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# Standing Committee on Finance

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Chair: Mr. Peter Fonseca





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• (1540)

[English]

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

Welcome to meeting number 110 of the House of Commons Standing Committee on Finance.

Pursuant to Standing Order 108(2) and the motion adopted by the committee on Thursday, September 21, 2023, the committee is resuming its study on policy decisions and market forces that have led to increases in the cost of buying or renting a home in Canada.

Today's meeting is taking place in a hybrid format, pursuant to the standing orders. Members are attending in person in the room and remotely by using the Zoom application.

I would 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 by video conference, click on the microphone icon to activate your mic, 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 either floor, English or French. For those in the room, you can use the earpiece and select the desired channel.

Although this room is equipped with a powerful audio system, feedback events can occur. These can be extremely harmful to interpreters and cause serious injuries. The most common cause of sound feedback is an earpiece worn too close to the microphone. We therefore ask all participants to exercise a high degree of caution when handling the earpieces, especially when your microphone or your neighbour's microphone is turned on. In order to prevent incidents and safeguard the hearing health of the interpreters, I invite participants to ensure that they speak into the microphone into which their headset is plugged and avoid manipulating the earbuds by placing them on the table away from the microphone when they are not in use.

This is a reminder 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 best we can, and we appreciate your patience and understanding in this regard.

I'd now like to welcome our witnesses.

With us today as an individual, we have an industry professor from McMaster University who is executive adviser to the Canadian Housing Evidence Collaborative. That is Mr. Steve Pomeroy.

From the Canadian Real Estate Association, we have the chief executive officer, Michael Bourque, and with him is the director and senior economist for housing data and market analysis, Shaun Cathcart.

From the City of Guelph, we have the mayor, Cam Guthrie. Welcome, Your Worship.

From the Montreal Economic Institute, we have the president and chief executive officer, Daniel Dufort.

We're going to start off the top with Mr. Steve Pomeroy as an individual, please.

You'll have five minutes to make an opening statement. Thank you.

**Mr. Steve Pomeroy (Industry Professor, McMaster University and Executive Advisor, Canadian Housing Evidence Collaborative, As an Individual):** Thank you, Chair.

Thank you for the invitation to appear here today.

I've undertaken extensive research in this area and published a number of papers, including one this summer in Housing Finance International. I've provided links in my brief.

I was invited only last Thursday, so I don't think you've received the brief yet. I think it will be forthcoming once it's been translated.

I'll hit some of the highlights in the brief quickly here.

First, on the issue of home prices, prices don't go up in a vacuum. They go up because consumers and investors drive them up, and they're enabled by facilitating financial conditions.

Over the last 20 years, we've seen a relatively steady growth in incomes and a very significant decline in mortgage interest rates, which together act to increase, for every dollar of earning, the amount people can borrow. It actually has been increasing over that period of time. It's a phenomenon I refer to as the "leverage effect".

In the brief, I have prepared some charts. When you track the amount of money people can borrow at the prevailing interest rate and the prevailing median income each year and compare that with the actual MLS composite home price, they actually track almost in line. We've actually seen home prices match the capacity of the median household to pay, although not necessarily all households. It was very significantly enhanced by the decline in interest rates.

In short, prices went up because consumers and investors had the capacity to drive them up, at least until spring 2022, when we saw the bump-up in interest rates.

Another important thing that happened during this period was significant appreciation. Appreciation begets more appreciation. Those owners who already had a home had a significant growth in their wealth. Two-thirds to three-quarters of buyers are existing owners, and they're using their existing built-up equity to bring to their next purchase, whether it's for themselves or for an investment.

Essentially, what we have are people with a significant amount of equity, or bags of money, bringing that to real estate deals and competing with first-time buyers who do not have the same level of capacity to buy. It really is creating an inequity between the two groups.

When we see this increased capacity to pay and the enhancement of equity in combination with what we saw during the COVID period of a very reduced inventory of homes for sale, the obvious result is an escalation in home prices.

First-time buyers have been increasingly challenged by these high prices. Also, they are the victims of public policy. Macroeconomic policies that have been introduced have constrained access to credit and prevented young families from getting into the housing market.

Really, policy has targeted the wrong actors in the system. Instead of constraining the inflationary behaviour of repeat buyers and investors, it punished first-time buyers. I think we need to review and refine some of the policies, including consideration of a tax on windfall gains from excessive sales proceeds to suppress that capacity to pay.

Turning quickly to renters, in the decade from 2011 to 2021, the home ownership rate in this country peaked in 2011 at 69% and went back down again to 66.5% in 2021. If the rate had stayed at 69%, 400,000 renter households would have become owners, and that would have taken significant pressure off the rental market, but because they couldn't access ownership, that pressure stayed in the rental market. It's been augmented by very significant increases in immigration, particularly from international students and temporary foreign workers, which is a relatively unmanaged part of the immigration system and distinct from new permanent residents. The combination of that million and the 400,000 is a significant amount of demand, massively reducing vacancy rates and driving up rents.

The critical policy issue in this area is not so much a federal one; it's a provincial one. It is the rent regulations, which allow vacancy decontrol in pretty well all provinces. With massive pressure and the ability to push up rents on vacancies, we're seeing these double-digit increases in rents in most of our cities.

While expanded supply is absolutely necessary to meet increasing demand from population and household growth, in the short term it's an ineffective solution to address the issue of affordability. We can't really build a house for four years, so there's not really going to be help coming in the short term.

Alongside those longer-term solutions, we need short-term, immediate policy change and initiatives. This includes managing population growth more carefully, particularly student visa levels, and rethinking rent regulation and the mechanism of vacancy decontrol. While a provincial jurisdiction, there's historical precedent for the federal government to encourage the provinces to revise their rent regulations, as they did in 1975. We had high inflation back then as well.

In the brief, I identify five specific recommendations that the committee could consider. I don't think I have time today to speak to those, but I'm quite happy to come back to them in the question period.

• (1545)

Thank you very much.

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

We have received your brief. It is being translated and will be distributed to members.

Now we'll hear from the Canadian Real Estate Association. I believe it's Michael Bourque who will be speaking on behalf of the CREA.

**Mr. Michael Bourque (Chief Executive Officer, Canadian Real Estate Association):** Thank you very much, Mr. Chairman.

Thank you for inviting us here today.

We recently met with many of you during our annual PAC days, political action committee days, and we have a brief here that I can leave with a few recommendations.

I want to speak broadly about where we are in terms of the housing crisis and some of our thoughts on how to find our way out of it.

First of all, I think it's really important that people recognize that we are in a housing crisis and that it's a housing crisis that affects every single Canadian right across the housing spectrum.

Steve was talking about home ownership. People still desire home ownership. A few years ago, we did a lot of studies of millennials that I think shattered a lot of myths. We found that millennials were not prepared to live in apartments and eat avocado toast but aspired to home ownership.

Today what we're seeing is that almost 30% of people who don't own homes believe that they will never own a home, and this is why many are so angry.

In terms of what we need to do, I think that what we need, particularly at the federal level, is leadership. We need thought leadership. We need the leadership to convene other levels of government and stakeholders. We need to do this in a really systematic way so that we can work together on the solutions that are required across levels of government to create incentives, to eliminate impediments and to work together so that we can prevent this kind of crisis from happening again. It's not going to be solved quickly or easily, and so once we do work through this—which will take many years—we should create permanent solutions so that this doesn't happen again.

One of the strong levers that the federal government has is infrastructure funding, and I'm really pleased to see that the government has combined the ministry of housing with the ministry of infrastructure. The program that exists for infrastructure is a very good start, and we'd like to see those projects accelerated along with the name of the program.

We also believe that the immigration system needs to be tweaked so that we have a better match for bringing in skills for homebuilding. Of course, we should be trying to attract the best and the brightest to this country, but we also need to be attracting the people who are going to build homes, and we should be looking at that system and making the changes that are appropriate to incentivize these skilled trades to come to Canada.

That said, we're never going to hire the 4,500 carpenters that we need every year. It's just not feasible, and we're going to have to find new, innovative ways to build homes. Again, the federal government is ideally suited to incentivize and to encourage research in this area so that more efficient ways of building homes can be done at scale.

Similarly, we need innovation in financing so that there are more rent-to-own incentives for longer-term mortgages with lower rates. There are all kinds of ways that we could be more innovative in financing.

Finally, what I would say on behalf of our realtor members is that they are on the ground—165,000 people on the ground—working with people every day as they aspire to find a roof over their heads. As much as we believe in home ownership, we believe rentals are extremely important. We're seeing in the numbers that purpose-built rentals are being built, but there's still a lot of the wrong kind of inventory being produced, and so we're very welcoming of initiatives like the removal of the GST on rentals, because we do need more rentals as part of the overall housing supply.

With that, I'll look forward to questions later.

Thank you.

● (1550)

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

Now we go to the City of Guelph and Mayor Guthrie, please.

**Mr. Cam Guthrie (Mayor, City of Guelph):** Thank you so much, Chair and committee members.

I believe wholeheartedly that the day of reckoning has come, or is just around the corner, when it comes to affordability and hous-

ing for citizens across this country. I just want to encourage everybody—and that includes me—that the time to talk about this is over; we need to act and we need to act very quickly.

Mayors have the honour of being the closest to the people that we serve. Daily, we are walking around our downtowns or we're out and about at events and we get to communicate with people across our communities.

I really need you to listen to me. In my almost 10 years as mayor, I have never, ever, seen the housing affordability struggle as acute as it is today.

