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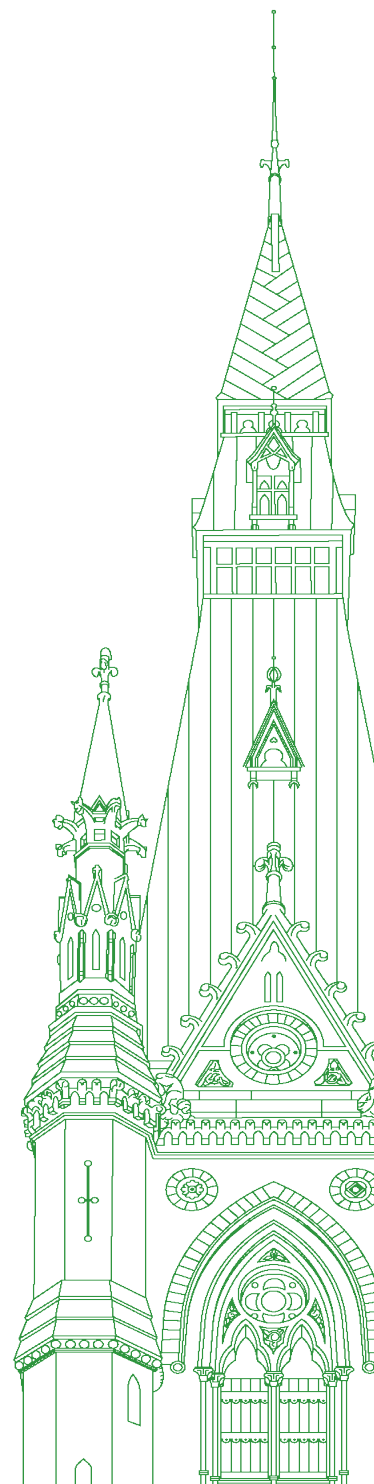
# Standing Committee on Finance

EVIDENCE

**NUMBER 034**

Thursday, April 15, 2021

Chair: The Honourable Wayne Easter





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Thursday, April 15, 2021

• (1545)

[English]

**The Chair (Hon. Wayne Easter (Malpeque, Lib.)):** I call the meeting to order.

Welcome to meeting number 34 of the House of Commons Standing Committee on Finance.

Pursuant to the committee's motion adopted on Friday, February 5, 2021, the committee is meeting to study all aspects of COVID-19 spending and programs.

Today's meeting is taking place in the hybrid format, pursuant to the House order of January 25, and therefore members are attending in person in the room and remotely using the Zoom application.

The proceedings will be made available via the House of Commons website.

Before I turn to witnesses, I believe Mr. Kelly had a point or a motion he wanted to make. Pat, the floor is yours, and then we'll go to witnesses.

**Mr. Pat Kelly (Calgary Rocky Ridge, CPC):** Thank you, Mr. Chair.

I have a comment first, and I do have a motion to put on notice.

I was disappointed in the last-minute cancellation of one of our first panel witnesses, Generation Squeeze. I don't know if it was a sudden unavoidable time conflict on their side or if they had other reasons to decide at the last moment not to appear.

Further to that, I now put this motion on notice. The motion is as follows: "That the committee hold one three-hour meeting consisting of two 1.5-hour panels, including Andrew Cowan and Steffan Jones of the CMHC in one panel and Eric Swanson of Generation Squeeze and Charlie Ursell of Watershed Partners in a second panel, to testify about the study entitled "Wealth and the Problem of Housing Inequity across Generations in Canada"; and, that opening statements for the meeting be limited to five minutes per panel."

**The Chair:** That's a notice of motion, then, Mr. Kelly. We can pull it off the table at any point and send it to the clerk. It will get translated and sent to all members.

**Mr. Pat Kelly:** I think we had it translated. It will be with the clerk momentarily, if it's not already there.

**The Chair:** Okay, good.

**Ms. Julie Dzerowicz:** Mr. Chair, I have a point of information.

**The Chair:** Go ahead.

**Ms. Julie Dzerowicz:** Is this first panel a one-hour session or is it an hour and a half?

**The Chair:** It will be about an hour and 10 minutes. We want to start the second panel at five o'clock.

**Ms. Julie Dzerowicz:** Thank you very much.

**The Chair:** That's an hour and 12 minutes.

On Generation Squeeze, I understand they were in and they were out, and they were in and they were out. We can ask the clerk to give the reasons, if he wants. Was any reason given, Mr. Clerk?

**The Clerk of the Committee (Mr. Alexandre Roger):** The email didn't give a specific reason, but the witness did say he would like to wait until the budget came out to have more content for his presentation.

**The Chair:** All right. That's fine. There's not much we can do with that.

We'll start with the witnesses. We'll begin with Air Passenger Rights and Dr. Lukács, who is president.

Please hold it to about five minutes, and then we can go from there. The floor is yours.

**Dr. Gábor Lukács (President, Air Passenger Rights):** Mr. Chair and honourable members, thank you for the privilege to be here today.

Air Passenger Rights is Canada's independent non-profit organization of volunteers devoted to empowering travellers. We take no government or business funding and we have no business interest in the travel industry. We speak for passengers, whom we help daily in their struggle to enforce their rights. We also recognize that the aviation sector is important not only to passengers but also to aviation workers, who have also experienced considerable hardship over the past year.

The pandemic brought to the forefront systemic issues that have plagued the aviation sector for nearly a decade: airlines not respecting, and the government not enforcing, passenger rights. The refund controversy exemplifies these anomalies. It is a cornerstone of every transaction that if the consumer does not receive the goods or services they paid for in advance, the vendor must refund all monies paid.

Air travel is no different. Passengers have a right to a refund for flights cancelled by an airline, even if the reason is outside the carrier's control. In 2013, this was coined a "fundamental right" by the federal regulator, yet since March 2020, we have witnessed an unprecedented assault on passengers' private property and the collapse of consumer protection in Canada. Airlines whose revenues were decimated by the pandemic have helped themselves to passengers' money and pocketed airfares paid in advance without providing any services in return.

For more than a year now, the government has taken no enforcement action against airlines that have violated passengers' fundamental right to a refund for flights the airlines cancelled. Instead, the government has turned passengers' legal right to a refund into a bargaining chip in bailout negotiations.

This was wrong. First, in a democracy, the laws must be enforced against citizens and corporations alike. Otherwise, we risk creating a two-tiered society in which, as George Orwell put it, "all animals are equal but some animals are more equal than others." Second, the failure to force airlines to promptly give refunds to passengers has undermined consumer confidence and goodwill, which are the lifeblood of the entire travel industry.

The Air Canada bailout suffers from the same flaws. It lacks any enforcement mechanism to ensure that passengers are indeed refunded. Instead of getting Air Canada's shareholders, who previously reaped profits, to foot the bill for refunds, it is taxpayers who must.

The bulk of the bailout is in the form of unsecured loans. This means that no assets can be seized if Air Canada is unable to repay the loan. Unsecured loans tend to become grants. Also, taxpayers assume only a token 6% equity stake in Air Canada. For comparison, Germany took a 20% stake in Lufthansa.

In addition, the sweetheart deal with Air Canada skews the market and undermines fair competition. This has nothing to say about Sunwing, WestJet, Porter and other airlines whose passengers are also waiting for refunds.

The Air Canada bailout is not only a bad deal; it also overlooks that it is not possible to cure the aviation sector's chronic illness by throwing billions of dollars at the current symptoms.

Air Canada's new refund policy is an example in point. On April 13, hours after the bailout was announced, Air Canada added to its terms and conditions an exception to its obligation to refund passengers for cancelled flights. The purpose of the exception is to legitimize refusing to refund airfares in the event of a new wave or a new pandemic.

It is unclear whether Deputy Prime Minister Freeland and Transport Minister Alghabra were aware of Air Canada's plan to add this exception or whether they were misled. Either way, Canadian taxpayers were shortchanged. They paid billions of dollars, but the systemic issues of lack of consumer protection have just gotten worse.

Addressing these systemic issues is a vital interest of passengers, aviation workers, travel agents and the entire travel industry. Consumers will pay for services in advance only if they have confi-

dence that they will receive the services they paid for or, if the services are not provided, receive a full refund of their hard-earned money. If Canada provides no such assurances, consumers will take their business elsewhere, to airlines based in jurisdictions that do offer such guarantees, such as the U.S. or the EU.

• (1550)

Canada therefore needs declaratory legislation, such as Bill C-249, to protect passengers' rights to a refund and to restore consumer confidence. In the absence of such legislation, no amount of taxpayers' money will save our travel industry.

Thank you.

• (1555)

**The Chair:** Thank you very much, Dr. Lukács. You were under five minutes.

We'll turn now to Colleen Cameron, chair of the board of directors, Antigonish Affordable Housing Society.

**Ms. Colleen Cameron (Chair of Board of Directors, Antigonish Affordable Housing Society):** Thank you very much, and thank you for this invitation to speak to this committee. I am very privileged to be able to do that.

To tell you who we are, the Antigonish Affordable Housing Society has been in existence since 1993 as a non-profit organization. We received our charitable status in 2014. Since then, we've been working very hard. We opened up four units in 2017. We had to do it in two phases because we couldn't secure the finances for the whole thing, and then the following year, we opened up another 10 units. We have 14 units of affordable housing that are high quality and energy-efficient. Four of those are barrier-free units.

Since then, we've been working to secure financing for the second complex that we're building, which is 12 units. It's directly across the street from elementary and junior schools—a very good location. Again, we've been struggling to get the financing for that. We planned on 15 units; we're going for 12. We've started and hope to sign off, finally, in the next week or so. We've started, and we hope by the end of the year to have these units open. This is very much needed in Antigonish, which is a small university town with very high rents. It provides a much-needed avenue for people to access affordable housing.

Our vision is to be environmentally, socially and financially sustainable while providing community-supported affordable housing to the residents of the Antigonish town and county. We develop and research new opportunities for affordable housing. Our vision and mission are based on our values of respect and dignity for all people and our understanding that access to good-quality, affordable housing is a basic human right.

That's who we are and what we are doing.

COVID-19 had quite a significant effect on the organization as well as on the tenants who live in our units. For the tenants themselves, stress was a major issue, and I think that's been known all across the country. COVID has increased stress for many people. A couple of our tenants actually had mental illness crises during that time. Fortunately, because we put such a focus on social sustainability, we have in place, in our unique model, a community navigator who is there to support the tenants in accessing resources and supports in the community. We were well positioned when COVID hit to be able to support the tenants in that way.

I must say that we very much appreciated the support we received through the emergency community support fund. With that \$2,000 funding we received, which was distributed by the United Way in Pictou County, we were able to provide tenants with masks, hand sanitizers and bus passes.

For your information, some of the masks were purchased from a newcomer Syrian refugee who set up a new tailoring business, so that funding supported a new local business. The bus passes that are very much needed are also supporting the Antigonish Community Transit. That small amount of money was well used and also put much-needed cash into the local community.

As an organization, our fiscal year ends at the end of March. In 2020, we experienced a \$20,000 decrease in our revenue from donations and fundraising as a direct result of COVID. We were very pleased to receive the Canadian emergency benefit account loan of \$40,000. This loan was very helpful in covering some of our operating costs for that fiscal year, which just ended, and will continue to assist us in our operating costs for this fiscal year.

• (1600)

In December we applied for increased funding in the amount of \$20,000. We still haven't received that yet. It seems as if our financial institution is having trouble obtaining these funds. Supposedly it's on the credit union end and not the government end. We're hoping to be able to access that soon.

Again in May 2020 we applied for the Canada emergency wage subsidy. This has been very useful in our program to help address some of the effects of the drop in revenue.

Overall, these programs have been beneficial for us. As a charitable non-profit community organization, we depend on fundraising and charitable donations to cover some of our operating expenses—most importantly, the role of the community navigator. This is very important, in our mind, for sustainable affordable housing. Having our navigator in place before COVID hit put us in a good position to assist the tenants during COVID when they were experiencing high stress levels. Accessing these funds was not a big challenge, which was a pleasant surprise for us. In the business of looking for funds, it often is a challenge.

This past year it became very apparent that many people in our society were living in precarious positions that were exacerbated by the pandemic. We had an increased number of callers desperately looking for affordable housing. COVID really exposed the financial and social gaps in our society, which really cannot be ignored anymore. As we think about preparing for any future pandemics, whether COVID or something else, we really need to build a re-

silient community. As the emergency programs helped mitigate some of these negative effects of COVID, I would suggest now that government programs need to be geared towards building resilient communities for the next emergency pandemics that are going to be hitting us.

To build resilient communities, you have to have healthy people. By “healthy”, I mean mentally, physically and socially healthy. They are more resilient to shocks and stresses and contribute to building resilient communities. Addressing the social determinants of health through an equity lens is a requirement for people and communities to be healthy.

Ensuring everyone has access to quality, accessible and affordable housing is also part of a resilient community. I would suggest that there needs to be a re-examination of the national housing strategy, which we are pleased to have, in improving access to the programs and ensuring organizations like ours have access to them. We have been working on this for 18 months now. It requires a huge amount of time and skill. When I think of all the people who put in time and expertise from our side and from the other side, it was a lot of money that would have been spent on that.

**The Chair:** I wonder, Colleen, if you can wrap it up fairly quickly.

**Ms. Colleen Cameron:** Yes.

**The Chair:** We're running a little over time.

**Ms. Colleen Cameron:** The last sentence I have is to ensure that everyone has access to a livable income. That will make the greatest difference in building a resilient community.

On that note, I will end by thanking you for this opportunity to contribute to this study on COVID expenses and programs.

