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# Standing Committee on Industry and Technology

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Chair: Mr. Joël Lightbound





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Thursday, October 31, 2024

• (0820)

[*Translation*]

**The Chair (Mr. Joël Lightbound (Louis-Hébert, Lib.)):** I call this meeting to order.

Good afternoon, everyone.

Happy Halloween.

Welcome to meeting number 143 of the House of Commons Standing Committee on Industry and Technology.

Before we begin, I would like to invite all participants here in Ottawa to review the guidelines for best practices for earpieces and microphones to prevent audio feedback incidents. The purpose of these directives is to protect the health and safety of everyone, but especially of our interpreters, whom we thank for their work.

Pursuant to the motion adopted on Thursday, September 19, 2024, the committee is resuming its study of credit card practices and regulations in Canada.

Today, we are pleased to welcome our witnesses.

From Agri-Food Analytics Lab, we have Sylvain Charlebois, senior director, who is here in person. He's also a professor at Dalhousie University. Mr. Charlebois is accompanied by Samantha Taylor, senior instructor of accountancy and information sciences at Dalhousie University. Thank you for joining us.

From the Office of the Superintendent of Bankruptcy, we have Superintendent Elisabeth Lang joining us by video conference. I would also like to thank her for being with us so early on this Thursday morning.

You each have five minutes for your opening remarks.

Without further ado, I give the floor to Mr. Charlebois.

[*English*]

**Dr. Sylvain Charlebois (Senior Director, Agri-Food Analytics Lab and Professor, Dalhousie University, Agri-Food Analytics Lab):** Thank you very much for inviting us this morning.

I am accompanied by my colleague, Samantha Taylor, who is an expert in accounting, which is not my area of expertise. I haven't done a whole lot of research on credit cards in my career, so I thought that Ms. Taylor's presence would be appropriate for this testimony.

The expansion of buy now, pay later options in Canada, notably through platforms like Apple Pay and providers such as Klarna, has

implications for consumers who may already be facing financial strain. Though current regulations don't address BNPL for essential items like food, I would recommend restricting BNPL credit options specifically for grocery and food purchases either directly at the point of sale or indirectly through digital payment intermediaries. Such a measure could help prevent Canadians from incurring additional debt on essential items.

While I have reviewed key government resources, including the code of conduct for the payment card industry in Canada and the Financial Consumer Agency of Canada Act, there appear to be no existing restrictions on using BNPL for groceries or restaurant purchases, underscoring the need for action in this area.

In addition, social media's influence on consumer perceptions cannot be underestimated. Generation Z and millennials increasingly rely on social media for news consumption, diverging from older generations who prefer traditional media like print and radio. That really affects their behaviour.

Of concern, we've seen campaigns promoting grocery boycotts and even social encouragement for shoplifting. To address the potential influence of bots and coordinated misinformation, which may disproportionately affect younger Canadians, I recommend considering requiring social media platforms to implement a verification system for users on online platforms to prevent manipulation of Canadian consumers by automated accounts.

Additionally, agencies like the Financial Consumer Agency of Canada can use social media to share credible, engaging content such as short videos, boosting financial literacy where younger Canadians are most active. I do want to underscore the fact that financial literacy is a big issue in Canada right now.

At this point, I'd like to pass it to my colleague, Samantha Taylor, for the remainder of our opening remarks.

**Ms. Samantha Taylor (Senior Instructor of Accountancy and Information Science, Dalhousie University, Agri-Food Analytics Lab):** Thank you, Sylvain.

Thank you, Chair and distinguished committee members. I am Samantha Taylor, and I am here to offer insights about financial technology, social influence and food security.

Buy now, pay later, or BNPL, is becoming increasingly popular in Canada, offered through platforms like Apple Pay and Klarna. It appears that current regulations do not prevent consumers from using such mechanisms to purchase food. With these additional credit offerings, Canadians may be inadvertently increasing their consumer debt.

To address this, I recommend introducing regulations to prevent the use of BNPL for food items and, possibly, restaurant purchases either directly or indirectly through third-party platforms.

Next, I'd like to discuss social media influencers and their effect on consumer behaviour and perception of food security.

Campaigns by influencers, even with positive intent, can lead to price volatility or encourage illegal activities like shoplifting.

Further, generation Z and millennials are more likely to consume news online, especially via social media, as compared to older generations. Notably, generation Z is just as likely to trust news from social media and professional journalists versus older generations who prefer professional journalism. To counteract this, I propose exploring user verification measures for social media platforms operating in Canada. This could prevent autonomous accounts, or bots, which can drive misinformation campaigns.

Additionally, I recommend that agencies like the Financial Consumer Agency of Canada consider mobilizing their content via social media to meet younger Canadians where they are.

Lastly, a greater number of Canadian consumers are ordering and paying for groceries online. I recommend considering the introduction of restrictions against online grocers saving consumer credit card information to protect them from data breaches.

By proactively addressing these technological and financial risks, we can better support Canadian consumers in managing their finances and ensuring stable access to food.

I look forward to discussing these recommendations in detail.

Thank you.

• (0825)

[*Translation*]

**The Chair:** Thank you very much.

I now give the floor to the superintendent of the Office of the Superintendent of Bankruptcy, Ms. Lang.

Ms. Lang, you have the floor.

[*English*]

**Ms. Elisabeth Lang (Superintendent, Office of the Superintendent of Bankruptcy):** Chair and honourable members, thank you for the invitation to appear as a witness today.

I will deliver my remarks in English in order to avoid any technical difficulties.

Today, I will provide a brief overview of the insolvency system in Canada and I'll touch on some information and data that I thought might be of interest to you in relation to the current study.

Then I will be happy to answer any questions you have, in the language of your choice.

Before I begin, I'd like to share an important perspective regarding policy challenges and insolvency.

Policy challenges generally don't originate in insolvency laws. They have a light shone on them via an insolvency, but the problems almost always lie elsewhere and should be addressed at their root. Trying to fix problems in insolvency is ineffective for the core problem and can upset the delicate balance that is necessary for an effective insolvency system and/or can negatively impact credit in general. Trying to fix problems in insolvency is like trying to save a plant by addressing the flowers only. If you do that, both the flowers and the plant will die.

Turning briefly to an overview of the insolvency system and my office, for context purposes, a well functioning insolvency system is a key pillar of the economy. It helps promote investment and creditor confidence in the Canadian marketplace and allows honest but unfortunate debtors a fresh financial start.

As superintendent, which is a Governor in Council appointee, I have statutory duties and authorities that I carry out at arm's length to the government, which help to ensure that the Canadian insolvency system continues to operate as intended. My office is responsible for overseeing all aspects of the Bankruptcy and Insolvency Act, as well as certain aspects of the Companies' Creditors Arrangement Act. I license and regulate the insolvency profession, ensure an efficient and effective regulatory framework, supervise stakeholder compliance, and maintain public records and statistics.

I also have directive-making power that enables me to provide additional direction on the legal requirements of the BIA. My office has the lead on regulatory changes, while the Minister of Industry has responsibility for insolvency legislation. We work closely with the department to try ensure that operational realities are considered in any policy changes.

The OSB, as a vote net organization, is almost entirely funded by stakeholders, whereby levies and fees cover almost all of our direct and indirect costs, with only a small appropriation. In addition to the OSB, key players in the insolvency system include licensed insolvency trustees, debtors, creditors and provincial courts. Stakeholders in the insolvency system have rights and responsibilities and can be subject to consequences if they fail to fulfill their duties.

I want to note that there has been a lot of attention paid to insolvency trends and the increased number of filings of late. To put that in context, we have not yet seen consumer insolvency filings reach the number we saw prior to the pandemic. In 2019, there were just over 137,000 consumer insolvency filings. The numbers dropped significantly during the pandemic lockdowns and have only more recently been rising. In 2023, for example, there were just over 123,000 consumer insolvency filings.

It is worth noting that we saw the highest number of filings in 2009 during the recession, when we saw over 151,000 consumer insolvency filings, with a note that Canada's population has grown since then.

It is also worth mentioning that in 2023, almost 79% of those filings were consumer proposals, which is an option that allows debtors to retain their assets and pay an amount agreed upon by their creditors, usually over a period of time. Consumer bankruptcies are only occurring in about 21% of the cases and are more likely to be an option for debtors who have little or no ability to repay the amounts owing.

On the business insolvency side, we have seen filings increase steadily since the lows in 2021 and 2022. In 2023, there were 4,810 business filings, which is the highest number since 2011, but it's still not as high as the filing numbers seen in 2008, 2009 and 2010, following the recession.

My office's role with respect to credit card practices and regulations is limited, as an insolvency occurs at the end of the lending cycle and only a small fraction of credit card holders in Canada file an insolvency each year. However, we do collect insolvency data and I thought I could share a few relevant data points.

Debtors have to report all liabilities on their statement of affairs at the start of any insolvency, including any credit card debt. In 2023, 87% of insolvent consumers reported at least one credit card in their liability, with an average amount owing of just under \$18,000. This is pretty comparable to 2019, prior to the pandemic, when we saw 89% with one credit card, with debt averaging close to \$20,000.

- (0830)

On the reasons for financial difficulty, this is an open text field, so it's not perfect for providing data, but what we can see is that in 2023, around 0.79% of those filing bankruptcies and proposals self-reported that credit cards were the reason for their financial difficulties, which is about the same as in 2019, when it was 0.95%.

On bankruptcies, we also collect the licensed insolvency trustees' perspective on the cause of bankruptcy at the end of the bankruptcy. In that case, overextension of credit was reported as a cause of bankruptcy in 11.68% of consumer bankruptcies.

On demographics, consumers aged 35 to 49 made up 37.5% of insolvency filings in 2023, which is about the same as in 2019. This is the largest percentage share of all age groups.

I'll conclude by highlighting two last things.

First, consumer debtors in Canada are required to participate in two insolvency counselling sessions in accordance with standards

established by my office. These sessions are supported by an online curriculum and are designed to promote debtor rehabilitation in support of a fresh financial start. One of the modules deals with the responsible use of credit and covers topics like borrowing and managing the use of credit and debt.

Finally, my office has been working hard in collaboration with partners to provide helpful information to debtors so that they can make the best choices to deal with their debt. We publish an online "Consumed by debt?" brochure in 13 languages. We have an online debt solutions portal and an AI-empowered debt questionnaire. We have issued consumer alerts and we have been undertaking multiple social media campaigns to get the word out to consumers.

This concludes my opening remarks. Thank you once again for the invitation to be here today.

**The Chair:** Thank you very much, Madame Lang, for this very interesting and thorough presentation. We appreciate it.

Now, to start the discussion, we'll turn the mic over to Mr. Perkins for six minutes.

**Mr. Rick Perkins (South Shore—St. Margarets, CPC):** Thank you, Mr. Chair.

Thank you, witnesses.

In particular, it's always great to see a fellow Nova Scotian here before a parliamentary committee. Professor Charlebois, thank you for coming and for coming in person.

