie Kelly.

Ms. Marie Kelly (National Executive Director, Alliance of Canadian Cinema, Television and Radio Artists): Thank you, Eleanor.

We commend the government for agreeing to review how artists can access employment insurance, based on the heritage committee recommendations to strengthen the Status of the Artist Act. We believe that EI must be available to self-employed performers and that the first \$15,000 of a performer's income should be tax free. We also ask that artists be allowed to use four-year income averaging due to the fluctuation of an artist's income.

We agree wholeheartedly with the heritage committee that we need to strengthen the Status of the Artist Act. This act is already Canadian policy, but without effective regulation, the policy becomes meaningless. Basic minimum rights developed over 80 years with the industry and ACTRA should be standard when funding is accessed. Telefilm and the Canadian Media Fund should be given direction that funding should be conditional on application of the basic minimum. We note that the heritage committee agrees with us.

There are two other urgent issues threatening the livelihood of performers.

As performers and creative artists, an ACTRA member's face, voice and performance is their product. They earn a living based on the licensed use of their personal brand. We're urging the government—and we know this is already before the industry committee—to protect these invaluable assets from misuse through artificial intelligence. As a union, ACTRA champions the concept of the three Cs—consent, control and compensation—which must support legislation to protect performers and govern AI. ACTRA members' likenesses have already been exploited in deepfakes, some pornographic in nature, with absolutely zero consent.

New legislation must include protections for performers to prevent the unauthorized replacement of human performances by AI technology. AI must evolve in a way that respects human inspiration, creativity and ingenuity. In this new world of AI, it's more urgent than ever to resolve the inequities of the Copyright Act as well. Today, audiovisual performers—that's actors—need the same protections that are afforded to musicians under this legislation.

Thank you. We welcome your questions.

• (1120)

The Chair: Thank you.

Now we'll go to the the C.D. Howe Institute.

Mr. Dachis, please.

Mr. Benjamin Dachis (Associate Vice-President, Public Affairs, C.D. Howe Institute): Good morning. Thanks for having me here.

In my role at the C.D. Howe Institute, Canada's leading economic policy think tank, I get to take back advice from parliamentarians on what we should focus on. I'll try to be very brief here to allow all the members to dig into our submission and to let us know what issues are most on their minds for us to work on.

I'll start with our motivating urgent problem behind all the work at the C.D. Howe Institute and our submission, which is that Canada's business investment record has been shockingly weak. A lack of investment means that Canadian workers just don't have the

tools or equipment that they need to be as productive as possible. Equipping our workers will mean higher real earnings and higher living standards per person. When those are not growing, that puts many things at risk, including government revenue.

For every dollar of investment per worker in the OECD, a worker in Canada is getting only about 73¢. For every dollar of new capital that a U.S. worker gets, a Canadian gets only about 53¢. This is a problem that's been getting progressively worse since 2015. We need a confidence-inspiring fiscal framework that leads to broad-based reductions in marginal tax rates on work, savings and investment.

What would specific action look like? You'll see a number of suggestions in our submission, but I'll summarize here and would be happy to discuss this further in questions.

First, with regard to fiscal policy, Ottawa should be limiting the growth of federal employee numbers and payroll expenses by freezing federal department operating budgets for wages and salaries at their 2023 levels for five years. It should also be avoiding unnecessary and unproductive expenses. For example, the government should not be pursuing a national single-payer pharmacare program. It should be working with the provinces to achieve universal coverage but allowing people to continue to have private insurance. Ottawa should also transition federal employees' pension plans to shared-risk, shared-governance plans in which taxpayers bear less risk.

The government should be prioritizing funding for infrastructure projects under direct federal control, such as investments in capacity and added security for marine, rail and air transportation and for military assets. That means less direct federal spending when private investors or other levels of government are better suited to tackling local needs. If the government does decide to increase spending, it should fund new spending with a higher GST rate rather than with growth-inhibiting hikes in personal and corporate income taxes or with ad hoc taxes that send a signal that any potential sector might be subject to sudden taxes. That's not how we get investment.

A robust fiscal framework is going to allow us to pursue a number of ideas outlined in our submission that I'm going to try to highlight here.

For taxes in general, we need to limit inflation's stealth tax by indexing amounts that are otherwise not updated with inflation. On personal taxes, for example, we should be implementing a benefit shield, focusing on the Canada child benefit and the Canada workers benefit. This benefit shield would partly compensate workers for the loss of certain income-tested tax credits, but only for the first year after they take on more work, so it's a fairly fiscally prudent measure.

We should also allow workers to average their income over many years—and we've heard this come up before—so that any single large-earnings year is not going to lead to a disproportionate loss of benefits or higher taxes. We should also be revisiting the tax deduction granted for child care expenses, replacing it with a refundable tax credit for child care expenses.

Now let's move on to the corporate income tax. We should be implementing a temporary general investment tax credit applicable to all investments in depreciable assets, including intangibles, at a rate of 5%, in effect from now until 2025. We should be reducing the corporate income tax from 15% to 13%, starting in 2025 after the temporary investment tax credit has ended. We should also be establishing an IP-box tax mechanism whereby income from patents and other intellectual property generated by activity in Canada and used in Canada faces a lower corporate income tax.

One last idea, before I turn it over to questions, is that we should tie the small business deduction to a firm's age. For example, at five-year intervals, the threshold level of capital assets that qualifies for the small business deduction would rise, and the level of the deduction would fall. That would be regardless of firm size until they reach the standard corporate income tax.

Thank you for inviting me again. I look forward to your questions.

• (1125)

The Chair: Thank you, Mr. Dachis.

We have two more witnesses to hear from, members. We're going to hear from one, and then we're going to have to suspend to be able to vote. After the vote, we will come back to hear from the Confédération des syndicats nationaux.

However, right now we're going to the Centre for Future Work and Mr. Jim Stanford, please.

Dr. Jim Stanford (Economist and Director, Centre for Future Work): Thank you very much, Mr. Chair, for the invitation to appear.

I will focus my opening remarks on four specific points.

The first point is that much public commentary in the lead-up to this budget has focused on the size of the federal deficit and whether it is too big. I'd like to provide some important perspectives on this question.

Canada's deficit is very small by global standards. The latest "Fiscal Monitor" report from the IMF, released last week, shows that Canada's general government operating balance is the second-smallest of any G20 country at just 0.7% of GDP—behind only Saudi Arabia—and it's smaller than any other G7 country.

OECD data suggests that Canada's general government deficit is very small. By its estimate, it's just 0.4% this year as a share of GDP. That's the seventh-smallest of any of the OECD's 38 member countries and one-ninth the size of the average OECD deficit.

The contrast between Canada and the United States on this matter is very instructive. The U.S. federal deficit is almost 10 times larger, relative to GDP, than Canada's. It's around 7% of GDP, adjusted for the cancellation of the Biden government's student loan proposal, yet the U.S. economy grew 2.1% in the second quarter while ours shrank. U.S. inflation has been comparable to Canada's and is, in fact, now slightly lower. The combination of expansionary fiscal support in the U.S. with monetary restraint is showing that the economy can be supported more strongly while inflation comes down.

The large deficits incurred during the worst stages of the pandemic—and for good reason—have been almost entirely eliminated. Canada's strong recovery from the pandemic, combined with the impact of nominal GDP growth on government revenues, has made budget repair faster and stronger than expected, and this will continue. The government is likely to outperform its official projections for revenue and other budget benchmarks in coming years.

In short, while Canada faces many significant challenges at present, the deficit is not one of them. Concern with the deficit is overshadowed by more pressing priorities, such as supporting Canadians through the cost of living crisis, the housing crisis, climate disasters and more.

The second point is that claims the federal deficit has been a significant cause of Canada's recent inflation are not credible.

This argument assumes that inflation resulted from excess aggregate demand in the domestic economy. This assumption is not valid for explaining inflation after the COVID pandemic, which was driven by a combination of supply-side shocks, shortages of key commodities, consumer desperation after the lockdowns and then an energy price shock. All of that was made worse by unusually high profit margins collected by Canadian businesses. Canadian corporate profits reached an all-time record share of Canadian GDP in 2022, even as our inflation surged.

Internationally, there is no correlation between the size of a country's deficit and its rate of inflation. Some countries with larger deficits than Canada's, such as Japan, have had slower inflation. Some countries with smaller deficits have had faster inflation. Generally, inflation has been a global phenomenon resulting from those shocks after the pandemic that I mentioned and bears no relationship to a country's deficit.

In the macroeconomic context, it is the size of a government's deficit in national accounts terms, not public accounts, that matters if you are concerned with aggregate demand. Public accounts measures include all kinds of non-cash accounting measures, which do not affect real spending power in the economy. In national accounts terms, the federal budget is already effectively balanced. In the latest quarter, there was a deficit of just 0.3% of GDP. A deficit of that size can have no meaningful impact on economy-wide price trends, and what you do in this budget will have no impact on Canadian inflation going forward.

The third point is that, notwithstanding the lack of connection between the deficit and inflation, there are things that fiscal policy can do to help bring inflation down, as well as alleviate its consequences for the hardest-hit Canadians.

We should not assume that inflation is just the Bank of Canada's job; fiscal policy has a role to play as well. The federal government can reduce cost pressures that emanate from the actions of private companies. Priorities in this regard would be an ambitious expansion of affordable and non-market housing, since the housing sector is a dominant cause of our inflation today, and a national pharmacare program to bring down the price of drugs for Canadians.

