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Chair: Mr. Peter Fonseca



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• (0845)

[*English*]

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

This is meeting number 116 of the Standing Committee on Finance. It's for our pre-budget consultations in advance of the 2024 budget.

We are delighted to be here in Quebec City. Some of you may know that we are going across the country. We've done the Atlantic provinces and now we're moving our way through the country until the end of this week, when we will be in Vancouver. We're then going back to Ottawa to put our report together on pre-budget consultations.

We have received a record number of submissions. Over 850 briefs have come in to our portal, which is tremendous. It's amazing. It's great. It shows the interest and that everybody wants to say what we should be doing in budget 2024.

This committee is also a pioneering committee. Because there is so much interest, we have the opportunity for what is called an open mike. You can see the deputation, those who will be making a statement, behind the people at the table. At this open mike, each of the persons or organizations will have up to one minute to make a statement. I will ask the clerk, Alexandre Roger, to call out each of you as you come up to the mike and make your statement for one minute.

I'm delighted to be here with my colleagues from all different parties, as well as a whole team of technicians, interpreters and analysts, who will capture everything.

With that, we're going to get started.

Mr. Clerk, please go ahead.

[*Translation*]

The Clerk of the Committee (Mr. Alexandre Roger): First of all, I will ask Thomas Le Page-Gouin to make his presentation.

Mr. Thomas Le Page-Gouin (As an Individual): Good morning, everyone.

My name is Thomas Le Page-Gouin, and I am the executive director of Camp le Manoir and the Centre écologique de Port-au-Saumon, which are located in the Charlevoix region. For some years now, I have also been president of the Association des camps du Québec, which represents all the camps in the province.

I would like to address two very important topics.

First of all, I want to discuss the Canada summer jobs program. This program is vitally important for the survival of organizations such as ours, as it affects most of the camps that are offered in Quebec.

We have observed a decline in available funding in recent years, since the special measures were introduced during the COVID-19 pandemic. That decline has hit organizations like ours extremely hard. It's not that it has become harder for young people to find jobs. On the contrary, I think they now have more choices. However, it is virtually impossible for them to function without the financial assistance provided through the Canada summer jobs program. And that's not counting the quality of the experience that we enable young people to acquire. I believe that these jobs are extremely rewarding and formative for young people.

The second topic I want to address is infrastructure. Our sites are very old. Most were built in the 1960s. There are many programs designed to develop new facilities, but virtually none intended to renovate existing infrastructure or to maintain it in good condition. This is a problem.

Consequently, we need programs designed specifically to improve the quality of infrastructure that we already have, instead of letting it deteriorate and having to shut down camps.

Those are the major issues for our industry that we would like to bring to your attention.

Thank you.

• (0850)

The Clerk: Thank you very much, Mr. Le Page-Gouin.

I now invite Joany Boily to take the floor.

Ms. Joany Boily (As an Individual): Good morning.

My name is Joany Boily Renaud, and I represent Les services de main-d'œuvre l'Appui, which works with immigrants.

Today I would like to talk to you about two issues that we experience with our clientele every day.

The first issue is the time it takes to process immigration files.

People waiting to be granted status live under considerable stress. I'm thinking, in particular, of parents of young children who don't know what their future holds. People who are waiting for permanent residence or who want to extend their work permit so they can remain in Canada unfortunately face very long delays in the processing of their files, which cause them considerable stress.

The other issue I want to discuss with you concerns the resources of community organizations that work with immigrants and, more specifically, with vulnerable workers.

In some instances, the closed work permits system requires temporary foreign workers to stay with an employer who forces them to live in a toxic environment. Fortunately, they can request an open work permit in those circumstances. However, the support these workers receive to complete the paperwork associated with the open work permit application is inadequate, even virtually nonexistent. In some instances, they have to wait two or three weeks to get that assistance. These workers are distressed, living in toxic and unhealthy environments, seeking assistance and forced to endure long delays in the processing of their files.

I sincerely ask you to take that into consideration.

Thank you.

The Chair: Thank you very much.

[English]

We want to hear from everybody. We have limited time, so we're asking that you really keep to the one minute that was allocated to each of you. There are 15 different participant groups.

Go ahead, Alexandre.

[Translation]

The Clerk: Then we will ask the next speaker, Anne-Marie Dufour, please to stick to one minute.

Ms. Dufour, are you here? She doesn't seem to be. Then we'll move on to the next person, who is Marie-Hélène Gagnon.

You have the floor for one minute.

Ms. Marie-Hélène Gagnon (As an Individual): Mr. Chair, members of the committee and Ms. Desbiens, good morning.

I am the director of the Office municipal d'habitation de Baie-Saint-Paul. Today I want to shed some light on the significant and urgent need to increase the core need income threshold, the CNIT, used to determine social housing eligibility.

To qualify for social housing in rural areas, applicants must have incomes of less than \$23,500, whereas the threshold in Quebec City, for example, and other major centres, is \$34,500.

In my job, I am regularly required to tell people working 30 hours a week for minimum wage that they're too wealthy to qualify for social housing. I would sincerely prefer not to have to tell heads of single-parent families with two dependent children and incomes of \$31,000 that they earn too much money to be live in low-cost housing.

This is 2023, and it's high time we acknowledged that maintaining such a large gap between the CNIT for large cities and the one

for rural areas isn't justifiable or fair for everyone. It's essential that action be taken to solve this problem, and I'm very much relying on you to ensure that message is heard.

The Chair: Thank you very much.

The Clerk: We will continue with Marie-Pier Gravel, from La bouchée généreuse.

Ms. Marie-Pier Gravel (As an Individual): Good morning.

My name is Marie-Pier Gravel, and I am the assistant manager of La bouchée généreuse.

The situation of food banks in Quebec is critical, as it is in the rest of Canada. Calls for help are skyrocketing, vastly exceeding available resources.

Ten per cent of the population of Canada now relies on food banks to feed themselves. At La bouchée généreuse, the organization where I work, 350 families relied on food aid every week in 2019. In 2023, that number has tripled to 1,000 families a week. Requests for assistance are constantly rising, endangering the capacity of food banks to help every family in need. What resources will those families have when they are no longer able to feed their children? Will they be forced to consider stealing?

You should be outraged by the figures I'm giving you. It's essential that quick and effective action be taken. It's shameful that so many families and individuals go hungry in a country as wealthy as Canada. The funding that governments currently provide are paltry compared to the scope of this crisis. It is the duty of every elected member to guarantee that the public be able to feed themselves appropriately.

I encourage you to visit the food banks in your constituencies before the next budget is adopted.

• (0855)

The Chair: Thank you, madam.

The Clerk: Julie Bernier, from the newspaper Ici l'info, now has the floor.

Ms. Julie Bernier (As an Individual): Good morning.

My name is Julie Bernier, owner and editor of the newspaper Ici l'info.

I'm here this morning to tell you about the media crisis. We never received subsidies during the COVID-19 pandemic because it was too complicated to apply for them. I can't complete and submit the applications on my own. I need outside assistance, but that's too costly. For that reason, I can never file for subsidies.

As you are also aware, we are being cannibalized, as it were, by the online media. Advertising revenue is the only thing keeping us afloat. If everyone goes onto the Internet, our advertising revenue will dry up. However, local news is important, and even critically so for democracy and for people. It's important for everyone, not just seniors.

Consequently, I would ask you please to simplify the process or make someone available to help us complete subsidy applications without us being required to pay out astronomical amounts of money.

That's more or less what I wanted to say, but I think I may have forgotten most of it.

The Chair: Thank you.

The Clerk: Roseline Roussel, from Pignon bleu, now has the floor.

Ms. Roseline Roussel (As an Individual): Good morning.

I am Roseline Roussel, general manager of Le Pignon bleu.

In 1989, the parties in the House of Commons said that child poverty was a national horror, a national disgrace, and committed to eradicating it before the year 2000.

Today, one in four children in our region suffers from food insecurity. That's worse than ever. We are the only G7 country that does not have a universal food program for children.

Current funding to address food insecurity is inadequate. We hope that serious efforts will be made this year and that budgets will be accessible and allocated not to targeted trust companies that charge management fees and accumulate surpluses, but to the actual local players on the ground.

Thank you.

The Chair: Thank you.

The Clerk: Éric Trudel, from the Fédération régionale des OBNL d'habitation de Québec et Chaudière-Appalaches, now has the floor.

As he doesn't seem to be here, we will go to Christian Hébert.

Mr. Christian Hébert (As an Individual): Good morning.

My name is Christian Hébert, and I am the president of the Union des producteurs agricoles de Portneuf.

I want to tell you that climate change is making our lives harder. This summer, we saw very high precipitation levels in the Portneuf region and elsewhere in Quebec. The government will have to step in and support farmers.

A quick action that the Canadian government should consider in addressing farmers' flagging cash flows is to delay the repayment of loans that farms received under the Canada emergency business account program during the pandemic. That would reduce the financial burden borne by farmers during this uncertain and turbulent time. We think the government should consider delaying repayment for at least two years to allow farmers the time to recover from the economic situation and the environmental context caused by last summer's poor weather.

I have left a copy of my entire statement, which contains all the details and figures, with MP Caroline Desbiens, who can forward them to you.

Thank you very much, Mr. Chair.

Thanks to the entire committee.

The Chair: Thank you.

The Clerk: It is now the turn of Paul Crête, former Bloc Québécois member of the House of Commons.

Mr. Paul Crête (As an Individual): Good morning, everyone.

I'm taking part in this consultation today as a citizen, and more particularly as a father and grandfather.

There is a fundamental choice to be made in this next budget, and that is whether to combat climate change. The budget must absolutely afford future generations, our grandchildren, a chance to live on a healthy, clean and tolerable planet. In the short term, that means a stop to partisan battles over issues like the carbon tax. You must absolutely present a budget that will enable you to say, in 10 or 20 years, that you were there and that you did what had to be done to meet the objectives in the fight against climate change. Those objectives are essential, and not only for Quebec and Canada.

I would like to make one final point: we have to stop arguing that other people elsewhere in the world aren't doing their part. If your house is on fire, you don't look to see if the person in the living room is doing his job. You reach for a fire extinguisher and put out the fire in the room you're in.

● (0900)

[English]

The Chair: Thank you for your service.

[Translation]

The Clerk: Thank you, Mr. Crête.

It is now the turn of Michel Côté.

Mr. Michel Côté (As an Individual): Good morning.

My name is Michel Côté, and I am the general manager of Immeuble populaire de Québec. I also represent the Fédération des OBNL d'habitation.

I would briefly like to address two points.

Funding is available for community support for veterans, but not for housing. Housing funding is transferred to the Quebec government but isn't earmarked for veterans. I find that somewhat sad. We have trouble providing housing that is intended for them. We mix them in with other clientele. They have specific problems and needs that are important to consider.

In the next budget, I'd also like you to take into account the need to provide new funding to the Canada Mortgage and Housing Corporation. We need a federal co-investment and initial funding. We need that in order to start up projects. CMHC's coffers have unfortunately been empty for quite some time.

Thank you.

The Chair: Thank you.

The Clerk: We have a final participant, René Grenier.

Mr. René Grenier (As an Individual): With nearly 170,000 members, the National Association of Federal Retirees is the largest advocacy organization for active members and retirees of the federal public service, the Canadian Armed Forces, the Royal Canadian Mounted Police and federally appointed judges.

The National Association of Federal Retirees wishes to make the following recommendations to the Standing Committee on Finance:

First, commit to long-term care standards and a national seniors strategy.

Second, fund and implement a drug insurance plan.

Third, support caregivers.

Fourth, guarantee fair outcomes for veterans.

Fifth, solve all Phoenix-related issues.

Sixth, add a pensioners representative to the board of directors of the Canada Pension Plan Investment Board.

Seventh, update federal retiree benefits.

Eighth, address cost-of-living issues.

Thank you.

The Chair: Thank you.

[English]

Let us thank this excellent, diverse, passionate group of witnesses who came before our open mike to give us their statements, their testimony. It will make up part of our study and the report on our pre-budget consultations. We really thank you on behalf of this committee for doing that.

[Translation]

Mrs. Caroline Desbiens (Beauport—Côte-de-Beaupré—Île d'Orléans—Charlevoix, BQ): A point of order, Mr. Chair. There's no interpretation.

• (0905)

[English]

The Chair: We'll suspend for a second to make sure that interpretation is working.

• (0900)

(Pause)

• (0905)

The Chair: We are back, everyone. I'm glad we have the interpretation working. We have to make sure it is always functioning and that everybody can receive messages in the language of their choice.

Again, I want to thank those who came to the open mike. We should give them a round of applause.

Some hon. members: Hear, hear!

The Chair: They did an amazing job. We wish we could have them all at the table here.

We're going to hear from those with opening statements, and then we're going into questions from members. Let me introduce who we have with us here today.

From the Canadian Worker Co-op Federation, we have Hazel Corcoran, executive director.

From the Fédération des chambres de commerce du Québec, we have Charles Milliard, president and chief executive officer, and Mathieu Lavigne, director of public and economic affairs.

From the Manufacturiers et Exportateurs du Québec, we have Véronique Proulx, president and chief executive officer. I understand that Madame Proulx has to leave by 10 o'clock, so members, if you have questions for her, make sure you get them in by 10 o'clock.

Finally, from the Mouvement autonome et solidaire des sans-emploi, we have Benoit Lapointe, co-coordinator.

We're going to opening statements. We'll start with the Canadian Worker Co-op Federation, please.

[Translation]

Ms. Hazel Corcoran (Executive Director, Canadian Worker Co-op Federation): Thank you very much, Mr. Chair.

Good morning.

My name is Hazel Corcoran, and I am executive director of the Canadian Worker Co-op Federation.

On behalf of our 64 worker co-ops across the country and the three Quebec federations that constitute our membership, I am pleased to be with you in this beautiful province, a province with a robust heritage and strong co-operative culture.

[English]

There are over 250 worker co-operatives in various industries in Quebec alone, and a total of 440 worker co-operatives across Canada, ranging from the forestry sector and agriculture to food manufacturing, construction and the service sector. In fact, right here in Quebec City there are many worker co-ops, including, as one example, the Coopérative des techniciens ambulanciers du Québec, CTAQ, which provides paramedic services to Quebec City and Saguenay—Lac-Saint-Jean and has over 500 worker members.

To provide more background on the worker co-op model, a worker co-op is an employee-owned enterprise that follows co-operative principles such as democratic member control and concern for community. Worker co-operatives have a proven track record and a superior survival rate compared to other enterprises.

Over 100 studies across many countries have indicated that employee ownership is linked to increases in firm performance and productivity, greater job stability with fewer layoffs, significant potential to alleviate income inequality and improved quality of the workplace due to workers having greater control, more aligned incentives and increased skills development. In some ways, worker co-ops are similar to other forms of employee ownership; they are just the most democratic form of it. Worker co-operatives are well suited as a strategy for business succession, which is a huge concern as the baby boomer generation retires. Encouraging employee buyouts can help prevent the closure of locally based businesses, including many in rural communities. That is why we are so pleased to see the Government of Canada's interest in introducing employee ownership trusts in Canada and providing modest tax relief to such models in budget 2023.

However, while the government ponders its approaches to EOTs, we also request that the worker co-operative model be provided a level playing field to employee ownership trusts. We kindly ask that the government provide tax changes to worker co-ops that are comparable to those provided to employee ownership trusts.

More specifically, we recommend that the government add worker co-ops to qualifying conditions and definitions in the legislation, since worker co-ops are quite distinct from EOTs. Including language specific to them means they would be able to access these benefits and any future benefits.

Provide business owners who sell to worker co-operatives the same proposed extension, from five to 10 years, for capital gains reserves as those who sell to EOTs. In addition, as those who invest in worker co-ops themselves do not benefit from capital gains tax exemptions, we ask that you consider another tax change that could benefit worker co-ops specifically: Create a federal co-operative investment plan. A program to encourage investment in the sector through a tax deduction on the investment would support and grow the worker co-op sector.

Last, we are advocating that the government ensure entrepreneurs and businesses are not penalized when claiming the small business deduction simply because they are members of a co-operative operating in sectors other than agriculture and fisheries.

In 2016, with the passage of Bill C-29, the federal government brought in measures aimed at preventing multiplication of benefits derived from the SBD. An unintended consequence was that the provisions penalized Canadian-controlled private corporations that are members of co-operatives or whose shareholders are members of co-operatives, because they are now unfairly deemed to be a related party. Although co-ops were not specifically targeted by the measures, they and their members were affected negatively.

● (0910)

[*Translation*]

To sum up, although the work co-op model has received little support from governments, it has made it possible to create thousands of high-value jobs in Quebec and the rest of Canada, while supporting workers in often vulnerable sectors.