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

As for the lineup for questions—and we'll go with our regular six-minute round—first will be Mr. Falk, and then Mr. Fraser, Mr. Ste-Marie and Mr. Masse.

Colleen, I've never heard tell of a community navigator before. That's an interesting concept. I think we could use one in a few places.

Ted, the floor is yours.

• (1605)

**Mr. Ted Falk (Provencher, CPC):** Thank you, Mr. Chairman, and thank you for your patience with me. I'm scheduled to make a speech in the House, and I was just resolving that conflict.

Thank you to both our witnesses, Ms. Cameron and Mr. Lukács. I'm going to be directing most of my questions to Mr. Lukács.

Thank you for your presentation. I think I've had the privilege of listening to you once before on what you do for passengers' rights. It's always very interesting and informative.

You talked about the bailout that was given to Air Canada recently. It's interesting that it's been reported just recently that in this new language that was added to its terms and conditions, they gave themselves the legal right to refuse future refunds to passengers, and I think you touched on that. This comes exactly on the heels of the federal government providing the \$6-billion bailout.

You've indicated your reaction a bit. Why do you think they missed that in their negotiations?

**Dr. Gábor Lukács:** That's a very troubling question.

The legal validity of that contractual provision, of course, would have to be determined by a judge. We have some serious doubts about whether any vendor or business can contract out the obligation to refund its customers in the event a service cannot be delivered. Even if it is a war, a pandemic or the sky is falling, it doesn't matter. There is a fundamental right for all consumers, in all contracts, to get back their money when they don't get the goods or services they paid for.

Setting that aside, the short answer is that Air Canada is doing this because it can, because the government is not taking action, is not taking enforcement steps against airlines that disregard passengers' rights.

With respect to Air Canada, the Canadian Transportation Agency could disallow the tariff provision tomorrow. The CTA wouldn't even need a complaint from us; it could simply look at it and say that this is an unreasonable term and condition, especially since Air Canada has gone public and made broad public statements to the contrary. Air Canada assured the public through its press releases that from now on, for tickets that are purchased, it would refund passengers if a flight is cancelled, regardless of the reasons. Air Canada is talking out of both sides of its mouth, and we haven't seen yet any enforcement action.

**Mr. Ted Falk:** You also talked about the potential unfairness of providing a bailout for one airline while leaving others trailing in the distance. You mentioned WestJet, Sunwing, Air Transat and Porter.

Recently the federal government also gave the provinces money to distribute to northern and indigenous service providers in the airline industry. My province of Manitoba received \$12 million from the federal government to distribute to scheduled airline service providers that service the north and indigenous communities. The problem is that we have airline operators like Wings Over Kissing, that service the exact same communities as the scheduled service carriers, often competing for the same businesses, but they got zero support.

In fact, in Manitoba, two airlines in particular, Calm Air and Perimeter, received \$9 million of the \$12 million, whereas Kissing, which is about a third of the size of Perimeter, received absolutely nothing.

I know you're as concerned for the employees and operators of small airlines as you are for passengers. Can you comment on that situation?

**Dr. Gábor Lukács:** We are not sufficiently familiar with the exact details of those specific carriers. However, generally, Canada needs

a competitive airline sector. We would like to ensure that it is not a monopoly or a duopoly on any route. There are a number of airlines that are all competing for consumers. The competition should be on a level playing field.

**Mr. Ted Falk:** You've also had an opportunity to look at the Air Canada deal a little more closely. We've talked about the fact that there's no enforcement mechanism to ensure that passengers are getting their refunds. We've also talked about how Air Canada revised its policy to say that in the future it may not refund money to its passengers.

Are there any other aspects or elements of the agreement that concern you? Can you break it down a little further?

• (1610)

**Dr. Gábor Lukács:** From a taxpayer perspective, which I believe is of interest to this committee, the primary concern about the deal is that taxpayers end up funding the refunds for passengers instead of Air the Canada shareholders who reaped the profits.

It was a pleasure to listen to the other witness today about how much even a few tens of thousands of dollars can buy and how much difference it can make in the lives of people who direly need assistance. Instead of the money going to those people, a lot of taxpayers' money has been sent to a for-profit corporation, with private owners, that has misappropriated passengers' money, and now taxpayers are making up for the shortfall. That raises significant concerns of transparency and accountability. Normally, there should have been accountability for the corporation, the shareholders, and the senior executives who were involved in misappropriating passengers' money.

**The Chair:** You have another minute, Ted.

**Mr. Ted Falk:** Thank you, Mr. Chair.

When you look at the airline industry in general, you see that it obviously needs some kind of support. The support that was provided recently is not perfect, but it is support.

Are there any other suggestions you could make to this committee on how support going forward could be better tooled or better structured, and might meet the needs of the airline industry while also providing fairness to the taxpayers and passengers?

**Dr. Gábor Lukács:** First of all, I'm not sure if Air Canada was that much in need of national support as they claim. There were, perhaps, other airlines that were, but Air Canada went into this crisis, this pandemic, in a very good, strong financial position.

In terms of support, money should go primarily to restructuring for improving service and making services better, for better technology, for expenses that make the industry as a whole more competitive, and not just padding the executives' pockets or the corporation's coffers.

Also, money spent on preserving the skills of aviation workers and ensuring that they keep up with their training and their skills is definitely a good public money investment, because while the corporations and the shareholders are dispensable, the aviation workers are not. They are a national asset.

**Mr. Ted Falk:** In addition to that, they have been taking full advantage of the 75% wage subsidy as a company.

**The Chair:** Thank you all.

We turn to Mr. Fraser, followed by Mr. Ste-Marie.

**Mr. Sean Fraser (Central Nova, Lib.):** Thank you, Chair, and thank you to both of our witnesses.

I'll focus my questions on the issue of housing in small communities.

Ms. Cameron, it's good to see you here. Thank you so much for joining us today and for your testimony.

One of the reasons I'm particularly intrigued by your testimony, Colleen, is that we obviously have put forward a lot of funding toward housing through the national housing strategy. It works fairly well for really big operators that have full-time paid staff. I have had the benefit of working to assist on some of the projects you mentioned and I fully appreciate the lengthy period of frustration you're going through as you work towards finalizing support for the next build.

I'm curious if you have advice for the government on how we can improve access to the national housing strategy funding opportunities for small communities that may rely so heavily on volunteers, as your organization does.

**Ms. Colleen Cameron:** Thank you, Sean.

I do have advice, as you know I always do.

One of the biggest challenges now with the national housing strategy is that when we built our last building, we got funding from our municipal governments and from Housing Nova Scotia. We did a lot of fundraising and we were successful in that, but since then the housing strategy has rolled out. When we went to Housing Nova Scotia, expecting a significant contribution to our new build, they said, "We're not doing that. You go to CMHC."

Housing Nova Scotia has given us some money, but the bulk of it is through CMHC, and I don't think CMHC is used to giving out money. They have been in the business of mortgages and loans. I heard Evan Siddall talk about protecting the money, using it wisely, which is very good, but it's such a challenge to get access to that funding.

From our perspective as a small organization that's totally volunteer, the amount of time and effort needed to go into that is absolutely phenomenal. We're treated exactly the same way as a large developer in downtown Vancouver. When we first did that last year, I was absolutely shocked at our assessment, because as a provider of 100% affordable, energy-efficient housing with solar panels, we weren't given the points that I thought we should have had. A big developer could have 30% of their housing affordable for 10 years only, and have no barrier-free units, which cost a lot more money, and that really didn't help us a lot. It's the assessment that we are all the same that is not right.

The other thing is that the government has talked a lot about.... Big developers not being interested in rural areas; they go for the big ones. Community organizations have been trying for years to be able to access funding. We are one of the very few small organiza-

tions that have succeeded, so there's something wrong in that process. To me, there should be separate processes for community non-profit organizations and large developers.

• (1615)

**Mr. Sean Fraser:** Are you thinking of smaller-scale projects that have smaller total dollar numbers but with an easier administrative burden?

**Ms. Colleen Cameron:** It's going to be smaller dollar numbers anyway. We're building 12. We wanted to build 15. We couldn't get the funding, so we scaled back. It's not so much the amount; it's how we are being assessed. We are not making a profit. We cannot make a profit in our rents. We're there to build affordable housing. We're not getting profit for our shareholders.

Why do we have to go through such a big challenge of getting this funding? You have to have some stuff in place to account for the funding and so on, but if the government wants affordable housing in communities and trusts the organizations to do that, why do we have to go through so many hoops to do the work that, I think, governments really should be doing in the affordable housing business?

We're willing to do that, but it is beyond the pale. I know of community organizations that have given up. They said they can't do it. It's just not making sense.

**Mr. Sean Fraser:** Colleen, I do have one quick question left.

Mr. Chair, do I have any time left?

**The Chair:** You have time for one more.

**Mr. Sean Fraser:** I'll skip to the last one on my list. You mentioned that with respect to the wage subsidy and CEBA, notwithstanding a bit of a challenge in the credit union process, generally speaking some of these supports—you mentioned the community support fund as well—were actually easy to access. They helped organizations like yours.

What lessons can we draw from those programs as we move forward to continue to support folks in communities like ours? What lessons can we draw from the COVID response that might actually lead to long-term permanent solutions for vulnerable Canadians?

**Ms. Colleen Cameron:** Making it easy to access the funding is a good lesson. We accessed the funding and we've been using it very well and we're reporting on it. We're very accountable for that.

As I said, having resilient communities that can withstand shocks is really where we need to be. We need much more affordable housing. That is an issue that is critical across the country. In rural areas.... We talk about the homeless in Halifax, but why do we have them? They leave Antigonish to get services there. They're coming from rural areas into the cities.

More affordable housing and easier access are what are important, I would think.

**Mr. Sean Fraser:** Thank you so much for joining us today.

**The Chair:** Thank you both.

Mr. Ste-Marie is next, followed by Mr. Masse.

[*Translation*]

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

Greetings to all my colleagues, including Ms. Damoff and Mr. Masse, who are joining us today.

I'd like to thank both witnesses for being with us and for their presentations.

My first questions are for Mr. Lukács.

Thank you again for raising the important issue of travellers' rights. My first question relates to something in your presentation and the exchanges you had with Mr. Falk.

Looking at what's been done in other countries, what should the government have done to better protect travellers? What best practices have other countries adopted that we could have learned from?

• (1620)

[*English*]

**Dr. Gábor Lukács:** Thank you for the question.

The very first thing the government should have done was to declare and enforce passengers' fundamental right to a refund. This happened in the United States on April 3, 2020, when the U.S. Department of Transportation issued an enforcement notice. In the European Union, it happened first around March 18, 2020. The European Union even went as far as suing some of its own states to ensure compliance with passengers' fundamental right to a refund. Had the Government of Canada done so, it would have probably been much easier to provide industry-wide relief because there would not have been such a strong opposition to it, publicly.

The other aspect is that Canada should have followed the German model—Lufthansa's model—whereby the state assumes a substantial stake in the airline that is being bailed out in exchange for taxpayers' money. The 6% that was provided to Canada's taxpayers in the current deal is dwarfed by the 20% in Germany, which actually has an option to go all the way up to 25%.

The last point is that those loans that were given to Air Canada were all unsecured loans, with one exception. Maybe Air Canada doesn't have sufficient assets as collateral—I don't know, and that's something to investigate further—but in the absence of assets, equity is a reasonable way to ensure that taxpayers receive a return on their investment.

[*Translation*]

**Mr. Gabriel Ste-Marie:** That's very interesting. Thank you very much.

As you said, the first part of the assistance will go to Air Canada first. We'll see what happens with the other airlines.

Why do you think the government waited so long—over a year—to act?

[*English*]

**Dr. Gábor Lukács:** It is difficult to understand the logic behind the government's failure to enforce passenger rights. The problem is a long-standing one, but the pandemic has brought the systemic issue to the forefront.

The Canadian Transportation Agency, which is the federal body that's supposed to enforce passenger rights, has, over the past six to eight years, turned from an independent regulator into effectively a lapdog of the industry. There is a serious concern of regulatory capture. Some of the lead was coming from that direction, but it also seems that the airline lobby is profoundly active and efficient in persuading the government not to enforce consumer rights. Instead, it lets the airlines do as they please.

[*Translation*]

**Mr. Gabriel Ste-Marie:** Okay. Thank you.

Could you talk briefly about the importance of having a system of competition among airlines?

Also, should travellers fear the consequences of a possible merger? For example, prior to the pandemic, Air Canada had proposed to buy Air Transat.

Finally, can you tell us about the importance of maintaining regional routes?

[*English*]

**Dr. Gábor Lukács:** With respect to the issue of competition, the deal between Air Canada and Air Transat would have significantly decreased competition over transatlantic routes and sun destinations. In terms of the data, for the medium-concentration to high-concentration market, this would have resulted in higher airfares and consumers paying more money.

Certainly Canada, even now, is suffering from a lack of adequate competition. What it would need to do is open our market for more airlines, even for the carriage of passengers within Canada—perhaps not all airlines, but airlines from trusted partner states—because it should not be a choice between Air Canada and WestJet only.

In terms of regional routes, it's a very tough question because, on the one hand, it may be very important for communities, but on the other hand, we cannot expect airlines to operate a route that is not profitable. If as a state, as a society, we decide that regional routes are important, then airlines have every right to ask for a subsidy for recovering those specific costs.



• (1625)

[Translation]

**Mr. Gabriel Ste-Marie:** Okay. Thank you.

[English]

**The Chair:** This is your last question.

[Translation]

**Mr. Gabriel Ste-Marie:** Very well, Mr. Chair.

I heard a radio commentator in Montreal raise the question, should the government introduce insurance for the cancellation and refund of all tickets and make it mandatory for all travellers?

