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• (1600)

[*Translation*]

The Chair (Mr. Joël Lightbound (Louis-Hébert, Lib.)): Good morning, everyone.

I call this meeting to order.

Welcome to meeting number 151 of the House of Commons Standing Committee on Industry and Technology.

Before we begin, I would like to ask all members and other in-person participants to consult the cards on the table. They provide guidelines to prevent audio feedback incidents. This is about everyone's health and safety, especially the interpreters, whom we sincerely thank.

Pursuant to the Order of Reference of the House and the motion agreed to on November 21, 2024, the committee is commencing its study of the subject matter of the Supplementary Estimates (B) 2024-25.

In addition, pursuant to the motion adopted on Thursday, September 19, 2024, and the order of the House referring back the twentieth report of the committee entitled "Potential Anti-Competitive Behaviour in Canada's E-Transfer Ecosystem" the committee is resuming its study on credit card practices and regulations in Canada.

As a reminder to members, today is an extended four-hour meeting. We are running a bit late, so the meeting will continue until eight o'clock.

Let's get started right away.

I am very pleased to welcome today François-Philippe Champagne, Minister of Innovation, Science and Industry. He is accompanied by Chrystia Freeland, Deputy Prime Minister and Minister of Finance.

Welcome to you both. Thank you for making yourselves available for this meeting.

Accompanying the Minister of Finance is Julien Brazeau, associate assistant deputy minister, financial sector policy branch.

From the Department of Industry, we have Philip Jennings, deputy minister, Innovation, Science and Economic Development Canada.

I would also like to thank Mr. Jennings and Mr. Brazeau for joining us.

Without further ado, I yield the floor to you, Ms. Freeland.

Hon. Chrystia Freeland (Deputy Prime Minister and Minister of Finance): Thank you, Mr. Chair.

I am pleased to be here today.

Our government takes the financial protection of businesses and consumers very seriously, and that includes credit cards.

Today, I would like to talk about four areas in which our government has taken action in recent years in relation to credit cards.

[*English*]

First, we are lowering credit card transaction fees for small businesses. In 2023, our government reached agreements with Visa and Mastercard to lower credit card fees paid by small businesses. These agreements came into effect on October 19 this year. Thanks to these agreements, more than 90% of businesses that accept credit cards are paying lower fees and have seen their fees reduced by up to 27%. Over the next five years, these agreements will save eligible Canadian small businesses about \$1 billion, and we're doing this while protecting and preserving the rewards points Canadians receive from their credit cards. For a small business, that is money that can be used in so many ways: to advertise, to buy new equipment, to pay down loans, to hire staff or just to give themselves a little extra breathing room.

Let me be clear: We negotiated these agreements to help small businesses. We have repeatedly stated that we expect all payment processors—that includes Stripe—to pass these savings on to businesses, and we are prepared to take further action to make sure that happens.

[*Translation*]

Second, we announced a revised code of conduct for the payment card industry in Canada to protect over one million businesses that engage in credit and debit card transactions with their customers.

Since October 30, 2024, the revised code has been helping businesses compare prices and offers by different payment processing services.

In addition, the code aims to reduce the time it takes to address complaints from businesses to only 20 business days. This transparency and ease are positive for merchants. All major payment card network operators in Canada have agreed to the terms of the revised code.

[English]

Third, we introduced the financial consumer protection framework, in 2022, to protect consumers by making sure they have additional and timely information to help with decision-making, including related to their credit cards. For example, banks must send electronic alerts when credit available on a credit card or line of credit falls below \$100. Banks must also send timely reminders when products and services are set to renew. For products or services with 30 days or more, two reminders must be sent before the end of term. The framework ensures banks must also have policies and procedures in place to ensure that the products and services they offer to consumers, including credit cards, are appropriate to the consumers' financial needs. Additionally, banks must provide certain information in a prominent way to consumers when they apply for credit cards, such as key interest rates and fees.

Fourth, and finally, to ensure Canadians can count on always being treated fairly by their bank, I designated the ombudsman for banking services and investments as Canada's single transparent, not-for-profit external complaints body for the banking sector. This strengthened complaints body has had jurisdiction to resolve complaints at all Canadian banks starting on November 1.

• (1605)

[Translation]

For too long, banks have been able to pick and choose who is going to resolve complaints from Canadians. With an independent, transparent, not-for-profit ombudsman, Canadians will benefit from greater transparency. Our government will continue to ensure that Canadians are treated fairly by their banks. We will ensure that they have access to affordable, quality banking options.

Thank you, Mr. Chair.

The Chair: Thank you, Minister.

Minister, the floor is yours.

Hon. François-Philippe Champagne (Minister of Innovation, Science and Industry): Thank you, Mr. Chair.

It is truly a pleasure for me to be back today with my colleagues on the Standing Committee on Industry and Technology. I'm also pleased to be here with my colleague, Minister Freeland, to talk to you about issues that are very important to Canadians.

[English]

As always, it's an honour and a real pleasure to appear before this committee.

[Translation]

Colleagues, we live in an era of significant transformation. The digital revolution is moving at an unprecedented pace. We even get the impression that the time itself is speeding up. Climate change is disrupting our economies and redefining our industrial landscape. Our world is facing geopolitical challenges of all kinds, as we have seen in recent weeks.

The picture I am painting may seem worrisome, but it also presents opportunities for Canada—a country that offers unparalleled stability, predictability and the rule of law around the world.

Today, I would like to draw your attention to the issues raised by the minister, but also the opportunities for Canada.

[English]

Financial technology and payment systems are a perfect illustration of this, and I think Minister Freeland said that very eloquently. They represent rapidly evolving markets where we can see innovation happening in real time. This is a sector that virtually every Canadian and every Canadian business depend on. This means that having a competitive and innovative fintech sector is not simply nice to have. It is, in fact, critically important. I want to applaud the work that has been done by my colleague Minister Freeland in this field. As you've seen, our government has been acting decisively and in a timely way.

With that in mind, I would like to highlight for you some important changes we've recently made to the Competition Act, which I think will be the cornerstone of our government and bring lasting possibilities in terms of more competition in Canada, less consolidation and better prices for consumers.

First, as colleagues will remember—because this committee, Mr. Chair, worked hard to make suggestions—we dramatically increased the resources available to the Competition Bureau. I think colleagues should take comfort in the fact that you've seen the commissioner of the Competition Bureau very active with his office recently, in order to really tackle the issues that concern Canadians.

Second, through legislative amendments—and I want to thank this committee for its work on that—we transformed the Competition Act in a way we have never seen before. This is the single biggest transformation we have seen in the competition landscape in our country. Those include amendments to the abuse of dominant position, where we significantly increased monetary penalties. These were previously capped at \$10 million. Today, penalties are based on the benefit companies derive from their actions, and they can be up to three times the value of those benefits.

Third, private parties can now bring cases directly to the Competition Tribunal. I think that's something this committee has heard about from a number of stakeholders. A change was warranted. Gone are the days when private parties solely relied on the Competition Bureau to bring forward a case.

Together, these important changes have led to an economic ecosystem that is fairer, more transparent and more competitive.

• (1610)

[*Translation*]

In the same spirit of promoting competition, innovation and affordability, I would now like to take a moment to talk about Supplementary Estimates (B) 2024-25.

As you know, the 2024-25 spending top-ups provide critical support for Canadian innovators, researchers and businesses.

[*English*]

As you know, the \$711 million in these supplementary estimates represents more than just line items. It is vital for a number of communities, sectors and small and medium-sized businesses in our country. It represents our strategic vision for Canada's future. It represents an investment in our world-class innovation ecosystem. It represents a vote of confidence in our communities, workers and businesses.

Mr. Chair, in Canada, we have everything we need to succeed in the economy of the 21st century, from world-class talent to robust ecosystems that make us world leaders in aerospace, the auto sector, biomanufacturing and artificial intelligence. From critical minerals and renewable energy to market access, Canada holds a significant competitive advantage as a green strategic partner of choice.

Even in an era of rising protectionism around the world, we're building bridges, Mr. Chair, sharing knowledge and positioning Canada—our Canada—as a global innovation hub.

[*Translation*]

Canada has before it unprecedented opportunities, generational opportunities that we must seize for future generations. Seizing them requires that we be bold and ambitious.

[*English*]

In closing, let me say this: I am convinced that, together, we can and will transform today's challenges into opportunities. Together, we can and will build the Canada of tomorrow—an ambitious Canada full of opportunities and possibilities for all.

[*Translation*]

We will be pleased to answer our colleagues' questions.

Thank you.

The Chair: Thank you very much, Ministers.

Mr. Perkins, you have the floor for six minutes.

[*English*]

Mr. Rick Perkins (South Shore—St. Margarets, CPC): Thank you very much, Mr. Chair, and thank you, Ministers, for coming.

My initial questions will be for the Minister of Finance, Minister Freeland.

What's the deficit this year?

Hon. Chrystia Freeland: Thank you for the question, Mr. Perkins.

This gives me an opportunity to say how glad I will be to present the fall economic statement on Monday in the House of Commons.

There will be full transparency for all Canadians and all MPs about Canada's financial position.

Mr. Rick Perkins: Thank you.

When you delivered the budget, you said that it won't be above \$40 billion and that there are guardrails. However, we know that the Parliamentary Budget Officer has said otherwise—that you're already through that, plus you've added more on the GST.

Can you tell me if the deficit is going to stay at the \$40 billion that you said, in the budget, was the maximum?

Hon. Chrystia Freeland: I'm very glad, Mr. Perkins, to hear you quoting the Parliamentary Budget Officer. He reported very significantly this summer that Canada's fiscal position is sustainable. Indeed, this summer he said that our fiscal position is “sustainable over the long term” and that even a permanent swing of 1.5% of GDP would be permissible, while retaining Canada's fiscal sustainability.

That is really good news for all Canadians, especially when we are entering—as my colleague, the Minister of Industry, has just said—a time of real global uncertainty.

Mr. Rick Perkins: As the Minister of Finance, you must know what the deficit is, since we're almost three quarters of the way through.

Are you going to stick to the \$40 billion you told Parliament you would not go above? That was your fiscal guardrail, and it wasn't going to go above that.

Hon. Chrystia Freeland: Thanks again for the question, Mr. Perkins.

I do want to be very clear and assure all MPs and all Canadians that Canada's public finances are sustainable. Canada has the lowest debt-to-GDP ratio in the G7. We have the lowest deficit in the G7. Our public finances are sustainable, as the PBO has made clear.

I am really looking forward to delivering the fall economic statement on Monday in the House of Commons.

Mr. Rick Perkins: Since you've been minister, you've delivered a number of budgets. In any of those budgets that you delivered, has the deficit come in as projected? Has any one of them come in as projected?

• (1615)

Hon. Chrystia Freeland: Actually, Mr. Perkins, we are delivering a far stronger and faster rate of fiscal consolidation than anyone predicted, including our budget documents, when COVID first hit and when Canada experienced the deepest recession since the Great Depression. The recovery led by our government's economic plan has been significantly stronger and faster than the recovery that Canada saw when the Conservatives were in office after the financial crisis, which was a shock, but a much milder shock than the COVID recession.

I'm very pleased that Canada is on track for a soft landing. Inflation has been in the Bank of Canada's target range for 10 months—for all of this year—and interest rates have been coming down. That is really good news for Canadians, and that did not happen by accident.

Mr. Rick Perkins: I spent most of my life before being elected in 2021 in the private sector, as an executive of a number of corporations, as well as on boards. If the CFO for my company missed their financial projections every single year, they wouldn't be the CFO for very long—and it's the same with the public markets.

Why should you remain a CFO of Canada if you can't seem to hit a single target you set?

Hon. Chrystia Freeland: As I said, Mr. Perkins, I strongly disagree with the premise. Canada has had the fastest rate of fiscal consolidation in the G7. Today, we are reaping that positive harvest with inflation in the Bank of Canada's target range for all of this year, with interest rates coming down and with the Canadian economy experiencing a soft landing.

Mr. Perkins, you spoke about the private sector. The credit markets show that they approve of Canada's fiscally sustainable position. If Canada were to—

Mr. Rick Perkins: I'll have to ask it another way, Minister, since you're not answering my questions. I'll ask it a different way.

Hon. Chrystia Freeland: I am answering.

Mr. Perkins, may I just conclude my sentence, please?

Mr. Rick Perkins: Sure.

Hon. Chrystia Freeland: If Canada were to pay what the U.K. pays for its debt, we would be, every single year, spending more than \$9 billion more. If we paid what the U.S. pays for its debt, we would, every single year, be paying \$11 billion more.

That is a market verdict on the strength of our fiscal position.

Mr. Rick Perkins: Minister, your officials have leaked to the media that the deficit will be \$60 billion or more.

Is it going to be that, higher or lower?

Hon. Chrystia Freeland: Mr. Perkins, because a Conservative filibuster has blocked the work of our Parliament, it has been a challenge.

Mr. Rick Perkins: Minister, the only filibuster is your unwillingness to produce the documents.

Hon. Chrystia Freeland: No.

I look forward to presenting the fall economic statement on Monday.

Mr. Rick Perkins: I would ask you a simple question.

Is the deficit going to be higher or lower than the \$60 billion your officials have leaked to the media?

Hon. Chrystia Freeland: I think it is very important not to cast any doubt on Canada's financial credibility. I want to take this opportunity to be very clear that Canada's fiscal position—

Mr. Rick Perkins: It's yes or no. Will it be above or below \$60 billion?

Hon. Chrystia Freeland: —is strong and sustainable—

Mr. Rick Perkins: It's a simple question. Why won't you answer whether or not it will be above or below \$60 billion?

Hon. Chrystia Freeland: —and continues to be the strongest in the G7.

Mr. Rick Perkins: Did you have your officials leak that on purpose to control the expectations?

The Chair: Thank you, MP Perkins. Your time is up.

I'll now turn it over to MP Arya for six minutes.

Mr. Chandra Arya (Nepean, Lib.): Thanks, Minister, for coming here.

I would like to place on the record my appreciation for the tight postpandemic economic management. Canadians faced a lot of pain due to high global inflation. That led to a record hike in interest rates. I'm glad that the government held tight and worked in tandem with the actions taken by the Bank of Canada.

After two long, painful years, we are seeing a better position in terms of inflation coming back to 2%. I think that, in two days, we'll see a fifth interest rate cut, hopefully to 3.25%. The consumer confidence index is increasing. It's a good thing.

Minister Freeland, I would like to ask a question on credit guidance to banks. Postpandemic, things are changing. Globalization as we knew it is dead. International free trade is no more, with friendshoring, nearshoring and onshoring. We have to focus on self-reliance. Our share of manufacturing is still low. We need to increase that.

The banks are increasingly lending mostly to the real estate market, both residential and commercial real estate. I think they may be lending about 50% to the real estate market, combined. Most of this funding to the real estate market is refinancing existing stock, not creating new capital stock. That, unfortunately, is not happening. Their net income was around \$50 billion to \$60 billion in the last fiscal year. In fact, their profits are much higher than our deficit.

The thing is that, going forward, capital resource is not infinite. I think the government has to conserve its capital resources in case another pandemic hits or if there are major changes to the global scenario. We need to make sure that the banks lend to new capital stock, whether it's investing in new manufacturing companies, new real estate developments, the clean economy or infrastructure. The banks are not doing that.

Is it not time for us to go back to what Japan did after the Second World War or what South Korea was doing until the 1990s? They directed banks to invest in the sectors that aligned with their economic objectives. I'm not saying that the banks should not make profit; they should continue to make profit. I'm not asking to jack up the tax rates for the banks. No, let them make a profit. I'm talking about lending to the economic sectors that are required for Canada today and tomorrow.

Minister, do you agree that it's time for us to look at credit guidance?

• (1620)

Hon. Chrystia Freeland: There are a lot of ideas in there, Mr. Arya. Thank you for your question. Thank you for your hard work. Thank you for all the contributions you make and for the many conversations we've had.

I want to comment on two aspects of what you said—three aspects, actually.

First, you are absolutely right that Canada's soft landing from the economic challenges of the COVID recession, and the inflation and high interest rates that followed, is the single most important fact of today. That has been a hard time for Canadians. It is really good news that we're experiencing a soft landing. Our government has worked to accomplish that.

Second, I really agree with you that the focus, now that inflation has been in the target range for the past 10 months, must be on growth. Growth does require investment. Growth does require capital. I think the focus, for all of us, needs to be on how we can get that capital and on how we can get that investment so that we can have more growth and more jobs.

Then finally, third, I think you're also very right to be pointing out, as my colleague the industry minister did in his comments, that the world has changed. The sort of "end of history" period that Francis Fukuyama described is over. We are living in a time of more protectionism, of more mercantilism, and of more economic nationalism, and our policies do need to recognize that this is the world Canada is in.

I think the industry minister wants to add a few things.

Hon. François-Philippe Champagne: Thank you for your comments. What I think you are talking about is a framework of gener-

ational opportunities. You talk about the industrial base, and I liked that you mentioned Japan and South Korea. I would add Germany. If you look at countries around the world that, over a long period of history, have succeeded in creating jobs, creating prosperity and being strategic in their supply chains, you will see Korea, Japan and Germany. This is based on a very strong manufacturing base.

You've seen that, thanks to the policies we put in place with the Minister of Finance, we have been attracting a record level of investments. In 2023, Canada was number three in the world for attracting investment. After the United States and Brazil, you had Canada. If you would just add on a per capita basis, we would be first in the world.

Let me give you an example. The largest single investment of Dow Chemical, in its more than a hundred years of history, was in Fort Saskatchewan, Alberta. That is the largest investment in its history. If you look at the largest investment of Honda in 75 years of history, it was \$15 billion, and it chose Canada. Look at BHP and the Jansen project. BHP has more than a hundred years of history. It's the largest mining company in the world. If you talk to the CEO, phase one of the Jansen potash project in Saskatchewan was the largest investment in their history, more than a hundred years of history. Phase two was the second largest. It's close to \$20 billion that you've seen the largest mining company invest in Canada.

That's why I would echo your words. Stability, predictability and the rule of law are in high demand and in short supply in the world. I think Canada stands out, and that's why you've seen a record level of investments. That's why we should celebrate Canada and our workers.

• (1625)

[*Translation*]

The Chair: Thank you, Minister.

Thank you, Mr. Arya.

Mr. Savard-Tremblay, you have the floor.

