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# Standing Committee on Finance

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Chair: Mr. Peter Fonseca





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• (1640)

[English]

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

Welcome to meeting number 64 of the House of Commons Standing Committee on Finance.

Pursuant to Standing Order 83(1) and the motion adopted on Wednesday, September 28, 2022, the committee is meeting to discuss the pre-budget consultations in advance of the 2023 budget.

Today's meeting is taking place in a hybrid format, pursuant to the House order of June 23, 2022. Members are attending in person in the room and remotely using the Zoom application.

I'd like to make a few comments for the benefit of the witnesses and members.

Please wait until I recognize you by name before speaking. For those participating via video conference, click on the microphone icon to activate your mike, and please mute yourself when you are not speaking. For interpretation, for those on Zoom, you have the choice, at the bottom of your screen, of floor, English or French. For those in the room, you can use the earpiece and select the desired channel.

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

I'd now like to welcome our witnesses who are with us here today. They're coming to us in person in the room or via video conference.

From the Business Council of Canada, we have Robert Asselin, who is the senior vice-president of policy. Welcome.

From the Canadian Taxpayers Federation, we have with us Franco Terrazzano, who is the federal director.

From the Centre for Israel and Jewish Affairs, we have Shimon Koffler Fogel, who is the president and chief executive officer.

From the Green Budget Coalition, we have Theresa McCleagh, who is the executive director of the Canadian Environmental Law Association; Tom L. Green, who is a senior climate policy

adviser for the David Suzuki Foundation; and Andrew Van Iterson, who is a manager.

From Info-Electronics Systems Inc., coming to us, I believe, from the west coast, we have Harinder Ahluwalia, president.

From the Union des producteurs agricoles, we have David Tougas, who is the coordinator of business and economics, and Martin Caron, who is the general president.

We will start with opening remarks for up to five minutes for the witnesses. We'll start with the Business Council of Canada.

The floor is yours, Mr. Asselin.

[Translation]

**Mr. Robert Asselin (Senior Vice-President, Policy, Business Council of Canada):** Thank you, Mr. Chair.

My name is Robert Asselin.

[English]

I'm the senior vice-president of policy at the Business Council of Canada. We represent the heads of 175 businesses, employing over two million Canadians.

I want to convey two simple messages to you today.

The first relates to fiscal policy in perilous times. We are in the midst of the riskiest economic policy landscape we've seen in decades. Inflation remains stubbornly high, and the risks of policy mistakes are increasing. This requires a change of direction on fiscal policy. As the recent events in the United Kingdom have shown us, misalignment between the Government of Canada and the central bank could cause unease in the bond market and raise the cost of borrowing inadvertently. Put simply, the more expansionary fiscal policy continues to be, the more difficult it will be for the central bank to do its job and bring inflation back to its mandated target range.

It is generally accepted that as long as economic growth outpaces interest rate increases, the burden of servicing debt will fall over time. In the current economic environment, we can no longer assume that this will be the case. When interest rates go up faster than growth, there is simply no easy way out. Debt financing becomes much more burdensome for taxpayers. Therefore, like former Bank of Canada governor David Dodge, we are of the view that the government should adopt a new fiscal anchor based on debt servicing costs. It should commit to ensuring that its debt service costs do not exceed 10% of annual government revenues going forward.

The second message I want to convey to you is on our economic competitiveness.

[Translation]

We must manage and look to the future without complacency. For too long, we have neglected our economic competitiveness. While the government has announced some measures in the last two budgets that will certainly help our economy, we're still a long way off. The federal government still lacks a coherent long-term growth plan and a modern industrial policy that will make Canada more competitive.

• (1645)

[English]

The world's largest economy—and Canada's largest trading partner—now has a clear and bold industrial strategy for the first time since the Cold War. Because of this, Canadian policy-makers need to acknowledge the real threat that the recent adoption of the Inflation Reduction Act, which is called the IRA, and the CHIPS and Science Act in the United States pose to our economic competitiveness. We are already hearing of projects moving to the U.S. to take advantage of the IRA.

To stay competitive, Canada needs an industrial strategy of its own with several key components. Although I don't have time to go through every component in this testimony, let me briefly emphasize three essential ones.

Number one is talent. In a recent survey of our members, 80% reported having difficulty finding the skilled workers they need to grow and compete globally. As a result of these shortages, 67% have cancelled or delayed major projects. Some 30% were forced to relocate work outside of Canada.

With an aging workforce and a declining labour participation rate, Canada's future prosperity depends on change to our immigration system to significantly increase the number of economic-class applicants who are granted permanent resident status.

The second is investments. Canada must demonstrate to the world that we can successfully complete major projects and build the infrastructure that is required to access global markets. For such projects to go ahead, however, investors need regulatory predictability and a clear understanding of the rules of the road.

We noted with interest the finance minister's recent speech at the Brookings Institution, in which she committed the government to “fast-tracking...the energy and mining projects that our allies need to heat their homes and manufacture electric vehicles.” We look forward to seeing more details on this important and welcome initiative.

The third and final point is innovation. The new direction of U.S. industrial policy reflects a broader government intervention beyond R and D to support technological developments from idea to market. In Canada, our capacity to undertake industrial research at scale is almost non-existent, and our technology transfer mechanisms have not kept pace with developments in knowledge creation. We still rely too heavily on incremental innovation or safe bets. Canada must become more competitive on technological inno-

vation, and science must be translated into productivity growth and future prosperity.

[Translation]

Thank you for your attention.

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

[English]

Now we are moving to the Canadian Taxpayers Federation for five minutes of opening remarks.

Mr. Terrazzano, go ahead.

**Mr. Franco Terrazzano (Federal Director, Canadian Taxpayers Federation):** You're going to hear from hundreds of individuals and groups asking for more money.

My name is Franco Terrazzano. I'm with the Canadian Taxpayers Federation, and I'm here on behalf of 235,000 Canadian taxpayers asking you to spend less.

I'm here today to say no more spending \$8,800 on a sex toy show in Germany. No more racking up nearly six figures on fancy airplane food during a week-long trip. No more giving former governors general a \$200,000-a-year expense account for the rest of their life. No more taking pay raise after pay raise while millions of Canadians struggle through a pandemic. No more giving 300,000 bureaucrats a raise while their neighbours lose their job or business. No more giving failing Crown corporations, like the Bank of Canada, millions in bonuses. No more announcing \$295 million for the Ford Motor Company, \$420 million for Algoma Steel, \$12 million for Loblaw, \$20 million for Maple Leaf Foods, \$110 million for Toyota or \$372 million for Bombardier.

Canadians need real relief, but Canadians are paying too much tax because the government wastes too much money. It's no wonder 72% of Canadians say they pay too much tax, according to a recent Ipsos poll released last week.

Fifty-one other national governments cut taxes during the pandemic, or eased the pain of inflation. That includes more than half of G7 and G20 countries. Two-thirds of OECD countries also cut taxes during that time.

While other countries cut taxes, Ottawa sticks Canadians with higher tax bills. The government has increased gas taxes, payroll taxes and alcohol taxes. The government is getting ready to impose a second carbon tax next year through fuel regulations, but Canadians cannot afford higher taxes, and we can't afford to waste more money covering interest charges on the government's credit card.

The government isn't scheduled to balance the budget until 2041, under the current trajectory. That's according to recent PBO data. Interest charges over that period will have cost taxpayers \$800 billion by 2041. That's a cost of \$18,000 for every Canadian, and it's hundreds of billions of dollars that can't be used to improve services or lower taxes, because that money is going to the bond fund managers on Bay Street.

There is some good news. The government could balance the budget next year. The government could also reverse its tax hikes. The government can do that by bringing program spending back to the prepandemic and pre-all-time-high levels of 2018-19, adjusted upward for inflation and population growth.

In 2018-19, the government spent more money than it did during any single year during World War II, even after accounting for inflation and population differences. That means the government overspent for years, so finding savings in every area of the budget should be like finding water in the ocean.

Fortunately, we're now hearing the finance minister say that if politicians want to fund new programs and spend more money, they're going to have to find savings in other areas of the budget. Spending buckets of extra cash would only be pouring gasoline on the inflation fire.

We're sure that politicians of all parties would agree with at least some of the savings in the CTF's 80-page budget submission, and we're happy to work with you on those, because Canadians are struggling. Canadians can't afford any more taxes or tax increases. Canadians cannot afford to waste more money on interest charges.

Fortunately, the government can provide relief and balance the budget. It will take modest spending restraint.

Thank you.

• (1650)

**The Chair:** Thank you, Mr. Terrazzano. You are well under time.

Now we will move to the Centre for Israel and Jewish Affairs, with Shimon Koffler Fogel, for five minutes, please.

**Mr. Shimon Koffler Fogel (President and Chief Executive Officer, Centre for Israel and Jewish Affairs):** Thank you to the chair and to all the members of the committee for welcoming CIJA's participation in this important conversation.

The Centre for Israel and Jewish Affairs, known as CIJA, is the advocacy agent of the Jewish Federations of Canada. We're a national, non-partisan, non-profit organization representing more than 150,000 Jews across the country affiliated through their local federations from coast to coast.

In my brief remarks, I'd like to focus on three things in particular. The first area is support for non-profit social services. CIJA works closely with our partners at the Network of Jewish Human Service Agencies across the country to advocate for non-profit social services. These non-profits provide assistance to both Jewish and non-Jewish Canadians, including people with both cognitive and physical disabilities; older adults; those facing mental health, substance abuse and housing challenges; and refugees fleeing persecution.

I think we all recognize that Canada's social service providers are in crisis. The pandemic increased demand on services across the board. While many non-profits were able to access emergency federal funding in the early months of the pandemic, this funding has been exhausted. Demand for services, however, has not slowed. Canada's non-profits are struggling to hire, train and retain the staff needed to function.

Recent Stats Canada results of the Canadian survey of business conditions show that 32% of non-profit sector employers believe retaining skilled staff will be an obstacle over the next period, while 36% are concerned about recruiting skilled staff. This is exacerbated by the reality that average salaries in community non-profits are already 35% lower than the economy-wide average in Canada. Current grant options on both the federal and provincial levels are limited in scope and availability, and are usually focused on programming.

Our recommendation is that the Government of Canada establish a national non-profit strategy that will provide the multi-year support needed to stabilize the non-profit sector. We also recommend that the government reintroduce emergency funding, or, through the CST, direct support for non-profit social services to address the short-term urgent capacity needs.

