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Chair: Mr. Peter Fonseca



Standing Committee on Finance

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• (1100)

[English]

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

Welcome to meeting number 131 of the House of Commons Standing Committee on Finance. Pursuant to Standing Order 106(4), the committee is meeting to discuss Equifax's recent report detailing the soaring mortgage and credit card delinquency rates and rising number of bankruptcies in Canada.

Today's meeting is taking place in a hybrid format, pursuant to Standing Order 15.1. Members are attending in person in the room and remotely using the Zoom application.

I would like to make a few comments for members.

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

This is a reminder that all comments should be addressed through the chair. For members in the room, if you wish to speak, please raise your hand. For members on Zoom, please use the "raise hand" function. The clerk and I will manage the speaking order as best we can. We appreciate your patience and understanding in this regard.

Members, we are on the Standing Order 106(4) request.

MP Hallan.

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

I would like to move a motion today. I move:

That in light of the recent Equifax Canada report on increasing mortgage delinquencies and bankruptcies, the committee invite the Superintendent of Bankruptcies, Finance Canada officials, the Chief Economist of the Canadian Mortgage and Housing Corporation, Equifax Canada, and any other witnesses deemed relevant by the committee, and the Deputy Prime Minister and Minister of Finance to appear separately for no fewer than two hours. That the testimony and documents tabled from these meetings be included as part of the commit-

tee's study on the Impact of Inflation and Interest Rates on Mortgages in Canada.

The Chair: Thank you, MP Hallan.

I understand it's been distributed to all of the members. The members should have received it electronically. Everybody, I will give you just a moment with that.

MP Hallan, would you like to say something? I see some hands up.

Go ahead.

Mr. Jasraj Singh Hallan: Absolutely. Thank you, Chair.

Colleagues, anyone who talks to Canadians today hears the pain that Canadians are feeling. Canada feels more broken than ever before. The Canadian dream, whether you're an immigrant to this country or you've lived here your whole life, has turned into a nightmare. That Canadian dream includes things like owning a home or owning a business.

Eight years of failed economic policies by this government and out-of-control deficit spending have given Canadians 40-year highs in inflation and the fastest interest rate hikes seen in Canadian history. This government has put more debt on Canadians' heads than every single government before it combined and made interest rates go up at the fastest.

Recently, Desjardins said that Minister Freeland would miss her deficit targets. This means the debt will only grow. The pain will only get worse. It was the Governor of the Bank of Canada who said at this committee that interest rates would have to "stay higher for longer". This is the pain we're seeing across the country. On two separate occasions, the Governor of the Bank of Canada confirmed that this government's fiscal policy and his monetary policy, with which he is basically trying to tame inflation, are rowing in opposite directions. It's because this government continues to spend money recklessly, making interest rates stay higher for longer.

We also know that Canada's GDP per capita is contracting. That means Canadians are getting poorer. They're not getting ahead, even though they're working harder than ever before. Rising taxes, like the carbon tax scam, have contributed to unaffordability and rising prices. Gas, grocery and home heating costs have all gone up and continue to go up because of the carbon tax. On April 1 this Liberal-NDP government plans to hike the carbon tax by 23%.

We know that 70% of Canadians don't want the carbon tax. We also know that 70% of premiers have now asked this government not to hike the tax. One of those premiers is the Liberal Premier of Newfoundland and Labrador. Even he is calling on this Liberal government to not hike the tax.

The Governor of the Bank of Canada has also said that getting rid of the carbon tax would put a huge dent in inflation: 0.6% of the top-line inflation number can be taken off overnight by getting rid of the carbon tax, which hasn't helped the government meet any of its emission reduction targets and has only made life more expensive for Canadians. Getting rid of that tax and bringing down inflation could also help the Governor of the Bank of Canada lower interest rates faster.

The carbon tax has also contributed to the two million people we see going to food banks in a single month in Canada, something that I don't think anyone could have imagined was part of the Canadian dream. Two million Canadians are going to food banks because they just cannot afford food any longer. This government, with the support of the NDP, still wants to hike the tax on food. Second Harvest recently estimated that on top of the two million Canadians, another million people will go to a food bank this year. The reality is that a third of those people who are going hungry are children.