Although we are pleased to see the Canadian government's interest in worker-shareholder trusts, the Canadian Worker Co-operative

Federation and its members seek equal consideration when it comes to applying tax changes and other incentives to those trusts.

I will be happy to answer your questions.

I want to thank the committee for this opportunity to take part in its pre-budget consultations.

The Chair: Thank you, Ms. Corcoran.

[*English*]

Now we'll hear from the Fédération des chambres de commerce du Québec.

[*Translation*]

Mr. Charles Milliard (President and Chief Executive Officer, Fédération des chambres de commerce du Québec): Thank you, Mr. Chair.

Good morning, everyone.

My name is Charles Milliard. I am president and chief executive officer of the Fédération des chambres de commerce du Québec. With me is my friend and colleague Mathieu Lavigne, who is our director of public and economic affairs.

As you probably know, the federation represents nearly 50,000 businesses in Quebec and more than 120 chambers of commerce across the province. We are the largest network of businesses and business people in Quebec. We are both a federation of chambers of commerce and a provincial chamber of commerce, the Chambre de commerce du Québec.

All our members, both businesses and chambers of commerce, strive to achieve the same goal: to promote an innovative and competitive business environment and, especially, to make a substantive contribution to regional economic development across Quebec.

Thank you for having me here this morning to tell you what we would like to see in the federal government's 2024-2025 budget. This past summer, we submitted our brief, which contained 11 specific and targeted recommendations. A more exhaustive version will follow as part of the consultations conducted by the Department of Finance. Allow me to focus on three themes this morning: labour, the economic development of all regions of Quebec and the state of public finances and taxation.

We will begin with the first theme: the labour shortage.

As you know, for some years now, all of Quebec's economic sectors have been coping with the biggest challenge there is: a labour shortage. This situation, I should mention, is the combined result of an aging population and a strong and resilient economy.

However, this undue pressure on the labour market will continue to intensify in the next few years. The labour shortage will be a cause for concern for another decade or so.

According to the Institut national de santé publique du Québec, 25% of Quebec's population, one quarter of the population, will be 65 years of age or more in 2030. As we all know, the province's birth rate has generally been trending downward since 2013.

As the pool of native Quebec workers continues to decline in the coming years, immigration clearly appears to be a prime solution and occupies an important position in meeting our labour needs. However, other responses are also available: more effective promotion of student internships, a more effective approach to continuing training for our workers and stronger incentives for experienced workers to extend their careers.

The federal government has a role to play in all these areas. That is why we are making four recommendations this morning: promptly announce investments to be made in placement programs for students across Canada until 2030; replace the Canadian training credit with a new voluntary continuing training savings plan, which I would be pleased to discuss with you during the question period; introduce more robust measures to raise the average retirement age; and—an interesting suggestion to make—reinvest in Canadian embassies in North Africa to reduce processing times for immigration files from those regions, which as we know, greatly contribute to the international economic francophonie.

The second important theme that I want to address this morning is the economic development of Quebec's regions.

The Quebec and Canadian economy is strong when all regions contribute fully to its development. To ensure that happens, we need logistical and transportation infrastructure that is modern and worthy of a G7 country and that enables workers, entrepreneurs and goods to circulate freely within our borders.

On this point, I want to note that one of our recommendations has already been realized. We are very pleased that the federal government has confirmed additional funding of \$150 million for the expansion of the Port of Montreal at Contrecoeur. This is excellent news for such a strategic project.

Similarly, we strongly recommend that the government immediately set aside the necessary funding to build the high-frequency or high-speed rail line linking Quebec City, Montreal and Ontario with an accelerated schedule for completion. We also recommend that it enhance the airports capital assistance program in the Canadian regions and reduce the high tariff rates charged to air carriers that use Canadian airports.

Furthermore, to maximize the impact of the new green industries developing in all our regions, we recommend that tax and financial incentives associated with Canada's plan for a clean economy be contingent on flexible criteria related to content supplied by Canada or allies, that is to say, from free-trading Canadian partners.

Lastly, I come to the final theme for this morning, the state of our public finances and taxation.

We think it is essential that the government submit a plan for balancing the budget within five years.

● (0915)

We would also like Canada to draw on the example of the Quebec government, which this week reiterated its commitment to maintain a balanced budget until 2027-2028. I say that in an apolitical way. It's a good source of inspiration for Canadian parliamentarians.

I will conclude my presentation by naming, in quick succession, a few topics on which we think the committee should focus its attention. First, the government should make incremental innovations eligible for the scientific research and experimental development incentive program, the review report of which the government should be releasing very soon. We also recommend that it introduce an equipment modernization and cyber security tax credit. Lastly, it is important to ensure that the new national drug insurance plan supplements the present Quebec system in order to maintain flexibility.

Thank you.

The Chair: Thank you, Mr. Milliard.

I now yield the floor to the representative of the Manufacturiers et Exportateurs du Québec.

Ms. Véronique Proulx (President and Chief Executive Officer, Manufacturiers et Exportateurs du Québec): Mr. Chair, members of the Standing Committee on Finance, I am pleased to be with you today to present the recommendations of the Manufacturiers et Exportateurs du Québec regarding the 2024-2025 budget.

[English]

Canadian Manufacturers and Exporters, which we are part of, submitted its pre-budget submission earlier this year. Today I will focus on the recommendations that are most relevant for Quebec manufacturers given the challenges we have in the province. My presentation will be in French, but I will be happy to answer any questions in English afterwards.

[Translation]

The manufacturing sector represents 13,000 businesses. Our activities generate 12.8% of Quebec's gross domestic product, which, to date, makes us the biggest contributor to Quebec's GDP. We are also major exporters: manufactured goods constitute 86.8% of Quebec exports.

The economic situation across Canada is uncertain and unpredictable. The federal government can count on Quebec and Canadian manufacturers to support the economy, but they must be given the necessary tools to do so. Today I am going to outline some of our recommendations, divided into four major themes.

The first of those themes is labour and access to talent.

There are nearly 22,000 vacant positions in Québec's manufacturing sector. That fact is still the greatest drag on both manufacturers' growth and, it's important to note, on investment. There are 16,000 temporary foreign workers in our sector in Quebec. Quebec manufacturers use the temporary foreign workers program.

To address this situation, we have two recommendations.

First, we need to align the immigration system with the needs of manufacturers. More specifically, we want the government to be able to select more welders, electrical engineers and mechanical engineering technicians so that economic immigration can serve Quebec and Canadian manufacturers.

The second recommendation concerns housing. There is a housing crisis all across Quebec. The major manufacturers will invest in housing, by both purchasing and renovating, in order to house their workers. As you can understand, however, these kinds of investments are harder for small and medium-sized manufacturing businesses to make. We therefore ask that the government accelerate investment and cooperate with the provinces and municipalities so that we can quickly build more housing across Quebec and maintain our manufacturing operations in the regions.

The second major theme is stimulating investment.

Canada ranks second last for non-residential investment among the countries of the Organisation for Economic Co-operation and Development. We now invest less in this area than we did in 2014, which means that we have experienced negative growth since that year.

Many significant investment projects are unfortunately being delayed or cancelled in the current economic context. We recommend several measures in our brief to address this situation. I will briefly present four of them to you. First of all, the government should introduce a 10% investment tax credit, as is being done in Quebec and the Atlantic provinces. Second, it should extend the accelerated investment incentive. If we want to stimulate investment now, in a context of uncertainty, we need to encourage businesses to do so. Third, the government should also extend and recapitalize the strategic innovation fund and commit at least \$2.5 billion a year to it. Fourth and last, it should enhance and reform the scientific research and experimental development tax incentives program. That's particularly important for Quebec's aerospace industry.

Exports are the third theme of our recommendations.

We need to increase exports. However, it's often difficult for businesses to enter international markets. They must be a known quantity and have had contracts here in Canada. Which is why we recommend that the federal government review its procurement policies and eliminate the lowest bidder rule to enable our businesses, which are competitive, to access public contracts. These are businesses that produce here in Canada in compliance with envi-

ronmental and occupational health and safety standards. They must be given a chance to bid for and access public contracts.

We must also provide better support for small and medium-sized manufacturing businesses. Only 1,000 of the 13,000 manufacturing businesses in Quebec have more than 100 employees. However, the 12,000 businesses with fewer than 100 employees need export assistance. They need to be provided with better support and more programs to mitigate the risks associated with their initial forays into international markets.

The fourth and final major theme is the fight against climate change.

The big challenge in the next few years will be to decarbonize activities. Quebec and Canadian manufacturers want to contribute to the federal government's carbon-neutrality objectives and to be part of the solution. However, they need more support and predictability, as well as key measures, in view of the investments that will be required.

More than a year ago, the U.S. government announced a range of tax measures under its Inflation Reduction Act. Here in Canada, we are still awaiting the measures the federal government announced to materialize. For a year now, businesses operating on both sides of the border haven't even had to wonder on which side of the border to invest their money to decarbonize their operations: they know it's better to do it on the American side. Consequently, the government must expedite implementation of the five tax credits previously announced and ensure that those programs are predictable and more broadly based to stimulate investment in Quebec and Canada.

● (0920)

Thank you very much. I will be pleased to answer your questions.

The Chair: Thank you, Ms. Proulx.

[*English*]

Now we'll go to the Mouvement autonome et solidaire des sans-emploi.

[*Translation*]

Mr. Benoit Lapointe (Co-coordinator, Mouvement autonome et solidaire des sans-emploi): Mr. Chair and members of the committee, good morning.

Thank you for inviting us here today to outline the investments that need to be made to improve Canada's employment insurance plan. Our complete arguments for a thorough reform of the plan are laid out in our brief.

These days, as we have all seen, whatever happens on the other side of the world has an impact on our economy here at home. Climate change is also destabilizing natural-resource-based businesses and our economy as a whole. These events and phenomena are beyond our control, but a good employment insurance plan is one of the essential tools we can use to offset their consequences and provide some security and stability to the entire population of this country.

Choosing an employment insurance plan can also help us avoid tragedies. The Mouvement autonome et solidaire des sans-emploi, or MASSE, would like to express its condolences to the families of the three fishermen from the community of Blanc-Sablon who recently died. We will not forget them.

It isn't right that, in a G7 country in 2023, people should need to risk their lives in a storm at sea because they need to accumulate 595, 665 or 700 hours of work to qualify for employment insurance in their region and then hope to survive on benefits that won't even last the entire off-season. We, as a country, have the resources to correct this situation. It's a matter of priorities. If people want to eat seafood in Ottawa, someone has to fish for it off the east coast. However, no one should have to risk his life trying to qualify for employment insurance just to fill our plates.

There are a few simple solutions for considerably improving the plan starting in 2024, while we introduce the full reform that we have been promised.

In 2020, thanks to the Statistics Canada Simulation database, the Institut de recherche et d'informations socioéconomiques, or IRIS, determined that the introduction of a single eligibility threshold of 350 hours or 13 weeks of work would make it possible to redistribute approximately \$1.7 billion in benefits to unemployed workers. That would help maintain the economic vitality of many communities and prevent more than 90,000 households from falling into poverty.

I would also note that it is possible to establish a single threshold. The government did it during the pandemic. We also think that the regional unemployment rate isn't an indicator of the number of jobs available in a region. We therefore request that this requirement be dropped.

The measure of establishing a single threshold of 35 weeks of benefits for eligible individuals would cost the employment insurance fund approximately \$1.2 billion annually. That lower threshold is a relatively inexpensive measure that would avoid the black hole of employment insurance for thousands of families. As I said earlier, it could save lives.

One thing is for sure, and that's that, given the rising cost of living in recent years, unemployed workers can't support themselves on only 55% of their normal income. That income must be sharply increased. If the benefit rate is raised to 70%, rather than maintained at the current rate of 55%, the additional benefit amounts remitted would total \$4.7 billion.

Of course, many options are available to the Minister of Finance to finance these measures.

First, the return of the government contribution equal to 20% of the total amount of employer and employee contributions would add approximately \$5 billion to the fund annually. And that's not an impossible measure, since that kind of contribution was made until 1990.

Second, savings of approximately \$2 billion could be achieved every year by ending funding for employability programs from the EI fund. We at MASSE believe that employer and employee contributions should not be used to fund those programs.

It should also be borne in mind that there was a time, not long ago, when the contribution rate was approximately 3% of salary. It's less than half that today. Given the rule requiring that the fund must have a zero balance every 7 years, the fund seems fated to be less and less suited to the needs of unemployed Canadians. If, every time the fund showed a small surplus, those amounts were used to improve the plan rather than to offer contributors very minor reductions calculated in fractions of a percentage point, the plan could be sustainably improved and a new balance could then be established by achieving, in the long term, a more accessible, fair, universal and non-discriminatory plan.

● (0925)

I would recall that \$57 billion was removed from the employment insurance fund in 2008. And let's remember that Mr. Duceppe demanded to know where unemployed workers' money had gone.

In addition, approximately \$20 billion was taken from the fund in recent years and used to fund the Canada emergency response benefit.

If those amounts removed from the fund were recovered, the employment insurance plan would have a cushion that could be used to fund the proposed improvements as it gradually found its new balance.

The plan is currently underfunded and exacerbates the inequalities within our society. Canada's workers deserve better than that. Everyone who contributed should be entitled to benefits if they become unemployed.

Surely it's possible to make choices in the 2024 budget that will improve the present plan. The employment insurance plan may find its budgetary balance in its improved version. The choice is political, not financial.

The Chair: Thank you, Mr. Lapointe.

[English]

Members and witnesses, we're now going to get into questions as quickly as we can because we want to get as many questions out as we possibly can. In our first round of questions, each of the parties is going to have up to six minutes to ask questions. Remember that Madame Proulx has to leave by 10 o'clock, but we should get through this first round.

MP Paul-Hus will have the floor for six minutes.

[Translation]

Mr. Pierre Paul-Hus (Charlesbourg—Haute-Saint-Charles, CPC): Thank you, Mr. Chair.

Good morning, everyone. Welcome to Quebec City.

My first question is for Ms. Proulx.

We have before us various proposals for improving the process. I'd like to know what impact inflation is having on Quebec's manufacturing sector.

Ms. Véronique Proulx: The first thing is that all costs have sharply risen for businesses, whether it be wages, inputs or transportation. Costs are up, but we can't always pass them on to consumers.

Debt service has risen as well. For businesses that have loans and lines of credit, what working capital they had is now being used to cover debt and rising costs. That brings me back to the idea of delayed or cancelled investment projects because businesses don't necessarily have the flexibility they need to take action and make planned investments.

Mr. Pierre Paul-Hus: Earlier you said there were currently 22,000 vacant positions. Is negative growth occurring as a result of inflation? Are businesses nevertheless recruiting? Is inflation impeding growth?

There are two parts to this. If people say there short of employees, that's theoretically because they need them.

● (0930)

Ms. Véronique Proulx: There are actually two points here. I'd say that businesses are cautious about investment, just as they are for hiring. However, they've suffered so much from the labour shortage in recent years that they're making every effort to retain their employees and not to lay them off. They're also very much aware of the fact that the situation could change in a year or two. The demographics will continue to do what they do. There will always be a need for labour in the short term, but especially in the long term.

Mr. Pierre Paul-Hus: Everyone is asking for new programs, but there's often a problem with bureaucratic hurdles. Entrepreneurs often complain about too many bureaucratic hurdles with the federal government, in particular.

Can you cite any examples of bureaucratic hurdles that could be removed to facilitate matters for manufacturers and exporters?

Ms. Véronique Proulx: You have to look at the measures set forth in the U.S. Inflation Reduction Act compared to what has been proposed here to date. Draft legislation has been introduced to establish two tax credits, but there's a lack of predictability and it's complex. On the American side, on the other hand, it's easy to understand, and you can easily plan return on investment. These are parameters put in place by the federal government that make it really hard to operationalize the investment.

Mr. Pierre Paul-Hus: Has lack of predictability always been a problem, or is it a recent issue?

Ms. Véronique Proulx: Federal programs are generally more complex. It's always more complicated for an SME to file an appli-

cation for a federal aid program than for a Quebec aid program, for example. There are more red tape, more bureaucracy, more requirements and less flexibility. That's the case for both tax measures and programs.

Mr. Pierre Paul-Hus: In your statement, you mentioned the various measures that you would like to see put in place. Are there any other specific measures that the federal government should introduce to support growth in the manufacturing sector?

Ms. Véronique Proulx: There are actually a lot of them in the brief, but the ones I presented are really the main export and investment ones.

Perhaps one thing could be done for the SMEs with regard to decarbonization. Large businesses have adopted a carbon neutrality objective, and you can expect that they'll pass it on down their supply chain, but many SMEs aren't linked in to global supply chains. I'm thinking of the ones that manufacture furniture or kitchen and bathroom cabinets, for example. Those SMEs don't necessarily care about carbon neutrality. We therefore propose that the federal government raise awareness and conduct more audits and diagnostics to measure its footprint and that it establish targeted programs for SMEs to mitigate the risks associated with the investments that have to be made.