Maybe I can start with you. Professor, we know we have record food bank usage in Canada. Over 2 million people a month are using food banks, which is a level we haven't seen in decades. We also know that credit card debt in Canada has increased about \$30 billion since 2015, which is a per capita increase of credit card debt of about 20% since then. In any given month, we know that roughly half of Canadians don't pay off their credit card debt. That's according to the Bank of Canada.

A recent poll by Harris done this year, in 2024, found that the reason people have changed their credit card habits as debt has increased is that the prices of goods and services have gone higher. In essence, people are using credit cards to pay for everyday purchases, according to this, like food and things you would normally not use credit for.

I know we've talked about the cost of living as having an impact on the issue of rising credit card debt, with food being a part of that as people are using credit cards to buy food. The basket of food that Canadians purchased for \$100 in April 2021 now costs about \$121. That is why people are feeling the pinch.

I'd like you to comment, if you could, a bit about about how much the carbon tax is impacting that increasing food pricing, which is increasing the use of credit cards to purchase food and, therefore, credit card debt.

● (0835)

**Dr. Sylvain Charlebois:** I've actually addressed this issue several times during my visits to Ottawa. Fully measuring the impact of the carbon tax on retail prices is extremely difficult to do, which is why our lab has focused more on wholesale prices and up the food chain. We have always believed that the carbon tax may impact our agri-food sector's competitiveness, because retail prices can be affected by several factors, including promotions, consumer behaviour and the weather. A lot of things can impact prices, especially with dynamic pricing coming in with AI. We're seeing more prices fluctuate on an hourly basis now, so it's hard to correlate a policy affecting the entire supply chain with retail prices.

However, one of the policies pushing prices higher is taxes at the retail level, and I have advocated for the elimination of all taxes on many food products. Because of shrinkflation, there's an increasing number of products that are being taxed at retail, and many of them are healthy options. In the Food Banks Canada report this week, entitled "Hunger Count 2024", it was suggested that retail sales be eliminated, and I support that.

**Mr. Rick Perkins:** As a person who, before entering elected office, spent 20 years in retail, I know a bit about what does push up the price, both at a retailer pace and then at how it's priced in. One of the things I know from that business is that when you actually put a tax on the production of that food product, which happens when it requires energy and other things to produce that product, the carbon tax increases that production cost. Then everything has to be shipped. One of the most expensive parts of selling things at retail is actually the transportation of the goods. When you increase the tax on fuel with a plan of up to 61 cents—to quadruple the carbon tax—that increases, obviously, food costs. All those things increase the price that the retailer has to pay, and then the retailer has to pay tax—obviously, the carbon tax—on the energy and other aspects of running their retail store network.

Doesn't that all compound and create higher food costs for people, which then cause financial stress?

**Dr. Sylvain Charlebois:** If you look at wholesale prices and retail prices in Canada versus, say, the U.S., you will see that the gap is incredibly narrow. There's just no room. Wholesale prices have increased almost 40% more than American wholesale prices in the last five years. I'm talking about food here. In the United States, when you look at Kroger, Albertsons or even Walmart—its food division—you see that this gap is significantly higher, so when wholesale prices go up, they do have some room. In Canada, most grocers.... I know that a lot of people like to blame grocers for exaggerating and profiteering, but we just don't see the evidence. When wholesale prices go up, for a variety of reasons—perhaps the

carbon tax may be part of that equation—grocers have no other choice but to push prices higher to protect margins.

**Mr. Rick Perkins:** Thank you.

I'd like to ask our online witness a question on bankruptcy.

In your opening, you mentioned, Ms. Lang, that the extension of credit is the number one reason cited in a lot of insolvency. One of the things that we've questioned the banking and other witnesses here for the credit card study about is that they provide other options if people get overextended on their credit card debt. Usually that means transferring them to a line of credit. When some of us have pushed and asked what they do with the credit card, obviously they don't eliminate the credit card. When you see these bankruptcies, do you see a combination of growing personal line-of-credit debt combined with growing credit card debt?

**Ms. Elisabeth Lang:** To clarify, I think what my opening suggested is that the cause of bankruptcy being connected to credit cards is actually a very low percentage; it's under 1% of cases. Note at the same time that this is not perfect data. It's an open text field that's answered by the debtor and completed by the licensed insolvency trustee. The number one cause that we've seen is loss of income. The number two cause is medical reasons.

To answer your question about credit cards, lines of credit and the various types of credit, we would have to go back to our data to see if we can help answer that question. It's a bit complex because these are not closed text fields. However, I could see what I could provide, if you'd like.

● (0840)

**Mr. Rick Perkins:** Professor Charlebois, we're seeing some very disturbing things around millennials.

Actually, maybe this is more appropriate for Ms. Lang.

In the credit card debt issues that we're seeing, according to a poll of Harris, millennials and generation X are the ones who are seeing the highest increase in stress—financial stress—and credit card debt. These are rising faster for them than for others, presumably because of mortgages and the increasing cost of mortgages and rent.

Have you yourself seen any particular trends around those issues that are reflected in the Harris poll about the connection with regard to age, demographics, mortgages and credit card debt?

**Ms. Elisabeth Lang:** The last data I saw suggested that under 20% of people who file for insolvency actually own a home. We'll keep a close eye to see if that changes. That may, with the current interest rates. In 2023, the age 18 to 34 demographic was 26.5% of the filings, and it actually decreased from 2022. I haven't looked at the 2024 trend yet, but it's usually in that 26% range.

[Translation]

**The Chair:** Thank you very much, Mr. Perkins.

Mr. Arya, you have the floor.

[English]

**Mr. Chandra Arya (Nepean, Lib.):** Thanks, Chair.

Ms. Lang, your testimony is actually an eye-opener for me. I was not aware of a lot of things that you mentioned in your opening remarks. Please do send us the trend in insolvencies and bankruptcies for the period of the last five to 10 years if you can, so that we can appreciate.... You brought up a lot of numbers. Reading it will be much easier to comprehend than listening to it.

One thing I should say is that I really like the funding model of your agency. Usually, whenever witnesses come from various agencies, the first thing they say is that they need more funds, so I'm glad to see that you are meeting your requirements through your own sources, which is a good thing. I have a couple of questions for you, if time permits, but I will come back to you later.

Professor Charlebois and Ms. Taylor, on this buy now, pay later, you mentioned that it incurs additional debt for consumers. How many consumers, and what percentage of consumers do you think are incurring unreasonable amounts of additional debt due to this BNPL?

**Ms. Samantha Taylor:** It's really too early to tell.

First off, I just want to ask, on buy now, pay later, are we all somewhat—

**Mr. Chandra Arya:** One minute, don't you have evidence? Professor Charlebois, while answering previous questions from a colleague, mentioned several times what he saw and did not see in evidence, etc. Do you have any evidence that consumers...and, if so, how many consumers are getting into problems due to this particular scheme?

**Ms. Samantha Taylor:** The latest evidence here is that 20% of U.K. cards have one BNPL data on it. Disproportionately, 84% of the overall transactions are...ages 18 to 49. Now, I state U.K. data because that is the only data that's available right now. It's emerging from a 2023 study.

**Mr. Chandra Arya:** However, that data doesn't say that...18 to 49 are incurring debt more than what they require. My problem is that, when people come and propose that we need to pass new legislation or regulations—just to safeguard the interest of, say, 5% or 10% who are incurring—we are creating red tape that affects 90% of consumers.

While the regulations for us sound good and it looks great that we are trying to regulate, we are trying to manage the affairs of individual Canadians: That is a nanny state. My thing is that, please, when you propose new regulations, you have to come out with a

study that shows how regulation helps the people, the number of people it helps and how it does not create red tape for the other people.

**Ms. Samantha Taylor:** I appreciate that, and I really wish we had the data. This—

**Mr. Chandra Arya:** Then, without data, you are recommending that we bring in regulation. That is the problem I have here.

• (0845)

**Ms. Samantha Taylor:** Sir, I'm suggesting that we look at leading indicators that suggest this is an emerging field that can cause compounding debt later down the line.

**Mr. Chandra Arya:** In emerging fields we don't know whether the effects are a good, bad or a clean technology. Like AI, if you listen to one portion of the people, they say, "Oh, my God, AI is going to destroy everything." There's another set of people who say that AI is going to improve the lives of Canadians and other people around the world. However, just because something is emerging, we are not sure.

Certainly I respect you because of the organization you come from. You're educated people. When you speak, we policy-makers have to listen, but my thing is that you started with a proposal to bring in regulation. That is the issue I have here.

**Dr. Sylvain Charlebois:** I appreciate the question. We came here today to propose ideas. Now, these ideas are likely deserving of more exploration and research. We don't have the data, and I think we should have the data. These new technologies are making money invisible and, when money is invisible, the younger generations in particular—and the research is suggesting that—don't necessarily understand how they're spending their money and how much trouble they're getting into very quickly.

**Mr. Chandra Arya:** I agree with what you started saying, that you are coming with ideas. That is exactly what we need. What I am concerned about is that you started with, "You have to bring in regulation." It's something new. It's making it invisible. Everything is invisible now. I am spending more because it is very easy to spend online. Anyway....

**Dr. Sylvain Charlebois:** You're implying that we're asking for more regulations.

**Mr. Chandra Arya:** You stated that you want regulation.

**Dr. Sylvain Charlebois:** That doesn't necessarily mean that's the outcome we're actually going to be looking for. There are probably other options that we actually could entertain as well.

**Mr. Chandra Arya:** Yes. As and when the evidence comes, please do come. We need to know. It is also our responsibility to look into this and to instigate reports like this. The committee can do a study on understanding this particular problem more and gathering more evidence. The committee can suggest that the government bring in necessary legislation or regulations or whatever it is. I was concerned. Organizations and people like you coming in and asking directly to bring in new regulations is a problem for me.

Ms. Lang, you did mention that the bankruptcies and insolvencies have not gone back to pre-pandemic levels. I did hear you also mention this compared to the level of bankruptcies in 2009 during the financial collapse. How do the current numbers compare with the numbers then?

**Ms. Elisabeth Lang:** We haven't yet reached the numbers then, either on the consumer insolvency side or on the business insolvency side, in spite of the fact that the population is continuing to grow.

**Mr. Chandra Arya:** The rhetoric we've heard, even from other witnesses today—"Oh my God, people are getting too much debt, they're getting into problems, we'll have to protect them, we'll have to bring in new regulations", etc.—I think is somewhat misplaced, in my view. What do you think?

**Ms. Elisabeth Lang:** I think that insolvency numbers do not suggest the need for that.

Do we have consumer spending issues? Do we need better financial literacy? I would say probably yes.

One worry I have is whether there is a proportion of the population that is, as I say, too poor to go bankrupt, given the costs to file an insolvency. That's a worry for me.

**Mr. Chandra Arya:** I agree with you that literacy is the best tool. Education is the best tool.

Thank you.