The second area concerns launching a community security trust to improve the security infrastructure program, or SIP. The security infrastructure program is a key initiative that provides essential funds to institutions to enhance their security infrastructure. SIP provides funding to private and non-profit organizations at risk of hate-motivated crime to mitigate the cost of such security infrastructure improvements as alarm systems and bollards. The efficacy and importance of this program have been well established over the last number of years.

However, while the SIP provides essential infrastructure funding, it's only part of the solution. It's essential to empower, equip and train community members to be aware of, identify, and deter threats, and to have the capacity to partner effectively with law enforcement, which in most cities is stretched beyond capacity and can therefore offer limited on-site support. Moreover, at-risk communities need to feel a sense of ownership rather than feelings of victimhood and vulnerability.

Our recommendation is that the Government of Canada fund a pilot project to complement SIP, giving communities the capacity to deter threats and assume some responsibility for protection of their communal institutions and users.

The final area is with regard to government resources to implement the new anti-racism strategy. We at CIJA are deeply concerned by the situation in which funds from the Canadian Heritage anti-racism action program were directed to an organization that gave a platform to someone who publicly made statements of the vilest anti-Semitic content for years.

While we are grateful and pleased that Minister Hussen and the government have promised, and acted on, a review and renewal of Canada's anti-racism strategy, this was not an isolated incident. Our concern is that insufficient resources are being committed to actually address and educate on anti-Semitism and racism within the relevant government departments, especially for those tasked with vetting funding recipients.

Our recommendation is that the Government of Canada provide dedicated funding and work with community stakeholders to ensure that government funding never again goes to an organization that promotes anti-Semitism and racism in general. This funding should include education on anti-Semitism for government decision-makers; a genuine and measurable implementation of the IHRA definition, already adopted by the government; and continued funding for the office of Canada's special envoy on preserving Holocaust remembrance and combatting anti-Semitism.

● (1655)

Finally, Mr. Chair, although we eagerly anticipate the new legislation to deal with online hate and harms that both Heritage and Justice are working on, there is another dimension we feel is urgently needed.

We believe that a social media literacy campaign has to be undertaken. Our view is that hard-core haters represent a minority of Canadians. Those who would use social media to foment, disseminate and foster hate or use online platforms to incite violence are beyond rehabilitation. Most Canadians, however, engage in such activities or amplify such messages out of ignorance—not being sensitive to what these messages represent.

The path to sensitizing people to what hate looks like online, what forms it takes and what to do about it flows through education. We have to undertake a national social media literacy campaign to sensitize Canadians—especially the younger, more vulnerable demographic—about the appropriate use and abuse of social media.

Mindful of time, Mr. Chair, I will leave my comments there.

Thank you again for inviting us to participate. I invite any comments or questions.

**The Chair:** Thank you, Mr. Koffler Fogel.

There will be a lot of opportunity for questions from members. I'm sure they're looking forward to that.

We're going to hear from the Green Budget Coalition. We have two members via video conference and one, I believe, in person.

Go ahead for five minutes, please.

**Mr. Andrew Van Iterson (Manager, Green Budget Coalition):**

Thank you, Mr. Chairman and committee members. Thank you for inviting the Green Budget Coalition to speak to you today.

The Green Budget Coalition, active since 1999, is unique in bringing together the expertise of 21 of Canada's leading environmental organizations, collectively with over one million Canadians as members, supporters and volunteers.

The Green Budget Coalition's mission is to present an analysis of the most pressing issues regarding environmental sustainability in Canada and to make a consolidated annual set of recommendations to the federal government regarding strategic fiscal and budgetary opportunities.

As the chair mentioned, I'm pleased to be joined today by three of my expert colleagues to help answer your questions: the coalition's co-chair, Theresa McClenaghan, with the Canadian Environmental Law Association based in Toronto and Paris in southwestern Ontario; the coalition's climate lead, Tom Green, with the David Suzuki Foundation in Vancouver; and Shaughn McArthur, associate director of government relations with Nature United in Madame Chatel's riding in Quebec.

Yesterday, I emailed you each the Green Budget Coalition's submission to the committee's pre-budget consultations, as well as links to this detailed document here in English and French, which is the coalition's detailed recommendations for budget 2023 with more detail.

Overall, as the world continues to grapple with major crises, including hurricane Fiona's recent impacts on Canadians on the east coast and energy shortages in Europe, the Green Budget Coalition believes it is now critical to focus more attention on the related climate and biodiversity crises in shaping a world that is equitable, carbon-neutral and nature-positive and provides secure, affordable energy for current and future generations of Canadians and people worldwide.

The coalition welcomed the federal government's multi-billion dollar investments in budget 2022 that advanced the coalition's recommendations, particularly for energy-efficient buildings, zero-emission vehicles and nature-based climate solutions; however, as we've seen, much more is needed.

The upcoming UN meetings on climate in Egypt in a couple of weeks, and then on nature in Montreal in December, are prime opportunities for the government to announce such new investments, to demonstrate global leadership and to inspire further action by our international partners.

In this context, the Green Budget Coalition has five feature recommendations for budget 2023 that will create jobs, enhance affordability by reducing energy costs and also support indigenous leadership and well-being.

First, advancing a zero-emissions electricity grid based on renewables—essential steps towards the major transformational investments required in the generation, transmission and demand side of electricity, including remote indigenous communities—will require an investment of \$18 billion over five years.

Second is the renovation wave. Following on the model in the European Union, it is a plan for jobs and climate. We recommend upgrading the energy efficiency and comfort of Canada's residential building stock across the country, including low-income households and indigenous communities, and skills development for the retrofit economy.

Third, we recommend delivering on Canada's land and ocean protection commitments, integrating indigenous-led conservation, permanent funding for protection and stewardship, ecological connectivity and NGO collaboration.

Fourth is advancing sustainable agriculture, with recommendations to help producers and Canada be leaders in sustainable and innovative agriculture with a resilient and diversified food system.

Fifth is building capacity to ensure environmental justice for Canadians, establishing an office of environmental justice and committing an appropriate portion of benefits from climate and clean energy spending to disadvantaged communities following the U.S. Justice40 example.

Last, in our document, we also outline a number of complementary recommendations regarding climate mitigation and adaptation, nature conservation, environmental justice, environmental and human health, fresh water, reducing damaging subsidies and other important issues.

Implementing these recommendations together would lead to dramatic progress in advancing a healthier future for Canadians from coast to coast to coast.

To conclude, I would like to thank you again for inviting the Green Budget Coalition to appear here today. We look forward to your comments and questions.

Thank you.

• (1700)

**The Chair:** Thank you, Mr. Van Iterson.

I have to say, Ms. McClenaghan, that my wife and her family are from Paris, Ontario. I just wanted to let you know that. It's a small town.

**Ms. Theresa McClenaghan (Executive Director, Canadian Environmental Law Association, Green Budget Coalition):** That's amazing.

**The Chair:** We are now going to go out to the west coast via video conference.

We have, from Info-Electronics Systems Inc., Mr. Ahluwalia for five minutes, please.

**Dr. Harinder Ahluwalia (President, Info-Electronics Systems Inc.):** Actually, I'm from Montreal, not the west coast.

**The Chair:** Oh, I'm sorry. When you said during the audio test that it was raining, I just thought "west coast" right away.

**Voices:** Oh, oh!

**The Chair:** My apologies to the west coast.

**An hon. member:** I have a point of order, Mr. Chair.

No, I'm teasing.

**Voices:** Oh, oh!

**The Chair:** Mr. Ahluwalia, you're from Montreal. You have five minutes, please. Thank you.

**Dr. Harinder Ahluwalia:** I'll be speaking about two points. One is how we should invest our foreign aid, which is already budgeted—the way it should be spent. The second point is about boosting our economy by strengthening our small and medium-sized high-tech enterprises.

With regard to the first one, at the 2021 G7 Leaders' Summit, Canada announced a doubling of its international climate finance commitment to \$5.3 billion over the next five years. This was announced for improving energy systems and trying to reduce greenhouse gases. The problem is that developing countries, especially in Africa, introduce only 3% to 5% of greenhouse gases, so if we are helping them with that, it is for the future. Today's need for them is, really, safety because of all the problems that are being caused by global warming and climate change.

I believe that part of that money should go towards safety. Safety means building capacity in Africa and in other less developed countries. Safety means infrastructure. Safety means early warning systems so that they can save their lives and property. I have recommended in my written brief that this should be done in a different way. I have already met the international aid minister, Minister Sajjan, and will be meeting the environment minister, as well as the NRCan minister, about those topics.

I believe that assistance through the international community should be provided in a proper, targeted way and not like, "Well, everybody else is doing it one way; we should follow the same way." We should be the leaders in this, and to be the leaders.... There are organizations that are international meteorological societies; there is the International Forum of Meteorological Societies. These are all volunteer-based organizations worldwide that are trying to create capacity. We should be supporting such organizations.

I am the president of the International Forum of Meteorological Societies, which unites all the national meteorological societies of the world. We are trying to create capacity. I spent half my life on that, doing that without any compensation at all. Most of the people who are working there are spending their own money. Therefore, we should support them so that they are successful.

Number two is my pet peeve, which is that the way Canada is supporting its high-tech SMEs is really not the right way. There are some good things, but there should be a different direction. There should be no development within the government, and industry should be given contracts to work, especially in environmental areas where most of the industry is dependent upon the government projects. Therefore, there should be no in-house development, and all the development or most of the development should be done by industry. This way, we'll be strengthening our small and medium-sized high-tech enterprises.

I believe that, in order to do that, we need to have a conference where the government and people—which includes politicians, as well as bureaucrats and high-tech industry people—all get together and discuss what really is required to increase our economic output. A lot of people complain that we are overspending, but I am trying to suggest that there are ways to create more wealth. That is where I would like to help Canada.

• (1705)

This is a sure way of creating wealth, and the first one is a sure way of creating capacity in developing countries and the least developed countries. We do that all the time; it's just to ensure that money is spent in the right direction. I request the Government of Canada to really be the leader in this.

Thank you very much. I appreciate being able to present my opinion.

• (1710)

**The Chair:** Thank you, Mr. Ahluwalia, coming to us from beautiful Montreal.

[*Translation*]

We now welcome David Tougas and Martin Caron from the Union des producteurs agricoles. You have for five minutes.

**Mr. Martin Caron (General President, Union des producteurs agricoles):** Thank you, Mr. Chair.

My name is Martin Caron, and I'm the general president of the Union des producteurs agricoles. I'm also a dairy farmer and field crop producer.

My opening remarks will focus on four themes: resilience of the agricultural sector; agri-environment and organic production; the tax system for farm and forestry businesses; and support for the dairy sector.