What do you think about that idea?

[English]

**Dr. Gábor Lukács:** It's an interesting idea, but it would, again, make consumers pay for what should be the airlines' responsibility. I would much prefer to see the system that already exists in Quebec's Consumer Protection Act. Section 256 says that for any kind of future service being paid for by consumers, the monies paid by consumers have to be kept in a trust account, and the airline is deemed to be the trustee. This law, in our position, would already apply to Air Canada, although they would probably disagree with that. What it would mean, in situations like this when somehow the airline says that it doesn't have the money, is that owners would actually become liable for refunding passengers, and possibly personally, because they are not simply a business but are acting in a trustee capacity.

[Translation]

**Mr. Gabriel Ste-Marie:** Thank you very much.

[English]

**The Chair:** Thank you.

Next is Mr. Masse, followed by Ms. Jansen.

Brian, welcome to the finance committee. The floor is yours.

**Mr. Brian Masse (Windsor West, NDP):** Thank you, Mr. Chair, and it's good to see you, as always.

Thank you to our witnesses.

Mr. Lukács, I want to start with your take on Nav Canada. I don't know if you noticed, but it finally ceased its studies on the closure of airports. It's something I have been pushing for, and I have a private member's bill on it. It will be interesting to see what will take place in the budget or the upcoming deal with Nav Canada, because in testimony at other committees I've been to, Mr. Bohn, the CEO of Nav Canada, has said that they would not consider removing bonuses if they got public funds as part of a package to deal with Nav Canada. We'll see what comes out in the details.

What is your response to those who are now concerned about the process of dealing with Expedia and other parts of the complications of getting refunds? I'm concerned that it may not even be equal. You've pointed out some major problems in the deal, but one thing that I don't think gets a lot of attention is the complications for consumers going through third parties to try to recover their money.

**Dr. Gábor Lukács:** Passengers do experience significant problems, given that they're getting refunds from Air Canada directly. For example, when passengers used their vouchers to try to get a ticket, and the second ticket was cheaper, we have reports that passengers are being told that they are only going to refund their cheaper ticket but not the difference between the two tickets.

In terms of third party providers, there are significant concerns. Expedia.... FlightHub is a particularly bad offender as far as we can see so far. In some cases, travel agents are asking passengers to pay an extra fee for getting their refunds, even though travel agents can keep their commission from the airline.

The solution and the answer to this would be—and is—that ultimately it is Air Canada's responsibility and the airline's responsibility to refund the money the airline has. They cannot pass the buck to the various travel agents. This is another significant flaw in the deal and something Air Canada has been pushing very hard for, but legally we have doubts about its validity. We are aware of a prior court decision that confirms that regardless of which intermediary is involved, the airline still has the same responsibilities.

**Mr. Brian Masse:** Without addressing that, the end reality for the consumer is that a phantom product was purchased, and they're still going to have to pay out of pocket for that.

Also, aren't there benefits to the airlines and the third party providers in making money off consumers for the use of that service? It seems kind of unfair that when this happens, they pay a second time for that. There's a benefit for the structure they have in place. Perhaps you can talk about that benefit.

**Dr. Gábor Lukács:** Passengers are not supposed to be paying any extra fees for getting their refunds. Those demands by travel agents are legally unfounded.

The potential benefit for Air Canada of giving refunds to travel agents is that in some cases there are deals whereby some of the commission is being paid in one way or another. It's an arrangement that makes passengers' access to the refunds harder and the accounting for Air Canada easier.

• (1630)

**Mr. Brian Masse:** You mentioned the quick action that was taken in the European Union, and also in the United States, although to a lesser degree and later.

I know you have a lot of experience. You've been to the Supreme Court of Canada and you've litigated a number of different cases. I'm not sure how familiar you are with the competition laws in Canada. We have been studying that aspect at the industry committee. Something I've been working on is that the Competition Bureau doesn't have the tools it needs. Also, our competition law is outdated. Do you have any comments about that? I don't know if you're familiar with all of that aspect.

I know for sure that this seems to be part of the problem. I've been a big proponent for a real airline bill of rights, but we've run into major problems with the Competition Act, which is very antiquated.

**Dr. Gábor Lukács:** I don't purport to be an expert in competition law; however, I am aware of how some of its aspects affect passengers and airlines.

My understanding is that the Competition Bureau doesn't have the tools to deal with, for example, predatory pricing, which happens when a large airline tries to effectively strangle a small airline by engaging in undercutting prices, even below cost. By the time a court order and an injunction are issued, it is maybe too late for the small airline; it would be out of business.

I agree to the extent that I see, from an airline perspective and passenger rights' perspective, that a significant overhaul would be necessary for faster remedies for anti-competitive behaviour of this nature. Whether one should give more powers to a government body raises some questions. Generally we believe that independent decision-makers—and I'm referring to independent of government, such as courts and judges who have tenure of office—should be making significant decisions.

Certainly the laws could and should be updated to ensure that access to injunctions in such situations—and, more generally, access to some interlocutory injunctions—would be easier. It's a matter we came across last year in the context of refunds. The federal courts are interpreting the legal test for interlocutory injunctions very narrowly, in such a way that in many cases they are virtually impossible to get, not only in competition matters but also in cases of trademarks and intellectual property aspects.

**The Chair:** We will have to end that round there.

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

**The Chair:** You'll have another in a little bit, Brian.

We're turning to Ms. Jansen followed by Ms. Dzerowicz. Tamara, it's a five-minute round.

**Mrs. Tamara Jansen (Cloverdale—Langley City, CPC):** Thank you very much.

Mr. Lukács, I really appreciate the perspective you're coming from, in that you're looking to ensure that taxpayers are getting good bang for their buck. It's very much appreciated.

I can't tell you how terrible this was in the very beginning when we were repatriating constituents. There were families who were buying tickets, and then the flight would be cancelled. They'd buy another ticket, and the flight would be cancelled. They'd buy a third ticket, and the flight would be cancelled. They never received a refund. It was absolutely shocking.

You basically said that had the government taken quick action against the airlines for doing this, as other countries did, it could have had a bigger impact on what the deal looks like today.

**Dr. Gábor Lukács:** Currently, people are very upset. The experience described by your constituents is not a one-off, unique, isolated incident; it is an experience that we estimated millions of passengers have experienced. Any kind of bailout to the corporation, any kind of financial support, is facing very significant social opposition, not only because it's not necessarily good use of taxpayers' money but also because the airline and travel industry has squandered the public goodwill and consumer confidence.

**Mrs. Tamara Jansen:** Yes, absolutely.

We were hoping you had an idea of how many refunds were issued and how many are still left standing. Do you know the dollar figure?

**Dr. Gábor Lukács:** Knowing how many refunds have been issued is more difficult.

When we appeared before the transport committee in December, our very conservative estimate was that there were about \$3.89 billion worth of refunds among the Canadian airlines owing to 3.89 million passengers. As with every other estimate, this is based on data that we interpolate, because you may remember that Air Canada outright refused to provide numbers when they were asked by another House of Commons committee. Initially there was a lack of transparency, which is troubling on the one hand. Those airlines are seeking help from the public purse, yet we have not seen clear numbers and clear data on how much money they owe to passengers or how many passengers are affected.

• (1635)

**Mrs. Tamara Jansen:** Were some airlines better than others when it came to refunds? I thought some had different policies.

**Dr. Gábor Lukács:** First, let me take a step back. Airline policies don't matter, because they can't override the law. The law has been that you have to refund passengers, full stop. Unfortunately, the federal government failed to enforce that law.

In terms of policies, in some ways Air Canada was the worst offender, in that they made a false proposition that if you bought a so-called non-refundable ticket, then they can just pocket your money and give you no service in return. That's nonsense. That's absurd.

In November 2020, WestJet made some statements that they would gradually refund passengers whose flights were cancelled by WestJet. We are seeing some progress with that, although in many cases what passengers are doing and what helps them to get money back is doing a statutory chargeback under provincial statutes if they made a purchase with a credit card.

With respect to Sunwing, probably they are also among the worst offenders. They first promised passengers a refund, as they should have, and then said they were sorry, but they didn't have enough money. Air Transat is also in with that. They have also been refusing to provide refunds.

**Mrs. Tamara Jansen:** Could you do me a favour? Could you explain one more time how the deal is set up and how it's bad for the taxpayer?

**Dr. Gábor Lukács:** I don't have the exact figures in front of me, but I can give you what I remember.

I don't remember the number of refunds. As I understand it, the refunds are going to be funded from a \$1.4-billion unsecured loan at an interest rate of 1.211%.

**Mrs. Tamara Jansen:** When you mention unsecured loans, you're talking about the fact that they're saying they have no assets, so therefore they'll just do their best to pay it back, but the government has absolutely no surety that it will be paid back.

**Dr. Gábor Lukács:** That's right. There are no assets that could be seized if those amounts are not paid back.

**Mrs. Tamara Jansen:** Do you expect they would default on their loans?

**Dr. Gábor Lukács:** It's hard to predict. We are not through this pandemic yet. What we have seen historically is that unsecured loans tend to become grants. I could easily see that once the public outrage over the \$6-billion bailout to Air Canada subsidies, once it's no longer in the news headlines, the government may quietly just write it off, so having some form of legislation that states these loans cannot be written off certainly would help to alleviate those concerns.

**The Chair:** Okay, thank you both. We're out of time, Tamara.

We're going to Ms. Dzerowicz, and then back again to Mr. Ste-Marie.

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

I want to thank the two presenters for their presentations and for this very important discussion.

Mr. Lukács, you've done a wonderful job in articulating your concerns with the deal on air passenger rights, but perhaps we can go through some of the good elements of the agreement. Do you think the section around the seven regional communities having air connection to the rest of Canada was a good part of the deal?

**Dr. Gábor Lukács:** The biggest concern we have is that those issues, such as ensuring job security and regional connectivity, which are undoubtedly important, are put on the same footing as the legal right of passengers to a refund. A refund is a non-negotiable absolute legal right under the law, while regional service, if it is not profitable, is a discretionary matter.

Certainly, if we believe that those regional routes are important, then the taxpayers have to pay for them one way or another. That's a no-brainer. We don't find anything objectionable about it. The trouble is that the two things have been mixed and the waters have been muddied. It has created the impression that complying with the law is an optional and not mandatory obligation for large corporations.

**Ms. Julie Dzerowicz:** Okay.

I always think it's good to find a little balance. There's always a silver lining and there's always good news in addition to things that can be improved. Is there anything in the agreement that you think

is positive, such as the broad criteria around refunding customers, the commitment to protecting jobs and pensions in the collective agreement, the restriction on executive compensation, and buying back shares and dividends. Is there anything positive that you think is in place in the agreement?

• (1640)

**Dr. Gábor Lukács:** Certainly, the limitation on buybacks and on restricting.... Was it bonuses or actual compensation?

**Ms. Julie Dzerowicz:** I have here that it's restricting executive compensation and buying back shares and dividends.

**Dr. Gábor Lukács:** Yes, those are positive measures, but in my opinion they don't make up for all the shortcomings of this deal, unfortunately.

Let me take off my air passenger rights advocate cap for a moment and just think as a taxpayer. The most significant shortcoming I see is the low amount of equity that Canada acquired. Canada should have acquired more equity in the company and less unsecured debt. Debt is probably the most important issue.

In the pursuit of public policy, there should also have been more accountability for the individual executives who were involved in misappropriating passengers' money.

**Ms. Julie Dzerowicz:** Thank you. I appreciate it. I wanted to try to see if there was anything positive in here, so at least we have a couple of important things.

I hope you'll also agree that the broad criteria around refunding for customers is at least a positive first step, while there might be some improvements as we go along.

**Dr. Gábor Lukács:** In our view, compliance with the law should not be a negotiating chip, the same way it's not a negotiating chip whether one pays taxes or whether one can just go into a store and remove items from the shelf without paying. Compliance with the law and giving passengers refunds is a legal right when the airline itself cancels the flights. It was a mistake to even agree to talk about it as if it were not an absolute right.

**Ms. Julie Dzerowicz:** Thank you, Mr. Lukács.

Ms. Cameron, you mentioned support for a guaranteed basic income. Can you talk a bit about that? Are you talking about this as something that you think is important for Nova Scotia? Maybe you could just talk to us about why you think it would be an important model to adopt.

**Ms. Colleen Cameron:** I think it's an important model for all of Canada, not just Nova Scotia. If we want healthy people and healthy communities, we have to acknowledge that income plays a big role in that. With the CERB funding that came out, many people were moved out of poverty. The CERB was set at a level just above the poverty line. That made a big difference for a lot of people.

We have people living in poverty because the policy states that they can receive only a certain amount if they are disabled or on assistance or single parents. It is kept below the poverty line. To me, that's not right. If we'd made sure that everyone had a livable income and we'd had that in place before COVID hit, it would have saved all kinds of problems and people's lives. You wouldn't have people going from job to job just to make enough to barely get by. With their job and a guarantee, they would have enough money to do that and be well.

To me, it's a no-brainer, in the sense that people are ill, are not well, because they are living below the poverty line. A guaranteed livable income, just as we have with old age security, could be a guaranteed supplement there. What the government did with the CERB I think should be continued. We wouldn't be in such a housing crisis if people had sufficient funds to be able to afford housing.

**The Chair:** We will have to end it there.

We're turning to Mr. Ste-Marie, who will be followed by Mr. Masse.

You have two and a half minutes, Gabriel.

[Translation]

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

Ms. Cameron, I'd like to thank you for your presentation. The project you're involved in is very interesting.

As I understand it, a multitude of models are needed to support social housing, whether in the city or in communities with fewer people.

Do you think federal funding for affordable housing is part of the solution?