**The Chair:** I have a quick question, Madam Lang.

You've just mentioned being too poor to go bankrupt. What's the average cost to file bankruptcy?

**Ms. Elisabeth Lang:** The average cost that we hear about for a straight bankruptcy—this is for the lowest-income Canadians—would be about \$1,800.

**The Chair:** Thank you.

[Translation]

Mr. Garon, you have the floor.

**Mr. Jean-Denis Garon (Mirabel, BQ):** Thank you, Mr. Chair.

I'd like to thank all our guests for being here, both in person and remotely. We are grateful to them, despite the technical problems.

I'm going to follow up on my Liberal colleague's question about buying now and paying later.

The purpose of our study is to examine the behaviour of credit card companies, to assess whether consumers fully understand the ins and outs of the financial products they use, and so on. The committee has, of course, heard from representatives of the banks and a

number of companies. Clearly, there are vulnerable consumers in this market. Personally, I don't doubt that. However, I admit being surprised to hear the testimony about the "buy now, pay later" model.

I sometimes see that on offer when I go to a furniture store—the possibility of paying in 36 instalments. The same holds true for ceramic tiles and a central vacuum cleaner, but let's stick to your area of expertise. Let's talk about the possibility of eating now and paying later.

When I do my groceries at the IGA in Saint-Janvier, on Curé-Labelle Boulevard in my riding, I use the automated checkout. The system has never offered me the option of paying later. You have to choose between about 42 options—you're asked whether you have premium cards, whether you have this or that, or whether you want to make a donation.

However, I've never been offered the option of paying for my can of beans in 36 instalments.

Can you tell us what grocery chains do offer that option in Canada?

• (0850)

**Dr. Sylvain Charlebois:** It's all the grocery stores. Ultimately, it's an app that's used.

I'll turn it over to Ms. Taylor to add more.

**Mr. Jean-Denis Garon:** I'm going to clarify the question, since you answered it.

You're saying it's an app. The committee heard from a representative of Fintechs Canada, who clearly told us that they absolutely opposed any regulation, or at least wanted almost none.

Does this mean that fintech apps can make consumers even more vulnerable by offering options that credit cards don't offer? That could become the important issue.

**Dr. Sylvain Charlebois:** Yes. It has become extremely easy to spend, with all the technologies out there. All the chains accept all kinds of payments. With new technologies on the market, there's obviously the option of eating or buying now and paying later—

**Mr. Jean-Denis Garon:** You're saying we don't have enough data to do research on the subject.

**Dr. Sylvain Charlebois:** Absolutely.

I'll ask Ms. Taylor to comment on that.

[English]

**Ms. Samantha Taylor:** To clarify, there are emerging deals.



For example, Klarna announced that they will be joining with Apple Pay. When I talk about considering “direct” or “indirect”, whether or not it's directly that you click Klarna or another After-pay.... I know for myself that when booking the flight to come here, I saw Uplift, which was a new feature that I never noticed before. It was to pay in four installments, except that this wasn't four installments of my bill divided by four. It was grossed-up and then a bill to be paid.

[Translation]

**Mr. Jean-Denis Garon:** The answer is interesting, because we heard from a Fintechs Canada representative, who told us that the problem stems from credit card issuers. He was basically saying that they themselves were simply customer service manufacturers. When we draft the committee's report, I think we'll have to look at the issue of fintechs offering these payment options, particularly for food.

I will now turn to Superintendent Lang, from the Office of the Superintendent of Bankruptcy, since time is short.

When credit cards are used as a financial tool to borrow over the longer term, they strike me as toxic credit tools.

The Office de la protection du consommateur au Québec, or OPC, considers a 35% interest rate to be usurious. As a result, to exceed the 23% or 24% rates on some credit cards, you almost have to do business with organized crime. That means that we really find ourselves at the top of the rate range.

For my part, I note that banks advertise credit cards far more than all the other products that could better suit clients, including personal loans at a preferential rate, plus 1%, lines of credit at lower interest rates, and so on. That's not a scientific observation; it's just an observation.

Here is my question.

For certain toxic substances, such as alcohol, lotteries and cigarettes, there are mandatory education programs to accompany these products.

Shouldn't we have strong warnings about credit card offers? Shouldn't we also, in a way, require banks and issuers to offer other less expensive products to their customers, if these are tools used to borrow over the longer term?

**Ms. Elisabeth Lang:** Thank you for your question.

If I may, I will answer you in English, to ensure that I provide an accurate, complete and comprehensive answer with all the necessary nuances.

[English]

That's a bit outside of my wheelhouse, to speak to what banks should offer.

What I can tell you from our experience and the complaints we receive, high-interest creditors can be very aggressive, both in their marketing and collection behaviour, including ignoring the stay of proceedings that happens when you file an insolvency. In some cases, they are so aggressive that people have been fired from their

jobs, because they've received calls every minute from these collectors. In some cases, these people are outside of Canada, mind you.

However, my opinion, personally, going outside of my wheelhouse, would be that there is a need for access to low-cost borrowing for some of these Canadians. If people need to buy now and pay later for food, that might tell you something about their ability to buy food, right? To me, that's a bigger policy question.

• (0855)

[Translation]

**Mr. Jean-Denis Garon:** Obviously, you're saying that the question I asked goes somewhat beyond your mandate. I agree, but the fact remains that if people had better literacy or financial awareness, it would make your job easier, because you would have less work to do. In all honesty—not that we don't like you—but we would like you to have less work. I suspect you agree.

Take cigarettes, for example. Tobacco companies are required to take part in raising awareness. Cigarette packages are marked with a statement explaining that there are significant health hazards.

In your opinion, to what extent should banks and credit card issuers themselves be part of the consumer education effort?

[English]

**Ms. Elisabeth Lang:** Speaking to some of my international colleagues in Australia, for example, I believe the option that might be worth considering is an interest test, where lenders have to consider whether a product is in the best interests of the borrowers.

[Translation]

**The Chair:** Thank you, Mr. Garon.

I would like to ask Ms. Lang a brief question about what she just said.

How does this tool work in Australia? Is it something that has been implemented?

I will continue along the same lines. Should we consider what other countries are doing, the ones with the same ideas as what Mr. Garon is proposing; in other words, relatively clear advertisements about the risks these financial products entail?

[English]

**Ms. Elisabeth Lang:** Certainly, speaking with my colleagues, Australia stands out to me. There was a Hayne royal commission. It's a version of what you're doing here at this committee, but much more extensive. It has had a lasting effect on creditor behaviour in Australia, from what I understand.

[Translation]

**The Chair:** Thank you very much, Ms. Lang.

Mr. Masse, you have the floor.

[English]

**Mr. Brian Masse (Windsor West, NDP):** Thank you, Mr. Chair.

Thank you for the good questions, Mr. Garon.

It's interesting. We talk about labelling on cigarettes and other things, but my credit card has an inducement to use it more for getting points. There is advertising on my credit card to do that. One of the recommendations I am thinking about is a warning label on credit cards that reminds us about debt, or something like that—some message you can pull out for financial literacy, because, really, it has shifted to trying to induce us. I really appreciated Mr. Garon's questioning. I'm interested in that Australian study, too.

Ms. Lang, maybe it's because I'm left-handed—so I see things differently and have to operate in this world differently than most people do—but it seems—

Mr. Badawey is making fun of me, which is fine.

**Voices:** Oh, oh!

**Mr. Brian Masse:** There's a notion about credit cards causing bankruptcy. When I talk to small retailers and other people, they don't view the credit card as having caused the bankruptcy. However, it's part of their bankruptcy. They got into debt, their business model wasn't working, they extended themselves too much or, sadly, like you noted, they got sick or lost a job. They don't view the credit card as the reason why they're in debt. However, you mentioned these are 87% to 89% of bankruptcy costs.

What do you think about that perspective, in the sense that it may not be the thing that triggers it, but it's the cumulative part later on that is noted as part of the bankruptcy? That seems like a high number. If everybody going bankrupt has a credit card, it seems to me that's part of the problem. It's not the solution to the equation for the person.

**Ms. Elisabeth Lang:** First, let me reiterate the idea that the “causes of bankruptcy” field in our data is not a perfect field. It's an open text. It's a self-reflection.

Secondly, I almost think 86% is low. I don't know many people over the age of 18 who don't have credit cards these days.

It's difficult for me to answer whether it's a cause. It is often there, but it's difficult to say that it's surprising.

**Mr. Brian Masse:** Does your data say what types of credit cards people have, and the interest rates? Is that part of the problem we're...? One of the reasons I brought this up in the committee is that you have grocery stores and furniture stores now with 30% credit cards. The lack of competition in the sector has been noted here. A lot of them are at 20%, and so on and so forth.

Do you have any data on what cards and percentages of interest rate bankrupt people are paying?

• (0900)

**Ms. Elisabeth Lang:** The creditor field is also an open-text field. We would have to search by creditor name.

What is reported to my office is the total amount of debt owing, not the breakdown of the interest on principal and any additional

fees. I'm not sure if that's something licensed insolvency trustees get with the proofs of claim that have to be submitted. They may get some, but not all. It could be somewhat inconsistent in terms of reporting.

**Mr. Brian Masse:** It's odd that we can't seem to get a lot of that information, as well as the net income the companies are making. Meanwhile, the difference between a 10%-compounded interest rate and 20% is quite significant. It's almost shocking to me that nobody gathers any of that data, even in the field of bankruptcy, because there could be solutions for that.

I'll now move over to our other guests here. I only have a few more minutes to go in this one.

Buy now, pay later really is the definition of a credit card. What would you say to the credit card industry that argues, “Well, we already have that. That's already us. Why not let these others into the same market? Wouldn't that be limiting competition?” I agree, by the way. Nobody should have to use...hoping for funds later on to pay for basic necessities and groceries. That's why we're doing a lot of this.

What would you say to that argument? Is buy now, pay later the definition of a credit card?

**Dr. Sylvain Charlebois:** First of all, that's a great question.

I commend this committee for doing the work you guys are doing, because I think the problem is only going to get worse for a couple of reasons.

One, we just surveyed Canadians about how they pay for food these days. If you look at some of the stats in the last year, 35% of millennials had to borrow money to pay for food. It's 35% for generation X and 46% for generation Z.

The other issue, of course, is—

**Mr. Brian Masse:** Could you answer the question? I'm sorry. That is interesting, but I'm running out of time, and I have one other question for you.

**Dr. Sylvain Charlebois:** Essentially, the issue around...

I'm sorry.

**Mr. Brian Masse:** It's on buy now, pay later and the argument that could be used against new fields entering into that. That is actually a credit card.

**Dr. Sylvain Charlebois:** It is, yes. Absolutely.

**Mr. Brian Masse:** Maybe we should be restricting credit card uses for certain types of groceries, or something like that, or identifying those purchases, because people are using a credit card because they can't...or don't have to pay for it until their next paycheque comes in.

