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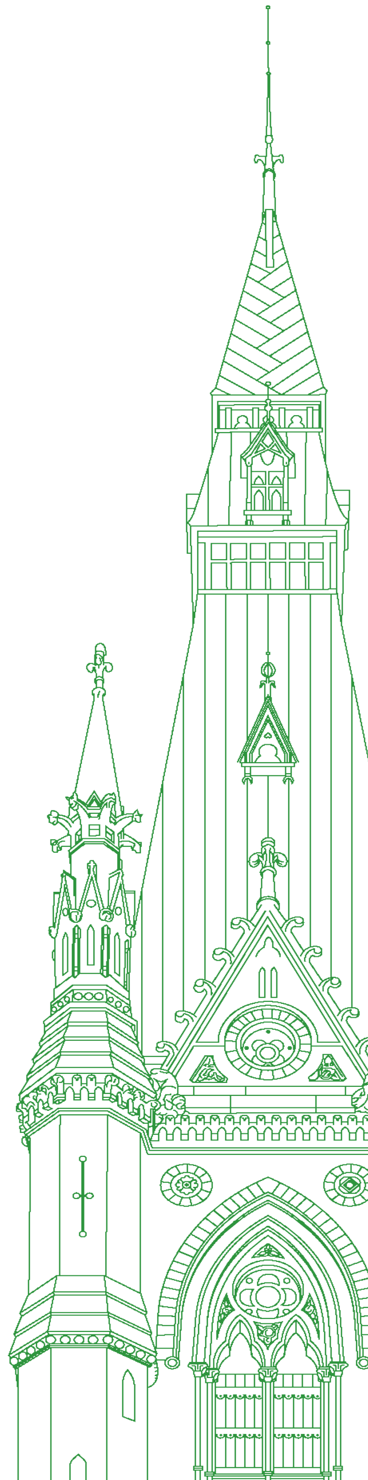

Chair: Mr. Peter Fonseca

Standing Committee on Finance

Thursday, October 31, 2024

● (1555)

[*English*]

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

Welcome to meeting number 162 of the Standing Committee on Finance.

Today's meeting is taking place in a hybrid format. All witnesses have completed the required connection tests in advance of the meeting.

I would now like to remind participants of the following points. Please wait until I recognize you by name before speaking. All comments should be addressed through the chair. Members, please raise your hand if you wish to speak, whether participating in person or via Zoom. The clerk and I will manage the speaking order as best we can.

Pursuant to Standing Order 83.1 and the motion adopted by the committee on Thursday, September 26, 2024, the committee is resuming its study on pre-budget consultations in advance of the 2025 budget.

I would now like to welcome our witnesses.

Thank you for your patience. We had a vote, so we are starting a little after our regular time.

From the Aerospace Industries Association of Canada, we have Mike Mueller, president and chief executive officer, who is no stranger to this committee. From the C.D. Howe Institute, we have William Robson, president and chief executive officer, who is joining us via video conference. From CHIN Radio-TV International, we have Francesco Di Candia, general manager, whom we all know. From Diabetes Canada, we have Glenn Thibeault, executive director of government affairs, advocacy and policy. Glenn is also a former MP and former MPP. From the Macdonald-Laurier Institute, we have Timothy Sargent, director, domestic policy.

If some of you have been on any other committees, Timothy was also a deputy minister of the government in finance, fisheries and....

Mr. Timothy Sargent (Director, Domestic Policy, Macdonald-Laurier Institute): It was also agriculture.

The Chair: Now you're wearing a different hat at the Macdonald-Laurier Institute as its director of domestic policy.

From the Qikiqtani Inuit Association, we have Virginia Mearns, senior director, Inuit relations, and its assistant executive director of marine and wildlife conservation, Richard Paton.

Welcome, all, to our committee.

With that, witnesses, you will each have up to five minutes for your opening remarks before we get into the members' questions. We are starting with the Aerospace Industries Association of Canada.

Mr. Mueller, go ahead, please.

Mr. Mike Mueller (President and Chief Executive Officer, Aerospace Industries Association of Canada): Thank you, Mr. Chair and members of the committee. It's great to be back.

Aerospace by its nature is a highly competitive field. It is also a critical and strategic industry for Canada, fuelling innovation and economic growth and supporting well-paying, family-sustaining jobs right across the country.

Canada's aerospace industry is already a major engine of the economy, contributing over $29 billion to our GDP and exporting $19 billion. Right now, more than 200,000 hard-working Canadians across this country rely on aerospace to support their families.

Like any competitive field, aerospace requires smart and supportive public policy to survive. Without supportive and strategic public policies, we'd likely have no automotive sector, many of our natural resources would remain untapped, and we'd have no railways to move our manufacturers' goods, minerals and grains to market.

Just as strategic policies have enabled these sectors to thrive, an aerospace industrial strategy for Canada will help us reach new heights in this country. However, without political leadership and supportive policy, our aerospace industry risks losing ground on both the domestic and international stage.

Despite its strategic importance for Canada, our aerospace sector is at a crossroads, facing opportunities for growth but also significant policy challenges. This includes a tax on aerospace manufacturing that is killing jobs and the domestic market for our industry.

For three years, I've been before this committee to raise concerns about the potential impacts of this tax. While it was introduced with the intent of collecting revenue, the reality is that it's a job-killing manufacturing tax that's damaging both our sector and the economy while undermining Canada's international reputation.

Despite multiple assessments, reports and warnings, the facts are now clear. By the government's own account, the luxury tax has cost taxpayers $19 million to administer. By the government's own account, only $15 million has been collected related to aircraft. Industry estimates that it has lost over $1.8 billion in sales. According to a report from Professor Roy, those sales would have generated potentially $90 million in GST revenue for the government.

Most troubling, according to the government's own finance department, jobs will be lost, and according to our estimates, this tax is putting nearly 4,000 well-paying aerospace jobs at risk across Canada.

The facts are clear. Government is bringing in $15 million on the backs of industry and its workers. It costs them $19 million to administer, and they're losing GST revenue to the potential tune of $90 million, not to mention the nearly 4,000 Canadian workers and families this tax puts at risk, which is why unions—and I know you've heard from them before—representing aerospace workers are also in favour of repealing this tax on manufacturing, specific to aircraft.

I am here before you again today urging this committee and all parties to reconsider the implications of this tax and to take immediate action to repeal it to safeguard the aerospace sector and protect the thousands of Canadians who depend on it.

This brings me to the opportunities that an aerospace industrial strategy for Canada will bring. Minister Champagne recently announced the government's commitment to develop an industry aerospace strategy for Canada. Recognizing that aerospace is strategic for Canada, I think, is a non-partisan issue. We are calling on all parties to support an aerospace industrial strategy.

With forecasts projecting the need for 40,000 new aircraft in the coming decades, a strategy can potentially—just with a small number of things—do the following. It can enhance defence and national security by addressing procurement delays and identifying key capabilities, enabling Canada to meet its defence commitments and operationalize and institutionalize the goals of the recently released DPU. By prioritizing Transport Canada certification, sustainable aviation fuels and programs like SR and ED, innovation can thrive, while reducing the industry's carbon footprint, and be able to compete globally.

Because of the political leadership shown in the past, we are one of a few select countries that can design, build and certify an aircraft from nose to tail. We cannot let this ability slip away. It must be supported and funded properly. This committee has the ability to shine a light on this, and we should not cede this ability to other competitor nations.

● (1600)

A strategy should also address labour market challenges and help industry create well-paying, family-sustaining jobs, helping to build a robust talent pipeline, now and for the future.

In closing, we urgently need to repeal the harmful job-killing tax on aerospace manufacturing as well as develop and adopt an aerospace industrial strategy for Canada. It cannot be overstated that these should be supported by all parties. They should be economic priorities that will shape the future of our country for the better.

Thank you.

The Chair: Thank you, Mr. Mueller.

Now we'll hear from the C.D. Howe Institute.

Mr. Robson, go ahead please.

Mr. William Robson (President and Chief Executive Officer, C.D. Howe Institute): It's an honour to be with you today. I want to commend the work of your staff in helping me connect. I was a troublesome participant, but they handled it very elegantly.

I'd be very glad to answer your questions on federal fiscal policy.

Generally, the stagnation of Canadian productivity and earnings is now a lively topic of conversation. A decade of weak business investment has left us in a very unusual situation, where the stock of productive capital per worker is falling. I have provided the committee with copies of the C.D. Howe Institute's most recent report on that topic, and I think federal fiscal policy, among other things, could help.

I've circulated copies of the institute's most recent annual shadow federal budget. It contains a number of ideas that I think could help to spur economic growth and investment. Again, I'd be happy to answer questions on any of those topics.

Some of the measures in our investment report and in the shadow budget are contentious, but in my opening time with you now, I hope I can touch on something that should not be contentious. It should not attract a lot of partisan division. That's the need for government finances to be transparent and for government financial documents, particularly budgets, to be on time.

Too many people find government finances mysterious. The basics should not be mysterious to anyone who is motivated and who can read a few numbers. I think that budgets and estimates in public accounts documents should present the key information straightforwardly and up front. It does everyone a service if a non-expert can pick them up or open them online and can quickly and confidently get the essentials. If budgets and other documents obscure the key numbers or bury them so deep that a non-expert can't find them, they do us a disservice. People can give up. They can disengage, or worse, they may suspect that the obscurity is deliberate and that they can't trust what is in the budget or the public accounts.

Timeliness also matters. This is a familiar topic in Parliament. Budgets and estimates should come out together, before the fiscal year begins—well before it. Parliamentarians should be able to consider the fiscal plan and the individual items in the estimates before the money is spent. Public accounts and annual reports, for their part, should come out shortly after the fiscal year ends, while the information is fresh and before the opportunity to address any problems they reveal gets stale.

The federal government, for many years, set a good example with the quality of its budgets and its public accounts. It was, for many years, notable for producing timely budgets, but lately, the federal government has not set a good example. There was no budget at all in 2020. The budgets in 2021 and 2022 appeared in April, after the fiscal year had begun. In 2023, the budget appeared on March 28, which is much too short for Parliament to consider the fiscal plan before the year starts, and in 2024, it was on April 16.

We need only look as far as Nova Scotia, New Brunswick and Prince Edward Island to see provinces where budgets, regardless of the party in power, appear before April 1 consistently. The next federal budget should appear in February, as federal budgets used to, and its successors should do likewise.

This is a word on presentation. The federal government's grade in the C.D. Howe Institute's annual report card on fiscal accountability and transparency has recovered from the F it received after no budget in 2020, but it is only getting Ds and C-minuses. One point that I would emphasize is that the key numbers appear hundreds of pages deep in an annex. The rare non-expert who perseveres to find them may find them unclear because some major pension costs are shown below the line. The federal government does not present its main estimates and its budget together, and the accounting in the two documents does not match.

These problems are challenges for parliamentarians and for the public. As I said already, they discourage engagement and encourage cynicism, and they're unnecessary. Many provinces and territories do better. In our latest report card, Saskatchewan and Alberta were in the A range. We're finalizing this year's report card, and it looks as though Yukon will also be an A-grade jurisdiction this year. The federal government should join them at the top of the class.