Mr. Simon-Pierre Savard-Tremblay (Saint-Hyacinthe—Bagot, BQ): Thank you, Mr. Chair.

Ms. Freeland, Mr. Champagne, thank you for your testimony.

Although, according to the motion adopted by the committee, today's meeting is specifically on Supplementary Estimates (B), let me take advantage of your presence to highlight certain points and ask specific questions that are of interest to the committee but not necessarily related to the budget's theme.

Mr. Champagne, for three months now, the committee has set aside its study on the famous Bill C-27 so that you can propose a solution to the fact that some people oppose the creation of a new tribunal. A number of jobs, particularly in the cultural and creative industries, depend in part on this bill.

When do you think you can propose an off-ramp so that we can get back to studying Bill C-27? We're getting a little impatient here. We are keen on moving forward with the study.

Hon. François-Philippe Champagne: Mr. Savard-Tremblay, your comments are music to my ears and those of everyone watching us this evening. Honestly, if there's one person who wants things to move forward, it's me. I think that all Quebecers and Canadians want it too.

Bill C-27 is important in two ways. First, it's important from a privacy perspective, because we want to give people more control when it comes to transferring and protecting their personal data.

Second, Quebec, and more specifically Montreal, is a leader in artificial intelligence. Think of Yoshua Bengio or the Canadian Artificial Intelligence Safety Institute, which has just been established. We're taking into account the suggestions made by our colleagues, whether it be you or other colleagues, to find a way forward.

I think the work of this committee is important. If we want to continue to be a leader on the international stage when it comes to responsible AI, we also have a duty to make progress at the national level. European Commissioner Vestager commented on the framework we were proposing, saying that it was the ideal Canadian version of AI legislation to add Canada's voice to the debate around responsible AI.

Mr. Simon-Pierre Savard-Tremblay: I agree with that. However, when a government is in a minority situation—and it was chosen through a democratic process—it has to deal with the opposition parties. They are opposed to the bill on one specific point.

You say you want to find a way forward, but when will you have something to propose? Do you have any idea?

Hon. François-Philippe Champagne: I have more than an idea; after all, it's Christmastime. I even recently spoke with your leader to find a solution. You talked about a specific point that some are opposed to, which is the establishment of a new tribunal. We've said that we're willing to look at this to move Bill C-27 forward. It's going to take a commitment from all parties.

If our Conservative and NDP friends supported us, we could show Canadians that a minority Parliament can still work in the interest of Canadians. That's certainly what we want to do in the AI space.

Mr. Simon-Pierre Savard-Tremblay: So you still don't know when you'll be able to propose something to us.

Hon. François-Philippe Champagne: We will do that very soon. We've had discussions with all parties.

Mr. Savard-Tremblay, I know you're a great negotiator. If you could take your Conservative colleagues by the hand before Christmas and lead them to the way forward, I think we'd get there faster.

Mr. Simon-Pierre Savard-Tremblay: If they agree to come and have a beer with me, we can discuss a lot of things.

We were recently contacted by representatives of the Coalition québécoise des fournisseurs d'accès Internet. They shared their concerns with us about certain provisions of the Copyright Act. They're concerned about statutory damages, including the interpretation of statutory damages.

In Canada, Internet service providers aren't responsible for online copyright infringement committed by their subscribers. However, providers have a number of obligations when they receive a complaint from a copyright owner alleging copyright infringement by a subscriber. They include providing notice to the alleged infringer and confirming to the copyright owner whether or not notice can be provided.

If the provider does not meet the obligations, the copyright owner can seek damages, and the damages can be fairly significant. It can vary from \$5,000 to \$10,000. However, a number of copyright owners have taken advantage of the ambiguity in the act—we know this—and believe that they are entitled to damages each time a subscriber infringes on a copyright. That's a completely different thing, after all. It's not about seeking damages for each instance of copyright infringement, regardless of the number of times it takes place. Otherwise, providers could be liable to pay several hundred million dollars in damages.

We know that the department involved is discussing this with your office. What's your position? When can we expect an answer? As you can see, here I am once again being a great negotiator.

• (1630)

Hon. François-Philippe Champagne: Thank you—

The Chair: Please give a brief answer.

Hon. François-Philippe Champagne: Okay.

Mr. Savard-Tremblay, thank you for the question.

We launched consultations because we believe it's important to ensure that copyright is respected in the digital realm and to ensure adherence to the Patent Act. These new technologies offer new ways to communicate, but we mustn't forget the fundamental principles of rights, such as copyright and the Patent Act, which must remain in effect.

We're holding consultations, and we're very aware of the concerns around this. When we've completed the consultations, I will be happy to come back to the committee and present our position. We need to hear from all parties first. This is a complex and very important issue.

The Chair: Thank you very much.

Mr. Bachrach, the floor is yours.

[English]

Mr. Taylor Bachrach (Skeena—Bulkley Valley, NDP): Thank you, Mr. Chair.

Welcome, ministers. It's good to have you at committee.

Minister Freeland, I'd like to start with a question about the part of the world that I represent. Since you mentioned Haida Gwaii when I walked in the room, I know you're familiar with their unique predicament. Haida Gwaii is separated from the north coast by a 100-kilometre, seven-hour ferry ride when the weather's good. Sometimes the ferry is docked for several days in bad weather. There are all kinds of reasons why people need to get off Haida Gwaii—for appointments, shopping and those sorts of things—and all of their goods rely on that ferry link, so the cost of living on Haida Gwaii is extraordinarily expensive due to their remoteness.

This is an issue that, for many years, has been advocated for. Thirty years ago, a Liberal government cut their access to the northern residents tax deduction in half, and they've been fighting ever since to have it fully restored. It seems to me that, during a cost of living crisis, when the heightened cost of living from remoteness is accentuated by what's happening in the larger economy, it would be the perfect time to make things right and to restore their access to that important tax deduction.

Is that something your government is willing to do?

Hon. Chrystia Freeland: Thank you very much, Mr. Bachrach, for your hard work in advocating for your constituents and for Haida Gwaii, which I think is one of the most precious parts of our amazing country.

As you know, this is an issue that you and I have discussed in the past. I've appreciated those conversations. I have nothing to announce today, but let me just say that you are a very strong and effective advocate for your community, and I'm glad that we have been talking about it.

Mr. Taylor Bachrach: Thank you, Minister.

Minister Champagne, I'll turn to you about something that relates to your department's focus and mandate—and it's about in the same part of the world as my first question was. Your department funded an important undersea fibre optic link between Prince Rupert and Haida Gwaii, and between Prince Rupert and the rest of the north coast, all the way down to Vancouver Island. The federal government invested \$23 million in that project. It's been installed, and it's in the process of being commissioned and connected to communities. Some communities have already been connected—Haida Gwaii was connected, for instance—and yet, since it was installed, there have been six instances in which the cable was severed. There's no redundant link, and so, when it's severed, all of the communities and businesses on Haida Gwaii, everyone who relies on that fibre optic link that your government helped create, are cut off. They have to use a backup connection with much lower speed and less bandwidth, and it's totally insufficient. Right now, that fibre optic cable is not functional.

The company that installed it, CityWest—which is a company based in Prince Rupert—has been trying to get your attention. I ap-

proached you at the airport about it. I've been working at trying to get Mr. Turnbull to look into it as well. I sat down with Minister Hutchings, who provided an update from the department. The update from the department was, "The cable is broken."

We desperately need to get two things: We need to get the cable armoured—we need money from your department to armour the cable—and we need a redundant link, so that when one of the cables is severed, the Internet connection—the connectivity to this remote part of Canada—isn't also severed. Will you commit today to funding the project that they've applied for, which is to put in that armoured cable so that it's not severed in the future?

• (1635)

Hon. François-Philippe Champagne: Thank you, Mr. Bachrach.

I'll commit to always being nice to you when I see you at the airport and to making sure that I meet the CEO of the company—that I can commit to. To be honest, you've been describing a situation that requires attention. I don't have all the details, as you can probably appreciate, about what kind of remedial action can be taken, but I'm pleased to commit...and to say to everyone watching how effective you are as an advocate for your community—as we should all be.

I would be pleased, obviously, to meet the CEO of the company. After the meeting, I'll share my number with you. Doing it in public could create a lot of phone calls tonight. However, I'll share it with you privately, and then you can give it to him. I'd be happy to have him give me a call. We will look into that, with the officials, to look at what is possible under the circumstances. I appreciate your raising that at committee.

Mr. Taylor Bachrach: You shared your number with me, Minister, and I texted you several times.

Hon. François-Philippe Champagne: Not the CEO of the company....

Mr. Taylor Bachrach: I would be happy to arrange a meeting with the CEO. That would be fantastic.

Hon. François-Philippe Champagne: Perfect.

Mr. Taylor Bachrach: I know Canada is a big country and you have a lot on your plate. However, this is very important to the part of the world I represent. It's a project that has the potential to be a game-changer for rural communities, but they need support. Your government has already invested money. Right now, they need support to armour that cable and ensure they have redundancy. I hope your department can commit to working with them and making that happen as soon as possible. It's vitally important that we get that link back up and running.

I'm looking at the chair in terms of whether we're right on time.

The Chair: You have about 29 seconds.

Mr. Taylor Bachrach: It's 29 seconds. That's a tough one.

The Chair: I can credit that to your next round, if you'd like.

Mr. Taylor Bachrach: Okay, I'll put it in the bank and withdraw it next time.

Thank you.

The Chair: Perfect. Thank you.

MP Rempel Garner, the floor is yours for five minutes.

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

Minister Freeland, it's been reported that the public service pension fund will post a large surplus. Do you plan to book, or have you booked, any of this reported surplus against the deficit?

Hon. Chrystia Freeland: No.

Hon. Michelle Rempel Garner: Thank you.

Are you expecting that a credit downgrade will result from the updated deficit numbers?

Hon. Chrystia Freeland: Let me be very clear that I am not confirming the implication of your question.

When it comes to Canada's credit rating, that is based on the fact that our public finances are sustainable, that we have the lowest debt-to-GDP ratio in the G7 and one that is declining, and that we've had the fastest rate of fiscal consolidation—

Hon. Michelle Rempel Garner: Thank you.

Hon. Chrystia Freeland: Hang on. I want to answer the question.

We've had the fastest rate of fiscal consolidation in the G7, and we have the lowest deficit in the G7. I am confident that our public finances continue to merit our AAA rating.

Hon. Michelle Rempel Garner: Thank you.

In your opening remarks, you said you would be prepared to take additional measures to ensure that payment processors like Stripe pass savings along to eligible small businesses. Does that include formal regulations with penalties to ensure compliance?

Hon. Chrystia Freeland: That's a very good question. I'm glad to have a question about the subject we were brought here to discuss.

Let me be very clear. Our government is very committed to bringing down fees for small businesses. We are very committed to transparency. We have accomplished a lot, and we are committed to doing more. You know, every tool is—

Hon. Michelle Rempel Garner: Thank you.

Hon. Chrystia Freeland: —in the tool box, and we're prepared to use all of them.

Hon. Michelle Rempel Garner: I'm trying to balance the amount of time you talk with when I talk.

I'll take that as a “no” for now.

How are you monitoring to what extent payment processors are passing along fee savings from Visa and Mastercard to small businesses? Are you doing that at all?

Hon. Chrystia Freeland: Let me say that your conclusion about what I said is not accurate.

I said we are prepared to act further, and that is absolutely the case. This is something we are very committed to. We are working very closely with—

Hon. Michelle Rempel Garner: How come you didn't act further to begin with?

Hon. Chrystia Freeland: —the Consumer Financial Protection Bureau. We are working very closely with the CFIB. We are working very closely with small businesses. We are committed that these savings should—

Hon. Michelle Rempel Garner: But you haven't suggested—

Hon. Chrystia Freeland: —be transferred to small businesses, and they will be.

Hon. Michelle Rempel Garner: Thank you.

You also said that we're operating in an environment of more mercantilism. Do you have plans to permanently reduce tax burdens on businesses to make them more competitive vis-à-vis the U.S. mercantilist environment, such as eliminating the carbon tax?

• (1640)

Hon. Chrystia Freeland: I think the marginal effective tax rate is something that is very important to look at. Our government monitors that very closely. We will continue to do so. I believe we have to be very careful and thoughtful about fighting for capital for Canada and Canadians.

Hon. Michelle Rempel Garner: Will you eliminate the carbon tax?

Hon. Chrystia Freeland: Canada's metre continues to be better than the metre in the United States. That is something we need to watch. We need to maintain that competitive advantage.

Hon. Michelle Rempel Garner: Would you suggest that the carbon tax helps attract investment to Canada vis-à-vis the American market, since that doesn't have a carbon tax?

Hon. Chrystia Freeland: I would suggest two things. First of all, the small business carbon rebate is delivering \$2.5 billion to small businesses even as we speak. That is a significant boost coming at the right time.

Second of all, as François-Philippe discussed—

Hon. Michelle Rempel Garner: Thank you.

Hon. Chrystia Freeland: —there are many businesses investing in Canada based on our price on pollution.

Hon. Michelle Rempel Garner: Thank you, Minister.

Hon. Chrystia Freeland: The EV industry is one example. Dow, just north of where you are right now in Calgary, is another example.

Hon. Michelle Rempel Garner: Thank you, Minister.

It's been reported that the deficit is going to be over \$40 billion.

Is the deficit going to be over \$40 billion?

Hon. Chrystia Freeland: I am glad that, notwithstanding the Conservative filibuster, I will have an opportunity to present the fall economic statement on Monday, and we will be presenting full transparency on the public finances.

Hon. Michelle Rempel Garner: Has the Prime Minister indicated to you that you'll be shuffled out of your role if the deficit is over \$40 billion?

Hon. Chrystia Freeland: I think that's a question for the Prime Minister.

Hon. Michelle Rempel Garner: Is that a yes?

Hon. Chrystia Freeland: I was very clear.

The Chair: All right, thank you, MP Rempel Garner.

Hon. Michelle Rempel Garner: You weren't really, but thank you.

The Chair: On that note, I'll turn it over to MP Van Bynen for five minutes.

Mr. Tony Van Bynen (Newmarket—Aurora, Lib.): Thank you very much.

It's double bonus day. It's not often we get two ministers at our committee. It's certainly a pleasure to have you both here.

AI has been one of my favourite topics. We know that the genie is out of the bottle. Love it or hate it, there's no denying that artificial intelligence is here to stay, and its transformative potential is not only in our economy but in the world economy as a whole.

What are some of the steps that you've taken to promote a fertile ecosystem for us to be a global leader in AI?

Hon. Chrystia Freeland: That's such a great question that François-Philippe and I both want to answer.

I just want to take this opportunity to say how glad we both were that I was able to be in Toronto on Friday with a Canadian AI champion, Cohere, announcing a government investment in a Canadian data centre. This is really good news. This is about exactly what we've been talking about: crowding in private capital to Canada and securing Canada's very strong position in one of the most important new technologies in the world.

We have the AI researchers. Toronto's Geoff Hinton won a Nobel Prize in physics for his work. Aidan Gomez, the CEO of Cohere, worked with him. What we talked about on Friday with this group of great young Canadian AI researchers and people who've been attracted to Canada to work on this project is how now is the moment for Canada to capitalize on our AI advantage and turn it into companies, jobs and productivity for our country.

Hon. François-Philippe Champagne: Thank you for raising that. I think AI is the defining technology of our time. I think it's the holy grail of productivity, and I'm glad to see that.

You may remember that Canada was the first country in the world to have a national AI strategy. We were the second country in

the world with a voluntary code of conduct, which was very much in line with what the White House had been putting forward. Now we have more than 30 companies. As Minister Freeland just said, we have put \$2 billion toward what we call computing capacity, because when you have the brain, you need the hardware. We've been working with Cohere. We've been working with some of the best in the world, and they are in Canada.

By the way, I would say that we should be very proud that Canada is seen as a leader not only in AI, but in responsible AI. You would have seen that we did this great announcement in Toronto last week. In San Francisco.... Canada was among the first countries, with the United States of America, to create an AI safety institute to make sure that we have a place where we can verify these models and where we would contribute to AI safety.

I'm very proud to say that AI and quantum are two key sectors. They are technologies that will have an impact on every sector of the economy. As Minister Freeland said, this is a great way to make Canada more competitive, support companies like Cohere—which is crowding in investment in Canada, as she was saying—and make sure that we'll have data sovereignty and data security.

That is something that is very much looked at because in the world we live in today, Mr. Van Bynen, as you know, a number of countries are looking at where to put these assets. Canada offers not only the security aspect, but the energy. That is the work. When you talk about AI today, people would say you cannot talk about AI without talking about energy.

We are blessed in Canada. In many parts of the country.... You may have seen that Alberta recently sent a delegation to track a number of investments. You've seen that. I was just in Newfoundland and Labrador last week, which is putting a lot of power online. We have seen that in Quebec and Ontario. Many provinces are working to offer that kind of renewable energy. I think those that are going to be able to have the AI in terms of computing capacity to store the data, and at the same time have the renewable energy, are going to win in the economy of the 21st century.

I'm glad that you're mentioning how Canada is leading. The investments that we put in, thanks to Minister Freeland and the vision of the Prime Minister to lead in the technology, are going to be defining.

I would recommend the book *Genesis: Artificial Intelligence, Hope, and the Human Spirit*, which was authored by Dr. Kissinger, Eric Schmidt and others. If you read it, you would see that some compare the power of AI to what we've seen with electricity. Imagine the transformation we'll see in our lifetime. This is really something that Canada is leading. We're proud to invest in that key sector, not only for this generation, but for future generations.

• (1645)

The Chair: Thank you, MP Van Bynen. I'm afraid you're out of time.

We'll turn it over to Mr. Savard-Tremblay.

[Translation]

Mr. Savard-Tremblay, you have the floor for two and a half minutes.

Mr. Simon-Pierre Savard-Tremblay: Thank you, Mr. Chair.

Minister, I'd like to ask you another question about something I find important. In fact, I know that you're also very attached to this: the aerospace file. When will we see the almighty strategy for this sector?

I would ask you not to talk about investments, but rather about the strategy, at the political level.

Hon. François-Philippe Champagne: First, allow me to digress for a moment. You'll be proud, because it will be a good topic of conversation to start up with people at Christmas. I want to point out that Montreal is the only city in the world where three major aircraft manufacturers are present. We've made significant progress in this area. Bombardier, Boeing and Airbus set up shop in Montreal, which is exceptional. In fact, last week, I visited Airbus workers. It's pretty impressive to go to one of the Canadian cities where they assemble entire airplanes from top to bottom.