**Dr. Sylvain Charlebois:** My advice would be to make sure they are aware of the risks of using a credit card when paying for food.

**Mr. Brian Masse:** I know I'm almost out of time here, but what would you feel about a policy that limited interest on credit cards and lenders when people use them for groceries? It would be a tiering of that. I mean, there's a big difference between using my credit card to pay for a baseball game, football game, or something like that, but if you're using a credit card for milk, bread, rice.... What about restricting buy now, pay later fees and margins on that from the credit card agencies and others?

**Dr. Sylvain Charlebois:** In my view, food is different, and therefore, some of the policies should be different as well.

**Mr. Brian Masse:** Is that yes?

**Dr. Sylvain Charlebois:** Yes, that would be yes.

**Mr. Brian Masse:** Okay, thank you.

I appreciate the extra time, and thank you for that.

**The Chair:** Thank you, Mr. Masse.

Mr. Patzer, the floor is yours for about five minutes.

**Mr. Jeremy Patzer (Cypress Hills—Grasslands, CPC):** Thank you, Chair.

There was a comment you made about age demographics and who is borrowing money to pay for food. Do you want to quickly expand on that? Would you have a report that you could table with us on that?

**Dr. Sylvain Charlebois:** Yes. This report was made public three weeks ago. It's called the "Canadian Food Sentiment Index". It goes over many different things. We assess values, beliefs, behaviour and debt, as well.

**Mr. Jeremy Patzer:** Can you table that with this committee?

**Dr. Sylvain Charlebois:** Yes. It's on our website, so we can send it to you.

**Mr. Jeremy Patzer:** Yes, please send it to us. Just because it's on the website doesn't mean it'll get into the.... If you could table it with the committee, I'd appreciate that. I think it provides some valuable insight.

You talk a lot about how taxes should be removed from the purchase of groceries. Can you elaborate on that a bit more? What specifically are we talking about? What taxes are we talking about?

**Dr. Sylvain Charlebois:** It's often referred to as the snack tax.

When you walk into a grocery store, there are about 4,600 products that are taxable. Most Canadians actually don't realize that.

There's one province in the country that is looking into making sure that people are aware of what's taxable when they visit a grocery store, and that would be Quebec with Bill 72. I testified in Quebec a few weeks ago about this bill, and I was very supportive of what they were trying to do. It's transparency in the aisles, telling consumers what is taxable and what is not. Most people don't look at their receipts.

The biggest issue with taxation, as far as I'm concerned, with CRA rules, is that there is an increasing number of products that are now taxable that weren't before. Granola bars is a good example. If you have six bars in a box, that's not taxable, but if there are five bars, it becomes taxable.

• (0905)

**Mr. Jeremy Patzer:** I have three kids, and we go through a lot of granola bars. Just about every single box of granola bars you buy doesn't come with six; it comes with five.

**Dr. Sylvain Charlebois:** That's right, and move on to muffins and ice cream. Ice cream under 500 millilitres is taxable, but over 500 millilitres is not taxable.

A lot of people just don't look at their receipts. For some grocers you need almost a Ph.D. to understand what you've been taxed on. Some of them actually do a better job, but with some of them, it's not clear. You have to go to customer service—I've done that myself—to verify what you're taxed on. In some provinces, it's an extra 15%. It's a lot.

**Mr. Jeremy Patzer:** Wow. Okay.

You had a report back in, I think it was 2023, on when people buy food, how they typically pay. There were four or five different provinces where credit card use was higher than debit card and cash. That's obviously a huge problem. What's leading people to do that?

**Dr. Sylvain Charlebois:** Essentially it's cash flow issues affecting households. When you go to a grocery store, you tend to use whatever means you can, because you need to buy food. It's a necessity of life.

One of the reasons that I think this particular problem is only going to get worse is that the battleground for all grocers right now is loyalty. Because of inflation, people have now grown their portfolio of stores where they buy food. They'll go to dollar stores. They'll go to Giant Tiger. Grocers, the main chains, are fighting. They're trying to get people back into their stores, and the best way to do that is by amplifying loyalty programs through credit. If you use cards, you can get points. That's why I think that combination of loyalty and credit is going to be quite lethal for many, many consumers.

**Mr. Jeremy Patzer:** When I look at food inflation, there are a few products I just wanted to pick your brain about. One of them is infant formula. I think you've talked about this before.

Can you talk a bit about how much inflation on infant formula there has been and what that would mean for a mom or a family?

**Dr. Sylvain Charlebois:** When you look at all grocery items, the one item that has increased the most in the last two years is olive oil at almost 80%, but the second is baby formula, at 57%. The reason we've seen an incredible increase in baby formula prices is that we used to manufacture baby formula in Canada, but now we import it from the U.S., and there were two manufacturers in the U.S. that actually had some issues with food safety: Abbott and Nestlé. We started to import baby formula from Europe for a while, but it really didn't push prices lower, so prices basically just increased.

Now we do have a plant in Kingston, Ontario, manufacturing baby formula. It's called Canada Royal Milk. It's owned by China. It processes Canadian milk, and it now sells formula at \$41 for 900 grams, which is the cheapest baby formula you can find in Canada, but it is a plant owned by China, so right now sales aren't necessarily robust.

**Mr. Jeremy Patzer:** Obviously, today is Halloween, which is an exciting day for a lot of kids. Because of shrinkflation, I've even noticed how much more I'm paying to buy boxes of candy for Halloween, but then I look inside the packages and see how little is actually in there. It's a double whammy when we look at where inflation has hit people and what they're actually getting for value has shrunk. I'm just wondering if you can elaborate on that point a little.

**Dr. Sylvain Charlebois:** Shrinkflation is a strategy. Of course, sugar prices have gone up 24% since May. Cocoa prices have gone up 119% since last Halloween. We were expecting manufacturers to reduce. This year, there's a double-barrelled shrinkflation phenomenon, so you get fewer items per box and you get smaller candies. It's expected, unfortunately.

We have also seen that most categories at the grocery store have been impacted by shrinkflation over the years. We're at the end of a cycle right now because of commodity prices, which are lower, except for meat. We are expecting another wave of shrinkflation probably in a couple of years from now.

● (0910)

**Mr. Jeremy Patzer:** Okay.

If we were to get the federal government to pause the carbon tax, particularly on food production, what benefit would that have for Canadians and also for food prices?

**Dr. Sylvain Charlebois:** That's exactly what I recommended to the finance committee a few months ago: Pause the carbon tax to better understand how the policy is impacting food affordability in Canada. Right now, it is very difficult. As a lab, we've been trying to assess the impact. Unless you have firm-level data, it's practically impossible to assess, but I would suggest pausing it for now to understand, just for the food chain, because right now I do believe it's putting way more pressure on wholesale and retail and making the industry less competitive.

**Mr. Jeremy Patzer:** You said that since 2019, over the last five years, food inflation has risen drastically.

What year was the carbon tax implemented?

**Dr. Sylvain Charlebois:** That was in 2019.

**Mr. Jeremy Patzer:** Okay.

When we look at the way it's going to quadruple in price over the next number of years—just the carbon tax alone—does that not send the wrong signal to consumers, when we have a price on production, transportation and energy, about what that will do long-term to consumers going forward? To me, it's actually quite obvious. I'm from Saskatchewan. We're an agriculture region, but we're also an energy-producing region, so we have the two main components right there.

I see it first-hand on my own bills. I grew up on a farm. I know what our costs were. I know how detrimental these taxes are and can be. They say there's an exemption on agriculture. There is on some aspects of it, but not on all aspects of it. Even just those parts of it are devastating to producers. When you look at the way that economics works and the trickle-down impact of who ends up paying all the bills, producers like farmers are price-takers, and then

consumers are the ones who get stuck paying the bill at the end of the day, because everything gets passed down to the consumer. It's a double whammy.

I guess I would end by saying I simply agree with you—

**The Chair:** You should end because it's the end of your time, Mr. Patzer.

**Voices:** Oh, oh!

**Dr. Sylvain Charlebois:** I was waiting for the question, but—

**The Chair:** I'll grab just a bit of time. I feel generous to myself with time today.

**An hon. member:** That's very nice of you.

**The Chair:** Thank you, colleagues.

You mentioned, Professor Charlebois, that you anticipate another wave of shrinkflation in a couple of years from now. What is that based on?

**Dr. Sylvain Charlebois:** When commodity prices go up, typically we see manufacturers review their costing structures. It happened in 2008 and 2009 when oil went up to \$147 U.S. A bushel of wheat was at \$9, and wheat is 20% of all calories consumed on earth. Ukraine basically pushed manufacturers to really review their procurement strategies and packaging strategies as well.

My concern about shrinkflation is at three levels. One, I don't think that Statistics Canada actually properly measures food inflation. It underestimates it because we don't see how it's embedded in how they're reading inflation, which is a big problem, as far as I'm concerned. Two is packaging. When you buy a shrinkflated product, you're buying a mirage, and there's too much packaging being used. Three is the taxation issue. There are more and more products being taxed as a result of shrinkflation.

**The Chair:** Are you saying that basically the basket of goods that's used to calculate the CPI is not taking into account shrinkflation?

**Dr. Sylvain Charlebois:** Statistics Canada says—and we've met with them—that they actually look at shrinkflation and how it's impacting inflation, but we don't see the evidence.

**The Chair:** That is interesting, and so you anticipate that commodities can go up over the course of the next couple of years, which would lead to another wave of shrinkflation, if I understand correctly.

● (0915)

**Dr. Sylvain Charlebois:** That's right. Climate change, or El Niño and La Niña, the two cycles, tend to suggest in our models that we're going to be seeing a new wave of higher commodity prices in 2027-2028.

**The Chair:** Then it's mostly based on climate change more so than on geopolitical tensions or currency debasement around the world, or....

**Dr. Sylvain Charlebois:** Geopolitics are a big issue, of course, but when it comes to—and we were just talking about Halloween—sugar and cocoa. Cocoa in the Ivory Coast and Ghana was impacted by flooding, and sugar cane was impacted by droughts. Beef right now is also impacted by droughts.

**The Chair:** It's very interesting because you're saying that we are going to anticipate another wave of shrinkflation because of the impacts of climate change, while I hear colleagues arguing that the price on pollution is the cause of this inflation, which is a bit of a circular argument because one is aimed to address climate change. It's just an interesting set of circumstances, I would guess, or opinions.

However, I'll leave it at that and turn it over to Mr. Van Bynen.

**Mr. Tony Van Bynen (Newmarket—Aurora, Lib.):** Thank you, Chair.

I'm happy to have ceded a portion of my time to your questions.

One of the things that I find that is happening and that is very popular in both Newmarket and Aurora are the farmers' markets. People go to these farmers' markets on an ongoing basis, and I very seldom see cash.

You're recommending that cash not be for food purchases. What would that do to the farmers' markets if your recommendation is to discontinue the use of a credit card or a debit card?