Families are beyond struggling. Young people feel hopeless. Newcomers, especially refugees, who came here excited for a new life in Canada are experiencing shock and anxiety due to housing and affordability problems. Businesses are struggling to be productive or to expand, because their own employees can't find affordable housing. People's mortgages are about to double, and some people who have lived in their homes for years are now completely struggling. They're going under. They're feeling helpless, and frankly, it's because they are. This is our reality. It's not just in Guelph, but across the country.

The good news is that we've all been elected to find solutions to this problem together. Working collaboratively is really what it is going to take. I want to acknowledge my own MP, Lloyd Longfield, for helping as best he can in our city when it comes to housing.

I do want to thank the federal government as well for many of the financial levers it's put in place for municipalities for our infrastructure priorities. The Canada community-building fund, which is helping to flow through provinces to municipalities, is an example.

In the 2023 budget, you had funding to address the housing crisis. This included the housing accelerator fund. I want to thank the Prime Minister for choosing to make that announcement in my city. That announcement was actually made at a permanent supportive housing complex in Guelph called Grace Gardens. That shows a true partnership between levels of government to make things happen.

The housing accelerator fund will provide financial motivation to increase housing supply growth and create at least 100,000 net new homes across Canada. The application specific to my city is going to help encourage almost 1,000 new units with financial contributions of just over \$28 million to support housing. I was going to say “when we get it”, but I'm going to say that I know we're going to get that money.

Examples of initiatives that the City of Guelph is undertaking are cash-in-lieu for parking, stormwater, and parkland; developing evaluation frameworks to optimize city-owned land for supportive housing; and giving incentives to attract different types of housing. If Guelph is successful, we hope we will have this money through the housing accelerator fund this fall.

Also, just last Tuesday, my city unanimously passed a motion to ask staff to create four units “as of right”. I know this is a key push for Minister Fraser.

I believe—we all believe—that housing is a human right. It should be affordable and attainable for all people, but there is an imbalance between the supply of housing and the demand for it that is contributing to many issues, especially rental housing costs.

The market, alongside existing government funding programs and various policy levers, is not delivering enough affordable housing to meet community needs. In the last year, Guelph has seen a 27% increase in the rents for an average one-bedroom unit. What used to be somewhat affordable is now over \$2,000 per month. According to rentals.ca, Guelph is now ranked the 10th most expensive city for monthly rents out of the 35 Canadian cities. The average price of homes sold in Guelph in September was \$916,000.

As a city, we remain committed to working collaboratively on finding solutions to the housing crisis. Earlier this year, we developed and signed the provincial housing pledge to help the construction of 18,000 new homes by 2031 as requested by the province. Meeting this target will require building over 2,000 units per year up to 2031. This reflects a level of construction that has never been experienced before.

In addition, this pledge brings many challenges to light. They include the high cost of unlocking infrastructure, such as roads, sidewalks, water pipes, sewer pipes. Related to that are long-term permanent municipal funding strategies, especially with the critical growth-related infrastructure projects we need.

• (1555)

Another challenge is the significant cost that is being transferred to current and future homeowners and businesses in Guelph as a direct result of Bill 23, which reduces development charge revenues needed to build supporting infrastructure.

As well, there is a persistent, unhealthy, unbalanced low vacancy rate of below 3% on rental units that is directly linked to the lack of rental construction over the past decade.

Another challenge is the unstable supply and high cost of construction materials and the high debt-carrying costs for developers, which I often hear about. The result is that it takes a long time for these things to get built. As well, of course, as we heard, there is a lack of tradespeople.

All of this is compounded by the fact that municipalities are constrained by an outdated fiscal framework, given the realities of 2023. I know the Federation of Canadian Municipalities has really brought that to light.

I want to thank you for this opportunity to discuss these ideas here today. I believe we have no time to waste. We are in a housing crisis and we must act now and act together.

Thank you very much.

• (1600)

**The Chair:** Thank you, Mayor Guthrie. We look forward to the many questions that I'm sure you'll receive.

Now we go over to the Montreal Economic Institute and Mr. Daniel Dufort.

Go ahead, please.

[*Translation*]

**Mr. Daniel Dufort (President and Chief Executive Officer, Montreal Economic Institute):** Thank you, Mr. Chair.

First of all, let me thank you for the opportunity to come and speak to you today about an issue that is important not just to the Montreal Economic Institute, but to all Canadians.

I also want to note the presence of Cam Guthrie, the Mayor of Guelph, a leader by virtue of his dynamic approach and dedication to implementing policies that offer real solutions to our housing challenges.

In recent years, home sale and rental prices have both risen dramatically, putting significant pressure on the budgets of Canadian families. Households are already dealing with the impact of inflation and the accompanying higher interest rates. Because of these factors, the dream of becoming a homeowner seems more and more like a mirage for many young, and not so young, Canadians.

According to the CMHC, we will need no fewer than 5.11 million new homes over the next eight years to return to 2004 affordability levels. In other words, we will need to build as much in eight years as we did in 24 years. The task seems herculean, but that doesn't mean we can't improve things significantly. To do so, we need to act quickly.

Bureaucratic control over the kind of housing that can be built is a hindrance from coast to coast to coast. Economic studies show that, regardless of the price of a new build, it triggers a chain of displacement that frees up housing in every price range, including units that are affordable for the lowest income quintile.

According to a study by Professor Evan Mast of the University of Notre Dame, for every 100 luxury units built, 45 affordable units are freed up for people earning the median salary, including 17 for those in the bottom quintile. That's actually quite a conservative estimate, the most conservative one in the study.

Of course, provinces and municipalities are responsible for the housing and zoning policies that restrict supply. They come up with plenty of reasons to restrict real estate development, such as favouring so-called human-scale cities or slowing urban sprawl. The fact remains that, every time projects are rejected, delays extended or fees tacked on, that inevitably drives housing prices up. The logic is inexorable.

The federal government is limited in its ability to act on these matters, but it can provide powerful incentives and play a convening role. I would note that a number of prominent politicians in Ottawa have advocated for this idea in recent years, and there has been progress on this front.

However, we must not get sidetracked by short-sighted populist solutions, such as the idea of restricting short-term rentals. That kind of federal intrusion into private law may be popular among a handful of activists, but its effect would be minor, while leaving us less free to make decisions in our own best interests.

In conclusion, allow me to reiterate that we are facing a problem of supply, which is quite simply not plentiful enough. The country is producing housing units at a 1973 pace, but the population has grown by 78% since then. In other words, the population is up by 78%, but housing starts are stagnant at 0%. It's a supply problem.

The only way to make things better is to allow real estate developers to build more units of all kinds.

Thank you. I look forward to answering your questions.

[English]

**The Chair:** Thank you.

Thanks to all the witnesses. It sounds like everybody's ready to roll up their sleeves and work in a collaborative way here to get some solutions to housing.

We're going to move right into members' questions. For the first round of questions, each party will have up to six minutes to ask questions of our witnesses.

We're starting with MP Chambers for the first six minutes.

• (1605)

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

Welcome, witnesses. We have a very good panel here today.

I will start with Mr. Dufort.

I think you said that for every 100 units built, regardless of where they are—or perhaps at, say, the upper end of the market—45 other units will be freed up about along the chain below. Is that right? Can you explain a little bit more?

**Mr. Daniel Dufort:** Yes. That's for the median-income owners. That's a study done in 12 large American cities by Evan Mast. I can send it to you. Then it's 17 for the very last quintile of earners.

In Helsinki, there was another study that's even more striking. In that case, it was houses built at market prices, and not only luxury units, which is the extreme example of the Mast study. In the one in

Helsinki, for each 100 units built, 66 units were made available for people below the median income, and 31 for the very last quintile.

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

Just so I understand, if we have a market where there's significant demand, when you can move an individual or a family into a new home, that frees up, obviously, the current residence, which frees up the one below it, which would free up the one below that.

Is that the basic economics?

**Mr. Daniel Dufort:** This is the exact logic of it.

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

Mr. Bourque, thank you for coming. We heard last week some testimony from the Canadian Home Builders' Association that said they were following the new Natural Resources Canada building code.

In your experience, since your members are involved with sales of new homes and transactions, has your organization looked at how much cost will be applied to each house for the changes to the building code that are proposed?

**Mr. Michael Bourque:** Yes. We have looked into that whole issue. I could probably follow up with the exact cost that we came up with, but generally speaking, what we're concerned about is that too many requirements are being loaded onto a homeowner. They would have to incur those costs before selling, which then is a disincentive to sell the home.

For example, if an older person is living alone in a large house and they want to downsize, they are faced with the cost of having to do some kind of retrofit before the sale. We have taken the position for a long time that we don't want that kind of regulation, because it will stagnate the market and prevent people from moving.

As Mr. Dufort pointed out, when you have movement in the housing spectrum, it frees up other units, so that's desirable.

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

Feel free to table that, and any analysis or information you have on that.

**Mr. Michael Bourque:** Absolutely.

**Mr. Adam Chambers:** Just so I understand, or for committee members, if someone wishes to sell a home that is, say, below a prescribed standard, their options are basically to incur the cost to retrofit that home before it can be sold. Is that basically your understanding?

**Mr. Michael Bourque:** Yes, that's the concern. You don't want this being imposed before a sale.

It's important to have standards, and one of the benefits of building a lot of new product is that it's, of course, going to meet the highest standard. However, the person selling should have the choice of whether they sell it as is or not, and they shouldn't be forced to have to do that upgrade before they sell it because many of them wouldn't be able to afford to do that.

**Mr. Adam Chambers:** I assume what we could end up seeing is a lot of people just not selling the home.

**Mr. Michael Bourque:** That's exactly the point. If they don't sell the home, then that's a real problem.

**Mr. Adam Chambers:** Right. It then ties up inventory for longer if they can't have another option. They can't sell or they have to incur costs before they sell.