Mr. Pierre Paul-Hus: All right.

Now I'd like to go to Mr. Milliard, from the Fédération des chambres de commerce du Québec.

Your first recommendation both surprised me and made me smile. You're talking about a return to balanced budgets and even about adopting legislation that would require budgets to stay balanced.

Would you please explain why that's your first recommendation?

Mr. Charles Milliard: When we request a number of fiscal or economic support measures for small, medium-sized and large businesses, it's also important to have enviable public finances.

However, I would remind you that we're in a relatively enviable position compared to many OECD countries. Canada isn't in as critical a situation as other countries, but any deterioration in that position can be a concern. Returning to a balanced budget must be a healthy obsession for any government. I would cite the economic update of Mr. Girard in Quebec City as an example.

The important thing is to have a horizon. You may then have a number of issues that prevent you from getting there, but that vision has to look beyond action.

Mr. Pierre Paul-Hus: In a more political context, for us, when we talk about that, people tell us we're going to cut everything and shut down public services.

What do you think is the benefit of having a balanced budget in the medium and long terms? Are there any positive repercussions for citizens?

Mr. Charles Milliard: I'll leave it to you to engage in politics. People here do that very well.

Mr. Pierre Paul-Hus: That's a technical question that I am asking you on this subject.

Mr. Charles Milliard: Whatever the case may be, Canada's credit rating is either a virtuous or a vicious circle. It has an impact on international borrowing costs, the kind of people who want to do business with us internationally and the quality of our free trade agreements. It affects entrepreneurs in their regions, but it ultimately has an impact on the entire macroeconomic picture. So we think it's important.

We acknowledge that the federal government was very much present during the pandemic, and I'm one of those people who most often say so. I think it saved the day in many respects for many economic sectors. However, we can't have an economy that's living on a respirator. We all need to go back to our roles in the economy. That means a balanced budget, as well as businesses that take risks, spend their money and make profits.

Mr. Pierre Paul-Hus: Thank you.

The Chair: Thank you, Mr. Paul-Hus.

• (0935)

[English]

We'll now go to MP Shanahan.

[Translation]

Mrs. Brenda Shanahan (Châteauguay—Lacolle, Lib.): Thank you very much, Mr. Chair.

Thanks to the witnesses for being here this morning.

I'm going to continue with you, Mr. Milliard. I'm sure you're aware that Canada has nevertheless retained its AAA rating. We always said during the pandemic that the federal government had borrowed money so that Canadians and ultimately the SMEs wouldn't have to borrow more.

You touched on some very interesting topics in that connection, and I'm taking note of your recommendations. However, I didn't hear you discuss the repayment of the \$60,000 loans and loan forgiveness of up to \$20,000. Would you please tell me about that?

Mr. Mathieu Lavigne (Director, Public and Economic Affairs, Fédération des chambres de commerce du Québec): You're referring to the Canada emergency business account. We're requesting that repayment of that loan be delayed for at least a year. Our colleagues at the Canadian Chamber of Commerce and other economic associations have also made that request.

It's important for us that this extension be granted in the present inflationary situation that is already putting enormous pressure on businesses. We are of course aware that all businesses must repay their loans, but doing so appears to be particularly difficult for many of them, which would have been in a relatively sound position had it not been for the present situation.

The current circumstances are the reason why we're requesting that repayment be delayed. We think it would be wise to delay it by a year.

Mrs. Brenda Shanahan: Actually, according to the initial agreement, businesses have until 2026 to repay their loans, but, in that case, they would forfeit the loan forgiveness of \$20,000.

Businesses may negotiate an agreement with their bank, which would allow them to receive that refundable portion. I say that as a former commercial banker. They nevertheless have to show they have exercised due diligence. That's the way it is in the business world: when you borrow money, you have to repay it one day or another. Otherwise a business simply has no capital.

Mr. Mathieu Lavigne: That's actually why we aren't requesting an indefinite extension but rather a one-year extension as a result of the current circumstances. We would not have requested an extension had it not been for the inflationary context.

As Ms. Proulx also said, these circumstances have put pressure on businesses' wages, inputs, debt service and so on. Businesses are therefore in a particularly weakened position right now by circumstances beyond their control, in addition to the fact that they're now being asked to repay this loan without enjoying the loan forgiveness of \$20,000. That definitely weakens businesses that otherwise wouldn't necessarily be in trouble. So we think there's a way to grant them an additional extension.

Mrs. Brenda Shanahan: At the same time, the federal government is being asked to be prudent and return to a balanced budget. That's natural. I think there's a way to do both: be understanding and exercise tighter financial management where necessary.

I see Mr. Milliard would like to make a comment. Then I'd like to hear Ms. Proulx's opinion.

Mr. Charles Milliard: Yes, I'm aware of what you say about our request and a balanced budget. Earlier I said I wouldn't get political. However, since we are the Fédération des chambres de commerce du Québec, the chambers of commerce tell us about problems and issues concerning Quebec's entrepreneurs. I've been in my present position for three and a half years, and I have to say I have never received so many calls from chambers of commerce urging us to request publicly that repayment be delayed. That's because this undermines the entrepreneurial fabric of the main streets and centres of many Quebec towns. So we're acting somewhat as their representative as well. Incidentally, we will be holding our general meeting the day after tomorrow, and I'm sure we'll be hearing a lot of discussion on this subject.

Mrs. Brenda Shanahan: Ms. Proulx, would you like to comment on the subject or raise other points?

Ms. Véronique Proulx: I support the request to delay repayment for a year. Fewer of our business members are concerned, but this is nevertheless very hard for some of them. I think Mr. Lavigne emphasized the point that the current inflationary situation has made this delay necessary.

I have been in my position at the Manufacturiers et Exportateurs du Québec for six years, and this is the first time that people, wherever I go, have discussed this uncertainty and this concern about the present situation and the future.

So I think this would be a way for the federal government to provide better support to the small businesses affected.

• (0940)

Mrs. Brenda Shanahan: I'd like to discuss immigration if I have a little time left.

Ms. Proulx, would you please tell me very briefly what you'd like the federal government to do to improve the situation, particularly in its work with the Province of Quebec?

Ms. Véronique Proulx: It should shorten processing times and provide greater predictability for employers bringing in temporary foreign workers. For example, an employer might have a big contract requiring many employees over a period of two years and have to start production on January 1, but the workers might not arrive until six months later. There's no predictability or information.

That's the rub. Processing times need to be shortened and communication improved so manufacturers can do their job with the workers they need.

Mrs. Brenda Shanahan: All right.

Do I have any time left, Mr. Chair?

[English]

The Chair: You have 10 seconds if you want to make a quick comment.

[Translation]

Mr. Charles Milliard: It's a dream, but we do expect better co-operation on immigration between Quebec City and Ottawa. Ministers often speak to each other through the media, and that causes problems for people who've chosen Quebec.

The Chair: Thank you, Ms. Shanahan.

[English]

Now we'll go to MP Desbiens, please, for six minutes.

[Translation]

Mrs. Caroline Desbiens: Thank you, Mr. Chair.

Thanks to all the witnesses for visiting us in Quebec's national capital.

Let's talk about airport infrastructure. We obviously have it in the regions. There is an airport in Quebec City. There are small airports as well.

You are requesting assistance in maintaining that infrastructure. In concrete terms, what needs do you see on the horizon at Quebec City's airport? How is management doing there?

Mr. Mathieu Lavigne: Yes, we are requesting assistance for the airport sector in two different ways. Quebec City's airport is a good example because it could be considered a regional airport or a large airport, depending on one's point of view.

There are two things to point out.

First, let's talk about the federal government's responsibilities with regard to airport infrastructure. In Canada, that infrastructure, in many cases, suffers from a major lack of maintenance and equipment modernization. There absolutely has to be more investment in that infrastructure. It's important for our ability to welcome visitors and for business tourism. We really need to expand the capacity of airport terminals. That's the federal government's responsibility.

Second, costs for air carriers in Canada are particularly high, which definitely limits development of regional, national and international connections.

Consequently, the government can and should take action on these two points to make our airports more competitive. We aren't leaders in this area compared to other G7 countries.

Mrs. Caroline Desbiens: We were talking about the Canada emergency business account, the CEBA. Bloc Québécois members have been asking the government a lot of questions on this in the past few weeks. I think there's unanimous support for your proposal in the business world, particularly among affected SMEs.

Tell me about the role that SMEs play in the overall economy of Quebec and Canada. What is their economic weight? Tell me how far we should go to keep them alive. Many of them are in trouble right now as a result of the repayment.

Mr. Mathieu Lavigne: Most of the Quebec economy consists of SMEs, even in the manufacturing sector, although it's often associated with large businesses. All Quebec sectors consist mostly of SMEs.

That's especially important from a regional economic development standpoint. You know that, since as an MP you represent Charlevoix, among other areas. SMEs essentially form the economic core of our communities in the regions outside the major centres.

Looking at the situation from a broader perspective, when you think of businesses that may be weakened by the obligation to repay the CEBA loan, you may immediately think only of certain businesses that are often viewed as less successful. However, when you look at the actual cases of communities in certain regions or neighbourhoods, you see that those businesses are pillars of their community. They are the businesses that are being undermined by being asked to repay these amounts at this time.

The impact is very real for many people in many communities. That's why we would like to see a one-year delay, even though we're aware that repayment can't be postponed indefinitely and that a contract has to be complied with. You have to consider the situation people are experiencing in many regions.

Mrs. Caroline Desbiens: Thank you for your very informative answer.

I'd like to discuss employment insurance. I'm going to ask Mr. Lavigne, Mr. Milliard and Mr. Lapointe for their opinions.

When we discuss employment insurance, we make a connection with the regions and SMEs. Once again, these are the same people dealing with the same issues. SMEs often need better labour retention tools, and the tools at their disposal include employment insurance. Often poorly understood by decision-makers, employment insurance is a tool for attracting and retaining labour in the regions, in addition to helping to retain employee competencies and loyalty in their business. All of that applies to SMEs, which are also experiencing these issues.

My question is for Mr. Lapointe first. Should an employment insurance reform take into consideration the specific reality of the regions?

● (0945)

Mr. Benoit Lapointe: Yes. We are nevertheless requesting a single threshold because there are needs in the regions that may be or seem to be greater but that are due to the current situation, whether that includes seasonal, climate or other types of factors.

It's often forgotten that, when the new season starts, employers in seasonal industries don't want to start training people up from zero all over again without even knowing if they'll be staying with them for a long time. They never know if new employees will like their new jobs. They need to know that the people who worked through previous seasons and who are already well trained can come back and be functional on day one. For that to happen, employment insurance has to be there to help them through the season without work.

A single rule could be changed in this regard. Currently, if, between two periods of seasonal work, a person tries another non-seasonal job and then resigns to return to his or her seasonal employment—

Mrs. Caroline Desbiens: I apologize for interrupting, but I only have a few seconds left, and I would also like to hear the opinion of the representatives of the Fédération des chambres de commerce du Québec.

Mr. Charles Milliard: Some serious soul-searching has to be done on unemployment insurance, and the program must be reviewed. During the pandemic, employment insurance was a critical support and wealth redistribution tool. I'm not judging it, but now we need to reframe employment insurance to a certain degree. I think we have a say in this because it's funded by workers and employers.

If the decision is made that it's a bigger redistribution and support plan, that's all well and good, but we'll have to see how the government participates in it. The employment insurance fund isn't a captivating topic, but since we have an actuarial deficit of \$34 billion, it's important that we address the problem so the plan survives in good health.

Mrs. Caroline Desbiens: Thank you.

The Chair: Thank you, Ms. Desbiens.

[English]

Now we'll go to MP Boulerice, please, for six minutes.

[Translation]

Mr. Alexandre Boulerice (Rosemont—La Petite-Patrie, NDP): Thank you very much, Mr. Chair.

Thank you for welcoming me as part of the pre-budget consultations held by the Standing Committee on Finance.

Thanks to the witnesses for being here today.

For starters, I'd like to go to Ms. Corcoran, who is the executive director of the Canadian Worker Co-op Federation.

My political party and I are very much in favour of the co-operative model. We often have a vision of society that is either completely private or completely public or governmental, whereas there's really quite a variation between the two.

Whether it's housing co-operatives or worker co-operatives, I think it's a good model. And you're right in saying that it produces businesses that are deeply rooted, that are local and that have a high survival rate.

Earlier you mentioned the succession problem. For example, if an entrepreneur decides to sell his business, there aren't a lot of models under which his employees would be granted a benefit enabling them to purchase the business and turn it into a worker co-operative. However, that would be a good model. There are examples of legislative measures in the United States and Great Britain that would be helpful in that regard.

Where do we stand in Canada? What measures would you like to see introduced to enable employees, workers, to purchase the business of an individual who is retiring or whose children don't want to take over?

Ms. Hazel Corcoran: Thank you very much for that excellent question.

We can look at the models that are used in other countries, such as France and Argentina, where there are more worker co-operatives. I think tax incentives are a big help. Technical support programs may also play a role.

However, you have to understand that there are various models for the whole idea of employee ownership that we're discussing, not just one.

● (0950)

Mr. Alexandre Boulerice: So you think it's worth it to give the French and Argentinian models a closer look.

Ms. Hazel Corcoran: Yes.

Mr. Alexandre Boulerice: That's great.

Mr. Lapointe, the employment insurance system has been broken for many years. Most of the people who contribute to it don't have access to benefits, which is quite absurd in itself. According to the latest figures I've seen, I believe that roughly 38% of people who lose their jobs aren't entitled to benefits.

To increase accessibility, you're proposing a single threshold of 350 hours or 13 weeks. It's important to provide both options because there has to be that flexibility. You would also like the benefit rate to increase from 55% to 70%.

Governing means making choices. If you ever had to choose between increasing accessibility and increasing the benefit rate, what would be your priority?

Mr. Benoit Lapointe: We would choose accessibility; that's obvious.

You mustn't forget that most vulnerable workers really are vulnerable workers. However, gender equality is one of Canada's values. We shouldn't forget either that immigrants and people from racialized communities often occupy more insecure jobs.

A more accessible plan would create greater social justice.

Mr. Alexandre Boulerice: Mr. Lapointe, we're still eagerly awaiting, as I'm sure you are too, the major employment insurance reform announced by the government several years ago.

I would like to hear you discuss self-employed workers, a subject that you haven't raised. These workers are both employers and employees and contribute in neither capacity. They are completely excluded from the plan, whereas they represent a growing segment of the labour market in Quebec and elsewhere across Canada.

What do you think we should do about self-employed workers within this framework?

Mr. Benoit Lapointe: We should definitely start a discussion about how to include them. It's always a delicate topic. My impression is that not all self-employed workers want to join the employment insurance plan. However, there must be a way to do it.

It may become more attractive for those individuals to join once the plan has been reformed and is more accessible. Self-employed workers may have the impression that, even if they contribute, they would never be able to receive benefits from the plan under the present rules.

Mr. Alexandre Boulerice: In some instances, they don't want to be compelled to pay both the employer and employee contributions because they wind up at a disadvantage.

Mr. Benoit Lapointe: Yes, that's the situation in which self-employed workers find themselves.

Mr. Alexandre Boulerice: Mr. Milliard, you raised the transportation issue. You touched on a topic that's very important to me: rail transportation. I use that means of transportation frequently.

You briefly mentioned high-frequency and high-speed trains. I'm going to ask you a question similar to the one I put to Mr. Lapointe. If you ever had to choose, would you prefer frequency or speed?

Mr. Charles Milliard: I would prefer that somebody do something quickly; that's for sure.

Having said that, I'm sensitive to the argument that we're the only G7 country that doesn't have a high-speed train, although that's not the fashion in the United States either. We would be in favour of a high-speed train, but I think a high-frequency train would be a very promising project for the Quebec City-Toronto corridor.

Once again, what's important is the predictability of that project. If we seriously believe in it, we can't go from committee to committee and question period to question period without setting money aside for that project. I'm not suggesting the government isn't serious. On the contrary, many studies have been conducted and

many clear commitments made. However, this project should be bipartisan and apolitical. That may be just another dream that I'm having. Historically speaking, the birth of Canada sprang from the idea of that east to west railway. However, 156 years later, we find ourselves having to renew that project. It's high time we invested in it.

The Chair: Thank you, Mr. Boulerice.

[English]

That is the end of our first round.

We will go to our second round of questions. The timing is a bit different. We are starting with the Conservatives and MP Lawrence for five minutes.

For the witnesses and those who are here, MP Lawrence is a permanent member on the committee, as am I. What's great about being able to travel the country is that we have members who are local. They are able to bring a local flavour to our witnesses and get that testimony.