[English]

**Ms. Colleen Cameron:** Yes, it is. It's a big part of it, and that's why, I believe, the housing strategy was put in place.

As you know, the federal government did a lot of input into affordable housing and housing 30, 40 and 50 years ago. My father was involved with the Veterans' Land Act to help people get housing. Then the government moved away from that, and municipalities don't take responsibility, so it has been a big issue. It has been neglected for so long that we are really in a major crisis. In order to get out of it, there needs to be partnership at all levels—federal, provincial and municipal, and with community members—but it should be done in such a way that every partner is respected and trusted, which is not the case now. We are often talked to and told to do things, without the government listening to what the issues are. I'm not saying to have a whole bunch of different models, but there just needs to be something for non-profit developers that is different from the for-profit developers, I would think.

• (1645)

[Translation]

**Mr. Gabriel Ste-Marie:** That's very interesting. Thank you.

Mr. Chair—

[English]

**The Chair:** I was going to move on to Mr. Masse.

[Translation]

**Mr. Gabriel Ste-Marie:** Okay, thank you.

[English]

**The Chair:** Go ahead, Brian.

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

Ms. Cameron, you mentioned the historical gap in housing. We had a program that we phased out. I used to work for the not-for-profit sector as well.

We have a lot of rebuilds that need to be done. Can you comment on that and how poorly the municipalities are behind in terms of the current infrastructure and in saving some of the housing that has been languishing?

**Ms. Colleen Cameron:** I'm not sure if I can answer that, because my sense from the municipalities in Nova Scotia is that they don't have a role in building and maintaining affordable housing; they do bylaws and all kinds of things. Our local municipalities have contributed and supported us from the very beginning, but in terms of this, we were told very early on that they don't do housing.

I'm hoping that's going to change. I think that in some places it is; it's not the same all across the country. That is not a mandate that the municipalities feel. There is definitely a role, and I would like to see them play a much greater role in affordable housing, but my understanding is that they can do very little. If a place is run down, either it's condemned and torn down, and then the tenants have no place to live or continue to live in squalor. Municipalities don't have the tools or the power to be able to bring about changes.

I think there are a lot of things that could be done differently. One of them is that we just need more stock. We just need more houses that are affordable.

**Mr. Brian Masse:** I know that I'm running out of time here, Mr. Chair. Thank you very much.

**The Chair:** Thanks to both of you.

We're turning to Mr. Kelly, who will be followed by Ms. Damoff. I think Ms. May wants a question, and I believe, Mr. Cummings, that you do too.

Go ahead, Mr. Kelly.

**Mr. Pat Kelly:** Thank you, Mr. Chair.

Mr. Lukács, yours was a really interesting presentation, as were some of the comments we've had so far. I think a lot of Canadians were somewhat surprised by the approach of bailing out one company as opposed to presenting a package to an industry and leaving it up to any of the participants to decide whether or not to opt in to be bailed out.

Could you give us a little more on that? You mentioned it in your opening statement, but you didn't get a chance to elaborate.

**Dr. Gábor Lukács:** Our concern relates on the one hand to passenger refunds. There are passengers from WestJet, from Air Transat, from Sunwing and from Porter, just to name a few, who are waiting for refunds. Those airlines, just like any other airline, owe those passengers a refund but have not fully complied with the obligation. In fact, Air Transat and Sunwing haven't complied with it at all.

The concern from a taxpayer and a competitive market perspective is that giving a pile of money to one competitor while leaving the others hanging out to dry skews the marketplace. It creates an uneven playing field. It gives unfair advantage to one competitor over the other. It also harms the consumers and it harms the employees.

● (1650)

**Mr. Pat Kelly:** Absolutely, but there seems to be an understanding that there are negotiations under way.

Do you expect to see a variety of different deals brought out in the coming days, or do you have any idea what they're doing?

**Dr. Gábor Lukács:** Unfortunately, we have no information.

**Mr. Pat Kelly:** You said no amount of subsidy will solve the problem. When you said that, did you mean the problem of non-compliance with the law in terms of refunds, or were there broader industry issues that you were referring to?

**Dr. Gábor Lukács:** On the broader issue of non-compliance with the law—not just with the refunds, but overall on passenger rights—what we already see is that when a passenger can choose between a European carrier, which is bound by European laws and regulations, which is a gold standard, or a Canadian airline, they will choose the European airline. We are going to see that trend intensify, especially with the U.S. also perhaps tending toward improving passenger rights.

We have very strong competition in that regard and we need to up our game if we would like Canadian airlines to become competitive.

**Mr. Pat Kelly:** What do you expect some of these exceptions to be? Whether it's speculation or whether you already know, could you list what you expect the airlines to invoke, or in this case Air Canada to invoke, for a non-refund?

**Dr. Gábor Lukács:** We expect that if there is a new wave of the current pandemic or if there is another pandemic or if there is a situation like September 11, they might try to use those provisions to refuse to refund passengers their own money for flights that never took place.

This is in sharp contrast with the U.S. standard. In the U.S., after September 11, airlines were refunding passengers. Even during the pandemic, the U.S. Department of Transportation very quickly gave marching orders to airlines that they must refund passengers.

**Mr. Pat Kelly:** You hinted in your opening statement that you weren't sure that Air Canada really needed or is particularly seeking this deal, yet the deal exists. Air Canada was quite well capitalized from the outset, but the effects on the industry are catastrophic.

Would it be your position that the refunds should have been made in full to everyone before negotiations even began for a bailout?

**Dr. Gábor Lukács:** It's not that Air Canada wanted this deal; the question is whether they needed it objectively. That's unclear.

Certainly refunds should have been happening immediately, as the flights were being cancelled, as soon as March and April of 2020. There would have been probably way more public sympathy, public appetite, to provide some financial relief to airlines.

**Mr. Pat Kelly:** Right.

Indeed, we need an airline industry in Canada, particularly in all kinds of communities that just rely on it.

Do you think it is necessary to bail out the industry? Can this industry finance its way through the crisis while being obliged to refund its passengers?

**Dr. Gábor Lukács:** It's quite possible that some airlines might need some financial assistance to weather this storm. However, what is clear is that Canada does not need airlines that disobey the law. Any kind of corporation that is trying to make a profit outside the rules of the game, outside the fundamental rules of capitalism, which is based on respect of private property, becomes a burden for taxpayers. While it might take some money to replace them, they have to be replaced with corporations and with management of corporations that play by the rules, because that is how society is going to prosper. It's when everybody is obeying the law.

**The Chair:** Thank you both.

We'll go to Ms. Damoff for five minutes, and then we'll have one question from Ms. May and one from Mr. Cumming.

**Ms. Pam Damoff (Oakville North—Burlington, Lib.):** Thank you, Chair. It's an absolute pleasure to join this committee today.

Thank you to both of our witnesses.

Ms. Cameron, I thoroughly enjoyed your testimony, and I now know why your MP speaks so highly of you. It was really helpful and speaks to my heart.

I firmly believe that without safe, affordable housing, you can't do anything else. Everything flows from that. You can't get a job, care for your kids properly or get an education. Your testimony really resonated.

I wonder if you could speak a little bit more about it. If we're going to have a sound, sustainable, solid recovery, how important is it for us to invest in housing and the resilient communities that you talk about?

• (1655)

**Ms. Colleen Cameron:** I think you said it yourself: Housing is the basic right that everybody needs to live. Without it, you don't have anything.

As you said, if there is no address; you can't get funds or an education. Then, from a health perspective, so many people are living in very unhealthy situations, physically unhealthy as well as mentally and socially unhealthy. When there are drugs and violence in the area, that just exacerbates things.

To me, it's something that everyone needs. It's obvious, if you look at our health statistics, that people on lower income, living in poor conditions, are much more likely to be sick. They're much more likely to put a greater burden on the health care system, and similarly the justice system, and to drop out of school. I understand that every time a family moves, a child loses three months of school just from making that move. It affects every aspect of life, and it is one of the most basic things. Food, water, shelter and clothing are your basic rights, so that is needed.

The homeless situation and the lack of affordable housing are the tip of the iceberg when we're looking at poverty. That's what we see. Those are the symptoms of poverty.

**Ms. Pam Damoff:** I think this pandemic has shone a light on what people like you have known about for years. It's shone a light on how those individuals who are homeless or without safe and affordable housing have been more at risk during the pandemic.

I was absolutely fascinated by your having a community navigator. Sean and I were on the status of women committee together when we looked at transitional housing and the need for more transitional housing for women. I've spoken to a woman locally, Emily O'Brien, who was in prison, and of the need for people who are coming out of prison to have transitional housing. That community navigator seems like the type of thing—incorporated into housing—that is a recipe for success.

How critical is it that we take a more holistic approach to housing as well, and include transitional housing as we're moving out of this pandemic?

**Ms. Colleen Cameron:** It is absolutely critical. With our model of focusing on the social, environmental and fiscal, it is very important. That's a holistic approach.

With regard to the community navigator, the role is to assist the tenants to access the resources they need in the community to live well. I live very close to public housing and I see the problems. There are 700 units, and one person said that she used the navigator for the.... A navigator for 700 people is just not sustainable. People are trying to get out of the public housing and come to us because it is a good safe place to live.

Everybody needs support at some point. If you have good, affordable, safe housing, it breaks the cycle of poverty for many people. It helps them to move out. We've had a couple of success stories—single mothers finishing education, getting a better job and moving on—and that's the sort of thing you need. However, that support is key. Putting a roof over somebody's head and then leaving them on their own is not going to solve it.

People have various levels of need. We don't provide counselling and that sort of thing; we connect them to those resources, and sometimes it's a very simple thing that they need. To be sustainable, I think it is extremely important.

**The Chair:** We'll go to one question from Ms. May and one from Mr. Cumming.

**Ms. Elizabeth May (Saanich—Gulf Islands, GP):** Thank you for your generosity, Mr. Chair.

To Colleen Cameron, I want to ask you a question about affordable housing. I know you have deep roots in the Antigonish Movement and the work of Monsignor Moses Coady. Specifically, do you think the co-operative housing model would be useful when we're looking at new ways to make sure we get people housed?

• (1700)

**Ms. Colleen Cameron:** As you said, I'm a big proponent of co-ops and the co-operative movement. I grew up in that movement.

There's a role for different forms of affordable housing. We didn't go down the route of co-op housing. We are a charitable organization providing affordable housing. In many co-op housing situations, people are now renting. In the past, if you think of the Antigonish Movement and Tompkinsville down in Reserve Mines in Cape Breton, you see that people co-operated to build their homes, which they then ended up owning, which was equity. That's a very different sort of model. It's a very good one. It's one of a number of models that would be needed to provide affordable housing for everyone. I don't see one solution. I see different models.

Co-operative housing at the moment has been struggling. It's a challenge for some to improve and move on. There are a lot of different things there. If people could end up owning them, that would be fabulous.

**The Chair:** I believe James had to leave.

Go ahead, Mr. Kelly.

**Mr. Pat Kelly:** Mr. Chair, he had a three o'clock hard stop in another meeting.

**The Chair:** We should have put him first. I should have moved him up.

With that, we will suspend for the next panel.

I wish to thank the two witnesses for appearing. We got as many questions as we normally do, so that's a good thing. Thank you both for your presentations today.

We'll suspend for two minutes and go to the next panel..

• (1700)

(Pause)

• (1705)

**The Chair:** We will reconvene the meeting.

This is meeting number 34 of the House of Commons Standing Committee on Finance.

As all of the witnesses know, we're doing a study on COVID-19 spending programs and related monetary policy. I want to thank all of the witnesses for coming.

We'll start with Jacques Létourneau, the president of CSN. Welcome. Please keep your comments to about five minutes.

[Translation]

**Mr. Jacques Létourneau (President, Confédération des syndicats nationaux):** Good afternoon.

I'm trying to get my camera to work, but I'm hearing a terrible echo in my earpiece.

Can you hear me?

[English]

**The Chair:** Are the translators hearing okay, Mr. Clerk?

They are. Okay, go ahead.

[Translation]

**Mr. Jacques Létourneau:** Thank you very much for this invitation.

Unfortunately, there's an echo in my earpiece. It's a bit annoying. I like to hear what I'm saying, but not that much.

Do you think it can be fixed?

[English]

**The Chair:** Jacques, why don't we see if the IT people can fix that? We'll go to the next witness and then come back to you.

Mr. Clerk, could you have the IT people work on that?

[Translation]

**Mr. Jacques Létourneau:** Great.

[English]

**The Chair:** We'll turn to Patrick Sullivan, president and CEO of the Halifax Chamber of Commerce.

Mr. Sullivan, you're on.

**Mr. Patrick Sullivan (President and Chief Executive Officer, Halifax Chamber of Commerce):** Thank you very much, Mr. Chair, and thank you very much to the committee.

Good evening. I apologize in advance; I have a cold. It's just a cold. I've been COVID tested a number of times. I apologize if I cough during my presentation.

I've decided to make my presentation rather short tonight, so I don't believe I will take anywhere close to five minutes. I just want to make a very firm point.

My name is Patrick Sullivan. I'm the president and CEO of the Halifax Chamber of Commerce, which is a best-practice business advocacy organization that continuously strives to make Halifax an even more attractive city in which to live, work and play. Together

with approximately 1,700 member businesses that represent over 65,000 employees, the chamber acts as a single powerful voice to promote local business interests.

I want to thank the federal government for its prompt and meaningful support for our business communities throughout the pandemic. Programs like the Canadian emergency business account, the Canadian emergency wage subsidy—which we utilized to retain our full-time staff—and the Canadian emergency rent subsidy were all crucial to the survival of many businesses, both large and small.