Continuing and expanding targeted fiscal supports for hard-hit Canadians, such as the GST credit and the Canada housing benefit, would help, as would incremental taxes on the profits of companies that have contributed to Canadian inflation through historically high profit margins. We've done that already for banks and insurance companies. We've also imposed a 2% tax on share buybacks, which is helpful but too small and should be continued and expanded.

• (1130)

Other industries that have contributed so much to Canadian inflation and enjoyed unusually high profits should also be targeted, including the oil and gas sector and supermarkets. Once we agree that the deficit has had no impact on post-COVID inflation, then the government can fulfill its responsibility to assist in reducing inflation and its effects through new programs like those.

The last point—I'm out of time—is that I would like to reinforce the importance of the made-in-Canada supports for clean-energy investments including in electric vehicles and battery plants in Canada. Those have had a tremendous impact on addressing investment and attracting new projects to Canada, helping to address the point that Ben made earlier about the need for more investment.

Thank you for your attention.

The Chair: Thank you, Mr. Stanford.

I'll say, just before we suspend, members, that we will come back and hear from our final witness and then we'll get into questions.

At this time, we're suspended until after the vote.

Thanks.

• (1130)

(Pause)

• (1140)

The Chair: I call the meeting back to order. With unanimous consent, we're good to get started again—thanks to modern technology.

Now we are going to hear from the Confédération des syndicats nationaux. I believe Monsieur Duceppe will be providing remarks.

Go ahead, please.

[*Translation*]

Mr. Yvan Duceppe (Treasurer, Confédération des syndicats nationaux): Good morning.

The vote was serious, from what I saw, so I'll be able to get started.

The Confédération des syndicats nationaux, or CSN, is a central labour body that brings together 1,600 unions, representing over 330,000 workers in Quebec and Canada. We represent people from all sectors, from the private sector to the public sector.

Our brief has several points. First, we indirectly address the issue of inflation by talking about the Bank of Canada, since it is through the Bank of Canada that inflation can be influenced in Canada. It has raised its key interest rate significantly. We think there should be a pause on that, because it takes time to have an effect on inflation, and because it causes a lot of anxiety for all those people we know who have to renew their mortgage. We have to recognize that.

However, we believe that the Government of Canada must act on other fronts to counter inflation and help citizens, particularly with regard to social housing. There's a major crisis in Canada and in Quebec too. We need to encourage the construction of non-market housing, such as co-operative housing, in collaboration with other governments. It's not always easy, but we have to work on it. More targeted assistance should also be provided to lower-income citizens who are being hit hard by rising food costs.

As far as the EI system is concerned, we noticed during the pandemic that the current system is inadequate and has many shortcomings. A promise was made in this regard, and we think it must be kept to prevent many of our fellow citizens from finding themselves in what is known as the black hole of employment insurance, meaning a period without income. Yes, the pandemic is over, but there have been forest fires, and I can tell you that there are forestry workers in different parts of the country where there is no more wood to harvest, or there are workers in maritime regions where shrimp processing has taken less time, who are victims of the EI black hole, and that too is cause for anxiety.

Second, we think pharmacare should be public and universal, because it's a good way to control the cost of drugs. This would help control inflation and promote better access to medication for people.

As for the labour shortage, there is immigration, but many of the permits given to foreign workers are temporary. What's more, they should be given the right to change employers. Right now, they're a bit like prisoners—pardon the expression—of the employer to which they're tied. I can tell you that people from the UN have said that it's even worse than that. There have been abuses, and I think that allowing temporary foreign workers to change locations would prevent some of these abuses.

We could also take advantage of the energy crisis to develop a green economy. We are there. The first thing to do, in our opinion, is to facilitate an energy transition. This is a matter of urgency. I don't need to remind you of all the effects this crisis has had across Canada for some time now. We had an unbelievable summer. So we really have to put an end to the financial support of the oil and gas industry as soon as possible. In my opinion, and until proven otherwise, this industry is very profitable and does not need the support of the government or its Crown corporations.

● (1145)

There are tax credits. There have been some in recent budgets. That's good, but targeted subsidies would be even better and would enable the government to exercise leadership by targeting specific industries and promoting specific sectors.

We heard earlier from other speakers about batteries and electric cars. That's great. Now, we would also like to see public transit promoted.

Finally, with respect to taxation, we believe that the tax base should be improved by establishing a public registry of the ultimate beneficial owners. Such a registry would allow us to know who really has to pay tax and would allow multinationals to pay their taxes at an effective, not theoretical, rate of 25%. Of course, this is true for large multinational digital companies.

I will add one last word, by the way. While there's a tug-of-war going on, the media should be supported, rather than deprived of revenue. That would be important.

Thank you very much. We look forward to your questions.

● (1150)

The Chair: Thank you, Mr. Duceppe.

[*English*]

We will now move to members' questions for the witnesses. We were suspended for about 15 minutes, so it looks like we'll be ending today at about 1:15 p.m. That's just so that everybody keeps an eye on the time.

In this round, each party will have up to six minutes to ask questions.

We will start with MP Hallan for six minutes.

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

Thank you to the witnesses for being here.

After eight years of this Liberal-NDP government, we're seeing in this country one in five Canadians skipping meals. We're seeing

food bank usage at record levels that we've never seen before, because of high taxes, and they're only growing. People can't afford to eat, heat and house themselves today.

Mr. Charlebois, in a National Post article, you're quoted as saying that the carbon tax has made expenses go up and that there is a “compounding effect” with this tax into the supply chain. Could you give your opinion on or break down, if you can, what parts of the supply chain the carbon tax hits the most?

Dr. Sylvain Charlebois: Thank you for the question.

What we've noticed over the last few months is that a lot of attention is given to the CPI. I think it's really the wrong focus. We need to focus on the IPPI, the industrial product price index. If you look at pricing over the last, say, three or four years, the IPPI has outpaced the CPI in food. It means that pressures are real across the supply chain, particularly in processing, transportation and logistics.

I think that's where we need to focus, which is why I think it's important to pause—not to eliminate but to pause—the carbon tax in order to better appreciate what is happening with the food industry. I talk to companies and even restaurants, and they're feeling the pressure. It's never been measured. Measuring the effects of the carbon tax on retail is impossible because of all of us. Consumers impact prices every single day. It cannot be measured.

Mr. Jasraj Singh Hallan: In your opinion, we shouldn't just be looking at the fact that...

Yes, the Bank of Canada did say that the carbon tax is inflationary, and it's about 0.1%, but it does go beyond that, in your opinion. Is that correct?

Dr. Sylvain Charlebois: Absolutely. I did contact the Bank of Canada to ask for the arithmetic behind the 0.15%. As I mentioned earlier, it looks at only three components of the CPI. It doesn't evaluate the compounding effect of the carbon tax across the supply chain. That needs to be measured.

Mr. Jasraj Singh Hallan: Thank you.

Could you break down what groups in our society get disproportionately hit the hardest, in your opinion, by this carbon tax when it comes to buying food? We see that the carbon tax does have an effect on consumers when they're buying food because prices have gone up.

Dr. Sylvain Charlebois: We can't say how the carbon tax is impacting people, because, again, we can't correlate the carbon tax with food prices, but we can certainly look at food inflation and demographics. Clearly, single-parent households and seniors with fixed incomes are largely hit. Right now, because of mortgage rates particularly, we're noticing in our data that millennials are hard hit. They are in the middle of that perfect storm of food inflation and shelter costs. It's the largest group we have in terms of generations.

• (1155)

Mr. Jasraj Singh Hallan: Absolutely. After eight years of this Liberal-NDP government, rents and mortgages have doubled. It's because of the high deficits. We know this through the Bank of Canada. The deficits fuelled inflation, and it had to raise the interest rates for that.

Moving on, when we're talking about shrinkflation, inflation and taxes have obviously led to producers shrinking the size of the servings of their products, but prices still remain high. How prevalent is this in the foods that are healthy?

Dr. Sylvain Charlebois: Just this year, we believe that over 20 products have been shrinkflated and are now taxed because of the size of the container. That's why we recommend that the zero-rated policy that is maintained by the CRA should be revised at this point. There are so many products.

In fact, I brought this one example. This is a Canadian-made, Halifax-made product called Made with Local. It is carried by Sobeys and Loblaws. This product is \$3.75. There are basically five ingredients in that bar—five. It's natural, sustainable and made with local products. You add an extra tax on that at the teller. You pay 15% more on tax in Nova Scotia.

That's why we think some products.... A lot of Canadians think that, if it's taxed, it's unhealthy, but it's not necessarily. This product is very healthy.

Mr. Jasraj Singh Hallan: I want to focus in a bit on that carbon tax, but not just specifically for food, because you made this argument about it affecting the supply chain and having a compounding effect.

When a single mom, as you said, is disproportionately affected by the carbon tax and the higher food inflation, it doesn't factor in the fact that for her to drive her kid around to sports or school, when she's filling up her gas, that price has gone up too because of the carbon tax. Also, the cost for her to heat her home has gone up.

Do you think all of these are factors that are also affecting those vulnerable people you mentioned?

Dr. Sylvain Charlebois: I can't comment on other sectors. We look only at food.

However, the one thing we've noticed is that Canadians are actually spending less on food, despite food inflation. Obviously, other things that cost more are really impacting families.

Right now, a lot of families are trading down. We just published a report about a month ago suggesting that almost 70% of Canadians are making nutritional compromises as a result of these financial pressures.

The Chair: Thank you, MP Hallan. That's the time.

We now turn it over to MP Weiler, please.

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

I want to thank all the witnesses for being here in person and virtually.