**Dr. Sylvain Charlebois:** Is your question about encouraging the use of cash at farmers' markets, or...?

**Mr. Tony Van Bynen:** No, discontinuing the use of credit cards. What effect would that have on these farmers' markets?

**Dr. Sylvain Charlebois:** We're not suggesting to discontinue the use of credit cards. We just need to make sure that people are aware of the risks of using credit cards and make sure that how they're spending their money is more visible and tangible. It's similar to the problems of “tipflation” these days. People are tipping, and there are lots of fuzzy regulations around tipping right now. People are tipping on taxes, and people don't know that.

**Mr. Tony Van Bynen:** I'd like to come back to the issue of debit and credit cards, which I think is the purpose of this study—their effectiveness and the cost of putting the networks together.

It seems to me that the bankers association and the bankers' representation say that in the range of 80% of the cards or card balances are paid in full during the grace periods. To me, it says that a lot of Canadian consumers, or a lot of consumers generally, are using debit and credit cards as routine payment mechanisms, as opposed to being the source of bankruptcy, etc.

How do you square that with the likes of farmers' markets and merchants or retail or agricultural food merchants who find their sales are influenced by the availability of these payment instruments?

**Dr. Sylvain Charlebois:** First of all, credit is an important component of our food economy. It's when things get out of control and people aren't aware of their balances that things go wrong. As I said in my opening remarks, financial literacy is key. I was happy actually to learn from Ms. Lang that there is a lot of education out there, which is great, but more needs to be done, as far as I'm concerned.

**Mr. Tony Van Bynen:** Okay.

It's a good opportunity then to switch and ask the superintendent of bankruptcy.

Can you explain the primary function of the OSB and how it relates to consumer protection in the context of credit cards?

**Ms. Elisabeth Lang:** The primary purpose of the OSB and my office is to ensure a well-functioning insolvency system in Canada. We help to set the rules. We help to ensure that people are following the rules, and we ensure that there are consequences when people are not following the rules.

As it relates to credit cards, we touch on that in our insolvency counselling, which is mandatory, and we help people to have that fresh financial start when they come out of insolvency, knowing how to better use credit. Credit is a fact of life in Canada, I think, so it's about using it responsibly.

The second aspect would be creditor compliance. If creditors aren't following the rules of insolvency—for example, ignoring the stay and hounding debtors, even though they're supposed to stop collection behaviour, that's something that we would look into as well.

● (0920)

**Mr. Tony Van Bynen:** How do you evaluate the effectiveness of the current regulatory frameworks overseeing creditors, and what recommendations would you make?

**Ms. Elisabeth Lang:** Generally, I think most creditors comply with their responsibilities. The biggest recommendation I would have, the biggest area of worry for most stakeholders in the insolvency system, is those who ignore the stay. In some cases, those are subprime lenders. Sometimes they are not even based in Canada. I think we need better regulation over that group, which is very aggressive.

**Mr. Tony Van Bynen:** Those are my questions, Mr. Chair.

**The Vice-Chair (Mr. Rick Perkins):** Thank you.

Mr. Garon, you have two and a half minutes, plus or minus.

[Translation]

**Mr. Jean-Denis Garon:** Thank you, Mr. Chair.

I will continue with you, Superintendent, because you spoke earlier about examples from abroad. You talked about what is happening in Australia.

There's another country that interests me a great deal, and that is Quebec, where legislative changes are still ongoing and will soon be implemented. Under these changes, the Consumer Protection Act will impose a duty of assessment on banks and financial services co-operatives. When a person signs a new credit contract, the bank produces a report on the financial capacity to repay it. It includes fixed charges for people applying for credit, rent and so on, as well as all the interest and payments on existing loans.

When it comes to what we call high-cost credit contracts, or when dealing with alternative lenders, the lender must provide this report to the person making the request. That's the case in Quebec. It seems to me that this legislative change must have been made in response to a real problem with the quality of the information provided to credit applicants when they sign a contract.

How is it that the federal government still doesn't have a policy like this? In your opinion, when it comes to consumer protection—particularly when it comes to credit contracts—how is it that Quebec is always one step ahead? Finally, do you think that such a policy over in Quebec is likely to mean that fewer personal insolvency cases will end up on your desk?

**Ms. Elisabeth Lang:** Thank you very much for your question.

[English]

I can't speak to why we wouldn't have policies like that federally. Would they help most consumers? Perhaps. I do worry about the lower end of the spectrum with consumers who only have access to the most risky lending products and may not be protected by those kinds of regulations in any event.

[Translation]

**Mr. Jean-Denis Garon:** To conclude, I have a concern to submit to you. We all agree that there may come a time when a person has financial problems and, unfortunately, has to use a credit card to buy food. In certain circumstances, we would prefer them to use it rather than not eat.

Having said that, there remains a reality, that of information. Why would it be a bad thing if someone applying for new credit had more information? How could it hinder a person's decision-making when applying for new credit?

[English]

**Ms. Elisabeth Lang:** I don't see how information is ever a bad thing.

[Translation]

**Mr. Jean-Denis Garon:** Thank you.

**The Chair:** Thank you very much, Mr. Garon.

Mr. Masse, you have the floor.

[English]

**Mr. Brian Masse:** Thank you, Mr. Chair.

To our other witnesses here—and then I'll get a quick one in for Ms. Lang another time—from just looking at Statistics Canada data, 90% of Canadians do have a credit card, so it's kind of consistent even to consumer insolvency.

Looking at their debt, a vehicle lease or loan is a significant part of average debt, but that loan can be anywhere from 0% to 6% or 7% financing, depending on the vehicle they have. Outstanding credit balance is anywhere from 5% minimum—I think I've seen the lowest at 5.5% on a credit card—to 20% or 30%.

Personal lines of credit are often used to help consolidate credit card debt for people. That's usually a couple points above prime, depending on your relationship with your bank.

Student loan is the other one, where that's in the smaller range of digits. I actually believe we shouldn't have any interest on student loans, but that's just a personal opinion.

Mortgage on secondary residence is often usually lower than the interest rate range as well. Even though it went up most recently, it's still been historically low. Last is personal loan or other debt liability, which usually is, again, consolidation of debt to a smaller interest rate than the credit card.

I guess my question to you is, if we don't get the buy now, pay late under some type of change, as you've noted, with the increases of GST, shrinkage and so forth, wouldn't it seem that we're maybe setting Canadians up for failure?

If you don't pay with cash, you're going to pay some of the highest interest rates on food and other services from the only payment process you get because you can't use your car loan or your mortgage to get your groceries. We're only giving them the one option, which is the credit card or buy now, pay later.

● (0925)

**Dr. Sylvain Charlebois:** I can answer first and then let Ms. Taylor answer.

We have a debt culture problem in Canada. I think it's abundantly clear if you compare Canada with the U.S. To your point, that's really what we're facing right now.

**Ms. Samantha Taylor:** I'll just add that we are seeing the BNPL being almost like a complement or a gateway to credit cards. Many BNPL installments are paid with the credit card.

The unregulated fintech market with BNPL could be 0% interest and interest-free installments. There could be a fee baked into the installments. There could be NSF fees. There could be interest rates. There could be interest rates that go back at relatively punitive rates to the date that the purchase was made, even in the event of default. Also, if you buy something, like a purse, and then you return it, if they don't receive the returned good, then the BNPL could still come into effect.

All that is about understanding that the BNPL could be a gateway to increase credit card debt and then it starts to snowball. Therefore, education matters...would be great, not seeing it as free money and really ensuring the public is aware.

**Mr. Brian Masse:** I know I'm out of time, but I have just one quick point on what you mentioned earlier with these new apps and going after millennials and so forth.

A lot of that's targeted, so they don't even do their own grocery shopping. That's done for them by something else—by a third party or whatever. That's basically on the TV ads—to stay at home, party with your friends and get your groceries delivered to you. That also comes with buy now, pay later as the primary way of paying for these things.

Thank you, Mr. Chair.

[*Translation*]

**The Chair:** Thank you very much, Mr. Masse.

Ms. Rempel Garner, you have the floor.

[*English*]

**Hon. Michelle Rempel Garner (Calgary Nose Hill, CPC):** Thank you, Chair.

I'd like to use my time to move a motion that I hope we can dispose of quickly. I gave notice of it on Tuesday.

I move:

That, following testimony from banking executives, the Standing Committee on Industry and Technology encourages the Competition Bureau to investigate potential anti-competitive behaviour in Canada's e-Transfer ecosystem, and if deemed necessary, the broader electronic payments industry in general, and that the committee report its concerns to the House.

I'll speak very briefly on this motion, Chair. I think we were all shocked by the testimony earlier this week by a financial executive, who also serves on the Interac board of directors, who stated that there was in fact a tiered volume pricing system for Interac e-transfer fees that likely disadvantages smaller financial institutions. That obviously poses competitive issues for new entrants into the market, potential new financial services companies, but it also has an impact on consumers.

I think the appropriate vehicle for this, especially given the Competition Bureau's new power, is to ask or encourage... I know that the Competition Bureau sets their own agenda. That's why I use the word "encourage". It's just a mark of multipartisan concern on this issue. I also would just note for precedent that earlier this year the Minister of Industry did write to the Competition Bureau to look at the issue of digital wallets. There is precedent for this. The word is "encourage". I just would like a show of unity within the committee here that we are all concerned about this behaviour. It doesn't par-

ticularly deal with the government right now, but certainly I think a Competition Bureau review of this particular issue could provide some recommendations or findings for which we could legislate in the future.

Thank you.

● (0930)

[*Translation*]

**The Chair:** Thank you very much, Ms. Rempel Garner.

The next speaker on my list is Mr. Masse.

[*English*]

**Mr. Brian Masse:** I want to very briefly say I support this motion and I appreciate my colleague bringing this forward, and I think it is appropriately worded. I've written a number of times to the Competition Bureau on different issues and this has been done the proper way. I hope that we can get this passed and thanks to the member for bringing this forward.

[*Translation*]

**The Chair:** Thank you very much.

Mr. Garon, you have the floor.

**Mr. Jean-Denis Garon:** Thank you, Mr. Chair.

I thank my colleague for tabling the motion. There's obviously a generalized problem with competitiveness in Canada. There are monopolies, oligopolies. We could therefore table a motion of this type for just about every sector of the economy, which would increase competitiveness and productivity.

That being said, as my colleague Mr. Masse said, I think this motion is appropriate and we will support it in its current version.

**The Chair:** That's great. I am proud of this committee.

Ms. Rempel Garner, thank you for presenting this motion with complete impartiality. As the chair, I find it excellent.

Mr. Turnbull, you have the floor.

[*English*]

**Mr. Ryan Turnbull (Whitby, Lib.):** I think this is a relatively good motion. I have only one issue, which is that the committee report its concerns to the House. I think we could get unanimous consent if we just remove that. I would just propose an amendment therefore to leave it as just saying "industry in general" period. I think that that's more than sufficient.