**Mr. Michael Bourque:** Yes.

**Mr. Adam Chambers:** It sounds to me like the government hasn't really thought this through.

**Mr. Michael Bourque:** Well, it's a struggle.

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

If there's any information you want to provide in follow-up, it would be greatly appreciated.

Mr. Pomeroy, the last question is to you.

You talked about the capacity to borrow and about interest rates remaining low. When the Bank of Canada decided to purchase all of the debt issuance of the Government of Canada in an effort to keep interest rates low, what impact did that have on capacity to borrow, and thus prices?

• (1610)

**Mr. Steve Pomeroy:** I think what we see in the data in 2020, 2021 and 2022 is prices across the country on average going up 20% a year, so it had a profound affect.

**Mr. Adam Chambers:** The decision by the Bank of Canada to participate in quantitative easing increased housing prices.

**Mr. Steve Pomeroy:** I think it did.

That said, of course, there are many reasons that they did that. They're not just there to look after the housing market. In fact, the Governor of the Bank of Canada has said quite emphatically that it's not their job to look after the housing market, but it was there for sure.

**Mr. Adam Chambers:** I have 10 seconds.

Mr. Guthrie, I like your Twitter feed. Thank you very much for saying, "No more gatekeepers." If you have examples of federal gatekeeping at CMHC, please send them to this committee. We would welcome them.

Thank you.

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

It's over to MP Baker.

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

Thank you all for being here today.

I represent a community called Etobicoke Centre, which is a suburban community on the western side of the city of Toronto. My constituents regularly tell me that they or their family members can't afford to buy a home or they or their family members can't afford to rent a home that's appropriate.

The federal government has done a number of things. A number of you have spoken to those actions that we've recently taken: the removal of the GST on the construction of new rental apartments to build more homes and the \$4-billion housing accelerator fund. We've banned non-residents of Canada from purchasing housing to reduce speculation in the market. We've instituted a number of programs to help folks save for the purchase of a home or to help them to pay rent. There have been a number of things that the federal government has done to try to address this problem, both in terms of increasing supply and also in helping folks to afford a home, whether that be a purchase or a rental.

Mayor Guthrie, I'm going to start with you.

What is the role of the provincial government in housing?

**Mr. Cam Guthrie:** Thank you, and through you, Chair, they have a massive role to play.

First of all, it's coming to the table appropriately, in a respectful and collaborative way. I think that everyone at every level of government has said that we can't really attack this crisis if we don't come at it in a collaborative way.

I feel like the provincial government has created a lot of issues, to be very blunt with you, that have not gone very well. Municipalities, especially the Ontario Big City Mayors caucus.... I don't know of one mayor who isn't laser-focused on trying to help with housing, but the regulatory and legislative changes that have been pouring down on municipalities have not really helped produce a lot of new supply. I respectfully say that we need to kind of get over these issues of trying to refocus the government on trying to help, especially when it comes to infrastructure.

When municipalities cannot receive money to help with infrastructure, that same amount of money has to then be spread across the entire tax base, which is already burdened right now. We're here to talk about affordability. That's an issue every municipality is facing with our budgets coming up right now. There is a form of downloading that is occurring to municipalities, and municipalities are struggling with their budgets to try to figure out how to balance things and create infrastructure to unlock houses, because we have pledges to do. It seems like we're constantly on a merry-go-round.

I would submit that the province has a big role to play, and in the City of Guelph and other cities, we're ready to play with them in a collaborative way, just as we would with the federal government.

**Mr. Yvan Baker:** I appreciate that.

Could you offer some more examples of some of the steps the provincial government could take that would help build more housing and address the housing affordability crisis in the province?



**Mr. Cam Guthrie:** I certainly can. The first thing would be to unlock infrastructure. If you want to unlock housing, help us with infrastructure. That would be, probably, the number one thing I would ask for.

A very close number two, which would really help with the most vulnerable people in our community, is supportive housing and/or transitional housing for homelessness. Municipalities, especially in urban settings, have been inundated with the increase of homelessness and the mental health addictions that are tied to that. If we do not get help to cope with that issue as well.... We have tons of people who are experiencing homelessness issues, and municipalities really need help with that.

The final thing, if I could throw in a third one, is that there are constant regulatory changes, and they're compounding over and over again. If the provincial government would just make the changes they want to make—because they have the right to do it—and then let us implement them and get out of the way, it would not only help municipalities in the regulatory framework but it would send a signal to the development community so that they know the rules they have to play by and they can just get going. However, constant changes all the time are just creating a lot of hurdles.

• (1615)

**Mr. Yvan Baker:** What about the issue of rent control? I think we had a mention of that here today. We've heard about rental increases called “renovictions”: Landlords will ask their tenant to leave so that they can renovate, and then the rents go up. I think we've heard they increase by an average of 29% in Canada. What are your thoughts on that?

**Mr. Cam Guthrie:** I think the provincial government has a bigger role to play in that, and they could do a better job, not only legislatively but also when it comes to the landlord and tenant act and that whole administrative process. They're trying to staff up that issue, but it's not enough. I think, to send a signal to people who are on the brink of losing the homes they're renting, some action needs to be taken pretty drastically and very quickly.

**Mr. Yvan Baker:** It sounds like all three levels of government need to work together. The federal government has taken a lot of steps, but it sounds like we need more from the province in these areas that you've listed. I really appreciate that.

My Conservative colleagues were worried about gatekeepers. I think we've just heard about one right there.

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

We are now going to hear from MP Ste-Marie, please.

[*Translation*]

**Mr. Gabriel Ste-Marie (Joliette, BQ):** Good afternoon, Mr. Chair.

Good afternoon to the witnesses, including you, Mr. Mayor.

First of all, Mr. Chair, I don't know if this is a point of order, but I have two questions for you.

One, is there any word from the Canada Mortgage and Housing Corporation about the written responses it was supposed to send the committee?

Two, do we know if the Governor of the Bank of Canada will be coming to testify next week?

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

[*English*]

From the clerk, what we've heard is that CMHC is still working on those responses to get back to our committee, and that yes, the governor will be appearing on October 30.

[*Translation*]

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

I'll proceed with my questions. I'd like to hear from Mr. Pomeroy first, then Mr. Guthrie.

One thing that worries me in connection with the housing crisis is that the proportion of residential properties bought by investors has gone up. Instead of investing their money in the stock market, in other businesses and elsewhere, people are buying residential properties with the intention of reselling them in the short term or in a few years.

Mr. Pomeroy, can you share some numbers and comment on that? To what extent has that increase in the proportion of purchases by investors resulted in reduced access to property?

[*English*]

**Mr. Steve Pomeroy:** Thank you for your question.

Through you, Chair, the Canadian housing statistics program has done a number of statistical reports that have identified the number of purchasers who are in fact investors. I think the last one I saw showed that 31% of purchases in 2022 were by investors in the housing market.

I think one has to be careful in terms of framing this, in that if we want a rental market, we have to have investors, because someone has to produce the assets that tenants are living in.

That said, relative to the concerns a number of years ago that it was foreign investors who were driving up home prices, it very much has been domestic investors who have been driving up prices. This relates to the point I made in my presentation, which is that many of these are small investors. They are seeing 20% increases in home prices. They are looking at what they are getting in the equities markets and saying, “Why not just take my equity and buy another house and become a landlord?” We have seen a significant growth of small investors in the marketplace.

As I say, somebody has to own those units and rent them out, but housing has become a commodity and an investment vehicle as opposed to a home. If those investors are now crowding out individual families who want to buy a home as a home, then I think the only thing we can really do there is.... They're buying those homes because of the expectation of large capital gains. Maybe you can ask them next week, but the Bank of Canada seems to be doing a pretty good job of suppressing that particular benefit.

The other is these bags of money that I talked about that are enabling them to buy. Maybe we should consider some kind of a windfall gains tax. When properties are going up at 20% a year and landlords are putting up rents 20% a year, constraining that has to be part of the policy solution.

• (1620)

[*Translation*]

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

I would like Mr. Guthrie, the Mayor of Guelph, to comment on that same question and Mr. Pomeroy's answer.

Mr. Guthrie, is this a problem in your city too? Has the proportion of residential housing bought by investors gone up? Has that reduced access to property?

[*English*]

**Mr. Cam Guthrie:** Thank you.

Through you, Chair, the quick answer is yes. We have seen an increase of investor purchases in the city of Guelph, especially in the condo market. That is specifically where it's been happening.

The answer is yes.

[*Translation*]

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

Mr. Pomeroy, in your opening remarks, you said you could do a deeper dive into your four proposed solutions during the discussion. I don't know how much time I have left, but you can use it to start getting into those details.

[*English*]

**Mr. Steve Pomeroy:** I identified five specific recommendations in the brief that speak to the issues I've raised there.

The first one relates to revisiting macroprudential policies that punish first-time buyers. I think the concern has been that if we give assistance to first-time buyers, we're pouring fuel on the fire and we'll just create more price inflation. I think we can moderate that effect, and I think it is critically important to enable these first-time buyers to get into home ownership for all the benefits of home ownership that we can all appreciate, but most importantly, because of this clogging up of the rental market, these 400,000 renters are sitting there. It would have been like building 40,000 rental units a year had they exited.

I think that trying to facilitate access and doing those stress tests and other mortgage-qualifying rules massively constrains their access, and we need to think about that one.

The second one, as I've already mentioned, is some kind of a windfall gains tax or a federal land transfer tax. Everyone is very concerned about not taxing the capital gains on a principal residence, but when that policy was brought in in 1972, it recognized that the house is a home and we didn't want to tax people's homes. Now that houses have become investments, we need to rethink the original basis of exempting the principal residence from the capital gains tax.