First, it's important to remember that the Canadian agri-food sector employed 2.1 million people in 2021, which represents one in nine jobs in Canada, in addition to adding \$135 billion to the country's gross domestic product. In addition, Canada exported nearly \$82.2 billion in agriculture and food products, including agricultural raw materials, fish, seafood and processed foods. Canada is

the fifth-largest exporter of agri-food and seafood products in the world.

Despite the sector's strong performance, it has been plagued by inflation, especially since the fall of 2021. Farm input prices rose 25% between the first quarter of 2020 and the second quarter of 2022, according to Statistics Canada's Farm Input Price Index.

The three main production inputs, in other words, animal feed, fertilizer and fuel, have experienced much higher price growth than the consumer price index. For horticultural crops, the price of containers has also increased significantly. In addition, in eastern Canada, which relies more heavily on imported fertilizers, the punitive 35% tax on Russian fertilizers has not only increased the cost of fertilizer, but has also weakened its availability. At the same time, farm businesses have had to invest heavily in recent years in order to meet societal expectations regarding the environment and animal welfare.

As a result, the debt load of the sector doubled during this period. Each 1% increase in interest rates results in about \$1.2 billion in additional interest expenses for farm businesses over time, representing about 25% of the sector's total net income in 2021. With the Bank of Canada's policy rate rising by 3% since the beginning of the year, you can imagine the enormous pressure producers are under.

In this context, and given the critical importance of agriculture to food security, especially in the current global context, the government must act quickly to support the agricultural sector and limit this exceptional inflationary environment.

As a result, the UPA is calling for a special assistance program for the agricultural sector in order to limit the impact of inflation on the financial health of farm businesses. It's also calling for the AgriStability program to be improved to increase the coverage rate to 85% of the reference margin, while maintaining the compensation rate at 80%, as recently announced by Agriculture and Agri-Food Canada.

With respect to the agri-environment, additional public investment is needed. Although used sparingly in Canada, payment to agricultural producers for the environmental goods and services they produce encourages the adoption of beneficial practices and recognition of their positive contribution. In the United States, direct support for agri-environmental initiatives represents 1% of farm receipts and 25% of the support paid to farmers. To achieve equivalent agri-environmental support, an annual amount of \$650 million should be allocated to Canadian farm businesses.



In this context, the UPA is calling for a continuum of support and accompaniment over a 10-year horizon in terms of compensation for agri-environmental goods and services, as well as the fight against climate change, both in terms of adaptation to climate change and reduction of greenhouse gases. The UPA is also asking that agricultural producers be given a stable and predictable budget for agronomic and agri-environmental research and innovation adapted to their needs.

With respect to organic production, national organic standards must be reviewed every five years, but Canada doesn't have a program to support the review work, unlike the U.S. and the European Union. Canada could also increase the number of certified companies if it established a cost-sharing program for organic certification, as the Americans have done. That's why the UPA is calling for permanent funding to review and maintain Canada's organic standards and to offer a cost-sharing program for organic certification.

In terms of taxation, our brief includes three requests. The first is to introduce a 30% refundable investment tax credit for the purchase of new or used equipment by farm businesses with gross annual revenues of less than \$50,000. The second is to eliminate or limit taxable capital gains on the gifting or sale of certain assets at low cost to a nephew or niece. The last is the creation of a personal silvicultural savings and investment plan for Canadian forest owners.

Finally, with respect to the dairy sector, we reiterate that it's important that the government fulfill its commitment to provide full compensation to dairy farmers to mitigate losses related to the Canada-United States-Mexico Agreement and to make no further concessions on supply-managed products in future trade negotiations.

Thank you.

• (1715)

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

[*English*]

Thank you, witnesses, for your opening remarks.

I know the members have many questions, and we're going to move to them right now.

In our first round, each party will have up to six minutes to ask questions. We are starting with the Conservatives.

MP Lawrence has the floor for six minutes.

**Mr. Philip Lawrence (Northumberland—Peterborough South, CPC):** Thank you, Mr. Chair.

Thank you to the witnesses for being here today and for their preparations for the committee.

I'll start with the Canadian Taxpayers Federation.

Of course, Canada is facing a labour shortage, so, as we always should, I think it's incumbent upon us as stewards of the economy to do the right thing and to make sure that workers are fully incentivized for the hard work that they do. Canadians, of course, work extremely hard—some very long hours—and it's my belief that the government is taking too large a portion and that doing things like

tripling the carbon tax and increasing payroll taxes will do nothing but disincentivize work.

Mr. Terrazzano, would you care to comment?

**Mr. Franco Terrazzano:** In a recent poll, 72% of Canadians said that they pay too much tax. If we want to encourage work, we need to stop punishing work. What we have seen is that, at the worst possible time, the government raised payroll taxes. If you're making \$65,000 this year, then the government is taking nearly \$4,500 directly from you through your CPP and EI tax. Then you have to add on what your employer must also pay through the CPP and EI tax.

If we want to encourage more work, we should stop increasing taxes on Canadian workers.

**Mr. Philip Lawrence:** Thank you very much. I appreciate that.

I'll go now to the Business Council of Canada. I was very much intrigued by your presentation with respect to the industrial strategy.

I wonder if you would just quickly characterize—I don't expect you to have a full answer, but just an estimate—where Canada might rank in terms of the OECD or the G7—whichever is more convenient—in terms of capital investment, innovation and productivity.

**Mr. Robert Asselin:** Thank you, Mr. Chair, for the question.

Those are the areas where we are weak. The reason we have low productivity is that we don't have enough business investments, and the reason we don't have business investments is partly that we don't have enough large firms in the economy investing.

The composition of our economy, I would argue, is too focused on the consumption of real estate, as opposed to productive sectors, advanced industries or innovative industries. The reality for modern competitiveness is that we have to compete with other countries where R and D is intensive and where competition occurs. If you look at tech and most sectors where R and D and STEM workers are present, this is where competition occurs. We have to invest, and we have to be very surgical when we think about industrial strategy.

As I mentioned in my remarks, the U.S. just made a big move with the U.S. CHIPS and Science Act and the IRA. I believe that Canada has to have a more comprehensive strategy when it comes to innovation. What we have right now is very targeted measures, with programs like the strategic innovation fund that are not sufficient, in my view, to compete at the global level.

**Mr. Philip Lawrence:** You also mentioned the regulatory environment. One of the things I'm focusing on is looking at the income tax and the tax regime.

Where would you rank Canada's income tax and tax regime? Is it inducing? Is it incentivizing? Is it helping to empower Canadian innovators, or is it a barrier?

● (1720)

**Mr. Robert Asselin:** That's another good question, Mr. Chair.

When you look at budget 2018, the then finance minister announced measures to have a level playing field with what had been announced by the Trump administration in the U.S. However, now that we've seen the IRA come forward in the U.S., I believe that on taxation and tax credits for investments, they are moving forward and they are leading us. Obviously, the U.S. is the main competitor when you think about capital.

I would characterize us as being in the middle of the pack on taxation, both on personal income tax and on corporate income tax. The finale is not who has the least tax possible; it's whether globally we have a competitive tax system that attracts investments. I would argue that we could do much better on that front.

**Mr. Philip Lawrence:** Thank you very much. I'm inclined to agree with you there.

Next I'll jump to the Centre for Israel and Jewish Affairs. I think you gave some very intelligent testimony and some very good ideas. I would like to give you a bit of an opportunity to put some context around some of those suggestions.

I think it's been fairly well reported that we've seen a rise in anti-Semitism. Could you talk about the impact on some of the people in your community? Do you agree with me that there has been a rise in anti-Semitism?

**Mr. Shimon Koffler Fogel:** Thank you for the question.

It's not a question of my subjective assessment of whether there's been a rise. The objective statistics—provided not just by national agencies, but by police forces across the country—indicate that there's been an alarming rise. I hasten to add that even though the Jewish community is the single most targeted one, the increase has been pretty much across the board. I think what that suggests is that a normalization has been occurring over the last number of years of speech and action that would have previously been considered marginal or unacceptable.

That is why, for example, we are strong advocates of the social media literacy campaign. Given the role that social media platforms play within society today, we think that an exceedingly important target is educating Canadians on what constitutes fair speech and responsible speech and use of social media platforms, versus those who abuse it in ways that serve to marginalize, threaten, bully, intimidate and exclude different segments of society.

For us, the experience that we go through as a Jewish community is not just about us. It's instructive about what other marginalized and at-risk communities feel, because what starts with the Jews never ends with the Jews. We should take the statistics to heart and move prophylactically to put into place those things that are going to provide Canadians with adequate defence.

**The Chair:** Thank you. That's the time.

I need to inform members that the bells are ringing. We would need unanimous consent to continue up to 10 minutes before the vote, and then allow 10 minutes for members to get back to the meeting.

Do we have unanimous consent?

**Some hon. members:** Agreed.

**The Chair:** We will continue. Thank you, members.

We are now moving to the Liberals.

MP Baker, you have six minutes, please.

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

Thank you to all the witnesses for being here today. I have questions for all of you, although I may not get to all of you. If I don't, I apologize in advance.

Mr. Terrazzano, I'll go to you first. How would you describe the taxpayers the Canadian Taxpayers Federation represents? Who are they?

**Mr. Franco Terrazzano:** We represent 235,000 Canadian taxpayers who support our mission to fight for lower taxes, less waste and more government accountability.

● (1725)

**Mr. Yvan Baker:** If I heard you correctly in your exchange with Mr. Lawrence—I just want to confirm this so that I understand—you are advocating that there be no increases to EI premiums or CPP premiums. Is that correct? That's a yes-or-no question.

**Mr. Franco Terrazzano:** What we think is that at the very least, it should have been a no-brainer for the government not to raise taxes in the middle of a pandemic—

**Mr. Yvan Baker:** Mr. Terrazzano—

**Mr. Franco Terrazzano:** —when so many people lost their jobs—

**Mr. Yvan Baker:** —I have very limited time.

**Mr. Franco Terrazzano:** —and many people maybe even lost their small business.

**Mr. Yvan Baker:** Mr. Chair—

**Mr. Franco Terrazzano:** For the government to raise the carbon tax—

**Mr. Yvan Baker:** —could I ask you to ask the witness to allow me to speak?

**The Chair:** Mr. Terrazzano, the member has the floor.

Go ahead.

**Mr. Yvan Baker:** Thank you.

I offered you the respect, Mr. Terrazzano, of listening to your testimony without interruption. Whether I agree or disagree, I'd ask you to offer me that same courtesy.