MP Lawrence, go ahead, please.

● (0955)

Mr. Philip Lawrence (Northumberland—Peterborough South, CPC): Thank you very much, Mr. Chair. I must say you are looking bright-eyed and bushy-tailed. We both got delayed on our flights and arrived at the hotel at 1 a.m. last night. Good on you.

I'm going to take this opportunity to address Ms. Proulx, because as timing worked out, I think I have the last five minutes. I appreciate all of you for coming here.

[Translation]

It's a great pleasure for me to speak with you.

[English]

Ms. Proulx, thank you. We're going to need you and your members. We're coming through a pretty dark time with respect to the Canadian economy. Our productivity is among the worst in the OECD. Capital investment, as you pointed out, is the second lowest.

I'm going to give you the floor for more time to perhaps talk a bit about amortization and the elimination of red tape. What can we do to help you? We desperately need you and your members in the province of Quebec and manufacturers to lead the way to get us out of this economic quagmire we're in.

Ms. Véronique Proulx: Thank you for the question and the time. I'll start with ACCA.

[Translation]

I'm talking here about the measure for accelerated amortization.

[English]

It has done its job in past years. Companies have been investing. The idea of that fiscal measure is to incentivize companies to invest now.

Considering how the economy is going with inflation and the concerns that manufacturers have in Quebec and across Canada, a lot of investment products are being delayed or cancelled. If you want to stimulate the economy, this is a good measure to put in place. It has to be announced and extended so that companies have predictability. I'll go back to what Charles said earlier. Predictability in the programs, funding and tax incentives is crucial if we want to incentivize manufacturers to invest.

Mr. Philip Lawrence: When we're talking in particular about amortization, one thing governments have done in the past is give carrots for a short period of time. You get to amortize your equipment quicker, but then it's taken off, put back and taken off.

My belief is that Canada is desperate for new equipment. Our manufacturers are, unfortunately, falling behind. We should have a permanent program for allowing rapid amortization in order to encourage the purchase of new equipment. Would you agree with that?

Ms. Véronique Proulx: Of course that would make a lot of sense. You are right. We are lagging in terms of investment. We're way behind.

When you look at the growth of investment in the OECD countries, some of them are very positive, but the difference between the two is growing. That would certainly be a welcome measure in our industry.

Mr. Philip Lawrence: Another issue in that respect, which you talked about, is SR and ED. It's now over 30 years old. We've heard numerous complaints and academic evidence that it is not working efficiently and effectively enough. We're heard that many countries around the world—not the least of which is our neighbour to the south—are giving better incentives with less red tape. In fact, I've heard that as much as 30% of SR and ED dollars go to consultants, as opposed to where they're supposed to go.

Perhaps you could comment on that on behalf of your members.

Ms. Véronique Proulx: Absolutely. It's the same comment I mentioned earlier concerning the IRA. These programs are difficult to access. In this case, it's a tax measure, and it's difficult to have access to it.

On this specific recommendation, we mentioned expanding the list of eligible activities beyond early stage R and D to include capital improvements and product and process innovations, because now more and more in manufacturing you do R and D, pure R and D, and you are looking to improve processes and include technologies in existing operations. We want this to be included. Also, increase the refundable portion of the tax credit to incentivize these companies to go ahead and do R and D and streamline administration to improve certainty in claims.

This is true in Quebec. It's true in the federal level as well. It can be difficult, and you need a lot of external support to make your claims and access the credit to which you are eligible.

Mr. Philip Lawrence: Business owners and manufacturers are rational individuals. Just as an overall comment, I believe there has to be more subjective and objective rewards for manufacturers.

We can nibble around the edges, but if we reduce the burden on you and reduce the burden on your members.... I believe that if we reduce red tape and reduce taxes, you will do what you guys do best, which is build things efficiently and effectively, and you'll reinvest in capital if we generally reduce your taxation regulations. Would you agree?

• (1000)

Ms. Véronique Proulx: You're absolutely right. We will focus on our core business, and we need the government to do its part as well. I agree.

The Chair: Thank you, MP Lawrence.

Now we'll go to MP Scarpaleggia, please, for five minutes.

[Translation]

Mr. Francis Scarpaleggia (Lac-Saint-Louis, Lib.): Thank you, Mr. Chair.

It's an honour and a pleasure for me to be sitting in on the Standing Committee on Finance, of which I am not a member. I'm here to replace someone else.

My questions will be for Mr. Milliard.

The labour shortage is obviously a serious challenge, and we're looking for ways to increase the labour supply. However, it is a theoretical principle in economics that a labour shortage encourages businesses to invest in equipment that will let them continue producing with fewer employees. In this instance, we're talking about IT systems and automated equipment, for example.

Do your members have any such projects under way given the labour shortage? Do they want to make a lot of investments and so on to continue production by involving less labour and more technological resources?

Mr. Charles Milliard: That's an excellent question. You're right to relate this back to basic economic concepts. In order to ensure productivity, you have to have either more people producing more or better processes. Since no people are available in Canada, we have to consider investing in innovation.

Incidentally, if there is one sector that's paving the way in this field, it's manufacturing. It's making major investments in innovation. Unfortunately, that's not the case in all economic sectors. I'd even say that, in certain sectors, there's some ignorance, in the respectful sense of that term, about how to improve business processes.

The government, of course, has a role to play, but businesses do as well. It's not always up to the government to do everything, and I think businesses need to be more aware of that.

However, incentives will definitely encourage businesses to consider investing in innovation, especially in the contracting economy and surging inflation we're experiencing. If businesses feel the government is supporting them in this area, that will accelerate the transition to greater innovation.

In its recent economic update, the provincial government renewed the tax credit for investment and innovation until 2029. This is a measure that was hailed in Quebec and that I believe could provide inspiration for the federal government.

You're right to say that innovation is definitely the key to enhanced productivity and greater competitiveness.

Mr. Francis Scarpaleggia: We also saw tax credits for green investments, for investments in green equipment, in the last budget, or even in the previous budget.

Some of your members have introduced investment projects to increase or improve productivity. What do you think is holding them back right now? Is it interest rates? Is it the labour shortage? We still need labour even if we invest in equipment and innovation. We aren't going to eliminate it completely. Do increased input costs act as a brake? Or is it the fiscal imbalance, even though Canada has one of the best debt- or deficit-to-GDP ratios in the world? Which of those four factors are the leading or most important ones?

Mr. Mathieu Lavigne: Yes, those are very important factors.

I would also add that sometimes there's a lack of knowledge. People don't always know exactly where to turn or what technologies to adopt. It's a whole new world for many businesses. It's been easier for certain sectors to automate production and run their operations using robots for some time now, but it's a new challenge in other sectors. So there is a lack of knowledge.

One of the new factors that we're seeing emerge, and we briefly mentioned this in our opening remarks, is that these new technologies are highly interconnected, and that exposes us to new cybersecurity-related challenges. Consequently, some businesses have developed an entirely legitimate fear because they see what's going on in the world around us. They're being asked to invest in connecting their machines and so on, and they're willing to do it, but they also have to invest in cybersecurity.

• (1005)

Mr. Francis Scarpaleggia: In 10 seconds, would you please tell me whether the Quebec government's carbon tax is hurting Quebec's economy?

Mr. Mathieu Lavigne: It's a factor of the Quebec economy that businesses have factored into their costs.

The Chair: Thank you, Mr. Scarpaleggia.

[English]

Now we'll go to MP Desbiens, please, for two and a half minutes.

[Translation]

Mrs. Caroline Desbiens: Thank you, Mr. Chair. I'll be quick.

As we look for solutions to labour scarcity, the principle of successful immigration is central to our concerns. In any case, we of the Bloc Québécois have extensively discussed this.

What do you think successful immigration in Quebec is?

Mr. Charles Milliard: It will be hard to answer that in one minute.

First of all, successful immigration is geographically diversified immigration. We think that regionalizing immigration in Quebec is a challenge. People often land in Montreal, and sometimes in Quebec City, not in the other regions of Quebec, and, once again, out of ignorance. Consequently, we have to invest in better advertising the immigration options available in our regions.

Francization is obviously an important factor in the specific situation of Quebec. By the way, I would point out, for the benefit of people outside Quebec as well, that the business community agrees on this. However, we can defend the French language without destroying the benefits of bilingualism. That's where we in the business community disagree with the Quebec government.

When you're Canadian and you speak English and French, you speak two of the business languages most used around the world. We should be proud of that and promote it. We can't deprive ourselves of talents that will help us become leaders in certain sectors simply as a result of francization. We have to be extremely vigilant on this.

We can't have a political discourse dictating that we're aiming for 100% francophone immigration. We can pretend it's possible, but it won't happen.

Mrs. Caroline Desbiens: We can francize immigration.

Mr. Charles Milliard: We can francize immigration, but we have to acknowledge that there's exceptional talent that must come to Quebec and that can subsequently be francized. The same is true in the rest of Canada. Francophone immigration outside Quebec is very good too. The Canadian government has promising objectives in that area.

Once again, as I mentioned earlier, this requires greater co-operation on immigration between Ottawa and Quebec City. It's somewhat like shared custody: sometimes two parents fight, but they have to come up with a solution one day or another. Unfortunately, this relationship isn't as good as it could be right now.

Mrs. Caroline Desbiens: Loving French doesn't mean you hate other languages; that's quite clear.

Mr. Charles Milliard: There, you understand it completely.

Mrs. Caroline Desbiens: However, we have to francize Quebec if we want to keep it alive.

Mr. Charles Milliard: Of course.

Mrs. Caroline Desbiens: Thank you.

The Chair: Thank you, Ms. Desbiens.

[*English*]

Now we'll go to MP Boulerice, please.

[*Translation*]

Mr. Alexandre Boulerice: Thank you, Mr. Chair.

Mr. Lapointe, you look as though you wanted to answer the question on successful immigration.

Mr. Benoit Lapointe: I just wanted to remind the government to review the principle of the closed work permit, which has been opposed by the United Nations, among others. It needs to be reconsidered.

Mr. Alexandre Boulerice: I entirely agree with you, Mr. Lapointe. I prefer open work permits. We have to grant more rights and protections to temporary foreign workers in general. Our economy absolutely needs these people. You could almost say they've become a pillar.

Mr. Milliard, you urged us, in your presentation, to ask questions about continuing training and a savings fund that could help workers. So I'm going to grant your wish.

Mr. Charles Milliard: I'll summarize it for you in one minute.

We think that we should consider lifelong continuing training. It used to be that we went to school and then university or CEGEP and that we completed our education at the age of 25. Now, we have to acknowledge that it's valuable to go to school and to continue learning all our lives. We have to destigmatize this idea that going back to school and learning new skills is the result of a mistake in our past. That's not the case; it's an investment in the future.

We should have a tax system that acknowledges that. Just as we contribute money to an RRSP for retirement purposes, there could be a plan to which both employees and employers would contribute. That money could grow on a tax-free basis and be used for training projects. It would be a kind of training RRSP. I know that some unions don't agree with this because they think it's employees who should invest in their training.

I think employers could contribute a large portion of their training budgets to the plan. It could also become a separate benefit offered by employers, who could decide to contribute to the plan up to 2% or 3% for every 1% contributed by their employees.

In that way, thanks to the money set aside for six, eight or 10 months, employees' financial situation would be less unstable when they went back to school to earn another diploma or something else later on. I'm the best example of this type of arrangement. I'm a pharmacist by profession, and I'm appearing today before the Standing Committee on Finance. Anything is possible in life.

• (1010)

Mr. Alexandre Boulerice: My training is in sociology, but then you have to go and find a job.

Thank you, Mr. Milliard.

The Chair: Thank you.

[*English*]

Now we'll go to MP Shanahan, please, for five minutes.

[*Translation*]

Mrs. Brenda Shanahan: Thank you, Mr. Chair.

I'm going to share my speaking time with my colleague. I think he wanted to ask a few more questions.

Mr. Francis Scarpaleggia: I'm going to go back to the question on the carbon tax. It's been raised in the House of Commons. The inflation rate in Canada was recently 3.8%. We've been reminded that it was higher in Quebec, at 4.8%.

In this context in which the inflation rate in Quebec is greater than the Canadian average, do you think that Mr. Legault should eliminate the carbon tax in Quebec in order to lower inflation and encourage the investments we need here in Quebec and elsewhere in Canada?

Mr. Mathieu Lavigne: That's not one of our demands for the very simple reason that Quebec is involved in a carbon exchange for most of what we just discussed.

Mr. Francis Scarpaleggia: My question could also concern the carbon exchange.

Mr. Mathieu Lavigne: My response would still be no.

Mr. Francis Scarpaleggia: All right.

Mr. Mathieu Lavigne: What's important for businesses is predictability.

[*English*]

The Chair: I'm going to interject here.

There was some crosstalk and interpretation was not possible. We've paused the time.

Could we have a repeat of that so the chair can hear what was being said? I'm sure it was very important.

[*Translation*]

Mr. Francis Scarpaleggia: Mr. Lavigne, if I'm not mistaken, you mentioned earlier that legislation would be needed in order to mandate a balanced budget.

Does that mean there's a lack of trust in democracy?

Wouldn't our elected representatives be able to make the right fiscal decisions?

Mr. Mathieu Lavigne: Quebec actually has a Balanced Budget Act, which works so well that members have agreed to suspend it even in a crisis such as the pandemic or in a particular situation. Otherwise, the principle remains. The act is now back in force, and we have to return to a balanced budget.

Mr. Francis Scarpaleggia: If there's a crisis, the Balanced Budget Act will ultimately have to be amended.

It's all well and good to say that Mr. Girard balanced his budget, but don't forget that it was the federal government that paid the pandemic-related expenses during the crisis. We all know that.

Thank you.

Mrs. Brenda Shanahan: Ms. Corcoran, my question mainly concerns the co-operative business model.

Earlier, we discussed the labour shortage. What is your group's position on how to solve that problem? Is it to promote personnel retention or to include more people in the labour market?

Ms. Hazel Corcoran: We believe the co-operative model promotes retention because workers share ownership. We see this in our statistics. This model attracts people who are going to become entrepreneurs collectively and wouldn't have been otherwise.

Mrs. Brenda Shanahan: Do you think the co-operative model could be a solution to the labour shortage or difficulties related to labour retention and the inclusion of people not currently in the workforce?

Ms. Hazel Corcoran: Yes, it can certainly help address these challenges.

Mrs. Brenda Shanahan: Thank you.

[English]

The Chair: You still have one minute.

[Translation]

Mrs. Brenda Shanahan: I'd like to ask Mr. Lapointe the same question.

Mr. Benoit Lapointe: Can you repeat the question?

Mrs. Brenda Shanahan: We're talking about the co-operative model. Personally, I find it very interesting.

Do you think this model could be a solution to help people?

We know there are difficulties and inequalities in the regions. Is there a way to support the creation of co-operatives so that more people are included in the labour market?

• (1015)

Mr. Benoit Lapointe: In the regions, there are already a lot of co-operatives, particularly forestry and agricultural co-operatives.

That said, the subject is not part of my mandate, today, even though I have a master's degree in co-operative business management. My role today is to promote something else.

Forestry co-operatives, for example, are seasonal. Even if companies are organized as co-operatives, they need employment insurance during the winter in Canada, since we can't plant trees when the ground is frozen. So we need to ensure income support for seasonal workers during the period when employment is impossible in the regions, whether these workers are in co-operatives or not.

However, I love the co-operative model, of course.

The Chair: Thank you, Ms. Shanahan.

[English]

MP Paul-Hus, go ahead, please.

[Translation]

Mr. Pierre Paul-Hus: Thank you, Mr. Chair.

Mr. Milliard, I'd like to come back to the recommendations you made in your brief. One of them concerns universal public drug coverage, which is proposed by my NDP colleagues. You say we need to be careful about certain things.

Can you give me more information on that?

Mr. Charles Milliard: A public drug insurance plan exists in Quebec, and despite some initial difficulties, it works relatively well. It's expensive, but it works well. We would like Quebecers not to get lost between two programs and for there to be some complementarity between the two plans.

As I understand it, the Quebec plan is still broader than what is proposed in the federal bill. We just need to make sure that the two plans are complementary.

Mr. Pierre Paul-Hus: Do you have any insurance-related concerns?

In fact, a large proportion of people have private insurance, such as company group insurance, for example, which reimburses drug-related expenses. Those who don't have access to such a plan have access to the government plan.

What would be the impact of having a universal plan for all Canadians when it comes to insurance and pharmacies?

Mr. Charles Milliard: The impact would be major. In fact, not only would it cause an earthquake in Quebec's insurance community, but it would also impact the value proposition of employers to employees.