I'll go back to your question. I was at the big aerospace industry meeting. In fact, I think you and I both were there. We're working with them to develop a national strategy. I think that's going to be important, because defence plays into this.

We also have to look at how we can use Canadian businesses, and I'm thinking here of small and medium-sized businesses, or SMEs, in the major programs in place. We have to make sure that we can offer economic benefits for businesses.

That said, we're working hard to develop the strategy, and we're in discussions with the various industry stakeholders. We need to make sure we have a policy that will encourage investment here and favour SMEs. We also have to ensure that we attract talent to our country so that Canada can be a leader in the 21st-century aerospace sector.

Mr. Simon-Pierre Savard-Tremblay: Why did you wait nine years to act in this area? You've been in power since 2015, and the industry has been calling for a strategy for a very long time. The industry even had to go through the COVID-19 pandemic, an extremely difficult period when no orders were coming in. Planes were grounded.

The current government's term is coming to an end, meaning that there will be an election at the latest within a year. In addition, a

change in government is really possible. That's what democracy is all about. People can choose who they want.

Why are you suddenly coming up with a draft document at the end of your mandate, that is to say after three terms and nine years in power, when you know that it may never come into force?

Hon. François-Philippe Champagne: I would say that I'm more optimistic than you about the future, Mr. Savard-Tremblay. I trust in the future.

I already explained the reality in a very public forum when we met with people from the industry, and I think you were there. There was a time when we needed to seize the opportunity to make generational investments, and I encouraged those investments. It's good to develop a long-term strategy, but we also have to act in the short term. That's why we've invested in next-generation engines at Pratt & Whitney, for example. That's why we worked with Bell Textron Canada to make Mirabel the civilian helicopter capital of the world. Almost all of Bell Textron's civilian aircraft are made in Mirabel. It's quite remarkable that Canada managed to get that mandate.

You can criticize me, but I'm a man of action. When I see an opportunity, I take it. A strategy had to be developed at the same time, but we certainly couldn't miss the opportunity to get this mandate from Bell Textron in Mirabel, and to invest in the new Pratt & Whitney engines, which are made in Longueuil, to ensure a strong ecosystem.

I thought that Canada should make the investments first and create a parallel strategy, which takes several months. You were there with me at the time. You know that the world is changing rapidly and that we must seize opportunities to make generational investments when they arise.

• (1650)

The Chair: Thank you, Minister.

Mr. Bachrach, the floor is yours. You have three minutes.

[English]

Mr. Taylor Bachrach: Thank you, Mr. Chair.

Minister Freeland, I have a question about the GST tax holiday.

Now, we voted to support this short-term tax holiday, because we wanted to give people a break, but we recognize that it comes with some very serious shortcomings. One of the groups that I've heard from is small businesses in the communities I represent, which are struggling with the idea of having to change their prices twice in a matter of two months.

What is your response to them? How is your government going to ensure that small businesses aren't burdened by this extra administrative step at their busiest time of year, when they make the most revenue? They're really depending on focusing their energies elsewhere in their business, and they have to spend time changing their prices for only two months, only to change them back. What's your message for them?

Hon. Chrystia Freeland: Look, first of all, that's a really good and serious question, and I think all of us here have been spending time with small businesses in our communities and hearing from them.

My first message is that, first and foremost, this is a measure about helping Canadians. I think we are all glad that inflation has now come down to the Bank of Canada's target range and that rates are following, but I think we all recognize that things have been hard for Canadians. This tax break is about giving Canadians a little bit of extra help: helping them buy the things they need and save money for the things they want.

For small businesses, I think it's important to recognize that they work really hard. The small businesses that I've been speaking to, both the organizations that represent them.... I was in Toronto on Thursday at Treasure Island Toys, which is run by two women, two mothers, and they told me that they were really looking forward to this. They were very hopeful that it was going to bring more people into the store ahead of Christmas. They also said something I've heard from a lot of people, which is that, generally, January is a quiet month, so they're hopeful that the additional clientele that this brings in December will carry through to the usually quieter month of January.

I'm sympathetic to the challenges. I'm hopeful that this will help small businesses, as well as the people who buy things there.

Mr. Taylor Bachrach: Okay. This is not what I'm hearing from the businesses I represent, so I'll take that message back to them and tell you what they say.

The GST was never meant to be charged on essentials. It's why many essentials were exempted when it was first brought in, in the early 1990s. What's the argument against making a tax cut on essentials permanent? This is what we've proposed: take the tax off things that are clearly essential items, like home heating, phone and Internet bills, and kids' clothing.

Canadians, I think you'll agree, deserve much more than a two-month holiday from the tax on those items. Why not make the GST cut permanent?

Hon. Chrystia Freeland: First, I would really like to thank you for your support for this tax holiday.

I do want to be clear that this is a temporary measure. It's something that we have the capacity to put in place now to support Canadians when they need it, but this measure is time-limited.

Mr. Taylor Bachrach: I'm very much aware of that. I think that's the shortcoming, Minister.

The Chair: Thank you, Mr. Bachrach.

You're out of time, I'm afraid, but we'll get back to you shortly.

Mr. Taylor Bachrach: Did you give me my 29 seconds?

The Chair: I did. I gave you a minute. I doubled it.

Mr. Taylor Bachrach: That's the only kind of inflation we're okay with.

Mr. Bernard Généreux: Lucky you, he's never generous like that with me.

Mr. Rick Perkins: Another Liberal who went over the budget....

[Translation]

The Chair: Mr. Généreux, you have the floor.

• (1655)

Mr. Bernard Généreux (Montmagny—L'Islet—Kamouraska—Rivière-du-Loup, CPC): Thank you very much to the witnesses for being here with us today.

Welcome, ministers.

Ms. Freeland, do you consider that your deficit, which you claim is the lowest in the G7, gives you free rein to spend?

Hon. Chrystia Freeland: Absolutely not.

I know that it's very important for Canadians, as well as for international financial markets, to know that Canada's public finances are sustainable and that our position is the best in the G7. That's important, and it needs to be noted.

Mr. Bernard Généreux: Thank you very much.

You like to use the term “soft landing”. You said it a number of times already this morning.

Isn't that why public servants revealed in the media that the deficit would probably be around \$60 billion instead of the anticipated \$40 billion?

Are you using the term “soft landing” to sell your \$60-billion deficit to the public?

Hon. Chrystia Freeland: I'm here to answer questions directly, so I'm going to answer you.

I agree with you that a soft landing is very important for Canada and for Canadians. Since the COVID-19 pandemic, our reality has been, one, to avoid a recession, two, to control global inflation and, three, to tackle the high policy rate. Those three cycles are now over. That's good news.

I'm very glad you highlighted the importance of a soft landing for Canada.

Mr. Bernard Généreux: That means that at the end of March, at the end of the 2024-25 fiscal year, Canadians will see a deficit of around \$60 billion instead of \$40 billion, if I understand correctly. That's the target you set, by the way. It wasn't the opposition parties or anyone else who set that target for next year. Therefore, you won't have complied with the guardrail you put in place.

We've seen that the unemployment rate has just gone up. Therefore, we can't say that the Canadian economy is currently red hot.

You tried to find a way to put a guardrail in place, so why are you letting yourself exceed the target?

Hon. Chrystia Freeland: Thank you for the question.

I should point out that your question is based on a lot of hypothetical remarks.

On Monday, I will table the fall economic statement, and it will include all the numbers.

Today, I want to raise an important point.

I want to confirm and emphasize that Canada's public finances are sustainable. This is important not only for Canadians, but also for international markets. Canada is in a better position than the other G7 countries when it comes to the debt-to-GDP ratio. It's an important resource in a world where there's a lot of uncertainty, and it's very important not to let partisan bickering obscure reality. Our public finances are sustainable.

Mr. Bernard Généreux: Ms. Freeland—

Hon. Chrystia Freeland: I would add that, on international markets, that is recognized.

Mr. Bernard Généreux: Ms. Freeland, regarding international markets, you know very well that when public finances are no longer sustainable, things will no longer be the same.

You think that public finances are still sustainable compared to other G7 countries. However, all the programs you've put in place will cost tens of billions of dollars, and we don't have that money.

Once public finances become unsustainable, don't you think that will lower our credit rating?

Hon. Chrystia Freeland: No, absolutely not.

The debt-to-GDP ratio is the guarantee, which shows that our public finances are sustainable.

I really want to emphasize the fact that Canada's public finances are sustainable, and I'm not the only one saying it. We're also hearing it on international financial markets.

• (1700)

Mr. Bernard Généreux: Ms. Freeland, what will happen when public finances are no longer sustainable?

Hon. Chrystia Freeland: The Parliamentary Budget Officer confirmed last summer that Canada's public finances were sustainable. That's a good thing.

Mr. Bernard Généreux: Mr. Champagne, Northvolt, Lion Electric and Taiga Motors are all experiencing difficulties. The battery industry is therefore struggling, to say the least.

How do you see the future of this sector in the coming months and years?

Lion Electric is basically on the brink of bankruptcy. Do you plan to step in?

Hon. François-Philippe Champagne: Mr. Généreux, I invite you to be visionary. I know you're a man of vision, because I know you. After a hundred years, we're witnessing a technological change. Vehicles have been made the same way for 100 years, and now we have to project ourselves into the next 100 years, so it's

normal to have to adapt in the short term to consumer habits, new technologies and supply chains.

When Henry Ford launched his first model car, it wasn't smooth sailing. You're a numbers guy, so you'll be interested to know that Tesla has become profitable after 17 years of operation. I would note that this company had received subsidies from the U.S. government. It wasn't smooth sailing either.

Mr. Généreux, you should be proud of what we've managed to do together. We brought Quebec into the auto industry. We've positioned Quebec as a player in this industry. When I go to Tokyo or Seoul, people talk to me about Quebec. It's a great achievement.

Some players can, of course, experience temporary slowdowns. However, you forgot to mention the joint venture between General Motors and POSCO Future M, whose work on the production plant is progressing very well. You forgot EcoProBM, whose shipyard in Bécancour is doing very well. You forgot Volta, whose project in Granby, a place you know well, represents an investment of \$1 billion. You forget to see investments like those made by Honda, which amount to \$15 billion in Canada. It's true that there has been some slowdown for some industry players, but there has also been a lot of progress.

I want to emphasize that we've been able to seize generational opportunities, and we've done so by being very disciplined when it comes to finances. As I've said many times, we haven't disbursed any federal money to the Northvolt project.

You should be proud to have a government that's there to protect your interests, while ensuring that Quebec will be part of the future of the transportation electrification ecosystem.

Hon. Chrystia Freeland: Yes, we're proud.

The Chair: Thank you very much, Mr. Minister.

Mr. Généreux, don't hesitate to show your pride in the government. I gave you an extra two minutes, because it was a very nice exchange.

Mr. Badawey, the floor is yours.

[English]

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

Ministers, thank you for being here today.

You're probably anticipating what I'm going to be speaking about: the importance of supply chains. They are the backbone of our economy. Supply chains connect our industries. They connect our communities. They connect countries. I want to speak about the fact that you can't manipulate supply chains. They are what they are. Production and sales happen in certain parts of Canada, but they also cross borders. With that comes the need for them to be very seamless and to flow with fluidity. Therefore, as Minister Freeland mentioned earlier, there is a need for capacity building within those supply chains. We've seen, in recent years, global challenges—the COVID-19 pandemic, geopolitical tensions and climate change—that have exposed vulnerabilities within our supply chains.

Question one is with respect to their importance and how you see us moving forward to create more supply chain resiliency, efficiency and sustainability, in order to create economic growth and community impact amid these global challenges.

The second question is very relevant to supply chains, as well. It's on the importance of our national and bilateral relationships—especially with the U.S.—and, with that, the mechanisms you see moving forward so we can look at integrating our economies and sharing capacity building, infrastructure investments and capital investments. How can we create more global competitiveness together than apart and have resiliency to the disruptions I mentioned earlier, such as the pandemic? Lastly, affordability is also very important to us. In the States, it's important to them, as well.

Are there opportunities not only to add capacity and invest but also to utilize other strategies with other countries, such as those in the EU? For example, there is the carbon border adjustment mechanism. What do you see, and how do you see us moving forward, with all of that said?

I'll start off with you, Minister Champagne.

• (1705)

Hon. François-Philippe Champagne: I'll take the first part of the question.

You're spot-on, Mr. Badawey, as always. Obviously, you represent a region, Niagara, that is very intertwined in terms of supply chains.

I would say you're spot-on because, after COVID, what we've seen is that global supply chains have become more regional, and there's more emphasis on resiliency than pure efficiency. The world has been transformed—Minister Freeland was saying that—and we were both witnessing that over a period of a decade. We've seen the supply chains and the global trading order really shifting in a way, not only with conflicts and tensions you see in many parts of the world, but certainly also in terms of the resiliency that people want to see.

In my role as co-chair of the Canada-U.S. engagement, I can tell you how significant everything you just said was when we started engaging with our U.S. colleagues. The first thing we always talk about with our American friends is security—security of the borders, security of the Arctic, security of the north. The second thing was supply chain resiliency, because that is everything today. I remember a CEO telling me what they liked about Canada. If things

go bad, they'll truck the stuff across the border. If it goes really bad, they'll go and pick it up themselves with their pickup truck, because the proximity is what makes a huge difference in that. The third aspect we were talking about with our U.S. friends was a growth agenda.

I'll give you three examples, and then I'll turn it over to Minister Freeland.

For folks who are watching at home, I'll just tell you about the integrated nature of our supply chain with the Americans. Probably your colleagues have not realized that 80% of all the semiconductors that are manufactured in the United States are packaged and tested in Bromont, Quebec. That is the Albany-Bromont corridor we talk about. This is so significant. You don't need to take it from me—although I know you're a friend and you would take it from me. However, it's even better when you have the President of the United States, when he came to speak to the House of Commons, make the point that the United States and Canada.... I don't remember the words verbatim, but the concept was that the United States and Canada need to work together for the U.S. and North America to be resilient in semiconductors.

I'll give you another example, where we invested with Rio Tinto on titanium. We're going to be making titanium powder with the titanium that is produced now in Sorel, Quebec. With titanium powder, you can do 3D printing and replace parts of jets on aircraft carriers. That is so significant for the economic security and national security of North America that I would tell you that our American friends have noticed that. In key critical minerals as well, as you know, there's only one cobalt refinery that is serving markets in both Canada and the United States.

My point is to say this. I want everyone at home to know about the work you've been doing, and about your focus in your role to make sure that we improve the connectivity between our two countries. When it comes to critical minerals, when I talk to CEOs, it's about proximity to resources, market and assembly lines. There are critical minerals elsewhere in the world, but I can tell you that global companies want to sell in the United States and Canada. They want to have that proximity. The work that you've been doing on the Great Lakes and championing that as the chair of that committee, which is with both the United States and Canada, is making a huge difference. You've been a great asset for us in strengthening that relationship with the United States.

I'll turn to Minister Freeland.

Hon. Chrystia Freeland: I am in very strong agreement with your question, Mr. Badawey, and with François-Philippe's response. I really do want to thank you for being quite prescient. You have been working on and talking about supply chains, and you have been building those human relationships, as one MP with elected representatives on the other side of the border, for a long time. I do want to say, and I hope your constituents are listening, that I'm very grateful to you for that work. I think those relationships, those explanations, those conversations you have been having will serve us very well now. I do think your point about how we need supply chains that are resilient is more important today than ever. That is a huge competitive advantage for Canada right now.

The Chair: You're out of time, Mr. Badawey.

MP Patzer, the floor is yours for five minutes, please.

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

Thank you, Ministers, for being here today.

Minister Freeland, just really quickly, can you tell me what the national debt is, please?

• (1710)

Hon. Chrystia Freeland: I feel that the MPs at this committee have a lost vocation as members of the finance committee.

Let me just say to you and to all of your colleagues that, notwithstanding the Conservative filibuster, I'm very glad that we'll have a chance to present the fall economic statement on Monday, and we will fully disclose all of the relevant figures.

I do want to emphasize—because people have been calling it into question—that Canada's public finances remain sustainable and remain the best in the G7.

Mr. Jeremy Patzer: Okay. You said that your fiscal guardrail was a \$40-billion deficit. Your department has leaked out that it's \$60 billion. It would be quite convenient, if you leaked out \$60 billion and slid in at about \$50 billion, to say that they were wrong. However, that is still blowing past the guardrail that you said was in place.

I don't know why you can't just simply say no to the deficit potentially being \$60 billion for this particular fiscal year. Why is that?

Hon. Chrystia Freeland: I am not going to comment on hypotheticals, and I am not going to comment on leaks.

What I can say very clearly is that Canada's public finances are sustainable, as the Parliamentary Budget Officer reported in the summer. Canada's debt-to-GDP ratio, which is the crucial metric, is the lowest in the G7, and our debt-to-GDP ratio is on a declining track. That is the key measure of sustainable public finances. It is a great strength of Canada's, and it's really important for us all to be clear about that.

Mr. Jeremy Patzer: Earlier in your remarks—I think it was in response to another question—you said that we had a 1.5% GDP swing that could be allowed when it came to a hit to our economy. Are you aware that your government has just implemented a policy that will directly blow a 1% GDP reduction into the economy?

Hon. Chrystia Freeland: I'd like to be clear, Mr. Patzer. I was quoting the Parliamentary Budget Officer, who concluded in his independent study of the public finances that not only—

Mr. Jeremy Patzer: Sure, but—

Hon. Chrystia Freeland: No, that's important. For the record, I want to be very clear. That was not—

Mr. Jeremy Patzer: Are you saying that you don't agree with the Parliamentary Budget Officer?

Hon. Chrystia Freeland: No, but I want to be clear that I was quoting his analysis. It is important, given some of the partisan assertions being made, to bring that objective analysis to bear in order to really make it clear to Canadians and to international capital markets that our public finances are clearly sustainable. That's why I quoted that analysis of his.

Mr. Jeremy Patzer: Okay. Are you, then, comfortable with a 1.3% loss in government revenue?

Hon. Chrystia Freeland: Again, that is exactly the partisan twisting and falsehood that I'm being very clear to counter. This was—

Mr. Jeremy Patzer: It was The Conference Board of Canada that said that. It was Deloitte that said that, not me.