When we're getting these massive gains, sharing some of those gains.... If the prices are going up 20%, paying 2% or 3% in a federal transfer tax wouldn't really punish the vendor and it would create revenues for the federal government to fund its other initiatives.

The third one, as I mentioned, is a very vexing issue. It's the issue of rent regulation. As I mentioned, in the past the federal government has encouraged the provinces to do this. If we're seeing 20% increases in rent, that's just untenable. We have to basically try to end that.

I've long been a proponent of vacancy decontrol being balanced with regulation of sitting tenants, but I think that in this context, temporarily bringing back a mechanism and asking the provinces to suppress vacancy decontrol for a few years while rentals catch up is something they can do.

I'm getting the nod from the chair, so I'll come back to that in the next time.

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

Thank you for that, Mr. Pomeroy. You'll have further opportunity later.

We have MP Blaikie, please, for six minutes.

**Mr. Daniel Blaikie (Elmwood—Transcona, NDP):** I do have a few questions for you, but I wonder if you want to share the last two planks of your recommendations with us.

**Mr. Steve Pomeroy:** I appreciate your giving up the time.

Through you, Mr. Chair, the fifth one is establishing explicit guidelines and targets for temporary foreign worker visas and international students that better align with the existing rental supply in the respective local markets where those individuals are heading under their permits.

This is not to be derogatory or discriminatory. We have a very well-managed system for new permanent residents, but we don't have a managed system for this group, is what I'm saying there.

The following one is again relating to these students. In analysis that I've done looking at performance, it's extremely viable to build purpose-built student housing on a viable for-profit basis with no subsidy from government. If we're having significant numbers of newcomers coming as students, using some of the financing mechanism in the RCFI program, which is currently under review anyway, to incent private developers, potentially but not necessarily in partnership with universities, to build purpose-built student housing, would help address the student demand.

• (1625)

**Mr. Daniel Blaikie:** Thank you very much.

With regard to people using existing equity, particularly in light of a quick appreciation in real estate assets, have you looked at jurisdictions that have had an escalating down payment model? You have one down payment requirement for your first property, but additional properties would require higher down payments.

Can you share some of your knowledge about that as a policy mechanism and whether it has seen success or not? How do you think it might be adapted to the Canadian context if it does show some promising signs?

**Mr. Steve Pomeroy:** Typically, when you buy a home yourself, with mortgage insurance, you can basically go as low as a 5% down payment. If you're buying as an investor, you have to provide the 20% down payment, and therefore you can save on CMHC or private mortgage insurance fees, so there already is a gradient that's in there.

I think the reality here is that if folks have had these massive equity gains, they're not necessarily highly leveraged. They're bringing 30% to 40% to the table, because they can use their existing equity through home equity lines of credit and that kind of stuff. I'm not sure that such a mechanism would necessarily be effective, because they can go around it with these bags of money.

**Mr. Daniel Blaikie:** I know you talked a bit about folks acquiring second properties as an investment. Can you speak to the difference between acquiring a second property as an investment for long-term rental versus short-term rental? What do you think is happening in that expanded investor space, whether it's predominantly short-term rental or long-term rental? What is the mix, and what are the implications for policy-makers who might like to see that inventory put to better use for housing Canadian families who need a home?

**Mr. Steve Pomeroy:** It's a very tricky situation. A number of municipalities have tried to put in place regulations to try to regulate the short-term rental market. Individual investors can collect \$170 or \$200 a night from short-term rentals versus \$2,000 a month, perhaps, from long-term rentals. Do the math. For more than 20 days, you're better off.

Individual investors will make those kinds of decisions. The challenge with the short-term rental piece is that many municipalities now—and I don't know if Guelph has done this—have brought in regulation trying to restrict B&Bs to the traditional bedroom in your existing house within a principal residence, rather than an investment property. The challenge is enforcement. How do you actually enforce that regulation? There are things we might try to do, but it's tremendously difficult to try to enforce a regulation that stops people from doing that.

**Mr. Daniel Blaikie:** Mr. Guthrie, I saw some nodding there.

Do you have some experience you'd like to share with the committee from your hometown on the short-term rental question?

**Mr. Cam Guthrie:** Certainly.

Through you, Mr. Chair, we did pass a bylaw, and we're actually a little different from some others. We allow one, the principal residence, and one other within the city limits. We didn't want to completely restrict it to the principal residence, so it's one and then one other, but that's it.

**Mr. Daniel Blaikie:** Is that a relatively new policy? How long would you say that has been in place?

**Mr. Cam Guthrie:** Yes, it is a new policy, I would say, in the last seven or eight months.

**Mr. Daniel Blaikie:** Okay.

It's a little early for lessons learned on enforcement, but has anything come up in the enforcement of that policy that the municipality didn't anticipate? Have you found it's going relatively smoothly? What would you say to us on that front?

**Mr. Cam Guthrie:** Everything has been fine so far. The hotline to the mayor has not lit up yet on it, so it's pretty good.

**Mr. Daniel Blaikie:** How am I doing for time, Mr. Chair?

**The Chair:** You have about a minute and a bit.

**Mr. Daniel Blaikie:** On that, how does the city evaluate whether people are in compliance with the bylaw or not? How do you get the information that you would need in order to be able to find out if, say, somebody had several properties within the municipality of Guelph and was offside with the policy?

• (1630)

**Mr. Cam Guthrie:** We have licensing. People would have to do a licensing, and then we also will work on a complaint basis, of course. If we feel that there are issues coming in from people who are complaining about certain sites or whatever, then we would have inspections and whatnot to go out to verify. Through the licensing, we are able to validate two. Then we would—

**Mr. Daniel Blaikie:** Through licensing you have, essentially, a registry of anyone who's renting on a short-term basis within the municipality of Guelph.

Do you know if sister municipalities have similar registries? Is the data pretty spotty, depending on where you are in the country or even in your region? Is that data being tracked on an individual municipality basis, as opposed to a more policy-driven universal landlord registry?

**Mr. Cam Guthrie:** I'm unsure about a more universal basis. It is usually by municipality, depending on the type of regime that they set up.

**Mr. Daniel Blaikie:** Do you think it would be helpful to have either a provincial or perhaps even a federal registry of landlords that recorded which properties folks are renting out and whether they do that on a long-term lease basis or whether it's a short-term rental?

**Mr. Cam Guthrie:** I'm unsure. I also want to be careful not to create administration and bureaucracy just for the sake of it. I'm unsure how that would play out.

Some areas across Canada may have more need for that than other areas to try to limit somewhat the free market from being able to provide that type of housing. I wouldn't want to restrict it too much. It depends on the municipality. I think we've seen a lot of long-term rentals turn into short-term rentals, and that has caused some problems, which is why you're seeing many municipalities across Canada bringing in a licensing or regulatory framework to try to limit them within the municipalities.

**The Chair:** Thank you very much, MP Blaikie.

Members and witnesses, we're moving to our second round of questioning. Timing is a little bit different in this round.

We are starting with MP Hallan for five minutes, please.

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

I'd like to move my motion on notice at this time.

Last week, the Competition Bureau of Canada reported that competition is on the decline as concentrated industries become more concentrated and fewer businesses are attempting to enter already uncompetitive industries.

One of those industries is Canada's financial sector. Considering the RBC-HSBC merger, I move that the Standing Committee on Finance report the following to the House:

Given that,

(a) after eight years of Justin Trudeau, the Competition Bureau of Canada finds Canada's competitive intensity is in decline, a measure that was reflected in all indicators measured by the bureau;

(b) there already are very few financial institutions in the Canadian banking sector, representing a lack of competition;

(c) removing competition in the financial sector could raise banking fees for Canadians who already pay more for financial services due to an already uncompetitive financial sector;

that the committee calls on the Minister of Finance to reject the merger of RBC and HSBC.

Canadians are paying some of the highest banking fees in the entire world after eight years of Justin Trudeau. Only competition delivers better prices and products, not less competition. The RBC-HSBC merger proves yet again that this Liberal government cannot protect Canadians from oligopolies and rising prices. In Canada's banking sector, there are very old, very large oligopolies that are government-protected. The Competition Bureau report on this merger says that financial services markets are concentrated. There are high barriers to entry and expansion, and conditions facilitate coordinated behaviour among competitors.

The Big Five banks—RBC, TD, BMO, Scotiabank and CIBC—as well as HSBC and National Bank control 93% of all banking assets in Canada and 87% of mortgages. If the biggest bank in Canada can simply gobble up the seventh-largest bank, then there's no hope of ever having more competition in the Canadian banking sector.

HSBC has been offering rate advantages relative to RBC. The Competition Bureau even acknowledged HSBC's unique position as a player in Canada's banking system and mortgage market. Almost all of HSBC's mortgages are in Vancouver and the GTA. Van-

cover is the world's third most overpriced housing market. Toronto is the world's largest housing bubble.

Currently, 50% of the best posted uninsured mortgage rates in Canada are HSBC products. If HSBC is eliminated from the market, their rare position as an affordable outlier in mortgages, especially in Canada's two most expensive cities, will be lost, and there is no one to fill that void. There are about 800,000 HSBC customers who will be forced into RBC without being offered anything for their business or given a choice.

Eight years of Justin Trudeau's borrowing and adding more debt than all governments before him combined led to 40-year highs in inflation, and now Canadians have the most rapid mortgage interest rate hikes ever. Now the IMF is putting Canada as most at risk in the G7 for a mortgage default crisis.