For many employers, the drug benefits they offer set them apart from their competitors. This would have an impact on their ability to compete. Many people in the business community are asking a lot of questions. I would say that our working committee on the issue is one of the most active, along with the life sciences committee, because it's also a sector that needs to be protected in Canada.

Those who live in Montreal, including Mr. Scarpaleggia, may recall that there used to be a thriving pharmaceutical industry on Highway 40 and that now many of those companies have moved to Mississauga.

[English]

That's good for the chair.

[Translation]

All in all, the pharmaceutical market in Quebec calls for the utmost vigilance. The implementation of a drug insurance plan will therefore have to be done in collaboration with the partners.

Mr. Pierre Paul-Hus: All right.

Your seventh recommendation concerns the workforce. This is an issue that has been on our minds for several years. We need to find ways to keep people who are reaching retirement age at work.

In your brief, you recommend excluding work income from the Old Age Security pension clawback calculation to basically avoid reducing pensions. We're still coming up against this problem.

Have you determined an annual amount of income, say \$10,000 or \$15,000 per year, that could be excluded from the calculation to avoid reducing pensions?

Mr. Mathieu Lavigne: If we had targeted an amount, we would have indicated it in the pre-budget brief.

Mr. Pierre Paul-Hus: All right.

Mr. Mathieu Lavigne: Some situations can also vary depending on the type of job, depending on the type of professional situation.

In our view, the important thing is not to determine a precise figure ourselves. It's a question of principle. No solution should be ruled out to encourage experienced workers who wish to remain in the workforce, even if only on a part-time basis. The problem is that people want to stay in the job market, but the rules at the moment, in the federal government among others, penalize them if they wish to do so.

Mr. Pierre Paul-Hus: Have the chambers of commerce done any evaluations or studies on the number of people who have considered continuing to work, but stop so as not to have their pension reduced, or on the number of people who would like to return to the workforce?

Are there any studies that currently exist in this regard?

• (1020)

Mr. Charles Milliard: We conducted a survey of our members. We could forward it to the committee.

It's important to say that we don't want everyone aged 60 and over to go back to working 40 hours a week.

The best example I can give is the following.

In a regional hardware store, if a 66-year-old wants to return to work one day a week, this will probably allow the owner to avoid burnout, benefit the person who wants to work, and encourage a better transfer of knowledge to younger employees.

The increase in thresholds, among other things on the tax front, is minimal. It's a positive signal we're sending to people aged 60 and over. We're telling them that, if they want to come back to work, even if only for a few hours, it can turn out to be very positive.

Mr. Pierre Paul-Hus: This would therefore have a favourable impact on the labour market.

[*English*]

The Chair: Thank you, MP Paul-Hus.

Members and witnesses, when we don't have enough time to do another full round—which we don't, as we have about eight minutes or so—we divide the time equally among the parties. Each party will have two minutes to ask their final questions of this excellent first panel.

We're starting with MP Lawrence for two minutes.

Mr. Philip Lawrence: Thank you, Mr. Chair.

I'll go to you, Mr. Milliard.

I want to talk a bit about some recent testimony we heard from the Governor of the Bank of Canada, Tiff Macklem, who said that the fiscal policy—in other words, the Liberal government policy—of massive expenditures is at cross-purposes with monetary policy, which is driving up inflation rates.

You talked in your brief about the need for fiscal equilibrium. Maybe you could also comment on the impact on your members of interest rates increasing, especially given that this government seems unwilling to relent or to work with your members with respect to CEBA and other government programs.

[*Translation*]

Mr. Mathieu Lavigne: In our view, as we've explained, interest rates have an impact on companies' investment plans. This is obvious.

I'll give you a very concrete example of the measures we want to put forward. There are a whole host of things that are driving up costs and inflation. Right now, because of the automatic indexation rules, the excise tax on alcohol, which is a very important element for restaurant and hospitality businesses, would increase by over 4%. This is part of the cost structure of these businesses. We therefore recommend that this rate, as it was last year, be limited to 2%, for example.

This is the type of measure we'd like to see the federal government take to limit inflation as much as possible. The more cost structures rise, the more this is reflected in investment projects and companies' financial statements.

[*English*]

The Chair: Thank you, MP Lawrence.

Now we'll go to MP Shanahan for two minutes.

[*Translation*]

Mrs. Brenda Shanahan: Thank you very much, Mr. Chair.

We haven't yet broached the subject of housing. We want to attract more and more immigrants, newcomers, and even temporary workers, to fill the needs on the labour front.

Mr. Milliard, can you tell us about your proposed solutions to this issue?

Mr. Charles Milliard: Sizable sums have been announced by the federal government, and rightly so, and the provincial government has proposed equivalent measures. I think the money is available to build thousands of units. The challenges we face are the labour needed to build these homes, as well as the regulatory issues.

We believe that regulatory changes relative to the relationship between the provincial and municipal levels are important to allow for the creation, without going into detail, of secondary suites and the zoning of certain areas.

I was in Rimouski last week, and a very large project is the subject of civil protests over zoning issues. We need to allow cities to have more power over the management of this crisis, because needs differ from city to city. Obviously, there are also major differences between urban and rural environments. This is obviously one of the central elements of the labour shortage.

Mrs. Brenda Shanahan: How do you see the private and public sectors participating in the creation of affordable housing?

Mr. Charles Milliard: There must be collaboration. On the question of mixed housing, we have to say yes to the private sector. We're also aware that we need to respond to community needs, particularly when it comes to housing.

The housing crisis is such that this shouldn't just be a business opportunity. It should be an opportunity to redistribute wealth and occupy land across Canada. It's as much a left-wing issue as a right-wing one. So it's a central issue

• (1025)

The Chair: Thank you, Ms. Shanahan

[English]

Now we'll have MP Desbiens, please, for two minutes.

[Translation]

Mrs. Caroline Desbiens: Thank you, Mr. Chair.

I'd like to hear from the representatives of the Fédération des chambres de commerce du Québec on climate change. Forest fires have affected all forestry companies. They lost huge quantities of equipment during the forest fires. There are also those affected in Baie-Saint-Paul, notably those at Le Genève campsite, which also suffered a lot of losses due to flooding.

As early as June, the Bloc Québécois called for a program to help businesses and workers affected by climate change.

What's your position on this? Is this a need we need to address very quickly?

Mr. Mathieu Lavigne: Yes, we have to take that into account. This was already part of the requests we submitted this summer. The situation has evolved, however. In its budget update, the Quebec government announced new sums and a new business assistance program.

It's important to point out that this doesn't just concern companies in the forestry sector, as you say, but also the whole sector around it, particularly the recreational tourism sector, which has been hit hard.

In our view, the solution would be to see whether we need a new federal program or whether we should simply match the measures to what the Quebec government has implemented, i.e., by stowing the sums in the same vehicle as the Quebec government's program. This would have the advantage of avoiding duplication and creating additional bureaucracy. The need is truly urgent for communities, particularly in Nord-du-Québec, Abitibi-Témiscamingue and Saguenay-Lac-Saint-Jean, that require reconstruction assistance.

Mrs. Caroline Desbiens: It's more about financial support as a complement rather than an overlay.

Is that right?

Mr. Mathieu Lavigne: Yes, that's right. You have to understand that the last thing these SMEs need is one more form to fill out. They need help, but they don't necessarily need more paperwork.

Mrs. Caroline Desbiens: Thank you, that's a great response.

The Chair: Thank you.

[English]

We're going to MP Boulerice, who will be the final questioner of this first panel.

You have two minutes.

[Translation]

Mr. Alexandre Boulerice: Thank you, Mr. Chair. Allow me to make a brief comment on the universal public drug plan.

The Quebec plan has advantages, but also disadvantages. Among other things, part-time employees who have supplemental insurance often see 25% to 40% of their salary sent back to pay for this famous supplemental insurance. What's more, the costs of this are rising every year due to rising drug prices.

According to the most recent Hoskins report, the best way to reduce drug costs is to have this kind of plan, and it must be done in collaboration with the provinces. Such a plan will benefit not only workers, but also employers and the hospital system in general, because everyone will save money.

Mr. Milliard, you spoke earlier about the delays in bringing in talent from elsewhere. There are major problems linked to these delays in immigration at the moment. In the riding I represent, Rosemont-La Petite-Patrie, there are just SMEs. There are no big companies. In particular, there are video game companies, including Moment Factory, and artificial intelligence companies.

You said there were more resources in the Maghreb offices. Why target these offices in particular?

Mr. Charles Milliard: It's because they're French-speaking countries. As far as the question of the Canadian francophonie is concerned, it seems crucial to us to favour these countries or, at any rate, to pay special attention to them. In fact, many of these countries are extremely interested in the Canadian or Quebec dream.

It's also in a context where it would allow us to better develop these international Francophonie markets. French in Canada is in a situation of extreme vigilance. We all agree on that, but internationally, French is following a completely opposite trajectory. It's a language that's experiencing phenomenal growth. According to the Organisation internationale de la Francophonie, or OIF, the number of speakers will rise from 325 to almost 800 million in 50 or 60 years. We have every interest in succeeding in these markets too, because success in business for Quebecers often means success in the United States. But who can do without a market of 700 to 800 million people? People who come here also come with their networks of contacts, which can also help the international trade situation.

The Chair: Thank you, Mr. Boulerice.

[*English*]

On behalf of the finance committee, we want to thank the excellent expert witnesses we had with us in this first panel. We thank you for your testimony and for answering the many questions we had in our pre-budget consultation in advance of the 2024 budget.

With that, members, we are suspended for five minutes as we transition to our second panel. Thank you.

• (1025) _____ (Pause) _____

• (1040)

The Chair: I'd like everybody's attention. We just had an excellent first panel. I'm sure we'll have the same with our second panel.

Witnesses, you're here for our pre-budget consultations in advance of the 2024 budget. We thank you for joining us. We are delighted to be here in Quebec City as we do a tour right across Canada. We've done the Atlantic provinces, and now we are starting in Quebec and moving across Canada until we get to our most western province, British Columbia.

With us today we have, from the Aluminium Association of Canada, the president and chief executive officer, Jean Simard, and from the Association des professionnels de la construction et de l'habitation du Québec, the vice-president of development, public affairs and strategic innovation, Isabelle Demers, and the director of the economic department, Paul Cardinal.

From Equiterre we have the director of government relations, Marc-André Viau, and from the organization Amélie et Frédéric, Service d'entraide, we have Véronique Beaulieu and Louis-Philippe Delisle.

We also have, from the Union des municipalités du Québec, the senior vice-president and mayor of Mascouche, Guillaume Tremblay. Welcome, Your Worship. The strategic policy adviser, Samuel Roy, is with us as well.

With that, we're going to get going because we have limited time. We want to get as much time in for members and witnesses as we can.

We'll start with the Aluminium Association of Canada for five minutes.

[*Translation*]

Mr. Jean Simard (President and Chief Executive Officer, Aluminium Association of Canada): Mr. Chair, ladies and gentlemen, good morning. Thank you for this invitation.

The members of the Aluminum Association of Canada are responsible for 100% of the primary production made by Alcoa, Rio Tinto and the Alouette aluminum smelter. This morning, my talk will focus on our industry's needs to answer the call to decarbonize North America through electrification.

As part of the decarbonization of our North American continent, aluminum produced here in Canada is set to play a highly strategic role. Indeed, Canada produces 80% of all primary aluminum manufactured in North America. According to the World Bank, this material is the only critical, high-impact, cross-cutting material required to meet the electrification needs leading to decarbonization. Aluminum is found in solar panels, wind turbines, transmission lines—where it makes up 100% of the material—and electric vehicle batteries. Ultimately, the electrification of America only makes sense if it is based on materials that are themselves decarbonized, of which aluminum is one.

Facing carbon-intensive competition from India, the Middle East and China, Canadian industry, in partnership with the governments of Canada and Quebec, is developing the inert anode, which will enable us to completely eliminate greenhouse gas emissions from our processes.

[*English*]

While our competition—China, India and the Middle East—is vying to get where we are today by 2040, we are leapfrogging into the future to keep the edge by developing the Elysis game-changing technology taking us from low to no CO₂. It also means developing here in Canada an entirely new world-class industrial manufacturing ecosystem providing jobs of the future and for the future for Canadians.

Elysis changes the aluminium production process to avoid CO₂ emissions while releasing only oxygen into the atmosphere. At term, this technology could eliminate the remaining 6.5 million tonnes of GHG emissions from our plants, potentially setting the mark and displacing our high carbon-based competition from India, China and the Middle East.

We are in a high-stakes, high-risk environment leading to industrial scale-up and deployment. Being there today is the result of a partnership between Alcoa and Rio Tinto, as well as Canada and Quebec. The capital intensity and high risk involved are such that they can only be achieved through a partnership. Such a highly capital-intensive undertaking needs de-risking all along, and without access to enabling tax policies, the pathway becomes less certain.

This is as large a strategic industrial transition as electric vehicles and batteries. We deserve the same attention and investment tax credit for clean technologies and for clean technology manufacturing.

While we make aluminium with the lowest carbon footprint in the world here in Canada, we are also an emission-intensive industry. For every one tonne of aluminium we make, we produce two tonnes of CO₂. We want to eliminate this entirely.

As China and Russia have recently announced merging their research capacity to accelerate the development of the Russian inert anode technology, Canada must keep its momentum going and accelerate the pace of the demonstration and deployment phases. This is our race to the moon. This is Canada's moment. Zero-carbon aluminium is currently out of scope for federal tax credits in Canada, while the IRA supports the aluminium industry and clean-tech manufacturing, such as inert anodes, with a 10% tax credit on production costs.

Recognizing the critical importance of aluminium to energy transformation, the need to decarbonize aluminium production to achieve carbon neutrality by 2050 and the opportunity for Canada to become the global anchor for carbon-free aluminium smelting and supply chain technologies, the Aluminium Association of Canada recommends that governments include all aluminium sector decarbonization technologies in their lists of tax-credit-eligible technologies. More specifically, the following types of equipment should be eligible for the credit: equipment intended to produce aluminium by a process that eliminates substantially all of the greenhouse gases resulting directly from the electrolysis of alumina. This material includes the goods necessary to manufacture, transform and assemble the materials required for this aluminium production, such as anodic and cathodic materials.

Activities related to clean-technology manufacturing in the aluminium value chain should also be eligible. As we fast-forward this game-changing technology development and industrial scale-up, massive investments in the billions of dollars are required and will only materialize in an enabling fiscal environment, de-risking and grounding the technology here in Canada.

This is Canada's moment to be world first and world leading through its 100-plus years of aluminium legacy.

• (1045)

[Translation]

The Chair: Thank you, Mr. Simard.

I now yield the floor to Mr. Fabrice Fortin, from the Association des professionnels de la construction et de l'habitation du Québec.

Mr. Fabrice Fortin (Director, Government and Public Affairs, Vice-President, Strategic Development, Public Affairs and Innovation, Association des professionnels de la construction et de l'habitation du Québec): Thank you, Mr. Chair.

First of all, thank you for welcoming us today to the Standing Committee on Finance as part of pre-budget consultations for the 2024 budget.

The Association des professionnels de la construction et de l'habitation du Québec, or APCHQ, is a private, non-profit organi-

zation that brings together more than 20,000 companies in 13 regional associations. Specializing in housing and renovation, it has been, since 1995, the employer representative with the mandate to negotiate the collective agreement for 16,000 employers in the residential sector.

The APCHQ's mission is to be a unifying agent of change for the benefit of Quebec society by representing and supporting professionals in the residential construction and renovation industry. The APCHQ's 20,000 members, through their residential construction and renovation activities, contribute to the province's economic and social development by housing Quebecers. Our industry represents an economic contribution of \$45.6 billion and 270,000 direct and indirect jobs. More specifically, 70% of our members work in renovation, and 30% in new construction. Finally, our members work mainly in the residential sector.

Since the early 2000s, the real estate market has been in deep imbalance. The resale market systematically favours sellers. Property prices have quadrupled. Affordability is currently at its worst level in three decades. Quebec's homeownership rate is declining for the first time in its history, and young people are the hardest hit. Quebec is also lagging far behind the rest of Canada. Indeed, the homeownership rate stands at 59.9% in Quebec, while it is 66.5% in Canada.

We are therefore collectively creating the first generation that will not be able to own a home, a generation that, in 20 or 30 years' time, will be more vulnerable. Given the impact of home ownership on household wealth, this is very worrying.

Furthermore, the rental vacancy rate is below the equilibrium threshold of 3% across the province, falling from 2.5% in 2000 to 1.7% in 2022. In the absence of supply, upward pressure on rents is strong. It's what you might call a perfect storm.