Hon. Chrystia Freeland: No, this was an analysis by the Parliamentary Budget Officer. Again, given the hypotheticals and the assertions being made, it's important to be clear to Canadians and to capital markets that our public finances are sustainable. That's what I'm insisting on right now.

Mr. Jeremy Patzer: Despite all of that, the emissions cap is going to blow a 1% hole in the Canadian economy, and it's going to cost government coffers a 1.3% drop in revenue.

Ms. Freeland, the carbon tax is causing a huge pain for consumers. The cost of everything is going up. Groceries are going to go up \$800 next year for average people, and you are going to increase the carbon tax. Are you comfortable in continuing to increase the carbon tax on Canadians when they continue to go through a cost of living crisis, and it continues to go on day after day? Are you comfortable with that?

Hon. Chrystia Freeland: The fact is that eight out of 10 Canadians get more back through the Canada carbon rebate. There is some really good news right now, which is that Canadian businesses are getting back \$2.5 billion through the small business carbon rebate. That is money going directly to Canadian businesses, and it will help them at an important time.

Mr. Jeremy Patzer: When this meeting started, the Canadian national debt was \$1.24 trillion. By the time this meeting is over, just in the time of this meeting alone, an additional \$10 million is going to be added onto that. Just today, an additional \$110 million will be added onto the deficit, and that's without you spending any money, Minister. It's a by-product of the reckless spending by your government.

Are you comfortable with that much extra debt being added onto the national debt, and for my kids, my grandkids and the next generations to be saddled with that before they even hit the economy? Are you comfortable with that?

• (1715)

Hon. Chrystia Freeland: What I am not comfortable with is misleading statements about the true state of Canada's public finances. The reality is that our public finances are sustainable. That is the judgment of the markets. That is the judgment of the Parliamentary Budget Officer. Our debt-to-GDP ratio is on a downward path. That is the crucial measure.

I want to be very clear that if the Conservatives are proposing cuts and austerity—cuts to health care, cuts to dental care, cuts to early learning and child care—that is a recipe for failure and austerity for Canada and Canadians. That is a recipe for hurting people and for hurting our economy.

[*Translation*]

The Chair: Thank you, Madam Minister.

Thank you, Mr. Patzer.

[*English*]

MP Gaheer, the floor is yours.

Mr. Iqwinder Gaheer (Mississauga—Malton, Lib.): Thank you, Chair.

Ministers, thank you for appearing. I apologize that I'm not there in person. My flight got cancelled today.

Minister Champagne, we know that the work of Parliament has been long delayed because of the Conservative filibuster. Now, with supplementary estimates on the table, we're having to face very difficult truths about what's at stake if we don't pass these in time.

I appreciate the conversations I've had with students in my riding. I suppose they're on my mind when considering that your department directly awards funding and research awards to graduate and post-doctoral students. Will the students be affected by delays in passing the supplementary estimates, and if so, how?

Hon. François-Philippe Champagne: I just want to say thank you for a very significant question. For Canadians who are watching at home, that is one of the most crucial questions.

On the filibuster we've seen by the Conservatives, you have to call it what it is: You're really filibustering your own motion. I think in history, people will remember that time. You're filibustering your own motion for two months, after the government tendered more than 20,000 pages. That's a lot of reading for Christmas that I see the Conservative members are going to look at.

You're right that what it's doing is really—

An hon. member: [*Inaudible—Editor*]

Hon. François-Philippe Champagne: Honestly, Mr. Perkins, look at the young people when you walk in the street. Those graduate students, those researchers, those post-doc students, they're expecting what Minister Freeland and I have been working on. We

have heard and you have heard, Mr. Perkins—I know you're a man with a good heart—from the students who came here and said that we need to really adjust the grants they're receiving.

The research of today is the economy of tomorrow. This is their future. These are our kids. These are our researchers and our students. When they asked us to give them a hand, we said that we heard them and that we were going to do that. Now, obviously—you would know that, Mr. Chair—we need to pass the estimates, because they're expecting that.

I'll give you another example that every Canadian should be worried about. That's Canadarm3. Canada is known around the world in space. The Canadarm is the flagship of our country. Everyone in the world knows of it. Our engineers and our scientists have been able to inspire the world. This depends on the supplementary estimates. Those are real things that affect people and their lives. I could go on and on. Imagine the new rover on the moon, Mr. Perkins. NASA depends on us for its lunar mission. Obviously, the supplementary estimates are key enablers of that. We need to make sure we're going to be able to answer that.

Let me give one final example. You'll love this one in particular. It's the Canadian AI safety institute. We were just in San Francisco with the world and with our American friends. You care a lot about the U.S. relationship. I know that. Think about that: We were just with them on the podium, Canada and the United States. We'll have the Canadian AI safety institute. We're going to work together.

Now, we will have to say that it depends on the supplementary estimates. Ask the Conservatives. Are they going to allow Parliament to function? Those are real things that have real impacts in the real world.

I think this is one of the most important questions we have had tonight. We do need to get back to business. Canadians, when they wake up in the morning and go to work, expect the same thing from everyone in this building. We do our part.

Mr. Perkins, I know you have a good heart. As I look at you and your colleagues, you need to do your part to make sure that Canadians who depend on this funding will get it on time for Christmas.

• (1720)

Mr. Iqwinder Gaheer: Great. Thank you, Minister.

With the time I have remaining, I wanted to ask you this: What's at stake for our colleges and universities if they lose trust in our ability to get them funding when they need it, reliably and promptly?

Hon. François-Philippe Champagne: Mr. Gaheer, you're spot-on, as always.

There are five things that have been attracting investment in Canada. The first one is talent. We should be proud as Canadians that Canada is a magnet for talent. If you go to G7 meetings, immigration is one of the things that are still seen positively in Canada. This is a golden opportunity for us to attract talent. The second thing is the strength of the ecosystem that we have in the country. We have the critical minerals to make sure we'll lead the economy of the 21st century. We have renewable energy. We're the only G7 country with a free trade agreement with all G7 nations.

To your point, obviously, people can walk with their feet. These students who are looking are asking, "Am I going to go to Canada? Is it as promised?" We'd like to answer yes, but we'll need our Conservative friends, because we know they also care about the future. They care about Canada leading in the 21st century. They know that science is going to lead to innovation. They know that the science of today is the economy of tomorrow.

For all of those Canadians who are watching, I hope they can impress on their MPs on the Conservative bench to do the right thing for Canada, do the right thing for their kids and do the right thing for Canada to continue to lead in the 21st century.

[*Translation*]

The Chair: Thank you very much, Mr. Minister.

Mr. Savard-Tremblay, you have the floor.

Mr. Simon-Pierre Savard-Tremblay: Thank you, Mr. Chair.

Mr. Minister, I imagine you've heard vaguely about the possibility of the United States imposing new tariffs. Of course, we already impose customs duties in certain sectors, such as the import of wood. It's not theoretical in this case.

During your last visit to the committee, you said you wanted to work with businesses to foster innovation as a way out of the crisis. I don't know whether the industry should produce its own innovation plan, or whether we should innovate in terms of solutions. One doesn't exclude the other.

Where are we at now? Can we expect an announcement on support for Quebec's forestry industry through an emergency program? If so, when might that happen?

Hon. François-Philippe Champagne: Mr. Savard-Tremblay, thank you for the question. We know that the forestry sector is important.

I represent a region where the forestry industry plays a vital role not only for employment, but also for economic development. At my last appearance, I said I wanted Canada to turn the corner on innovation in the forestry sector.

For example, Canada drew a lot of inspiration from Finland's practices on the various ways of using wood fibre, of which there are many. Back home, at one time, people cut down trees and often laid them down in the Saint-Maurice River. The paper mills would then do the processing.

I recently met with representatives of the Kruger paper mill. They proposed a very innovative project to replace a synthetic fibre with a wood-based fibre.

I'm seeing more and more innovative projects. I'm thinking of Groupe Rémabec, for example, which had an interesting project in the area of biofuels.

We're seeing that, in the forestry sector, new ways of using the forest are being considered not only in Quebec, but also across the country. We have to remember that this is one of our renewable resources.

Clearly, sound forest management is essential. We are working with those in charge of the forestry sector, and I can tell you that projects are under way.

Mr. Savard-Tremblay, I'm like you. I'm a man of action. I would like things to be done quickly. Rest assured that we are working hand in hand with forestry industry stakeholders.

Mr. Simon-Pierre Savard-Tremblay: What would that shift look like?

Is it investment in the processing sector? Should we increase the use of wood in domestic construction?

What can we expect?

We've talked about amounts of money, but people in the industry aren't seeing any yet.

Hon. François-Philippe Champagne: You have a lot of good ideas, Mr. Savard-Tremblay.

First, as you said, why not use more wood in construction in Canada? The housing stock is being rebuilt. You may know that wood is being used in Vancouver for the construction of buildings of up to six storeys. Wood was even used on a university campus to build residences for students. It's important to innovate.

Your analysis is good, as always, Mr. Savard-Tremblay. We have to find new avenues. Construction is one example. I also mentioned the use of biofuels. The project Kruger submitted to me was aimed at replacing a chemical fibre—I won't go into all the details today, publicly—which opened up a multi-billion dollar market. Opening up new markets with new products guarantees jobs in the forestry sector.

My colleague Ms. Freeland provided relevant answers to the Conservatives. The government makes investments—it has made a lot of investments—and it gets a good return on investment. The minister and I can attest to that. We've transformed the industrial landscape of the country.

My office is in the C. D. Howe Building. I read the book written by this politician, Mr. C. D. Howe. I understood the power of an industrial policy whose objective is to transform things.

I want to do in forestry what's been done in auto, what's been done in biomanufacturing and what's been done in critical minerals. I know that, with you, we'll be able to find solutions that will enable the forestry sector to be part of the major sectors that will bring us prosperity in the 21st century.

• (1725)

Mr. Simon-Pierre Savard-Tremblay: I think we're in a crisis situation. In a competitive context, interest is often used to describe the need for an industry to modernize and turn to innovation.

Canada is on the brink. We've been hit with customs tariffs, countervailing duties and punitive tariffs for 40 years. In the end, it became a kind of background noise in the news. In the United States, it's a bipartisan consensus. We're really at a stage where urgent action is needed, even though there are some great projects, and things are being proposed.

Earlier, I told you not to talk to me about investment, but about strategy. Now I'm going to ask you to talk about investment instead.

Hon. François-Philippe Champagne: I like it when you repeat my words, Mr. Savard-Tremblay.

I agree with you. However, I will say that there are investments, but there's also a strategy to support them. The government has always been there for the forestry industry. I think my colleagues, including the Minister of Finance, Ms. Freeland, have always understood the importance of this. For us too, it's a matter of land use. Forestry relies heavily on processing, which is done in rural parts of the country. However, we want to have strong regions.

As I told you, investments are being studied, but I would also say that the government has always been there for workers. It has always stepped up to make sure it was there for them.

What I also like about your analysis is that it shows the need to look further. You're right that this conflict has been going on for many years. I spoke to a former prime minister who was there for a long time, and he was telling me that the conflict has probably been going on for decades. What we need to do now is develop markets and products and secure a future for our forestry workers.

The Chair: Thank you very much, Mr. Minister.

Mr. Bachrach, the floor is yours. You have five minutes.

[English]

Mr. Taylor Bachrach: Thank you, Mr. Chair.

Mr. Morrice has been watching and listening intently, and I think it would only be fair to give him a couple of minutes to ask a question.

Mr. Morrice, I'll give you two minutes, and then if you could pass it back to me, that would be appreciated.

Mr. Mike Morrice (Kitchener Centre, GP): Thank you, Mr. Bachrach.

Mr. Chair, let it be known that this is an MP who's not only effective but kind, too. Thank you.

I have two priorities that I'd like to raise with Minister Freeland.

The first is with respect to and on behalf of folks with disabilities, who, as you know, are disproportionately living in poverty across the country. Your government announced 6.3 billion dollars' worth of investments recently, the majority of which actually exclude them directly. This is when we know that with slightly more, we could actually lift about 278 folks with disabilities out of poverty. It comes on the heels of a Canada disability benefit that was not what was promised. There are a lot of folks who are livid in my community who have spoken with me.

What would you say, Minister Freeland, to folks with disabilities who are so deeply disappointed?

Hon. Chrystia Freeland: Well, look, I would first say thank you to you for speaking to the most vulnerable in your own community. I think that is part of the job that we all need to do.

Second, I will say that the Canada disability benefit is an important step. That is a step that only our federal government has taken. I hope that all of us around this table will be glad to be MPs at a time when the government, the country, is taking this important step.

I will say to everyone who voted against our budget that you were voting against this important step forward for the most vulnerable among us.

Mr. Mike Morrice: Thank you, Minister Freeland.

I think the reality, though, is that when the folks you're trying to help are telling your government that they're so disappointed, it might not be exactly as advertised. However, I respect that we might have a difference of opinion there.

I want to turn to something that I think we might agree on. This is with respect to the housing crisis.

Mr. Chair, if you could interrupt me when there are two and a half minutes left, I will turn it back to Mr. Bachrach.

As you know, I've been advocating with respect to Habitat for Humanity. They were left out of the HST exemption that was provided for for-profit developers of rental housing around this time last year. It's a significant issue for them. With this, they could build additional affordable homes. We could fund it by getting rid of the tax exemption for real estate investment trusts, which are actually profiteering from the housing crisis. I sent you a letter about it on October 25. I raised it in question period. I got a response back from Minister Fraser, and he said to speak with you.

I'd like to understand more whether you are considering this. I know you won't reveal what's in the fall economic statement, but I would like to hear more with respect to this tax exemption for Habitat for Humanity to build more affordable homes.

• (1730)

The Chair: Give a brief answer, please.

Hon. Chrystia Freeland: I'll just say thank you for your work on it. I'm aware of your advocacy. I'm aware of the issue. As you correctly foresaw, I have nothing to announce on that today.

The Chair: Mr. Bachrach, you have about two minutes left.

Mr. Taylor Bachrach: Picking up on folks who are vulnerable in our communities, I want to talk about low-income seniors, seniors who rely on old age security and the guaranteed income supplement, which, across Canada, is hundreds of thousands of seniors, if not millions, including my father. Recently, in talking to our seniors critic, I learned that while your government increased, very modestly, the old age security payments, that increase resulted in people's guaranteed income supplement being clawed back.

Is that true? If so, how is that possible?

Hon. Chrystia Freeland: Let me just say, about our seniors, that one thing that was a priority for our government from when we first formed government was to support our seniors, to roll back Stephen Harper's decision to push retirement to 67 from 65, and to increase the support we offer our seniors, especially the most vulnerable. That has had an impact. We have had significant measurable reductions of Canadian seniors living in poverty.

Mr. Taylor Bachrach: I have one more question, Minister, so could you speak specifically to that question?

Hon. Chrystia Freeland: I want to put one other point on the record, which is that, this year, the Government of Canada, which means the people of Canada, will be spending \$80 billion to support our seniors. I think that is a considerable sum that we should all be glad we are able to provide to seniors across the country and that has significantly been focused on our most vulnerable.

Mr. Taylor Bachrach: It's really frustrating, Minister, that you didn't answer the question about the GIS being clawed back.

You spoke of the Harper record. One of the things the Harper government did was to bring in income splitting for senior couples, and this has put single seniors at a serious tax disadvantage. I wonder how your government can justify not adjusting the tax regime so that single seniors aren't paying \$5,000 more tax for the same combined income as a senior couple.

Is this something you're aware of? Is it something that you plan to address?

Hon. Chrystia Freeland: Mr. Bachrach, I share your central concern that you've been expressing in these questions: that we need to do more to support all our seniors, especially the most vulnerable. I completely agree with you.

We are spending \$80 billion this year to support our seniors, and our support has significantly, measurably reduced the number of seniors living in poverty. Of course, better is always possible, and within the constraints of a fiscally responsible plan—which we've been discussing at some length—I think all of us would agree that we would like to continue supporting our seniors.

The Chair: Thank you very much, Minister.

Mr. Perkins, the floor is yours.

Mr. Rick Perkins: Thank you, Mr. Chair.

My first question is for you, Minister Champagne, to follow up on your last statement.

Since we are dealing with supplementary estimates here—in other words, additional spending for your department—can you tell me how much is in these supplementary estimates for toner cartridge that was used to blank out 30,000 pages on the green slush fund?

Hon. François-Philippe Champagne: Mr. Perkins, I'm always happy to come to the committee when you're here. I must say that this is the best gift I have before Christmas.

I know you. You're a man of good heart. You know that what we did was to comply with the requests of this committee to produce 29,000 pages. I know it's a lot of reading for Christmas, but I don't expect a Christmas card from you this year.

Mr. Rick Perkins: It's not much reading, because it's all blanked out. You're of course getting a Christmas card from me, but it was all blanked out.

Minister Freeland, I have some sympathy for you, because for every budget you've presented, you've said that this is the guardrail, this is the deficit and we're not going beyond it, and then in every one you've missed it. Can you tell me who is telling you that you have to go through in the year after your deficit? Is it Mr. Carney or is it the Prime Minister?

● (1735)

Hon. Chrystia Freeland: I share the view of my colleague, the industry minister, that you have a good heart, Mr. Perkins. Unfortunately, I have to correct and strongly disagree with your core assertion.

The fact is that, notwithstanding repeated Conservative attempts to muddy the waters, Canada has had the fastest fiscal consolidation in the G7 since the COVID recession. We have the lowest debt-to-GDP ratio. We have the lowest deficit. Markets are rewarding us for that with cheaper debt than the U.K. and the U.S. This is what a fiscally responsible plan is.

I would like to point out that we are on track to achieve a soft landing from the COVID recession more successfully than experts predicted at the peak of that recession, which was deeper than the Great Depression, and a much quicker recovery than Stephen Harper was able to deliver.

Mr. Rick Perkins: The only thing that's off, Minister, is your target, because you never meet it.

I will go on to my next question, on the oil and gas cap. Did Finance—your department—do an economic analysis on what the impact of that cap would be on reducing the production in the oil and gas industry and thus on our economy?

Hon. Chrystia Freeland: I'm very glad to have a question about the oil and gas industry, because one of the important infrastructure investments by our government is to complete the Trans Mountain pipeline, which is in service today. That is estimated, by the Bank of Canada, to be adding 0.25% to Canada's GDP. That was the result of an activist government that stepped in when the private sector could not get the job done.