As an example, there are around 70,000 mortgage renewals every month over the next 12 months. HSBC today is offering a rate of 6.4%, whereas RBC is offering their rate at 7.15%, which is a clear difference in people's monthly mortgage payments. If someone took out a mortgage five years ago, they can look to, at a minimum, a doubling of their mortgage rate. For some people that could mean up to \$1,000 or more a month just on mortgage payments.

The removal of the HSBC from the mortgage market results in a loss of downward pressure on lending rates and will force those Canadian customers to pay even more.

Some of these HSBC customers are newcomers to Canada; actually, many of them are. As Conservatives, we believe big whales should compete with each other, not just swallow up the small fishes.

This finance minister has the power to stop this merger. The ball is in her court. We want to know if she will side with her Bay Street buddies or do what is right for Canadians and reject the merger so that banking fees don't go up and Canadians can have more product options.

After eight years of this Prime Minister, he's not worth the cost. I urge all members of this committee to do what is right for Canadians and join us in calling for Minister Freeland to stop the RBC-HSBC merger.

● (1635)

Thank you, Chair.

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

We are on this motion now, members. For the witnesses' sake, so that they understand, this is something we have to deal with before we can get back to our witnesses on housing.

I do have a speaking order here. I have MP Williams, MP Morantz, MP Bendayan and MP Ste-Marie. That's my list right now.

Go ahead, MP Williams.

**Mr. Ryan Williams (Bay of Quinte, CPC):** Thank you, Chair.

I think it's in the vein of some of the witness testimony today, so I thank you, witnesses.

We are in a wrecking ball between a housing crisis and a competition crisis in Canada. We have a major competition problem. A Competition Bureau report released this week stated what we already knew for the last 25 years—competition has never been worse in Canada. Canadians pay some of the highest fees in the world for cellphone bills, for groceries, for airlines and for banking.

When it comes to banking, we have a highly consolidated industry and large oligopolies that control all the banking in Canada.

At the same time, we have a competition reform problem and a policy problem. That's evident because the federal government itself has just launched Bill C-56, which addresses competition reform, and there's a private member's bill by the leader of the NDP. There is a competition problem, and we have to address that.

At the same time, we have a merger right now. Canada's number one bank, with a 23% market share in mortgages, is trying to buy Canada's number seven bank, which represents 800,000 mortgages, mostly in Vancouver and Toronto.

To give an indication of that, HSBC has 10% of all the Vancouver mortgages on the books, and roughly 5% of Toronto's.

When we look at the difference between mortgages for a family in Vancouver or Toronto who had a half-million-dollar mortgage—and that's probably pretty low for most families—we see that the variable mortgage rate posted today from HSBC is 6.4%, and from RBC it's 7.15%. That's a difference of 75 basis points. That didn't really matter two years ago during the pandemic, but when interest rates have risen, 75 basis points is a lot for any family.

To give that context, for a family that's going to be over \$300 more just on that basis point difference on a half-million-dollar mortgage. If you compare that to a family that right now is at 1.8% or 2% and has to refinance a mortgage—which 70,000 families are now doing every month—you can imagine the pain the families would have in trying to make that relevant to their family budgets and their lives. No wonder we're seeing a lot of families in all cities across Canada screaming that they simply can't afford that.

With regard to this merger itself, certainly HSBC is a scrappy competitor that offers competitive rates in the market. However, the Competition Bureau itself stated, in giving approval, that it's doing so under the current rules and that in competition reform, we have to change the Competition Act.

During the competition reform that the government started and that all parties have agreed to look at, when we're looking at a housing crisis—and borrowing from Mayor Guthrie, who said that the day of reckoning has come—we have to have an intervention by this government right now to ensure that a scrappy competitor can stay in the market and offer lower mortgage prices for Canadians. If that competitor is removed, there's nothing that's going to be worse than having higher mortgage fees and interest rates for consumers and Canadian families.

We're asking the finance minister to reject this deal and we're asking this committee to support this motion.

● (1640)

**The Chair:** Thank you.

We now move to MP Morantz, and then MP Bendayan, MP Ste-Marie and MP Blaikie.

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

The Competition Bureau recently reported that the lack of competition in this country is worse than it's been at any time in the last quarter of a century, leading to higher prices for consumers and higher profits for corporate oligarchs across the board, and that competitive intensity is on the decline.

Now, after eight long years, this Liberal government is considering allowing Canada's biggest bank to gobble up the seventh-biggest bank to eliminate competition in an industry that already lacks sufficient competition and force up mortgage rates for Canadians, who already can't afford to pay their bills.

Today I also searched mortgage rates for both HSBC and RBC. The two-year fixed rate at HSBC was 40 basis points lower than at RBC. The five-year fixed rate at HSBC was 35 basis points lower than at the Royal Bank.

Competition works. We need Canadian banks to compete for customers, not buy them, but if the biggest banks in Canada simply buy up growing players, there's no hope for there ever to be more competition in Canadian banking. There are already too few financial institutions in the banking sector as it is.

The Competition Bureau found that HSBC's mortgage business was a rate disrupter in the Canadian market. Removing this competition could raise banking fees when life is already unaffordable. If you have a smaller competitor pulling down rates, then we should want them to remain in place; instead, this merger lets the biggest bank in Canada gobble up 800,000 customers without having to offer those customers anything for their business. Worse, when those new customers, who will then be Royal Bank of Canada customers, go to renew their mortgages, they'll be stuck with the higher Royal Bank of Canada rates that I mentioned.

We have to ensure that if the government is protecting large domestic industries, those industries are forced to compete against each other to win over customers based on product and price, not consolidate power and bulldoze over customer interest.

Mr. Chair, if 70,000 mortgages are being renewed at higher rates every month in this country, as mortgage defaults creep up, people are starting to lose their homes. That's why competition to keep rates as low as possible is so important, and why Conservatives are calling on this merger to be denied. We call on the Minister of Finance to deny this anti-competitive merger.

Thank you, Mr. Chair.

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

We now go to PS Bendayan.

[*Translation*]

**Ms. Rachel Bendayan (Outremont, Lib.):** Thank you very much, Mr. Chair.

I think many of us want to hear from the experts we have here, who came to Ottawa to testify before our committee.

[*English*]

I listened, of course, with interest to the various political speeches that we've just heard from the Conservatives, but the reality is that witnesses are before us, and I find it ironic for several gentlemen, who claim that the housing crisis is important, to take time away from this panel of witnesses when we could move this debate to the end of the meeting.

Mr. Chair, I would propose that we adjourn debate for the moment to allow the panel of witnesses to continue providing their important testimony and continue to respond to questions and that we move debate on this motion until the panel of witnesses concludes at the end of this meeting.

Mr. Chair, I look to you and the clerk for advice on how best to do that.

• (1645)

[*Translation*]

Mr. Clerk, if I need to propose an official motion for debate on the motion to be moved to the end of the meeting, let me know.

[*English*]

**The Chair:** Thank you, PS Bendayan.

I'll look to the clerk. He will answer.

[*Translation*]

**The Clerk of the Committee (Mr. Alexandre Roger):** Good afternoon, Ms. Bendayan.

If I understand correctly, you're proposing that debate on Mr. Hallan's motion be adjourned. This motion has to be put—

**Ms. Rachel Bendayan:** Mr. Clerk, what I'm proposing is that we move the discussion to the end of the meeting.

[*English*]

**The Chair:** Thank you, PS Bendayan. What you have proposed is debatable. We will now debate in terms of moving MP Hallan's motion to the end of our meeting and to then debate it at that time. That is what you put forward, yes?

[*Translation*]

**Ms. Rachel Bendayan:** That's right.

Thank you, Mr. Chair.

[*English*]

**The Chair:** What we are now debating is PS Bendayan's motion.

We have a point of order.

**Mr. Daniel Blaikie:** I'm just looking for clarification on what kind of motion this is. My understanding is that normally you can move to adjourn a debate but that we don't usually include a specific time and that adjournment debates are not debatable. I'm just wondering what kind of motion this is, exactly, and how it's in order.

**Ms. Rachel Bendayan:** Mr. Chair, I recognize that it is perhaps unusual, which is why I sought guidance from the clerk, and while I do seek to move the debate to the end of the meeting, it is with the intention of getting to our witnesses. If this is going to belabour the point, that is certainly the opposite of my intention.

**The Chair:** I understand. We do want to get to our witnesses, so PS Bendayan, I'll allow the clerk to explain this to MP Blaikie.

**The Clerk:** Mr. Blaikie is correct. Usually when there is a motion, a dilatory motion to adjourn the debate, you put it to a vote right away without debate. However, when you add a condition to such a motion—that debate be adjourned “until such time” or “until the end of the meeting”—the committee can then debate that condition, which is what is currently being done.

**Ms. Rachel Bendayan:** Perhaps, Mr. Chair, I could ask for unanimous consent, and that may ease matters.

Is there consent around the table?

**The Chair:** No, we do not have unanimous consent for this, so we are on your motion, PS Bendayan. I don't know if you want to speak further to it.

Next on the list I have MP Ste-Marie and then MP Blaikie.

**Ms. Rachel Bendayan:** Mr. Chair, that is the opposite of what I would like to do, because I would like to get back to the testimony, so I invite you to move quickly to further members. Thank you.

**The Chair:** We will go to MP Ste-Marie and then MP Blaikie.

[*Translation*]

**Mr. Gabriel Ste-Marie:** Given what Ms. Bendayan just said, I think it would be best to keep hearing from the witnesses and to wait until the end of the meeting to debate the motion, which I will support and want to speak to briefly, if the majority of the committee permits.

I would also like the clerk to tell us how long we have the resources we need to continue the meeting.