● (1605)

Thank you for the invitation to be with you and for your attention. I look forward to your comments and questions.

The Chair: Thank you, Mr. Robson. I'm sure there will be many questions from the members.

We're now going to hear from CHIN Radio-TV International.

I'll tell you, members, when I first got to Toronto, I was two years old and my parents' first place was almost across the street from CHIN Radio. I know Lenny Lombardi, your president and CEO. Is it his birthday today? Yes, it's Halloween, and it's Lenny Lombardi's birthday, so congratulations to him.

We're now going to hear from General Manager Di Candia.

Mr. Francesco Di Candia (General Manager, CHIN Radio TV International): Thank you, Mr. Chairman.

Canada's history of settlement and colonization has resulted in a multicultural society made up of three founding peoples—indigenous, French and British—as well as many other racial and ethnic groups.

CHIN Radio reaches over 100 cultural communities in more than 50 languages within the greater metropolitan Toronto and southern Ontario areas on CHIN FM 100.7, CHIN AM 1540 and CHIN FM 91.9. In the Ottawa-Gatineau region, we're on CHIN 97.9 FM.

The contribution of CHIN to the cause of multiculturalism is to understand, embrace and celebrate our cultural diversity between people of national, racial and religious origins. In today's multicultural society, it is crucial to be able to reach all ethnic groups in our country and to be able to explain to them in their own language any type of message. This is why the Canadian government has many publications and programs that are translated into different languages.

In Ontario, almost 26% of the province's population identified as a visible minority group. In the city of Ottawa, 24% of the population was born outside the country, and in the Ottawa-Gatineau area, over 50% of the population identified as other than English or French.

Multiculturalism in Canada has established us as a unique society keenly aware and respectful of our cultural diversity as a nation and, through the success of our multicultural policies, respectful of the importance of inclusion for all peoples in Canada.

Ethnic media has played and continues to play a vital role in supporting multiculturalism in Canada. For over 70 years, ethnic media has helped new Canadians interpret the world and society around them and made them feel welcomed, informed and entertained in their new home. We believe the government should do more to help ethnic media achieve these goals.

Unfortunately, ethnic media has not been held in equal status to mainstream media, when considering budget expenditures for media campaigns. Government spending in ethnic media is vastly disproportionate to what mainstream media enjoys, largely due to the built-in bias of the diary-based audience measurement methods used by advertising agencies.

These agencies typically rely on established surveying companies, such as Numeris, which is the sole provider of audience measurement data for television and radio broadcasters in Canada.

Audience numbers are accumulated through the diary methodology, which is only provided in two official languages, English and French. Unfortunately, for ethnic broadcasters, this is an immediate disqualifier if the survey is not provided in the mother tongue of the household. This presents a language barrier and would corrupt the findings. In addition, surveys conducted by phone face the same dilemma. If the respondent has a language barrier, the call is terminated.

Even if the individual broadcasters create their own surveys, they are often rejected by agencies as being proprietary. The end result is that ethnic media, in particular radio and TV broadcasters, are not even considered by advertising agencies due to the lack of measurement. It's not because of lack of audience.

Getting the measurement of multicultural audiences correct has long been a struggle for the industry. It cannot be stressed enough—the vital importance of ethnic media to effectively reach audiences with information essential to successful integration into Canadian society. Often, ethnic media is the only source of important information available in a mother tongue, a service not provided by mainstream media outlets.

Many ministers in the government have had, and keep having, from time to time, segments in our shows. They value the direct connection they can establish through CHIN Radio with the different ethnic groups we serve. If the benefits of ethnic media are important to sustain, we believe the government should consider ways in which this great resource can be encouraged and grow.

It is important that the federal government support ethnic media. This doesn't necessarily mean that more funds be allocated to the advertising budget. The government should direct third party advertising agencies to disburse the budget and allocate a minimum of 15% of the overall yearly advertising budget to ethnic media. This would be the right move towards being more inclusive of the multicultural media outlets. Inclusion is not just the smart thing to do; it is also the right thing to do.

This distribution of funds would permit the government to make a more targeted effort to convey a message to certain ethnic groups and to reach out to the many diverse ethnic entities living in Canada in a very proactive and dynamic way.

● (1610)

With ethnicity and languages, it's an ongoing process. We mostly have an open door immigration policy. The government is pursuing an ambitious plan to welcome 395,000 immigrants in 2025; 380,000 in 2026; and 365,000 in 2027. That's a door that's not going to close anytime soon. It's going to continue well into the future years to come.

Thank you.

The Chair: Thank you, Mr. Di Candia.

Now we're going to hear from Diabetes Canada.

Mr. Thibeault, go ahead, please.

Mr. Glenn Thibeault (Executive Director, Government Affairs, Advocacy and Policy, Diabetes Canada): Thank you, Chair.

Through you, I want to thank the committee for inviting me to testify today.

For the more than four million people living with diabetes in Canada, access to affordable medications and devices is critical. In fact, the out-of-pocket costs of things like medications, devices and supplies can be as high as $18,000 per year if individuals are solely reliant on public coverage. I will, therefore, focus my remarks on two areas: the implementation and funding provided for diabetes medications under Canada's new national pharmacare program, and the need for investments to support the national diabetes device access fund.

As we know, earlier this month, Bill C-64 received royal assent, creating the framework for a national pharmacare program, which is a good first step. However, many of Diabetes Canada's concerns remain unresolved. During the parliamentary debate on Bill C-64, Diabetes Canada emphasized that the best approach to establishing a national pharmacare program would be to initially focus on helping people who lack adequate coverage for their prescribed treatment regimes and to ensure there are no disruptions to their private coverage. We recommended the inclusion of a provision very similar to the dental care legislation to clarify that a federal pharmacare program will not jeopardize the current system. We remain concerned about the potential unintended consequences of the legislation.

We have also raised concerns with the current draft formulary for diabetes medications, as they do not align with Diabetes Canada's clinical practice guidelines, also called CPGs, which are developed to inform general patterns of care and public policy. Diabetes is a complex condition that has a constantly expanding list of new therapies and medications, and those medications and therapies should be available and covered as options of care.

Within the legislation that has passed, the Minister of Health is now required to direct Canada's Drug Agency to compile a list of essential medicines that will inform the national formulary. As such, Diabetes Canada continues to call for an immediate expansion and update of the background formulary to reflect the CPGs so that people living with diabetes can access the medications they need to support their best possible health outcomes.

We are also calling for an increase to the baseline funding to ensure that the program meets the needs of persons living in Canada with diabetes. If the program is truly a single-payer universal system, then the initial budget 2024 allocation of $1.5 billion over five years, which covers both diabetes and contraception medications, will not provide a sufficient basis of funding for this program to operate properly.

Let me explain: The estimated yearly cost of diabetes medications, as assessed by the private health insurance industry, is over $1.6 billion per year, and in 2023, public spending on diabetes medications was $1.8 billion, which is close to $3.5 billion per year just for diabetes medications alone.

Beyond pharmacare, I also want to speak about the importance of establishing a national diabetes device fund, which the government committed to last February. One-quarter of the people living with diabetes have reported that the additional cost of diabetes devices affects their adherence to their prescribed treatment regimes, which has significant risks to their short- and long-term health. Over the past few years, Diabetes Canada has worked with many provinces and territories to expand affordable access to diabetes devices. We are proud of this work to increase access and are keen to see further expansion of these programs.

However, since last February, we have seen what I would describe as stasis as provinces and territories await further details from the federal government about the device access program before further expanding their programs. That is why it's critical that the government urgently provide more details on its intentions with respect to a federal device and equipment access program as quickly as possible.

Personally, as someone who lives with type 2 diabetes, I know how dramatically my device has improved my quality of life and ability to manage and control my diabetes effectively. The use of devices and equipment that helps individuals manage their diabetes also contributes to a broader savings in the health care system. We also believe further savings could be seen across the country if there is further action undertaken to implement the federal framework for diabetes in Canada.

● (1615)

In closing, by providing that common policy direction through the framework for multisectoral stakeholders, as well as provincial and territorial governments, we can identify gaps in current approaches, avoid duplicating efforts and provide opportunities for monitoring and reporting on progress. Those six framework components would not only improve the quality of life for those four million people in Canada living with diabetes, but save the system dollars.

Therefore, I look forward to working with members of this committee to ensure that the upcoming budget reflects these realities for people living with diabetes in Canada.

I look forward to your questions.

Thank you, Chair.

● (1620)

The Chair: Thank you, Mr. Thibeault.

Now, we'll hear from the Macdonald-Laurier Institute and Mr. Sargent.

Mr. Timothy Sargent: Thank you very much.

Good afternoon. Thanks for the invitation to appear today on behalf of the Macdonald-Laurier Institute.

It's no secret that Canada's economic performance has been mediocre over the last few years. Living standards have stagnated, with real income per capita growing at only 0.4% per annum between 2015 and 2023. That's only a third of the growth between 2005 and 2015, which is a period that includes the financial crisis.

The culprit is Canada's anemic growth in productivity, which is the amount of output each worker produces an hour. Indeed, productivity and growth in the business sector seem to have gone into reverse, with productivity in the second quarter of this year slightly lower than it was in the first quarter of 2019. This is in stark contrast to the United States, where productivity is now 10% above 2019 levels.

It also means that Canada is now close to the bottom of the advanced country productivity league table, with productivity levels well below not just the United States but all of the northern and western European countries, such as the U.K., France and Germany, and even slightly lower than Italy. It's no wonder that Carolyn Rogers, senior deputy governor of the Bank of Canada, made it clear in a speech in March that Canada faces a productivity emergency.

What should the federal government do to respond to this emergency?

The regulatory burden on business is a huge drag on investment in innovation. It's particularly true in the resource sector—it can now take 10 to 15 years to build a mine in Canada—but it's something that affects the whole economy. The government should be more aggressive in requiring new regulations to be less onerous than the regulations they replace, make greater use of mutual recognition so that products approved in other jurisdictions are automatically improved in Canada and streamline the environmental assessment process to be more efficient and less vulnerable to legal challenges.

Canada's tax burden is high and has been growing. Federal tax revenues rose from 13.4% of GDP in 2015-16 to a projected 15.1% in 2024-25. Cutting taxes, particularly personal income taxes, would increase incentives to work and invest, as well as encourage our best and brightest to remain in Canada.

Meanwhile, the size of the government has been growing significantly. At the federal level, the number of civil servants has grown by more than 40% since 2015, and total expenditures have risen from 14.9% of GDP in 2015-16 to a projected 17.9% in 2024-25. This very significant increase in the footprint of the government takes resources, both people and capital, away from the private sector.

Because expenditures have grown even faster than tax revenues, Canada has gone from a virtual balance in 2015-16 to a projected $40-billion deficit in 2024-25, with public debt charges of $54 billion. That is equal to all GST revenues. While deficits were appropriate during the recession, when the economy is largely in balance, as it is today, they make it easy for governments to avoid difficult trade-offs and push the burden of spending into the future.