It's apparent, though, that while vaccines are rolling out throughout the country, many of our hardest-hit sectors, like tourism and hospitality, will once again feel the impacts of COVID-19 throughout the balance of 2021.

Businesses need predictability. They need a view of what that business can look like or will look like in order to plan for the coming months. We ask that the Canadian emergency wage subsidy and the Canadian emergency rent subsidy be extended until December 2021 so that those highly affected sectors can remain viable and return to full capacity in 2022. With over \$1 billion lost in revenues in Nova Scotia during the 2020 tourism and hospitality high seasons, we must keep these sectors and businesses afloat, not only for the employment of many Canadians but also for our continued economic growth and recovery from COVID-19.

Thank you very much. I'd be happy to answer any questions you may have.

• (1710)

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

We'll give Mr. Létourneau a little more time. We'll turn to the Hotel Association of Canada and Ms. Baker, vice-president for policy and public affairs.

Ms. Baker, welcome.

**Ms. Alana Baker (Vice-President, Policy and Public Affairs, Hotel Association of Canada):** Thank you, Mr. Chair.

[Translation]

Thank you for the invitation to appear before you today.

[English]

The people who work at Canada's hotels are just like every other Canadian: We want to get back to normal as soon as possible. However, our industry is unique.

• (1715)

We are in the business of bringing people together face to face at conventions and weddings, or just to visit family, and that's simply not possible right away. For our sector, the end of this pandemic will not happen quickly with the flip of a switch.

We continue to face a balancing act. On the positive side, a potential recovery is on the horizon, with vaccines under way that could lead to a possible domestic tourism recovery this summer for some segments, such as resorts.

In this scenario, if we get most Canadians vaccinated by June, the government will need to pivot quickly to allow for a safe re-opening and invest in stimulating our recovery to maximize the summer tourism season, but the reality is that right now we find ourselves in a third wave. People are encouraged to stay home, domestic and international borders remain closed and bans on mass gatherings are still in place. Unfortunately, this means we will very likely lose the most important season for our industry again in 2021. In this scenario in which restrictions are still necessary for the summer, the government will need to provide financial support for the tourism and hospitality sectors to survive until a recovery is possible.

While most other sectors can bounce back quickly once restrictions are lifted, we cannot. Business travel will take time to pick up. International visitors come mostly in the summer, not the fall or the winter. The conferences and events that drive our business in the off season take months of planning and lead time. Most festival and event organizers have been forced to cancel any planned activities for this summer and fall.

The challenges we expect to encounter until the end of 2021 are not the result of individual business decisions. They are the result of the final stages of this pandemic. We have every confidence that once COVID is completely behind us, Canadian tourism will rebound and conventions and major events will resume, but that recovery will be further down the road for us and certainly won't be happening in a meaningful way this summer.

Until a recovery is possible for seasonal and events-based businesses, the wage and rent subsidy programs will remain a lifeline for hotels. As other sectors bounce back quickly after June, it is both prudent and practical for the government to tailor these support programs to sustain those industries most affected by the pandemic.

Our member survey from March showed that 70% of Canadian hotels will go out of business without an extension of the Canada emergency rent subsidy and the Canada emergency wage subsidy to the end of the year. Simply put, if the government does not extend these programs past June, we will lose major segments of the hotel industry.

The government deserves credit for rolling out these programs quickly and for providing tailored debt solutions to the hardest hit. These programs are the reason we still have an industry today, but our members are reeling from the worst year in their history, and they are facing the second-worst year in 2021 with very little hope that we will have a summer season. Now is not the time to pull away from the sectors that will lag behind through no fault of their own.

We heard a strong commitment to support the hardest-hit businesses in the Speech from the Throne and the fall economic statement. In the upcoming federal budget, we need to hear a clear com-

mitment that the government will support our sector through to the end of the pandemic and the end of 2021.

Specifically, we need to see an extension and enhancement of CEWS at 75%, targeting hard-hit industries until the end of 2021, and an extension and enhancement of the CERS program for hard-hit businesses, including deeper support for medium-sized businesses. That commitment in the budget would give our businesses the confidence and predictability they need to get to the other side.

Canadians want to and will travel again. When the time comes, Canada's hotels will be ready. We have invested in an industry-wide enhanced standard of health and safety protocols and remain committed to the health and safety of our guests and employees. We are ready to continue supporting essential travel, hosting events like hockey tournaments and weddings, and we are ready to welcome back guests when restrictions are lifted; but without continued government support and tailored relief measures, many hard-hit businesses like ours will fail. That means long-term unemployment and a lost capacity for the anchor businesses, like the hotels that enable tourism here in Canada, the most beautiful country in the world.

Thank you.

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

We will go back to Mr. Létourneau, president, CSN.

The floor is yours, Jacques.

[Translation]

**Mr. Jacques Létourneau:** Thank you, Mr. Chair.

I'm pleased to appear before you today to address issues related to the pandemic and the various measures that the Canadian government has taken to support workers.

We'd like to begin by commending the Canadian government for its efforts so far to support people hard hit by the health and economic crisis.

At the Confédération des syndicats nationaux, or CSN, we represent people from the cultural and hospitality sectors. Ms. Baker talked about the importance of supporting the hotel industry. It's clear to a labour organization like the CSN that the Canadian government must continue to take advantage of low interest rates and borrow to support the working class. It must maintain wage subsidy programs so that the cultural, tourism and hospitality industries can weather this extremely difficult crisis for everyone.



The CSN, like the Government of Quebec and the other provinces and territories recently did, is asking the federal government to increase the Canada health transfer from 22% to 35% of provincial and territorial health expenditures. We believe that the current crisis, particularly in the health and social services network, requires major new investments, especially since we are going to see an aging population in the coming years, in Quebec and elsewhere in Canada.

We believe that the provinces must be given the financial means to create more housing, whether in the form of residential and long-term care centres, or in the form of housing co-operatives. We could even innovate. In Quebec, new ideas have been proposed to address the issue of housing for seniors.

So, at the CSN, we stand behind the Canadian provinces in calling for a substantial increase in the Canada health transfer.

Also, as I mentioned, assistance programs for workers must continue. I think the federal government needs to take this opportunity to reform the employment insurance program in Canada. The crisis has shown that all workers, whether self-employed, non-standard workers or seasonal workers, are not currently covered by the EI program. The crisis must be used to modernize it and improve coverage for non-standard workers. We think that the federal government should reform employment insurance.

As far as economic recovery is concerned, as a central labour body, we are choosing a recovery that will also be green, in other words a recovery that will take into account the importance of sustainable development. We have labour-sponsored funds in Quebec. At the CSN, we have Fondaction, which invests in companies that are going green. We must take advantage of the current crisis to reorient the national economy and make a transition to much greener production methods that will allow us to reduce our greenhouse gas footprint.

On the manufacturing and industrial side, in a more targeted way in Quebec, we represent the Davie shipyard workers. For several years now, the federal government has been telling us that the National Shipbuilding Strategy must take the Davie shipyard into consideration. There's also the whole issue of the contract for *Diefenbaker*, the famous polar icebreaker, which was to be awarded to the Davie shipyard. For the greater Quebec City region, and even for Quebec in general, a shipyard integrated with the National Shipbuilding Strategy represents thousands of direct and indirect jobs.

Those are essentially the comments I wanted to make in the five minutes allotted to us. Again, we thank you for listening. We assure you that we are available to you should you wish to discuss further issues relating to public finance or social and economic development.

• (1720)

[English]

**The Chair:** Thank you very much, Jacques. I expect there will be some questions.

Before I turn to the last witness, the people in the lineup for questions will be Mr. Falk, Mr. Fragiskatos, Mr. Ste-Marie and Mr. Masse.

We turn now to our last witness, from the Organisation for Economic Co-operation and Development. Philip Hemmings is head of the Canada desk, economics department.

Welcome, Mr. Hemmings. The floor is yours.

**Mr. Philip Hemmings (Head of Canada Desk, Economics Department, Organisation for Economic Co-operation and Development):** Good afternoon. Thank you for this opportunity to appear before the Standing Committee on Finance.

This presentation draws largely on the OECD economic survey of Canada that was published on March 11. Our report is generally positive about the suite of economic policy measures that was introduced in 2020 and the subsequent evolution of those measures. The initial policy response was viewed as being appropriately rapid. The steps taken were also seen as having performed a reasonably good job in ensuring income support to those households and businesses most severely affected.

Canada was ranked as having one of the largest packages of fiscal support in an international comparison the OECD made in autumn of last year. Canada's package at that time, when we added it up, was worth around 13 percentage points of GDP. Other countries with large fiscal packages in this comparison were Italy, Germany, Australia and Japan. We'd also underscore that prudent fiscal policy in Canada over past years has helped provide scope for this sizable fiscal support.

Canada's menu of support has become more targeted, which is welcome. Notably, there has been the transition from the Canada emergency response benefit to the more focused benefits, including the Canada recovery benefit, the CRB. To be sure, there will be scope for technical improvements to some of these schemes that are still operating. For instance, our report flags that the 50% clawback rate of the CRB could perhaps be dissuasive to individuals in returning to employment.

Our report emphasizes that for the time being, a focus on keeping these supplementary channels of support open is appropriate to help economic recovery. Financial assistance for households should ensure gaps and support are covered. For businesses, continued focus is needed on nurturing their recovery.

It is worth emphasizing, I think, that, even with the retention of supplementary support, the very large deficit generated in 2020 will partially unwind. The shift back from blanket support suggests smaller outlays. Also the recovery process itself, unless reversed by another shock, will bring deficit reduction through revenue increases and diminished spending demands.

The crisis has raised a question as to whether the safety net provisions available in normal times are adequate. The recent commitment to introduce automatic tax filing for simple returns, partly so that more low-income households receive the tax credits as well, is welcome. In addition, permanent change to income support may be required to make social safety nets more reliable, timely and effective. This is challenging to implement. Our report suggests that one route would be for provinces and territories to upgrade their safety net welfare provisions, possibly with financial assistance from the federal government.

In principle, a guaranteed income scheme offers another solution; however, our report concludes that such a scheme is likely to be overly expensive and may reduce incentives to work. While support programs should remain on offer while the economy is fragile, a clear and transparent road map for preventing a spiralling public debt burden is needed. Canada's past record in federal deficit and debt suggests that, to date, broadly defined fiscal rules have worked adequately; however, a more precise rule may provide a useful anchor for reining in the debt burden. Our survey and previous ones have specifically suggested the introduction of a numerical debt-to-GDP target.

Finally, I think it's worth underscoring—and this is something emphasized in our report—that a successful post-COVID economy also requires structural reforms that do not necessarily involve direct fiscal costs. To help the business sector, our report urges faster progress in particular on the removal of non-tariff barriers between provinces. It also supports continued attention to the competitiveness and quality of telecommunication services. In addition, it identifies scope for improving business insolvency processes. For households, the report advocates the creation of more affordable housing through measures that encourage the building of more homes, for instance, through lighter planning regulation.

This brings my introductory comments to an end.

Thank you.

• (1725)

**The Chair:** Thank you very much, Mr. Hemmings, and thank you all for your presentations this afternoon.

We'll start with Mr. Falk. You have a six-minute round.

**Mr. Ted Falk:** Thank you, Mr. Chair.

I'll start off by thanking all the witnesses. The presentations were very interesting. Thank you for coming to the committee today.

Mr. Hemmings, I'd like to start with you. I was quite fascinated by the information that you provided. One of the things you provided was the necessity for a plan. Can you elaborate on that a little more? How important is it for the government to come up with a plan for reopening the economy? What should be some of the fiscal anchors inside that plan?

**Mr. Philip Hemmings:** As I mentioned, the near-term priority has to remain the recovery of the economy. We underscore the importance of keeping these supplementary support programs open until the economy really is on a firm footing. However, we emphasize that there is a need to look towards a fiscal plan that ensures that you don't have a spiralling public debt further out.

**Mr. Ted Falk:** Okay.

There was a report today that house prices, year over year in Canada, have risen by over 30%. That's problematic, especially when you talk about affordable housing.

Would you have any recommendations for that?

**Mr. Philip Hemmings:** Yes. Canada is among countries—the other country I work in is Norway, and there are other examples around the world at the moment—where the house prices have continued to rise quite steeply through the pandemic.

What we're facing here is this classic situation in which, in order to help the economy, the interest rates have been reduced. This further fuels the already fairly strong increases you had in prices before the crisis. Overall, household incomes have been supported, so the demand for housing has continued.

As I mentioned, among our solutions to this, our long-term calls are often for efforts to try to increase the supply of housing. One move there could be to try to look at building and planning regulations to see if there are ways of allowing for more accommodation to be built that way.

One thing I would add is that we don't have much of this in our report because it's really not clear at the moment, but it's going to be very interesting to see what happens to the geography of housing demand in the next while. We know there's going to be some sort of permanent shift towards more teleworking. The scale of that and the nature of it will be quite interesting, and the impacts on the housing markets will be interesting.

• (1730)

**Mr. Ted Falk:** Thank you for that insight.

Ms. Baker, in your pre-budget submission to this committee you talked about the anxiety being experienced among many of your employees and also the fear that a lot of your long-term experienced staff were going to be seeking employment outside the industry.

How are things looking on that front from the Hotel Association's perspective?

**Ms. Alana Baker:** You're absolutely right. Our employees are scared and anxious about their future employment prospects. We employ some of Canada's most vulnerable populations: 60% are women, and we have millennials, immigrants and visible minorities. All of these vulnerable groups have been disproportionately impacted by this pandemic.

They're scared for the future. Many are facing limited retraining options as a result of language skill barriers and other socio-economic factors that we need to take into consideration. The future of our industry right now is, frankly, uncertain.