Following on from this state of play, let's now talk about the causes of this historic downturn. The problem is not cyclical, but structural. Over the past few decades, the supply of new housing has not kept pace with demand. As elsewhere in the country, there is now a strong consensus that Quebec has been underbuilding for several years. In 2023, housing starts in Quebec are already down by 37% after three quarters. The meteoric rise in construction costs, which have reached nearly 40% since the pandemic, and the more recent surge in financing costs, mean that many real estate projects remain on ice, as they are simply no longer financially viable.

The APCHQ forecasts 37,000 residential housing starts in Quebec in 2023, a decrease of 35%, and a very slight recovery of around 11% in 2024, with 41,000 starts. In short, we're heading for the worst year for residential construction since 2001.

The APCHQ is proposing several measures to accelerate the pace of residential construction, but also to promote access to home ownership over the next few years. Already, we welcome the abolition of the GST on the construction of rental housing. This is a structuring measure that is particularly appreciated by the industry. There is no justification for taxing an essential good. Having a roof over your head is not a luxury.

This work must continue, notably by ensuring better financing for the construction and renovation of social and affordable housing; substantially improving the GST rebate for new homes; extending the maximum amortization period for insured mortgages to 30 years; relaxing the "stress test" when qualifying for a new loan, and eliminating it altogether for a renewal.

But this won't be enough, as demand will remain very strong, if not stronger. Our net migration has reached new records. The federal government announced two weeks ago that it was maintaining a threshold of 500,000 new arrivals by 2025, a target that will be maintained over the next few years. In addition, we will need to continue to welcome a high number of temporary workers over the next few years, due to our widespread labour shortage and aging population.

In conclusion, we invite the federal government to spare no effort, to work closely with the Quebec government and municipalities; in short, to be nimble, together.

• (1050)

To unravel the crisis, concerted, strong and targeted interventions are needed, and this from all stakeholders in the housing industry.

Thank you.

The Chair: Thank you, Mr. Fortin.

[English]

Now we're going to hear from Équiterre, please.

[Translation]

Mr. Marc-André Viau (Director, Government Relations, Équiterre): Mr. Chair and members of the Standing Committee on Finance, thank you for coming to meet with us here in Quebec City this morning.

I represent one of the largest environmental organizations in Quebec, Équiterre, which has more than 150,000 members and supporters.

I'll start by saying that the climate crisis is not just a theoretical problem. It affects our economic sectors, our supply chains and our personal finances. For example, Les Producteurs de pommes du Québec asked for \$30 million in assistance from MAPAQ, Quebec's department of agriculture, fisheries and food, to adapt to climate change. I noticed apples on display at the moment with some members of Parliament, which is a good thing because we grow excellent apples here. However, this industry, and many others, must

be protected. To do so requires solid conservation, adaptation and climate change policies.

In terms of personal finances, Quebecers understand the link between the climate crisis and the cost of living. According to our recent survey, which was conducted by Leger, 89% of Quebecers agree that extreme climate events have an impact on crops, and therefore on the price of groceries. In addition, 82% of Quebecers agree that extreme climate events have an impact on infrastructure, and therefore lead to an increase in municipal taxes. The same proportion agrees that extreme weather events have an impact on personal property, which in turn leads to insurance premium increases.

If we do not take climate change seriously and adapt to its consequences, we will not be able to seize opportunities to reduce the cost of living for families. The survey we conducted also shows that 54% of future vehicle buyers consider that the supply of vehicles does not match their budget. This is not surprising, since the cost of purchasing a new vehicle has skyrocketed in Quebec since 2019. It went from \$34,000 to an average of \$64,000. It's not carbon pricing or any kind of environmental regulation that makes vehicles unaffordable; it's just an industry choice.

Some of the solutions to the rising costs of travel include funding for active and collective mobility. That is why we recommend, in our brief, that \$750 million in funding for public transit operations be extended to maintain essential service levels, which also helps reduce mobility expenses for Canadian families.

We also propose the expansion of the zero-emission vehicle incentive or iZEV program, to support the purchase of 50,000 electric assisted bikes, by offering a purchase subsidy. This represents an investment of \$75,000 over two years and would help replace motor vehicle travel, which, I would remind you, is becoming less and less affordable.

In terms of food, I would like to point out that sadly, 15% of Quebec children live in families that are food insecure. Rising food prices does not help. If committee members want to help families pay their grocery bills, we recommend that the government increase funding for school food programs by \$1 billion over five years in partnership with the provinces.

With respect to agriculture, we encourage the members of this committee to help young farmers deal with the exploding cost of land access caused by speculation through a fund to support access to farmland for the farming community. We're looking for an initial investment of \$200 million over five years.

In closing, encouraging repairs would be another way to help Canadian families reduce their budget expenses. One study estimated potential annual savings at \$515. Budget 2023 announced the federal government's intention to introduce a right to repair using a 15% tax credit to cover a portion of the costs used to extend the life of appliances. However, as tax credits do not directly reduce the cost of repair, they are identified by consumers as a significant barrier to repair. That is why we encourage the Standing Committee on Finance and the government to explore other approaches. Équiterre proposes to assess the implementation of measures that will help reduce the cost of repairs when people go to repair companies. This could take the form of financial assistance supported by a fund for the repair of appliances and electronics, which would initially cost an estimated \$87 million over the first three years, to reduce the cost of repairs made to goods that are not under warranty. We would also like the government to consider giving repair companies a reprieve from the GST.

• (1055)

Thank you for taking the time to come and meet with us and listen to us. We encourage you to take a closer look at our submission.

The Chair: Thank you Mr. Viau.

[English]

Now we'll hear from the Union des municipalités du Québec.

[Translation]

Mr. Guillaume Tremblay (Senior Vice-President, Mayor of Mascouche, Union des municipalités du Québec): Thank you very much, Mr. Chair.

Ladies and gentlemen, members of the committee, thank you for giving us the opportunity to take part in the pre-budget consultations ahead of the next federal budget.

I am accompanied by Samuel Roy, Strategic Policy Advisor at the Union des municipalités du Québec.

I would start by reminding you that, for more than 100 years now, the Union des municipalités du Québec has been bringing together local governments from all regions of Quebec in order to garner municipal expertise, support its members in their work and promote municipal democracy. Our members represent more than 85% of the population of Quebec.

Municipalities are at the top of the national agenda. Despite all their agility, they are struggling to offer many essential services to the public with decreasing budgets. Today's pre-budget consultations are an opportunity to reiterate the priorities of Quebec's municipalities and submit constructive proposals to address current issues, specifically in terms of infrastructure, climate change adaptation, public transit and, obviously, housing.

First of all, the infrastructure maintenance deficit has been an issue for municipalities for a number of years. The replacement value of water and sewer pipes is estimated at \$15 billion. That amount rises to \$38 billion if we also take into account the pavement that covers those pipes as well as ad hoc water infrastructure. Quebec municipalities do not have the financial capacity to meet this financial challenge on their own.

A study commissioned recently by the Union des municipalités du Québec showed that 80% of Quebec municipalities had to postpone one or more municipal infrastructure construction projects over the past year, mainly because of price increases. In the medium and long term, this disinvestment could undermine the quality of services provided to the public and result in greater costs for future generations.

The gas tax and Quebec's contribution program, or TECQ, which is funded through the Canada community futures fund, is very much appreciated by the municipal community because it is relatively flexible and predictable.

However, a good number of municipalities have used up the amounts set out in the TECQ program from 2019 to 2023, and there is no word yet if the program will be renewed. A number of municipalities want to plan work now for 2024 and subsequent years, but it is difficult for them to do so without knowing the amounts that will be granted by the other levels of government.

As such, we recommend that the Government of Canada permanently double funding for the Canada community-building fund for municipal infrastructure. By the same token, we recommend that it quickly reach an agreement with the Government of Quebec to ensure that the transfer of funds takes place without any new conditions.

All Quebec municipalities will have to spend an extra \$2 billion per year until 2055 because of climate change-related stressors. This increase represents about 12% of current expenditures for Quebec municipalities. This will be the main new expense for municipalities, which will not have the capacity to make these investments on their own. Without adequate adaptation, municipal infrastructure will deteriorate more quickly. Given the future climate, they will be more prone to failures and will cost more.

The science is clear: regardless of our efforts to reduce greenhouse gases, we are vulnerable in many ways. In recent years, a number of municipalities have experienced extreme weather events, such as floods, tornadoes, coastal erosion, forest fires and periods of torrential rain. These events will be amplified and become more frequent in the coming years as a result of climate change.

As such, we recommend that the Government of Canada significantly increase its investments in the disaster mitigation and adaptation fund to accelerate the deployment of climate-resilient infrastructure.

The construction, renovation and upgrading of recreational and sport infrastructure projects play a major role in Quebec's regional socio-economic recovery. The recreational and sport infrastructure financial assistance program, jointly funded by the Governments of Canada and Quebec and implemented in 2018, was deemed insufficient, with projects submitted totalling \$1.5 billion, compared to the \$294 million in available funding. This meant that five out of six projects were rejected.

Since the end of this program, no additional contribution has been announced by the Government of Canada, even though the Government of Quebec has announced a new 10-year \$1.5 billion program to fund Quebec sports infrastructure.

• (1100)

Quebeckers expect elected officials of all levels of government to provide them with quality recreational and sports infrastructure. You will agree that the COVID-19 pandemic has highlighted their importance, whether that be in terms of accessibility, health and healthy living or socialization. That is why we are asking the Government of Canada to recommit to funding this infrastructure.

Quebec transit authorities are facing a major funding challenge. Over the next few years, their financial situation is likely to worsen, in part because income streams are stagnating while expenses continue to rise due, among other things, to aging assets. In 2027, the structural deficit of Quebec transit authorities could reach nearly \$1 billion, putting the services at risk. We are therefore asking the Government of Canada to support Quebec transit authorities by providing additional funding to increase investments in asset maintenance.

Finally, in Quebec, the housing crisis has been getting worse and worse for several years. I'm sure you know the vacancy rate. Given the rise in interest rates, we are currently seeing a slowdown in housing starts. This crisis has real consequences for our citizens.

Thank you, Mr. Chair.

• (1105)

The Chair: Thank you, Mr. Tremblay.

[English]

Thank you to all of our witnesses for their opening remarks.

We have limited time, so we want to get right into questions. In the first round of questions from members, each party will have up to six minutes to ask questions.

We are starting with MP Paul-Hus.

[Translation]

Mr. Pierre Paul-Hus: Thank you, Mr. Chair.

Good morning to the witnesses.

My question is for the representatives of the Association des professionnels de la construction et de l'habitation du Québec.

Gentlemen, in the first recommendation of your brief, you describe a rather dramatic situation. You say that, in 2021, there was already a shortage of 100,000 housing units in Quebec. You say that in order to fill the need in the province, up to 860,000 units will

have to be built by 2030. That's not far away; it's seven years from now.

In the second paragraph, you say that this year there will be a 35% to 40% decrease in the number of housing starts.

How can that be resolved? What drastic measures can the federal government take to really help this sector? I think those are huge numbers. The announcements that are being made right now talk about a few thousand units, but you're talking about close to a million units.

What can be done quickly?

Mr. Paul Cardinal (Director, Economic Department, Association des professionnels de la construction et de l'habitation du Québec): Good morning, Mr. Chair and members of the committee.

That's a very good question.

First, I would like to clarify something. The Canada Mortgage and Housing Corporation, a federal institution, estimates that 860,000 housing units must be built by 2030 to eliminate the housing deficit in Quebec.

To do that, we would have to triple the pace of housing starts that we have seen in recent years in Quebec. Obviously, the challenge is enormous. We will probably not get there, unfortunately, but various things can still be done. We applaud the goods and services tax exemption on new rental housing construction. Of course, we are making the same request to the provincial government with regard to the Quebec sales tax, which is almost 10%. This would reduce construction costs and relaunch some of the rental housing construction projects that are currently on hold because they are not financially viable.

Of course, that will not be enough either, but we could also amend some bylaws. They could be less restrictive and allow more auxiliary dwellings to be built. We could let people convert their homes into duplexes, turn a basement into an apartment, create intergenerational homes—

Mr. Pierre Paul-Hus: I have to move on, because my time is limited.

I would like to hear your opinion on Bill C-356, which was introduced by Mr. Poilievre and whose purpose is precisely to make processes simpler and faster. What does the Association des professionnels de la construction et de l'habitation du Québec think about that?

Mr. Fabrice Fortin: We see no reason to oppose it. This is a bill that can provide a measured response to the housing crisis by setting targets for housing construction in cities, supporting development based on public transit in those areas and encouraging municipalities to be flexible in granting building permits. This bill can help solve the housing crisis.

In early fall, we conducted a survey that revealed that the construction of at least 25,000 housing units was stalled in Quebec. Only 42 of our association's 20,000 members responded to this survey. So that's just the tip of the iceberg.

The main reasons for these blockages are the time it takes to issue construction permits and the referendum approval processes undertaken by small groups of citizens. There may be some NIMBY-ism.

In short, we have to work with the federal government, municipalities, the Government of Quebec and all stakeholders to find a solution to this crisis. The bill can support that.

Mr. Pierre Paul-Hus: I would also like to hear the opinion of the Union des municipalités du Québec on this.

Mr. Guillaume Tremblay: Every time I have the opportunity to speak on behalf of the Union des municipalités du Québec, it is clear that improvements must be made to the way municipalities do things. Let's not bury our heads in the sand. However, we, too, have consulted our members and have seen that processing times have been much shorter in recent months.

It must also be understood that private developers are proposing certain developments on land where zoning approval is needed. So we are being asked to make a zoning change overnight. Municipalities have to follow set procedures and are bound by certain constraints.

Let me give you a concrete example that took place in Blainville, not far from where I live. A developer proposed a project that put the onus on the municipality by indicating that there would be only one parking spot per dwelling. Where would people park their vehicles? They would end up parking on the surrounding streets. You also have to look at what is acceptable.

I think the role of the municipality is very important. We all have to work together and not bury our heads in the sand. I think if we work with developers and different levels of government, we'll be able to move much more quickly.

• (1110)

Mr. Pierre Paul-Hus: Can you tell us about two or three bureaucratic roadblocks at the federal level?

Mr. Guillaume Tremblay: Obviously, you can see the improvements being made with the GST itself.

I can let my colleague Mr. Roy speak to the bureaucratic roadblocks, since that's more technical.

Mr. Samuel Roy (Strategic Policy Advisor, Union des municipalités du Québec): Generally speaking, the federal government has invested in social and affordable housing in recent years. Various stakeholders have mentioned this. However, we've noted that it takes a very long time for the two levels of government to reach agreements. So it takes a very long time for the money to hit the ground.

When you have a crisis and it takes several years to reach an agreement, it really becomes a major issue.

For us, it's important that discussions be held quickly and that concrete funding be provided to us. That would make a big difference going forward.

The Chair: Thank you.

Thank you, Mr. Paul-Hus.

[English]

Now we'll go over to MP Scarpaleggia, please.

[Translation]

Mr. Francis Scarpaleggia: Thank you very much.

First, I'd like to speak on behalf of the committee of which I am an active member, the Standing Committee on the Environment. We've just started a study on the federal freshwater policy. Given your comments, I would encourage you to submit a brief focusing on the investment municipalities need for their water infrastructure, particularly in relation to water treatment plants, sewers and so on. I urge you to do so, by the way.

Do you agree with Mr. Poilievre's Bill C-356?

Mr. Guillaume Tremblay: You have to understand one thing, which is that cities have responsibilities and jurisdictions. So we mustn't start interfering in the municipal realm.

Having said that, I think the bill needs some improvements, which we can certainly address.

Mr. Francis Scarpaleggia: Do you prefer the housing accelerator fund?

Mr. Guillaume Tremblay: I understand that you're from two different parties, but I'm not going to get into politics here.

Mr. Francis Scarpaleggia: We'll let it go, then. We're not going to drag you into our battle.

Thank you for your answer.

Mr. Simard, I found your presentation extremely interesting. If I understand correctly, you're telling us that your investments are not eligible for the clean technology investment tax credit. So you'd like to see the criteria broadened.

Is that correct?

Mr. Jean Simard: Yes, that's right. Currently, investments in the aluminum sector are not included in this program.

Mr. Francis Scarpaleggia: Basically, an investment in clean technology is an investment in clean technology.

Mr. Jean Simard: My understanding of the decryption of the information we have is that the government will clarify the situation on the application of these tax measures in the coming months. It will then establish when these legislative measures will come into force. That's the first thing.

Given that we were eligible for the strategic innovation fund, the SIF, we feel that we were not taken into account in developing the parameters of the clean technology investment tax credit. The problem we're facing now is that there are no more funds in the SIF.

The government has to review the program parameters, and that will roll out disruptive technology like that.

Mr. Francis Scarpaleggia: If I understand correctly, either the tax credit criteria should be expanded, or the strategic innovation fund, or SIF, should be topped up.