This means that putting Canada's fiscal house in order should be a high priority. The government needs to reduce the size of government so that taxes can be lowered and the federal budget can be brought back to balance. An obvious place to look for savings would be subsidies to businesses, which have risen massively with no appreciable effect on productivity. Another place to look is areas where the federal government is intruding into provincial jurisdiction. Governments should stick to their constitutional lanes, which make it clear who is accountable for what.

Accelerating immigration, particularly of temporary foreign workers, is another important contributor to our recent productivity problems. A rapid influx of new workers means less capital per worker and, therefore, lower productivity. Furthermore, many of these incoming workers have lower productivity than the average Canadian worker, which also pulls down productivity. This is in addition to the strain the rapid increase in immigration has put on public services, such as health care and education, and on the housing market. It's therefore imperative to reduce levels of both permanent and, especially, temporary immigration and refocus the system on highly skilled permanent residents.

Finally, there is one area where higher government spending is not only warranted but urgently required, and that is defence. Whoever wins the U.S. presidential election next week will expect Canada to rapidly attain our 2% target, and I expect that the U.S. will use the CUSMA renegotiation discussions to put pressure on us in this regard. Canada should make a virtue of necessity and have a credible plan to meet the 2% target by 2028 and ensure that the increased spending is directed toward promoting innovation in Canada's defence industry. It is a sector where Canada has many strengths that can be built on, and it is the source of many high-paying jobs.

To conclude on an optimistic note, Canada has many advantages that other advanced countries would love to have. The world desperately wants what we produce, from oil and natural gas to agricultural products, nuclear power technology, aircraft and defence material.

● (1625)

We are also next door to and have privileged access to the world's largest economy. We should be doing so much better than we are, and we can, but it will require a federal government that is smaller, interferes less in the economy and is more focused on delivering its core responsibilities.

The Chair: Thank you, Mr. Sargent.

We now go to the Qikiqtani Inuit Association and Ms. Mearns.

I apologize if I mispronounced the name. If you can help us out, just pronounce that for us so that we all get it right.

Ms. Virginia Mearns (Senior Director, Inuit Relations, Qikiqtani Inuit Association): Thank you, Mr. Chair. You did very well with the pronunciation on that, so congratulations.

Today, I'll be speaking to three areas that our organization has submitted as recommendations for consideration in the upcoming budget. They include Nauttiqsuqtiit conservation centres, the Iqaluit Nukkiksautiit hydro project and the need for continued investment in a distinctions-based, Inuit-led fund for infrastructure in Nunavut.

Before I speak to the specific recommendations, I would like to briefly provide you with some background and context with hopes that it helps to better understand the submission that is before you.

Qikiqtani Inuit Association is a designated Inuit organization established under the Nunavut Agreement to represent Inuit in the Qikiqtani region of Nunavut. We represent Inuit in 13 communities that are situated in the easternmost portion of Nunavut. QIA advances the rights and benefits of Inuit through protecting and promoting social, political, economic and cultural interests, while safeguarding the land, waters and resources that sustain our communities.

Through QIA's leadership, Inuit completed the Qikiqtani Truth Commission, which was a broad inquiry documenting the harms and hardships faced by Inuit as a result of the implementation of colonial policies, which eventually resulted in formal recognition from the Government of Canada, along with a commitment to partner on the implementation of 25 recommendations.

QIA has a long-standing record of providing effective programming and services to Inuit in the region. These programs and services have been made possible through a variety of means, including a strong relationship with the Government of Canada over the past years.

As articulated in the pre-budget submission, Nauttiqsuqtiit conservation centres are an integral part of the Nauttiqsuqtiit program. Please allow me to share the context as to why these facilities are of such importance to Inuit and how these investments link directly to the creation of permanent jobs, for which employment funding is already secured across all 13 of our communities.

The basic premise is that people need a place to work. Everyone in this room has offices and associated infrastructure to support them to do their jobs. This is what we are seeking to achieve for Nauttiqsuqtiit, for our staff in every community, to work out of Nauttiqsuqtiit centres.

Just as importantly, the Nauttiqsuqtiit centres also provide a space for other organizations that want to provide community programs and services. There is such a shortage of available infrastructure that communities often end up missing out. Nauttiqsuqtiit is founded on Inuit stewardship and led by our communities. This program has created a great opportunity to advance Inuit vision to improve community well-being, economic prosperity and the health of their lands, waters and wildlife.

The program provides Inuit jobs as environmental stewards and harvesters. It also provides a foundation for mentorship, training and economic development for Inuit. Nauttiqsuqtiit carry out critical environmental and wildlife monitoring in and around the communities that they are employed in.

While on patrols, Nauttiqsuqtiit are able to carry out harvests, which results in country food distributions in the communities. This helps to address food security but also enables the strengthening and retention of Inuit traditional practices. They also provide workshops geared toward youth, where knowledge and skills are passed on to the younger generation.

● (1630)

One of QIA's most recent achievements with the federal government is the establishment of an Inuit-led conservation economy founded on the comanagement of Tallurutiup Imanga, an area created through the successful negotiation of an Inuit impact and benefit agreement with the Government of Canada in 2019.

Since this time, QIA has partnered with philanthropic organizations and the Government of Canada through a project called Qikiqtani project finance for permanence, or QPFP, with an express goal to ensure all 13 communities will participate in the conservation economy. QIA expects formal announcements associated with the QPFP will occur in December 2024.

While QIA has been extremely successful in acquiring funding for Nauttiqsuqtiit jobs and Nauttiqsuqtiit centres in nearly all of our communities, we are now focused upon addressing the remaining resources required to construct the final Nauttiqsuqtiit centres. Because infrastructure funding typically flows differently from funding for employment, QIA is actively taking parallel efforts to align resources toward our end goal. Once the final resources required for Nauttiqsuqtiit centres are secured, QIA will have aligned enough resources to execute upon a pathway that results in the creation of 120 long-term jobs for Inuit spread across the region, jobs that will provide country food for the community, take youth out on the land and actively monitor the environment.

To be clear, the funding requested for the Nauttiqsuqtiit centres in QIA's pre-budget submission will be used to secure the final three Nauttiqsuqtiit centres.

For the Iqaluit Nukkiksautiit hydro project, it's an Inuit-led project that aims to identify opportunities to improve energy security while reducing greenhouse gas emissions for Inuit in the city of Iqaluit by harnessing nearby renewable energy. The project will see capacity on the part of Inuit to minimize risks, vulnerabilities and harms to the environment and social networks that are essential to Inuit culture. The project aims to bring Inuit closer to energy sovereignty, environmental sustainability and affordability.

Our final priority speaks to a shared goal among Inuit organizations in Nunavut. Today we are asking the Government of Canada to make a renewed investment in flexible distinctions-based infrastructure funding for Inuit organizations. As you know, Nunavut faces a substantial infrastructure gap that negatively impacts quality of life, access to services and economic opportunity for Inuit. The Government of Canada has committed several times to close the infrastructure gap by 2030. Inuit are ready to lead on infrastructure and can see that, when we are given freedom and flexibility to do so, we make smart, forward-looking decisions for the health of our communities.

In our submission, QIA, along with three other Nunavut Inuit organizations, asked for continued investment in the distinctions-based, Inuit-led fund for Nunavut infrastructure at a rate of approximately $70 million per year over six years. This represents a continuation of the current level of funding, plus a small adjustment for inflation. QIA believes it is important that the government continue to maintain a distinctions-based funding program for infrastructure in Nunavut, whether as a renewal of the indigenous community infrastructure fund or the creation of a similar program.

Thank you for your time and consideration.

● (1635)

The Chair: Thank you, Ms. Mearns. I'm sure there's going to be a lot of opportunity for questions.

Thank you to all the witnesses for their opening remarks. We're going to get into questions right away.

We're starting with MP Kelly for the first six minutes, please.

Mr. Pat Kelly (Calgary Rocky Ridge, CPC): Mr. Sargent, your opening statement was a damning indictment of the economic record of this government. We've just had a report that the third quarter is now the eighth out of nine consecutive quarters with negative per-capita GDP growth. We see that per capita GDP is now lower in Canada than it was when this government took office. The difference between per capita GDP growth in Canada and the United States has never been worse.

Could you comment on how the fiscal and regulatory policies of this government are making Canadians poorer?

Mr. Timothy Sargent: Mr. Chair, as I said in my opening remarks, Canada's economic performance since 2015 has not been as good as its performance in the previous 10 years. The difference in income per capita amounts to around $4,000 per person had we continued on the same growth trajectory. Certainly we had COVID during the recent period but, as I said earlier, we also had the great financial crisis in the early period, and COVID increased Canadian productivity because we had a bunch of people in relatively low-productivity sectors who exited the labour market.

During that period over the last 10 years, we've seen a very significant increase in government spending, in particular, in subsidies to business and to others. We've seen increasing regulation, particularly in the resource sector and, of course, we've had a very significant increase in immigration, particularly in permanent residents, and we haven't seen any payback from those policies.

Now you could argue that maybe things would have been worse had we not pursued those policies, but the reality is that, if we compare both to our neighbours and to our recent performance, we just haven't performed as well.

Mr. Pat Kelly: The recent report on the third quarter shows that per capita GDP is still declining. Is that the appropriate time to maintain the policy of the carbon tax, to proceed with increases and to increase the capital gains tax?

We had testimony recently that the change to the capital gains tax could suppress the capital stock in Canada by $127 billion and result in a further reduction of GDP. The United States, as I understand, does not have any of these policies. Would this explain some of the discrepancy that we are seeing?

Do you think that this is the time to continue to impose new taxes?

Mr. Timothy Sargent: I think the record is quite clear. We've seen very significant increases in taxes—the capital gains tax, and we've had the carbon tax—and those just haven't produced the results that I think were hoped for. From the carbon tax, we haven't seen a very significant impact on emissions, for instance. I think the question now is whether this the right direction to go in.

Indeed, if we look at economies that are doing better, we look particularly at the United States and particularly those parts of the United States that are growing fastest such as the southern United States. Those are places that have lower taxes. They have lower taxes. They have smaller government. They have smarter regulation, less regulation, and they're growing faster, so that would be a prescription I would want to follow.

Mr. Pat Kelly: It's almost like Canada needs a government to axe the tax and do something about the gatekeepers who are holding down the economy.

Do you have some specific comments about regulation and different, specific regulations? You've talked about the resource industry. How about Bill C-69?

● (1640)

Mr. Timothy Sargent: What we've seen from the Impact Assessment Act is that almost no projects have gone through that system. I think there was a hope that it would streamline the system and that would make it quicker, but what we're seeing is that all of the projects that are in that system are now stuck in the first two stages of the four-stage system. We're just not seeing projects come out of that system.

The time to build a mine and to move ahead on a resource project is just getting longer and longer, and the problem in Canada is that resources are the backbone of our economy. If we can't get these projects done, then of course our GDP per capita is going to fall.

Mr. Pat Kelly: If I have enough time for another couple of questions, I'd like to shift to Mr. Robson.

As I said, we had Dr. Mintz, last week tell us that the capital gains tax increase is expected to suppress capital stock by $127 billion. We also had testimony that it may result in the loss of up to 400,000 jobs.

Mr. Robson, do you have your own research or modelling that would support that conclusion? What is your estimate of this policy change?