[*English*]

**The Chair:** We have resources until 5:40 p.m.

We go now to MP Blaikie.

**Mr. Daniel Blaikie:** My comments are really in a similar vein to Monsieur Ste-Marie's. I'm happy to defer the debate and the vote on this motion if it's going to happen. If there's unanimous consent to proceed to a vote on the motion and have Mr. Ste-Marie and me reserve our comments until the end of the meeting, I'm satisfied with that. If we're going to back this up to the end of the meeting just to find out we're not having a vote, I think that would be a more contentious way of proceeding.

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

I was just conferring with the clerk.

• (1650)

Would members be okay with allowing the last 10 minutes for addressing MP Hallan's motion and having the vote at the end of this meeting so that we can get back to our witnesses? We have amazing witnesses with us, and I'm sure they want to answer your many questions.

**Mr. Adam Chambers:** Mr. Chair, just to confirm, I personally would be comfortable as long as we agree with unanimous consent to have a vote on allowing Mr. Blaikie and Mr. Ste-Marie to have an opportunity to intervene, and we commit to having a vote before we get out of this room. I think you'd have UC for that.

**The Chair:** That's what we're asking for. Do we have UC for that?

(Motion agreed to [*See Minutes of Proceedings*])

**The Chair:** Yes, we do have unanimous consent.

We go back to our witnesses. Next up is MP Weiler.

**Mr. Patrick Weiler (West Vancouver—Sunshine Coast—Sea to Sky Country, Lib.):** Thank you, Chair. It's amazing what can happen when we work together in this committee. Also, it's great that we have such amazing witnesses today.

I'd like to pick up on a line of questioning from earlier, and in particular something from Mr. Pomeroy.

You mentioned in your introduction a point in time in 1975 when the federal government took a role in looking at rental regulations. I am hoping you could explain that—given, obviously, the division of powers and the jurisdiction the federal government has—and what that looked like.

**Mr. Steve Pomeroy:** For members' information, I do have to leave at five o'clock. I have 24 students waiting for me. I deferred the class by half an hour because I thought I'd have enough time. It's not that they're more important than you.

In 1975, we had the wage and price controls legislation. We had massive inflation back then. Today's inflation dully by comparison, as those old enough to remember will know. As part of that legislation, the federal government, because it didn't have jurisdiction, specifically asked the provinces to consider implementing rent controls. All provinces in Canada, including Alberta, implemented rent controls. They subsequently took them off in the late 1970s and the early 1980s, but they did heed the request from the federal government.

**Mr. Patrick Weiler:** Thank you.

Staying in the historical perspective, and given your time, Mr. Pomeroy, I will ask a number of questions of you before you have to leave.

In 2016 you co-authored a report. It found that over 800,000 rental units below \$750 per month were lost during the decade of 2006-2016. I was hoping you could explain to this committee what market forces led to the loss of this deeply affordable housing.

**Mr. Steve Pomeroy:** I've recently updated that study to 2011-21. There were 550,000 in the 2011-21 period. Of course, the number is going down because there aren't enough units left under \$750 to disappear in the first place, and we see a movement up to the next rent band of \$750 to \$1,000 where we're seeing that erosion as well.

What we're seeing there are a number of things. There's the absolute loss. In some cases some of those units are lost as a result of intensification pressures. Many cities are building in our inner city areas, which is where we happen to have built the old rental housing in the 1960s and 1970s, so they're being knocked down and replaced. It's one area of loss, although that's quite small.

Second, some is potentially lost—as in the discussion we previously had—to the short-term rental market.

The vast majority are not lost in absolute terms, as they still exist, but the rents have significantly moved upmarket. When we see rents going up by 18%, 19% or 20%, those units move very quickly.

We have seen some predatory behaviour with investors and various asset management firms trying to purchase low-rent properties specifically for the purpose of trying to increase yield by repositioning those assets in the market and raising the rents. It's a function of that kind of behaviour, and as I mentioned in my presentation, it's enabled by rent regulation that makes that perfectly legitimate and legal to happen through vacancy decontrol and turnover.

**Mr. Patrick Weiler:** Thanks for that.

Are there any federal policies, or maybe a lack thereof, that led to that type of loss in deeply affordable housing as well?

**Mr. Steve Pomeroy:** Not really. It's really a provincial jurisdiction.

**Mr. Patrick Weiler:** Thank you.

I want to turn next to Mayor Guthrie.

One of the measures we've tabled through legislation, through Bill C-56, is eliminating the GST on purpose-built rentals.

I was hoping you could explain to this committee the feedback you've heard in Guelph from developers on what that might do for getting new apartments built.

• (1655)

**Mr. Cam Guthrie:** Thank you for the question.

The feedback has been nothing but positive. I know of some developers who have basically taken their projects that were shelved because of the fiscal arena we're in right now and have started to move forward with those projects.

I know of one in particular just outside my city, in another city, that I was talking to the developer about. It will be an instant 300 homes for people, just like that, as purpose-built rentals. It's been received very well. We need more of that.

**Mr. Patrick Weiler:** Thank you.

My last question is to Mr. Bourque.

One of the measures we've brought in this year is the first home savings account. I was hoping you could explain to this committee what impact you've seen with that for first-time homebuyers.

**Mr. Michael Bourque:** I think the take-up on it has been very slow because financial institutions were not prepared to offer it right away. That said, I have two boys who are of the age that would be targeted by such a program. I told them they'd be crazy not to take advantage of it. It's an excellent program for saving money toward a first home. I've more recently seen that more financial institutions are offering it and promoting it, and I hope people take advantage of it. It's an excellent program.

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

We now go to MP Ste-Marie, please.

[*Translation*]

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

If Mr. Pomeroy is still with us, I'd like to ask him one last question.

TD Bank estimates that, between 2023 and 2025, Canada may be 215,000 housing units short of meeting demand due to demographic growth. The shortage could be as high as 500,000 units if very high growth persists.

The number of new immigrants and non-permanent residents recently hit record highs. What impact do you think that has on Canada's housing market, especially the rental market? What difficulties do these people run into when they need to find adequate housing?

[*English*]

**Mr. Steve Pomeroy:** That speaks to the presentations you had in previous weeks, particularly from CMHC, on the amount of supply we actually require in the country.

I think it is important to clarify the nature of the CMHC report alongside the TD projections of supply requirements. There are two elements to supply requirements. The basic requirement is related to population growth—how many people are coming and the household formation rates, both as a result of immigration and of

kids leaving the family home and creating their own households. For that, CMHC has estimated we need, give or take, 240,000 to 250,000 new homes a year. On top of that, they've estimated we need to build an extra 3.5 million homes, essentially to flood the market and drive down prices.

It's an empirical, econometric, theoretical study that says that if we were to do that, this would be the outcome, but the reality is that the market doesn't really work that way. Builders won't build if they can't sell. CMHC itself won't provide mortgage insurance for pre-sales until they reach a certain level, and if there aren't ultimate buyers there, achieving that objective is unrealistic.

I think we do need to recalibrate those estimates in a more realistic way to say, "Now that we've seen this significant level of population growth, let's update those estimates of how much housing we actually need for household growth," and it's probably somewhere between 240,000 and 500,000. That work hasn't been done, and I think it really does need to be done so that they have a better idea.

It's not just the absolute number of homes we need to be creating, but also the types of homes, as Mr. Bourque mentioned. We have to make sure we are creating the right type of supply and not just building small closets in apartment towers for investors to buy and rent out in the short-term rental market. We need to be building homes for Canadians, so we need to recalibrate those estimates.

I'm not sure if that entirely answers your question, but I think that's the....

[*Translation*]

**Mr. Gabriel Ste-Marie:** Yes, that's very interesting. Thank you very much.

Thank you, Mr. Chair.

[*English*]

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

Thank you, Mr. Pomeroy. Your students are lucky to have you. Thank you very much for the testimony you've provided this committee.

Now we are going to MP Blaikie.

**Mr. Daniel Blaikie:** My question was for Mr. Pomeroy, but I think he has two and a half minutes and then he has to run.

• (1700)

**The Chair:** Well, I think you have him for another minute or two.

**Mr. Daniel Blaikie:** I know you've done some good work on the loss of affordable and social housing units in Canada and I just want to ask if you have some policy recommendations around the need not just to build new social and affordable housing but also to help preserve existing affordable social stock.

**Mr. Steve Pomeroy:** Certainly, I do. That's a good question.



The national housing strategy does set out to try to do that. There are two elements of the national housing strategy: One is to preserve what we have and the other is to add new stock. Even at \$20,000, \$30,000 or \$40,000 of retrofit per existing social housing unit, it's a heck of a lot cheaper than \$400,000 of subsidy for new stuff, so absolutely, we should be doing that.

I think we need to look at the quantum of funding that's currently flowed through the bilateral agreements with the provinces and territories specifically to provide funding to existing non-profit and co-op operators so that, first of all, they're able to maintain the low rents they currently have as the subsidy agreements expire, which they've been doing over the last number of years.

Second, many of these are now 35- to 40-year-old buildings with significant capital expenditure requirements. They need to know they have enough capital funding to upgrade the buildings. I think the program is there; we just need to make sure the quantum of re-sourcing that's there is sufficient as the units expire incrementally.

**Mr. Daniel Blaikie:** In a case of a non-profit trying to reconfigure their business model—because of the loss of a federal subsidy, say—and they're not quite sure how to do it, but there's another non-profit organization with housing experience that would be interested in acquiring their building and trying to make a go of it, is access to capital for those non-profits an issue? Is there a role for government, somewhat like what we've seen B.C. recently with the announcement of a non-profit acquisition fund, to provide readier access to capital for organizations that want to make a go of it?