So I am asking you a question—

**Mr. Philip Lawrence:** I have a point of order.

**The Chair:** Yes, Mr. Lawrence.

**Mr. Philip Lawrence:** I believe the witness should be given the same amount of time as the questioner, and I don't believe that was respected, Mr. Chair. I believe that is the general—

**The Chair:** That's not a point of order.

Member Baker has the floor.

**Mr. Yvan Baker:** Actually, I did allow for exactly the same amount of time. That time passed, and that's when I interrupted. The time elapsed and the question had not been answered.

I'm going to ask that the question be answered, Mr. Terrazzano. It's just a question of fact. I heard you say to Mr. Lawrence that you do not support increases to the EI and CPP premiums. Is that correct?

**Mr. Franco Terrazzano:** The government should not have raised carbon taxes and payroll taxes. If all that drives you to drink, the government is also taking more money from you every time you go get that bottle of Pinot to enjoy with your—

**Mr. Yvan Baker:** Thank you very much. Your time is over.

These increases in EI premiums and CPP premiums are needed to ensure—

**Mr. Philip Lawrence:** I have a point of order.

**The Chair:** Yes, Mr. Lawrence.

**Mr. Philip Lawrence:** Mr. Chair, that is not an appropriate way to address.... I believe we should be cordial and respectful. These witnesses have spent their time—

**The Chair:** We should be cordial and respectful. I agree. But it is the member's prerogative and it is the member's time.

Go ahead, MP Baker.

**Mr. Yvan Baker:** Thank you very much.

I have been cordial and respectful. I've just been enforcing the time, as you were so concerned about, Mr. Lawrence.

The increases in premiums for EI and CPP are needed to make sure that when people lose their jobs, in the case of EI, or when our seniors retire, the funds are there to ensure that they can collect their pension or, in the case of EI, their EI. The effect of not increasing those premiums, with the demand for EI and CPP, would mean that when people retire or lose their jobs, they would not have the funds needed to collect EI. The funds wouldn't be there certainly to keep up with their needs but also with inflation. That would apply to CPP as well.

Are you concerned about that?

**Mr. Franco Terrazzano:** What I'm so concerned about are so many Canadians who, in the private sector, just took it on the chin for two-plus years while the people who are supposed to be their representatives gave themselves pay raise after pay raise after pay raise, and not just that; they raised the carbon tax, raised payroll taxes and raised alcohol taxes. They then played word games with Canadians, using magic math, when the government's own independent budget watchdog shows that the cost of these tax hikes,

like the carbon tax, is costing the average household hundreds of dollars this year even after the rebates.

I'm concerned with the tax hikes. I'm concerned that all of this burden is falling on those hard-working Canadians who lost their jobs during the pandemic while members of Parliament gave themselves pay raises, while 300,000 bureaucrats received pay raises, and while failing Crown corporations gave out bonuses and pay raises during the pandemic.

So I'm very concerned about the tax hikes.

**Mr. Yvan Baker:** Thank you very much. I've heard you.

So what I hear is that you're not concerned about the pensioners and the EI recipients who wouldn't receive the funds. That's what I've just heard you say. It sounds to me like the Canadian Taxpayers Federation is actually not supporting the very taxpayers who would struggle the most in an inflationary environment in the circumstance where they retire or lose their jobs. I think that's really, really disappointing.

I'd like to move on to—

**Mr. Franco Terrazzano:** I'm glad you brought up—

**Mr. Yvan Baker:** That wasn't a question.

I'd like to move on, now, to Mr. Fogel.

Mr. Fogel, you raised something I'm deeply concerned about. You actually raised a number of issues I'm very concerned about.

You talked about literacy around social media—this is what I understood from you, and please correct me; don't let me put words in your mouth—and the importance of making sure people can properly understand what they're reading and know how to interpret it and how to contribute in the most constructive and respectful way possible.

First, am I correctly characterizing what you're advocating for? Also, could you talk about how we can execute the program you're suggesting?

**Mr. Shimon Koffler Fogel:** I think you gave a fair characterization.

Allow me, Mr. Chair, to give an analogy.

Without offering any comment... When the decision was made to legalize cannabis use, it very soon became apparent to the government that there was something they had not anticipated. There was a set of concerns about safety, in terms of, for example, the use of cannabis, cannabis and alcohol mixtures, and the different action of edible cannabis products as opposed to those that are inhaled. They recognized there was a need to undertake a sustained, serious and comprehensive public education campaign to sensitize Canadians, especially a particular demographic—not coincidentally, the same one with the highest number of users of social media platforms—to the risks and proper use of cannabis products, in order to ensure their safety.

We're suggesting that the ubiquitous nature of social media today requires that we provide that same kind of sensitivity training and education, so people using social media platforms are aware of what constitutes bullying—what the code words and messages are that target individual groups and seek to marginalize them.

I think most Canadians, if they were aware of certain language, emojis or what have you triggering that kind of reaction, would self-manage to ensure they distance themselves from and not use, amplify or share those kinds of messages, because we cannot put everything in a legislative process that seeks to punish or codify social media use.

• (1730)

**Mr. Yvan Baker:** Thank you.

**The Chair:** Thank you, MP Baker. That's the time.

Now we'll move to the Bloc and MP Ste-Marie for six minutes.

Members, 5:42 is when we will break so everybody can get out to vote and then get back. Thank you.

[*Translation*]

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

I'd like to welcome all the witnesses and thank them for being here and for their very interesting testimonies. This was particularly true in the last exchange. We always learn a lot in the meetings of the Standing Committee on Finance.

Mr. Caron, thank you for your presentation. You sent the committee your recommendations and your brief on the consultations. You have briefly presented them, and I'd like to come back to them, but in reverse order.

Your final recommendation is that there be no further concessions on supply-managed products in future trade negotiations. I would remind everyone that during the negotiations leading up to the last three agreements, namely the Canada-European Union Comprehensive Economic and Trade Agreement, the Comprehensive and Progressive Agreement for Trans-Pacific Partnership and the new Canada-United States-Mexico Agreement, CUSMA, it was market share of supply-managed products that were used as bargaining chips. That's unacceptable, of course.

Another of your recommendations related to this calls on the government to honour the commitment it made in the last budget to provide full compensation to dairy producers in response to the

loopholes created by CUSMA. Could you explain why that hasn't been done yet?

**Mr. Martin Caron:** Thank you for your question.

We mentioned this compensation as a reminder that there was only a note about it, but nothing in the budget. So, we expect that in the next budget or when the budgets are reviewed there will be the amounts set aside and that we'll be able to agree on the groups that will be compensated.

Supply management or collective marketing makes it possible to have farms in every rural community in Canada. Today's food safety concerns make it all the more important to have such systems and to ensure the availability of quality products for Canadians.

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

There should be an economic update in the coming weeks. If not, a budget implementation bill is typically tabled in the fall, as well as an economic update implementation bill. So there will be a number of opportunities to consider your recommendation this fall, and we hope it will happen.

Can you now explain your other recommendation to create a personal silvicultural savings and investment plan for forest owners? Is it because the timber harvest cycle is long?

• (1735)

**Mr. Martin Caron:** The cycle is, indeed, very long.

I'll try to put it in layman's terms. If forestry producers had access to a savings and investment plan, they could put the income from their logging operations in a tax-sheltered savings account. They could then use that money to fund forest management or reforestation that they would then do. The principle is there, and it's well understood; it just needs to be applied.

In addition, if we want to contribute to the reduction of greenhouse gases, we need our forestry producers to work on forest management.

**Mr. Gabriel Ste-Marie:** What you are saying is very clear. I hope you've convinced the government to adopt this measure.

I'm now going to link your other recommendation to a bill we passed before the last general election, in the early summer of 2021, if I'm not mistaken. This bill deals with the transfer of farm businesses or farms to children and is intended to make it less disadvantageous to transfer those assets to children.

This bill has been passed, but transactions still can't be made because the government refuses to share the terms with the chartered professional accountants, who then refuse to proceed. After all these months of waiting, this bill really needs to be implemented.

You recommend eliminating or limiting the taxation of capital gains on the gifting or sale of certain farm assets at low cost to a nephew or niece. Is that done on family farms?

**Mr. Martin Caron:** Absolutely.

I think all of us around the table understand that farm business assets have grown significantly. The average farm in Canada is worth \$3 million or more. That gives you an idea of the investments and assets.

It's incomprehensible that there are no supports in place to help parents transfer their businesses and farms to the family. We are disadvantaged by this type of transfer. Yet 56% of farm transfers are between parents and their children.

There are three elements that need to be put in place, including control of equities and percentage assets. Given the value of the assets we have in our businesses, it's very important that parents remain present to financially support the business, especially in the context of inflation such as the one we are currently experiencing. It's just a matter of sustaining our businesses.

We're not asking for a lot of money. We're just asking for a change in the way things are done and for some balance.

**Mr. Gabriel Ste-Marie:** Let's hope that this is well understood. It's important that the family business model, especially in agriculture, maintains a human dimension.

Farm businesses with gross annual revenues of less than \$50,000 would need a tax incentive when purchasing equipment. I imagine that equipment prices are high. So, if I understand correctly, businesses need a boost to upgrade their equipment and increase their productivity, right?

**Mr. Martin Caron:** I would like to point out to committee members that this \$50,000 represents the gross income of 40% of farms in Canada, or about 83,000 farms. They need to be given a boost.

An investment in agriculture and agri-food is an investment in the food security of Canadians. It's important to invest in rural communities and the economy as a whole.

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

[English]

Members, before we suspend, we're going to go to the NDP for a couple of minutes. We're then going to suspend and go off to vote. We will be back, and we will continue with the NDP at that time.

I believe MP Davies is with us in the room.

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

Thank you, witnesses, for all of your testimony.

I think I'll have time for one or two questions that I'd like to address to the Green Budget Coalition.

We, in the NDP, believe that restructuring the Canadian economy to address the climate crisis is not only an imperative from a planetary point of view, but also, I think, key to positioning our economy to take advantage of the necessary transition to sustainable energy sources, which we think will position Canada well for the 21st century.

As you know, part of the confidence and supply agreement that we have entered into with the Liberal government is moving for-

ward with addressing the climate crisis, and creating good-paying jobs is an important part of that.

I'd like to focus on your first recommendation, for advancing a zero-emissions electricity grid based on renewables. I'm wondering if you can speak a bit about the dollar amount required for this, as well as how the kinds of investments you're suggesting will not only advance the goal of net zero but also lead to job creation.

● (1740)

**Mr. Andrew Van Iterson:** I'm going to turn to Tom Green, with the David Suzuki Foundation, to answer that.

**Mr. Tom L. Green (Senior Climate Policy Adviser, David Suzuki Foundation, Green Budget Coalition):** I think it's an excellent way to look at this. These are investments that help position Canada to be a zero-emissions economy of the future or to take advantage of opportunities and whatnot.