Mr. William Robson: I think very highly of Jack Mintz. In fact, the C.D. Howe Institute has a report from him under way right now. The direction is very clear. The magnitudes are open to debate, but there is no way that you could argue that an increase in the inclusion rate on capital gains that affects the entire corporate sector effectively, and many investors as well, is going to have any kind of positive impact.

I agree with a lot of what Tim Sargent was saying just now. I think one thing that's worth highlighting is that the United States, in 2017, had a very substantial tax reform that cut rates and reduced the number of distortions in their system. Anybody who doubts the importance of the corporate tax regime for investment just needs to look at what happened in the United States in the years since then and contrast it to what happened in Canada.

It's clear that taxes do matter, and it's clear that the United States did something in those years that, in my mind, helps to explain why the gap between us and the United States, which had been closing for many years before the middle of the last decade, has opened up since then.

The Chair: Thank you, MP Kelly.

Now we go to MP Dzerowicz, please.

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

I want to thank all witnesses for the excellent presentations. I wish I was given an hour to ask all of you questions because I have tons.

I'm actually going to start off by focusing on CHIN.

Thank you so much for being here. I have a riding that has about 50% first-generation Canadians, and I don't know what they would have done without CHIN educating them, informing them of news at all the different levels of government, including community, and then helping them to integrate over time as well. I really appreciated your introductory remarks.

I also heard from you that there's a key challenge that you felt exists where, whether it's federal government or all levels, governments are providing more support to mainstream media.

Mr. Di Candia, do you get advertising support from the federal government? If so, could you articulate how much?

Mr. Francesco Di Candia: We used to deal directly with the federal government until 2023. Every year, the investment that was done through our media outlet has never been very high. Actually, it was less than $5,000 in Ottawa, and pretty much the same amount of money in Toronto.

During the COVID-19 pandemic, we had more investments because it was a matter of public health. Therefore, the government recognized that in order to reach all Canadians, even those who had no access to mainstream media, they had to use CHIN Radio.

The government, I believe, thinks that CHIN Radio is the medium to reach all ethnic people in Canada. It seems that, when it comes down to the marketing portion, there is someone who makes the decision to reserve only a very small, insignificant amount of money for our company or, in general, for the ethnic radio and TV broadcasters.

In 2024, Cossette Media took over the advertising campaigns with the federal government. We faced even further cuts, to the point where it was really minimal. I can just mention that for Ottawa, for Canada Day, there was an investment of merely $2,000. We had to, of course, produce the spots in the language, translate them and be responsible for talent and production. We had to charge another $2,000 for that. In terms of campaigns, with $2,000, the average spot rate is $35.

How many spots can you get for Canada Day, which is a staple? On every Canada Day, there's always a swearing-in of new Canadians. These newcomers to Canada become Canadians.

● (1645)

Ms. Julie Dzerowicz: Thank you.

I want to get to another person before I end with you, but I have one more quick question—very quickly, please.

What is your direct ask of the federal government?

Mr. Francesco Di Candia: We would like to see at least an increase in the realm of 15% to 20% in order to cover all the languages that we serve, all the communities we serve. We have more than 50 languages, so if you want to do a targeted campaign, we need more investments for sure.

Ms. Julie Dzerowicz: Thank you so much. Thank you for the great service that CHIN does for our nation.

I want to turn my attention to Mr. Robson.

I have a general comment, Mr. Chair. I know there's a bit of a conversation about our economy. Often my Conservative colleagues make it seem like our economy is awful and in the tank. I will say to you that we have heard testimony at this committee that the carbon tax is not responsible for all the price increases in Canada. We've also heard testimony that, when the capital gains tax was increased during the Mulroney years, it did not end up having a negative impact on innovation and productivity, but I don't have time to go into that.

I do want to talk about productivity specifically. My question for Mr. Robson is the following: In the 1990s, Australia engaged in a fairly robust competition and productivity study. It took them about two and a half years to actually set the whole thing up—how they set it up and what were they going to study, as it was going across the different states. At the same time, not only did they set up the study, but once they got it going, they were also going to monitor any competition or productivity changes and report on any progress. It then took 10 years to do the actual review and the reform of 1,800 identified laws and regulations that were impacting productivity and competition.

Do you believe this type of a study is something we should be engaging in here in Canada?

Mr. William Robson: The Australian Productivity Commission, which is part of the larger effort that you were describing, is a good idea. I think that something along those lines in Canada would be helpful, just as we have other independent agencies that report on the status of our health care system, the status of our education system and so on.

Having a steady voice out there that is continually looking at productivity issues would be helpful for simply giving us an additional lens through which to see many of the policies that get put in place and get implemented by various governments that might have incidental effects on productivity.

I think Canada is probably in a good place to do that right now because, unfortunately, it's become a bit of a kitchen table topic. Productivity used to be quite an alarming word to people. It sounds like faster assembly lines, but what it's about is getting more reward for every hour you work. Who wouldn't want that?

Ms. Julie Dzerowicz: Thank you so much.

The Chair: Thank you, MP Dzerowicz.

We'll now go to MP Ste-Marie.

[*Translation*]

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

Good afternoon, ladies and gentlemen.

Thank you to the witnesses for being here.

This panel has given us a lot of very interesting information. As Ms. Dzerowicz mentioned, we'd like to have more time so we could ask all the witnesses questions. I want the witnesses to know that we are taking notes and that all of their comments will help to inform our pre-budget consultation report.

Mr. Chair, I'd like to thank Peter Fragiskatos and Rachel Bendayan, who followed up on the request for the updated data from the Canada Mortgage and Housing Corporation, or CMHC. Mr. Fragiskatos promised me that I would have the data no later than early November, but it's still October—Halloween, to be precise—and I already have the information.

Obviously, I wanted to be able to share that response publicly. Since the document containing the data is addressed to the Standing Committee on Finance, I assume it came with a confidentiality disclaimer. I checked with the clerk. He did indeed receive it, but the confidentiality disclaimer prevents him from sharing the document with the committee members.

I would like to ask my fellow members for consent to—

● (1650)

[*English*]

The Chair: Yes, MP Ste-Marie, it will be distributed to all members, with the confidentiality disclaimer there.

[*Translation*]

Mr. Gabriel Ste-Marie: Very good.

I have another special request for my friend Mr. Fragiskatos. When we get updates, we would like to be able to share them. We'd like to post them to the finance committee's portal so they're available to the public. Therefore, I would ask him to have the confidentiality disclaimer withdrawn. We can follow up on that once we hear from the CMHC. Thank you.

Before I get to my questions for Mr. Mueller, I have a special request for Mr. Robson, from the C.D. Howe Institute.

Mr. Robson, you referred to a report you'll be releasing based on Mr. Mintz's study on the changes to the capital gains inclusion rate. Mr. Mintz appeared before the committee. What he found is very different from what the Government of Canada advances, not to mention the International Monetary Fund, or IMF. I asked him to send us his sources and the methodology he used so we could replicate his calculations. He told us he would soon be publishing his study through the institute. When Mr. Mintz's study comes out, would you be able to send it to the Standing Committee on Finance so we could see his sources and methodology? Thank you.

Mr. Mueller, thank you for being here.

The last time you appeared before the committee, the meeting was in Charlottetown, Prince Edward Island. It was for the pre-budget consultations just over a year ago.

In your opening statement, you mentioned Professor Roy's updated figures. Would it be possible to send Mr. Roy's report to the committee? Thank you.

Mr. Mike Mueller: Thank you for your question.

[*English*]

I just want to thank you and your colleagues for supporting our industry.

You're right. I did mention an update to Professor Roy's report. I think we've shared the last couple with this committee. This is the third iteration of the report. The first one was taking a look at what the potential impacts could be from this tax on manufacturing, on aircraft manufacturing specifically. When I say “aircraft”, I mean jets and helicopters also.

The second one was an initial review from the industry the first year in. We are now two years into this tax on manufacturing. We have updated numbers from this committee also. I want to thank all committee members.

Mr. Davidson, you were instrumental in that by also asking some of these questions. It is an update to that. I'd be happy, once it's finalized, to again share it with the committee, of course.

[*Translation*]

Mr. Gabriel Ste-Marie: That would be very appreciated. It will be very helpful to us. Thank you.

You said in your opening statement that the luxury tax was putting 4,000 jobs at risk.

Can you explain why?

[*English*]

Mr. Mike Mueller: Thank you again for the question.

In my opening remarks, I reiterated the results that we are now seeing from this tax. Again, the government has only collected $15 million, but it has cost the industry $1.8 billion in revenue. Any time you take out $1.8 billion in revenue from an industry, you're going to see jobs being impacted. Aerospace is a long-term supply chain, so over the next number of years, that is the impact when you take that kind of money out of the system.

I would also say it's very concerning to us that we are seeing the impacts on jobs. That is why the unions have been very vocal also in opposing this tax on the manufacturing of aircraft, because they, too, see that this is a job-killing tax that is in place.

The other thing I'll just mention is that we see the taxes impacting jobs not only within the manufacturing but also throughout the supply chain right across the country. The impacts are everywhere within the industry, and it's quite concerning.

● (1655)

The Chair: Thank you, MP Ste-Marie.

Now we will go to MP Davies please.

Mr. Don Davies (Vancouver Kingsway, NDP): Thank you, Mr. Chair.

Thank you to all the witnesses for being here.

This is for QIA, if I could start with you please.

You wrote to the committee and said, “The Government of Canada has committed to closing the Indigenous infrastructure gap by 2030.” It is 2024, and no concrete plan has been put in place to achieve this goal. Can you elaborate a little on that and tell us a bit more?

What is the indigenous infrastructure gap? Can you quantify that in some way?

Ms. Virginia Mearns: Thank you for the question.

In terms of quantifying the gap that exists for indigenous infrastructure, I'm not able to speak to that in a national context. We're in a position to speak to the realities of what's happening in our region within Nunavut, but also in Nunavut as a whole.

The creation of the indigenous community infrastructure fund was the first real opportunity for a group of indigenous people to be able to access a source of funding that enabled them to create a portfolio of infrastructure projects that would benefit from direct funding from the Government of Canada. It will enable our communities to begin the long process of addressing the severe infrastructure gap that has been plaguing our region and our territory since the creation of the territory.

Mr. Don Davies: Let me focus on Nunavut a bit, because you also wrote that you want the government to “continue to invest in a distinctions-based Inuit-led fund for Nunavut infrastructure, at a rate of $70 million annually over six years.”

I have two questions. Can you explain to us what “distinctions-based” means? Can you give us an example of what the lack of infrastructure looks like in Nunavut and what the funding could be used for?

Ms. Virginia Mearns: Sure. What we're referring to when we describe what we're recommending with “distinctions-based”...it essentially enables a category of funding that is specifically, in our context, for Inuit to access.

Because of the fact that we have a modern treaty in which our jurisdiction operates...and it's not only the Government of Nunavut. We have Nunavut Inuit organizations that carry out very specific functions. They are also provided an opportunity to create opportunities for Inuit through partnerships with the Government of Canada and, more specifically, by being able to access very specific scopes of funding.