• (1115)

Mr. Jean Simard: If we want it topped up, there are procedures to follow.

Mr. Francis Scarpaleggia: In your opinion, it would take too long. I understand. That's a very good point.

You talked about China, which doesn't produce environmentally friendly aluminum. You also talked about another country, but I don't know—

Mr. Jean Simard: India is another example.

Mr. Francis Scarpaleggia: Yes, that's right.

So, I take it you're in favour of charging fees as a penalty for importing products from countries with lower environmental standards.

Mr. Jean Simard: If you're referring to what we call border carbon adjustments—

Mr. Francis Scarpaleggia: Yes, that's right.

Mr. Jean Simard: Like what has come into force in Europe and what the Americans are considering in their trade with Europe, the Global Arrangement on Sustainable Steel and Aluminum, we're certainly very much in favour of that.

Our competitors, where we export 90% of our metal, to the United States, are India, which produces aluminum from coal, the Middle East, which produces it using natural gas, and China, which produces it from coal.

On our end, we emit 2 tonnes of CO₂ equivalent per tonne of aluminum, while China and India emit 18 to 20 tonnes.

Mr. Francis Scarpaleggia: That's quite fascinating. You've just enriched the debate on the issue.

My next question is for the Association des professionnels de la construction et de l'habitation du Québec, and it's about the lack of available housing for new households. I wasn't aware that Quebec's home ownership rate was lower than the Canadian average. That's very interesting. However, you didn't address the issue of professional orders.

Do the rules and regulations of professional orders limit the supply of professionals? Is that an issue?

As a stakeholder, are you in contact with them to see if there's anything they can do to supply more labour for housing construction?

Mr. Paul Cardinal: That's a very good question because, like other sectors, the construction industry is experiencing a labour

shortage. However, things are a little more severe in the construction industry.

We know that Quebec's construction industry has a particular set of labour market regulations. They're more rigid than in other provinces. We're working closely with the provincial government to have them make the rules a little more flexible, especially in the two areas we're working on, versatility and labour mobility to enhance productivity in the construction industry.

The Chair: Thank you, Mr. Scarpaleggia.

[*English*]

Now we'll go to MP Desbiens, please, for six minutes.

[*Translation*]

Mrs. Caroline Desbiens: Thank you, Mr. Chair

I'd like to welcome the witnesses to Quebec's beautiful national capital.

I'm going to address Mr. Tremblay from the Union des municipalités du Québec.

The flexibility of federal programs and their coordination with Quebec programs in terms of cash transfers are crucial factors in your work on the ground, where you are the first responders.

When disasters occur, like what happened in Baie-Saint-Paul last summer, and municipalities are left waiting for a response to their requests under climate change adaptation programs, what can be most useful to them?

Mr. Guillaume Tremblay: Unfortunately, sometimes it takes a long time for the two levels of government to agree. We can feel that on the ground.

You're right about the climate change adaptation programs. It brings to mind what happened in Baie-Saint-Paul, or the eroding shoreline in the Magdalen Islands, for example. It takes a long time for governments to reach an agreement and unfortunately, at the end of the day, that affects people.

I want to go back to what I was saying about the gas tax fund and Quebec's contribution, or TECQ. It's important to understand that municipalities need predictability in order to issue calls for tenders. For 2024, so next summer, we don't even know yet how much money we will have, and we will be issuing calls for tenders even though there is a labour shortage. At the end of the day, who is going to end up paying dearly? All the people are, through the subsidies that Quebec and Canada have not yet agreed upon.

We're asking that everyone lend a hand as quickly as possible, because, at the end of the day, the people are paying the price.

• (1120)

Mrs. Caroline Desbiens: Thank you for your answer.

I would urge the members from the Conservative Party to spend more time working on their committees than filibustering. That way, we can get things done.

Mr. Viau, I'd like to talk to you about reconciling the cost of climate change with the investments still being made in the oil and gas industry.

Are you satisfied with all that? Is there a lot left to do?

Mr. Marc-André Viau: We still have a lot of things to get done. Over \$30 billion has gone into the Trans Mountain pipeline. Billions of dollars are also being used to fund the decarbonization of the oil and gas sector through carbon capture and storage. In our opinion, this is a subsidy in disguise that allows oil and gas development to continue. Permits are still being issued for oil and gas exploration in marine refuges, for example. There is a definite gap between the rhetoric and the reality.

Nevertheless, I want to make it clear that we're absolutely not insensitive to the realities of resource-rich regions, to the economic realities of the workers who live in those regions and to the fact that economies depend on that. Things need to be done, including passing a bill on sustainable jobs. I feel we should no longer be allowed to talk about a just transition. The transition will certainly take time, but we have to get through it.

Mrs. Caroline Desbiens: Given that we don't have much time, what would you suggest to this committee today? Should we stop investing in fossil fuels? Should we focus more on renewable energy? There is a cost of adapting to climate change, but if the climate doesn't change as much, that will lower the costs.

In your opinion, what are the priorities?

Mr. Marc-André Viau: I would recommend creating more eco-taxes and binding regulations. I know that's often not what industries want to hear, but it's what's needed to achieve a gradual decrease in the funding we provide. There aren't a lot of solutions.

You're right, the longer we maintain a carbon-based economy, the greater the costs associated with it will be. We need to address that reality.

Mrs. Caroline Desbiens: Thank you very much.

For the Union des municipalités du Québec, shoreline erosion is a major issue. What we're hearing on Île d'Orléans, Isle-aux-Coudres, the Magdalen Islands and everywhere else is that the program is out of touch with the realities of the owners, municipal and private alike.

What would you suggest in terms of support programs for infrastructure and shoreline erosion?

Mr. Samuel Roy: Generally speaking, we have to give the municipalities as much flexibility as possible so that they can make investments based on their priorities. As you mentioned, shoreline erosion is a problem in eastern Quebec in particular. Other regions of Quebec are experiencing other issues related to adapting to climate change. Flexibility is needed to be able to invest based on municipal priorities. That's really the key message we want to convey.

I would add to that a significant increase in funding. A first step has been taken in the past year in terms of adaptation, but we're still

a long way away. Municipalities estimate that they need an additional \$2 billion per year to adapt their infrastructure. They can't bear that financial burden on their own.

Mrs. Caroline Desbiens: It's not enough to announce it. We have to make it accessible, and quickly.

Is that correct?

Mr. Samuel Roy: That's correct.

Mrs. Caroline Desbiens: Thank you very much.

The Chair: Thank you, Mrs. Desbiens.

[English]

Now we'll go to MP Boulerice, please.

[Translation]

Mr. Alexandre Boulerice: Thank you, Mr. Chair.

I thank the witnesses for being with us today.

I'm going to ask you to bear with me, because I'm going to have to leave a little before the end of the meeting. It's not that I'm not interested; it's because VIA Rail doesn't have enough departures.

Mr. Tremblay, on the subject of transportation, Mr. Viau talked about the value of renewing the \$750 million in operating costs for public transit. I imagine you agree with that.

Should we also consider having a more sustainable solution to the operating costs of transportation companies, which are in crisis at the moment?

• (1125)

Mr. Guillaume Tremblay: I always work in teams, and that's more or less the message you also want to convey.

Cities do have to take some responsibility, but the provincial government and the federal government should think about contributing something. Every time a transit line gets cancelled, there are fewer people on buses or trains. Cities are unable to deal with that reality.

You can understand that, given the budget cuts announced recently, it's one minute to midnight for the budgets of each of our cities. It really doesn't make us happy to see that happen.

Mr. Alexandre Boulerice: That's extremely unfortunate, because not only is public transit a good way to reduce our greenhouse gas emissions, but it's also a way to reduce traffic congestion and improve the quality of life of all people, whom you also represent, Mr. Tremblay.

Mr. Viau, there has been a lot of talk in recent years about electrifying transportation. People are obviously investing heavily in the battery sector, and we're very pleased that the road fleet has gone electric.

However, you raised the issue of electric bikes.

French engineer Jean-Marc Jancovici, who is very involved in the whole energy transition issue, tells us that 80% of people travel five to 10 kilometres in urban centres. Of course, that doesn't apply to remote areas. He says that the best electric vehicle is an electric bike, because that's exactly what we need.

What's your game plan to encourage people to purchase and use electric bikes?

Mr. Marc-André Viau: Just on the subject of Via Rail, better WiFi would make a big difference.

You're right about electric-assist bikes. Countless car trips could be replaced by bike trips.

We are currently running an awareness-raising program called Vélovolt. We work with businesses so they can give their employees a chance to test electric-assist bikes and trial this mode of transportation for a month. I suggest you visit our website to find out more. That might be something the House of Commons could consider.

We're already making e-bikes available to businesses and their employees. They try them, and many continue to use them after the program. The waiting list for companies that want to participate in the program is very long. I believe municipalities are participating too. It works very well, and people want it.

E-bikes are expensive, though. That's why we offer this program, which is geared to income. We don't want to subsidize people who earn enough money to buy one of these bikes on their own.

Programs that offer incentives for buying electric cars aren't geared to income.

Mr. Alexandre Boulerice: What I'm hearing is that the financial incentive should be progressive and based on income.

During last year's pre-budget consultations, you advocated for the right to repair, an eco-friendly measure that helps households save money by not having to buy new products.

The right to repair and the tax credit are great, but sometimes a product simply can't be fixed because it's made of lots of plastic pieces that break and can't be welded back together.

What's being done to encourage people not only to repair their things, but to buy things that can be repaired in the first place?

Mr. Marc-André Viau: First of all, people need access to information about the product they're buying. We encourage governments to adopt reparability indexes so that consumers can opt to buy a more repairable product rather than a less repairable one. The index should also be prominently displayed.

Getting information from manufacturers and making regulations that guarantee access to replacement parts would be a good start. That's one solution worth working on.

Mr. Alexandre Boulerice: Mr. Fortin, you welcomed the removal of the GST from the construction of rental units. We all agree that more rental housing and housing in general needs to be built.

That measure, which the NDP proposed, is not tied to any criteria around improving consumer access. That doesn't sit right with us.

What can be done to ensure that removing the tax doesn't just end up boosting property developers' profit margins?

• (1130)

Mr. Paul Cardinal: That's another excellent observation.

Property developers do not have the luxury of keeping their prices where they are and believing they'll be able to sell or rent their buildings.

Yes, there's a housing shortage, but consumers won't necessarily be able to pay \$2,400 a month in rent. The point isn't really who gets to pocket the GST; the point is figuring out whether these proposals get off the ground because either they're financially viable or they're not.

The Chair: Thank you.

Thank you, Mr. Boulerice.

[English]

Now we're going into our second round of questions. The times are a bit different.

It's five minutes for the first MP, who is MP Lawrence.

Mr. Philip Lawrence: Thank you, Mr. Chair, and thank you to all the witnesses.

I'd like to take 10 seconds or so to respond to my Bloc colleague. The Conservatives will stand up for the rights of Quebeckers and the rights of the Quebec nation. We will use all parliamentary tools. We would hope that all parties, particularly the Bloc Québécois, would be willing to stand up for Quebeckers.

I want to move on from there to talk to Mr. Cardinal and Mr. Fortin with respect to Bill C-356, which of course is Pierre Poilievre's private member's bill on housing, and build upon what my colleague was talking about. One of the things it says is that the CMHC will have to get the response to a funding application out the door within 60 days or the executives will suffer a 50% loss in bonuses.

Do you support the quickening of the pace that CMHC processes are worked on?

[Translation]

Mr. Fabrice Fortin: Thank you for the question.

Last week, there was an announcement about 8,000 residential units being built for Quebec. That was welcome news for sure, but more must be done.

According to the Canada Mortgage and Housing Corporation, the CMHC, 1.2 million units have to be built by 2030. That means keeping up the pace, improving the fund and making it permanent. Several measures need to be taken, and Bill C-356 is part of that, of course.

[*English*]

Mr. Philip Lawrence: Thank you very much.

I have a question for both municipality representatives and for Mr. Fortin and Mr. Cardinal.

With the current trajectory and the federal government policies currently in place—and I believe we're millions of doors behind where we need to be—will we get to a state of equilibrium between supply and demand in housing?

[*Translation*]

Mr. Paul Cardinal: This is a step in the right direction because new units increase supply, but it will probably not be enough.

We heard earlier about Quebec's housing shortage, which is expected to be around 860,000 units by 2030.

The CMHC also projects that Canada as a whole will be 3.45 million housing units short by 2030.

This is a step in the right direction, but we need to run, not just walk.

Mr. Samuel Roy: Yes, this investment is a step in the right direction, but the disparity between supply and demand in the housing market is so significant that it will be difficult to resolve.

That's why all partners have to work together to find solutions and speed up construction.

Various macroeconomic factors are contributing to the slowdown too. Higher interest rates, for example, have a significant impact.

There's one more thing I'd like to add. Right now, a lot of municipal infrastructure is operating at capacity. We may want to build new housing, but there's no money to update things like water and wastewater infrastructure. That means we can't build more homes in some places.

We want to move forward and build more, but there has to be enough money for municipal infrastructure to support new housing. Right now that's a challenge.

• (1135)

Mr. Guillaume Tremblay: That's why we have to take advantage of the economic slowdown to update our infrastructure, but we need federal and provincial subsidies to make that happen.

I talked about the TECQ program earlier. You need to come to an agreement with Quebec soon so we can move forward as quickly as possible once economic activity picks up. When that happens, our APCHQ colleagues will be able to build non-stop.

The Chair: Thank you, gentlemen.

[*English*]

Thank you, MP Lawrence.

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

[*Translation*]

Mrs. Brenda Shanahan: Thank you, Mr. Chair.

I would like to talk more about housing.

Mr. Tremblay, would you comment on the impact of last week's announcement about capacity to accelerate the construction of residential units in Quebec?

What are the obstacles to that? Do you have any solutions to put forward?

Mr. Guillaume Tremblay: I am on the same page as my APCHQ colleagues with respect to the \$1.8-billion agreement that was announced, which is made up of \$900 million each from the federal and provincial governments. The goal is to come up with lots of solutions for both private sector housing construction and community, social and family housing. I think that's important.

As you know, Canada is in an economic slowdown. My colleague made it very clear earlier that existing infrastructure in Quebec's biggest cities is operating at capacity. I agree with those who say we should take advantage of the economic slowdown to make massive infrastructure investments. We need to get busy building housing before the economy recovers for the private sector. Let's not end up two or three years from now wishing we had done it then.

We need to make massive investments in updating our infrastructure now. That's why we want the government to quickly come to an agreement with Quebec about infrastructure funding.

Mrs. Brenda Shanahan: There's still a challenge when it comes to planning.

Some municipalities in my riding have had opportunities to do so, but they haven't always been able to invest in infrastructure for various reasons, including the cost of renovating. This has been a challenge for 30 years.

It's important to say that we benefited from the lowest interest rates ever for almost 25 years. Now, we're seeing the difference when the rates climb a few points. In fact, it's putting a sudden stop to certain projects.

Is the Union des municipalités du Québec looking for medium- and long-term strategic solutions to solve this problem?

Mr. Guillaume Tremblay: As you know, under the TECQ program, municipalities are required to develop infrastructure action plans. Honestly, I think that in Quebec, we should move this idea forward so that cities can better plan measures for their territory. I agree with you on that.

In addition, once the plans have been made, funding must be secured. On that score, the clock is ticking.

I'll say it again: If all the cities submit proposals for 2024, you have to understand that costs will rise considerably, in a context where there is a labour shortage.

The message from the municipal world today is that the federal government must come to a swift agreement with the Government of Quebec and the municipalities. They are in dire need of funding.

There needs to be predictability. It's a bit like money for housing construction, where agreements are made every year, or every two or three years. If there's no predictability for cities, how do you expect them to be able to apply to a program and then plan housing measures with community organizations? They always have to wait for decisions to be made at higher levels. The municipality is the final level of government, so to speak.

If you could provide a little more predictability, that would be a great help to the municipal world, I guarantee you.

Mrs. Brenda Shanahan: I understand. Thank you, Mr. Tremblay.

Mr. Fortin, you talked about the costs associated with housing construction and the high borrowing costs preventing developers from building more housing.

Witnesses who have appeared before our committee have told us about the need to adapt existing programs, such as the rental construction financing initiative, in order to provide long-term loans. I'm also thinking of the role of CMHC, which is really a major player in the construction of affordable housing.

Do you agree with those comments? Do you have any other solutions to propose?

● (1140)

Mr. Paul Cardinal: We tend to agree.

With respect to individuals, for example, the Canada Mortgage and Housing Corporation plays a major role in reducing, if not virtually eliminating, the risk of anything that can be described as an insured loan. It eliminates the risk faced by financial institutions. It's also what makes it possible to obtain better financing conditions.