**The Chair:** There is a proposed amendment Mr. Turnbull that the motion ends at "in general".

Mr. Masse, on the amendment.

**Mr. Brian Masse:** I don't support the amendment. I understand the interest to do that, but this motion does allow us, though, to speak about this issue in the House. Depending on what we get, it will give us more opportunity to discuss things in the chamber on this issue in particular. That's my only concern about eliminating that component of it. I see this also as part of communication to Canadians and constituents about financial literacy and so forth with this. That's why I have a concern with the amendment. I understand the reason for it, but that's why I don't think I can support that.

**The Chair:** Thank you, Mr. Masse.

[*Translation*]

Mr. Garon, you have the floor.

**Mr. Jean-Denis Garon:** Thank you, Mr. Chair.

Originally, when I read the motion, I worried and wondered if it could undermine work on Bill C-27 when it comes back. Indeed, we all hope it comes back. Like my NDP colleague, I understand it will be necessary to talk about it in the House.

I am very enthusiastic about the idea of including this part in the motion, because it will encourage our Conservative colleagues to talk about something else in the House, Mr. Chair. For us to talk about this motion in the House, the Conservatives will have to break the deadlock in the House.

So, if it can support democracy, Mr. Chair, I support the motion as written.

**The Chair:** Thank you very much.

Since no one else wishes to speak to Mr. Turnbull's amendment, I will ask the clerk to proceed with a recorded vote.

(Amendment negated: nays 6; yeas 5.)

**The Chair:** This brings us to the main motion without amendment. Do I have any other speakers? No. Do I need to proceed with a vote or do I have the committee's unanimous consent in favour of the motion?

[*English*]

Do we need a vote on this, or...?

I see general consensus on the motion.

(Motion agreed to)

**The Chair:** Thank you. The motion is adopted.

[*Translation*]

Thank you very much, Ms. Rempel Garner.

[*English*]

You can still go with your questions. I'll give you the time.

**Hon. Michelle Rempel Garner:** I guess I'll cede my time to Mr. Perkins.

**Mr. Rick Perkins:** Thank you.

Professor Charlebois, I was reading your latest food security index report. A couple of other items stand out. The first one I'd like to ask you about is the change in behaviour. I note that in figure 2

in your report, to the question, "In response to recent food price inflation, which of the following changes have you made...?", only 6.3% of Canadians said they haven't changed behaviour. They gave a variety of reasons that they have changed it, the number one being seeking out more discounts. I presume that's because of food inflation.

I wonder if you could comment on that particular item.

• (0935)

**Dr. Sylvain Charlebois:** Yes. That's a very low percentage, to be honest. We've been following food prices for 20 years. Many Canadians have not changed behaviour until very recently. Because of food prices, it really has forced them to look at coupons and credit as well very differently, and at different locations as well.

The other thing is that if you look at the dashboard we have on page 3 of that particular report, to me it's telling about what's going on, particularly with the younger generations and how they spend their money on food.

To go back to your comment, Mr. Masse, about using apps, there seems to be this notion that spending money on food has to be easy, especially with the younger generations. Food retail sales are flat and dropping per capita in Canada. Most people aren't talking about this.

Yes, you heard me; despite inflation, food retail sales per capita are dropping. Food service sales—restaurants—are increasing and at a record high.

**Mr. Rick Perkins:** Quick-service.

**Mr. Rick Perkins:** It's food service and restaurants. Who actually orders through apps to order food delivered to homes? It's the younger generations. They use Uber Eats and all that.

That certainly is concerning. Right now Canadians are spending \$186.95 per capita on food service per month.

**Mr. Rick Perkins:** On that particular question, what we've seen over the years when people have challenges paying for food and they make that shift from fresh produce and stuff to restaurant food, is it not an increase in quick-service food—in other words, McDonald's fast food, which is much cheaper than going to the grocery store in a lot of cases?

**Dr. Sylvain Charlebois:** In some cases that's correct, but you have to add taxes and delivery charges and all that. Again, that's why I think it's quite concerning. How people spend money on food is concerning. I don't think they understand how much more things are costing at the grocery store. If you go to the grocery store, you're self-educating yourself in terms of the cost of living and feeding yourself and your family. If you're continually or often using apps on credit, you don't necessarily appreciate how much you can buy with the dollars you have.



**Mr. Rick Perkins:** I wonder if this has changed. One of the shocking things in figure 6—maybe not surprising to people these days, given food inflation—is that affordability is the biggest chunk of factors in making a decision on what to buy. It's at 47.3%. Nutrition is only a little over 24% as a primary reason.

Has that changed in the last few years? Have we seen a flip?

**Dr. Sylvain Charlebois:** No. The gap between the two has increased, however. Right now, affordability is at 47%. Nutrition, which is second, is at 24%. We've never seen such a gap.

Our next report is in April, so we'll see exactly how things are changing in Canada. Right now, that gap is incredibly high. In other words, what's going on at the retail store is that a lot of people are making nutritional compromises. They're going to the centre of the store, and they're leaving the periphery of the store, where the fresh products are.

**Mr. Rick Perkins:** In figure 5, which you referred to earlier, was that borrowing dipping into savings? Those aren't meant for buying food or everyday essentials. Borrowing for food is higher and higher as you go through the generations. It's higher with the younger generation. The few “great generation” who are left have the smallest, at 13%. When you get down to generation Z, 46% are taking whatever little savings...or borrowing money to pay for food.

Have you seen a gradual, or not-so-gradual, change in those numbers?

• (0940)

**Dr. Sylvain Charlebois:** That percentage is increasing. Again, we'll see in April whether it has increased even more.

When you start to unpack the data we accumulated for this particular report, you'll notice that the younger generations aren't necessarily aware of how powerful their dollars are and how much they can buy. They don't necessarily understand exactly how inflation has impacted their buying power. If you buy through credit, your perception is severely impacted, as a result.

**Mr. Rick Perkins:** Does perception of what's happening in food prices...? You know, there's a lot of talk out there. Does that affect people's behaviour, or is it just the reality?

**Dr. Sylvain Charlebois:** It's a good question.

Last year, we surveyed 9,000 Canadians. We asked them how much food prices have gone up in the last five years—since March 2020, or COVID—without telling them. The average answer was 78%.

**Mr. Rick Perkins:** Wow. They're buying a lot of olive oil.

**Dr. Sylvain Charlebois:** Baby formula....

The truth is 24%. Therefore, perceptions are absolutely impacting behaviour. A lot of people are saying, “Oh, my goodness, food prices have tripled.” That's not true. There's no evidence of that. However, what this means is that, essentially, people feel the pain. That pain is real.

**Mr. Rick Perkins:** Absolutely.

Thank you.

**The Chair:** I have a quick follow-up question about olive oil.

One thing I've noticed at the grocery store is that you'll now see, next to olive oil, a lot of canola oil and seed oils, which are arguably not as good or as healthy as olive oil.

Have you witnessed, first, a change? Certainly, there is a change if groceries are putting these other substitutes or products next to olive oil. They know there's a demand for it.

Also, you were talking about shrinkflation. Have you noticed a change in the quality of products offered? Are companies going for cheaper ingredients in preparing the products they're selling?

**Dr. Sylvain Charlebois:** Yes, there is some substitution happening, for sure, in vegetable oils. There are many other options out there. When olive oil becomes too expensive, they will look at other options. There are options other than canola oil.

One thing that concerns us very much is food fraud, especially with everything liquid at the grocery store. That can be adulterated very easily. Olive oil is a huge target. Right now, we're working with some colleagues in Greece who believe that 20% of all olive oil in Europe is adulterated, because of higher olive oil prices. We don't know the answer here in Canada, because we're not testing.

[*Translation*]

**The Chair:** Recently, Radio-Canada reported that, in the Bolognese spaghetti sauces sold at grocery stores, there was only a tiny bit of meat. We're talking about two grams in the whole can, even though it's advertised as Bolognese sauce. It's rather peculiar.

If we want a sauce that contains even the least bit of meat, we have to pay \$12, \$13 or \$14 a can.

**Dr. Sylvain Charlebois:** I know that shrinkflation created an outcry, but I think food fraud is more serious. For example, by mixing canola oil with olive oil, an allergen is created. That's not just a socio-economic issue, it's a public health issue as well.

**The Chair:** In your view, it's not sufficiently monitored.

**Dr. Sylvain Charlebois:** Absolutely not.

I think that, without knowing it, everyone here has been a victim of food fraud over the last month, including myself.

**The Chair:** I see.

Sometimes, it starts young. Often, my mother wouldn't tell me exactly what she put her recipes. That way, she could get me to eat what I had to for my health, but that is not at all the same thing.

Thank you, Mr. Charlebois.

Mr. Turnbull, you have the floor.

• (0945)

[English]

**Mr. Ryan Turnbull:** Thank you, Chair.

Ms. Lang, I'm going to start with you. Thanks for being here today.

I want to go back to your opening statement, because I was connecting all of the stats that you put out quite quickly, which I think are very helpful for us, so I can go back in the record and look at exactly what you said, but I just want to make sure that I interpreted you correctly. I think what I heard you say is that credit card-caused insolvencies as self-reported are not perfect because it's an open text field on your website, I guess, and that these haven't worsened significantly as a percentage of the overall insolvencies in Canada. Is that true?

**Ms. Elisabeth Lang:** Yes, that's right. It stayed under under 1% compared to.... What was my comparison year? Was it 2019?

**Mr. Ryan Turnbull:** Yes, and then you also referenced the 2008 recession and said that it was higher during that time.

Given the fact that we've just gone through a once-in-100-year public health crisis that was pretty significant in its economic impact, sending tremors through the global economy and causing all kinds of effects—supply-side shocks, perhaps demand-side shocks—that rippled through, do you see the fact that insolvencies haven't significantly increased—they've decreased in comparison to the recession in 2008—as almost a sign that we're doing relatively well?

I'm not saying that any amount of insolvency is good. Of course, it's not, but it is reality. I'm just trying to get a historical perspective here.

If you compare back to the recession of 2008, we have fewer insolvencies today, but we've just gone through a massive global public health crisis that had major impacts on the global economy. Can you put that in perspective a bit?

**Ms. Elisabeth Lang:** It's hard to say what it signifies, but I think, generally, we expect the numbers to continue to climb back up to 2019 rates. I doubt that we'll see the 2009 recessionary rates unless we hit another significant recession, but there's not really any explanation as to why we wouldn't get back to 2019, possibly slightly above, given the increase in our population.

**Mr. Ryan Turnbull:** Okay. Thank you.

Mr. Charlebois, I want to ask you some questions.

I note that I was on the agri-food standing committee, and you appeared quite a number of times, so it's great to have you here at INDU.

The Governor of the Bank of Canada has recently said that climate change continues to be the main driver of food price volatility, which is interesting because you also indicated today as well to some degree that global commodity price volatility is caused by climate change. You've estimated that companies would be forced, in

a way, to review their cost structure, and you anticipate another wave of shrinkflation in the future.