As I said, we find ourselves in a third wave situation. If we don't have extensions and enhancements to these critical programs, 70% of our hotels will be forced to close their doors. That leaves our employees, of course, in a very vulnerable situation. We need these extensions and enhancements so that we can hang on to our employees and get to the other side, so that they do have a future that they can look forward to.

**Mr. Ted Falk:** Thank you.

You talked about the need to be able to respond quickly when this current wave passes. You're very optimistic that your business will return, that your hotels again will see occupancy.

How important is it for the government to have a plan for accommodating that in a timely manner?

**Ms. Alana Baker:** It's very important. It's critical to reopening. Of course, the borders play a role in that, and things such as bans on mass gatherings. We do need a framework that gives some certainty about reopening safely, and as soon as possible. That is indeed critical.

Hotels are critical pieces of infrastructure in our communities. When people get the permission structure and the encouragement from government to move around safely, we are going to be ready to do that, but again, without these critical support programs in place, our hotels won't be standing.

We need to have a plan in place that gives us the predictability we need to ensure that we can keep our doors open and that we are indeed ready when Canadians are able to start travelling again. We are confident that Canadians want to travel and we know that Canadians want to travel. We've all been in this position for over a year now. People are anxious and eager to start moving around again. When restrictions are lifted, we need to make sure that our hotels are standing to be able to accommodate them.

**The Chair:** You can have a last quick question, Ted.

**Mr. Ted Falk:** Thank you.

Mr. Hemmings, you talked about the fiscal anchor of the debt-to-GDP ratio. Is that the measurement the government should be looking at?

**Mr. Philip Hemmings:** It's one way of ensuring that you bring public debt under control.

Historically, Canada seems to have, in a way, done reasonably well through a mechanism of fairly broad fiscal targets. They're not terribly precisely defined. That kind of system can work if there's sufficient political will behind those broad objectives. It can also be

useful to additionally have more precise fiscal rules. This can help governments keep things on track.

Our recommendation is that this could be thought of to help bring the public debt burden down from the levels it's reached with the crisis.

**Mr. Ted Falk:** Thanks, Mr. Chair.

**The Chair:** Thank you all on that round.

We have Mr. Fragiskatos, followed by Mr. Ste-Marie.

**Mr. Peter Fragiskatos (London North Centre, Lib.):** Thank you, Mr. Chair.

Thank you, Mr. Hemmings, for your presentation. It was very interesting. I always appreciate hearing from the OECD. Your reports are great, and the committee is better off when we have a chance to hear testimony from an organization of your stature.

When you were speaking, I was reminded of the presentation given the other day here at the this committee, virtually, by the Canadian Chamber of Commerce. The chamber made the argument—I can summarize it—that basically they expect that pent-up demand on the Canadian economy will be such that, post-pandemic, it will sustain long-term economic growth in a very real and significant way. The advice that the chamber gave was that the federal government should therefore look at investing in areas that will boost Canada's competitiveness and productivity. Their examples included research and development, broadband expansion and interprovincial trade barriers, which you've mentioned here at the committee.

I heard something along those lines in your presentation. Did I understand you correctly? If so, could you expand on that?

• (1735)

**Mr. Philip Hemmings:** I think there seems to be quite a strong consensus—not just at the OECD, but the IMF as well, and also within Canada—that if there could be faster progress on identifying where these interprovincial trade barriers can be reduced, it would be good for the Canadian economy in the long term.

Canada's not alone in needing to pay attention to ensuring access to affordable, good-quality broadband. It's a mixture of policy on competitive markets, but of course there also is a public investment dimension to it, especially when it comes to the infrastructure for remote areas and so on and so forth. It's quite a complicated policy area.

**Mr. Peter Fragiskatos:** Thank you very much. It's an interesting point.

Economically, this downturn has taken a different form. It's fair to say that it is not quite like economic downturns of the past and therefore requires some creative thinking and pointing towards anything that will boost productivity and competitiveness. We've just given some examples here. I'm sure we could list many more. Your point is well taken.

Mr. Hemmings, I remember about a year or a year and a half ago, when the emergency programs were being put in place and being refined, some of my friends in the opposition and some in the media were saying that the government was doing too much and that the government should hold back. They were more or less making an argument for austerity, in many ways, although they did not use the word.

I wonder what your thoughts would be if we just imagined for a moment that the federal government did not introduce emergency programs or if they had been much more restrained in nature. The programs that have been introduced have been generous and have held up the Canadian economy, in my view. We've heard that same view articulated here from experts who have testified in recent weeks and months.

What is your view? If the Canadian government had not put in place the various emergency programs, where would the country be right now?

**Mr. Philip Hemmings:** You'd have a lot of households struggling, compared to the way you are now.

In the situation that governments faced in March and April last year, there was a high degree of uncertainty. Many governments, including the Canadian government, were trying to think of ways of supporting households and businesses in a very rapidly evolving situation. Canada was on the right side of the equation in the sense that it moved quickly. It moved quite boldly with support programs. It's quite possible that with hindsight, you can look at the programs. This is not only true for Canada; elsewhere, some of these emergency programs didn't hit the targets as accurately as good programs would. The point was expediency at the time.

You have the fiscal room to do this. You're on the—

**Mr. Peter Fragiskatos:** I'm sorry to interrupt you, Mr. Hemmings, but I only have a minute left. You said something there that's very interesting to me—that Canada had the fiscal room to do this. Could you expand on that?

**Mr. Philip Hemmings:** Your public debt burden is relatively low compared to many other OECD countries, and borrowing costs are fairly low. In a way, this is partly why in good times, it's good to be aiming for creating that kind of fiscal space. It's to deal with situations such as this one so that you can, for instance, increase your debt-to-GDP ratio in a short space of time by, say, 15 percentage points. You can do it, and you still haven't got an astronomical debt burden.

It comes back to the point that when the economy is back on an even keel, there should be attention to bringing things back down under control so that you're ready for the next thing that we hope won't happen.

• (1740)

**The Chair:** We'll have to end it there.

We will go to Mr. Ste-Marie, followed by Mr. Masse.

[Translation]

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

Good morning to you all. I thank you for being here and for your presentations.

My first questions will be directed to Mr. Létourneau.

First of all, thank you for your statement.

You have stressed the importance of maintaining subsidies for workers in the cultural, hospitality and tourism sectors, which have been hit hard. We understand that this must be done as long as the pandemic lasts.

You also emphasized the importance of Ottawa adequately funding health. This echoes studies by the Parliamentary Budget Officer and the Conference Board of Canada, which point to the debt levels of the provinces and show that they will eventually be unable to sustain their spending levels. So Ottawa has to play a role in that.

Also, you talked about the importance of doing a thorough reform of employment insurance. This echoes, among other things, what former Bank of Canada Governor Poloz said to this committee, that the system collapsed as soon as the pandemic began. It is important to have good coverage for atypical and self-employed seasonal workers.

Of course, there's also Davie.

Finally, you spoke of the green stimulus. In the United States, there is a debate about the need for the Biden administration's \$1.9-trillion stimulus package. That program has echoes here as well. Next Monday, Ms. Freeland will present her budget to us, and she told us last fall that it would include a stimulus package of \$70 billion to \$100 billion.

Feel free to address the other topics I mentioned, but I'd like you to elaborate on your expectations for the stimulus package that is to be announced.

**Mr. Jacques Létourneau:** I think an infrastructure program is an important part of economic recovery, of course. At the same time, I think the OECD, the IMF, and even the UN mention very clearly that we need to take advantage of the crisis to move in a different direction. In my opinion, Canada must stop actively supporting the hydrocarbon sector. It is clear to us that if we want to build Canada differently and put economic development in a sustainable development perspective, we must make other choices.

I would say that we also need to focus on service sector jobs. As I mentioned with Davie Shipbuilding, we need to position the manufacturing and industrial sector, which is important, but we also need to make sure that the entire service sector is supported.

I would like to pick up on what Ms. Baker said in response to Mr. Falk's question. Tourism, culture and hospitality are important sectors. As we know, they will unfortunately not be able to be revived as we would have liked during the next summer season. These sectors rely on skilled workers. When you support businesses and workers, you ensure the sustainability of the workforce.

In Quebec, as elsewhere in Canada, there is currently a labour shortage. Workers in the tourism, culture and hospitality sectors should not be allowed to migrate to other sectors. That's why I think the social safety net is something that is extremely important.

I was hearing earlier about the staggering increase in the cost of rent. In Quebec, nearly 1 million workers earn less than \$15 an hour. Even if they are sometimes unionized, these workers live in a state of near poverty, unfortunately. Other speakers mentioned the importance of funding the construction of social housing and the creation of housing cooperatives to support the middle class and workers. These people often have very limited incomes. When real estate market costs in the Montreal area explode as they do in the Toronto or Vancouver area, it becomes untenable for middle class people.

I wanted to respond to Mr. Ste-Marie, but I also wanted to take the opportunity to address this issue. As Mr. Hemmings said in the words of the OECD, if Canada had not made the efforts it made to support the middle class, it would have been a disaster. As evidence, the working class in the U.S. has suffered from the lack of policies and a social safety net, which the Trump administration refused to put in place. In this regard, the Canadian government has not been shy about doing much of the work. As Hemmings said, Canada will pay down its debt through economic recovery. If austerity policies are reintroduced, we will once again destroy the entire social safety net, which would be a disaster in anticipation of the crises that are sure to arise in the future, unfortunately.

• (1745)

**Mr. Gabriel Ste-Marie:** Thank you.

[English]

**The Chair:** This is your last question, Gabriel.

[Translation]

**Mr. Gabriel Ste-Marie:** My last question has to do with tax fairness.

During the pandemic, since businesses were closed, people turned to Web giants like Amazon. Should the federal government expedite the requirement that these giants collect sales tax and pay the equivalent of a tax on their sales?

**Mr. Jacques Létourneau:** This was in my presentation, but unfortunately I skipped this topic. You did read the brief that we filed not too long ago. We do believe that the government needs to implement a tax on the GAFAs of this world, i.e. Google, Apple, Facebook, Amazon and others, while waiting for the OECD's proposed tax measures to be implemented.

I think the Liberal Party of Canada made a commitment to implement such a tax in the last election. What is called the temporary GAFA tax should definitely be implemented in the 2021 budget. I think it is urgent. It must be done to respect Quebec and Canadian companies, which pay taxes in Canada and Quebec.

**Mr. Gabriel Ste-Marie:** Thank you very much.

**Mr. Jacques Létourneau:** My pleasure.

[English]

**The Chair:** Thank you both for that passionate exchange.

We'll turn to Mr. Masse, who will be followed by Ms. Jansen.

**Mr. Brian Masse:** Thank you, Mr. Chair. It makes for good TV.

This question is for Ms. Baker.

I'm part of a border community. I represent Windsor, across from Detroit. Wayne and I both serve on the Canada-U.S. parliamentary association. We have had extensive ties with tourism with the United States. When Canada held the Vancouver Olympics, we moved the then Canadian Tourism Commission out to Vancouver. There was more of a concentrated attempt to get visitation from Europe and other parts of the world overseas. It kind of pushed down our American numbers a little bit. That went down over the different years.

Can you tell us about your members' experiences right now in border communities? Tourism in general across the country is down. Some things, when they had been opening up a little bit, were covered, but in border communities I think there's an extra layer of difficulty. We still cannot get at any of the customers we had before, in everything from entertainment to visitation in hotels.

**Ms. Alana Baker:** The best solution is just getting people moving and getting our customers back as quickly as possible. Obviously border reopening plays a critical role in that.

I would say that the rural and resort hotels should see a decent summer, although some of the provincial travel barriers do remain a risk. Where we do see a big risk right now is with the downtown and airport hotels. Those in the major urban centres are dependent on major events and attractions. That's what gets people moving in to those cores. It's likely that they will perform very poorly not just this summer but for the remainder of 2021.

People do want to travel. At this point, we are hopeful that we will start to see some of those restrictions lifted and we can get people moving around again. I would have to guess that we'll see domestic travel pick up first, of course, followed by international travel and visitors once we do get some of the borders open. As I said earlier, we need a framework that gives some certainty about reopening safely and as soon as possible. That is a critical part of the equation in terms of getting people moving and back into our hotels.

• (1750)

**Mr. Brian Masse:** Okay.

There's been a proposal from the Wilson Center, a think tank organization in Washington, with Canadian businesses, and there's also been the Canadian business council. I've been pushing for a border task force to be created. We used to have more of a working organization. There's the COVID task force right now, which is the cabinet and whoever they decide to consult.

We've seen in the past on border communities that some of the programs that have been instituted have become quite complicated. Some are outdated. Some need improvement. In the case of Nexus, we changed some things to make travel more accessible and get higher sign-ups and so forth. Do you think that's something an organization like yours would like to participate in? I know that others—chambers of commerce, manufacturers and so forth—are now going on board with this type of philosophy. They're looking to be part of more of an ongoing management style to help advocate and develop policies, even post-COVID, that would help the free flow of traffic, goods and services. We've even seen that for tourism.

There are just so many border complications right now. It should be more of an ongoing working process versus that of waiting month by month.

**Ms. Alana Baker:** Being part of the conversation is always welcome. Hotels are critical infrastructure as part of the overall travel and tourism economy. We all have a role to play. In fact, we play a critical role in the economy. As I said, the border conversation, as you mentioned, is a critical piece of that.

We always welcome the opportunity to continue the dialogue, have the conversation and see how we can all work together. We do share, at the end of the day, the ultimate goal of getting people moving around again.