I would like to ask my first questions of Professor Pineau.

You mentioned in your testimony some statistics on the types of vehicle purchases we're seeing in Canada. We know in Canada that the vast majority of electric vehicles we're seeing purchased are in two provinces. These are Quebec and my province of British Columbia.

I was hoping you might be able to expand on why that might be the case and what lessons that might have for the rest of Canada.

Mr. Pierre-Olivier Pineau: In the case of Quebec, it's obvious that the subsidy the Quebec government provides to buyers of EVs explains a lot. In B.C., I don't know exactly what the subsidy is that the provincial government gives in addition to the federal subsidy. The lesson that seems to be appearing is that, when you give money to people, it will help them buy specific types of cars.

I would personally not advise governments to provide more subsidies for EVs, but to put additional taxes on emitting cars, because we need to make Canadians switch from bigger cars to smaller cars, to make them save not only their own money but public money, and to raise the level of safety on the roads by decreasing the amount of congestion that is [*Technical difficulty—Editor*]. This is because while we are increasing the number of cars on the roads, the roads aren't growing by the same amount. We only have more congestion, and this is hurting Canadian productivity.

While it seems that subsidies would be good for EVs, I would say don't subsidize EVs, but put on a penalty. Increase the tax on larger vehicles that use more space and are not needed.

Of course, some people need these bigger trucks. If you are a plumber or if you work in the construction industry, then yes, you need a pickup truck. However, most pickup trucks are not sold to Canadians working in construction or to farmers. When you see trends in vehicles, they are for regular citizens who just like to have a big truck, but they don't pay for the congestion and they don't pay for the additional pollution.

This is why some kind of ecofiscal policy would help Canadians save money at the same time, by having them avoid making expensive choices while also helping the environment, which is a priority for many of us.

• (1200)

Mr. Patrick Weiler: It is definitely.

Professor, that seems to me to be a very strong case for carbon pricing.

I am just curious. With an idea like that, do you see that as separate or additional? Do you see carbon pricing as being not the most effective tool or something that, perhaps, should be relied on solely?

Mr. Pierre-Olivier Pineau: I don't think carbon pricing is the only tool. I think it's a very important tool.

In terms of vehicles, we need to go beyond. Congestion with EVs isn't good for either the economy or the environment. Although EVs will not emit carbon when they're used, there are still problems with having a lot of EVs or bigger EVs. When we look at the electricity consumption of SUVs that are EVs, it is twice that of a regular car that is an EV.

We cannot afford, at this point in time in Canada, to switch to EVs and have bigger EVs. That would increase the electricity consumption. We are in a situation where we cannot afford to just grow the electricity consumption to a level that makes it very hard to actually build infrastructure. We need to keep the EVs smaller. That's why I think a tax specific to larger cars, including larger EVs, would be appropriate to make sure we go towards a very efficient, more efficient fleet of cars.

Mr. Patrick Weiler: Thanks for that.

You spoke a little bit, as well, about the increase in the housing size and the number of people living in houses. Of course with bigger houses, you often have higher heating costs. I think one of the areas in which we have the biggest opportunity to reduce emissions in Canada, while also saving people money, is in switching to electric heating of homes. However, if we're talking about electric heating of homes and switching to electric vehicles, that's going to put additional demand on our electrical grid.

I was hoping you might be able to speak to what you see as the increased demand on our grid that we're likely going to see by 2050 and what types of policies the federal government should be pursuing to ensure that type of electricity production is going to be non-emitting.

Mr. Pierre-Olivier Pineau: That's very important.

In buildings, we should not actually think only in terms of electrification. Building efficiency is extremely important, and we don't have, in Canada, a stock of buildings that are efficient. We should look at deep retrofits for buildings. That cannot happen overnight. It will have to be over 10 years.

We need to increase the rate of deep retrofitting of our buildings, especially to avoid a big jump in electricity consumption. It will be extremely difficult to build the clean electricity infrastructure to supply all our homes if they are electrified.

It is important to, first and foremost, think in terms of a retrofit, which is extremely good for the Canadian construction industry. These are local materials and local workers who will help Canadians to actually live in buildings that are more comfortable. When you have a strong thermal envelope and a well-insulated building, it is more comfortable. That will save everyone money over time because they will then reduce their heating bills, and Canadians are sensitive to these recurring heating bills.

If we do work on the stock of buildings by improving their energy efficiency, then we'll, at the same time, solve some of the problems of increasing electricity production and help Canadians save on energy, which would be good in both aspects.

For the clean—

The Chair: Thank you.

Thank you, MP Weiler.

We were well over time, but I'm sure there will be another opportunity.

Now we'll hear questions from MP Ste-Marie.

• (1205)

[*Translation*]

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

First of all, I would like to say good afternoon to all the witnesses, who are an extraordinary group.

Dr. Charlebois, thank you for all the work you and your team do. We follow it closely. The same goes for Mr. Pineau, Dr. Stanford and Mr. Dachis. It's very interesting.

ACTRA representatives are fighting a very important battle, and we're with them all the way. Let's hope the situation changes. I would also like to thank the CSN representatives for being here in person. Thank you.

My question is for Mr. Duceppe. ACTRA referred to the use of scabs. Unlike Quebec, there is still no anti-scab legislation at the federal level. When the Bloc Québécois was created, its first bill dealt with that. Thanks to pressure from the NDP, the government has committed to introducing a bill on this in the near future.

Why is it important to have federal anti-scab legislation?

Mr. Yvan Duceppe: This is important federally, as it was important in Quebec. It was done many years ago in Quebec.

Basically, it's so there is a proper balance of power. Unions are sometimes accused of wanting to create a labour dispute. That's not the goal. The goal is to have a settlement, and therefore to have proper negotiations. The best way to do that is to have the right balance of power.

For the balance of power to be correct, it must not be impossible for one party to gain an unfair advantage over the other.

That's why we need anti-scab legislation.

Mr. Gabriel Ste-Marie: Thank you.

Toward the end of your opening remarks, you referred to Mr. Pineau's speech.

We just had a very interesting and important exchange on the electrification of transportation. You said we shouldn't forget public transit. Right now, public transit is experiencing major difficulties.

Can you tell us more about what's needed to better support public transit?

Mr. Yvan Duceppe: I'll let Mr. Bélanger round out other aspects, but I'll start.

There was the pandemic. We won't go back over events, but if we compare the situation in Europe with the one in Canada—

For years, there's been talk about a high-speed train, the famous train between Quebec City and Windsor. I know that there's always money in the budget to fund studies, but I think that studies have been funded for decades, and nothing concrete has happened.

I'm going to talk about transportation companies in Quebec, because that's what I know best. Beyond that, since the pandemic, Quebec's transportation companies have experienced some financial difficulties. We need to be able to improve transportation so that it is efficient. That's fundamental to changing habits. If the global model is that everyone has a big electric vehicle, we won't have a planet. We won't be able to reach that level. So we need to work on building efficient public transit. To do that, we need to be able to improve the supply; to improve supply, we need financial assistance.

This investment is important. At the same time, we have to ensure that our investments go to companies that make transport, companies that make railcars.

Yes, it would employ our workers. They would be good jobs. It would also reduce pollution. As I said, it's high time we made a change.

Mr. Gabriel Ste-Marie: Thank you.

Would you like to answer my question, too, Mr. Bélanger?

Mr. François Bélanger (Advisor, Research and Status of Women, Confédération des syndicats nationaux): That explanation is fairly complete. I would add that in a post-pandemic environment, ridership is not yet back to where it was before. It's important for governments to be able to provide support for both capital and operations, at least in the current period. This is very important.

Beyond that, I'd say that the provision of services is the main driving force behind the operation of a public transit system. I live in the Montreal area and know many people who aren't well off. In a city like Montreal, these people live as close as 4 to 10 kilometres from their workplace. Right now, whether they're students or just starting out in their careers, they've chosen to buy a car to get around Montreal. That's an aberration. Perhaps they had other options. These are special cases that demonstrate the need for coordinated investments in this sector by all levels of government.

It's all very well to introduce carbon taxes, bonus-malus schemes or any number of other fiscal or complicated measures, but the primary solution for reducing GHG emissions from transport.... In Quebec, of course, given our reliance on hydroelectric power, transportation is the main contributor to GHG emissions. For all regions, we absolutely need an efficient public transit system. Despite the investments we're seeing, there's still a lot to be done. For example, there's the REM, and there's been talk about a tramway in Quebec City for 10 years.

We see the money going into the Quebec government's budgets, commitments and the Quebec infrastructure plan, or PQI, but it has to translate not only into figures in the budgets, but also into concrete measures and actions. We can see that things aren't moving

fast enough, and that congestion and pollution problems are getting worse.

• (1210)

Mr. Gabriel Ste-Marie: Thank you.

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

[*English*]

Now we go to MP Blaikie, please.

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

Thank you to all our witnesses for being with us today. I echo the sentiments of my colleagues. It's a great panel, with a lot of important points made.

Dr. Stanford, I want to direct my initial questions to you.

There are a lot of political voices in Ottawa who would say that we want higher productivity so that means we need higher business investment and that means we need lower taxes. As a political argument, it has the virtue of being simple, but it often doesn't fit the facts. What we've seen since the turn of the century is a drastic reduction in the corporate tax rate, outsized corporate profits and large capital reserves for large Canadian corporations, even as we see lower business investment and lower productivity.

I'm wondering if you could help to provide some insight into how, despite the fact that we've had an aggressive corporate tax reduction policy in Canada for a long time, the output hasn't been higher business investment and productivity, but actually less business investment and less productivity.