Mr. Rick Perkins: That's fair enough, Minister, but I notice that you didn't answer the question of whether or not the department—yes or no—did an economic analysis of the impact of that cap.

Answer quickly, if you could, because I have another question I need to ask you.

Hon. Chrystia Freeland: No, let me be very clear. If the Conservatives are sincere in believing that the oil and gas industry contributes to the Canadian economy and to our national security, as I do, I would like to hear the Conservatives talk about the value that the Trans Mountain pipeline brings to our economy. I have not heard that a single time, and that shows extreme hypocrisy.

Mr. Rick Perkins: I take it that's a no, since you're refusing to answer the question.

Former Bank of Canada governor Stephen Poloz says that we're in a recession. You say that we're in a “vibecession”. Can you tell me what people are experiencing in a vibecession that's different from a recession?

Hon. Chrystia Freeland: What I can say, Mr. Perkins, is that after a very challenging time with high inflation and high interest rates, Canada now has had inflation within the Bank of Canada's target range for 10 months. I am glad to be able to quote the Governor of the Bank of Canada, who said—

Mr. Rick Perkins: The governor says that we're in a recession, so can you tell me—

Hon. Chrystia Freeland: —speaking to the Senate banking committee, “We are no longer trying to get inflation down. Government spending is not pushing against us getting inflation down. We have brought it down.” Again, that is not a Liberal or a Conservative. That is the independent governor of our central bank, and that is something we should all celebrate.

Mr. Rick Perkins: Are the two million people experiencing food banks—a record number under your government—experiencing the recession versus the vibecession differently, or are they in a recession when they cannot pay or get food?

Hon. Chrystia Freeland: It is the height of hypocrisy for Conservatives to claim to care about the most vulnerable. Conservatives are the party that voted against a national school food program. Conservatives are the party—

Mr. Rick Perkins: You can't define the “vibecession” that you keep saying we're in.

Hon. Chrystia Freeland: —that is voting against dental care.

Mr. Rick Perkins: You deny that we're in a recession by calling it a “vibecession”—

Hon. Chrystia Freeland: Conservatives will have a chance tomorrow to vote on whether seniors should be able to get dentists.

Mr. Rick Perkins: —and saying that Canadians are just experiencing it differently.

The Chair: Colleagues, that's enough.

MP Badawey, the floor is yours for five minutes.

Mr. Vance Badawey: That was entertaining.

I have to emphasize this point. The United States has 345 million people. Canada has close to 40 million people. Because of our ratified trade agreements, today Canada's economic population is over 1.3 billion.

With that said, moving forward, we are looking at supply chains, infrastructure modernization, managing our assets, technological innovation, sustainability, regulatory harmonization, workforce development, capacity building and, most importantly, not only binational but international collaboration.

Can you speak about how we're moving forward, once again touching on all those points with respect to supply chain resiliency but also taking full advantage of Canada's economic population, which, as I said earlier, is over 1.3 billion people?

● (1740)

Hon. François-Philippe Champagne: Mr. Badawey, I can only say that you're spot-on again.

Canadians watching, I hope, should realize—and I'll repeat myself because I know that every time I say it, Canadians say, “wow”—that Canada is the only G7 country that has a free trade agreement with all the other G7 countries. Think about that. This is an accomplishment that will go down in history. Now we are linked to the European Union, having access to this wonderful market, hundreds of millions of people—some would say, the largest consumer market in the world. What is amazing is that Canada is almost considered a European country when it comes to opportunities—for example, if you want to bid for public work in the European Union. That has vastly expanded the opportunities for small and medium-sized businesses.

Then, look at what we've done with the CPTPP. I would say that demography is destiny. Canada had the foresight, at the time, to say we should join one of the largest-growing trade blocs in the world. Imagine, Mr. Badawey, that when we started that, Canada was the second-largest economy in that grouping of countries, because when the United States decided to leave, there was Japan and then Canada. Now you have the United Kingdom, which is part of it, but think about that: If you're on the west coast and you want to sell in Japan or in Singapore, or you believe in the growth of the market in Vietnam, you have this unique opportunity to sell to some of the fastest-growing economies in Asia.

Then, obviously, we have what Minister Freeland... I think we should all, as Canadians, recognize the work that she's been doing on USMCA to make sure that Canada is part of the greatest economic zone in the world, with the United States and Mexico. If you look at opportunities and possibilities...

That's why, every time I hear Conservatives talking down Canada, it hurts me, and I'm sure it hurts Canadians, because if you look at the fundamentals today, what do you need? You need talent. You need a large ecosystem, like the one we have in steel, aluminum, auto manufacturing and energy. You need critical minerals. I put it to you that critical minerals are going to be as important as oil was in the 20th century, because you need critical minerals to make not only batteries but semiconductors. If you agree with me that semiconductors are the DNA of progress, the nations that are going to have the critical minerals are going to be winners in the economy of the 21st century.

We have abundant renewable energy. More than 80% of our grid is renewable energy. Think about that. Canada, now, through the investment by Brookfield in Westinghouse, with Cameco, indirectly has access to 50% of all the civilian-installed nuclear bases in the world. Think about the opportunity. Canada and the United States can lead the world. Some have said we're going to become the superpower of renewable energy. Think about that for the future generations.

What we have accomplished—like you said, Mr. Badawey—is that now, if you're a small or medium-sized business in Canada, you can sell to the United States, our closest partner, but you also can think about selling to Germany. You can sell to Italy. You can then move on and say, "I'm going to be in Vietnam."

Canada is uniquely placed. We've been blessed with geography, natural resources and the people who have come to our shores. If you look at the fundamentals for the 21st century, we have everything to win. That's why I want an ambitious Canada, a Canada that looks at possibilities and opportunities: strong, proud, ambitious. That's what we need to be, and that's why I think every member of this House and this committee, especially at the industry committee, should celebrate. We should all do a road show together, talk about what we have as Canada, go around the world and sell the country. That's why, sometimes, we should all be bragging about Canada and Canadian workers, because we have the best.

The Chair: Thank you very much, Minister.

Now, for the final round, I have five minutes for Mr. Chambers, and five minutes for Mr. Turnbull.

Mr. Chambers, the floor is yours.

• (1745)

Mr. Adam Chambers (Simcoe North, CPC): Thank you very much, Mr. Chair.

Ministers, it's nice to have you here.

I just wanted to follow up on the questions from my colleague Mr. Perkins about the emissions cap. I'm just curious, can you confirm whether the Department of Finance did an economic analysis of the impacts of the emissions cap on the GDP?

Hon. Chrystia Freeland: Mr. Chambers, I just very quickly want to say that I appreciated what I saw was your chuckle when I mentioned the Trans Mountain pipeline. I do want to say, in the spirit of what the industry minister said, let's celebrate the great things we can do together.

He's been talking about some great trade deals. I want to take one bipartisan moment to recognize the work that Ed Fast did in putting some of those deals in motion. I was glad to congratulate him on the floor of the House of Commons, and I'm glad to say that today.

Mr. Adam Chambers: Thank you. I will pass that along to Ed.

Hon. Chrystia Freeland: Please do.

Mr. Adam Chambers: My question is, did the Department of Finance complete an economic impact analysis of the impact of the emissions cap on the GDP?

Hon. Chrystia Freeland: I will say that I recognize, as I think we all ought to, the importance of the oil and gas sector to the Canadian economy.

Mr. Adam Chambers: If it's a no, that's fine.

Hon. Chrystia Freeland: We are very thoughtful about ensuring that the sector can continue to contribute, and—

Mr. Adam Chambers: I just find it hard to believe—

Hon. Chrystia Freeland: —that's why we built a pipeline, which your government failed to do.

Mr. Adam Chambers: —that the Department of Finance would not have completed an economic impact analysis for a policy measure that great.

Is your testimony that there is no economic analysis, or that there is but you don't really want to talk about it?

Hon. Chrystia Freeland: My point, Mr. Chambers, is this: To have Conservatives talk about the importance of the oil and gas sector, when they didn't build a pipeline and when they—

Mr. Adam Chambers: Will there be a loss?

Hon. Chrystia Freeland: —did everything they could to stop us from building a pipeline that has closed the differential that Canada was paying to the U.S. and has diversified our trade—

Mr. Adam Chambers: That's fair enough. I'm going to jump in, because it's clear you don't want to answer the question.

Hon. Chrystia Freeland: —opportunities at a critical moment, is the height of hypocrisy.

Mr. Adam Chambers: I'll ask one on Trans Mountain.

Will you guarantee that there won't be a loss to the government when it disposes of the Trans Mountain pipeline, yes or no?

Hon. Chrystia Freeland: I am confident that Trans Mountain will be a very clear and strong benefit to the people of Canada. This was a great investment. It is already making our country more prosperous and giving us the proper national security.

Mr. Adam Chambers: Okay. Thank you very much.

In the 2019 election, the Liberal Party platform said that increasing amortization to 30 years would push up house prices and push people further into debt. Yet, just a couple of months ago, your government increased amortization to 30 years.

Did you reverse that position? Do you believe it's going to increase house prices?

Hon. Chrystia Freeland: As I hope you are aware, the 30-year amortization is focused. It is focused on new builds, and it is focused on first-time homebuyers. This is a very important step to help young Canadians have an advantage in the market and get their first home. It's an important step to create more demand for new builds, which I hope we all agree are absolutely essential.

As well, Mr. Chambers, if the Conservative Party is opposed to 30-year amortization—

Mr. Adam Chambers: Did you do an analysis of whether it would impact house prices, along with the insured mortgage rules?

Hon. Chrystia Freeland: —then I think the Conservative Party should be very clear with those first-time homebuyers who are going to be able to get that first home in December.

Mr. Adam Chambers: Okay.

Minister, look, I think you're in the toughest position—next to the Bank of Canada governor, probably. You've made three very big promises with respect to spending. First, it was that, when there was no need for stimulus, you'd take it away. That didn't happen. Then, it was that the debt-to-GDP ratio will keep going down. That lasted only a year. Now you have made a promise that the deficit would not be greater than \$40 billion. You're in a very difficult position when making these promises. I'm having a hard time understanding why you would make these promises and then have to break them.

Is there some tension between the Prime Minister's Office and your office, or are you fully standing behind the deficit number when it's finally released?

By the way, we have to vote on supplementary estimates before we get the public accounts from last year. I'm not sure there is a lot of precedent for that.

Hon. Chrystia Freeland: Okay. There are so many incorrect statements embedded in there, but let me start with two.

First of all—and this is crucial—the declining debt-to-GDP ratio is the critical thing that underpins the stability and sustainability of Canada's public finances. That is a significant accomplishment following the COVID recession. It is significant to be able to do that while achieving a soft landing from the COVID recession. That is something all Canadians should celebrate.

When it comes to the work of Parliament, it is a bit rich for Conservatives, who have been blocking the constructive work of our

Parliament for more than two months, to criticize that. This is like—

• (1750)

Mr. Adam Chambers: The Speaker says you can introduce the public accounts any time.

Hon. Chrystia Freeland: —an arsonist saying, “Wow, I don't like the heat and the smoke.” That's exactly what we're hearing.

Mr. Adam Chambers: Minister, we're well over time.

I would like to wish you both a very merry Christmas. Thank you for showing up to committee today.

Hon. Chrystia Freeland: Yes. Let me also wish you a very merry Christmas.

The Chair: Thank you, Mr. Chambers.

Mr. Turnbull, the floor is yours.

Mr. Ryan Turnbull (Whitby, Lib.): I liked that last analogy—an arsonist complaining about the heat and the smoke. It's so true.

Minister Freeland, I want to ask you a question to clarify the record here. The Conservatives keep saying that the oil and gas cap regulates production. It actually doesn't. It regulates only the emissions. Can you verify that for the record?

Hon. Chrystia Freeland: Yes, that's a very good point.

Mr. Ryan Turnbull: My understanding is that there are significant amounts of emissions reductions that can be achieved within the production process itself.

Our government has done two critical things. One is introducing an investment tax credit for carbon capture, utilization and storage. We've also set up the Canada Growth Fund, which has already made some significant investments in some sizable projects. In fact, we heard about them at the Sustainable Finance Forum this year, which is great to hear.

Could you speak to how critically important it is to drive innovation in that industry and reduce emissions within the production process?

Hon. Chrystia Freeland: Thank you very much, Mr. Turnbull. Thank you for your hard work.

I'm especially glad to have a chance to talk about the CCUS tax credits. I think these are really important for Canada. I am very glad that we have them in place now. I do want to take this opportunity to say, let's start getting the Pathways project built. This is an investment in Canada's future. The federal government has done its part. The CCUS tax credits are in place, and the Canada Growth Fund is working hard on this. I would really call on everyone to get this across the finish line. This could really be great for jobs and growth.

I know that you've been working with and talking about the Canada Growth Fund. I do want to highlight the very important Strathcona CCUS project, which the Canada Growth Fund is contributing to. This is a milestone, and I really hope and believe that it is the beginning of some important projects in that space.

Mr. Ryan Turnbull: Thank you very much.

I also want to pose a question to Minister Champagne about the importance of AI.

I remember that I got the chance to meet Yoshua Bengio. We're very proud of Geoffrey Hinton, and we're also very proud of Yoshua Bengio. Both of them have played such a critical role in terms of the thought leadership that Canada has provided to the world. He said that it was like an Oppenheimer moment for him. He was saying that he has created something and he's now worried about the incredible risks that AI can pose. That's not to say that there isn't considerable benefit for productivity, which there is, and we heard about that from my colleague Mr. Van Bynen.

I'm also concerned about protecting Canadians while ensuring that we can take advantage of the innovation and productivity gains that AI can provide to our whole economy, small businesses, etc., as you've already highlighted. I want to give you an opportunity to talk about the risk side of things and ensuring that we have ethical use of AI and critical legislation like Bill C-27. Do you want to speak to this at all?

Hon. François-Philippe Champagne: For sure, and I want to say thank you to you, Mr. Turnbull, particularly on the Sustainable Finance Forum. You gathered some of the best minds in the country. We should all be proud of what you're doing. Not only are you an outstanding member of Parliament, but also, as parliamentary secretary, you've been able to really guide us in this process.

Listen, it's very simple. For folks who are watching at home, if we want to move from fear to opportunity, we need to build trust. Trust is fundamental. How do you build trust? You have a framework. That's why Bill C-27 is so important, because only when you have trust can you have adoption. With adoption, you'll have innovation. That is the decision tree we're facing.

That's why I also want to thank you, Mr. Chair, for all the work you've been doing to try to bring us there. We said that this is the holy grail of productivity, but we need to build trust. That's why Bill C-27 and the work of this committee are so important.

We're getting close to Christmas. I know people have a lot on their minds, but if there was a gift that the Conservatives wanted to give to Canadians, it is really to allow them to have a framework so that Canada can continue to lead on AI. I know it's possible. Mr. Chair, you have been a witness that, when the House wants, we can

do big things fast. We've done it before. If the members of the committee put their good hearts forward before Christmas, they'd say, "Let's give Canadians a gift. Let's give them a gift that will protect them and that will allow innovation and adoption of AI so that Canada will be a nation that can lead in the 21st century." Let's hope that they have all listened to me today.

Mr. Chair, you've done a great job. Thank you for having me and Minister Freeland. I know that it's getting close to Christmas, and I see your smiles, so it's about time for us to end. Thank you very much for having us.

• (1755)

The Chair: Thank you, Minister. After three years chairing this committee, I think Santa Claus will have to work overtime to deliver what you've asked for, which is for Bill C-27 to be adopted by this committee. I'm optimistic.

[*Translation*]

Thank you all.

[*English*]

Thank you, Minister Champagne and Minister Freeland, for joining us for the full two hours. It's not often we have ministers for two hours, so I appreciate your participating in this.

Colleagues, we will suspend for about 10 minutes and then resume this meeting with Interac.

The meeting is suspended.

• (1755)

(Pause)

• (1805)

[*Translation*]

The Chair: Colleagues, we are resuming the meeting without further ado, since we're already running a little late.

We're starting the second part of the meeting. As you know, from Interac Corp, we have Jeremy Wilmot, who is the president and chief executive officer.

[*English*]

Thank you, Mr. Wilmot, for joining us. I apologize for the delay in starting this committee meeting.

Without further ado, we'll get it started.

As you know, Mr. Wilmot, you have a couple of minutes for your opening remarks. I know you've asked for 10 minutes. Considering you're the only witness, I'm okay with that, but if you can make it around seven or eight minutes, that would be ideal.

The floor is yours.

Mr. Jeremy Wilmot (President and Chief Executive Officer, Interac Corp.): Thank you very much, Mr. Chair.

Good evening, everybody.

Every second, Canadians rely on Interac, whether they're tapping their debit cards to pay for everyday purchases, sending money to loved ones or accessing critical services. For 40 years, we've been more than a payments company. We've been a trusted partner in building Canada's digital and economic resilience.

Interac is proud to be Canada's most trusted financial services brand. Our products serve as a cornerstone of Canada's financial system, powering over 20 million transactions every day. Behind every tap, mobile payment, Interac e-transfer and secure sign-on is our commitment to providing low-cost, reliable and accessible services to Canadians from coast to coast to coast.

I joined as Interac CEO in August 2023 because I'm passionate about Canada's potential to lead the global digital economy. Since joining, I've focused on enhancing the company's legacy while preparing it for the future, leading with innovation, inclusivity and a deep commitment to serving the evolving needs of Canadians.

Interac was founded in 1984 as a collaborative network of Canadian financial institutions. Our original mission was to make it easier for people to access money through ATMs. Interac products are known for being trusted, low-cost options to make and accept payments.

To give you an example of what I mean, when a small or medium-sized business accepts a payment of \$500, other payment methods could cost \$15, while Interac debit costs 10¢. It is for this reason that organizations such as the Canadian Federation of Independent Business have noted that Interac debit has served businesses well for many decades.

Over the past four decades of our operation, we've been at the forefront of innovations that have transformed how Canadians access and use their money and their data. All Interac debit transactions are made via secure chip and PIN, which became the standard across Canada far earlier than in many other countries. Interac was also the first domestic payment network globally to launch Apple Pay, Google Pay and Samsung Pay, which provide access for Canadians to pay via their digital wallets. Interac e-transfer allows Canadians to send money securely in an instant, whether it's a parent sending money to their child who's away at school, a business paying its suppliers, or friends splitting a meal.