Because of the dramatic rise in the price of gas, groceries and home heating due to the carbon tax, more people are at risk of mortgage and credit card delinquencies. We know that after eight years of this government, mortgages and rents have doubled. More and more of Canadians' paycheques are going toward shelter costs, sometimes up to 70%, because of the rise in mortgages and rents.

We know that there's a housing shortage. This government is great at photo ops and announcements but not at making sure that homes actually get built. The housing minister, Sean Fraser, also admitted that their programs don't actually lead to homes being built, yet they keep shovelling out more money. This is adding to the debt that's keeping interest rates higher for longer.

• (1105)

We also know now that Canadian business insolvencies are surging. Business owners and workers are at risk now of losing their paycheques. That's what brings us here today. Equifax recently reported that mortgage and credit card delinquency rates are soaring while bankruptcies are also on the rise. Mortgage delinquency rates are up more than 50% across Canada and are up 135% in Ontario and 62% in B.C.

There's a significant jump in this number from prepandemic levels. The rise in mortgage and credit card delinquencies is significantly affecting younger Canadians. We know that nine out of 10 young people in this country have given up on the dream of home ownership. It's impossible, and those who are lucky enough to have realized that dream are living a nightmare today because it's impossible for them to make payments due to high interest rates staying higher for longer.

We also know 70,000-plus mortgages are being renewed every single month at a minimum of double the rate because of high interest rates caused by this government's high-inflation spending.

Equifax found that credit card balances are growing primarily from reduced payment levels, especially among younger mortgage borrowers. Canadians now owe nearly \$1.80 for every dollar they earn. This is why Canadians are now the most indebted households in the entire G7 and why the debt level on households is bigger than Canada's entire economy. Household debt servicing ratios are at all-time highs. The cost-of-living crisis is driving Canadians to use credit cards or borrow money just to make ends meet.

As reported by the superintendent of bankruptcy, the number of filings has risen 23%. In Ontario, they've spiked by 76.5%, and they're at 46.5% in B.C. Now Canadians are the most at risk in the G7, according to the IMF, for a mortgage default crisis. They cannot keep up with payments and the renewals, which are more than double the rate in most cases.

Conservatives believe it is time that the government take this issue seriously and bring back some common sense. Canadians could lose their homes or their ability to borrow or qualify for credit, and the economy could suffer dire consequences. If there are significant bankruptcies or Canadians are unable to pay their mortgages, this country and the economy will be at risk.

That is why common-sense Conservatives are calling the Minister of Finance to appear to outline why the government has let it get this bad and what their plan is to fix it. How and when will they fix the budget, and what is the plan to get back to balanced budgets so that inflation and interest rates come down and Canadians don't have to worry about losing their homes?

Thank you, Mr. Chair.

• (1110)

The Chair: Thank you, MP Hallan.

I have a speaking list here. I have MP Ste-Marie up next and then MP Dzerowicz.

[*Translation*]

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

Good morning, everyone.

I agreed to sign the letter requesting that this meeting be held pursuant to Standing Order 106(4). I'll be supporting the proposed motion, because the situation is deeply concerning.

However, the committee is short on time. We need to study Bill C-59. I urge my colleagues to take the time to do the job properly, even though closure was invoked. We must take the time to listen to witnesses and improve the bill implementing last year's budget and last fall's economic statement. Later this spring, we need to study the other budget implementation bill coming up on April 16. That alone will keep us fully occupied. Furthermore, there are many other extremely important files. I would particularly like to know the status of the study that we began on green finance.

The situation currently under discussion was foreseeable. As Jasraj Singh Hallan said, while referring to the Equifax report, high interest rates and continually rising real estate prices are starting to lead to skyrocketing mortgage and credit card delinquency rates, along with an increase in bankruptcies. It's deeply concerning. However, it was foreseeable.