Dr. Jim Stanford: Thank you, Mr. Blaikie.

Yes, I accept the first two links in that chain that you mapped out at the beginning. We do need higher productivity. Productivity is a virtue, and we all want to be as efficient as we can.

Now, productivity on its own doesn't necessarily mean we benefit from it. There is often an assumption made—and I think Ben, to some extent, made that in his opening remarks—that higher productivity automatically means higher wages for Canadian workers, and that's absolutely not true.

It creates the space to pay higher wages without having any impact on profit margins, but whether the higher wages result or not depends on the institutions of the labour market that shape wage growth. There's no guarantee that higher productivity will lead to higher wages, but it creates some space. If we combine it with trade unions, collective bargaining and strong minimum wages, then we can translate higher productivity into higher wages.

I agree fully with Ben and others that higher investment in machinery, equipment and technology is one key feature of strong productivity growth over time. Canada's performance on machinery and equipment investment has been miserable since the turn of the century. In fact, since about the year 2000, the share of Canada's GDP that has gone into machinery and equipment investment by Canadian businesses has fallen roughly in half, from about 6% on average during the latter decades of the 20th century, to about 3% today.

That timing coincides perfectly with the reductions in corporate income taxes that were implemented first by then federal finance minister Paul Martin and echoed in many provinces by reductions in the provincial tax rate. I've done research that's been published in the Canadian Tax Journal and other outlets showing that there's no statistical correlation between reductions in across-the-board corporate income taxes and higher business investment.

What we need is more focused, tailored and contingent fiscal tools to try to elicit more business investment. Rather than just giving big wads of extra money back to the corporate sector with no strings attached, we're better off having targeted measures, such as an investment tax credit—that's an idea I support—where you have to pay to play, if you like, and the companies get the benefit only if in fact they invest.

The proactive measures by government to stimulate investment in targeted strategic areas, such as the made-in-Canada clean energy subsidies that I mentioned in my remarks, are also another approach. International comparisons have shown that investment by the public sector, in partnership with private business, targeted to particular projects—what my fellow student Mariana Mazzucato calls “mission-oriented innovation” programs—can have a more positive impact than no-strings-attached and across-the-board tax cuts.

More business investment is a good idea, but just dangling a bigger carrot in front of the corporate sector is not going to win that.

• (1215)

Mr. Daniel Blaikie: Thank you very much for that, Dr. Stanford.

I wonder if you want to speak a bit about the announcement for the newest investment tax credits that came in the budget and last year's fall economic statement, and the importance of attaching conditions like prevailing wage conditions to those investment tax credits to ensure the benefit of the tax credit doesn't just go to increasing corporate profit margins but to ensuring the people doing the work are also getting their fair share of the additional wealth that's being generated through those investments.

Dr. Jim Stanford: You raise a very important point there: that another, if you like, performance requirement that should be attached to this public participation in private investment projects should be an expectation of strong commitments around labour standards, equity in hiring, maximizing the community economic benefits from those investments, and so on.

We've seen a lot of innovation in Canada and internationally. The Biden administration's Inflation Reduction Act subsidies, for example, have some significant connections to commitments by recipient companies to improve their labour practices. In Canada, we've ex-

perimented with things like community benefit agreements that are attached to public infrastructure investments to ensure that workers from targeted or disadvantaged communities are able to get jobs and that the employers commit to strong standards around wages, representation and voice for their workers, commit to the training and use of apprentices, etc. That principle, I think, is well established: that the money from the public sector must be contingent on strong commitments from recipient companies to meet those social values.

I think that the standards that have been implemented so far in the made-in-Canada plan in Canada are not yet adequate. I'd like to see stronger conditions attached around, for example, companies' remaining neutral in union organizing campaigns. This is going to be very important as the battery industry takes hold and expands in Canada.

The principle is a good one, and I think that we need more work to strengthen it in Canada.

Mr. Daniel Blaikie: Thank you very much.

The Chair: Thank you, MP Blaikie.

We're moving into our second round.

I'm looking at the time. We're going to try to get through a second round and third round, members and witnesses. If we hold to times, we'll be able to do that.

We're starting with MP Morantz for five minutes.

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

I want to talk to Mr. Dachis from the C.D. Howe Institute.

Just to start.... I think it's obvious that, after eight years of this government, people have just had enough. Justin Trudeau is not worth the cost. A really great example of that is the housing market. When Stephen Harper was prime minister, housing was very affordable in this country. Today, housing prices have more than doubled. Mortgage and interest costs have more than doubled. Rents are through the roof. We heard Professor Charlebois talk about grocery prices earlier.

I'm asking you this, Mr. Dachis, because just a couple of days ago you published an article about housing on the C.D. Howe Institute's website, and I want to get on the record your comments on a couple of things.

One of them is the fact that, for example, although the government has taken GST off of new builds, the GST payable by homebuyers is still in place, and the threshold is \$450,000. In reality, pretty much everybody who buys a house today is paying the GST. Is that not the case?

Mr. Benjamin Dachis: That's correct.

At the time when those rebates were set up in the 1990s, about 90% of homes that were bought would have been below the minimum threshold at which the GST was clawed back, so for most homes at that point, buyers would have paid no GST.

Now, it's the exact opposite. Now you're seeing most new homes sold to owner-occupiers being subject to some GST; 90% or so are subject to some GST. The situation is now flipped, so we absolutely need to go back to those thresholds and update them for inflation. What the proper number would be and what the committee should be recommending is in the range of around \$850,000 for some of these thresholds.

• (1220)

Mr. Marty Morantz: You're probably aware that the government has tabled a bill, Bill C-56, which they call the affordable housing and groceries act. My contention is that it makes neither housing nor groceries more affordable, which I think is easily and arguably justifiable.

One of the things that the government hangs its hat on is getting rid of the efficiencies defence. The reality is that getting rid of this defence is a competition issue. It has nothing to do with addressing the immediate issue of inflation, government-driven inflation through taxation, that is affecting both home prices and grocery prices. Would you agree with that assessment?

Mr. Benjamin Dachis: I will definitely not nerd out on the efficiencies defence here. Bring me back for the bill review, if it comes to this committee, to get into that.

The efficiencies defence applies economy-wide. Potential mergers could have taken advantage of it. There are a lot of views in terms of what to do with the efficiencies defence. I think one of the consensus views among the C.D. Howe Institute's competition policy council members is that a number of them recommend not getting rid of it entirely but making it a key factor.

There's more work to be done on this. Fully removing it wouldn't have been my recommendation. There are middle-ground steps that the government could have taken.

Mr. Marty Morantz: Professor Charlebois, in your article this spring, you talked about the terrible inequality, essentially, given to businesses with respect to the carbon tax. I think you reiterated the CFIB's position on this. The Liberals have argued that most people get back more than they pay, but when it comes to the millions of small businesses across this country, that's not true at all. In fact, you wrote in your article that small businesses paid about \$8 billion in carbon taxes and got back about \$35 million. Are you still of that opinion?

Dr. Sylvain Charlebois: The reality is that we import foods from abroad, and those foods aren't subject to our carbon price policy. If you look at Loblaw's, for example, 80% of the food that Loblaw's will sell is imported from elsewhere, which actually is making—and this is really the argument that we're trying to make here—our processing sector less competitive.

This is a company with 10 employees, led by a wonderful female CEO in Halifax, struggling to make things happen. I can name many companies in Canada, SMEs trying to compete against other companies. It's not a level playing field, unfortunately.

Again, I'm not suggesting we should scrap the tax, because I think it's actually an important policy for Canada to fight climate change, as far as I'm concerned. However, when it comes to food affordability and food security, I do think we need to evaluate this picture way more than we are doing right now.

The Chair: Thank you, Mr. Morantz.

Now we go to MP Dzerowicz, please.

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

I want to thank the witnesses for all the excellent testimony we've heard today.

My first couple of questions are going to be for ACTRA. Thank you so much for being here. I'm very blessed, in my riding, to have so many people within the arts and culture sector, but I know that they are prevalent right across our country. I'll say to you that I never forget the importance of arts and culture to our economy, to jobs, to our sharing our stories and to our having a better understanding of each other and a way of bringing our country together, so thank you.

You were very clear in terms of what you want us to do around improving economic circumstances, copyright law and AI, and I really want to say I appreciate that. You mentioned the Online Streaming Act, so I wouldn't mind asking you a quick question on that. I know it's estimated to generate around \$1 billion for the Canadian creative sector.

Can you talk a bit about how you see the impact of the Online Streaming Act on the sector in terms of Canadian production and jobs?

Ms. Marie Kelly: We have long talked about the importance of Canadian content and the importance of ensuring that we have the appropriate tenets in place in order to protect Canadian content. I'm very pleased that we got the Broadcasting Act revised—and thank you to the government and all those involved in ensuring that—and now we're going through the policy process of that. You will hear our voice again saying it's really important to make sure that we protect the Canadian content components of that, the tenets of that, so that we ensure we have a good economic driver here in Canada for our own work.

Eleanor talked about the fact that we have a lot of work that comes to Canada. We appreciate the work coming from streamers. We call it service work. However, it can't replace Canadian content. It cannot replace our own industry, with our own actors, directors, producers and writers. That is a system that allows actors—and I'll talk on behalf of actors—to actually sustain themselves in our country so that we can build our industry.