There have been various assessments of what it will cost to transition Canada's grid and to build out more renewables. They include those done by us and also by the Canadian Renewable Energy Association.

The figures we're talking about here don't complete the transition, but they put us in a very good position by helping set us up for more transmission across the country, more sharing between regions, which really helps with the deployment of renewables, and more deployment of renewables.

Also, it helps by balancing the field between the very generous tax credits now being given to the oil and gas industry for carbon capture and storage and the much less generous tax credits available for investments in renewable generation.

**The Chair:** Thank you.

Thank you, MP Davies. Your time will continue once we come back.

Members, we are going to suspend at this time to go and vote. Hopefully everybody will be back 10 minutes after the vote so that we can continue.

Thank you. We're suspended.

● (1740)

(Pause)

● (1810)

**The Chair:** I call the meeting back to order. Welcome back, everybody.

We had left off with the NDP. They were in their questions. They had four-plus minutes still left.

MP Davies, the floor is yours.

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

Mr. Green, if you could perhaps send to the committee the figure for the zero-emissions electricity grid, that would be helpful to the committee.

I will carry on with the Green Budget Coalition. In the more detailed overview, you mentioned creating a pan-Canadian grid council.

My colleague from Elmwood-Transcona, who can't be here today, has certainly been a strong advocate for an east-to-west power grid. In his consultations on that, one of the things that stand out as a gap in the discussions is that there seems to be no table to convene in order for the necessary conversations to generate co-operation.

Could you elaborate on how much you've allocated in your proposal to create this table, who you think would be at the table, and the types of projects you'd expect to see come out of such a council?

**Mr. Tom L. Green:** Yes. Thank you for the question.

We've allocated \$50 million over five years to support that. We have a second bucket of \$5 million for a consultation process among provinces, territories, municipalities, utilities, indigenous nations and interested community neighbours. Between those two investments, the idea is to try to get much more collaboration across the country and unlock some of the gains that are possible by better coordination and improving the grid from east to west—that kind of thing.

**Mr. Don Davies:** Thank you.

Continuing on that subject, the finance committee is also undertaking a study on fiscal federalism. As part of that study, they heard from Seth Klein, who wrote the book *A Good War*. In that book, Mr. Klein put forward the idea of climate transfer from the federal government to provinces that are being disproportionately affected by climate change. When I think of my province of British Columbia, we've had record heatwaves, untold damage from the forest fires, and flooding. The Coquihalla Highway, a major highway going into the Lower Mainland, collapsed, which required a substantial investment of capital from government. We've just seen a similar debacle on the east coast.

I'm wondering if you think government should consider a federal climate transfer to provinces, looking both to mitigate the impacts of the climate change we're already experiencing and to invest in projects and training for workers that would ensure a more sustainable, resilient economy tomorrow?

**Mr. Tom L. Green:** First of all, I think I'm in your riding. I'm in Vancouver. We've certainly experienced all of these costs.

We have to recognize that, as a country, climate is impacting different areas of the country differently. We've also put in some recommendations for an adaptation strategy. There's the excellent research of the Canadian Climate Institute, showing all of the damages that are going to happen with climate change if we don't mitigate emissions. I think those kinds of proposals are certainly worthy of study.

That's why our recommendations in this budget proposal, together, are intended to put Canada on a track for lower emissions, better

resilience to climate change and better impacts on nature, thereby ensuring that natural capital in nature isn't eroded but is in fact maintained, so it can secure the well-being of Canadians over time.

**Mr. Don Davies:** The second recommendation is around a renovation wave. We know that modifying and upgrading buildings and homes that we already have is going to be crucial in addressing the climate crisis. We also know that upgrades usually lead to savings, as things like new windows and new heating and cooling systems are more efficient. It also generates a lot of small business activity in a positive sense.

In the detailed overview, you've put aside some money for no-cost, deep retrofits for low-income Canadians. Can you expand on that recommendation, and also touch on the concept of equity and why it's important to make sure that solutions to the climate crisis aren't being gate-kept from those who can't afford them?

• (1815)

**Mr. Andrew Van Iterson:** Should we turn to Theresa on that one?

**Ms. Theresa McClenaghan:** In addition to the recommendation we make for \$10 billion per year for residential buildings to cover expenditures that are beyond what households would normally do for regular maintenance, we talk about \$2 billion per year for no-cost, deep retrofits for low-income households of all types of tenure, householder-owned low-income as well as tenant low-income.

The reason we talk about no-cost is that we know from previous work, such as that done by the Low-Income Energy Network here in Ontario, that those households cannot afford to put money up front to undertake these expenditures, even if they were on some type of a loan or repayment program, so it leaves them out of the program entirely, and many of these households are the most in need of this kind of assistance.

In terms of equity generally, we have seen that climate is impacting vulnerable, under-resourced communities, low-income communities, inequitably because many other households can take steps to offset some of the impacts—not all of them; it depends where people are. Often they're in locations that are more prone to flooding, for example. After flooding, if they don't have remediation, they end up with mould or with asthma resulting from mould. They don't have access to cooling, for example, and there's a big issue around heat deaths going on in Canada with some untoward impacts there.

**The Chair:** Thank you.

Thank you, MP Davies.

Members, taking into account the time we were suspended for, we will be concluding today at 7:08. That will be our two hours.

We're moving into round two, our second round of questions. We'll start with the Conservatives.

I have MP Hallan up for five minutes, please.

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

Thank you to all the witnesses for being here and contributing to this very important conversation.

I want to start off by apologizing to Mr. Terrazzano for Mr. Baker's very unprofessional behaviour today. I know that you, Mr. Terrazzano, and the CTF do great work and represent Canadians who have been hit by this cost-of-living crisis caused by a lot of what Mr. Baker and his government have been doing with out-of-control inflationary spending.

I want to give you, Mr. Terrazzano, ample time to respond to Mr. Baker without being cut off.

**Mr. Franco Terrazzano:** Thank you, Member, with respect.

I heard something about seniors, and you know who's really getting hammered by the inflation tax? It's the seniors who are living on fixed income. What we've seen is out-of-control spending for years. Before the pandemic, the feds were spending all-time highs, even after accounting for inflation and population growth. Then, during the pandemic, the Bank of Canada printed \$300 billion out of thin air. Then, the cherry on top for hard-working Canadians who are already struggling is the tax hikes. Carbon taxes are up, payroll taxes are up and alcohol taxes are up.

Just around the corner, next year, is going to be the second carbon tax coming through fuel regulations. Right in the government's own analysis of those regulations, it shows exactly who's going to be made worse off: low- and middle-class Canadians, people who are already suffering from energy poverty, single mothers and seniors living on fixed incomes. Again, that's right from the government's own analysis.

**Mr. Jasraj Singh Hallan:** Thank you, Mr. Terrazzano.

I think you've raised some really important points, that people on fixed incomes are getting hit the worst. You pointed out—and it is important to note—that the government spent \$100 billion even before COVID. During COVID, close to half a trillion dollars was spent, and almost a quarter of a trillion dollars had nothing to do with COVID at all. Like you said, the tripling of the carbon tax is coming up.

There's also the point that, over the last seven years, many good energy projects were cancelled by the Liberal government, and now we see a 50% to 100% increase in home heating costs because of that. Do you think it's the right time to be increasing the carbon tax or even having a carbon tax when we see emissions going up?

**Mr. Franco Terrazzano:** I think it's the worst possible time. I think it should have been a no-brainer, at the very least, for the government not to raise taxes when so many people lost their jobs and when so many small businesses were worried that their savings wouldn't keep the lights on.

Now we have people who are trying to drive from Port Hope to Richmond Hill for work and can't afford to fuel up their cars. Right around the corner is going to be wintertime and, of course, the carbon tax drives up the cost to heat our homes during those cold winter months.

Look, I don't think we should kid ourselves. The government knows that these tax increases are inflationary. That's the whole goal of the carbon tax. Sometimes I think that the government pats itself on the back every time it sees big prices at the pumps. It's the same with the second carbon tax. The government's analysis is very clear: The second carbon tax could add up to an extra 13¢ per litre to the price of gasoline by 2030, and of course there are no rebates with the second carbon tax.

• (1820)

**Mr. Jasraj Singh Hallan:** I agree with you. A province like mine, Alberta.... More Albertans have to pay more out of their pockets than what they get back from the rebate. Once the carbon tax triples, a Canadian family will pay up to \$2,300 out of their pocket in carbon tax. Again, we don't see emissions coming down either, and we're seeing the money coming out of Albertans' pockets.

Going to today's tax rate increase by the Bank of Canada, what do you think this is a reaction to?

**Mr. Franco Terrazzano:** It's a reaction to out-of-control spending for years. I mean, out-of-control spending drives up the cost of living, so I think that's exactly what the reaction is to.

Let me just get back to Alberta because we've heard the government, time and again, mislead Canadians by claiming that households get more money back with their rebate, but of course, the Parliamentary Budget Officer has shown that that's magic math. My family lives in Alberta, too, and there's no wonder that Albertans just voted in the equalization referendum to stop being treated like the cash cow of Confederation. This year alone, the carbon tax will cost the average household in Alberta \$671, even after the rebates, according to the Parliamentary Budget Officer.

**Mr. Jasraj Singh Hallan:** Time and time again we hear the Liberal government say that this is not our problem, that inflation is, by some act of God, a world problem. However, recently we've heard the former Bank of Canada governor—and a possible Liberal leadership candidate—Mark Carney, come out and say that this is a domestic issue. The current Bank of Canada governor has said that this is a homegrown issue.

Do you agree with that?

**Mr. Franco Terrazzano:** Oh, I certainly agree that the government created the perfect storm for inflation, which is too many dollars chasing too few goods. We've seen tax increases here in Canada while other countries are reducing taxes. Fifty-one other national governments have cut taxes to ease the burden of inflation or during the pandemic, including many of our peers. More than half of G7 and G20 countries cut taxes; two-thirds of OECD member countries cut taxes.

While our government has been increasing gas taxes, Australia cut its gas tax in half. The Netherlands provided significant gas tax relief. South Korea cut its gas tax by 30%. India cut gas taxes to “keep inflation low, thus helping the poor and middle classes.”

**Mr. Jasraj Singh Hallan:** That's a very important point.

**The Chair:** Thank you, MP Hallan. That's the time.

Now we'll move to the Liberals.

MP Chatel, you have five minutes, please.