The traditional funding mechanisms in the past enabled very few opportunities, usually on a one-off basis for one specific project and usually for the territory as a whole. Having a distinctions-based funding source enables Inuit to think long term and be decisive about what types of infrastructure can create the foundation that is desperately needed in the territory.

Mr. Don Davies: Could you give us some idea of a successful example of this approach in action? I think you've mentioned one project already. I think it was a hydro project. Maybe you can give an example of another project that you see could be funded if we were to allocate the proper resources.

Ms. Virginia Mearns: The Iqaluit Nukkiksautiit hydro project is definitely one of those that could benefit from this type of funding arrangement with the Government of Canada.

I can speak to some of the initiatives we've been able to carry out in our region alone by having distinctions-based funding available to us. It's enabled us to create three day cares, two clean energy projects, a land development project and a multi-use facility in one of our larger communities, as well as to put funding toward a research and training centre in north Baffin.

● (1700)

Mr. Don Davies: I'm wondering what you could tell us about housing in Nunavut. It's a crisis in lots of places in Canada. I understand it's not different in Nunavut.

Can you give us a picture of the affordable housing situation in Nunavut and an idea of the extent of the crisis? What do you think we could do about it?

Ms. Virginia Mearns: It's been an ongoing issue as a huge part of the infrastructure gap that exists in the territory. It is a priority for all stakeholders in Nunavut. It's top of mind every day, not only for Inuit organizations but also for the territorial government.

This is an area the QIA is endeavouring to address by creating affordable housing in our communities. We've started in five of our 13 communities with the hope of being able to expand to all 13 communities to provide affordable housing options for Inuit at the local level. This will enable them to come out of territorial social housing and create an opportunity for them to build up the means to pursue their own homes in the private market if they become available in our communities.

The majority of our communities have a very small private market. Iqaluit, the capital, has the largest private market, but the prices are so high that it is essentially unattainable for Inuit—even for double-income families—to be able to own their own homes right now.

The Chair: Thank you, MP Davies.

Members and witnesses, we're moving into our second round of questions, and we're starting with MP Morantz for five minutes.

Mr. Marty Morantz (Charleswood—St. James—Assiniboia—Headingley, CPC): Mr. Sargent, I'll start with you.

I've become increasingly concerned during my time on this committee about the economic vandalism that has been committed on this country by this Liberal government. The Governor of the Bank of Canada was here on Tuesday. They had predicted a 1.5% increase in Canada's GDP. I asked the governor whether or not he thought the capital gains increase would affect that, and he refused to answer me. I can see why he didn't want to talk about it. Just today Stats Canada released a report that said the GDP growth was flat, at 1% less than the bank had actually predicted. My colleague, Mr. Kelly, talked about the fact that our GDP has declined in the last eight out of nine quarters, and that the United States economy grew by 2.8% in the third quarter.

Let me ask you the question that the Governor of the Bank of Canada refused to answer at this committee. Do you think that increasing the capital gains inclusion rate will further damage our flat economy?

Mr. Timothy Sargent: I think there's no question that increasing the inclusion rate is going to be a disincentive to investment in Canada. Weak investment has been a problem in the Canadian economy for many years now. We need to be thinking about ways to increase the incentive for people to invest, not reduce that. That is very much the source of our weak productivity growth.

Mr. Marty Morantz: Mr. Robson, I'll ask a similar question of you.

The Economist magazine also says that Canada is now “poorer than Alabama”, the fourth poorest state in the U.S. Over the past five years, U.S. economic growth has been nearly double that of Canada's. The Financial Post is reporting that Canada's standard of living decline is the worst in 40 years.

Do you think, under the circumstances that all these different sources have described, that increasing the capital gains inclusion rate is the right thing to do at this point in time?

Mr. William Robson: No, I do not think that increasing the capital gains inclusion rate is the right move. I've already spoken to the direction of its effects. The magnitudes are tough to calculate, but there's no way you can argue it's going to do anything good.

Because the luxury tax came up earlier, I'm going to mention that we've had a few tax changes in recent years that to me seem more motivated by maybe populist objectives than economic logic or the government's need for revenue. I put the capital gains tax change into that category. I think one of the difficulties we have in Canada right now when it comes to economic confidence is that people see the tax system being used in ways that really make revenue-raising a secondary consideration and put other goals more to the fore. The luxury tax is in that category. Some of the taxes on financial institutions are in that category. The capital gains inclusion rate increase is in that category.

I think Canada needs to have a change of direction that would give people a bit more confidence that the tax system will be broad-based, fair, have lower rates and not be subject to changes in the direction of the political wind. That makes people think twice about any kind of investment.

● (1705)

Mr. Marty Morantz: I agree with you entirely. In fact, I read your report, and in that you actually describe the array of tax changes this government has made as “capricious” and “populist”. I wonder if you could elaborate on why you think that is the case.

Mr. William Robson: What taxes really ought to be for, in many people's eyes, is funding government services. To do that, you want to find tax bases that are broadly acceptable to the population, have broad bases and have preferably quite low rates. When we have very substantial increases in government spending driven by increases in operating costs—Tim Sargent alluded to this earlier—and now we're seeing interest expense mounting again, there's a lot of strain on the tax system. Naturally people look ahead with some concern about how high rates are going to go.

If you also have this feature of the tax system that, rather than being used simply to raise revenue in the most acceptable and economically non-distorting way, it seems to be targeted towards whoever might be unpopular at the time, then that creates a very troubling environment for people who are wondering about making a long-term investment, because the environment they're operating in is so clearly not reliable. It's volatile.

The Chair: Thank you, MP Morantz.

We go now to Ms. Thompson, please.

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

Welcome to all the witnesses.

I would like to begin with you, Ms. Mearns. I believe you may have a Newfoundland and Labrador connection. Yes, I thought that.

It's a phenomenal project, removing Iqaluit from diesel to renewable energy. I've met with Growler Energy from my riding, who are a partner with you in this project. I know you are also involved in a series of other incredibly innovative, sustainable projects, and I think that shows tremendous leadership.

I realize government is part of this, and I'm very proud of that, but would you speak to the partnerships and how you, from a community-based place, have been able to work with partners and government? Really, you are leading sustainable solutions for northern communities, and I think what you are doing is phenomenal.

Ms. Virginia Mearns: Thank you very much.

It definitely is an exciting time for Inuit in particular in really pursuing the opportunities that have been made available to Inuit through the Nunavut Agreement, but then also through the maturing of Nunavut as a territory and really establishing our own relationships with government, with private industry and by looking at the opportunities that each of our communities have in front of them to be able to be innovative, to bring our own solutions to the table and to create circumstances or solutions that will be long-standing and beneficial for generations to come.

This notion has been a long-standing idea in Iqaluit, recognizing and looking in other jurisdictions, indigenous jurisdictions but also internationally, at what the benefits have been and being able to find ways in which to get the ball rolling. There are many steps that have to be undertaken to be able to even get to the point that we're at right now, and a lot of engagement has to take place with Inuit in our communities because a lot of these large-scale projects do have an impact on our environment and will have an impact on the wildlife that we need to access. We have to bring forward a very tricky balance in the decision-making that ultimately needs to take place.

The respect for that process really does determine the types of partnerships we need to pursue to ensure that Inuit rights are upheld, but also that the benefits are coming forward for Inuit.

Thank you.

● (1710)

Ms. Joanne Thompson: In my conversations with the team at Growler Energy, I was left with the impression that it was very much led by your community, which, of course, is how this should flow. You're showing that the model does work, and I want to really reference the work you're doing in marine renewable energy, the assessment, because it's so timely.

Would you just speak briefly to how you've been able to establish this model of true collaboration, which is really led within your community?

Ms. Virginia Mearns: Thank you, Mr. Chair.

If you'll allow, I'll ask my colleague to speak to that portion.

Mr. Richard Paton (Assistant Executive Director, Marine and Wildlife Conservation, Qikiqtani Inuit Association): Certainly.

I will also supplement the response by noting that through conversations with partnerships we have worked closely with Muskrat Falls in understanding the dynamics of hydroelectric power and the outputs that are needed in our region. I will say that, in those discussions, the hydroelectric dam that we are proposing in and around Iqaluit is founded on our knowledge of the environment. Inuit in the community are vested with maintaining the opportunity to speak about Inuit cultural continuity, maintaining who we are as a people.

As a part of that process, as we look to expand opportunities in renewable energy, we're doing so in a way that allows us to share our knowledge, our Inuit Qaujimajatuqangit traditional knowledge, and reflect with that knowledge on the importance of where renewable energy can interact with the opportunity for us to maintain the opportunity to harvest from the land and interact in a way that respects Inuit ongoing.

Over the last three years, we did a study and interacted with about 80 Inuit from Iqaluit, and that study allowed us to build on an understanding of the importance of where they traditionally go for camping, for hunting and for maintaining our lifestyle. Through that report, we were able to highlight the area that could be used for hydroelectricity that would mitigate the opportunity and interaction of Inuit in the region.

The Chair: Now we'll go to MP Ste-Marie.

[*Translation*]

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

Mr. Mueller, I'm going to fire off two questions.

With 4,000 jobs at stake, the luxury tax seems to be a tax on manufacturing.

First, do you know where the affected jobs are?

Second, do you know how much income tax the government would not collect if those 4,000 jobs disappeared or weren't created?

[*English*]

Mr. Mike Mueller: Thank you for the question.

These jobs are right across the country. We obviously have a large aerospace manufacturing hub in the Montreal area, but this is not just there. This is right across the country. This is in Manitoba, in British Columbia and in Ontario. We see the effects right across the country.

As an example, I was just in Winnipeg last year speaking about the negative impacts of this tax. The number of companies that came up to me in Winnipeg saying that it is impacting them was absolutely phenomenal. It is something that is right across the country.

We did ask Professor Roy to look at some of the tax implications both from that lost revenue and from the workers' perspective. Again, these are good-paying, family-supporting jobs, oftentimes with 30% higher wages than average manufacturing. We've seen that across the board. If those 4,000 jobs are impacted, which we predict they will be, it would represent about $90 million in income tax for the federal government.

Again, the tax is bringing in $15 million. It's costing the government $19 million to administer. It has lost the industry $1.8 billion in revenue, which represents $90 million in lost GST. Then you take a look at the workers, who are of the utmost concern to me because our aerospace industry is made up workers. We do amazing things, but it's the people behind it. That's $90 million in lost income tax.

Again, I don't see the benefit of this anywhere. There was a comment before about taxes being used to raise money for services. This is actually costing the government money. When we take a look internationally, there's no other jurisdiction in the world that taxes aircraft manufacturing in this manner. That's number one.

There is an example from the United States. Two years after this tax was implemented, they repealed it. Why? It's because they were seeing the same negative impacts that we are seeing here. My request, again, is for the committee to, vocally and loudly, please recommend that this tax be repealed from aircraft because it is devastating to our industry right across the country.

● (1715)

[*Translation*]

Mr. Gabriel Ste-Marie: Thank you.

[*English*]

The Chair: Go ahead, MP Davies.

Mr. Don Davies: Thank you, Mr. Chair.

Mr. Mueller, I'd like to continue with you on that.