There's been a disruption in the industry. I'm not saying it's a bad disruption, but there's been a disruption in the industry. It used to be that cable was the way you watched Eleanor perform, or you went to the theatre. Now we have streamers coming in, tapping into our market and benefiting from tapping into our market. It is so important that we make sure that the same rules we've applied to bricks-and-mortar broadcasters are also applied to streamers. They are getting the benefit of coming into our market. We should have the benefit to our system of ensuring there's Canadian content that is protected.

• (1225)

Ms. Julie Dzerowicz: Would the Online Streaming Act actually allow you to do that?

Ms. Marie Kelly: Absolutely.

Ms. Julie Dzerowicz: Okay.

I have one other quick question. I believe it was Eleanor who talked about how we need to be more than just a service industry to the U.S. We need to create our own viable industry.

If you had a top recommendation for our federal government that would help enable that, what would it be?

Ms. Eleanor Noble: It would be to support Canadian content. We really need the support in this country to provide incentives for creatives—performers like me, directors, writers, producers—to stay in this country. It's sad that if someone wants to have a proper career, they have to leave here. We don't have sustainable Canadian production here in this country.

Ms. Julie Dzerowicz: Thank you so much.

My last question will be for Professor Pineau. I know that we've been talking quite a bit about carbon pricing, and I want to remind everyone that a number of... I really appreciated a lot of the suggestions you've had, Mr. Charlebois. I would say to you that there is a number of different ways to be able to support Canadians and to support food prices while also trying to reduce our emissions and move to a low-carbon economy.

I want to remind everyone that all of our government supports are geared to inflation. We've introduced a national child care program. We've increased the Canada child benefit. We've introduced a dental benefit. We've increased the Canada workers benefit three times, and there's our price on pollution. We are giving back more to Canadians, eight out of 10 Canadians, so there are other ways to actually support those food prices that are going up.

Professor Pineau, there are those who argue that key measures of the green transition, like our carbon pricing, are playing a key part in rising inflation and the cost of living. Do you agree with this?

Mr. Pierre-Olivier Pineau: No, not at all. I really don't think the price on carbon is. It may contribute a little bit, but there are so many bigger factors that contribute to inflation that I really don't think it is.

The oil price going back to a high level contributed much more to inflation than the carbon price. If the argument would be that it's the price of gasoline that's creating inflation, then we should basically make sure that people can get off gasoline by creating an investment in public transit. That was mentioned before. People can

then go away from paying the high oil prices that are actually contributing much more to inflation than the relatively small carbon tax that we have.

The Chair: Thank you, MP Dzerowicz.

MP Ste-Marie, go ahead, please.

[*Translation*]

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

Ms. Dzerowicz, you asked a very good question.

Ms. Julie Dzerowicz: Thank you.

Mr. Gabriel Ste-Marie: Mr. Duceppe, I'd like to talk about pharmacare.

Canada is the only country with universal health care but no public drug plan. In Quebec, the system provides coverage to those who don't have access to a plan, but the system is highly imperfect.

We fully understand the importance of a universal pharmacare program. From my political point of view, the problem is one of jurisdiction. Health care is an area that falls under the jurisdiction of Quebec and the provinces. Ever since I was elected here, I've seen a constant attempt to centralize powers.

Is it possible to arrive at a solution with a universal insurance plan that respects the powers of Quebec and the provinces?

• (1230)

Mr. Yvan Duceppe: Jurisdiction is an eternal debate.

At the CSN, we really favour a universal plan from coast to coast—we're still part of Canada—that everyone can benefit from. It's the best system, as far as we're concerned. I understand the issue of jurisdiction. I understand it very well, especially given my name. That doesn't mean that it should be the same in Quebec as well. We're also making representations because the Quebec system is flawed. The current hybrid system means that our workers, for example those covered by private group insurance, are seeing their premiums increase unjustifiably. Renewal after renewal, their coverage is being cut back. They end up with problems. For us, this has to be corrected in Quebec, too. It might help if we had some leverage to help Quebec govern itself better so that it could offer something more comprehensive.

I'll turn it over to Mr. Bélanger.

[*English*]

The Chair: Go ahead. Be very short, please.

[*Translation*]

Mr. François Bélanger: This will be brief.

On the issue of jurisdiction, we look at the policy measures at both levels of government and determine which ones we think are preferable. As Mr. Duceppe said, the proposal in the Hoskins report, which is a few years old and was commissioned by the current government, strikes us as interesting in several respects.

Admittedly, a public pharmacare program might cost governments a little more. However, as we pointed out in our brief, such a plan would allow Canada and the provinces to save on overall private and public health spending. This would control the growth in total spending. It would also have a positive effect on the cost of inflation for Canadians.

The Chair: Thank you.

[English]

We'll go to MP Blaikie, please.

[Translation]

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

Mr. Duceppe, even if we had a federal program, we could have a common form negotiated and planned under provincial leadership. The fact that a program is paid for by the federal government doesn't mean that the provinces don't have an important role to play.

Mr. Yvan Duceppe: I fully agree with you, but it still has to work. I agree with you that this system can be imported into all provinces if there is good provincial leadership.

Obviously, we understand that pharmacare is a provincial responsibility.

Mr. Daniel Blaikie: Absolutely.

[English]

To ACTRA, could you say a bit more...? When you talk about some of the challenges that actors in Canada are facing as a result of artificial intelligence, what are some of the things you would like to see done by us here, as legislators, in order to be able to afford the appropriate protections to people in the entertainment industry?

Ms. Marie Kelly: Thank you for that question.

It is one of the greatest tools of our industry, which is also one of the greatest threats. You have individuals who have been victims of this, like Tom Cruise. I happened to be down in Los Angeles for the SAG-AFTRA negotiations, and I know that someone as big as Tom Cruise was very interested in what was happening when it came to AI and having protections. Jennifer Aniston has been a victim of it.

We think the government needs to step in, and it needs to step in quickly, to make sure that we have three things. We'll go through the three Cs with you.

The first is consent. You have to make sure that, for an individual who is giving consent to have their image used, it is informed consent and it's not buried somewhere in the middle of a 10-page document. Eleanor can tell you that, when she shows up to the set, she is often given a large document to sign, without her agent or the union being able to go through it. You cannot bury it somewhere. We need to know what you're asking for, so there's consent.

There's control. It needs to be that we have some level of control over usage. For example, taking someone's image and putting it in a pornographic production is not okay. It is not okay. I can tell you there's an actor-performer who had her voice stolen and put into a pornographic production. Her voice is recognizable. Her business is

now diminished, and there is no coming back from that. We need to have controls put in place by our government to protect people.

The last thing is compensation. That's the work of performers. They have given that work and they've been paid for that work, but only that work. Taking it, stealing it and putting it somewhere else takes away their livelihoods. It goes without saying, but some of the most precarious workers in this country are actors. They have to go to an audition for work every single day, free of charge. They have to memorize lines. They have to go into an audition. They have to create a performance that they get paid nothing for, and then they have to hope they can weave together enough of their work so that it allows them to subsist in this country.

We need to give the most precarious workers—the ones you all love to see on the screen—some fundamental protections so that they can continue to work in our country and they can have the security to know their work won't be stolen from them or misused.

• (1235)

The Chair: Thank you.

Thank you, MP Blaikie. We're well over. I think there's going to be an opportunity, but we want to make sure we get to our last round.

It's over to MP Lawrence, please.

Mr. Philip Lawrence (Northumberland—Peterborough South, CPC): I'm sorry. Did Ms. Noble have something she wanted to say?

The Chair: Yes.

Mr. Philip Lawrence: Go ahead.

Ms. Eleanor Noble: I just quickly wanted to say that the EU is already ahead on this. The U.S. is behind. It would be great to have Canada up front on this issue.

The Chair: Thank you, MP Lawrence, for giving that time.

Mr. Philip Lawrence: Of course—no problem.

My questions will be for Mr. Dachis.

I will say that this panel is fantastic. Honestly, I would like to ask every one of you questions, but I'm going to focus on Mr. Dachis.

I just want to make a bit of a statement. Then I'll get to my question, Mr. Dachis.

Given that the Liberal-NDP government has been spending taxpayer dollars at an almost incredible rate—a hundred billion dollars more a year than it did in 2019 or pre-COVID—creating what is projected to be a \$46-billion deficit and increasing spending on average by \$13 billion every six months, we know that this NDP-Liberal government will be unable to stop themselves from spending increases, even though they promised significant cuts to the government going forward.

We also know that if this government does not balance the budget we will be committed to high inflation and high interest rates for the foreseeable future and a worsening economy. If you don't believe me, here's a list of individuals who link deficits to high inflation and high interest rates: John Manley, former Liberal finance minister; Bill Morneau, former Liberal finance minister; Chrystia Freeland, current finance minister; David Dodge, former Bank of Canada Governor; and Tiff Macklem, current governor of the Bank of Canada. All these individuals from multiple political spectrums agree that the more this government spends, the worse the economy gets.

Given that, and given that the government won't stop spending, here's my question. There will be a tax increase coming from this government, Mr. Dachis. In order to balance the budget, how much would the HST have to be increased by to balance our budget?

Mr. Benjamin Dachis: What we do at the C.D. Howe Institute is that we take a look out to the future. In what the government has been doing in their outlook for the future in terms of many decades out and what their projected debt-to-GDP ratio is, they have assumed that everything is going to be hunky-dory on the economy for the next couple of decades, but we all know that's not true. We all know that a recession is probably going to come at some point in that period. Then the questions become how much, how bad it is when it comes, how long.... No one knows that.