During our two weeks in our constituencies, I think that we should hold at least one meeting a week to discuss this deeply concerning matter. We can invite the experts, as proposed in the motion, to find out whether the situation is as alarming as reported. We can ask the experts. We can make a plan. Given the continually high interest rates, increasing property prices and the current situation, we can ask the government about its response and strategy. We must also have the chance to suggest proposals. I obviously don't agree with the analysis of Mr. Hallan or the Conservative members of Parliament regarding the carbon tax. However, the issue raised here, meaning the increasing delinquency rates and rising number of bankruptcies, is deeply concerning. It significantly affects the economy. We can try to see what can be done.

In short, we must focus on analyzing and improving the budget implementation bills, meaning Bill C-59 and the bill associated with the budget in April. I also support the idea of reviving our study on how inflation and interest rates affect mortgages. The situation is changing. We need to look at the next steps.

I agree that we should hold at least one meeting a week during the last week of March and the first week of April, when we'll be in our constituencies. That way, we can study the matter.

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

[*English*]

We will now go to MP Dzerowicz, please.

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

I too want to say hello to everyone. It's nice to see everyone. I look forward to seeing everyone in person next week.

I just want to address a bit of the melodramatic and in many cases disinforming talking points of Mr. Hallan. Inflation is indeed very, very painful. It's been painful for not only Canadians but also those around the world. I know that all of you are quite versed in this because I've mentioned it many times. An academic from Columbia University has talked about how the pandemic has had a massive impact on our global economy. That includes Canada. He has talked about how, when the pandemic first started, 95% of the world's economy suffered a simultaneous contraction. Basically, all the things that happened to the economy resulted in lost earnings.

The \$10 trillion U.S. lost in the initial months of the pandemic was more than a tenth of the global GDP economy.

I say all these things to remind ourselves about what the massive global heart attack was to our economies. We're still trying to come out of it. Canada, as I think all of us know, continues to fight inflation. It continues to trend downward, which is great, but from an inflationary perspective, it is painful. We should also acknowledge that we are doing better from an inflationary perspective than other countries are.

I don't understand what Mr. Hallan is talking about in terms of the Canadian dream. We continue to see millions of people who want to come to Canada. We continue to be ranked one of the best countries in the world. We are blessed with a strong social welfare system, which has been greatly strengthened by our Liberal team over the last eight years. I'm very proud of our improvements.

In terms of the carbon tax, climate change is happening, which I want to remind some of our Conservative colleagues who might not understand that. Among economists, 99.5% have confirmed that a price on pollution is the cheapest and most effective way to reduce the emissions we don't want and spur the behaviour we're looking for.

In terms of food banks, I will definitely tell you that I am worried about that as well. After meeting with many of the people who offer food bank services in my riding, I know the number one issue is housing. I know that we have a housing study before us at this committee. It's very important for us to continue with that study. We have some clear work and some clear recommendations that I think we need to move forward on.

On this topic, I have been keeping in very close touch with my small businesses and with Davenport residents. I'm also very much worried, or on alert, let's say, about mortgage delinquencies, about credit card debt and about household debt. We have heard from some of our officials, who have come before our committee. My understanding is that mortgage delinquency rates still continue to be below historic averages. That doesn't mean we shouldn't be concerned about this topic. It is a very important topic. We need to continue to monitor it and continue to be there for Canadians if there's something we can do. Also, mortgage delinquencies do not equate to arrears. Mortgage arrears are at the lowest levels in decades at this moment.

In terms of bankruptcies, I know they're trending upwards. We have to look at that. My question is whether that's different from what we typically saw before the pandemic. Household debt is a red flag that has been raised for a very long period of time in Canada. We definitely have a household debt issue, but that's not just a result of the pandemic.

With that, I will turn the floor over to whoever wants to speak next. The bottom line for me is that this is an important topic. I think we need to find a way to address it, perhaps in one of the studies that are under way right now.

• (1115)

I'm also open, by the way, to Monsieur Ste-Marie's suggestion about having some extra meetings. The work we do is very important, so I don't mind having some extra time and extra meetings as long as we don't go off course. We have the fall economic statement and a number of other things to do, and we need to continue to keep on track. I don't think we want to go off track on all of those things.

Thank you so much.

The Chair: Thank you, MP Dzerowicz.

I have MP Blaikie, and after MP Blaikie, MP Hallan is up.