[*Translation*]

**Mrs. Sophie Chatel (Pontiac, Lib.):** Thank you very much, Mr. Chair.

First of all, I should mention that I've been to countries with very low or no taxes. Honestly, I don't think anyone here wants to live in a country where there's no support for education, hospitals, road maintenance, safety, or whatever. In Canada, we're proud of our employment insurance system and old age security. That's important. We're not going to cut that when times are tough, and that help is needed.

As far as tax cuts are concerned, the United Kingdom recently did this experiment, and it's now clear that it's not even economically viable. So what the previous speakers proposed has been tried, but unlike the U.K., we don't want to plunge our country into an even worse inflationary crisis, nor into a monetary or political crisis.

So instead, I'm going to talk to witnesses who are providing real solutions, such as the representatives of the Union des producteurs agricoles and the Green Budget Coalition.

Mr. Tougas, your colleague Mr. Caron told us before he left that an investment in agriculture and agri-food is an investment in the food security of Canadians. Could you tell us more about exactly what the Union des producteurs agricoles is proposing?

So one of your recommendations is to provide more direct support to farmers who provide ecological goods. Under the Sustainable Canadian Agricultural Partnership, we created the resilient agricultural landscapes program. Are we on the right track? Are you proposing to go even further in that direction?

• (1825)

**Mr. David Tougas (Coordinator, Business Economics, Union des producteurs agricoles):** Thank you for your question.

We do recognize that there has been a significant amount of money invested over the past two years or so to support agri-environmental business support.

We hope there will be more to go even further, and that these funds will be permanent. When farm businesses implement agri-environmental practices, it isn't in the short term. We're aiming for medium- and long-term implementation so that the beneficial effects on the environment will last. So we want to make sure that those funds are sustained over time.

We gave the example of the United States, which still has much more investment in this area than Canada. So you're right: it's a step

in the right direction, but we have to take the next step if we really want to have a lasting effect.

**Mrs. Sophie Chatel:** Thank you very much, Mr. Tougas.

Now I'd like to turn to the representatives of the Green Budget Coalition. People are talking a lot about water scarcity, which extends well beyond Canada's borders. Water scarcity is causing drought, disease and many problems for farmers on a global scale.

Should we be doing more for farmers who provide ecological services? How can we support them to ensure agricultural resilience?

**Mr. Shaughn McArthur (Associate Director, Nature United, Government Relations, Green Budget Coalition):** Thank you for your question, Mrs. Chatel. It's been a long time since I've had the opportunity to have a discussion with you in French, but I'm still going to answer your question in English.

[*English*]

In spring 2021, Nature United released a peer-reviewed study on 24 natural climate solutions that can bring down Canada's greenhouse gas emissions by the equivalent of 11% of our overall emissions by 2030. Lo and behold, we found that 11 agricultural pathways were among the most effective and can bring down approximately 50% of the total emissions reductions through natural pathways that we calculated. What's really interesting about these pathways is that they're available now. Farmers across Canada are starting to use them, but the uptake is nowhere near where it needs to be.

The other thing we went on to build on—and we did a study in partnership with Bain & Company—was that while farmers adopting some of these practices would see declines in yields and revenues in the first couple of years, by the time they got to the third and fourth year, after a little bit of support from the government, they were seeing up to 30% increase in their revenues. At the same time, some of these are practices like cover cropping, which reduces the amount of water that they require, and nutrient management, which reduces the cost, as many of these products, like fertilizer, are seeing inflationary pressures as well. You have a double benefit happening through these practices, where you're reducing the cost while seeing benefits to farmers' bottom lines as well as emissions reductions.

What we see that farmers really need right now is really three-fold. The first is that they need incentives to make the switch. Farmers really look to the people around them to adopt new practices, so we really need to get projects off the ground and on the ground, so to speak. The second is that they need financial support to bridge that gap, as I was describing previously, and the third is that they need information and extension services. We've seen the provinces—



[Translation]

**The Chair:** I'm sorry to interrupt you.

[English]

MP Chatel, that is the time.

Now we'll move to the Bloc.

We have MP Lemire.

[Translation]

**Mr. Sébastien Lemire (Abitibi—Témiscamingue, BQ):** Thank you, Mr. Chair.

Mr. Tougas, I find two recommendations you made related to organic farming particularly interesting. The first one is about a government cost-share program for organic certification, and the second has to do with providing ongoing funding to review and maintain organic standards in Canada.

I represent a farming region, Abitibi—Témiscamingue. In its strategic planning, Témiscamingue aims to become a leader in organic farming, and it's perhaps one of the last places in the world with massive amounts of land suitable for organic production.

How can your recommendations help us achieve our sustainable organic farming objective, particularly in a regional setting?

• (1830)

**Mr. David Tougas:** As you say, there are two things.

First, you need to support accreditation costs. This is already being done in United States and elsewhere. It helps limit conversion expenses for producers who want to make the transition to organic.

Second, you need to make sure that Quebec maintains adequate organic standards comparable to those of our competitors. That will level the playing field. It's about not letting our competitors eat us alive.

I believe that those two measures will promote an increase in the number of farms and will grow the land area devoted to organic production in Quebec and Canada.

**Mr. Sébastien Lemire:** How hungry are producers to get into organic farming? How smooth is the supply chain in particular? Are there ways to make it even smoother, especially with regard to grains?

**Mr. David Tougas:** Some producers certainly have concerns related to organic inputs. You mentioned grains for dairy and livestock production. I know there are also concerns about animal feed some years, especially in times of drought. So, all of that sits in the background.

The higher the organic production, whether it's for inputs like grains, animal feed or others, the easier it's going to be to get inputs for our livestock production.

**Mr. Sébastien Lemire:** So we expect a strong message from the government.

Thank you.

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

[English]

Now we'll hear from the NDP.

MP Davies, you have two and a half minutes.

**Mr. Don Davies:** Thank you.

Once again, the question is for the Green Budget Coalition.

Your third recommendation is delivering on Canada's land and ocean protection commitments. I live in Vancouver, which of course is very close to the ocean, so I'm acutely aware of not only the environmental impacts but the economic importance of tourism, fishing, shipping and having clean oceans and waterways.

I'm wondering if you could tell us the dollar amount you would like the government to put towards this initiative. Maybe you could give one or two examples of policy that you would like to see accompany that money.

**Mr. Shaughn McArthur:** Yes, certainly, we see a lot of economic benefits from nature protection. I can tell you a little story from the Great Bear Rainforest agreement, where we saw the Government of Canada contribute \$30 million, the province contribute a match to that, and philanthropic organizations come forward with a \$60-million match. What do we see? We see 45 new first nations-led businesses and over 1,100 permanent jobs created. It has become the most successful driver of job creation in the region.

Canada has a target of reaching 25% of conserved lands and waters by 2025. We still have a long way to go. While we do have budgetary recommendations—I can give you those numbers—what we really see is that a lot of that money is coming in the form of establishment funding, project funding to get projects off the ground. But in order to have the confidence to engage in these projects, partners really need to see the long-term funding for stewardship over time so it doesn't land flat on them.

One of our key recommendations here is \$1.4 billion per year in A-base funding, increasing to \$2.8 billion per year by 2030-31, to support that long-term management and monitoring of terrestrial and marine protected areas. We have that divided on the marine and the terrestrial front.

**Mr. Don Davies:** I don't know how much time I have left, but I will try to get a quick one in on your recommendation about advancing sustainable agriculture.

I would like to hone in on the idea of Canada being a sustainable food producer and ask you a two-pronged question. Essentially, could you outline your recommendations for how Canada can be a sustainable food supplier and how we can also be improving our risk management?

**The Chair:** Give a very concise answer, please.

**Mr. Shaughn McArthur:** One of the most powerful tools for risk management is the business risk management programs, which have actually been oriented more towards income stabilization. We have recently seen a commitment to a pilot to try to build in climate risk. We really need to build out those incentives for farmers to actually change behaviour but in a way that's additional. We recognize that the existing programming and funding are very critical for those farmers.

• (1835)

**The Chair:** Great. Thank you.

Thank you, MP Davies.

Now we go to the Conservatives.

MP Morantz, you have five minutes, please.

**Mr. Marty Morantz (Charleswood—St. James—Assiniboia—Headingley, CPC):** Thank you, Mr. Chair.

Mr. Terrazzano, my recollection is that back in 2019 a story came out that one of the Liberal MPs at the time had submitted to their campaign platform this idea of taxing home equity. It became an issue in that election. Of course, the Liberals denied that they had any intention of taxing home equity. But then we found out that CMHC had actually retained an organization called Generation Squeeze. They had paid them over \$200,000 to study this very thing.

The reason I'm asking you about it is that in your brief you make note of removing the requirement to report the sale of your home to CRA. I don't know of any other non-capital asset that a Canadian citizen might sell that they would have to report to CRA, other than their home. I'm wondering if you could comment on why you think that requirement is there.

**Mr. Franco Terrazzano:** That's a great question.

If the CRA isn't going to tax it, then why do they want to know how much you sell your home for? Are they just curious? I've never known the CRA to just be curious.

What's so frustrating is that the Liberal Party in the last election—Mr. Trudeau, during the leaders' debate—said that they wouldn't bring in a home equity tax. Then why are taxpayers paying hundreds of thousands of dollars through a Crown corporation funding research into this home equity tax? Not just that, we dug up documents that show that staff in the Prime Minister's Office met twice with the group that has been pushing the home equity tax.

Not just that, we've also seen the Crown corporation, the Canada Mortgage and Housing Corporation, whose number one objective, according to its own website, is housing affordability for all.... In 2020 and 2021, Canadians couldn't afford to buy homes. Why would that Crown corporation then turn around and hand out nearly \$60 million in pay raises and bonuses?

**Mr. Marty Morantz:** Thank you.

Tax competitiveness has been on my mind. I'm wondering if you have any information on where Canada stands. When major corporations look at where they're going to open their factories and do business, they look at countries like a product, in a way. One thing they'll look at is how expensive it is going to be for their corpora-

tion, executives and employees. How much are they going to have to pay to live in a country like Canada?

Where do we compare in the world to other countries on that front?

**Mr. Franco Terrazzano:** Unfortunately, among our peer nations, it's not good.

I have the results from the 2021 international tax competitive index in front of me. Canada ranked 20th out of 37 OECD countries on tax competitiveness, which is two spots worse than Canada's 2020 ranking. It also puts us in the bottom half of the pack among our peers.

Canada ranked 23rd on business tax competitiveness, 27th on individual tax competitiveness, and 24th on property tax competitiveness. The report notes "some strengths of the Canadian tax system", which include the fact that Canada "does not levy wealth, estate, or inheritance taxes."