What we do is that we forecast a range of different assumptions about when that might happen and look at the average of what various recessions might look like. Looking out many years from now, in order to keep under a reasonable assumption of about what kind of recessions we might get in the future, just to get our debt-to-GDP down back to our prepandemic level, we're looking an increase in the GST rate of 2%. If we're looking to pay back all of the debt accumulated during COVID, it's a GST that's 4% higher.

• (1240)

Mr. Philip Lawrence: Thank you very much.

We would be looking at a significant tax increase if in fact the spending is not under control—perhaps up to as high as a 4% increase in the HST. We know that with this government, even though they have committed to significant spending cuts, it likely won't happen. That hasn't been the track record, as they spend \$13 billion every six months. We're looking down at a future of high inflation and high interest rates and/or increases in taxes. Is that a fair summation, or would you disagree with that?

Mr. Benjamin Dachis: I think we also have to keep an eye out for potentially very expensive programs.

We saw the start of the dental program. When you look at the way it is laid out, with its being a federally led program, it's enormously expensive. That's going to be very much overshadowed by a pharmacare program, especially if we see one that is fully single payer, paid by the government. We're looking at potentially very large costs in the future.

If the government is really committed to these kinds of major increases in spending, then in order to keep the fiscal forecast—and stop the chance of the debt-to-GDP spiralling out of control—we need to see it come to the table with matching revenues. The best

way to pay for some of these long-term social costs is really with the GST.

The Chair: Thank you, MP Lawrence.

Now we go to MP Thompson.

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

Thank you to the witnesses. It really is quite a tremendous level of expertise. I'm sorry that I can't ask questions of all of you.

I would like to begin with you, Mr. Pineau. You began with a statement from Canada's Ecofiscal Commission. They stated that “carbon pricing will achieve [emissions reduction] outcomes at a lower economic cost than other policies.” Do you agree with this?

Mr. Pierre-Olivier Pineau: Yes, absolutely. I don't think it's the only tool, but it's a key tool. It's a very important tool, and it's a very efficient tool.

Ms. Joanne Thompson: Thank you.

On somewhat the same idea around the cost of climate damage—and I mean that across all sectors—we know climate damages are costing the Canadian economy. Certainly, I would argue that there's an impact from this on affordability. Investing now in proactive adaptation measures can cut the costs of many types of climate damage. How is Canada doing, both on the adaptation policies in preparation for climate damages going forward and on the mitigation policies to reduce emissions?

Mr. Pierre-Olivier Pineau: Sadly, I think we're doing very badly.

As I explained, we are spending a lot of money on continuing the same system that pollutes and impoverishes us. There was \$81 billion spent last year on individual cars to basically increase the fleet of cars, increasing congestion in our streets and increasing the amount of gasoline consumption, because people are buying trucks instead of cars, just because they like them.

I understand why they like them, but the problem is that our future is under threat because of climate change. We are in a deficit. Some people have a hard time buying food, but some people like having a bigger car. Then they spend \$10,000 more on a truck compared to a car, and that's for 1.5 million new vehicles.

We are doing very badly because the investments we're making in pollution aren't being made to get us on a path where we will be more resilient in a changing climate and less dependent on oil. We're not spending the money where we should spend the money. We continue spending money on urban sprawl in wetland areas. We're destroying ecosystems to build new homes when, as I said, the average size of homes continues to increase. We have a crisis of empty spaces in Canada because we have empty rooms because people like to have big rooms.

At the same time, there's an irony and a big paradox because, while some people have a hard time affording a house, we have a lot of empty rooms in our buildings. There should be some kind of ecofiscal policies to make people either rent some rooms in their big homes so that they can make use of the space they aren't using now, or, if they don't want to rent or share, basically they would have to pay higher taxes to help build sustainable houses.

• (1245)

Ms. Joanne Thompson: Thank you.

I wanted to draw from a couple of those comments. You referenced the paradox—and I absolutely agree—and the need for the ecofiscal policy. I think I've also read something where you referenced the paradigm shift that's needed across government, obviously, and all of society, to realize the urgency of the climate crisis.

Would you speak on that?

Mr. Pierre-Olivier Pineau: The urgency is there, but what I'd like to focus on is that while there is a climate urgency we need to act on, there's also a spending urgency. We are spending on the wrong items, and then we are wasting money on pollution and on uneconomic activities. When we put more vehicles on the roads, we are creating congestion and that is lowering our productivity.

Canada has one of the lowest energy to productivity indicators around the world, meaning that we are one of the countries creating the least wealth or having the lowest GDP per unit of energy we're using. This is because we're blessed with a lot of energy and blessed with low prices for energy, but in the long run that makes us non-productive.

We've talked about our productivity problems in Canada, and part of that is linked to the fact that we're using way too much energy to generate wealth, because we don't invest in the energy efficiency equipment that would raise our productivity. The carbon tax is helping on that because it makes investments in energy efficiency more profitable, and it helps Canadian businesses make investments that will structurally make them more productive.

It's not only a question of the urgency of acting against climate change; it's the urgency of getting society to be more efficient.

The Chair: Thank you.

Thank you, MP Thompson.

MP Khanna, welcome to our committee. You'll have five minutes for questions.

Mr. Arpan Khanna (Oxford, CPC): Thank you, Mr. Chair.

Thank you for all the testimony we've heard today. Thank you for being here and for joining online as well.

After eight years of this Liberal-NDP government, we are seeing that our farmers are being punished quite a bit. I represent Oxford, a riding of a lot of great farmers who do amazing work feeding our families.

Professor Charlebois, you mentioned farmers playing a role in helping us bring down some of our prices and making sure that groceries are more affordable for Canadians. The carbon tax has been punishing our farmers. We have seen that farmers are paying a lot

more now to heat their barns, dry their grain and run their operations. There is a bill now in the Senate, Bill C-234. We're hoping it passes, but it's being blocked by some Liberal senators there.

Do you think eliminating the carbon tax or pausing it would have a positive impact on our farmers and reduce some of their input costs?

Dr. Sylvain Charlebois: Thank you for the question.

I think Bill C-234 needs to pass. I think it's a must for farmers, but farmers are being taken care of by Parliament right now. Parliament is giving attention to farmers. The forgotten child in the supply chain is manufacturing, and that's kind of the point I'm making here.

We're talking a lot about retail prices and we're talking a lot about farmers. There is some attention given to farmers, but I think what we need to do is look at where the wealth is created in agri-food. That's in processing and manufacturing. That's where the innovation occurs. There are lots of SMEs in Canada, including in food services, that are really struggling right now due to higher costs. To operate a business now is much more expensive than before.

Mr. Arpan Khanna: The reason I'm asking is that we've seen, as you mentioned, that the competitiveness of our farmers goes down when they're competing...for example, with a pound of asparagus from Mexico versus a pound of asparagus from Canada. My farmers have told me consistently that they're paying a lot more. It's hard for them to compete in the market. You mentioned that you wanted to make sure farmers' markets were a part of this strategy, which is why I brought that up.

Do you think the carbon tax does hurt the competitiveness for our local farmers when it comes to providing affordable groceries?

Dr. Sylvain Charlebois: The challenge with the carbon tax at the farm gate is that farmers have no ability to pass on extra costs to their clients. That's the biggest challenge. I think it's being recognized in Bill C-234 right now. That's why I'm hoping it will pass. The economics around farming are far different from supply chain economics.

• (1250)

Mr. Arpan Khanna: Right.

I'm sure you've been following the news from the government. They staged a massive photo op with the grocery CEOs, forcing them and saying, "You have to reduce prices". You just mentioned right now that we should not be looking at the retail side. Do you think the government's photo ops will lead to any reductions in prices?

Dr. Sylvain Charlebois: In full disclosure, our lab has been working with Minister Champagne since July in terms of food inflation and bringing him some ideas on how to tackle issues. I was at the meeting with the big five, along with Minister Champagne. I think it was actually a fruitful conversation.

Moving forward, I do believe there is more that the government can do. Some of the things the government can do are things that have actually—

Mr. Arpan Khanna: Do you think it will reduce prices, and by when will it reduce prices?

Dr. Sylvain Charlebois: I don't think it's a good idea for Parliament to control, fix and set retail prices. I think it really opens up a can of worms. It's a dangerous road to take.

In France, and I think to a certain extent Minister Champagne is inspired by France, they actually set up a guideline for 5,000 grocery products. It wasn't about price setting. It was more a guideline for industry. The discussions included manufacturing. Actually, France in fact started with manufacturing before going with retailers.

Mr. Arpan Khanna: Do you think it was a wrong step for the government to jump the queue instead of working with our manufacturers first?

Dr. Sylvain Charlebois: I did recommend to Minister Champagne to start the conversation with manufacturers. He decided to start with the big five. That was the decision of the cabinet.

Mr. Arpan Khanna: It must not be a sexier photo op, I guess. Thank you for that.

You also talked about the supply chain and trucking and transportation logistics. How much do you think that plays a role in food prices? Do you have a rough percentage? I know you said it was difficult to compound all of that, but is there any ballpark figure you can give us on the numbers we're looking at?

Dr. Sylvain Charlebois: We don't have a figure right now. We're desperately looking into the matter right now, but it's hard to over-look. When you talk to transportation companies, they are charging more to transport anything.

Frankly, because we are a large country with only 40 million people, you have to look at logistics. Our logistical system is not that efficient. It's very costly and it requires more energy. When it requires more energy, the carbon tax is actually added to that. That's why we need to look at the compounding effect of the carbon tax across the supply chain. Right now, we haven't seen anything looking at that issue.

Mr. Arpan Khanna: Then you would agree that—

The Chair: Thank you. That's the time, Mr. Khanna.