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

I was hoping we were going to see the motion in writing before the vote. A number of witnesses were mentioned. I didn't have the opportunity to write them all down when we first heard them, so if we could see a copy of the motion, that would be helpful.

• (1120)

The Chair: MP Blaikie, it was distributed. Did you receive it electronically? Can you just check?

Mr. Daniel Blaikie: Was that today, Mr. Chair?

The Chair: Yes. I believe it was right after MP Hallan introduced it.

Mr. Daniel Blaikie: No, I don't have it, Mr. Chair. If the clerk could send that on, it would be very helpful.

The Chair: Yes, he will send that off to you for sure.

MP Blaikie, did you want to continue?

Mr. Daniel Blaikie: I may have more to say after I see the motion, Mr. Chair, but for the moment, I'd like to take a look at it.

The Chair: Okay. You should have just received it.

Now we'll go to MP Hallan.

Mr. Jasraj Singh Hallan: Thanks, Chair.

I just want to address some of the comments that were made.

It is clearly written in here that we want these witnesses' testimonies as part of the study we have on the impact of inflation and interest rates, because none of these people, I believe, have testified or been a witness for that study yet.

To address the comments about what academics are saying, I think it's time to stop listening to academics and start listening to

Canadians. You can talk to any Canadian today, and they're feeling more pain than they've ever felt before.

We all know that 40% of the pandemic spending had nothing to do with COVID at all. We know this government tried to reward some of its friends—Liberal-connected insiders and consultants. The WE Charity scandal happened during the pandemic. There were all of these things.

This government continues to not fight to have inflation come down, but to fight what the Governor of the Bank of Canada is trying to do by increasing interest rates and lowering inflation. This is something the governor said. This government's fiscal policy is working in the exact opposite direction of what he's trying to do to get inflation down.

The Liberals seem to think that Canadians have never had it so good. There are two million Canadians at a food bank in a single month. It's not a good sign for this country. I would argue that there are more and more people leaving Canada. More than 400,000 people have left this country because of the cost of living. That's the number one issue for why most newcomers are thinking about leaving.

Given that all of this is happening, this government still wants to hike the carbon tax by 23%. It still wants to do that. Common-sense Conservatives will continue to tell this government to axe the tax and spike the hike it wants, which will raise the cost of gas, groceries and home heating.

Once again, 70% of Canadians know that it's not working. That's why they reject this carbon tax scam. Canadians don't get more back in these phony rebates than what they have to pay into it. We know that. Emissions have not come down. This is more pain, and there's no environmental gain in it.

We know that 70% of premiers are against the carbon tax. Even a Liberal premier spoke up and said to spike the hike on April 1.

This is all contributing to the pain, and interest rates are staying higher for longer because the government continues to spend. We already know they're probably going to miss the deficit targets again—this is according to Desjardins—which means more debt, and inflation and interest rates will stay higher. More and more Canadians will be at risk not just of being delinquent on their credit card payments and their mortgages, but of losing their homes, because Canadians are the most at risk in the G7 for a mortgage default crisis.

I think this is a very important study. This is all new information that needs to be included in the study on inflation and interest rates.

Thank you, Chair.

The Chair: Thank you, MP Hallan.

I have MP Baker up next.

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

Given that we just received the motion in writing and at least Daniel only received it a couple of minutes ago—even the rest of us only received it at the beginning of the meeting—I'm just wondering if we could have a couple of minutes of suspension so we can confer with our colleagues.

The Chair: We'll suspend for a few minutes.

• (1120) _____ (Pause) _____

• (1200)

The Chair: We're back.

MP Dzerowicz, your hand is up.

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

I want to thank everyone for that great pause.

I had the chance to look over the motion from Mr. Hallan. I thank him for passing it along. I want to propose a tiny amendment. After the words, “and the Deputy Prime Minister and Minister of Finance to appear separately”, I want to take out “for no fewer than two hours”. The Deputy Prime Minister and Minister of Finance typically comes for one hour, which is the norm. I don't feel it's necessary for us to say “for no fewer than two hours”.

I wonder whether there is an openness to removing that from the motion.

The Chair: Thank you, MP Dzerowicz.