In the work that you do at the agri-food lab, have you done a study? Has your organization done a study on what is well regarded by some experts, including you, I think here today, that food price volatility is being led by or caused by climate change? Have you done a study on that?

**Dr. Sylvain Charlebois:** The short answer is no, but I would agree with the governor. I do think that price volatility is probably the most significant challenge for consumers beyond food inflation itself, and that is something we did study. As soon as prices are volatile, you will push away consumers for a very long time.

It happened to beef in 2014-15. It's going to happen again. It's happening again right now, by the way. Beef prices, because of climate change.... The herd, the North American herd, has dropped significantly, because it costs more to feed cattle and prices are pretty interesting now. A lot of cattle producers are exiting the industry. Inventories are extremely low. That, indirectly, is linked to climate change, but beef prices will remain high until probably the end of 2025 due to climate change, and that's going to push consumers away from that category, unfortunately.

We've seen it. Every time the price of fruits, vegetables and meat is very volatile, it pushes consumers away, and they end up at the centre of the grocery store, where products are not necessarily as nutritional.

• (0950)

**Mr. Ryan Turnbull:** I know that when I shop, I shop around the perimeter. Just in saying that, I'm understanding of the nutritional density, and preparing your own food is certainly how I choose to eat, but every Canadian has their own choices to make.

I'm sort of interested in the fact that you've made comments fairly regularly about carbon pricing, and I disagree with you strongly, but I want to just tease out some of the things I've heard in connecting these things together and then put a question to you.

In February of this year, the Bank of Canada governor stated at another committee that at \$15 per tonne annual increases in carbon pricing raise the average economy-wide price level by 0.1 percentage points. I would argue that this is a relatively small amount. It's not insignificant, but it's pretty small. Would it even show up in the CPI calculations? I'm not sure.

Trevor Tombe, who I think you probably know of, an economist at the University of Calgary, has said that the current cost of carbon pricing would be about 0.15%. That's 15¢ on a hundred-dollar spend at the grocery store. He then traced it through the supply chain and said that it might be as much as about 30¢ on a hundred-dollar spend. That's relatively small. When I hear the Conservatives wailing and screaming about this, it sounds like it's the end of the world, like it's \$50 on a hundred-dollar grocery bill, to be honest, the way they make it sound. To me, I'm a fact-based person here. I'm trying to understand what is the real impact.

The other thing I want to say is that the European Central Bank did a study. They said that “higher temperatures alone will” push “up worldwide food prices by between 0.9 and 3.2 per cent every” year. That's way higher, so what I'm trying to say is, isn't the cost of climate change, the impact it has on our food prices, significantly higher—like 20 to 30 times higher by my really gross calculation—than the carbon price?

It's over to you.

**Dr. Sylvain Charlebois:** First of all, I've looked at Professor Tombe's study and I've looked at the calculations used by the Bank of Canada.

I've actually made some comments publicly about how shallow the Bank of Canada's calculations were. They looked at only three components of the CPI. I want to register that very quickly.

In Professor Tombe's analysis, he uses statistics from the social science depository that is available to all of us—to you, to me—and that data is not clear. Again, I've said this earlier. To correlate the carbon tax policy with retail prices is dangerous, because you have to base it on several weak assumptions, and that's what Professor Tombe did. I did say that, and I actually sent an email to him about this.

Now, I'm not against the carbon pricing at all, by the way. I actually am supportive of it, but we also need to—

**Mr. Ryan Turnbull:** That's news to me, so thank you.

**Voices:** Oh, oh!

**Dr. Sylvain Charlebois:** However, I was in Saskatchewan last week to talk about this, and I do believe that carbon is a tremendous opportunity for the agri-food sector. The carbon tax itself appears to be a policy driven by the idea that we can change the weather. We have to see this as an opportunity to grow the industry in a sustainable way. That's where we disagree.

**Mr. Ryan Turnbull:** Perhaps. You have said numerous times that making the calculations on the true cost of carbon pricing is challenging. You've challenged some of the assumptions with Trevor Tombe and others who have tried to calculate the cost along the supply chain in the agri-food system. You yourself have not been able to calculate that to prove those assumptions false, although you say that they're somewhat shallow. Is that right? You've said that here today, and that's fine. I don't want to disagree with that.

Even if it's 40¢ on a \$100 grocery bill, 300 economists at least have said that they agree. Even the Parliamentary Budget Officer, I've had meetings with him, and he says he's a fan of carbon pricing.

Carbon pricing is the most cost-effective way to address climate change. You're agreeing that climate change is the biggest driver of food price volatility, or commodity price volatility, which has an effect on food prices. You're agreeing, in a way, that we have to address climate change if we're going to address food price inflation. Do you not agree with that?

• (0955)

**Dr. Sylvain Charlebois:** I absolutely agree.

**Mr. Ryan Turnbull:** Do you agree with addressing it with the most cost-effective mechanism that anyone has ever been able to come up with?

**Dr. Sylvain Charlebois:** The most effective one to increase competitiveness, but I don't believe that's the carbon tax.

**Mr. Ryan Turnbull:** You don't believe the carbon tax is a cost-effective means?

**Dr. Sylvain Charlebois:** I don't think it's the best way to do it.

**Mr. Ryan Turnbull:** What would be better?

**Dr. Sylvain Charlebois:** My preference would be cap and trade.

**Mr. Ryan Turnbull:** Cap and trade.

**Dr. Sylvain Charlebois:** Yes.

**Mr. Ryan Turnbull:** We had that in Ontario, and unfortunately the Conservative government—

**Dr. Sylvain Charlebois:** I know. We had it in Nova Scotia.

**Mr. Ryan Turnbull:** Okay, fine. We'll agree to—

**Dr. Sylvain Charlebois:** Markets are an incredible opportunity for the agri-food sector, and I do believe that by using credits, we can actually decarbonize the economy, which is essential to address climate change.

**Mr. Ryan Turnbull:** Thank you.

Chair, do I have a little more time? I know you've been lenient with time a bit.

**The Chair:** Yes, go ahead.

**Mr. Ryan Turnbull:** I also want to ask you about net revenue losses. My understanding is that the net revenue losses in the agri-food system due to climate change have been projected to be extremely high. Agri-Food Canada was projecting net revenue losses of 49.2% in 2023 for Quebec farmers. That's a significant amount. We're not talking about 1% or 2% here. We're talking about 49.2%, and 86.5% in 2024. The Canadian Climate Institute has projected that in the year 2025—essentially this year coming up—the losses for Canada's economy due to climate change would be \$25 billion a year, and that number would triple or quadruple by mid-century.

I guess what I'm asking is this: Isn't the cost of the impacts of climate change on our economy and on our farmers and their crop yields so significant that we can't afford to not address climate change?

**Dr. Sylvain Charlebois:** Mr. Turnbull, there's nothing you've said that I disagree with. I agree with your statement. Yes, climate change is our agri-food sector's greatest challenge, and we need to address it. It's just I don't think we agree on how to do that.

**Mr. Ryan Turnbull:** Perhaps that's true.

The last point I'm going to make here is this. In terms of global competitiveness, we know that the EU and the United States, depending on how the election turns out, will likely have in place carbon border adjustments. This impacts our trade with two of the biggest trading partners we have in the world, I would argue. How is Canada going to remain competitive if our agri-food system is going to be subject to high tariffs for not keeping up with the standard of greening our food system and the products that we produce?

**The Chair:** That's really the last question.

Mr. Charlebois.

**Dr. Sylvain Charlebois:** Thank you, Mr. Chair.

To remain consistent with my testimony, I did say that decarbonizing the agri-food industry should remain a priority to remain competitive and to address the exact issue you just mentioned.

**The Chair:** Before I go to Mr. Généreux, I have a quick question: Have you ever looked at the impact an increase in the money supply can have on the price of food?

I'm looking at the Federal Reserve Bank of St. Louis data and the price of eggs in the U.S. You can see that it rose during the great financial crisis of 2008—and right after the pandemic, after we had increased the money supply by about 40% across the Western world, it rose a lot.

I'm trying to understand if that is just a correlation without causation, or is there a causation? Is this something you've ever looked into?

**Dr. Sylvain Charlebois:** It's a good question. Money supplies will impact inflation; I think we all know that. With food inflation in particular, there is a lag, but it does eventually impact food prices indirectly.

[*Translation*]

**The Chair:** Thank you.

Mr. Généreux, you have the floor.

I will be a bit more strict with speaking time because there are only 15 minutes left and other MPs also want to speak.

• (1000)

**Mr. Bernard Généreux (Montmagny—L'Islet—Kamouraska—Rivière-du-Loup, CPC):** We know that you're generous with others, but not with me. It doesn't work, Mr. Chair. I'm the one who is Généreux.

Mr. Charlebois, after reading your article in La Presse this morning, I decided not to use a lot of propane next summer to cook steaks. The effect of the cost of food in the country is unbelievable. And yet, Canada is a significant beef producer. Based on what I understood from your article, decreased meat production means that demand is higher than supply. That is very interesting.

Ms. Lang, with the help of my friend ChatGPT, I went to look up some data relevant to you. In fact, it comes from you. I was surprised to see that if there are fewer bankruptcies, conversely, users work out many more proposals or agreements with credit card issuers or banks.

Is the increase in the number of these agreements a significant trend? Is there not a risk that people will go so far into debt that, in the end, they have to come to an agreement with their creditor, especially a bank, to only pay 10% or 20% of their debts? It could be an endless cycle.

Do you see a problem there, or has that been the norm over the last two years?

**Ms. Elisabeth Lang:** Thank you for your question.

[*English*]

I would say that an increase in consumer proposals is generally a good thing. It means that people are able to offer a bit more to their creditors. Active creditors can play a role in determining whether that amount is reasonable or not. We don't always have active creditors. I think your question is whether it will become a vicious cycle of repeat insolvencies. Over the years that we've tracked that, we have not seen a significant increase in repeat insolvencies, but it's definitely something that we should be keeping an eye on.

[*Translation*]

**Mr. Bernard Généreux:** I'm referring to what Mr. Charlebois said earlier about buying now and paying later. Since credit card issuers have fewer protections, interest rates are higher. The risk is higher among young people in particular, because they are the ones who use this payment method—that didn't exist in my time—to buy food on credit and pay for it over a number of months.

What would be the impact of this type of system, where there is less protection and credit card interest rates are higher? Young people might think that taking on debt is not all that serious, because they can make deals with their creditors. It could become a never-ending cycle.

Do you think that's a pattern we could see?

[*English*]

**Ms. Elisabeth Lang:** There's always the possibility. As I say, we will keep a close eye on it. We have not seen that pattern in Canada. Most people do not enter into an insolvency lightly. It still comes with very serious consequences in terms of your credit rating, which lasts a long time. At this point, I'm not worried about it, but it is certainly something to keep an eye on.