Launched in 2003, Interac e-transfer made Canada one of the earliest adopters and heaviest users of person-to-person, or P2P, payments. Because of Interac, Canadians were able to access this payment innovation long before Venmo, PayPal and other solutions around the world. Interac Verified ensures that Canadians can securely access services, including government programs, with confidence in a digital-first world. Verification and authentication is another area where Canada, enabled by technology that Interac has brought to market, is leading the way globally.

We're very proud of these achievements and Interac's role in enabling Canada's payment evolution. However, we're not resting on our laurels. Interac has embarked on a bold and ambitious three-

year corporate strategy with a vision to lead Canadians to digital prosperity through key investments in fraud, in real-time payments and in digital commerce.

We understand that this committee has raised important questions about Interac's governance, about Interac e-transfer pricing and about competition. Let me address those three areas.

The first is governance. Interac's governance model reflects best corporate governance practices and a commitment to fairness, accountability and inclusivity. Interac's board of directors includes independent directors alongside representatives from financial institutions and credit unions, ensuring balanced decision-making. While much attention is focused on the participation of Canada's largest banks, it's important to recognize that Interac's network extends far beyond them. Our participants include credit unions, regional institutions, caisses populaires and fintechs, reflecting the diversity of Canada's financial ecosystem and our commitment to fostering competition.

● (1810)

The second area of discussion is pricing. With respect to the pricing of the e-transfer service, financial institutions pay a fee to Interac for each transaction they send. This is currently determined by volume-based tiers. Our prices are wholesale rates. That means Interac does not directly charge consumers or businesses to use Interac e-transfer. Financial institutions determine the fees they collect from their customers.

I'm very pleased to report that, starting in 2025, all financial institutions will pay a single flat-rate fee for e-transfer transactions. Interac's goal in operating e-transfer is to ensure that it's widely available and accessible for all Canadians, and the results speak for themselves. Ten years ago, Interac e-transfer processed 30 million transactions in 2012. In 2023, last year, more than 1.2 billion transactions were completed.

The process of reviewing and updating Interac e-transfer pricing has been under way for over one year, and it was recently improved both by the independent committee of Interac and by the Bank of Canada. This change will ensure that Interac e-transfer can continue to grow, and that it can remain an attractive and competitive service for all financial institutions, big and small.

I'll move on to the last of the three points, which is competition. Interac recognizes the responsibility that comes with being a key player in the Canadian payments ecosystem. It's also important to note that the payments market in Canada is very competitive. E-transfers account for less than 6% of the total electronic transaction market.

Interac has worked to safely expand access to the Interac e-transfer service for fintechs and for smaller organizations, ensuring a level playing field for innovation and growth. We're very pleased that Wealthsimple, an emerging and successful Canadian provider of digital financial services, joined the e-transfer service as a direct participant as a direct result of this change.

With the implementation of the Retail Payment Activities Act, or RPAA, we plan to further support evolving market needs by enabling RPAA-regulated payment service providers to access the Interac e-transfer service. Interac has a long history of working with regulators to support a competitive and dynamic payments landscape and to maintain compliance with Canada's rigorous standards.

We're very pleased to be regulated by the Bank of Canada through the operation of two prominent payment systems: the Interac intermember network, which we call Interac debit, and Interac e-transfer. We work with the Financial Consumer Agency of Canada, ensuring compliance with Canada's code of conduct for the payment card industry.

We acknowledge and will fully co-operate with the Competition Bureau as it conducts its preliminary assessment of Interac e-transfer. We view this as an opportunity to demonstrate our commitment to fairness and competition. I'm also grateful to the committee for providing a forum to discuss the steps we've taken to support a vibrant economic financial system.

In conclusion, and to wrap up, Interac is woven into the fabric of Canadians' financial lives. We take this responsibility very seriously. For 40 years, we've been trusted to provide secure, affordable and accessible payment solutions that empower individuals, support businesses and drive economic growth. Interac is not just a payments operator; it is a protector and an enabler of Canada's financial system. As fraud becomes more sophisticated, we're prioritizing significant new investments in technologies, such as AI-driven fraud prevention and detection, and digital verification to safeguard Canadians' transactions.

We welcome the committee's questions, and we view today's discussion as an opportunity to strengthen understanding, address concerns and reaffirm our commitment to serving Canadians with integrity and innovation.

Thank you, and I look forward to your questions.

• (1815)

The Chair: Thank you very much, Mr. Wilmot.

I'll now turn it over to MP Chambers to start the discussion.

You have six minutes.

Mr. Adam Chambers: Thank you, Mr. Chair.

Mr. Wilmot, thank you for coming to the committee. I appreciate that you came in person on a difficult travel day with the weather out there. Hopefully you're getting used to the Canadian climate.

My understanding is that there are 13 members of the board, if I include you. Is that correct?

Mr. Jeremy Wilmot: That's correct.

Mr. Adam Chambers: Only four of them are independent, so it's not a majority of the board. Do you recognize that there's still an issue of conflicts of interest in overall governance?

Mr. Jeremy Wilmot: Interac has a best practice board governance structure. We have 13 members, including me. We have four independents and eight shareholder nominee directors, of whom six are from the designated systemically important banks, the large banks, the D-SIBs.

Mr. Adam Chambers: How much would any of the big five banks own of Interac?

Mr. Jeremy Wilmot: The shareholding of Interac as a privately held company is not disclosed. We have many shareholders over and above the large banks of Canada.

Mr. Adam Chambers: You can understand why the public or some policy-makers might have some questions about a lack of transparency and some bona fide questions around conflicts of interest when we don't know the ownership structure. When the volume-based pricing mechanism was brought into place, the board was chaired by two of the largest banks in the country.

It's nice to see that you announced today that you're moving sometime in 2025, but the lack of transparency leaves open a lot of questions for people. They question whose interests are being well served: Is it Interac's or is it the secret ownership structure that we don't know about?

Mr. Jeremy Wilmot: Interac e-transfer pricing, the current volume-based pricing, was reviewed and approved by the independent committee, not by the board. The independent committee is made up of independent directors only, plus me. The recent move to a flat-rate price, which has been in the works for about a year now, was reviewed and approved by the independent committee.

As a prominent payment system, or PPS, we review that with the Bank of Canada. We've recently retained approval from the Bank of Canada for that new pricing schedule. We're in the process of communicating that to participants and reviewing our communication strategy on it.

Mr. Adam Chambers: How soon in 2025 will you move to the new structure?

Mr. Jeremy Wilmot: We're in the process of informing participants. We have 230 participants. With the recent approval from the Bank of Canada, we need to go through an orderly process of informing those participants.

We'd be happy to share the details of the new pricing schedule after that time.

Mr. Adam Chambers: Will it will be a price reduction for a number of players?

Mr. Jeremy Wilmot: It will be a flat-rate price structure for 230 participants.

Mr. Adam Chambers: Right, but for a number of new entrants, it will be a price reduction. Is that correct?

Mr. Jeremy Wilmot: It will be a flat-rate price structure.

Mr. Adam Chambers: Okay.

If the volume-based pricing system was in effect for a long time, why change it?

Mr. Jeremy Wilmot: In 2012, as I said in my opening remarks, we had low adoption of e-transfer. We had 30 million transactions at that time. One of the common commercial practices is to adopt a volume-based tier of pricing in order to get the biggest players to gain mass adoption. I think that has been very successful over the last 10 years. I think “e-transfer” is almost a verb in Canada today: “I'm going to e-transfer my kid some money at university.”

Now is the right time. We spent a year reviewing the global market. We looked at other real-time payment systems around the world. The flat-rate structure is the appropriate structure, so that's what we're implementing in 2025.

• (1820)

Mr. Adam Chambers: That would be better for competition. Is that correct?

Mr. Jeremy Wilmot: A flat-rate structure means open access and a level playing field for all participants.

Mr. Adam Chambers: That's great, but you were looking at it for a year, and we're a bit delayed. Again, when there's a secret ownership structure and a governance model that may or may not be relied upon, the public will look at it and say that of course there are delays, because the ownership structure might force there to be delays.

In any event, you brought up prominent payment systems. Is Interac in full compliance with the current standards set out by the Bank of Canada?

Mr. Jeremy Wilmot: We're regulated by the Bank of Canada, as you've said, regarding the prominent payment system. We are observing or broadly observing all of the Bank of Canada's oversight expectations. We can't talk about any of the specifics of that due to the Payment Clearing and Settlement Act—

Mr. Adam Chambers: I apologize for cutting you off, but I'm running short on time and I like to be fair to my fellow members.

One of the standards is that the criteria to become a member of Interac is public, but I can't find that anywhere on Interac's website, so you're not in compliance with the Bank of Canada standards, at least with respect to that standard. Would that be correct?

Mr. Jeremy Wilmot: Interac e-transfer is observing or broadly observing all oversight expectations. The one report the Bank of Canada produces on an annual basis states that, essentially, Interac is in good standing as it relates to the oversight of e-transfer.

Mr. Adam Chambers: I noted the addition of “broadly observing”, but I'll follow up on that in a future round.

Thank you, Mr. Chair.

The Chair: Thank you, MP Chambers.

MP Turnbull, the floor is yours.

Mr. Ryan Turnbull: Thank you.

I echo my colleague's comment about your being here in person, Mr. Wilmot. It's great to have you here.

I note that the Competition Bureau recently announced at our committee that they are looking into potential anti-competitive behaviour in the e-transfer industry, namely at Interac. Were you aware of that?

Mr. Jeremy Wilmot: Absolutely. We're working with the Competition Bureau. We actually have a meeting with them later on this week.

Mr. Ryan Turnbull: Do you fully intend to co-operate with that investigation or review?

Mr. Jeremy Wilmot: We welcome the opportunity to talk through all of the e-transfer aspects with the Competition Bureau.

Mr. Ryan Turnbull: We previously heard testimony at this committee about the challenges associated with accessing e-transfer services and some of the operational restrictions Interac imposes. At least some fintech companies called your practices highly “burdensome” and “anti-competitive”. That's what they said. Those are not my words.

Should the Competition Bureau approach you to discuss these practices, how will you respond to those concerns?

Mr. Jeremy Wilmot: Interac is committed to broadening access to e-transfer.

Today, we have 230 direct participants in the e-transfer system. We've worked with both FINTRAC and the Canadian investment regulatory oversight authority to enable investment dealers and money service bureaus to directly connect. It's great that one of Canada's fantastic success stories in the fintech space, Wealthsimple, took that up. They have directly connected to enable their business and provide differentiation. We welcome broadening access.

Mr. Ryan Turnbull: I don't know whether you've officially announced it, but I've flagged some articles on a flat-fee pricing structure that you're moving forward with. Have you officially announced that?

Mr. Jeremy Wilmot: No, we haven't. E-transfer will be priced as a flat-rate fee in 2025. We're in the process of communicating that to the 230 participants.

Mr. Ryan Turnbull: Is that in line with what you just said, which is that you're committed to broadening access? How does that broaden access?

Mr. Jeremy Wilmot: I think it helps broaden access. We're a regulated payment system; therefore, it's not up to us who can join e-transfer. We need to ensure the Bank of Canada is supportive of that. Flat-rate pricing, which is a common pricing schedule for real-time payment systems around the world, will clearly enable and help open access.

• (1825)

Mr. Ryan Turnbull: You said the Bank of Canada approved this. Is that correct? When did they approve it?

Mr. Jeremy Wilmot: The Bank of Canada recently approved it. As with any pricing change in any of the prominent payment systems, we go through a lot of detail with the Bank of Canada to explain why we're making a change, what the benefits are and the consequences of doing it. There's a good length of time to ensure everything is very well understood before approval is given by the Bank of Canada.

They recently provided us with that approval, which gives us the green light to go ahead and talk to our participants.

Mr. Ryan Turnbull: Was that very recent? Was it within the last couple of weeks or the last few days? How recent was it, so I'm aware?

Mr. Jeremy Wilmot: As I said before, we started this process a year ago. It was within the last four weeks that the Bank of Canada provided approval.

Mr. Ryan Turnbull: Chair, do I have any more time left?

The Chair: You do. You have about two minutes.

Mr. Ryan Turnbull: Wow, I'm doing very well.

We heard about your volume-based pricing model, which is how you've been doing things for quite some time. Help me understand how a flat fee is going to help the smaller players in this space—the fintechs that are trying to disrupt and work within this space. How is it going to help them get access and create a more level playing field, as you said earlier?

Mr. Jeremy Wilmot: Volume-based pricing starts at a higher level. Let's say it starts at \$100 to begin with, goes to \$50 next and then goes to \$10 as a third step. Just take that as an example. As you start your volumes, they would be priced at \$100, and then when you get past a certain level, it goes to \$50. When you get past that level, it goes to \$10. Smaller players would be paying \$100 or maybe \$50 if they're medium-sized.

Flat-rate pricing would have a starting point that is much lower. Let's say that the starting point was \$15, as an example. Your first transaction would be \$15, and your second and last transactions would be \$15. However many you go, they will always be \$15.

Mr. Ryan Turnbull: That would certainly help smaller players, but it's still a strategic decision. I'm assuming you made that decision with your shareholders in mind as well. It must be better for business, or is it? Are you taking a loss on this new fee structure? I wouldn't think so. Is it just better business practice from your perspective? Is it serving your shareholders?

Mr. Jeremy Wilmot: To your point, it's a big move for us. That's why it took a year—to ensure that we really understood all of the implications of doing it and ensure that we understood globally

what was happening. It was then reviewed and approved by the independent committee, so the board was never involved.

The independent committee gave us the approval and, at that point, we then informed the board of what we were doing. We then went to the Bank of Canada, and pretty much that's where we're sitting now. We're preparing all the fee schedules and communications for 230 participants. Then we'll be looking at our communication strategy at that point afterwards.

[*Translation*]

The Chair: Thank you very much.

Mr. Savard-Tremblay, you have the floor.

Mr. Simon-Pierre Savard-Tremblay: Thank you, Mr. Chair.

Thank you for being here, Mr. Wilmot.

[*English*]

Mr. Jeremy Wilmot: Interpretation is not working.

The Chair: Make sure, Mr. Wilmot, that you're on the proper channel.

Mr. Jeremy Wilmot: It's on English.

• (1830)

[*Translation*]

The Chair: It should work. We're going to pause. In the meantime, the clerk will make sure it's working.

• (1830)

(Pause)

• (1830)

The Chair: I call the meeting back to order.

Is it working now, Mr. Wilmot?

[*English*]

Mr. Jeremy Wilmot: Yes, it is. Thank you very much.

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: Mr. Wilmot, during testimony from representatives of the Competition Bureau, we learned that the bureau had a consent agreement with Interac from 1996 to 2020 regarding conduct that undermines competition in the relevant financial markets.

You're probably aware of that agreement. Why wasn't there a similar agreement on e-transfers?

[English]

Mr. Jeremy Wilmot: Yes, I understand the consent agreement from 1996 to 2020 regarding the Interac debit service. Interac e-transfer was not included in that; however, the Competition Bureau was involved in the structuring of Interac's corporation and the governance model around that. We are now talking to the Competition Bureau about their initial assessment into e-transfer.

[Translation]

Mr. Simon-Pierre Savard-Tremblay: Why were Interac transfers not part of the consent agreement?

[English]

Mr. Jeremy Wilmot: I can't speak to the Competition Bureau's decisions in the mid-nineties.

[Translation]

Mr. Simon-Pierre Savard-Tremblay: We were also informed that, when financial institutions other than banks, such as fintechs, requested access to consumer accounts, banks imposed the use of the Interac network on them. However, the banks are also majority shareholders of Interac.

Without concluding that there is a conflict of interest, don't you think that this fundamentally undermines good and healthy competition?

[English]

Mr. Jeremy Wilmot: Fintech companies have a number of different ways they can move money between the banks. They can move money through electronic funds transfers. EFT is a very common method around the world for fintechs. They can also move money through pre-authorized debit, bill payments and e-transfer.

We welcome access to e-transfer. That's why we have 230 participants. We've worked to broaden access, and FINTRAC and the Canadian investment regulatory oversight authority have enabled us to widen access. We work with Wealthsimple to make that possible.

I would not claim it's an easy process. I mean, you're connecting to a prominent payment system, so there are very high levels of expectation, not just with the technology but also from a business rule point of view, a regulatory perspective and a security perspective. It's not a small undertaking to connect to e-transfer.

[Translation]

Mr. Simon-Pierre Savard-Tremblay: That said, you mentioned that the Competition Bureau had looked at Interac's governance model. However, a representative of the bureau also told us, at a meeting of this committee, that more oversight is needed to find out what is happening on the boards of directors. That was said verbally.

However, we know that the banks of Canada are the majority shareholders of Interac. Correct me if I'm wrong, but that's the information we have.

Should we eventually increase the oversight of boards of directors in order to create competition in the Interac transfer sector?

• (1835)

[English]

Mr. Jeremy Wilmot: Interac is very committed to working with the Competition Bureau and to answering their questions. We're meeting with them later this week. In their initial assessment, we'll work closely with them.

On the governance structure of Interac, there are 13 directors, of whom six are from designated systemically important banks, or D-SIBs. That's fewer than half of the directors. There are certain decisions, like pricing, that never go to the board of directors. They stay in the independent committee. I'm a member of the independent committee and there are four independent directors.

We have best practice corporate governance in place, which was put in place in 2018.

[Translation]

Mr. Simon-Pierre Savard-Tremblay: Are you also confirming that the banks are majority shareholders?

[English]

Mr. Jeremy Wilmot: Interac has a wide range of shareholders, including the designated systemically important banks, but it has a cross-section of payment processors, caisses populaires, credit unions and newer entrant fintechs that are our shareholders as well.

[Translation]

The Chair: Thank you, Mr. Savard-Tremblay.

Ms. Dance, the floor is yours.

[English]

Ms. Leila Dance (Elmwood—Transcona, NDP): Hi. Thank you so much for coming.

I'm new to the committee, so I'm going to take a couple of steps back to make sure that I completely understand what I'm asking and I don't get anything confused.

My riding is Elmwood—Transcona, and people there are struggling daily to afford groceries and the cost of living, so every dollar really matters. I've heard what you've said tonight. You talked a bit about the payer and the recipient when it comes to transferring money.

If I'm understanding this correctly, the payer pays to transfer money and the recipient pays to receive the money. Am I understanding that correctly?