**Mr. Marty Morantz:** On the issue of interest rates, one thing that I think is important for us to understand is that the government racked up more debt in the last seven years than in all of the history of our country since Confederation. They did it while essentially bragging about it, saying that it would be irresponsible not to borrow when interest rates are so low. But now the chickens are coming home to roost, aren't they? Interest rates are going up. Government is going to have to refinance each tranche of debt as it becomes due.

What impact do you think that's going to have on our debt servicing costs? Do you think it might force the government to make some drastic decisions around further tax increases in order to continue to service our debt?

**Mr. Franco Terrazzano:** Interest charges next year, according to the PBO, are going to be about \$42 billion. That's \$42 billion that can't improve health care and can't stay in Canadians' pockets through lower taxes because that money is going to the bond fund managers on Bay Street.

Look, the Bank of Canada has one job, and it failed to do its one job. If you've been to a grocery store or a gas station in the last year, you know that. Even the Bank of Canada has admitted they did not hit their inflation target. Even the Bank of Canada has admitted they should be held accountable.

Well, it's a funny way to hold your organization accountable—by turning around and handing out \$45 million in bonuses and pay raises in 2020 and 2021.

**Mr. Marty Morantz:** If I have time, Mr. Chair, for one last quick one, I want to ask about the pay-as-you-go law.

I was fascinated last week to hear the Minister of Finance all of a sudden see the light and listen to what our leader has been saying now for months, which is that Canada should bring in a pay-as-you-go law.

From your perspective at the Canadian Taxpayers Federation, how can we trust the arsonist to put out the fire when they make a promise like this?

• (1840)

**Mr. Franco Terrazzano:** It's not sustainable to spend more money on everything forever. That's not a good way to try to run the finances of a nation.

In our budget, we're showing that you could actually balance the books with modest spending restraint. Just bring program spending back to the prepandemic and all-time-high levels of 2018-19, even adjusted upward for inflation and population growth.

The government could balance the budget. It could find room to provide much-needed tax relief. Really, it only takes modest spending restraint.

**Mr. Marty Morantz:** Thank you, Mr. Chair.

Those are my questions.

**The Chair:** Thank you, MP Morantz.

Now we're going to hear from MP MacDonald for the Liberals, for five minutes, to close off this round, please.

**Mr. Heath MacDonald (Malpeque, Lib.):** Thank you, Chair.

I'm going to move out of Canada. It's not a great place to live, from the testimony and some of the accusations here today. It's very interesting.

We live in a pretty good place. I may not agree with the Canadian Taxpayers Federation, but one thing we did agree on in his preamble is that millions of Canadians were hurting for the past two years, and this government stepped up. In my home province, 33,000 people were out of work just like that—in the blink of an eye. I'm glad to hear that he has a little bit of compassion for those individuals.

The other thing is that Canada ranks 23rd out of 190 countries for ease of doing business. That's from the World Bank. We're going in a direction that may not be perfect, but we're certainly going in the right direction.

Mr. Asselin, I want to go to some of your comments there at the beginning.

The U.S. has a very aggressive climate change plan. They're looking at charging tariffs on non-committed importers to their country with not very good climate change plans. We're seeing the markets around the world starting to invest in businesses that have good, sustainable practices.

How is this going to affect...? How important is it for Canada to identify climate change as a very important entity in investments?

**Mr. Robert Asselin:** Thank you, Mr. Chair.

There's no question that the world is moving there. It's not about the what; it's about the how. On the how, what we've seen in the last few months in the U.S. is very consequential. It's a very surgical approach to attracting private investments on clean energy in key sectors of the economy.

I think everybody—certainly in the business community and our council—has been very supportive of any effort to reduce emissions. It's a very important goal that is shared, but you also have to see it through a lens of economic competitiveness. This is where I find, on the regulatory side, that project approvals, for example, and the nimbleness that is required to move those forward is where we could do better.

No country is perfect, as you said. It's not a question of accusing anyone. It's a question of having to do better as team Canada, both on the business side and on the government side.

This gesture—the strong direction that the U.S. has just taken—requires a Canadian response. It requires a very surgical one. I'm encouraged by what I'm seeing on EVs. I'm encouraged by what I'm seeing on a strategy for critical minerals, but we have to move faster than we are moving because the world is moving fast.

**Mr. Heath MacDonald:** I want to move now to the Green Budget Coalition.

Your budget submission contains a lot of really good recommendations. However, as you know with a budget, there's only so much funding that can go around. Can you give us perhaps three to five of the top priorities from your submission that you would like to see the government expedite?

**Mr. Andrew Van Iterson:** Sir, we can turn to the five things that we have highlighted on the cover of our document.

In the submission, which I realize you may have only gotten yesterday, it's around investments in zero-emissions electricity, in a renovation wave to build energy efficiency, and in land and ocean protection. We want permanent funding to protect lands and oceans across Canada.

It's also about sustainable agriculture, working with partners to make Canadian agriculture more sustainable and more environmentally beneficial.

There is also investing in an office of environmental justice to ensure that a portion of all clean energy and climate funds goes to disadvantaged communities.

• (1845)

**Mr. Heath MacDonald:** We just went through Fiona on Prince Edward Island. The farmers were hit extremely hard. I was asking the federation of agriculture the day before yesterday about.... We hear about the investments and how we should be investing now, but how do you invest in the future?

There's a second part to this. You talk about cover crops. Are the farmers being evaluated appropriately and scientifically on carbon capture for what they're doing?

**Mr. Shaughn McArthur:** Yes, thanks for the occasion.

You were talking previously about competitiveness with the U.S., where we've just seen quite a substantial investment in sustainable, climate-positive and nature-positive agricultural practices.

As I was starting to say previously, one of the biggest challenges we have in Canada is data harmonization between ECCC, Agriculture and Agri-Food Canada and StatsCan. Monitoring, reporting and verification at the farm and field level is where we need that granular data. That is the role of the central, federal government so that farmers can report that, so that the financiers can speak to the markets and so we can report competitiveness on carbon emissions. Right now, that is very difficult.

We have a number of different recommendations about how we can work through more of a multi-stakeholder lens to support farmers. We need researchers in universities working on this. We need extension services, which is the on-farm education. Previously, it was the role of the province—it still is in Quebec—but it has now shifted over to more of a corporate lens.

**Mr. Heath MacDonald:** Thanks.

**The Chair:** Thank you to members and witnesses.

I think we have an opportunity to go to a third round, but we will have to curtail it a little bit. We'll take one minute off members' question time for each of the five minutes, and the two and a half minutes will be curtailed to two minutes.

We're starting with the Conservatives for four minutes.

I have MP Chambers for four minutes, please.

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

I'd like to go back to Mr. Asselin for a moment.

Mr. Asselin, what is happening with government revenues right now?

**Mr. Robert Asselin:** They are rising fast, mostly because of inflation and because of commodity prices in global markets.

**Mr. Adam Chambers:** I know you've written about this previously, because in budget 2022 the government was also seeing some very significant unexpected revenues then. We're continuing to see incredibly significant unexpected revenues now. Over five years, we're looking at \$150-plus billion.

In your recommendation, what do you think the government should spend these unexpected revenues on?

**Mr. Robert Asselin:** I don't think they should spend it, to be honest. I think that given what we have been through in the last few years, all the unexpected revenues with these rising revenues should go towards deficit reduction.

I think what is important is not just quantity of spending, but quality of spending. On investments and on industrial strategy, there are plenty of current buckets we could reallocate more surgically and intentionally to have a good industrial strategy.

It's not just a matter of quantum, but I would agree with the premise that these unexpected revenues should not be spent.

**Mr. Adam Chambers:** Thank you.

I just have one final question. We've seen, as you mentioned, different priorities.

Let's set aside all the COVID spending for a moment. If you compared total annual spending pre-COVID versus the total annual spending now, that's a 25% increase that's projected this year versus the year before COVID.

Would you characterize that as fiscal restraint?

• (1850)

**Mr. Robert Asselin:** I would not. I would characterize it as expansionary fiscal policy. We are spending, at the federal level, about \$140 billion more than pre-pandemic levels.

Not all the spending is unwarranted. I think reasonable debate can happen on each of these measures that were not COVID-related. For example, I think there's a lot of merit to child care spending.

I would agree that, overall, there was an overstimulation in the last few budgets.

**Mr. Adam Chambers:** Thank you very much, sir.

Mr. Fogel, I just have 30 or 40 seconds left.

Do you believe there's a double standard with respect to hate against certain groups in this country and how that compares to the hate we see in anti-Semitism and how it's treated, discussed or addressed?

**Mr. Shimon Koffler Fogel:** I think different forms of hate are understood differently, so there isn't a level playing field that way. There are those that are very obvious and those that are less obvious. It is self-evident that marginalized communities within the BIPOC basket are experiencing some very real challenges and discrimination. Look at a Jew, who typically looks white, and you have a perception of Jews as being successful and being part of white privilege—if we can use “woke” terminology. For many, it doesn't satisfy the criteria of discriminated or marginalized communities.

Education is an important part.

**The Chair:** Thank you, MP Chambers.

Now we'll go to the Liberals and MP Dzerowicz for four minutes, please.

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

I want to thank all the presenters for their presentations.

I'll start off with Mr. Asselin.

You have suggested that we have a new fiscal anchor—a 10% of debt servicing. Has that ever been an anchor for Canada in the past?

**Mr. Robert Asselin:** It's a very good question. I don't believe so.

**Ms. Julie Dzerowicz:** Does any other country have that as a fiscal anchor?

**Mr. Robert Asselin:** I do not believe so.

Just to be clear for everyone, a fiscal anchor is really a guardrail for the finance minister to say no to colleagues or to caucus members. It's not an official thing that government has. When we think about fiscal anchor, it's a bit of a notional concept.

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

I think most people see it as an outside-looking thing as opposed to an inside-looking thing, but I appreciate your clarifying that.

You moved on to an industrial strategy, and you said that it would take too long for you to run through the whole thing, so you only highlighted three key areas. Could you kindly submit your full submission to us? That would be really helpful. Would that be possible?

**Mr. Robert Asselin:** With pleasure, absolutely.

**Ms. Julie Dzerowicz:** Before I ask you a few questions about the industrial policy, one of the key things we have heard very clearly from the Business Council of Canada is your support for inter-provincial trade barriers to come down and to harmonize regulations, fundamentally believing that it would be low-cost or no-cost but a huge gain for our economic growth. Do you still believe that?

**Mr. Robert Asselin:** Absolutely, we do.

**Ms. Julie Dzerowicz:** Do you think that should be a key priority for us?

**Mr. Robert Asselin:** Yes, it requires a lot of political leadership, both at the federal level and at the provincial level, I believe.