**Mr. Brian Masse:** Okay. Great.

Mr. Létourneau, you mentioned shipbuilding. When I hear that, I always hear the voice of my former colleague Peter Stoffer, who used to yell “What about shipbuilding?” in the House of Commons at every opportunity. We have the United States with their procurement policies on buy America, the Buy American Act, the Jones policy and a series of incentives to do domestic procurement. I don't see a contradiction for Canada to do some of that, especially for the military, the Coast Guard and so forth. I think we could be more assertive and aggressive, quite frankly, on procurement policy. Some of this we have to do anyway, outside of stimulus for COVID.

What's your thought about using and leveraging those elements? If we are able to do that, perhaps we could do co-agreements with the United States, if possible. It might be a way of joining together, as opposed to being isolated right now, outside of their entire policy, because that's kind of where we stand.

[Translation]

**Mr. Jacques Létourneau:** Personally, I believe that it is possible for Canada to get along with the United States and position itself through the three existing shipyards. Davie Shipbuilding has been pushing for its share of federal shipbuilding contracts for several years, but so have Seaspan in Vancouver and Irving in Halifax. In fact, in December 2019, the government prequalified Davie Shipbuilding to be an integral part of its shipbuilding strategy. It is still in the Canadian government's plans. Now, it's a bit like in other sectors: if there are no immediate projects for Davie, it will be extremely difficult to retain the workforce.

With respect to the commitment that Mr. Trudeau made regarding the *Diefenbaker*, we were surprised to hear recently that Seaspan in Vancouver may also qualify to work on the *Diefenbaker*.

I think Canada needs to have a self-sustaining shipyard policy that is independent and complementary to what is being done on the American side. I guess it's possible to do that. Above all, we must ensure that there is cohesion within Canada. Unfortunately, we have to admit that Quebec has been left out of the picture in recent years, while the Halifax and Vancouver yards have been awarded several construction contracts. In my opinion, we can maintain a balance in the country, while ensuring that Quebec has its place.

I remind you that the Davie shipyard is the largest shipyard in Canada. It is the shipyard that succeeded in carrying out, a few years ago, an important and ambitious project, that of the *Obelix*.

In my opinion, it is possible to hold discussions with our North American neighbours, while having an effective naval strategy that is specific to our production capacity.

• (1755)

[English]

**The Chair:** Thanks to both of you.

We'll go to Ms. Jansen, who will be followed by Ms. Koutrakis. Go ahead, Tamara.

**Mrs. Tamara Jansen:** Thank you.

Mr. Hemmings, the OECD mentioned in their March 11 report that the COVID recovery process is “an opportunity” to build a more resilient economy that's “fairer and greener”.

Finance minister Chrystia Freeland used that exact same term recently, calling this pandemic a “political opportunity”. Quite frankly, Canadians find that beyond the pale. My constituents are losing their businesses, their livelihoods and their mental health. People I speak to on the phone are crying because they're losing everything, and it feels like the government plans to kick us when we're down. Does this really seem to you like an opportunity to drastically change our economy?

**Mr. Philip Hemmings:** Certainly what our report aims to emphasize is that, as I've said, the key thing right now is to keep these supplementary forms of support to households and businesses going while the economy is fragile. While there are people struggling, you need these extra support schemes, but it's true that the pandemic does also give us some opportunities.

For instance, if governments, in addition to supplementary support programs, are thinking, “Okay, let's try to reduce the amount of energy wastage with some programs to encourage people to insulate their homes better than they're insulated right now”, that's one of the directions that you can move in. That's not a direction that would necessarily put people out of work; in fact, it ought to be creating some work. The intention is particularly to—

**Mrs. Tamara Jansen:** I'm sorry. My time is short and I have two more questions.

**Mr. Philip Hemmings:** I'm sorry. All right.

**Mrs. Tamara Jansen:** I'd like to quote our beloved Canadian writer Rex Murphy, from the National Post, who recently wrote the following:

It is not right, and it is not proper, that politicians...at any time play politics under the cover of tragedy. It is also neither right nor proper to "use" a crisis to bring in policies or programs — that absent such a crisis — they would not bring in or could not bring in. It is equivalent to saying "well, we could do such and such in normal times, but now that people are distracted by anxiety, or off their centre of balance because of the hard times we are going through, if we act now — we'll get it past them.

Would you agree?

**Mr. Philip Hemmings:** I would agree with this in principle, but I can't think of a specific example of Canadian policy myself. Maybe you have some.

**Mrs. Tamara Jansen:** Okay, that's fine. I appreciate that.

Your report also mentions that shortages of affordable housing could be addressed through measures that increase supply, such as reducing rent controls and relaxing zoning and land regulations. I'd like to quote my colleague Pierre Poilievre, who said how insane it is that we live in one of the least densely populated nations on Planet Earth—there are only four Canadians for every square kilometre in this country—yet have some of the most expensive real estate. There are more places in Canada where there's no one than there are places where there is anyone, yet Vancouver is the second and Toronto is the sixth most expensive housing market in the world.

When we compare median incomes to median housing price, it's more expensive than New York, more expensive than L.A., more expensive than London, England, and even more expensive than a tiny island nation called Singapore. All of these places are vastly more populated, yet less expensive to live in.

Why? Is it because our central bankers print money to spur demand and our local governments block construction and therefore constrain supply? With demand up and supply down, the price rises.

Would you agree that government intervention at all levels and in myriad ways is the source of the housing crisis here in Canada?

**Mr. Philip Hemmings:** I wouldn't say it's the source. The difficulty from monetary policy is that they wanted to support the economy. Their main lever for doing that is their policy rate, so they lowered the policy rate. Interest rates have been low for many years, and this has fuelled housing markets throughout the world.

To counteract that, what governments have been doing, including the Canadian government, is what they call macroprudential policy, which tries to place limits on mortgage borrowing so that it doesn't drive house prices up. You can also introduce supply-side measures, as I've mentioned.

One thing to think about with countries that statistically have a very low population density.... I used to work in Australia, and in a way Australia had the same sort of housing market issues. Australia has a very urban population, and I think that's probably true of Canada, in the sense that a huge percentage of the population live in urban areas. They're rather like islands, if you like.

You're absolutely right. If you view Canada's population density, it doesn't seem to make sense, but people want to live in cities, and

that drives the price up. It might change with more teleworking. We'll see.

• (1800)

**The Chair:** Thank you both for that interesting round.

We'll turn to Ms. Koutrakis and then over to Gabriel Ste-Marie.

Go ahead, Annie.

**Ms. Annie Koutrakis (Vimy, Lib.):** Thank you, Mr. Chair.

Thank you to all our witnesses this afternoon for your very thoughtful, interesting and important presentations.

Mr. Hemmings, thank you so much for appearing before our committee. Your testimony, I'm sure, is very important to everyone on the committee and to all Canadians who are listening.

I will refer to the economic survey by the OECD that was released on March 11 of this year. It notes that the expected fiscal stimulus package, the historic fiscal stimulus package in the U.S., could boost Canadian exports and the economy as a whole.

What areas of the Canadian economy will benefit most from this stimulus? Can you share some thoughts on how Canada can fully take advantage of stimulus spending in the American economy to generate growth here at home?

**Mr. Philip Hemmings:** I don't have a very precise answer. Of course, in principle, it looks very much like the U.S. stimulus package will provide a lift to Canada's economy, principally through exports. I guess, as we've been talking a little bit about tourism, one issue there is that it depends to what extent people will be able to move around. That's one factor.

The other thing I'm aware of is that the connection between the U.S. stimulus package and the Canadian economy is probably a complicated one, because a lot of the exports from Canada to the U.S. are sort of raw materials or intermediate products. Ultimately, it depends on whether the demand and extra spending in the U.S. will go to the final products that Canadian inputs go into. Those kinds of supply chains will influence the effect on the Canadian economy. It's not an easy thing to calculate, to be honest. The effect could be reasonably substantial.

Exactly what you could do about that, I'm not 100% sure, but I suppose the more rapid vaccination is and the more people can move around and spend their money, the better it is, basically. It comes back to that point about the faster everyone gets vaccinated, the better things are.

**Ms. Annie Koutrakis:** That's a great segue into my next question, because I was going to speak to you about Canada's vaccination efforts compared to our other international partners.

Currently, Canada is third in the G7, behind only the U.S. and the U.K., and it ranks third when compared to members of the G20 based on available data. To me that seems like a reasonable effort.

Can you talk about where Canada is placed in vaccination rollout compared to OECD partners and how the efforts have been increasing?

**Mr. Philip Hemmings:** I'm not an expert on this, I will say straight off. I just look at the available data, as I suppose many people do.

It looks as though Canada had a slowish start, but now, in terms of the daily vaccination numbers, it's moving up the ranking, so to speak. Clearly it's an improved situation, but I wouldn't really want to comment a huge amount on that, as I'm not an epidemiologist.

**The Chair:** This is your last question, Annie.

**Ms. Annie Koutrakis:** How important, in your view, is the supply of affordable and high-quality child care to Canada's economic recovery?

**Mr. Philip Hemmings:** It's important. Canadian governments have been trying to improve the availability of affordable child care for many years. There has been some progress, but it does look like there's still work to do, and our report emphasizes that. It's great that the problem is recognized, and it seems quite widely, but it just needs more work.

• (1805)

**Ms. Annie Koutrakis:** I think we're lucky. In my own home province of Quebec, I think we have an excellent example of what a national child care system could look like. I know our Deputy Prime Minister and Finance Minister follows the work of our committee very carefully. I'm sure she would agree with that statement.

**The Chair:** We'll have to end it there.

We'll go to Mr. Ste-Marie, followed by Brian Masse.

**Mr. Brian Masse:** Sorry, Mr. Chair; I just want to say that I have to leave for the House.

**The Chair:** Okay.

**Mr. Brian Masse:** I just want to thank the witnesses and yourself for the courtesy today. I apologize for leaving early. I have to go to the House. My time could be given, Mr. Chair, to whomever, and thank you again.

**The Chair:** Thank you, Brian. Good luck in the House. Say the right things.

Then we'll go to Mr. Ste-Marie, followed by Mr. Kelly.

[*Translation*]

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

My question is for Mr. Hemmings, but I would also like to hear from Mr. Létourneau.

A few days ago, CBC/Radio-Canada revealed that, in the Panama Papers affair that occurred five years ago, Canada recovered 15 times less money than the United Kingdom and 12 times less than Germany, which puts it fairly low on the list. Even Revenue Quebec recovered more money than the Canada Revenue Agency.

The OECD suggests a series of actions to combat tax evasion and avoidance. Clearly, Canada is lagging behind in terms of concrete implementation of the suggested actions compared to other OECD member countries.

Mr. Hemmings and Mr. Létourneau, what do you think?

[*English*]

**Mr. Philip Hemmings:** I will say straight off that I am not a tax expert, and so I really wouldn't like to speak for my colleagues in our tax department on whether Canada is a laggard. It's a very technical area. If you want to write to me, I can put you in touch with someone and you can talk to them.

[*Translation*]

**Mr. Gabriel Ste-Marie:** Fine, thank you.

Mr. Létourneau, do you have any comments related to actions to combat the use of tax havens?

**Mr. Jacques Létourneau:** I am not a tax expert, but I know that, even today, Canada is unfortunately a real sieve for those who transfer money to tax havens to avoid paying their taxes in Canada.

We are part of the coalition that has been calling on the Canadian government and provincial governments for several years to take action on this issue, especially at a time when the Canadian government has taken steps to support the economic activity of small businesses as well as workers affected by the pandemic. How will Canada's debt eventually be paid down? It is, of course, through the taxes generated by the economic recovery. This brings me back to the question I was asked earlier about the notorious GAFAs.

We need to ensure that companies and people who get rich in Canada pay their taxes in Canada. All necessary mechanisms must be in place to prevent the movement of wealth to tax havens to avoid Canadian or provincial taxation. In fact, as long as we cannot work cooperatively within the framework of the OECD or other international organizations, hundreds of millions of dollars will escape the Canadian tax system and unfortunately will not be part of the so-called redistribution of wealth among the population.

In fact, we had appeared in committee on this two or three years ago. I don't remember the numbers, but the amount of money that was escaping the Canadian tax system and ending up in tax havens was pretty staggering.

I thank you for the question.

**Mr. Gabriel Ste-Marie:** Thank you very much.

Do I have any time left, Mr. Chair?

[*English*]

**The Chair:** No, sorry. You're a little over your time, Gabriel.

[*Translation*]

**Mr. Gabriel Ste-Marie:** Thank you.



[English]

**The Chair:** We'll now go to Mr. Kelly for five minutes, and then on to Ms. Dzerowicz.

Go ahead, Pat.

**Mr. Pat Kelly:** Thank you very much.

I don't like to use committee time to debate other members of the committee, but Mr. Fragiskatos made a number of comments in his intervention that were quite patently false and demand correction.

Members of the opposition—certainly not Conservative members of the opposition—at no point opposed the emergency aid measures during this crisis. In fact, it was quite the opposite. It was, in fact, the Conservative opposition that quite quickly understood the insufficiency of some of the support measures, including the wage subsidy as it was initially rolled out, and we spent the early months of the pandemic working constructively to solve many of the problems in delivering these aid measures. Austerity, whether stated or unstated, was therefore never part of the Conservative response to the crisis.

What the Conservative opposition opposes is further spending of, say, up to \$100 billion in further undefined stimulus, especially at a time when the savings rates of Canadians and many businesses, although not all, are extremely high. We expect that there will be economic recovery if we can ever get our people vaccinated.

That needed to be said in response to the incorrect characterization made by Mr. Fragiskatos.

I'm going to continue with—

• (1810)

**Mr. Peter Fragiskatos:** I have a point of order, Mr. Chair.

**The Chair:** I don't want to get into a debate here. There's a difference of opinion, certainly. What's your point of order?