Mr. Jeremy Wilmot: Interac e-transfer prices the service for the 230 participants. We do not set any prices for consumers or businesses. What those 230 participants charge their customers we have no insight into. It is a wholesale business-to-business arrangement for e-transfer.

Ms. Leila Dance: Okay, perfect. I'm just trying to figure out how this all works in the big scheme of things.

Earlier tonight, you mentioned that 20 million transactions happen every day. If you went from \$100 to \$50 and then down to 15¢ per transaction, we're looking at about \$3 million a day. I'll be honest with you. I tried to use my calculator to figure out what that would be in a year, and I'm pretty sure that's over a billion dollars a year in fees back and forth, so I'm trying to understand where you're coming from.

We're talking about how fees are not regulated. We don't know what the numbers are and what you're offering when going from your volume-based tiers to this flat-rate fee. How can Canadians believe that they're paying a reasonable fee that isn't padding pockets when you guys reported a 13% profit last year?

Mr. Jeremy Wilmot: Interac is a privately held company so we don't disclose our financial results.

We do surveys on our products to ensure that we understand how consumers are using them. E-transfer is free to 95% of Canadians, and that's because the 230 participants bundle the pricing of e-transfers into a number of different products that you and I would use from a financial institution. Only 5% of Canadians actually pay for e-transfers, and I think that's part of the reason for its mass adoption and success in the marketplace.

Ms. Leila Dance: When you talk about going to the flat-rate fee, that's going to make sure the major banks, credit unions and caisses populaires—all of them—all pay the exact same amount. Is that correct?

• (1840)

Mr. Jeremy Wilmot: That's accurate.

Ms. Leila Dance: I just want to make sure I'm understanding this completely. When everybody is paying the same amount and fees are lowered, numbers will continue to go back up. Is that right? I would assume that every year you're going to look for a bit of an increase. Will that mean that, at some point, smaller businesses will be back to paying what they were paying before?

Mr. Jeremy Wilmot: Interac is committed to the flat-rate price schedule for e-transfer. As volumes get bigger, assuming we do our job well, we should be able to gain efficiencies in our system, so I don't see prices going up for e-transfer. I see efficiencies that would enable prices to stay as they are or even perhaps come down.

If you look at jurisdictions such as Australia, the U.K., India and Brazil, you see that scale can really benefit the ecosystem, and that's a question of getting the right technology in place. In fact, RTR, real-time rail, will help to modernize the payments infrastructure in Canada. A modern infrastructure enables efficiencies and the use of the latest technologies, such as public cloud and AI. That can help make a system more secure and more efficient, which by definition should mean that we can maintain prices or even lower them at some point in the future.

Ms. Leila Dance: You talk about what other countries are doing. Do they have a monopoly like you do here in Canada, or is there some competition that might allow them to keep their prices or fees lower?

Mr. Jeremy Wilmot: Around the world, about 50 countries have put in a real-time payment settlement system, a new one for low-value payments, and there are other payment rails available to all of

these participants. There could be a batch system, a high-value payment system, as well as the low-value settlement system.

Fintechs will have different products on different rails with different prices. Consumers and businesses will then access these different sophisticated products. It's really about bringing in another opportunity for building payment products on top of e-transfer and real-time rail.

Ms. Leila Dance: Thank you.

The Chair: Thank you very much.

MP Rempel Garner, the floor is yours for five minutes.

Hon. Michelle Rempel Garner: Thank you, Chair.

Mr. Wilmot, you mentioned that you are going to a flat rate, but you weren't clear with my colleague on whether any of your members would see a reduction in fees. Will any of your members or users see a reduction in fees when you go to the flat rate?

Mr. Jeremy Wilmot: The flat rate will be introduced in 2025. We have just received approval from the Bank of Canada. We are in the process of communicating that to the 230 participants.

We don't disclose the rates as a privately held company for those 230 participants. Once we have discussed that with the participants, we'll move towards what our communication strategy will be for the flat-rate scheme.

Hon. Michelle Rempel Garner: Just to be clear, though, are you saying that every single one of your users will pay the same rate?

Mr. Jeremy Wilmot: The flat-rate fee will replace the volume-based fee. Each of the 230 participants will receive a new fee schedule accordingly.

Hon. Michelle Rempel Garner: When you say "fee schedule", it sounds to me like you're obfuscating a bit. Will there be hidden fees? Will anyone see a reduction in fees, or is this just a shell game to placate a potential Competition Bureau investigation?

Mr. Jeremy Wilmot: The pricing review of e-transfer has been in place for over a year. It was one of the first things I initiated when I took over as CEO. It's been a highly complex exercise. We want to make sure that it's fit for purpose for the next 10 years, as the current schedule has been for the last 10 years. We really needed to ensure we had the Bank of Canada fully on board with what we're doing as well.

• (1845)

Hon. Michelle Rempel Garner: Would it be fair to say that none of your 230 participants will see a reduction in fees?

Mr. Jeremy Wilmot: The flat-rate schedule is a different fee schedule for all 230 of them. They will receive those schedules.

Hon. Michelle Rempel Garner: What does that mean? Does that mean there will be hidden fees or different associated access fees? You just said you went to a flat rate, but now there are going to be different structures for 230 different participants. How does that work?

Mr. Jeremy Wilmot: The current volume-based pricing that I was explaining earlier goes through tiers—top tier, middle tier, lower tier—which means that each of the 230 participants have a different economic model for using e-transfer. With flat-rate pricing, everybody will have the same economic model.

Hon. Michelle Rempel Garner: Will anyone see a reduction in pricing?

Mr. Jeremy Wilmot: We need to communicate it to the 230 participants. After that, we'll look at our communication strategy.

Hon. Michelle Rempel Garner: The reason I ask is that our committee has been tasked with coming up with recommendations on a wide variety of areas, including the lack of competitiveness in this area. If you're signalling to this committee that there is no reduction in pricing, I would challenge your assertion that somehow this curiously timed move to a flat-rate system will somehow enhance access for other players in the system. Prove me wrong.

Mr. Jeremy Wilmot: The 2025 fee schedule for e-transfer has been worked on for over a year. It was one of the first things that I initiated at the end of 2023.

Hon. Michelle Rempel Garner: How will it make things more competitive? What I'm taking away from this is that nobody is going to see a fee reduction. There are no significant changes in your governance. That leaves us to look at recommendations to have, perhaps, different types of interventions to spur competition in the area.

Has the government approached you and suggested that they may be looking at intervening by asking you to open your network for interoperability with other e-transfer programs? Has the government approached you with that recommendation yet?

Mr. Jeremy Wilmot: We're working with Payments Canada closely on real-time rail. The Retail Payment Activities Act is going to open up real-time rail to many payment service providers, and e-transfer is going to be settled on real-time rail.

Hon. Michelle Rempel Garner: What is the timing on that? What has the government communicated to you in terms of timing for implementation?

Mr. Jeremy Wilmot: I believe the Bank of Canada has stated that the target is to have testing start toward the end of 2026 for real-time rail.

Hon. Michelle Rempel Garner: In terms of other recommendations, has the government approached you suggesting that it would be open to enabling blockchain-based payment systems or other decentralized payment networks as competitive alternatives to Interac? Has it said, "Get ready for this, guys?"

Mr. Jeremy Wilmot: We have not had any conversations about a blockchain-enabled payment system with the government.

Hon. Michelle Rempel Garner: Just to be clear, with the opportunity you have in front of committee members here, who are looking at recommendations to the government or future governments

on how to deal with the lack of competition in this particular sector, will any of your participants actually experience lower rates as a result of the move to your different fee structure?

Mr. Jeremy Wilmot: One of the statements I made earlier was that 6% of electronic transfers are by e-transfer, so 94% are by other methods: electronic funds; EFTs, electronic funds transfers; and pre-authorized debit or bill payments. There are other competitors in the market, such as PayPal and Apple. There are a number of different ways to move money or accept payments, whether it's person to person or a small or medium-sized business accepting payment—

Hon. Michelle Rempel Garner: How is the independent committee of Interac compensated? What is its compensation structure?

Mr. Jeremy Wilmot: The independent directors are compensated. The compensation is set by the governance committee. The board does not set any of that compensation, and we don't disclose the compensation for executive officers like me or for directors.

• (1850)

Hon. Michelle Rempel Garner: Then we as parliamentarians would have no way of knowing how they would be motivated to make decisions on a pricing schedule. Would that be a correct assessment?

Mr. Jeremy Wilmot: We don't disclose compensation for executive officers or for directors of Interac.

Hon. Michelle Rempel Garner: I'm not looking for amounts. I'm just looking at the decision-making structure.

Thank you, Mr. Chair.

The Chair: Thank you, MP Rempel Garner.

I'll now turn it over to MP Gaheer.

Mr. Iqwinder Gaheer: Thank you, Mr. Chair.

Thank you to Mr. Wilmot for appearing.

I was a little confused, like the NDP member, about the structure, but her questions clarified it.

Mr. Wilmot, you mentioned that you charge banks or participants a fee based on an arrangement that's going to change and that what participants charge to their customers is up to them. You said that 95% of customers do not pay for their e-transfers, that only 5% of customers do. It's because, as you said, they bundle e-transfer prices into the other services they offer. In effect, customers are paying for e-transfers, maybe not directly but because of the chequing account that they've signed up for or because e-transfer is part of a bundled service. Is that correct?

Mr. Jeremy Wilmot: Interac prices e-transfer on a wholesale basis. It's what I would call B2B2C—business-to-business-to-consumer. We're the business-to-business part of that.

In 2025, we will set a flat rate, and then the 230 participants will take that rate and make their own commercial decisions. Those commercial decisions will be highly complex, I'm sure, but they make those decisions. We don't have insight into that.

Mr. Iqwinder Gaheer: This question is going to be very similar to what Ms. Rempel Garner asked. Do you have any assurances from the businesses you charge for your service that end-users will see a reduction in fees? Have you done any work on that analysis or had any meetings with your participants?

Mr. Jeremy Wilmot: No. Interac has been focused on the wholesale rate, the B2B rate, and on ensuring that it will support continued growth. We've had 40 times growth over the last 10 years. We would love to see 40 times growth over the next 10 years. We'd have to set a price that participants can work with and that works for them. We all expect digital services to have a better price and be more convenient and faster all the time. Interac is no different from any other fintech in that we are striving to meet that expectation of the market.

Mr. Iqwinder Gaheer: My worry is that it will end up being like credit card rewards, where the wealthy who spend on their credit cards a little more will get more rewards and the people who don't spend as much will have to pay for it. They are usually on a lower socio-economic rung. It's the same thing with Interac in a way, is it not?

Mr. Jeremy Wilmot: The—

Mr. Iqwinder Gaheer: I will just finish that thought.

I have friends who work at banks. They're all bank managers. Among the credit cards, checking accounts and savings accounts offered, it's the ones that are more high-end—they have a higher fee or ask you to hold more money in a bank account—where Interac is free.

Some of the lower accounts, the starter accounts—the ones where you don't have to hold a certain amount of money in your account, maybe because you don't have that money—are usually the ones that will charge you for Interac service.

Mr. Jeremy Wilmot: Interac focuses in on the wholesale B2B rate. We will ensure it is a flat rate in 2025. We will look to continue to support the notion that 95% of Canadians don't pay a fee for e-transfer so that it gets widely used. It's an easy way to accept money as a small or medium-sized business, and it's an easy way to transfer money person to person.

Mr. Iqwinder Gaheer: I agree with all of that. I just don't want the bottom 5% to have to subsidize the top 95%. That's my worry. Interac is adopted by a lot of users in Canada; you have a lot of participants. You have all the big banks. You were founded by the banks. I think there is heft there. If you throw that heft around, there could be an arrangement where the final end-user sees a reduction in fees.

Mr. Jeremy Wilmot: Interac is going to make all of that possible by having a flat-rate fee for e-transfers. Then the 230 partici-

pants can make their own decisions commercially on how to improve customer service and the customer value proposition.

• (1855)

Mr. Iqwinder Gaheer: Mr. Chair, how much time do I have left?

The Chair: You're about done, Mr. Gaheer. Thank you very much.

Mr. Iqwinder Gaheer: Okay. Thank you.

[*Translation*]

The Chair: Mr. Savard-Tremblay, you have the floor.

Mr. Simon-Pierre Savard-Tremblay: Thank you, Mr. Chair.

Mr. Wilmot, first of all, I'm curious about some of the things you've said. You said earlier that there were security concerns about fintechs, if I understood correctly.

Is that correct?

[*English*]

Mr. Jeremy Wilmot: I think what I stated is that connecting to e-transfer is not an easy task. It requires security, as well as regulatory, operational and technological effort. It's an undertaking that needs to be well thought through for the people who want to directly connect to e-transfer.

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: If there is such a fear, should we put a stop to the use of these technologies?

[*English*]

Mr. Jeremy Wilmot: Fintechs have a variety of options they can deploy. Around the world, you see a lot of fintechs using the electronic funds transfer rail. They provide products on it to enable direct connection to bank accounts.

E-transfer is a prominent payment system. We take that responsibility very seriously. We want to mediate the oversight expectations of the Bank of Canada. We want to be careful to ensure the integrity of the system. A payment network is only as good as the trust in it. I think Canadians trust e-transfer. They use it as a verb—"I'll e-transfer you". The trust really exists, but if payments get lost or scammed or if there is fraud, there will be a rapid deterioration in trust and people will stop using e-transfer.

We really need to ensure that any participant directly connected to e-transfer has all of the necessary skills and capabilities and meets the expectation that a prominent payment system deserves.

[Translation]

Mr. Simon-Pierre Savard-Tremblay: As you know, when you develop new financial technologies and want to offer them to consumers, you have to know whether there will be a gain for them, particularly in terms of price.

To have that information, we need to know the prevailing prices in order to adjust and stimulate competition. That's the idea. However, this modulation is not public.

As for the modulation of Interac fees, you said earlier that you were the decision-making authority on the matter, it seems to me. At the end of the day, your pricing system is pretty opaque.

How do you expect us to stimulate healthy competition when potential new competitors can't know the fees set by the company that has a monopoly or a near monopoly?

[English]

Mr. Jeremy Wilmot: The e-transfer flat-rate fee to be introduced in 2025 will encourage new entrants onto the e-transfer platform due to a lower entry cost for e-transfer.

There are a number of different methods that fintechs can access to enable their service. I think the possibilities and opportunities for fintechs are there for them. They have the ability to really focus on what the value proposition is for consumers and businesses in order to adopt that technology.

The second thing I'd say is that we have 230 participants. There are about 100 million transactions a month being processed on e-transfer. Clearly, the 230 participants see that as a valuable way to move money. We don't want to lose that. We want to ensure that all 230 participants still believe this is a good way to support their value propositions to customers and don't switch it to another rail, which they absolutely can.

We will be competitively priced to ensure that happens. The flat-rate fee will enable the 230 participants, I hope, to stay with the system and will enable us to broaden access to increase the number of direct participants.

• (1900)

The Chair: Thank you, Mr. Wilmot.

Before I turn to MP Dance, you said they can move to another rail—that they absolutely can do that. What are the other rails in Canada? How many participants do they have?

Mr. Jeremy Wilmot: If you look at payment methods, there are paper payment methods, card payment methods and electronic payment methods. The card is typically credit and debit.

The electronic side is electronic funds transfer, or EFT, which would happen typically on the ACSS—the automated clearing settlement system or batch system. That EFT platform is used by fintechs to enable money to move from A to B. It's also possible to work with larger technology companies—data providers such as Plaid, Flinks and PayPal—to provide different propositions.

There are a number of different ways that fintechs can move money for their customers.

The Chair: The other ways imply credit cards, as you've mentioned, or PayPal or other companies. For e-transfers, who would you say is your biggest competitor in Canada?

Mr. Jeremy Wilmot: For e-transfers, it would be EFT and debit cards. These are ways of accepting or moving money directly between bank accounts.

The Chair: Basically, the service you're providing is relaying the information between the banks—between the participants. You're saying, “In your ledger change that.” You're making the connection between the two. I'm simplifying it.

Mr. Jeremy Wilmot: I think so. It's about account-based payments. It's an account to an account. There's a source of good funds on one end and a destination of good funds on another end in order to ensure that it's a direct, account-to-account payment. That's what we're talking about.

Debit rail, EFT rail and e-transfer as a product enable this account-to-account payment. When RTR, or real-time rail, comes, it will be another capability for fintechs to use to move directly from one account to another account.

The Chair: Go ahead, MP Dance.

Ms. Leila Dance: Can I confirm how much time I get?

The Chair: You get about two minutes and 30 seconds.

Ms. Leila Dance: I feel like I'm always trying to clarify things for myself. Just to check, do you recommend a fee that your 230 businesses charge individuals? Is there any type of suggested price that a bank, caisse populaire or credit union would charge the consumer?

Mr. Jeremy Wilmot: Interac is not involved at all in recommending an end-user price.

Ms. Leila Dance: That being said, they can charge Canadians whatever they want.

Mr. Jeremy Wilmot: Interac is focused on business-to-business wholesale pricing.

There are 230 participants providing financial services to consumers and small businesses. That's a lot of companies competing in a market of 40 million people, including 30 million economically active people. There's a lot of competition to ensure consumers and businesses can choose whether they want to take financial services from a highly localized, smaller financial institution like a credit union, which plays a very important role in Canadian society, or want to take it from a national provider, like one of the designated systemically important banks, the D-SIBs, in Canada.

Ms. Leila Dance: Say I belong to a credit union, and currently I'm paying a dollar but they're only paying 20¢ for each electronic fund transfer that I send. Even if you lower it for them to 15¢ or 10¢—whatever that number is—that might not mean it's going to make any difference for me or Canadians in general. They're going to continue to charge whatever they want.

Mr. Jeremy Wilmot: The e-transfer flat-rate fee will benefit the smallest players. That's the smallest credit unions. I think in the credit union—

• (1905)

Ms. Leila Dance: That's not necessarily Canadians.

Mr. Jeremy Wilmot: No, absolutely Canadians. It's consumers and small businesses served by the credit unions.

The credit unions are served by aggregation companies like Central 1, as an example, that help to make e-transfers easier to consume and easier to operate. They play a fundamentally important role because some of these credit unions are small. One town can rely heavily on a credit union. The centrals play a very important role in that.

Ms. Leila Dance: I'm sorry. I'm conscious of my time.

When you put your flat-rate fee program in place in 2025, will Canadians know what the number is? Will that be public knowledge?