**Mr. Steve Pomeroy:** Some of the bigger organizations have the capacity to do that, and we certainly have seen takeovers, for a dollar, to take over the asset, maintain it and utilize it. Some of the bigger organizations are able to borrow against their balance sheet to facilitate that.

I think the bigger issue is creating an investment fund that allows non-profits to buy the private rental stock that I mentioned with rents that are going up. If we can get non-profits to emulate the behaviour of asset managers and REITs, buy existing moderate-rent properties at 60% to 70% of the cost of building new and operate them in a non-profit model, they're essentially decommodifying that asset and keeping the rents relatively affordable. Certainly I'm doing a lot of work at the moment with a number of local foundations to actually create that kind of investment fund. I think that would have a big impact.

**Mr. Daniel Blaikie:** Thank you for taking a couple of extra minutes for this.

**Mr. Steve Pomeroy:** I'm sorry to leave you all.

**The Chair:** Thank you, Mr. Blaikie. Thank you, Mr. Pomeroy, for the extra time.

Now we'll go to MP Lawrence.

[*Translation*]

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

Mr. Dufort, thank you for coming today. I hope you'll be able to comment on the Quebec market specifically.

Is there a housing crisis in Quebec?

**Mr. Daniel Dufort:** If we look at the evolution of prices in Montreal in particular, we have observed upward pressure on prices since the start of the pandemic. The market in Quebec may have been a bit of an outlier when prices were lower than elsewhere. However, low supply produced the only possible effect, which was a considerable price increase over the past few years.

**Mr. Philip Lawrence:** Are there any problems that are unique to Quebec?

**Mr. Daniel Dufort:** Definitely. Since 2018, the City of Montreal has prevented or delayed the construction of about 24,000 housing units, and those are only the projects that made headlines. That is equivalent to the number of units typically built on the Island of Montreal in a single year. It's like we missed out on one of the five past years because of bureaucratic control over housing construction. It's measures like that that drive prices up.

[*English*]

**Mr. Philip Lawrence:** *Merci.* I don't know the words in French for gatekeeper, but it sounds like a *grand* gatekeeper to me in *la ville de Montréal*.

Thanks very much.

Just changing the subject a little bit, one of my concerns is that we are going to be putting capital... We have to; don't get me wrong. We have to put capital into homebuilding. Housing is essential, but Canada is, of course, also in a capital crisis. Our manufacturing, our equipment... In many cases, we are in the lowest renewal rate in the OECD for many capital purchases.

Do you have any concerns with respect to the diversion of capital away from manufacturing and other areas of our economy? What impact that will have on our economy?

• (1705)

**Mr. Daniel Dufort:** I'm not sure about that specific element of it. One thing that's certain and that worries me is that when you look at the construction sector as an industry, you see that it is one of the very few sectors of the economy—it might be the only sector—that has had no productivity gains for decades. That, I think, is one of the larger issues.

It's a matter of technology. It's also a matter of occupational licensing driving up costs, causing delays and making it so that we're not building any faster today than we were in 1970.

**Mr. Philip Lawrence:** I don't know if we've heard that so far, and we've had many great witnesses.

You're saying that there is a lack of technological development in the construction industry that is holding us up, and I believe your testimony is that we're not building homes any more quickly than we were in 1970. Is that correct as well?

**Mr. Daniel Dufort:** We are not. If we go back to 1973, 50 years ago, today we are building the exact same number of units at the exact same pace. The population has gone up by 78%. The pace at which we build has gone up by 0%.

**Mr. Philip Lawrence:** I've had the opportunity to ask this of a number of the panellists, and I'll put it before any one of you who wishes to answer. The CMHC came here before, and they told us that they warned this government in 2018 of an impending housing crisis.

Have you, your institutions' representatives or your city been aware of the impending crisis? I understand we are where we are right now, but I don't understand how, in the last eight years of this Liberal government, we didn't take steps to solve it until now.

**Mr. Daniel Dufort:** I think we've been looking at solutions that were targeting the demand side of the equation for way too long, looking at foreign investors or short-term rentals and all of these things that exist at the margin but are not core to the issue. The issue is on the supply side of the equation. You can do anything else, but if you're not targeting supply, it's not going to work. This is not where the problem is.

I saw that there was an increase—8% more than in the past—in the rate at which we're building. That's fine, but there's 244% more to go if we're going to meet the CMHC targets.

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

Now we'll go over to MP Dzerowicz, please.

**Ms. Julie Dzerowicz (Davenport, Lib.):** Thank you so much, Mr. Chair. It is indeed an excellent committee.

I'm sorry Mr. Pomeroy left, but I have more than enough questions for all of you.

Monsieur Dufort, I'm very happy that you mentioned the whole aspect of innovation. I actually went up to Kevin Lee, when he came from the Canadian Home Builders' Association last week, and said, "You haven't talked about innovation within the sector. Why haven't you? I'd like to hear more about what it is that you're doing." I did that after the meeting. I asked him to submit to our committee. I will be following up with him, and I'm putting it on the record that I will be following up with him because I think it is critical and vital for us to mention this.

I'm going to start with Mr. Bourque.

Mr. Bourque, one thing you said—and I want to put it on the record—is that some of the wrong inventory is still being produced. Could you clarify, very quickly, what that is?

**Mr. Michael Bourque:** Yes, I can. Fortunately, I'm here with Shaun Cathcart, who's our senior economist. He can speak to this in some data detail that I can't.

**Mr. Shaun Cathcart (Director and Senior Economist, Housing Data and Market Analysis, Canadian Real Estate Association):** Thank you.

We're talking about units being completed over the last...you can look back decades. I do panels all the time, and I always get, "We need to focus on purpose-built rentals and social housing. We can't forget about that. Not everyone can afford to buy a home." Yes, that

makes sense, but that's really something that someone would say 10 or 15 years ago.

The only thing that's blown up in response to this housing boom in prices and demand that we've been in, I'd argue, since 2016—we had another one in the early 2000s and we had one in the late 1980s.... Construction normally ramps way up, but historically it's been mostly single detached homes and a lot of apartments. This time.... Single detached home construction has been falling for 20 years: It's gone from 60% of completions 25 years ago to 20% now. The missing middle is still missing. Row homes—the thing that everyone agreed was supposed to replace that—have not done anything. We switched all the way through into apartment units.

One thing that people don't know is that in the last five years, the only thing that has blown up in response to this and really is responding in the way we want all elements of the continuum to respond is purpose-built rental apartments. They're what's killing it right now, with 34% of completions. What we really need is for everything else to ramp up, because what you're seeing is that it's not just that new homebuyers can't afford to buy—they still aspire to buy at the same rates they did before—but that the new stock flowing in is things that can't be bought. That's part of it.

We've been advocating on the missing middle side of things. I know that Mr. Pomeroy and Michael were talking before about neighbourhoods like mine, where you could fit four, five or six townhomes on the lot that my little 1958 house is on. It's going to take some redevelopment, but that's the kind of infill that's starting to happen, and some of the new zoning laws are going to allow for that.

Another problem there, it seems—and I've heard of this from our members—is that it's some of the least profitable stuff to build. It's either the big infill mansion for the wealthy person or the super-high-density units of 600 square feet, where the money's exchanged between the developer and the investor, neither of whom has to live in this thing.

It's that middle supply that's just not responding at all. In fact, as I said, it's something like 10% of completions. It should really be what new Canadians and young, millennial Canadians, who are increasingly older, would be perfectly fine with to raise a family in, with a smaller backyard and a smaller front yard, but it's just not happening.

• (1710)

**Ms. Julie Dzerowicz:** I appreciate that comment. It actually leads to something else I've been thinking about, which is whether we have the right incentives. What are the right incentives we need to put in place—whether at the municipal, provincial or federal level—to actually create what we're looking to create?

This is another comment you made, Mr. Bourque. I want to ask this to both you and Mr. Guthrie, or whoever wants to respond.

Mr. Bourque, you talked about how you want to convene all levels of government and stakeholders to try to see where the issues are, which I thought was a smart comment. It's something I've been thinking about as well, and I'm assuming you're talking about the three levels as well as CMHC, the developers, the non-profits—everybody who's actually trying to create the homes. We have heard numerous testimonies that the issues aren't just provincial and federal; they're also municipal. As much as everything's perfect in Guelph—and we know this—I'm sure there are things that we could correct at the city level also. Could you talk for 30 seconds on that? Then I'll get Mr. Guthrie to respond as well.

**Mr. Michael Bourque:** Before coming into this job, I was in the rail sector. The federal government does an absolutely excellent job of using their powers of convening to bring together supply chain participants to solve problems. When there are ships backed up at the port of Vancouver and we need to expand, it involves the highways, the railways, the city. They do a very good job of bringing all of the stakeholders together.

When I came into the housing sector, this was non-existent. It's still non-existent. There are too many one-off, round table-type meetings. We always appreciate being invited to them, but we need to bring the ministers together as a national summit. We need to have the stakeholders there who have all of the ideas. We don't need to invent any new ideas.

You can go back to the Ford government's housing task force. They have 55 recommendations. There are recommendations there that would probably apply across the country. We don't need more ideas; we need the collaboration and the structures to be able to decide which ones are a priority and to get moving on bringing those together.

That's why we keep saying we need a more permanent structure, a round table with some real energy and leadership from the federal government to get behind it so that we can move forward. When you listen to mayors like Mr. Guthrie, you realize that the willingness to collaborate is there. However, we need leadership for this.

• (1715)

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

Members and witnesses, we have enough time to give each party four minutes before we get back to MP Hallan's motion.