**Mr. Peter Fragiskatos:** I promise that it's not a point of debate, Mr. Chair. I just want it on record that I disagree very respectfully with my colleague Mr. Kelly.

**The Chair:** We'll leave it at that.

Mr. Kelly, the floor is yours.

**Mr. Pat Kelly:** We've both been at the committee for a long time and long enough to know what has actually been said by each member.

I'll go to Mr. Sullivan. I would like to get him into the conversation.

Perhaps you can comment on the importance to your members of having a data-driven plan to safely and permanently reopen the economy.

**Mr. Patrick Sullivan:** If you mean by “data-driven” that we could have clarity on what the expectations are for fully reopening the economy and fully reopening the borders and what the levels of virus need to be to allow for the economy to reopen more fully, clearly our members need that kind of information, and they need it soon.

I'll refer to Ms. Baker. We represent a number of hotels down here, and they are deciding at this point whether to open and hire staff. They are unable to do that because they don't know what the plans are, even though the great majority of the Canadian population will be vaccinated by the end of June, according to the government. We look forward to those vaccinations, but it would be very, very important to have clarity on the opening of the borders—the opening of our provincial borders, obviously, by our provincial governments—and any other information that can help us plan for the summer and then ultimately for the fall.

**Mr. Pat Kelly:** Indeed, we all would like everybody to be vaccinated and get to that point, but we're quite far off from that. I think we're at 2% immunity right now, in terms of two doses per person, so as we see, we risk losing another summer season.

Could you comment on your members? We've heard testimony at this committee about the number of small businesses that the pandemic threatens to wipe out. We've heard that 60,000 small businesses are already lost—that statistic is a few weeks old now—and perhaps as many as 180,000 that are at risk.

How many of your members do you think are in a desperate fight for survival, in the hope that we can have a safe reopening amid an immune population?

**Mr. Patrick Sullivan:** Clearly, Nova Scotia and much of Atlantic Canada are in a slightly different position than other areas of the country.

That said, any businesses that rely on crowds or on travel or tourism are suffering at a significant level and expect to continue suffering well into the fall. I don't know that I want to put a number on it. I've heard it quoted in Nova Scotia that 85% of the economy is doing okay, but that the 15% that represent tourism, travel and hospitality are simply desperate.

We're seeing restaurants close weekly, even in this market where we're able to go to restaurants, and as I mentioned, we're seeing hotels question whether they should open their doors for the coming season.

• (1815)

**The Chair:** We will have to end it there. I informed Mr. Kelly earlier that he would have to take over as chair about now.

Pat, there are three rounds left. They are of five minutes each. Ms. Dzerowicz is first, Mr. Barrett is next and Ms. Damoff will wrap it up at the end.

Before I leave for another commitment that I can't break, I want to thank the witnesses for their presentations. I think it was a really interesting change.

Pat, I'll turn it over to you.

**The Vice-Chair (Mr. Pat Kelly (Calgary Rocky Ridge, CPC)):** All right.

With that, I think I've already forgotten the order here. We have Ms. Dzerowicz, Mr. Barrett and—

**The Chair:** It's Ms. Damoff.

**The Vice-Chair (Mr. Pat Kelly):** —Ms. Damoff. I think Ms. Jansen is going to speak for Mr. Barrett.

I'll let Ms. Dzerowicz take it away. You have five minutes, please.

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

I want to thank all the witnesses for their excellent presentations.

I'm going to direct my first couple of questions to Mr. Hemmings. I want to talk to you about employment and jobs.

On Friday, Stats Canada reported that employment numbers rose by 303,000 in March in Canada, and we're within 1.5% of our pre-COVID, February 2020, job levels. How well is Canada doing compared to other OECD countries with respect to job recovery?

**Mr. Philip Hemmings:** I think it's doing reasonably well, to be honest. Some OECD countries that are extremely reliant on tourism, such as Greece and so on, are really struggling, and there are some regions within Europe that are having a very, very tough time with these hard-hit sectors.

There is also a bit of uncertainty. A certain amount of the employment is being supported, for instance, through a wage subsidy scheme here in Canada, and elsewhere as well. In a way, the uncertainty is that as that support is withdrawn, what are you left with? The key thing is aiming for an appropriate speed of support so that businesses don't go under unnecessarily.

**Ms. Julie Dzerowicz:** Then would you say we're doing fairly well? I think the supports are there, and they're there because we learned from the 2008 recession that you have to support your businesses to be able to have a foundation from which to pivot.

Anyway, thank you for that.

My next question to you is about the structural changes that you talked about in terms of the EI system. You also made a comment about a guaranteed basic income model and you talked about how many people worry about it because of the cost as well as how it might discourage people from working. I always worry when people say that, because it feeds into those who are the detractors of a guaranteed basic income model. You'd probably find hundreds and hundreds of other people who would say the opposite of that as well, so I want to ask you if you think it would be fair to say that the effectiveness of some sort of a guaranteed basic income program really comes down to how the program is designed.

**Mr. Philip Hemmings:** Yes, sure.

**Ms. Julie Dzerowicz:** Okay.

**Mr. Philip Hemmings:** I think sometimes people talk about slightly different things when they talk about guaranteed income—

**Ms. Julie Dzerowicz:** Everybody has a different definition, for sure.

**Mr. Philip Hemmings:** They do, a little bit, yes. The absolutely pure idea of it is that absolutely everybody gets the same amount of money, without any withholding of it depending on income.

In practical terms, when this is talked about in Canadian policy circles, you actually talk about a system under which this income is withdrawn as you have your own earnings, and that's really a lot more like traditional social welfare, you know. It's a means-tested benefit, in a sense, and you face the same challenges, such as at what rate do you claw back the benefit? The slower you claw back

the benefit, the more expensive it is. The faster you claw it back, the cheaper it is, but you have work incentives.

• (1820)

**Ms. Julie Dzerowicz:** It looks as though it depends on how you define it as well as on how you actually design the program.

In any case, I do have to run to one more question. One of the things that Benjamin Tal over at CIBC indicated is that Canadians are sitting on up to about \$100 billion of savings. A lot of people are kind of sitting on some money. As you know, Canada has a goal of reaching net zero emissions by 2050. What are your thoughts on how we encourage spending in a more sustainable way?

**Mr. Philip Hemmings:** That's a good question. I suppose a very broad answer to that from the economist camp would be to make sure that you have a tax system that reflects the price of carbon, and if you have that, then in principle, with the prices of the goods and services, people are incentivized to turn towards greener products. That's not the only answer, but yes, it's a broad tool that does work to an extent.

**Ms. Julie Dzerowicz:** Would you say that a price on pollution, such as we have, would be one of the key ways in which we would be able to encourage more sustainable growth?

**Mr. Philip Hemmings:** It's in principle what you already have. You have a carbon price system, so in principle it's already happening.

**Ms. Julie Dzerowicz:** Okay, so it's more in principle—

**The Vice-Chair (Mr. Pat Kelly):** You're over time already. Sorry, Ms. Dzerowicz.

**Ms. Julie Dzerowicz:** Thank you so much.

**The Vice-Chair (Mr. Pat Kelly):** With that, we'll go to Ms. Jansen.

**Mrs. Tamara Jansen:** Thank you.

Mr. Hemmings, in the OECD report you underscore the need for a transparent plan to ensure that the debt burden does not spiral out of control. Currently, Canada has one of the largest debt burdens among the developed nations, according to an article in Bloomberg. As a matter of fact, we would be top of the heap if not for Japan.

Would you agree, then, that fiscal anchors should be a keystone principle for stabilizing our debt, going forward?

**Mr. Philip Hemmings:** Yes. At some point, once recovery is really solidly under way, then all of the attention should go back to prioritizing some reduction in public debt.

The extent to which active measures may be needed to bring that down will depend on the speed of recovery. If you have a sufficiently strong economic recovery and tax revenues come back rapidly, it might be that your deficits reach levels at which you're going to get reductions in the debt burden without having to make stringent cuts to public spending and so on.

This is all really going to become more transparent in the next year or so, I'd say.

**Mrs. Tamara Jansen:** The fiscal anchor was specifically what I was asking about.

**Mr. Philip Hemmings:** It's good to have a forward-looking plan that says we aim to contain public debt in this way.

For instance, we could say that we aim to bring the net debt-to-GDP ratio to  $x$  in the next 10 years.

**Mrs. Tamara Jansen:** Thank you.

I'm going to pass it on to my colleague Mr. Barrett.

**Mr. Michael Barrett (Leeds—Grenville—Thousand Islands and Rideau Lakes, CPC):** Thanks very much, Chair.

Ms. Baker, I think you referenced that 70% of your industry could fail. I'm just wondering what differentiates the 30% that would survive. Is that just good fortune? Are they part of chains? What makes them different?

**Ms. Alana Baker:** We have done some analysis and found that some hotels can be at a break-even and survive without CERS or CEWS with a revenue loss of 20% or less compared to a normal year. While we do have some data indicating a modest rise in revenue for 2021 over COVID year one, this year hotels will be on average about 45% lower in their top line than in a typical normal year, which means that to survive, most of our hotels, on average, would need CEWS and CERS to be extended to the end of 2021.

As I mentioned, some resort properties will see an increase in domestic travel. We are hopeful family leisure travel will see some sort of pickup this summer, but really it's about our downtown core hotels and our airport hotels, which are dependent on mass gatherings, events and conventions. Those are the hardest hit of the hardest hit, if you will, so we need to have those enhancements and extensions of both the CEWS and the CERS programs to ensure their survival.

• (1825)

**Mr. Michael Barrett:** Thank you very much.

Mr. Sullivan, I'm wondering if there have been discussions among your industry groups on the use of rapid testing to allow businesses to open more fully sooner, and if that's an area where you've been looking for support from government.

**Mr. Patrick Sullivan:** Yes, there has been discussion. We are in discussion with the federal government now about receiving some of those rapid tests. It is my understanding that the Province of Nova Scotia is about to add to the emergency order, though. That would require public health to approve any businesses that might want to participate in rapid testing. They would have to approve that process, but we're very interested in that idea, and I know our members are very interested in it, particularly some of the restaurants and some of the large manufacturing facilities.

**Mr. Michael Barrett:** I'm not sure how much time I have left, Chair.

**The Vice-Chair (Mr. Pat Kelly):** You have about 12 seconds, so I think if it's all right I'll move on to Ms. Damoff to take us to the end.

**Mr. Michael Barrett:** Thanks very much.

**Ms. Pam Damoff:** Thank you very much, Mr. Kelly, and you got my name correct. I've been called "Mr." Damoff by the chair, and before the meeting started, they thought I was part of the Conservative Party, so go figure.

Mr. Sullivan, I was on your website and saw that you've done a lot of work at your chamber on diversity and inclusion. One of the things we've noticed during the pandemic is that indigenous-led businesses and Black-led businesses have been hit particularly hard. I'm wondering what your thoughts are as we move out of the pandemic. How important it is that we put a focus on diversity and inclusion?

**Mr. Patrick Sullivan:** I think that to some extent that's already happening. We work closely with a local group called the Black Business Initiative. I know they're working on a Black entrepreneur fund that's recently been announced. They're working to roll that out, and we would love to partner with them to at least raise awareness more broadly among our members.

I know there have been some supports; I'm afraid I don't know if they were federal or provincial supports for—

**Ms. Pam Damoff:** That's okay. I think that more generally, I was fascinated by the efforts you were making to make sure that it was part of your culture within the chamber to look at diversity and inclusion and recognize how important it was. It wasn't so much around particular programs, but just in general terms how important that is.

**Mr. Patrick Sullivan:** It's extremely important.

**Ms. Pam Damoff:** The other thing I noticed on your website is that you've been doing a lot of work in Halifax on climate change. Again, I am very impressed with the progressive work that's happening there. Sometimes we look at the environment and the economy as being mutually exclusive. From what I see you doing there, you've recognized they go hand in hand.

Could you talk a bit about that?

**Mr. Patrick Sullivan:** I have to give a lot of credit to the municipality. The City of Halifax has developed a plan called HalifACT. It focuses on sea rise, which, as you can imagine, is or will be a significant issue for Halifax. We have, again, partnered with the city and tried to raise awareness among our members, and it's clearly something we need to focus on as a community.

**Ms. Pam Damoff:** You were asked earlier about rapid testing. I am an Ontario MP, so I can only speak for my province.

Minister Anand, the procurement minister, represents the town of Oakville, as do I, and she has procured millions of rapid tests, which are sent through the province. I would expect that for your businesses it sounds like there is a bit of a disconnect about where the rapid tests are, and actually getting them out to your businesses. Is that right?

• (1830)

**Mr. Patrick Sullivan:** Certainly Nova Scotia has been at the forefront of rapid testing.

That said, we are speaking directly about distributing rapid tests. The Chamber of Commerce is speaking directly with the federal government about distributing rapid tests. We have learned recently that we will have to work more closely with our public health department.

Ontario, I believe, has outsourced that a bit more. The province has said that if businesses want to focus on rapid testing, or rapid screening through rapid tests, they could do that on their own. In Nova Scotia, the request has been that it funnels through the public health department. We don't quite know what that means, but we're still very keen to provide rapid tests to our members and to our businesses.

**Ms. Pam Damoff:** I have to compliment you in Nova Scotia, because you've really been a model for the world, quite frankly, on dealing with the pandemic, so thank you very much.

**Mr. Patrick Sullivan:** Thank you.

**The Vice-Chair (Mr. Pat Kelly):** Thank you, Ms. Damoff, for allowing us to finish just about right on time.

I thank all of our panellists for today's meeting, and with that, the meeting is adjourned.

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