It does go quickly, but we want to get through the full third round.

MP Baker, please, go ahead for five minutes.

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

I'd like to direct some of my questions to Mr. Charlebois as well, if I may.

Welcome back to the committee, Mr. Charlebois.

In a prior exchange and a discussion with one of my colleagues, you said that the Bank of Canada estimated the impact of the price of pollution on grocery prices was about 0.15%. You also said that

it's impossible to estimate accurately the impact of the price of pollution or of the carbon tax on grocery prices.

One thing I hear from my constituents in Etobicoke Centre all the time is the question, "Why are grocery prices so high?" We've spent a lot of time on this aspect. I'd like to talk about some other causes of food prices and grocery prices being so high.

My first question is this. Could you share with us, to the best of your abilities, what the impact of Russia's invasion of Ukraine is on food prices?

Dr. Sylvain Charlebois: Thank you for the question.

The February 24, 2022, invasion of Ukraine really happened at the worst time. The world was slowly recovering from the pandemic. Supply chains were starting to show signs of recovery. Then, February 24, 2022, happened, and commodity prices went up. In fact, a bushel of wheat was \$13 U.S., just to give you an example. That's basically double what it normally is. All commodity prices were hit, actually.

We kind of experienced what happened in 2008 with the financial crisis, but it was much worse and it lasted longer. We paid for that for several months after, I would say, probably September 2022 to about August of this year. We're starting to see prices drop, because commodity prices are actually much lower. A bushel of wheat is now at \$6.35 U.S. It's much more manageable.

If you look this week's CPI report from Statistics Canada, there are many items that are actually cheaper now than just a month ago: coffee, flour, tomatoes and potatoes. That's a sign that things are softening. Because of the blow we had to absorb back in February 2022, we are now past that.

At the end of the Black Sea deal this summer, I was very concerned about India's position on rice. Markets are much more rational right now, which is actually helping Canadians.

● (1255)

Mr. Yvan Baker: Surely, what Russia has done to deteriorate Ukraine's agricultural capacity—bombing farms and grain storage.... We've all seen these scenes on television. There isn't a Black Sea grain deal, really. Ukraine has found a workaround right now to try to export its food. It produces about 10% of the global wheat supply, and a bunch of other things.

Surely this is having an impact on prices still today—is it not?

Dr. Sylvain Charlebois: Not necessarily for us in Canada. You see, in Canada and North America, there's a bit of a food security bubble compared to Europe. We often say that Ukraine is the breadbasket of the world. It's actually the breadbasket of Europe. We don't really import a whole lot from Ukraine. In North America, we produce a lot of commodities, and we do process a lot of it here on our continent.

That is why, when you look at the entire globe with food inflation, Europe was really a mess for a long time. In Canada and the U.S., the food inflation rate is much lower. In fact, Canada has the second-lowest food inflation rate within the G7 still today. The only other country that's lower than us is the United States at 3.7%.

Mr. Yvan Baker: I appreciate that. I think it's worth noting, for all members of the committee, what you just said: We have the second-lowest food inflation rate.

Dr. Sylvain Charlebois: It's been like that for a very long time—at least 13 months now.

Mr. Yvan Baker: I think it's important for people to take note of that.

I'm conscious of the fact that I only have a minute left.

We know that we have a lot more extreme weather events in the world, which are driven by climate change. What's the impact of that on food prices?

Dr. Sylvain Charlebois: Currently, if you ask me, the three items that we are expecting to become more expensive in the next several months in the grocery stores are beef, orange juice and cocoa—chocolate. Why? All three of these commodities are being impacted by climate change.

Beef is impacted by droughts. In the case of cocoa, in Africa, there are some issues with lack of water also. With orange juice, it's because of hurricanes in Florida, so futures are way up.

Mr. Yvan Baker: I'll just say, if I can have some time.... I know a few members have gone over time and it—

The Chair: Yes, I know. Go ahead and finish.

Mr. Yvan Baker: What I take away from your testimony is that action on climate change is incredibly important, not only to save our planet—for those reasons—but also because extreme weather events driven by climate change are contributing significantly to the cost of food and food inflation, and will contribute even more if we don't stop climate change.

Dr. Sylvain Charlebois: I would agree with that.

The Chair: Thank you, MP Baker.

We'll go to MP Ste-Marie now.

[*Translation*]

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

Mr. Duceppe, at the end of your presentation, you talked about the difficulties the media are currently experiencing. It's essential to have access to quality information. Could you comment on that?

If you still have a bit of time after that, could you also comment on a possible minimal tax rate for multinationals of 25%, rather than 15%, that would be used to combat the use of tax havens?

Mr. Yvan Duceppe: Indeed, the country's media have experienced a major crisis, but they aren't the only ones. We know this, and we see it in the debates around certain laws that say digital giants should pay their fair share of taxes.

Not only do we want them to pay their fair share of taxes, we also want them to stop sucking—and those are my words—resources away from newsrooms. We applaud the efforts currently being

made to achieve this in the context of this tug-of-war, which we also support.

In the meantime, our media are crying out—as we recently experienced back home—because there has been a major closure of local media in the Montreal region. If we don't support them and wait for agreements to be reached, there will be agreements, but the media will have closed their doors, which is not very positive.

So we want to be very proactive in this respect. We also need to think about media other than print media, because I think it's becoming urgent to take action to support newsrooms in radio and TV stations, too.

So it's still important.

I'll turn it over to Mr. Bélanger so he can add a few points.

• (1300)

Mr. François Bélanger: Under Pillar two of the OECD/G20 agreement, a minimum tax of 15% is recommended for multinationals. We recommend that this tax be set at 25%, because it would take into account the provincial tax that is added to the federal tax in most Canadian provinces.

In Quebec, the tax rate charged to large corporations is about 11.9%. Adding the federal tax would put other countries on a par with Canada. In this way, the tax burden on large multinationals would be fair for all countries. That's pillar two.

Pillar one of the OECD/G20 agreement focuses more on the federal tax on digital services. On this topic, we can commend the current government for refusing to extend the deadline for negotiating this tax with other countries. There have already been several postponements on this issue since 2021. The government should therefore stick to implementing this tax in early 2024.

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

[*English*]

Now we'll go on to MP Mr. Blaikie.

Mr. Daniel Blaikie: Dr. Stanford, there's been a lot of talk, for a while now, about the state of the Canadian labour market. We know that, when it comes to skilled tradespeople, we have a shortage in Canada.

I'm wondering if you can speak to the role that significant, steady, predictable public investment in things like housing or the new energy economy could play—whether it's public investment directly or it's private investment incentivized by good public policy—in helping to create the conditions under which companies are comfortable recruiting and training a workforce to the size and capacity that we require to renew Canada's energy economy and create a lower-carbon energy economy, as well as to meet the demand that we need in the labour market to solve the housing crisis.

Dr. Jim Stanford: Thank you, Mr. Blaikie.

I have always been a bit cautious about accepting the idea that there is a labour shortage in Canada, even in high-skill occupations in particular. You mentioned skilled trades in the construction sector and elsewhere. I think that this focus on so-called labour shortages has been somewhat misplaced.

To be sure, the unemployment rate is relatively low by historical standards—it's 5.5% today—but that's still 1.2 million officially unemployed Canadians. That doesn't tell the whole story about underutilization in our labour market. If you include other groups of people who aren't working or aren't working to the fullest of their capacity but who would like to be, including involuntary part-time work, discouraged workers, marginally attached folks and so on, then underutilization is much higher than that.

To be sure, in some particular occupations and industries, companies have a hard time locating precisely the right skilled people at the exact time that they want. I will point out that the most severe labour shortages are actually reported in very low-wage, low-skill industries like the hospitality and retail trades, where employers complain they can't find workers, yet continue to offer well below-par wages, benefits and schedules.

In some specialized occupations, some construction trades and some health care-related fields, I would say more genuine skill shortages are an issue. This is where companies need to be pushed and encouraged with both a carrot and a stick, perhaps, to invest with more foresight and long-term commitment to a pipeline of trained and experienced workers who can fill the roles as they become available.

Your basic point on a steady flow of work in construction, including public infrastructure and, I would say, affordable non-market housing projects, would establish a baseline of work that would make that labour force planning dimension of construction more reasonable. It would also support Canada's economy through the next year or two when we expect Canada to experience at least a shallow recession.

Having an inflow of public capital spending would have important macroeconomic benefits as well.

• (1305)

The Chair: Thank you, and thank you, MP Blaikie.

Now we go to MP Lawrence.

Mr. Philip Lawrence: Thank you.

I'm going to take some of my own advice, which I've often given to people. That's to get out of the echo chambers and ask questions of people with different perspectives.

Mr. Stanford, I'm going to put this question to you. I realize you're far smarter than I am, but I think we may even have a little bit of an agreement here. I can perhaps accept your conclusion that increasing productivity doesn't necessarily increase wages because sometimes those funds could go the other way or labour conditions could lead to those monies going to places other than labour.

My question, though, is this: Is an increase in productivity not a necessary condition for increasing wages—not sufficient but neces-

sary—such that if we don't have increasing productivity we can't have wages increasing?

Dr. Jim Stanford: Thank you, Mr. Lawrence, for the question and for your commitment to getting out of the echo chamber, which I heartily endorse.

I would not say productivity is a necessary condition for wage increases. It is possible, even with zero productivity growth, to have real wages increase. That would imply that the labour share of GDP would have to increase. That means some other factor of production in the economy would have to get a smaller slice of the pie at the end of the day.