I also had the benefit of having met with you, Bombardier and, I believe it was, the International Association of Machinists, who all take the same position. I've heard you clearly call for the repeal of the tax, which I understand is a 10% tax on the sale of an aircraft in Canada over $100,000. Do I have that right?

I heard another proposal from them that may achieve the same benefit. I understand that the tax is not payable if the use of the aircraft purchased is more than 90% used for business purposes. I've heard that another option would be to reduce that to 50% business use. I'm also told that sometimes when corporations or high-net individuals purchase an aircraft, they can't use it all the time, so they'll put that aircraft into a lease pool.

The second request would be to automatically count all revenue from the lease pool as business use because apparently now you have to keep track of every hour of the plane and it's administratively a nightmare.

Would that be an acceptable solution to you, if we reduced it to 50% and counted all lease-pool revenue automatically as business use?

Mr. Mike Mueller: Thank you for the question and also for your interest in this file because it is critically important.

Our ask is to repeal the tax on aircraft manufacturing. There are certain areas that could be adjusted to help minimize that impact, but it will not eliminate that impact. By the numbers that we've gone through and that we're seeing now by the government's own account, it does not make sense to me why the government would have a tax on aircraft manufacturing that is losing so much money out of the industry—$1.8 billion—and also the tax revenue that goes along with that.

Yes, you are correct. There are some areas that could be looked at, but it would not eliminate that. It would help to mitigate.

Again, the impact is so drastic that we are recommending a repeal.

Mr. Don Davies: Let's quickly get this on the record. I'll just say one sentence if I could.

Bombardier told us that it was selling about 10 aircraft per year and that after the tax was brought in, it was reduced to one. That's how dramatic the impact was.

Thank you.

The Chair: Thank you.

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

Mr. Jasraj Singh Hallan (Calgary Forest Lawn, CPC): Mr. Sargent, in Canada, as we've heard, the GDP per capita has declined in eight out of the last nine quarters, and it has fallen 4% since 2022. In your opinion, is Canada basically in a GDP-per-capita recession?

Mr. Timothy Sargent: Absolutely. Normally we think of a recession as when the total national income falls, but what matters to individuals, of course, is not the total sum of what income is but what they, themselves, get.

Declining GDP per capita is exactly what we've seen in Canada. Outside of a major recession, that's very unusual to see.

Mr. Jasraj Singh Hallan: Canada has also fallen in global ranking for tax competitiveness. This especially happened after the job-killing capital gains tax hike was introduced by the Liberal-NDP government. Also, at the same time, it introduced a digital services tax that contributed to that, as well as other taxes that they've been hiking up.

We know that the gap between the United States' GDP per capita and Canada's GDP per capita has only widened, and to quite a significant level. In your opinion, does Canada's having a carbon tax and the United States' not having a carbon tax contribute to that gap?

Mr. Timothy Sargent: I think so. Canada is getting a reputation as being a very high-tax country, and it is discouraging investment.

It's interesting. There was a recent RBC study on this. There used to be as much money flowing out of Canada as there was direct investment coming in, so there was rough balance—

● (1720)

Mr. Jasraj Singh Hallan: I'm sorry, but I have a limited amount of time, and I have a lot of questions to ask you.

Would you also agree that the taxes being lower in the U.S. compared to Canada contributes to that widening gap between the U.S. and Canada?

Mr. Timothy Sargent: Absolutely. International capital is very mobile, and it moves around quite quickly. Canada is uncompetitive, not just compared to the U.S. but also compared to quite a lot of other countries.

Mr. Jasraj Singh Hallan: Are taxes and permitting costs' being lower in the U.S. on the construction of new homes also contributing to that gap?

Mr. Timothy Sargent: Certainly, if you're going to invest in housing in Canada, you're going to have a very long wait before you actually see anything get built. That time is very significantly less in the United States.

Mr. Jasraj Singh Hallan: Would it be fair to say that the higher taxes, as you mentioned, and the longer permitting times are causing the decline in GDP per capita in Canada as well?

Mr. Timothy Sargent: I think those are key contributors to the predicament we find ourselves in.

Mr. Jasraj Singh Hallan: The Prime Minister recently claimed that increasing the capital gains tax has no impact on whether people invest more or invest less. Does he have any idea what he's talking about?

Mr. Timothy Sargent: I'm not going to speak for the Prime Minister, but as an economist, I can tell you that when you increase taxation on investment and saving, you're going to get less investment and less saving.

Mr. Jasraj Singh Hallan: Mr. Robson, I'll ask you the same thing.

The Prime Minister claimed that increasing the capital gains tax has no impact on whether people invest more or invest less. Can you comment on that?

Mr. William Robson: I've already said this, so I'll repeat it: The direction of the impact is very clear. I'm echoing Tim Sargent. You'll get less saving and less investment.

The higher capital gains tax on corporations is less visible than the one on individuals, but it's pervasive. Therefore, that is going to reduce the return on investment and make the marginal project more attractive to undertake in the United States than in Canada.

Mr. Jasraj Singh Hallan: Thank you.

Mr. Sargent, I want to get your thoughts on.... The government keeps saying that it's only 0.13% of the population who's going to be affected by this capital gains tax hike. Can you elaborate a little bit more on that and on how it's actually not? It does affect the middle class as well.

Mr. Timothy Sargent: Those figures are often based on a point in time—in a given year, how many individuals are affected—but that's very different from how many individuals will be affected over the course of the period that they hold...over the course of their lifetimes, let's say. You're not necessarily buying or selling these assets every year. You're buying a cottage or something, and you're holding on to that for a longer period of time.

In fact, it'll actually be more people who are directly affected, and then everybody suffers if we have less saving and less investment because we're less productive as a country.

Mr. Jasraj Singh Hallan: Chair, with my remaining time, I want to put something on notice, if that's okay. I just want to put it on notice. It is:

> Given that the Governor of the Bank of Canada refused to answer questions regarding the job killing capital gains tax hike and its impact on the economy, that given it is the mandate of the Bank of Canada “to promote the economic and financial welfare of Canada,” and given that the committee heard that this tax hike will further harm the economy, the committee call the Governor of the Bank of Canada to return to answer questions on the economic impact of the capital gains tax hike and that his testimony be included in the Pre-Budget Consultation Report.

The Chair: Thank you, MP Hallan.

Now we're going to MP Sorbara, please.

Mr. Francesco Sorbara (Vaughan—Woodbridge, Lib.): Thank you, Chair.

It's great to hear all this testimony today. I see Mr. Robson on screen, and obviously I don't see Mr. Sargent. I know he's there.

Mr. Robson and Mr. Sargent, you're both economists.

Mr. Robson, I tend to read quite thoroughly the material that's put on the C.D. Howe Institute website, and I see that Sandra Pupatello, a good friend of mine, has now joined, so some great folks work there.

There's one thing I'm very disappointed about with your commentaries. Neither of you mentioned, as esteemed economists or supposedly, that Canada's fiscal deficit is roughly 1%. What is the United States' fiscal deficit? If we want to make the comparison, it's over 7%. Canada would be running a deficit of over $300 billion or even $400 billion a year if we were doing exactly the same thing the United States does.

Second, Mr. Sargent, I have to correct the record. On foreign direct investment, Linde was $2 billion, Dow was $10 billion, Honda was $15 billion, and the list goes on and on. On an FDI basis on a per capita basis, you know the numbers as well as I do. Canada is doing very well on a per capita basis.

Also, concerning the IMF, you two can get up tomorrow morning and write the IMF to tell them they're wrong. We all know what surplus stripping is, and I'm surprised that you guys don't mention surplus stripping and how that tax avoidance strategy works. The IMF said, "The increase in the capital gains inclusion rate improves the tax system's neutrality with respect to different forms of capital income and is likely to have no significant impact on investment or productivity growth."

Now, maybe the folks at the IMF are all wrong. Maybe you folks are both right, but you didn't mention both sides. You didn't talk about fiscal deficits. You didn't talk about the neutrality and integration aspects of taxation. Somehow these aspects got left out of your testimony, and I'm curious why. I'm very curious.

With that, I would like to ask this question. On electric vehicles, has Canada attracted billions of dollars of investment here in the Canadian economy, including the $155-million investment that was announced right here in the city of Vaughan two days ago by a South Korean company creating 300 jobs? Also, no one mentioned that, in the last month, there were over 100,000 full-time jobs created here in Canada.

The other aspect you guys didn't mention, and I have ask is whether we've achieved a soft landing.

Mr. Robson, has Canada achieved a soft landing, yes or no?

● (1725)

Mr. William Robson: Canada is in a long period of stagnation, so I don't—

Mr. Francesco Sorbara: I have to correct. Stagnation is defined as when there's inflation and there's zero growth. Inflation is falling. Interest rates are falling. The economy is growing moderately.

Did you not see the forecast in the Financial Times, either of you, that the Canadian economy will lead the G7 in economic growth in 2025 and be number two here without a 7% fiscal deficit? Am I the only one reading that stuff?

Mr. William Robson: Chair, how would you like us to respond to this? There are a number of points on the table.

Mr. Francesco Sorbara: I'll give you 30 seconds each.

Mr. William Robson: The U.S. fiscal situation is terrible, and it's one of the reasons that I think it would be good for us to make our fiscal situation better. I think interest rates are likely to go up because of all that borrowing pressure.

If you're worried about integration, consistency and surplus stripping, why would you make the inclusion rate different in different places? The problem that it creates is much worse than the problem it was notionally supposed to address, and you think that the IMF is wrong.

Mr. Francesco Sorbara: Only 12% of corporations, actually, are impacted by the capital gains inclusion rate, and the marginal effective tax rate for manufacturing investment here in Canada—I'll even send you the chart myself—is actually the lowest in the G7. There are many things in this country that we're blessed with. There are many things we need to work on, absolutely. This is Canada's decade—and I'll repeat that over and over again.

Everything we've done, from AI to hydrogen, to green, to electric vehicles and so forth, is going the right way. I'm so happy that one million Canadians have now gone to the dentist and received the care that they need. It may not be a social program that Conservatives want, and I'll say this: We know the Conservatives have said they're going to cut the housing accelerator fund, which accelerates housing here in the city of Vaughan, Richmond and Markham, and that's real dollars being put to work here in those cities. Confident governments and countries invest in their people, and that's exactly what we're doing.

I'm disappointed that neither one of you talked about fiscal deficits in the United States versus Canada, our fiscal position or our AAA credit rating. All you did, especially Mr. Sargent from the Macdonald-Laurier Institute, was just talk down the economy. I thought you were sitting on the opposition benches for a couple of minutes, and I'm trying to be neutral as an economist.

Chair, I turn it back to you. I think my five minutes are up. I wish to thank everybody. Happy Halloween.

The Chair: Thank you, Mr. Sorbara.

Now we move to round three. We have enough time to go through a full round three today.

I have MP Kelly for the next five minutes.

Mr. Pat Kelly: Thanks, Mr. Chair.

Given that Mr. Sorbara challenged two of our witnesses and then wouldn't allow much—a very small reply—before interrupting Mr. Robson and didn't let Mr. Sargent get in at all, I think that some of these points need to be addressed by the actual witnesses today because this is what we do at the committee. We call witnesses who provide evidence that forms part of the report. MPs don't provide the evidence for reports.