[*Translation*]

**Mr. Bernard Généreux:** Mr. Charlebois and Ms. Taylor, I wasn't really aware of the possibility of buying food and paying for it later. In a sense, it's done with a credit card, but it's not necessarily the same type of credit.

Is this way of doing things dangerous, particularly for younger generations? You made frequent mention of this in your presentation. Personally, I have never bought food that way. I pay for my food when I buy it. I may pay with my credit card, but I'll pay the balance two or three days later to get points, like everyone else.

Is that principle different for young people? Do they have another perspective on this?

[*English*]

**Ms. Samantha Taylor:** Thank you.

Younger people are influenced by social media disproportionately when compared to older generations. Finfluencers are a particular kind of financial influencer available on TikTok, Instagram and whatnot. Their primary motivations are to provide entertainment and to make money for themselves. It's not to educate their viewers.

Hearing that it's basically free when you're buying something reduces the friction.

The availability of information that's targeted primarily at younger generations could likely have a significant impact down the line.

• (1005)

[*Translation*]

**Mr. Bernard Généreux:** Mr. Charlebois, I'm going to switch gears. I want to go back to Mr. Turnbull's questions and the answers you provided him. The carbon tax applies to food producers as well as to transporters and retailers who sell that food. Obviously, that tax does not apply in Quebec, since the province has a cap-and-trade system.

Just a moment, Mr. Garon. I haven't finished asking my question.

Does the carbon tax nevertheless have an impact in Quebec?

**Dr. Sylvain Charlebois:** I think the cap-and-trade model rewards businesses that foster sustainable development and penalizes those that pollute. The carbon market allows companies to see carbon as an opportunity. There's some logic to it. In my opinion, Quebec is ahead in this area.

**Mr. Bernard Généreux:** My question is—

**Dr. Sylvain Charlebois:** I'm in touch with many agri-food business representatives from across Canada. Many of them are concerned about the carbon tax. That said, when I go to Quebec, I would say few of them are.

**Mr. Bernard Généreux:** I understand, but in Quebec, the carbon tax doesn't apply directly, because we have a cap-and-trade system.

Since Quebec doesn't produce 100% of the food it consumes, it imports food from other parts of Canada. Quebec produces a lot of milk, but not as much beef as Alberta. Needless to say, we eat steak in Quebec.

Does the carbon tax also affect Quebec consumers?

**Dr. Sylvain Charlebois:** As far as inputs are concerned, that could be the case.

Again, it's very difficult to determine a ratio linked solely to a policy that's upstream of the chain. That said, it's possible.

**Mr. Bernard Généreux:** All right.

**The Chair:** Thank you very much, Mr. Généreux. You've used up all of your time, and then some.

Mr. Badawey, you have the floor.

[*English*]

**Mr. Vance Badawey (Niagara Centre, Lib.):** Thank you, Mr. Chairman.

I've been in the food business for over 40 years. That's pretty well my entire life. I recognized quickly as a 10, 12, 15, 25, 30 and a 40-year-old that what impacts food prices most is weather. Climate change is a big part of that. Mind you, for added-value foods, whether they're prepared, or for any food, for that matter, which has any value added to it, the margins are much higher. Frankly, that's where your increases come from, period.

Therefore, as Mr. Turnbull alluded to earlier, we have to buy smart. I see a lot of consumers starting to do that now and the costs of the foods that they're buying are starting to level off because of the smart buying.

I want to go back to what we're actually studying here and that's credit cards. Primarily, today's meeting, with Ms. Lang here, is about credit card debt.

Ms. Lang, I really want to concentrate on you with respect to trying to mitigate some of the challenges that our residents are going through right now, taking more of a proactive approach.

My first question for you is, what role does your office play in pre-emptively assisting Canadians who may face financial difficulties in the future, especially related to credit card debt?

Do you have any proactive approaches or outreach that you would embark on or any awareness campaigns that your organization would actually embark on to be proactive, so folks don't get into credit card debt in the first place?

**Ms. Elisabeth Lang:** I mentioned our consumer awareness campaign that includes a multipronged approach and collaborating with many partners to get the word out to Canadians about the various options to deal with their debt.

One of those is to target you when you are starting to sort of feel the pinch. Unfortunately, a lot of Canadians don't act proactively to deal with these problems, which can cause a lot of stress and mental health issues. However, if they do, they can find excellent resources to budget, understand credit products and deal with them more effectively.

We're really trying to get the word out. We work collaboratively with FCAC and with licenced insolvency trustees. We will partner with anybody who's willing to spread the word through various channels, including social media, to help Canadians find those solutions.

**Mr. Vance Badawey:** This may not be your area of expertise or the business you do on a daily basis, but would there be an opportunity to inject into the system a discipline—someone taking on the responsibility, such as credit card companies, for example—that would prompt a service to those individuals who would be anticipated to get into those areas of concern?

• (1010)

**Ms. Elisabeth Lang:** Yes. One thing I know, from talking to my international colleagues, is that other countries, such as the U.K., do a better job of funding financial counselling. It's more of a charitable industry there compared to in Canada, where even if it's called not-for-profit, it's often just a tax treatment. These organizations are often charging and selling products.

Whether it be through creditors or through the industry that already exists, I believe we could do a better job of funding that to help Canadians.

**The Chair:** Thank you, Mr. Badawey.

[Translation]

Mr. Garon, you have the floor.

[English]

**Mr. Vance Badawey:** Okay. Thank you.

[Translation]

**Mr. Jean-Denis Garon:** Thank you, Mr. Chair.

I understand from your previous comments that you're particularly concerned about the quantity and quality of the meat in bolognese sauce. A very good friend of mine, Marc Simard, who happens to be from Saint-Constant, probably has the best recipe in the world.

I could ask him to table the recipe with the clerk so that when the analysts help us draft the committee report, we could include a recommendation with the bolognese sauce recipe specifically for Mr. Chair, who, incidentally, has a growing family. There are times in life when you just have to change the way you do things.

**The Chair:** Thank you, Mr. Garon.

Infant formula is costing me quite a lot, so this will help.

**Mr. Jean-Denis Garon:** Certainly.

Rest assured, Mr. Chair, I was being completely altruistic and sympathetic.

I'd now like to turn to Mr. Charlebois.

In a comment you made earlier, you mentioned price increase dynamics among food retailers in Canada. You said margins were a little higher in the U.S., so when wholesale input prices fluctuate, grocers and Walmart don't necessarily need to increase their prices immediately just to maintain their margins. Here in Canada, mar-

gins are lower, so major fluctuations are immediately passed on to consumers.

I find that interesting. To tie it back to our study on credit cards and interchange fees, I wonder whether a drop in interchange fees would be pocketed by merchants or passed on to consumers. According to some critics, grocers would benefit from the lower interchange rates we're proposing. That said, I wonder whether slightly larger margins on the cost that interchange fees represent could mean grocery stores might not need to raise prices as much. I'm talking about input price fluctuations over the next two, three or four years, in this two or three-year horizon.

How can we criticize grocery stores for not immediately lowering or adjusting prices as soon as interchange fees come down, if it means they'd have the leeway not to have to raise prices later?

**Dr. Sylvain Charlebois:** It's a hypothetical question, of course, but it's a good one.

Over the past five years, gross margins have more or less stayed the same for the four major grocers: Empire, Sobeys, Loblaw and Metro.

If fees were lowered, could grocers pocket the difference? Possibly, but we don't know. The agri-food sector has extremely narrow margins. Of course, when grocers have an opportunity to take a cut, they do.

**Mr. Jean-Denis Garon:** Have you done any kind of assessment?

You've studied grocers' cost structures when input prices fluctuate, in other words, how things change, how grocers re-optimize prices.

Do you have any idea what these operating costs represent for grocers, these credit card fees, reward card fees and so forth? Is it 0.5%? Is it 3%? As a share of a grocer's total costs, is it all that significant?

**Dr. Sylvain Charlebois:** We've never measured what that portion is, but it's not one of the most significant costs. Obviously, real estate, payroll and the cost of the products sold are the three biggest ones.

We know it's not in the top three, but we don't know what the percentage would be.

**Mr. Jean-Denis Garon:** Thank you very much, Mr. Charlebois.

• (1015)

**The Chair:** Thank you, Mr. Garon.

Mr. Masse, go ahead. You will be the last questioner for today's meeting.

[English]

**Mr. Brian Masse:** Thank you, Mr. Chair. It was a fascinating discussion of cap and trade and the carbon tax, which we now have because of the Conservatives in Ontario, thanks to a \$2-billion bill with it.

However, that's not what I want to get on about as we finish this part. I want to rightly bring it back to the fact that, again, food and purchasing is now going on with buy now, and pay later payment systems and what this means for the future and so forth. One thing that's changing in the grocery store sector—and I hope you can highlight whether there has been much study on this—is that they're offering to do their own shopping for customers now, and in there, their advertising hasn't been consistent with regard to food pricing. Also, some of them have fees or deposits that are required to be part of that. Then, what I noticed—and I don't know if there are some good stats on this or maybe it's too early yet—is that it seems that seniors and people with disabilities and so forth might use those services more, and if that's an increased cost.... Almost all of those you don't pay cash for. They're all delivery services that go onto, again....

What accountability or measures are there in that system? If the retailers are now encouraging more practices to move that.... If it has different pricing and costs for doing it, and then you're using the systems that put you into the higher bracket of borrowing again, should there be more truth in advertising to this? Should there be a service for just the regular cost of doing business that's rolled into the whole model, especially if seniors and people with disabilities are a primary target for that?

I think some of this is also a response to those other independents, like Uber Eats and the other ones, that are getting into that market too. I can understand why they're creating a system there. Third parties are using access to their system, so why not have their own system? Again, I've run into issues, and I think there hasn't

been the most overt transparency with regard to the cost of using that service.

**Dr. Sylvain Charlebois:** That is a very good point, Mr. Masse. Right now, 3.6% of all food sales in Canada is done online. Before COVID it was 1.9%. We believe that, within the next two years, we could reach 4.5%, and that percentage is driven by people staying at home, seniors. Provinces are pushing people to stay home longer instead of going into seniors' homes, for example, which will get them to buy more food online. To your point, I do think that there is going to be a growing number of people who may not understand the true cost of getting food delivered, on credit, to their homes.

**Mr. Brian Masse:** Yes, that's very helpful because if we're shifting.... That's a good notation, actually: The government encouraging people to stay at home is a public policy, so we're really building our health care model—who it's for—but the result of that is increasing vulnerability, given the purchasing systems that are available for them.

Thank you very much for the testimony, and thank you, Mr. Chair.

[Translation]

**The Chair:** Thank you, Mr. Masse.

That concludes this meeting of the Standing Committee on Industry and Technology.

I'd like to thank Ms. Lang, Ms. Taylor and Mr. Charlebois for joining us this morning. The discussion was very informative. I wish you a good day.

I wish you the same, fellow members.

I would also like to thank the interpreters and all our support staff.

The meeting is adjourned.







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