As for rental housing construction, CMHC does indeed have some interesting programs. They could possibly go a little further. For example, the latest program to be launched, called APH Select, offers amortization of up to 50 years under certain conditions, which is interesting. If that could become a little more standard in the products offered by CMHC, that would be good.

The issuance of Canada mortgage bonds is another positive initiative. It allows access to funds at a lower cost. These funds can

then be loaned for residential construction at lower costs than those charged by financial institutions.

The Chair: Thank you, Mrs. Shanahan.

[*English*]

Now we'll go to MP Desbiens, please.

[*Translation*]

Mrs. Caroline Desbiens: Thank you very much, Mr. Chair.

I will once again address the representatives of the Union des municipalités du Québec.

I'd like to address the issue of the conditions that the federal government often attaches to the funds it releases. Obviously, this slows down access to these funds. These conditions are not always appreciated by people in the field, I think.

Also, I'd like to know your opinion on the TECQ. Some mayors have told me that they'd like to be able to use this program, but for purposes other than those set out in this framework. So there needs to be greater openness and flexibility in the use of funds.

I'd like to hear your comments on these two issues.

Mr. Guillaume Tremblay: I'll answer your second question first.

Mr. Roy, you'll tell me if I'm wrong, but I seem to recall that 20% of the TECQ performance grant can be used for a project of a more municipal nature, such as a community centre. I don't believe that the UMQ, which I represent today, has taken a position on this issue. On the other hand, as we've been saying all along, the municipal world certainly needs a diversity of programs. Consequently, new programs should be created that would respond more to other realities.

To answer your question indirectly, let's say that, if the municipal world is considering using the TECQ, which is intended for investment in underground infrastructure, differently, it's because in reality, we have a lot of catching up to do. On the other hand, it also shows how little room for manoeuvre the municipal world has. So we sometimes try to be imaginative. Let's be honest, investing in pipes isn't really fashionable. People would much rather have a nice community centre or a beautiful brand-new arena.

As I mentioned earlier, the federal government has made massive cuts to all sports and recreation programs. In the municipal world, we're trying to put forward projects and ideas that relate a little more to what's being asked of us in the field. But we have no room for manoeuvre. So investing massively in sports and leisure programs could give that opportunity to local governments.

● (1145)

Mrs. Caroline Desbiens: Could you quickly give us your opinion on the conditions the federal government is imposing?

Mr. Guillaume Tremblay: As we were saying earlier about the climate, if we impose countrywide conditions, it's obvious that this program won't be able to respond to the realities of each municipality.

Mrs. Caroline Desbiens: So we need predictability.

Mr. Guillaume Tremblay: Absolutely. In this respect, I think we need to leave some latitude to local governments, and perhaps a little more to the provinces.

Mrs. Caroline Desbiens: Thank you.

The Chair: Thank you, Mrs. Desbiens.

[*English*]

Now we'll go to MP Paul-Hus, please.

[*Translation*]

Mr. Pierre Paul-Hus: Thank you, Mr. Chair.

I'd like to return to the first point raised by the APCHQ, to the effect that we are living in a perfect storm. What we're trying to find now is the perfect solution.

You were saying that municipalities are the last level of government. What I would like to know is whether the federal, provincial and municipal governments are working together to deal with the situation or rather just talking without achieving any outcomes. From where I stand, I believe it's extremely urgent to address the situation, just as urgent as it was to manage the pandemic, for which measures were taken and everyone worked intelligently to move things forward.

Do you think progress is being made on housing, or that we are simply spinning our wheels?

Mr. Guillaume Tremblay: From where I stand, I can say that the municipal sector is clearly ready. However, funds are needed quickly. Whether for our own organizations or private developers, I believe the municipalities are ready.

I don't know how long it has taken Quebec City and Ottawa to sign the agreement, but to be perfectly frank, it's been rather long. Abnormally long. When it takes that much time and there is no predictability, the situation is rather difficult for municipalities.

We are ready now. We're hoping that the funds will arrive quickly so that we can get projects underway.

Mr. Pierre Paul-Hus: The word "predictability" came up often today. It was also discussed with the first group of witnesses, including the representatives of the Fédération des chambres de commerce du Québec. I believe that the absence of predictability has been a major factor in the problems being experienced.

Let's talk now about federal interference in the municipal sector. In Quebec, things are different than elsewhere in Canada. There is a housing problem across Canada, but here in Quebec, there's a major difference, which is that the Quebec government intervenes directly with the municipalities and the federal government less so.

Be that as it may, can something be done to improve the system? I don't want to take away any of the rights that Quebec has acquired over the years. Is there anything we can do simply to improve the system, or are we stuck with existing ways of doing things?

Mr. Guillaume Tremblay: I believe that the municipalities are in the best possible position to know their own environment. I believe that the federal government needs to trust elected municipal officials. We were elected democratically, just as you were. We too make commitments to our residents.

I'm going to give you a very concrete example of how things are done in the municipalities. The example I'm going to give you has made the national news. A developer bought some land to build some high-density housing. Unfortunately for that developer, I had made a commitment to set aside this land for commercial use. I was elected with 83% of the votes, and so believe my mandate was pretty clear in my community. Now, the developer is unhappy because he wants to build what are called affordable housing units.

Situations like that sometimes come up. Nevertheless, no one is in a better position than the mayor and the municipal council to know how things work in their community.

Mr. Pierre Paul-Hus: I agree with you, but my question was more about ties between the provincial government, the municipalities, and sometimes the federal government. Elsewhere in Canada, things are done somewhat differently in terms of funding: it's more direct.

Let's get back to the UMQ. We spoke earlier about infrastructures. I find it very interesting that we should be raising the fact that some municipalities can't handle more construction because they don't have suitable infrastructures.

Are there any assessments or analyses of small or medium-sized municipalities like Blainville, which we discussed earlier, specifying that certain cities can't handle more than 10,000 new units, let's say, because their infrastructures can't service them?

Mr. Guillaume Tremblay: No, there aren't any documents of that kind.

But I know that the UMQ set up best practices housing committees for all the municipalities. There may already be some in the larger municipalities, but not in the smaller ones. It's a mentoring service available to these cities through the Union des municipalités du Québec.

Mr. Roy may have something to add.

Mr. Samuel Roy: That's it exactly. For the time being, we don't have an overview for Quebec as a whole. On the other hand, what we are seeing increasingly is municipalities raising their hand to say they have to put the brakes on development because they don't have the required capacity to do so.

So there's a major barrier preventing a response to the crisis you're talking about. We need to be able to invest.

And that's without factoring in the shortfall in maintaining our existing infrastructures simply to keep providing current services to the population. The water infrastructure deficit is a huge \$38 billion. Municipalities don't have the means to deal with the burden on their own.

• (1150)

Mr. Pierre Paul-Hus: I think I've run out of speaking time.

Thank you.

The Chair: Thank you, Mr. Paul-Hus.

[English]

Now we'll go to MP Scarpaleggia for five minutes, please.

[Translation]

Mr. Francis Scarpaleggia: Thank you very much, Mr. Chair.

Mr. Tremblay, if I've properly understood the discussion on this topic, you believe that the gasoline excise tax reimbursement program doesn't give you the latitude you need to spend the money where you would like to spend it. In other words, you're forced to spend that money on certain identified infrastructures, when you would really like to spend it elsewhere.

Is that correct?

Mr. Guillaume Tremblay: At the moment, each city can use 20% of the contributions provided under the TECQ to invest in specific projects. However, based on my understanding of the question asked by your colleague earlier, some cities would prefer to invest these contributions elsewhere.

In my opening address, I mentioned that the federal government had stopped contributing to a financial assistance program for recreational and sports infrastructures, to which it had been contributing jointly with the Government of Quebec. In an attempt to partly answer the question, I was saying that if some cities wished to use the TECQ to invest elsewhere, it was perhaps because there were not enough subsidies. So if the federal government were to reinvest in the Quebec government's program for recreational infrastructures, it would certainly make it possible to take on a few more projects, rather than seeing five out of every six being turned down.

Mr. Francis Scarpaleggia: I'm trying to understand. So the funds from the gasoline excise tax have to be spent only on certain types of infrastructure projects.

Mr. Guillaume Tremblay: That's correct.

Mr. Francis Scarpaleggia: But this doesn't include sports infrastructures. So you can't use them for that purpose.

Mr. Guillaume Tremblay: No.

Mr. Francis Scarpaleggia: Okay. Now I understand. Thank you.

Mr. Viau, what you said about the impact of climate change on rising insurance premiums was very interesting.

For cars, you were saying that the manufacturers had decided to raise prices. You said that the average price of a car had gone from \$34,000 to \$60,000. Is that right?

Mr. Marc-André Viau: From 2019 to 2023 the average cost of a new vehicle in Quebec increased from \$34,000 to \$64,000. That's a market reality.

Mr. Francis Scarpaleggia: What I've been hearing on the ground, and even from the media, is that the pandemic is partly to blame. During the pandemic, there were vehicle shortages. Manu-

facturers raised prices and realized that people were willing to pay. Once everything got going again after the pandemic, they decided to restrict the availability of vehicles because they could then increase prices. That contributed to inflation, but it has nothing to do with the carbon tax.

Mr. Marc-André Viau: No, not really. That's what I said in my presentation. These decisions were made by the auto industry. One of the factors you raised is, I think, part of the explanation. And the size of vehicles is another aspect. The vehicles being sold are bigger, more expensive to produce, and equipped with more technological gadgets. All of which also makes them more expensive. It's no longer a matter of selling a means of transportation, but rather gadgets and size.

Mr. Francis Scarpaleggia: Ms. Shanahan, you have the floor.

Mrs. Brenda Shanahan: Mr. Viau, do you believe there is a difference between a system of carbon offsets and a system that puts a price on pollution?

Mr. Marc-André Viau: Yes, there are differences in how they are applied. The basic principle is to put a price on carbon and pollution as a way of sending a signal to the market that the desired direction is towards something other than hydrocarbons, meaning renewable resources. In both instances, it's a market mechanism.

That said, there are significant differences between carbon offsets and a carbon tax...

• (1155)

Mrs. Brenda Shanahan: Yes, but I'd like to stop you there.

At some point, the provinces are going to have to decide between the two. Can you tell us why Ontario, for example, withdrew from carbon offsets and decided to put a tax on pollution? Was it for technological or political reasons?

Mr. Marc-André Viau: I'm going to reiterate the views of my colleagues at the Union des municipalités du Québec, who said they were in a good position to understand what they ought to do. I think the provinces are well placed to understand what they should do, and to choose the mechanism they prefer.

When all is said and done, I would argue that these choices are more political than technical. Nevertheless, the federal government is also accountable. This was established by the Supreme Court. The federal government is responsible for ensuring that Canadians have a degree of protection. It must protect vulnerable communities. If therefore has to strike a balance somehow. The federal government establishes a floor and the provinces choose the means of achieving their ambitions. Quebec made a choice and Ontario chose to withdraw. There has to be a floor, but we agree with the idea that ultimately, the provinces must choose the system they wish to adopt.

Ideally, each province establishes its own system.

The Chair: Thank you, Mr. Viau.

Thanks also to Ms. Shanahan and Mr. Scarpaleggia.

[English]

I'm just looking at the time. As we did in our first panel, we are going to provide up to two minutes for each party to ask their final questions of this second panel.

We're starting with MP Lawrence.

Mr. Philip Lawrence: Thank you very much.

As the chair knows, I make it a practice of getting out of my echo chamber, as they say, to ask a question of a panellist who perhaps traditionally wouldn't get questions from a Conservative.

Mr. Viau, this is a question for you.

I'm going to give you a bit of personal information about me. Before I got on my flight, I was feverishly working to repair my washing machine, and I did it because—I'll be honest with you—I'm cheap. I replaced the drainage pump on it.

I'm a bit skeptical of a government organization, because with the government comes costs and there are inspectors and stuff like that. Would you be open to the idea of an industry-led repair index?

[Translation]

Mr. Marc-André Viau: Well done, and I hope your washing machine is working properly again.

That would be ideal. That's how they do it in France, with industry handling it.

We are suggesting that the federal government should set it in motion, and rapidly at that. It could establish a fund and give it a boost, just as it did for electric vehicles, but then we think it should withdraw afterwards, allowing the market to administer the system and to manage the repair fund.

[English]

The Chair: Thank you, MP Lawrence. It's good to know that you have those repair abilities.

Now we are going to MP Shanahan, please.

[Translation]

Mrs. Brenda Shanahan: Thank you, Mr. Chair.

My question is for Mr. Simard.

I was truly impressed by your approach and your enthusiasm for everything currently happening in your industry.

Earlier on, we discussed the difference between carbon offsets and a carbon pollution tax. In your industry, was there really a difference between the two systems? Did it limit profitability and expansion?

Mr. Jean Simard: The fact is that 90% of Canadian production is in Quebec, where there are carbon offsets, and 10% of production is in British Columbia, where there is a carbon tax. So both systems are in use.

The important thing for us is predictability, which is the word that has been used from the outset. The dynamics of carbon in economies around the world will become increasingly important. Investments will be required to maintain our activities and play a

larger role in a market that is growing in the United States. The only way to accomplish this is to have predictability. And it's always billions of dollars we're talking about, because it's a huge and highly complex industry.

It's absolutely essential for us to understand where the carbon market will be in the coming years, because it is structured.

• (1200)

Mrs. Brenda Shanahan: That's interesting.

Could the other provinces have decided to work with carbon offsets?

Mr. Jean Simard: Yes, but that choice has to be made on sociopolitical and economic grounds, along with everything else involved from the decision-making standpoint.

It's essential for us to remove any political uncertainty and have a predictable carbon pricing structure. We won't be able to progress otherwise.

The Chair: Thank you, Mr. Simard and Ms. Shanahan.

[English]

Now we'll go to MP Desbiens. You will be the final questioner for our session here today.

[Translation]

Mrs. Caroline Desbiens: Thank you, Mr. Chair.

I'd like to ask the Union des municipalités du Québec representative a more general question. Shoreline erosion was discussed earlier. I'd like to point out that in my region, more specifically at Cap-à-l'Aigle, problems have arisen in connection with a communications tower. The municipality is caught between pressure from residents on the one hand and the federal government's slow response on the other. That's also the case for fisheries. Fishers are seriously worried because they keep waiting for measures and funds that are just not coming.

Generally speaking, how do you see this playing out? Can the federal role be improved—I'm talking about the federal government because Quebec is, for the time being, not yet a country—in your various spheres of activity?

Mr. Guillaume Tremblay: My view is that we have to stop looking for across-the-board solutions and spend more time collaborating.

As for the Union des municipalités du Québec, which I am representing, I think we have to keep abreast of what's happening. We're talking about predictability today, and I would agree that we do indeed need more if we are to structure our organizations appropriately.

People wanted an airport in our region, but there was a problem in dealing with an archaic federal statute. I believe we need to review how things are done, as was the case for telecommunications towers. Things like that can no longer be imposed in 2023. That era is over. What's really needed is working together with the community and the people who live there.

Mr. Marc-André Viau: That covers a lot of ground.

I'm going to return to the housing issue. I believe we need integrated planning, with contributions from the three levels of government. Discussions are needed, but without the politicization and polarization that so often make decisions impossible. On the housing issue, everyone wants to speed things up, but there may be questions about whether there are wetlands or water in areas where construction is being planned, or whether densification might be better located elsewhere. Questions like these all need to be dealt with. And the municipalities and provinces are most knowledgeable about issues like these.

Mutual respect is essential.

Mr. Jean Simard: Timelines need to be as short as possible, without of course ignoring important consultations and scientific data. Predictability is a key factor, like location in the real estate sector.

As for harmonization among the various levels of government, what's most important is reaching decisions so that work can begin. If one particular level of government is in the best position to get something done, it should be allowed to do so.

Lastly, it's essential to have predictable and useful regulation that takes the desired end into consideration. The regulatory framework has to be predictable.

[*English*]

The Chair: Of course we have to hear from the builders.

[*Translation*]

Mr. Fabrice Fortin: I would say that stakeholders have to stop shirking their responsibility.

All too often, the ball is tossed back and forth on grounds that responsibility lies elsewhere. These issues have to be addressed head-on and administered collectively. After all, human beings are involved in everything pertaining to housing.

• (1205)

The Chair: Thank you.

Thank you, Ms. Desbiens.

[*English*]

I can't think of a better way to start our cross-country tour than being here in Quebec City in la belle province, except, MP Paul-Hus, if we were here in February for Carnaval and if we had more time. However, it has been great. We've have two excellent panels of expert witnesses to provide testimony for our pre-budget consultations.

On behalf of the finance committee, we want to thank you for your time and your expertise as we get ready for our report and, of course, for budget 2024.

I want to wish everybody an excellent afternoon. Thank you.

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