Mr. Jeremy Wilmot: We are working through our communication strategy for the new flat-rate pricing. We are first informing the participants. After that, we will execute on the communication strategy, which we're currently reviewing. Once we review it, we'll execute on it.

There are many markets around the world that do publish their real-time settlement fee schedules. If Canada did that, it would be following the global best practice.

We have just received Bank of Canada approval for a flat-rate schedule. We haven't yet communicated to the participants. The right order to ensure stability of the system and that there are no surprises for anybody is that we follow these steps.

I'm not saying we're not going to do that, but we're reviewing it. I do understand that the global best practice is that you transparently publish it on your website. I understand that. We are discussing it, and then we'll execute on it in 2025.

Ms. Leila Dance: Thank you.

The Chair: Thank you very much, MP Dance.

I will now turn to the Conservatives.

Colleagues, just so you know, we'll end the meeting at 7:30, as originally planned. You understand we have about 20 minutes left for questions.

Monsieur G n reux, go ahead.

[Translation]

Mr. Bernard G n reux: Thank you, Mr. Chair.

Mr. Wilmot, your accent betrays you. You're from England, if I'm not mistaken.

[English]

Mr. Jeremy Wilmot: Yes, that is correct.

[Translation]

Mr. Bernard G n reux: How would you describe the state of competition in England and other European countries?

Is there much more competition there than in Canada when it comes to the Interac equivalent?

[English]

Mr. Jeremy Wilmot: The U.K. and Europe are two different things. Both have pursued what I'd call open banking, or consumer-driven banking, as we're talking about here, through payment services directives. They're actually on the third generation of a payment services directive—PSD3.

Mr. Bernard G n reux: That is not the case in Canada.

Mr. Jeremy Wilmot: That's right. The consumer-driven banking framework that we're working through right now, which comes together with RTR and RPAA, provides a two- or three-year path for us so we're really at a point where we can accelerate open access and can accelerate innovation. Now it's about executing on the two- or three-year road map that's been put in place.

[Translation]

Mr. Bernard G n reux: In your opening remarks, you mentioned that you were trailblazers and great innovators.

Am I to understand that you're falling behind in terms of all the innovations that are emerging? I'm thinking of open banking and cyber-currencies, for example. If I understand correctly, you have some catching up to do.

[English]

Mr. Jeremy Wilmot: Interac has innovated ahead of the world in many areas. I think the latest area is about business requests to pay account to account, verification and authentication capabilities, and AI-enabled fraud detection to avoid scams. There's a long history, such as with the digital wallets that I talked about and with chip and PIN. We have a strong innovation department. Our strategy is about bringing in innovative new use cases on our existing platforms today.

Interac has a strong innovation history that we plan to continue going forward.

• (1910)

[Translation]

Mr. Bernard G n reux: The Bank of Canada has just authorized you to set a fixed rate, but you're saying that you haven't yet had the opportunity to share the information with your customers—I guess that's what they're called.

In previous testimony, we heard that the rates could vary from \$0.06 to \$0.46 per transaction. Earlier, you explained to us that there would be a fixed rate based on categories A, B and C. I imagine that this corresponds to volume, that is to say low, medium or high.

Will clients whose volume of transactions corresponds to each of these categories see a real difference?

I imagine that the set rate for each of these categories will be different.

Is that the case?

[English]

Mr. Jeremy Wilmot: The flat rate for e-transfer will be flat, regardless of whether there is one transaction or a hundred million transactions. It will be the same price. There is only one price and it will be flat.

[Translation]

Mr. Bernard Généreux: Could you provide the committee with the set fee structure that you're going to put in place, once you've shared it with your members?

[English]

Mr. Jeremy Wilmot: Yes, we would be happy to do that.

[Translation]

Mr. Bernard Généreux: How much time do I have left, Mr. Chair?

The Chair: You have about 30 seconds left, Mr. Généreux.

Mr. Bernard Généreux: Okay.

What percentage of the banking market in Canada do you think you have at Interac?

[English]

Mr. Jeremy Wilmot: According to Payments Canada's 2023 annual report, Interac e-transfer has a 6% market share of electronic payments in Canada.

Mr. Bernard Généreux: I don't get that, but anyway....

[Translation]

The Chair: Thank you, Mr. Généreux.

[English]

Go ahead, Mr. Arya.

Mr. Chandra Arya: Mr. Wilmot, you used the words “strong innovation history” and “innovated ahead of the world”. How do you compare yourself with UPI?

Mr. Jeremy Wilmot: I think UPI is the world's best real-time payment system.

Mr. Chandra Arya: How old is UPI?

Mr. Jeremy Wilmot: UPI is 10 years old.

Mr. Chandra Arya: How old is Interac?

Mr. Jeremy Wilmot: Interac e-transfer is 21 years old.

Mr. Chandra Arya: You said that you were the first in the world in many systems, you were the first in the world in innovation and

you are the greatest, etc. Why is it that we have to learn from a global south country where the literacy rate is still low? We are a G7 country, one of the most developed countries.

Mr. Jeremy Wilmot: Canadians could send money from one person to another with an email address in 2003. India, Malaysia, Australia, the U.K. and Brazil could not do that. We were the first country in the world to do that.

Mr. Chandra Arya: Let's talk about email transfers. Suppose I want to transfer \$15,000 from my CIBC account to my Scotiabank account on the same street. How many days will it take?

Mr. Jeremy Wilmot: I don't know.

Mr. Chandra Arya: There you go. That is the banking system, but you are saying that with e-transfer, you can almost do it instantaneously. The email system is outdated.

You talked about EFTs. A lot of EFTs are limited to banking hours. Is that correct?

Mr. Jeremy Wilmot: No, I don't believe so.

Mr. Chandra Arya: Then can direct deposit and pre-authorized debits happen at any time?

Mr. Jeremy Wilmot: I believe so. They're 24-7.

Mr. Chandra Arya: Okay, so you're saying that these things can be at any time.

Let's talk about direct payment. I don't know whether your infrastructure provides help for the direct deposit system. Does it?

• (1915)

Mr. Jeremy Wilmot: E-transfer has a real-time availability of funds as a result of using the high-value payment system at Payments Canada called Lynx. It means that when you send money to your son or daughter at university, they get it seconds later. When a small or medium-sized business—

Mr. Chandra Arya: But it's a limited amount.

Mr. Jeremy Wilmot: —accepts money, they get it seconds later as well.

Mr. Chandra Arya: It's a limited amount.

At any rate, on November 1, you had an outage or whatever you called the technical glitch. Was it due to a cyber-attack?

Mr. Jeremy Wilmot: In the e-transfer degradation of service, which was not an outage, e-transfers were taking longer than a lot of people expected. Because it was rent day, it was a particularly painful experience for a lot of customers. It was not to do with a cyber-attack.

Mr. Chandra Arya: A colleague of mine asked about blockchain technologies. Do you think blockchain technologies will disrupt your system?

Mr. Jeremy Wilmot: I think emerging technologies are always something we need to consider, whether it's the public cloud, AI, blockchain or the next emerging technology after that. There is no doubt in my mind, personally, that blockchain will play an important role in the movement of money in the future.

Mr. Chandra Arya: A witness we had at the committee last time is the chief operating officer of a software company. He said:

...Interac offerings are not progressing at a comparable rate to other notable payment providers around the world. In comparing Interac with providers from the United Kingdom, Sweden, India and Brazil, for example, we found that in under three years, these countries rolled out cheaper, faster, more modern and feature-packed alternatives to their existing payment networks without significant disturbances.

What are your comments on that?

Mr. Jeremy Wilmot: E-transfer is a household name and a verb in Canada. It is used by everybody in Canada to send money to loved ones and to small and medium-sized businesses to accept. That is a sign of a payment system adopted by many, used by many and trusted by many.

The Pix network in Brazil, the UPI network in India and the Swish platform in Sweden are all fantastic platforms as well, but e-transfer is more widely used than those systems.

Mr. Chandra Arya: You keep repeating that e-transfer is more widely used by most Canadians. It's because we don't have any alternative. For example, if people have to use a phone, they have to use Rogers, Bell or Telus. They don't have any alternative.

You keep saying that most Canadians use this. It's because we lack alternatives. Is that right?

Mr. Jeremy Wilmot: E-transfer represents 6% of electronic transfers. Debit rails are used to move money. EFT rails are used to move money, like e-transfer. It's only 6% of total electronic transactions. There are alternatives in the marketplace.

Mr. Chandra Arya: You keep saying that you are a private company, so you can't disclose your ownership structure or profitability, but you are a unique player in the Canadian market. Is that right?

Mr. Jeremy Wilmot: We're a unique player that provides e-transfer, debit and verification services. When you put all three of those together, we're absolutely a unique player.

Mr. Chandra Arya: Is the bulk of ownership with the major Canadian banks?

Mr. Jeremy Wilmot: Interac shareholding is across many different financial institutions and ecosystem players.

Mr. Chandra Arya: I'm not talking about the number of institutions. Let's put it this way. The number of shareholders, big shareholders, is limited. Is that correct?

Mr. Jeremy Wilmot: We have large shareholders. We have small shareholders.

Mr. Chandra Arya: Exactly. The large shareholders probably control the bulk of the shareholder voting rights. Is that correct?

Mr. Jeremy Wilmot: We have large shareholders and small shareholders. As a privately held company, we don't disclose the shareholdings.

Mr. Chandra Arya: This is the problem we have. With the way it has been structured, we can't question the ownership. We can't question your profitability. We can't question your revenue sources or the cost structure because you can always claim to be private. That's all the system is.

Thanks, Chair. I know I wore out my time.

The Chair: That was interesting, Mr. Arya, so I allowed you to pursue it.

I'll just ask one follow-up question. You keep mentioning, Mr. Wilmot, that 6% of all electronic payments are made through the Interac e-transfer system. You include credit card payments. Is that right?

• (1920)

Mr. Jeremy Wilmot: Credit card payments are in that 6%.

The Chair: You keep using the example of sending money to your son or daughter in university. How can I use my Mastercard to send them money if they need it? The only option I have is Interac e-transfer, isn't it?

Mr. Jeremy Wilmot: Credit cards—

The Chair: If you exclude credit card payments, what's the percentage that you guys have of all transactions?

Mr. Jeremy Wilmot: There are 18.5 billion transactions, which include credit cards. If I understand correctly, I think credit cards make up approximately six billion transactions, and 1.2 billion transactions of 12 billion transactions is approximately 10%. Debit cards and EFT are clear channels to move money between businesses and between people.

The Chair: Don't you need to be within the same institution usually? If I want to send money to someone who's using a different banking institution, and I'm with Desjardins and they're with BMO, what are the options I have?

Mr. Jeremy Wilmot: Debit rails, EFT rails and e-transfer are all possible for fintechs to provide services to businesses and people to move from one account to another account at a different financial institution.

The Chair: I think it's pertinent to remove credit card payments in the examples where you were talking about sending money between Canadians, transferring money.

Mr. Jeremy Wilmot: Yes, and I apologize for that. All the numbers that I quote are in the Payments Canada 2023 report. That's the source I'm using.

The Chair: We'll have a look at it.

All that I'm hearing makes me all the more hopeful that, at some point, we're going to get new technologies like blockchain that will allow for a peer-to-peer, permissionless way to move value and money around. I think it's coming, because the traditional legacy financial system has failed Canadians in many ways.

Go ahead, Mr. Chambers.

Mr. Adam Chambers: Thank you, Mr. Chair.

I think those are exactly some of the concerns we have. You're putting your finger on it. There isn't really an alternative in the system.

Visa is being brought in front of the Department of Justice. The Department of Justice filed a complaint against Visa. Visa controls 60% of the debit market in the U.S.

Mr. Wilmot, how much of the debit market does Interac control in Canada?

Mr. Jeremy Wilmot: Interac's debit at the point of sale—

Mr. Adam Chambers: Of all the debit transactions in Canada, what percentage are controlled by Interac?

Mr. Jeremy Wilmot: As to Interac's debit at the point of sale, the majority of debit transactions at the point of sale are through Interac.

Mr. Adam Chambers: I don't mean the majority but the percentage. It's like 100%. Is that correct?

Mr. Jeremy Wilmot: I don't have the percentage.

Mr. Adam Chambers: Okay.

Here are the broad strokes. This is what I'm hearing. We have a secret ownership group. We have a secret fee schedule. We have legitimate questions about competition in the sector. Now the same ownership group is responsible.... They had a sole-source contract to deliver real-time rail, which is directly going to attack the profit pool of the ownership group.

You can understand why, with this cloud of secrecy, policy-makers are questioning this. Help me understand why we don't make a very radical recommendation, which would be to say that maybe Interac should be its own company. Maybe the financial institutions should not be able to own the company. Help me understand why we shouldn't make that recommendation.

Mr. Jeremy Wilmot: Interac worked hard and long for the new corporate structure we have, which was put in place in 2018. That corporate structure does follow governance best practices and has a number of committees that the board is not involved in, whether they're for compensation, pricing or other matters, including for my own compensation with the HRCC, the HR and compensation committee. We have best practice governance capabilities.

With RTR, the real-time rail that Interac is involved in with Payments Canada, we delivered the first portion of the RTR project—

• (1925)

Mr. Adam Chambers: On RTR, we're behind schedule, are we not?

Mr. Jeremy Wilmot: I think we're behind the original schedule that Payments Canada worked to.

Mr. Adam Chambers: We're behind schedule in delivering a significant economic benefit to users. Is that not right? I understand that in your previous role, you identified that it is of significant economic benefit to get to real-time rail. Is that correct?

Mr. Jeremy Wilmot: Absolutely. Real-time settlement systems are an economic flywheel for economies.

Mr. Adam Chambers: My understanding is that 2.7% of GDP could be increased if we moved to real-time rail. Am I about correct on that?

Mr. Jeremy Wilmot: I don't know where that calculation comes from, but there's economic benefit for real-time settlement systems.

Mr. Adam Chambers: We're delayed in delivering real-time rail, which will provide significant benefits to the economy by lowering the transaction profit pool of the economic owners of Interac. However, as I mentioned before, it's a secret fee schedule, and we're behind schedule on delivering something that will make the banks, your owners, less money.

If I could leave you with one recommendation, it would be to help us with transparency so that we don't make unwise or very radical regulatory recommendations, because in the absence of any information, we're left with what looks to be an ownership structure that is working really hard to protect its profit pool. The issue is not with Interac. The issue is with your secret ownership structure and the banks. We have no idea how they influence decision-making at Interac.

I think I'm bumping up against my time, but I appreciate you coming here today. If I could leave one thing with you, it would be to please have more transparency. Otherwise, we're left to wonder how these decisions are being made.

Thank you, Mr. Chair.

The Chair: Thank you, MP Chambers. I echo the sentiment of MP Chambers.

Mr. Wilmot, if you have anything you'd like to submit in writing as we go forward, please feel free to do so. We're more than open to receiving your submission. Also, I know you have a flight to catch at 9:00, so I said we would stop at 7:30.

Does anyone have a pressing question they'd like to ask? Otherwise, I will adjourn the meeting.

Go ahead, Mr. Van Bynen.

Mr. Tony Van Bynen: I have a very quick question, Mr. Chair.

I'm not disputing the organizational structure. I am concerned about market dominance. I think that's the issue of concern within this committee. One quick solution would be to require divestiture by the major players so that it's an independent corporation.

How much would you attribute the asset base of the current organization to its legacy software and hardware? You are the infrastructure and ecosystem for these types of payments. How much in legacy costs have been recovered or are yet to be recovered? Also, how would you address market dominance? Go to the market dominance question first.

Mr. Jeremy Wilmot: As we discussed in committee, there are other alternatives to e-transfer. If we exclude credit cards from electronic payments, I believe e-transfer is about 10% when we look at debit, electronic funds transfer and e-transfer. The 230 participants see real value in e-transfer so they use e-transfer.

To your other question on legacy technology, e-transfer was introduced in 2003—21 years ago. With older systems, there is what we call “technical debt”, which is due to older infrastructure. One great opportunity for all of us with real-time rail is to move to new technology infrastructure. That’s with e-transfer as well. Then we’ll be able to leverage, in consultation with the Bank of Canada, new technologies, like the public cloud and AI, to increase efficiency and make e-transfer an even more valuable platform for Canadians to use for the next 21 years.

• (1930)

Mr. Tony Van Bynen: I am a bit concerned that it’s easy to say “exclude credit cards”, but credit cards are just as much a payment system as any other system, so that doesn’t take away my concern about market dominance.

The Chair: Thank you, Mr. Van Bynen.

I have just one quick last question. You said you represent about 10% of all payments, excluding credit card payments. Does that include payments...? I’m with Desjardins and I send money from one account to another account within my larger Desjardins account. Is that included in there or not?

Mr. Jeremy Wilmot: Yes, it’s included in there. There are fintech companies that can—

The Chair: The pie keeps shrinking, because to me, it’s not a payment when I’m sending money from my chequing account to my savings account within the same institution. If that’s included in the number of payments you’re taking into account—you first said 6% and now say 10%—that’s misleading by a landslide, Mr. Wilmot, I have to say.

Mr. Jeremy Wilmot: Yes, I’m sorry. I misunderstood your question. It does not include an inter-financial institution transfer.

The Chair: You mean “intra-financial institution”.

Mr. Jeremy Wilmot: That’s right; it’s “intra”, because that would be on the financial institution’s internal system. It does not include that. The Payments Canada report, I think, is quite clear on that.

The Chair: Okay. We’ll have a look at it. I’m reassured, because if it does include that, I would think that’s weak.

Mr. Savard-Tremblay. A brief question, please.

[Translation]

Mr. Simon-Pierre Savard-Tremblay: Mr. Wilmot, you’ve already been asked this question, but I’m not sure I understood your answer.

You were asked who Interac’s main competitor was. There can hardly be a shorter answer than a simple name.

[English]

Mr. Jeremy Wilmot: There are many different types of Interac competitors. I think I heard someone just say Visa, but there’s Visa, MasterCard, PayPal, Apple, Western Union and MoneyGram and there are local companies. Flinks would be able to compete as well.

The Chair: Maybe one day Bitcoin will.

Voices: Oh, oh!

The Chair: Thank you very much, Mr. Wilmot.

Mr. Jeremy Wilmot: Thank you very much.

The Chair: Have a great night. Thanks for joining us.

The meeting is adjourned.

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