This is an amendment to the motion. Does anybody wish to speak to it?

Ms. Julie Dzerowicz: Mr. Chair, we should take silence as agreement.

The Chair: Would anybody like to speak to it?

Can you repeat what you proposed, MP Dzerowicz?

• (1205)

Ms. Julie Dzerowicz: I'd be happy to, Mr. Chair.

Basically, I would delete, in the fifth line, “for no fewer than two hours”. Everything else would remain the same.

The Deputy Prime Minister and Minister of Finance and all the other witnesses listed here are invited to appear, with the Deputy Prime Minister and Minister of Finance to appear separately. We would just take away the words “for no fewer than two hours”.

The norm, Mr. Chair, as you know, is one hour. That is typically the expectation of the Minister of Finance when he or she comes before the committee.

The Chair: MP Dzerowicz, your microphone was not plugged in. Our interpreters were having trouble hearing you.

Ms. Julie Dzerowicz: My sincere apologies.

The Chair: I would ask you to repeat one more time what you had to say so that we capture it with the interpreters.

I'm not sure if MP Ste-Marie was able to capture that in French.

He got it. Okay.

Ms. Julie Dzerowicz: No problem. My apologies to the interpreters and to Monsieur Ste-Marie. I'm very sorry I forgot to plug in.

At any rate, my suggested amendment is to take out the words “for no fewer than two hours” in the fifth line. The Deputy Prime Minister and Minister of Finance typically comes for an hour. I think that is the norm. I don't think it's necessarily for us to say anything else. I don't think “for no fewer than two hours” is needed.

That is what I'm proposing as an amendment. That might be a friendly amendment, or everybody could agree to it.

The Chair: MP Hallan would like to speak to that.

Mr. Jasraj Singh Hallan: Thanks, Mr. Chair.

I'll ask for a recorded vote on this amendment, please.

The Chair: Okay.

Go ahead, MP Blaikie.

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

This is not to be dismissive of my colleagues' concerns on either side with respect to the two hours, but we have been inviting the minister for two hours or three hours, and she does tend to show up for one hour. I'm not sure there's a lot at stake either way in this, if I'm being honest. I think we have a straightforward motion. Folks can like it or not, but I'm not sure that farting around with it will really make a big difference either way.

I would encourage us to maybe try to get to a decision on the main piece so we can conclude the meeting in a timely fashion instead of belabouring small differences that will have no practical consequence.

The Chair: Does anybody else want to speak to the amendment? No? Okay.

(Amendment agreed to: yeas 6; nays 5 [*See Minutes of Proceedings*])

The Chair: MP Baker.

• (1210)

Mr. Yvan Baker: I just have a brief comment, Mr. Chair, and then we can move on.

On the motion itself, I think this issue is really important to all of our constituents. It's certainly worthy of studying.

[*Translation*]

Mr. Ste-Marie, I want to address what you said in your remarks. I gather that you said that this issue is significant. You also said that the budget and the economic statement, which we'll need to work on, are priorities. According to the rules, the committee normally prioritizes them.

That said, given this and the significance of the issue, I'm prepared to support the motion.

[*English*]

The Chair: Thank you, MP Baker.

Now we are going to the motion as amended.

(Motion as amended agreed to: yeas 11; nays 0)

The Chair: It's unanimous; it passes. That's great.

MP Hallan.

Mr. Jasraj Singh Hallan: Mr. Chair, I just want to follow up on the programming of the last committee we had. I want to know if the finance minister is scheduled to come next week to the committee.

The Chair: I know it's on the programming motion. I don't have information on that.

I have MP Blaikie, MP Chambers and then MP Baker.

Mr. Daniel Blaikie: I just want to say how nice it is to see Liberals and Conservatives working together. It almost smacks of coalition—certainly by the threshold that's been applied to that term in this Parliament. Congratulations to the committee on dealing relatively expeditiously with the business of this meeting.

Given that we have had the opportunity to do so, I move to adjourn.

The Chair: Okay. That's non-debatable, so we'll move to adjourn.

(Motion agreed to: yeas 7; nays 2)

The Chair: We're adjourned. Thank you.

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