Mr. Sargent, do you want to start and maybe tackle some of the points that were raised?

● (1730)

Mr. Timothy Sargent: Just to quickly go down the list, firstly, the United States government gets to borrow in U.S. dollars, which is the world's currency, so they have a lot more way to go before they run out of fiscal road than Canada, which is a much smaller economy and is only borrowing in Canadian dollars.

I didn't finish my thought on foreign direct investment, so I didn't actually say anything about it. Had I been able to continue, what I would have said is that, yes, foreign direct investment in Canada has increased if you look relative to the U.S., but it has been dwarfed by the amount of money that's actually leaving the country. We actually now have a net deficit in our investment relationship with the United States. These numbers are in a recent Royal Bank of Canada report.

Mr. Pat Kelly: I'm sorry, but on that point, do you have a number for that deficit? Yes, there's money coming in, but there's much more money leaving. What is the total of that investment deficit?

Mr. Timothy Sargent: We have $600 billion coming in and a trillion going out, so that deficit is $400 billion in 2022.

Mr. Pat Kelly: Despite what we heard from Mr. Sorbara, we're actually down $400 billion in net direct investment. Okay. Thank you.

I'll let you continue if you have other points to make.

Mr. Timothy Sargent: My last point is on investment in electric vehicles. We're certainly not seeing that yet in the investment numbers. If that shows up, that's great, but I'm talking about—

The Chair: There's a point of order.

Mr. Francesco Sorbara: Chair, may I have a point of order, please? I wish to comment on Mr. Sargent's testimony in terms of the foreign direct investment, because you can measure Canada's foreign net investment position in different manners, and Mr. Sargent is measuring in one way. It's not—

The Chair: Calm down, everybody.

Thank you, MP Sorbara. It's not a point of order. Maybe you'll have an opportunity after, but we're going back to MP Kelly.

Mr. Pat Kelly: I'm sorry. Please continue, Mr. Sargent.

Mr. Timothy Sargent: I was done.

Mr. Pat Kelly: With that, and with the time I have remaining, I think Mr. Robson may have a further comment or two about some of the things that were raised in the previous intervention.

Mr. William Robson: I'll continue on the topic.

Foreign direct investment, like Canadian direct investment abroad, tends to happen in big lumps. Therefore, it's very important that we look over a reasonable period of time and not seize on a single quarter.

In general, though, I take the side of Mr. Sargent in saying that the trends have been a bit unfavourable. One of the biggest things foreigners are investing in when they buy Canadian assets is government debt. It seems to me that's a problem because, unlike the sorts of assets that produce incomes and growth in Canada, all that a purchase of government debt will produce is interest outflow.

I think it would be a good idea for governments to absorb fewer of the savings in our domestic economy. That would create more room for domestic investment to be funded domestically. I think the size of federal and provincial government borrowing, notwithstanding that it's less than in the United States, is a problem for us and something we'd be better off....

We've had 10 years of continual deficits and very rapid growth of debt federally. Over those 10 years, we've not seen a lot of economic progress. Under previous governments—including those of Prime Minister Chrétien and Prime Minister Harper, when the federal fiscal situation was under better control—we had better investment and economic growth. I think those things are related.

Mr. Pat Kelly: Thank you for clarifying all of those points.

It would be fair to summarize this and say that we have growth of government and government deficits that are choking out and absorbing savings, rather than resulting in investment in the economy. We have regulation preventing projects from being completed. Mr. Sargent pointed out that nothing has been approved under Bill C-69. Everything is stuck in the bureaucracy of approval. We have rising taxes and shrinking living standards.

Is that a fair summary of the current course of this government?

● (1735)

Mr. Timothy Sargent: Yes.

Mr. William Robson: May I quickly comment?

We've had quite a bit of discussion in this session just now on the fact that GDP income per capita has been falling. I will point out that capital stock per worker, which is a consequence of low investment rates, has now fallen for seven straight years. That hasn't happened since the 1930s. It would be very surprising if you could sustain higher living standards when your capital stock per worker is falling.

Look across the world. In countries where the worker is digging with an excavator, there is higher income and productivity than in countries with low capital stock per worker, where they're digging with shovels. We want to be digging with excavators, not shovels.

The Chair: Thank you, MP Kelly.

Now we'll go to MP Sorbara.

Mr. Francesco Sorbara: Thank you, Chair.

I have a question for Mr. Robson.

You're an esteemed economist, sir. I have much respect for you and everything.

One of the things I believe in.... I can make the analogy that, if you're a hockey team, you can only put so many players on the ice. We know the Toronto Maple Leafs have not won the Stanley Cup since 1967, if memory serves me. You want to invest in them and make them as good as possible so they continue to win. In terms of investing in the Canadian worker and ensuring that....

You know, now we have the immigration plan for 2025 to 2027, which will see a large reversal in this GDP per capita conversation. Some of the economists on Bay Street have said this. You know this, and I know this. We'll have increasing GDP per capita. Remember, businesses wanted a lot of these temporary foreign workers. We've had commentary on immigration plan levels from businesses saying, “Please don't do this.” We want businesses to invest in human capital and the physical capital stock.

What would you recommend, Mr. Robson, in terms of how to get that human capital stock—that elusive economic growth and productivity—and that standard of living up? If you could recommend two or three policies, I would love to hear them, sir.

Mr. William Robson: You mentioned the analogy of a hockey team. You're not equipping your workers well. At the moment, investment rates in Canada per worker are about half of what they are in the United States. That is a dramatic decline from the 70% to 80% range we saw a decade ago. We have a big problem there. We are putting our players on the ice with old Eaton's catalogues for shin pads, instead of modern equipment.

One thing we could do is expensive, but I think we need a bit of a jolt. We might have a general investment tax credit, because that would catch people's attention. It would be an unambiguously positive move. My former colleague Jack Mintz would object, quite rightly, that it wouldn't have completely neutral effects in terms of different types of investment. However, a temporary move along those lines would send a very strong signal. It would provide, as I said, a jolt to the economy. Even just the competitive impact of your counterparts tooling up, I think, would make a difference.

You asked for a recipe. There's one ingredient.

Mr. Francesco Sorbara: Thank you, Mr. Robson.

When you talk about investing in workers, the onus is also on Canadian corporations. If I look at the profitability levels—StatsCan has them—they have done pretty decently in the last couple of years. If you look at ROE, return on equity, or ROIC, return on invested capital, they also need the onus to invest in their workers. Many of them do, and I applaud them. I love wealth creation and the whole bit. The onus is also on Canadian companies investing in workers, and you're one of those saying, do a general investment tax credit.

We do know fiscal finances are limited. Think about what the official opposition is asking for with the two policies it has brought up, and what it would cost the fiscal purse. Those are, roughly, the OAS measure and the removal of the GST on new builds. If you add those two measures together, you're roughly getting almost $8 billion of new tax expenditures. How are you supposed to pay for that?

There are limitations on what a government can and can't do with regard to the fiscal purse. I agree with you on that measure there.

Chair, how much time do I have?

The Chair: You have a minute and a half.

Mr. Francesco Sorbara: I will just move on. I know Mr. Di Candia from CHIN Radio and broadcasting.

Mr. Di Candia, welcome. Obviously, the Lombardi family here in the city of Toronto, and in the York region, have been pillars of the multicultural broadcasting community for decades, and their legacy lives on.

I know it's Lenny's birthday today, so I do want to wish him a wonderful birthday and the best to him, his wife and family.

Mr. Di Candia, regarding multicultural media here in Canada, and please be as frank as you need to be, how would you characterize the environment, sir?

● (1740)

Mr. Francesco Di Candia: There is a need to sensitize all of the advertising agencies out there to think outside the box and to include multicultural radio and television broadcasters. Right now, they're turning their heads.

We are always offering statistical data from Statistics Canada and census data. We also have live data, because of the streaming that we offer. We can prove and show how many listeners we have on the streaming platforms, which are clearly identified, when we download the analysis. We definitely need the government, however, to also direct all these agencies to spend more money with us, because they don't. They really give us a very minimum number of dollars to cover many ethnic groups.

Like I said in my opening statement, CHIN Radio offers more than 50 languages. We are the radio that is available to people who don't have access to mainstream media, either because they don't understand it or because they don't really like the programming they hear.

We bring into their homes—

Mr. Francesco Sorbara: Mr. Di Candia, I couldn't agree with you more.

The Chair: MP Sorbara, we're well past the time now. Thank you.

Thank you, Mr. Di Candia.

Next, we are going to hear from MP Ste-Marie.

[*Translation*]

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

Mr. Mueller, once again, my question is about the tax affecting your sector, manufacturing.

You said it was affecting the Canadian industry's reputation internationally.

Can you give us an example?

[*English*]

Mr. Mike Mueller: Yes, it's of great concern to me.

We have something in Canada that we should be celebrating, promoting and figuring out how we can grow the industry. That's the aerospace industry. There are 200,000 jobs right across the country. We're one of the very few countries from a certification perspective that can build a plane from nose to tail, certify it and put it into production. Many countries internationally are jealous of what we have. They want what we have. They want the workers, the technology and the know-how.

When I go and speak internationally, I talk about what's happening from the perspectives of individual countries. I talk about this tax on manufacturing, and the response I get is twofold. One is, “Why are they doing that to your industry? Our governments are doing everything they can to promote this industry.” The second response is, “Well, that's good”, because it's driving sales and revenues to their industries in their countries.

I think I mentioned it before, but we're the only country that I am aware of that has this kind of tax on aircraft manufacturing. Every time we've seen it happen in the past.... There's one clear example in the United States. I think it was two or three years ago, and because of the negative impact, it was repealed. Again, we're two years in, and we're seeing the real-world negative results of this tax. We're asking the committee and government to take steps to repeal it.

[*Translation*]

Mr. Gabriel Ste-Marie: I hope you'll be heard.

You talked about the importance of Canada having an aerospace strategy. It's the only country that has put so much into aerospace but that doesn't have a strategy.

On my way here, I ran into the Minister of Innovation, Science and Industry. I reminded him how important it was to have a strategy. He told me that his department was hard at work on it.

In your view, what more does he need to do to ensure that Canada has a strategy?

[*English*]

The Chair: I need a very short answer, Mr. Mueller.

Mr. Mike Mueller: One is that we're very thankful to this committee for recommending the need for a national industrial strategy. We're very pleased with Minister Champagne's commitment to that strategy. A strategy is absolutely essential not only to send that signal internationally but also to identify aerospace as strategic, because it is.

Thank you, Mr. Chair.

● (1745)

The Chair: Thank you. That's great.

We have MP Davies.

Mr. Don Davies: Thank you.

Mr. Robson, when the Mulroney Conservative government raised the capital gains inclusion rate from 50% to 66% and change in 1988, as was just done recently, what was the impact on jobs and investment?

Mr. William Robson: I do not know. I can look into that and get back to you, but I don't have it in front of me.

Mr. Don Davies: You don't know. It would surprise you, then, to know that in 1990, two years later, they raised it again to 75%, so either it had no negative impact, or they weren't paying attention to the economy at all. Would that be correct?