In the current moment, that's not a hypothetical question because we have seen a significant shift in the composition of income distribution across factors in Canada away from labour, compensation, wages, salaries and supplementary benefits towards corporate profits. The corporate profit share of GDP reached an all-time high in Canada in 2022. This reflected the fact that companies in many industries—not all—were able to take advantage of the pandemic, the disruptions, the shortages and the consumer desperation to increase prices above their own costs. This is a significant reason why inflation spiked and it is exactly why corporate profits grew.

For a while, it is possible to have wages increase without productivity changing at all, as long as that corporate profit share reverts to some more normal ratio of overall output.

I will point out that central bankers around the world, such as Ms. Lagarde at the European Central Bank and President Biden south of the border have indicated the importance of the normalization of corporate profit shares as part of the disinflation process that we have to go through to get inflation back to target.

For a while, anyway, it is possible for wages to grow without productivity growth.

Mr. Philip Lawrence: Thank you very much.

Dr. Jim Stanford: In the long run, we would need productivity growth to pick up in order to underwrite sustained prosperity.

Mr. Philip Lawrence: I'm glad I didn't interrupt you there. That was what I was looking for from the last five seconds of it.

Thank you very much, Dr. Stanford.

Dr. Jim Stanford: Thank you.

Mr. Philip Lawrence: I really do appreciate your answer there and your frankness and candidness.

I'll go back to Mr. Dachis.

I have the same question for you. If we want to help the most vulnerable, if we want to help the workers of Canada, does it not make sense to increase productivity, to grow the pie otherwise so that everyone has a larger slice?

Mr. Benjamin Dachis: Since Jim agreed with some of what I said in the opening statements, and that was written in Hansard, which we should make sure to take a look at, I am going to say that I agree with something that Jim said, which we should take a look at it. It's the questions around labour shortages. Labour shortages should result in higher wages. That's what we want.

One thing we should really be looking at as part of supporting Canadian workers is our immigration programs, where we need to have a real think about whether our focus on bringing in lots of workers with not a lot of regard to their skills is the right approach to improving Canadian prosperity. Is that potentially leaving companies off the hook? What we should be really focused on is getting them to invest in capital, to be able to work, do their jobs and produce their products with fewer workers, and then the workers are even more productive—

Mr. Philip Lawrence: I'm sorry, Mr. Dachis; I'll just jump in there. I just want to agree with Mr. Blaikie on something here, and I want to get your comment on it quickly. We do have too much capital locked up in Canadian corporations, and we need more capital put to productivity. Where I may disagree with Mr. Blaikie—I don't know—is that I think one of the keys to that is competition. We need more competition in our economy to push our companies to use that capital to compete to buy new equipment to be more productive.

• (1310)

Mr. Benjamin Dachis: Yes, we need to create investment opportunities for them. For example, I think about the regulatory approval process, where companies are looking to invest in Canadian electricity, the oil and gas sector and mining. When there's an overly cumbersome approvals process that's uncertain, especially now that we are uncertain as to what the Impact Assessment Act is going to look like, we need to improve certainty, and that's going to lead to more investment.

The Chair: Thank you, MP Lawrence.

We'll go over to our last questioner for this session. It's PS Bendayan, please.

[*Translation*]

Ms. Rachel Bendayan (Outremont, Lib.): Thank you very much, Mr. Chair.

I'd like to welcome all the witnesses, in particular Professor Pineau from the HEC business school in Outremont, which is very dear to our hearts. I'll have some questions for him in a few minutes.

[*English*]

I will begin with Professor Stanford.

Professor Stanford, you mentioned in your opening statement the claims from the Conservatives—and I've certainly heard these claims—that the federal deficit has been a significant cause of Canada's recent inflation. These are simply not true. As an

economist, as someone who is completely independent and an expert in the topic, can you provide our finance committee with your view? Can you help Canadians unpack that?

Dr. Jim Stanford: The government ran a very large deficit during the worse days of the pandemic and rightly so, and so did governments around the world. Those deficits resulted from the emergency programs that were put in place, including the CERB, the various versions of the CERB and the wage subsidies intended to try to retain employment relationships between workers and employers at a time when there was no work that could be done for health reasons. Those deficits occurred at a time of weak inflation and, in fact, for a short period of time during the pandemic, disinflation. Consumer prices were falling in Canada, and moreover, those deficits—

Ms. Rachel Bendayan: I apologize for interrupting, but if I understand your earlier testimony correctly, those deficits have largely if not entirely disappeared. Is that right?

Dr. Jim Stanford: Yes, exactly. That was going to be the next part of my sentence. Those deficits quickly disappeared when the CERB and the other emergency programs were eliminated. We've seen a historic restoration of fiscal balance faster than was expected at the time, in part because of the faster economic recovery that those emergency programs facilitated.

Now we have a situation where the budget in national accounts terms is effectively balanced and cannot be playing any role. There's an argument that has been made that the fiscal stimulus overdid it and that Canadians piled away billions and billions of dollars of extra savings that are now being used to pump up the prices of scarce commodities, and that's not consistent with the evidence. In fact, savings rates among Canadians are still higher than usual, so Canadians are still saving, not dissaving. They're not spending that pile of cash. One of the reasons they're saving is that they're worried about a recession coming around the corner. Ironically, the fear of a recession can make the risk of recession greater, because consumers stop spending and start saving.

Neither at the time of a deficit nor afterwards is there a convincing macroeconomic case that those temporary deficits caused the inflation. Inflation has been a global phenomenon. There's no relationship in countries between the deficit size and the inflation that they've experienced.

Ms. Rachel Bendayan: Thank you for that explanation.

You also mentioned the government is likely to outperform its official projections, for both revenue and other benchmarks, in the coming years.

What are you basing that on, Professor?

Dr. Jim Stanford: That comes from my experience as a macroeconomics policy analyst over the last decades. I have, many times, seen finance ministers practice and perfect the art of under-promising and over-delivering, in terms of setting forecasts that are deliberately pessimistic so that, at the end of the day, they can stand up and say, "Look, prudent fiscal management has allowed us to get to this happy point."

That was obviously about to happen last year. If you look at the fiscal monetary reports, the federal government actually ran a surplus over the first 11 of 12 months in the last fiscal year, equal to \$3 billion. Then, suddenly, in the last month of the year, the government made some announcements, many of which were very important. These were prefunding health care transfers to the provinces—and so on—that got the budget back into deficit in the last month of the year.

Clearly, there's some theatre, if you like, baked into budgets. This has been true of governments of any political stripe over the last quarter-century.

• (1315)

Ms. Rachel Bendayan: Thank you very much, Mr. Stanford.

I have time for Mr. Pineau.

[*Translation*]

Dr. Pineau, thank you for being with us.

Could you tell us about the key measures in our energy transition? We often hear, mainly from the Conservatives, of course, that carbon pricing is responsible for the increase in the cost of living.

Is that true, Dr. Pineau?

Mr. Pierre-Olivier Pineau: No, I don't think that's the case at all.

We know that the price of oil has risen sharply. Various factors contribute to the rising cost of living. Our dependence on hydrocarbons means that we are attached to petroleum products, and this is a major contributor. In fact, by fighting climate change, we are reducing our dependence on petroleum products and freeing up funds. In fact, Canadian consumers spend an enormous amount of money on petroleum products. As I was saying, they are willing to pay more for vehicles that use more gas.

Of course, there are Canadians who are suffering from rising prices, but there are also many Canadians who can afford to buy big houses and big cars; they're not suffering. Policies that don't limit this overconsumption affect all Canadians and hurt the economy at the same time.

[*English*]

Ms. Rachel Bendayan: Thank you.

The Chair: Thank you, MP Bendayan.

MP Blaikie, go ahead on a point of order.

Mr. Daniel Blaikie: Thank you, Mr. Chair. I anticipate this will be a quick point of order.

I think members know it's a well-established parliamentary practice that they are not to intentionally mislead the House or any of its

bodies, like this committee. I've heard casual reference, a few times today, to eight years of NDP-Liberal government.

It's also a well-established principle of parliamentary life that we can't accuse our colleagues of lying. I'm forced to assume it's a deficiency in their understanding of the parliamentary system that allows them to say something of that nature.

The Chair: MP Blaikie, we're not going to get into that right now, as far as what was said—

Mr. Daniel Blaikie: I think it's important that we have a little understanding of how this works.

Even on the face of it, if you want to argue there's been closer collaboration in this Parliament, during four years of the Liberal majority government from 2015 to 2019, there was certainly no hand of the NDP involved in that, in any way, shape or form.

I would beseech my colleagues to take a look at the *Procedure and Practice* manual of Parliament, which explains the principles of the Westminster parliamentary democracy I've heard them say they love, cherish and want to defend, because I think they could stand a lesson.

The Chair: Thank you.

Mr. Marty Morantz: On a point of order—

Mr. Philip Lawrence: I have a point of order, please.

The Chair: I think it's a good read. We should all read it.

Mr. Marty Morantz: On that point of order, Chair...

An hon. member: I have a point of order.

The Chair: Members, it's about respect and decorum. It is about making sure we respect the witnesses who are with us and the testimony they've been able to provide.

We want to thank our witnesses for the great job they've done—

Mr. Marty Morantz: Mr. Chair, I have a point of order.

The Chair: We're just past that time.

Mr. Philip Lawrence: Mr. Chair—

Some hon. members: Oh, oh!

The Chair: We're going to end on a great note here.

Thank you very much.

Mr. Philip Lawrence: Mr. Chair, I have a point of order.

Some hon. members: Oh, oh!

The Chair: We are adjourned.

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