**Ms. Julie Dzerowicz:** I just want to make sure that it continues to be a priority. I call it national friend-shoring, something that we should be doing nationally here.

I think you talked a little bit about business investment and why we don't have that. What would be specific recommendations that the Business Council of Canada has for government to stimulate business investment in Canada?

**Mr. Robert Asselin:** It's a great question. I appreciate it, but if it were that simple, I think we would have solved that problem. It's an ecosystem issue. Part of it is, as I said, a lack of scale of our businesses. Our ratio of SMEs to large firms is very high compared to the U.S. In fact, the U.S. has three times as many large firms as we do. And then the composition of our economy....

I would say that the most important thing, if you ask our CEOs, would be regulatory predictability; in other words, the confidence that private actors have that the government has clear rules for investments, that they will follow through and that it will be stable and sustainable going forward. I think that's the most important thing.

• (1855)

**Ms. Julie Dzerowicz:** We're running out of time, but if you can articulate what some of those clear rules might be that you think we should look at urgently, I'd very much appreciate looking at it.

**Mr. Robert Asselin:** I'll just mention, if I may, that Minister Freeland laid it out in her Brookings Institution speech. She men-

tioned that Canada was open to fast-tracking some energy projects under certain criteria. I think it would be very welcome if the government could follow through on that and present to investors and to the public, to Canadians, what this would entail going forward.

**The Chair:** Thank you.

Thank you, MP Dzerowicz.

Now we go to the Bloc for two minutes.

MP Lemire, you have the floor.

[*Translation*]

**Mr. Sébastien Lemire:** Thank you very much, Mr. Chair.

Mr. Tougas, one thing you recommend is to provide stable and predictable funding for agronomic and agri-environmental research and innovation. This is timely, because the Station de recherche agroalimentaire de l'Abitibi-Témiscamingue in Notre-Dame-du-Nord is interested in agroforestry, among other things. The station is part of Université du Québec en Abitibi-Témiscamingue, or UQAT.

It's in the process of fundraising to create a specialized organic field crop industry. Don't you think that the federal government could play a major role as a financial partner and contribute to this funding on a permanent basis, which would help UQAT get the industry going?

Of course, you could ask that question on behalf of all other research facilities in Quebec and Canada, at both the college and university levels.

**Mr. David Tougas:** There are all sorts of ways to enhance support for producers, and that's surely one of them. At the Union des producteurs agricoles, we also have live labs to do tests and find information on these practices.

**Mr. Sébastien Lemire:** Thank you very much.

One problem for many farmers, especially those in the cider and honey businesses, was the introduction of the infamous excise tax. Now we're talking about a problem situation in the added flavour community, particularly in the cider business.

Are you concerned about this? What could be done to resolve it?

**Mr. David Tougas:** As it turns out, the exemption is fairly limited since it only covers apples and honey. We'd like to see it expanded to other local or berry products, such as maple drinks and sake. You know that in Quebec, we also produce cranberries, blueberries and maple, three businesses that could be exempted from the excise tax in addition to honey and apples.

**The Chair:** Thank you.

[*English*]

Now we'll move to the NDP and MP Davies.

**Mr. Don Davies:** Thank you.

Mr. Asselin, I think you touched on the concept of Canada needing a national industrial strategy. The New Democrats have been calling, for several decades, actually, for a national industrial strategy.

I'm wondering, in the time remaining, if you could give us your thoughts on what the key elements of a national industrial strategy should be.

**Mr. Robert Asselin:** Very briefly—and thank you for the question—talent is key. We have to ramp up economic immigration to make sure we have the talent we need, given our aging demographics in Canada.

Second, I think we have to do much better on the R and D side, translating R and D—applied R and D and industrial R and D—into the economy. We don't have institutions. We don't have the architecture that the U.S. has on defence with DARPA, with NASA on space, and ARPA-E now with energy. The NRC is a good institution, but one that has been in place since the 1950s and has not renewed its mandate. R and D commercialization is a really important aspect, and one we've been struggling with.

I would say, “Pick some lanes”, as the U.S. just did, on competitive sectors of the future. We have quantum AI. We have some strength in this country—critical minerals, EVs. Let's move forward on ag tech, biotech, clean tech, but let's pick some lanes and let's be very intentional and deliberate on what we want to accomplish.

The outcome of an industrial strategy, in my opinion, is higher productivity so that we can have better living standards for all Canadians.

• (1900)

**The Chair:** Thank you.

Thank you, MP Davies.

Now we will go to the Conservatives for four minutes.

MP Lawrence, go ahead, please.

**Mr. Philip Lawrence:** Thank you very much, Mr. Chair, and thank you to the witnesses.

This will be the last opportunity I have to chat with you. I'll start out with the Canadian Taxpayers Federation.

Of course climate change is a very real concern, but my challenge with some of these Liberal policies is that, one, they haven't once hit the emission targets. My second concern is that, as they increase the burden on taxpayers, on companies, on individuals and on corporations, it gives them less ability to innovate, to be more sustainable and to embrace the technologies that are coming out, such as carbon capture.

Could you comment on whether you would agree with that?

**Mr. Franco Terrazzano:** I think making it more expensive for people to fuel up on their way to work is a tax plan, not an environmental plan. I think many Canadians right now are struggling. They

have been struggling through two years of the pandemic, and they are struggling now with high inflation.

I think we also need to look around the world at what other countries are doing. We saw Australia cut its gas tax in half. We saw South Korea providing gas tax relief and Germany providing gas tax relief. I mentioned the United Kingdom providing gas tax relief.

Immediately the government could hold a press conference and help save drivers about \$20 every time they fuel their minivan at the pumps. They can save drivers between 18¢ and 30¢ per litre by scrapping or suspending federal gas taxes.

**Mr. Philip Lawrence:** Of course, part of your mandate would be to examine tax policy and the equity and fairness of it.

One thing that's always struck me about it is the charging of GST on the carbon tax. I never understood the rationale. In fact, when I asked the Department of Finance, they just said, “Because it's easier”, which seems like such a wrong answer. That makes no sense from a tax policy perspective, from an equity perspective, or really from any perspective other than the ministry of finance just saying that it's easier.

What are your thoughts on that?

**Mr. Franco Terrazzano:** The tax on tax is completely unfair, and as inflation increases, Canadians are paying more because of the tax on tax. When fuel goes up, the tax on tax costs Canadians more. When the carbon tax increases, the tax on tax costs Canadians more.

I've spent a lot of my time talking about the carbon tax hike, after carbon tax hike, after carbon tax hike in the middle of the pandemic, but there is also going to be a second carbon tax coming in through fuel regulations. This one has no rebate, and the government's own analysis has shown that it could cost up to another 13¢ per litre on the price of gasoline by 2030.

**Mr. Philip Lawrence:** Thank you very much.

I'm just going to go to the Business Council of Canada.

Mr. Asselin, I just want to give you a little bit of an opportunity. I was very much intrigued by many of your comments. I thought they were terrific.

Are there specific recommendations—and maybe you can just point to them—with respect to tax policy where maybe we could emulate some of the things the U.S. has done otherwise, to really spur on innovation and productivity in our country? As you and I agree, it's weak right now.

**Mr. Robert Asselin:** Thank you, Mr. Chair.

We've had the SR and ED tax credit for a long time. I think it's unfocused. I think there's a huge imbalance between large firms and small firms. It goes toward, unfortunately, rewarding more small firms that don't really do R and D at scale. I would say that reforming SR and ED would be an important aspect in terms of tax credits, because it's a big tax expenditure, at least \$3 billion per year.

I think you have to be very surgical with respect to sectors. You need to focus on EVs and on critical minerals to spur investments. Accelerated initiatives on capital are very important. I would recommend that we continue this on an ongoing basis. Anything, really, that attracts capital is important. I think the issue there is being focused, as opposed to being broad-based.

**The Chair:** Thank you.

Thank you, MP Lawrence.

To finish off our third round, we'll have the Liberals. I have MP Baker for four minutes.

Go ahead, please.

**Mr. Yvan Baker:** Thanks very much, Mr. Chair.

Mr. Koffler Fogel, I'd love to come back to you, if I could. When you and I had an exchange earlier, I asked you about some of the points you had raised around social media literacy. I'm wondering if you could take a moment or two and just expand on what you were saying. I think we had to end our conversation. Tell us a little bit more about how we would establish social media literacy in Canada.

• (1905)

**Mr. Shimon Koffler Fogel:** I think we had to cut it early because I talk too much. I'll try to be a little more succinct.

I'm not an expert in education. What I do know is that when the majority of Canadians are engaged in an activity without an appreciation for what the potential consequences are, that leads to challenges. When people better understand and appreciate the potency of the tool or instrument they're using, they express greater responsibility in using it.

The proposal for a social media literacy campaign is to assist Canadians and provide them with insight in unpacking the danger spots in the use of social media.

I don't pretend to understand. People of my generation are not as fluent with social media as are our children and those who are

young and immersed in it, but there are traps. We know there are some serious concerns about the seductive nature of social media lures by those who have really malicious intent. Similarly, those who promote hateful views and incitement to hate and violence have taken to using social media because it's much safer.

We have to equip people, especially young people, with the knowledge and understanding to be able to identify it, to step back from participating in it, and to flag it for both the social media platforms and the various public agencies so that it can be addressed in an effective way.

**Mr. Yvan Baker:** Thank you very much for that.

One of the things I'm concerned about when it comes to social media—and I'd like to hear your reaction to this—is how social media is used to incite violence, for example, or incite hatred. When I think about anti-Semitism and I think of hate, I also think the foundation for that is often in misinformation.

Do you agree with that? Please tell me if you agree with that, because if you do... Perhaps you can answer that question, and I'll come back to you with my follow-up.

**The Chair:** The answer will finish up the session, MP Baker.

**Mr. Shimon Koffler Fogel:** Generally speaking, I do share the same perspective.

I think that the ratio of 20% who have malice and 80% who simply don't know is probably true with respect to the whole range of social engagement and interaction, which means that we have a great opportunity to educate and teach people—not in a coercive way, but in a way that liberates them and allows them to be empowered to distinguish between good and bad.

**The Chair:** Thank you, MP Baker.

Thank you, Mr. Fogel.

Thank you to all of our witnesses. On behalf of the entire finance committee, I want to thank you for your testimony and for the many answers that you have provided our committee in this pre-budget consultation, which will help inform budget 2023. We appreciate it, and we wish you a terrific evening.

Thank you.

Members, we are adjourned.







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