Mr. William Robson: I think it's important to remember that we had very high tax rates in a number of areas back in the 1980s. One of the things that was done very markedly under the governments of Jean Chrétien and Paul Martin was to lower tax rates in a variety of areas. I don't think it's a coincidence that Canada's economic performance improved. In fact, the gap between our living standards and those elsewhere in the OECD and in the United States closed over a period of years, so I don't think high tax rates are helpful.

Mr. Don Davies: Mr. Robson, I'm not asking about high tax rates. It's so funny. I've had economists come to this committee with all sorts of numbers about what's going to happen to the Canadian economy in terms of investment and lost jobs over the rise in the capital gains inclusion rate that just happened weeks ago. The best data available to economists, you would think, would be when we last did it, in 1988, in the real world, yet nobody seems to have studied that. I don't understand that. It strikes me as wilful blindness, where someone's not paying attention to what happened the last time because the data does not support the position being advocated today.

My last question is going to be for Ms. Mearns.

Ms. Mearns, thank you for bringing the voice of the north here.

Decisions made about the economy in the south often have grave impacts. I'm wondering what you can tell us about the impact in terms of the climate crisis on the environment. What are you seeing in Nunavut in terms of the changes to the environment up there as a result of activities in the south?

Ms. Virginia Mearns: Thank you for the question.

I think it's a narrative that more Canadians are becoming familiar with. The impacts of climate change have a direct impact on Inuit and on other indigenous groups that live in the Arctic. It is certainly impacting our ability to continue our traditional ways of life, harvesting and travelling across the land and the sea ice. However, it's also creating a greater interest globally as to what's available in the Canadian Arctic, with minimal engagement from southern Canada on the ways in which Canada is going to support Inuit and indigenous peoples in our communities, with that heightened global interest in our area.

It's going to continue to bring proposals for long-standing investments from other countries to address infrastructure issues. It's going to increase traffic in our waters, so there has to be stronger dialogue, north and south, east and west, within Canada, on how we're going to not only ensure the safety of the people who live there, but also ensure that the environment is protected in a way that can be managed for generations to come.

Thank you.

The Chair: Thank you, MP Davies.

Now we'll go to MP Hallan.

You have five minutes.

Mr. Jasraj Singh Hallan: Thank you.

Mr. Sargent, I agree with everything you've said today, except for one thing that I cannot agree with you on. You said in your opening statement that it takes 10 to 15 years to get a mine built, but by the government's own admission, it takes 25 years in this country to build one. It all ties back to the over-regulation and the taxes that you talked about.

When Canadians are watching this, they hear from the government about the rosy picture it wants to make Canada seem to be. If you were to hear Mr. Sorbara's unhinged rant or what they talk about, Canadians have never had it better. However, a really damning stat came out this year that food bank usage is above two million people now in a single month, in the month of March, and it's doubled since 2019. Canadians' standards of living are getting worse. That's clear to see with the GDP per capita decline.

Can you put this into more common terms for those Canadians watching? For that Tim Hortons worker working in Timmins or for other people who work, what does it mean that Canadians' standards of living are declining?

● (1750)

Mr. Timothy Sargent: Quite simply, it just means there's less income to go around. Typical families don't have as much money to buy food or spend on rent or go on holiday or all of these kinds of things that people want to do.

Mr. Jasraj Singh Hallan: Mr. Robson, can I get your feedback on that as well?

Mr. William Robson: Yes, it's very much as Tim Sargent just said. When real earnings are declining, it means that what you're getting from your work relative to the food, clothing, shelter and other things you want to buy is less adequate to cover it. Certainly when you see year after year of that kind of decline, it pinches people.

We notice it very much because of the increases in prices, but people are now looking back to pre-COVID times and realizing what a difference there is in what they're able to afford now and what they were able to afford then.

It's a problem in terms of material living standards, and I think it's also a problem in terms of people's optimism about the future.

Mr. Jasraj Singh Hallan: For both of you—Mr. Sargent first and then Mr. Robson—in the spirit of this being a PBC, pre-budget consultation, can you give us some testimony or input on what measures can be taken today that wouldn't cost anything but would help Canada's productivity?

Mr. Timothy Sargent: I think I would go to regulatory reform. We often think of government in terms of spending and taxes, but regulations reach everywhere in the economy. Interprovincial trade barriers, for instance, are a huge barrier in Canada. The IMF has called that out. I talked about the regulatory system for major projects. That costs Canada investment dollars. Also, just around the country, there are so many businesses complaining about red tape.

Mr. William Robson: I would cite similar things.

I think reducing the size of the federal government would save money and, in some cases, would help to spur growth by freeing up resources elsewhere.

On regulation, a lot of the housing problems are not the federal government's remit, but it's an astonishing thing, when you look at the increases and the improvements in the technology of home construction over the years, that the time to complete a house has actually gotten longer. That seems to be a consequence of regulation.

Interprovincial trade barriers I would mention as well.

Just to throw something out that hasn't come up yet but I think is quite important as we think about ways of getting more investment, including from pension funds in Canada, the Canadian government has assets that are underperforming, including airports, for example. You would not lose any money by making those available for private investment. I think it would improve infrastructure and it would improve our supply chains and generally give the economy a bit of a boost.

Mr. Jasraj Singh Hallan: Mr. Robson, you've talked about government deficits. Can you expand a little further? The PBO recently said that the government is going to blow through its $40-billion budget by $7 billion.

This is a trend. This is not something new for this government. Can you tell us the impact that has when it comes to investment?

Mr. William Robson: Tim Sargent alluded earlier to the fact that it can be appropriate to run deficits during recessions, but when the economy is operating at capacity—and clearly it was operating beyond capacity at times recently, because we had a huge increase in inflation—government borrowing is going to be taking away resources that could have been used for investment.

One of the problems we have in Canada, and certainly have had over a number of years now, is that for every dollar of income we generate in the economy, we consume a certain amount as households.

There's a lot that has been invested in residential construction with population growth and we're very glad to have had that, but after you've done those two things, you don't have a lot left for non-residential investment. If the government is borrowing money that might have been used for investment and it's turned into consumption instead, that's one of the reasons why we are getting poorer.

I will just mention with respect to fiscal targets that I'm very old-fashioned. I think that, as in the C.D. Howe Institute, we're a not-for-profit. What do we aim for on the bottom line? You don't aim for a deficit. As soon as you've gone below zero, it means that people aren't taking the money as seriously. You don't have to justify an extra dollar here with what you would cut somewhere else.

I think that running deficits all the time really undermines budgetary discipline, and I think it's one of the reasons we've seen such big spending increases—without much for it in many cases. The CRA has increased its head count enormously. Are they better at processing our taxes than they were? They're not.

● (1755)

The Chair: Thank you, MP Hallan.

This will be our final questioner. It will be MP Dzerowicz for the last five minutes.

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

I want to thank all of our witnesses again for coming out today.

I just want to start off, Mr. Chair, for two seconds to say I'm very disappointed by Mr. Hallan's new motion. I think it misrepresented what the governor was trying to do. I think he was trying to not respond to any policy decisions, but I think he was very fair in his testimony.

I'll also add to some of the comments that Mr. Sorbara mentioned around our economy.

Mr. Robson, I read a lot of your stuff and agree with some of it. I will say to you that the productivity issues that we've had are not just over the last 10 years. They've been over the last 30 years, at least. We have a lot of work to do. Unlike what my Conservative colleagues are saying, I don't believe everything's perfect in our Canadian economy.

I will say that it's really important to highlight that, over the last 10 years, we've had to grapple with a massive pandemic. We've had huge geopolitical changes. We have two wars going on. We have continuing impact on global supply chains. We have climate change that's under way. All of that is impacting all economies, and I would say that most economies are still recovering after the pandemic.

In fact, Canada is actually doing far better than most in terms of jobs, in terms of growth and in terms of our debt levels. It doesn't mean that we don't have a lot to do and that we don't have some challenges.

I have question for maybe Mr. Mueller.

One thing you mentioned was around SR and ED. If you had one recommendation that would be helpful to the aerospace sector or one change that we can make to SR and ED that would be helpful, what would it be?

Mr. Mike Mueller: I would say maintain it. There's a lot of talk going on right now of reviewing it. It's incredibly important to maintain that program for our industry. Maintain it.

Ms. Julie Dzerowicz: Thank you.

I would say, though, that I hear a lot from Canadian innovators and smaller companies. They say that a lot of it goes to more multinational and foreign companies as opposed to Canadian companies. I think that is something we need to look at.

Mr. Robson, I know that there's been a lot of talk today about interprovincial trade barriers. I've had a motion before this committee, both in the last session and in this session, and no one's agreed to actually look at it.

Interprovincial trade barriers are a massive undertaking. One of the key recommendations that has come before this committee is for us to actually begin by creating a registry that's very transparent on what the interprovincial trade barriers are, so that we could start from a transparent perspective to see what the list is and then start to tackle it.

Would you agree that this is a good next step to start tackling interprovincial trade barriers?

Mr. William Robson: One comment that I often hear about interprovincial trade barriers is that it's the nitty-gritty, tiny details like the specs for fire extinguishers on trucks, axle weights and so on. This just makes it an unattractive thing to tackle.

My response is that this is where the payoff is. For the federal government to take the lead when it comes to compiling the information, sharing the information and then of course using its power to lean in sounds like a good idea. I don't know the specific proposal you're referring to, but I do want to underline that some of this work is not very glamorous. Some of it is very technical, but that's the level on which you need to proceed if you really want to make headway in this area.

The federal government can look at its own measures that sometimes fragment the internal market. It'll often follow provincial rules that it doesn't need to follow. Supply management came up earlier. There, you have a fragmentation of the internal market that the federal government supports. I know that's a very delicate one.

The federal government itself can do a number of things. Anything that helps us through that massive technical detail, I think, has to be helpful.

Ms. Julie Dzerowicz: Do you think a registry would be very helpful?

Mr. William Robson: I don't know the specifics of that proposal, but on the basis of what I understand from what you've said so far, it does sound like a good idea.

Thank you.

Ms. Julie Dzerowicz: Yes, this is definitely not a trick question.

I will tell you, I was meeting with Fertilizer Canada, which said that the truck weight limits are different in every single province in this country and that causes them difficulty in terms of moving across our country, as opposed to sending things to the United States. On top of that, if you have a truck going between Quebec and Ontario, you actually have to change your tires because the width limits are different in Quebec than they are in Ontario.

Those are just two of the insane things that we have under way here. I think that with a simple registry that actually starts outlining not only the regulatory issues but I'd also say the interprovincial trade barriers that are stopping us, that transparency will actually move us to some immediate action.

Thank you so much, Mr. Chair.

● (1800)

The Chair: Thank you, MP Dzerowicz. We feel your passion for productivity and those interprovincial trade barriers. We hear it all the time here.

We had a couple of special guests here today. PS Peter Fragiskatos and MP Earl Dreeshen were with us. I'm sorry. We also had MP Scot Davidson.

On behalf of our entire finance committee, I want to thank our excellent expert witnesses who came before us with their testimony for this pre-budget consultation in advance of budget 2025. We thank you very much and wish you all the best with the rest of your evening.

We're adjourned.