On that, we're starting with MP Morantz, please, for four minutes.

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

It has been an excellent panel today. Thank you all for your insightful comments.

Mayor Guthrie, I have a couple of questions for you.

I was on Mayor Bowman's executive policy committee for four years as the chair of finance and the chair of infrastructure and public works in the City of Winnipeg. I understand the challenges, certainly, around development and municipalities.

I was curious about one thing, though. Back in April, I read that there was a company in your community called Fusion Homes.

They shelved a plan to build a 23-storey, 250-condominium project. Is that correct?

**Mr. Cam Guthrie:** That is correct. There's some context to that, though.

**Mr. Marty Morantz:** Yes, I was going to ask you if you could explain what happened.

**Mr. Cam Guthrie:** Certainly.

The application did come forward to council. As the application was being reviewed by our staff, the province changed the zoning in that area to basically require extra steps to be taken by going through two different ministries at the provincial level before approval could be made at the municipal level, because it was in a flood zone.

**Mr. Marty Morantz:** I imagine that was frustrating.

**Mr. Cam Guthrie:** It was, for a lot of reasons. We need more housing. The developer wanted to get people to work to build more housing. However, I think that the province saw that the area, being a flood zone, also created some environmental concerns, and they wanted to make sure their two ministries were brought to the table before the municipality was able to consider making an approval or any recommendation on that project.

**Mr. Marty Morantz:** Your city planners and engineers would have analyzed the application, correct? Did they have those same concerns, or was this just a provincial concern?

**Mr. Cam Guthrie:** No, it was strictly provincial. If the province had not stepped in to create those issues around the flood zone requirements, then we would have had a recommendation come forward from our staff to council.

**Mr. Marty Morantz:** Would it have been approved?

**Mr. Cam Guthrie:** I don't know what the recommendation would have been, because it was pulled because of the provincial changes.

**Mr. Marty Morantz:** Okay, fair enough.

On another subject, you said recently that in the last two years homeless encampments in your community have increased from 10 to 20.

**Mr. Cam Guthrie:** Yes.

**Mr. Marty Morantz:** Obviously, that's very concerning.

You've been mayor since 2014. I am curious. When you became mayor, were there any homeless encampments in Guelph?

**Mr. Cam Guthrie:** I would say no, not really. There weren't. You rightly said that about a year ago there were about 10, and now there are 20. It has become a very big issue.

**Mr. Marty Morantz:** What I'm trying to get my head around is that the federal government has spent billions of dollars on housing. I know you're thankful for the money you have gotten.

**Mr. Cam Guthrie:** Sure.

**Mr. Marty Morantz:** The national housing program has an \$82-billion program, the housing accelerator fund. I think there might have been an announcement in your community about the accelerator fund. In any event, that's a \$4-billion program that hasn't built any homes.

It seems to me that these programs aren't really working. In fact, over the time you've been mayor, it's become far worse. I'm wondering if you have any thoughts as to why.

**Mr. Cam Guthrie:** I will say that the rapid housing initiative that was created by the federal government a couple of years ago did result in three different supportive housing projects coming online for this year, with one of them just about to come online.

Actually, in my remarks I mentioned that the housing accelerator fund was announced at one of our supportive housing projects called Grace Gardens. I believe the federal government contributed over \$6 million to that one project alone.

Out of our entire housing for homelessness portfolio, we will have three different projects, all opening up within a 12-month period, which will house over 100 people who are vulnerable and who have homelessness issues in our city. All three of those projects did have some sort of federal component to them.

Specifically on the housing accelerator fund that was announced in Guelph, we have not yet heard the outcomes. We are really waiting for that, and the quicker it can come, the more it can improve our inside processes at city hall and also hopefully help with incentives to try to get housing moving as well.

Could it all go faster? It could, absolutely, and everyone will say that. Faster, I think, is important at all levels of government, and I would even say that about myself as well.

• (1720)

**The Chair:** Thank you.

Thank you, MP Morantz.

Now we will move to MP Thompson. Go ahead, please.

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

Welcome to the witnesses.

Mayor Guthrie, if I may, I want to zoom in on you. Certainly I congratulate you on the work you're doing in Guelph. I think it's absolutely tremendous.

I want to speak about the barriers in housing construction at the municipal level, first about the restrictive zoning rules and permitting delays.

How will the agreements with the federal government on the accelerator fund help negotiations with municipalities? How can we break down some of those very clear barriers through that accelerator fund in terms of what's being asked of municipalities so that they can be successful in receiving the funding?

**Mr. Cam Guthrie:** Thank you for the funding.

One of the things I'm excited about with the housing accelerator fund is that it is going to actually help with internal processes at city hall.

There is an element of it, or a bucket of the funding, that I know will help with the bricks-and-mortar side or the infrastructure side, and that's very important, but what I am very excited about is the internal structural changes that will happen at city halls. I know my staff are excited as well. Those could involve upstaffing. They could help with technology to make things and processes happen faster.

Those structural changes will help not only with the housing that's needed now but also with housing tomorrow and next month and next year and the year after that as well. That will be part of the funds that will, hopefully, be coming our way. I hope that my saying that will go directly to Minister Fraser and get that done.

**Ms. Joanne Thompson:** What would you say to the mayors of Canadian cities who have an opportunity to come forward with an application for the accelerator fund but who are really pulling back?

**Mr. Cam Guthrie:** I don't know why anyone would do that, but if they don't want to come forward and that means more money can come to Guelph, that's also fine.

I would suggest that the structural issues within city halls have been a problem, and I mean that very respectfully. It's not on purpose. Some of it is just the way processes are and the lack of technology, as I mentioned.

If those processes could become faster and more efficient, that would be of benefit to everyone. That's for the family who might want to change their home into another three units as much as it is for the large developers who want to build a 500-unit apartment building. These changes internally can really help people, and I would really encourage people to take advantage of any type of program that can help with housing.

We need more of those than just the housing accelerator fund—there is my little nudge to you—but we definitely need people to take advantage of it. It's only going to help.

**Ms. Joanne Thompson:** Thank you.

Drawing from that, then, I will probably ask everyone this question, based on the time I have.

We know we have a crisis and that the federal government has a role to play, absolutely, as do provincial governments, territories, municipalities, not-for-profits and industry. How do we break down the silos that exist across all of these places and really build that collaboration? Everyone has spoken about it, but I am finding it incredibly challenging to find examples of places that truly have been able to bring all stakeholders to the table to say that they understand, that they've quantified their problem, and that this is how they're going to come together and really, across the continuum, address the problem.

**The Chair:** A 15-second answer is what I need.

**Mr. Cam Guthrie:** Through you, Chair, I will say ditto to what Michael said. It's about looking to the federal government for leadership to bring people together and to get it done. That's not to repeat the get-it-done stuff that we already know needs to happen but just to set the rules and get it done, because we're all ready to go, including the private sector and non-profit sector and government levels.

• (1725)

**The Chair:** Thank you.

Thank you, MP Thompson.

Now we go to MP Ste-Marie.

[*Translation*]

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

I completely agree with you, Mr. Mayor. That's very interesting.

Mr. Bourque, I believe you suggested raising the cap on the HBP, the RRSP withdrawal for the home buyers' plan. What are your suggestions?

You mentioned the first home savings account, the FHSA. How can we make sure this translates into access to ownership for first-time buyers without further increasing property prices?

**Mr. Michael Bourque:** I believe the caps have already been raised. Now we have several programs, but interest rates are very high and property prices are high across the country, which causes a number of problems.

One thing I mentioned was the need for innovation in the financial sector. It's true that Canadian banks are heavily regulated and aren't necessarily motivated to offer innovative programs and mortgages. The government should take this opportunity to have conversations with the banks. We would suggest creating a round table to exchange ideas. Banks could be part of that and share their ideas for innovation in the financial sphere.

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

Thank you, Mr. Chair.

[*English*]

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

Now we're going to our last questioner for these witnesses before we get back to MP Hallan's motion.

MP Blaikie, go ahead.

[*Translation*]

**Mr. Daniel Blaikie:** Thank you very much, Mr. Chair.

Mr. Dufort, the committee often hears that higher spending goes hand in hand with higher inflation. That said, it's clear we need public and private investment in the housing market.

How important do you think it is for the federal government and other levels of government to provide programs that enable employers to take care of employee training and skill development so they can provide services in the medium and long terms? Obviously we're not going to solve the housing problem overnight.

**Mr. Daniel Dufort:** I'm not sure I understand the question, but I'd say the government definitely has a role to play in social housing. The thing is, we're talking about building 5.11 million units in eight years. Given the scale of the problem, I wonder how much of the demand is for social housing. Still, the government does have a role to play. Is the existing model the best one? Does it work the fastest given the government's level of involvement? I don't really think so.

For job training, I think the problem is at the provincial level. Earlier, Mr. Lawrence talked about bureaucratic control, and that kind of control affects access to construction trades and professions too.

[*English*]

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

Let us thank these expert witnesses.

We thank you for your testimony for this housing study. It's really been incredible and enlightening. You're really where the rubber meets the road, finding out what is happening in the housing market and how we can find solutions to having more housing and to alleviate the pressure that Canadians have on them right now.

Thank you very much for appearing before our committee. We appreciate it.

Now we're getting back to MP Hallan's motion. I had MP Ste-Marie and then MP Blaikie who wanted to speak to this motion.

• (1730)

[*Translation*]

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

I'll vote in favour of Mr. Hallan's motion, but I'd like to point out a few things.

I understand why the merger needs to happen. HSBC has the right to sell its Canadian operations. My political party and I understand that. However, we also know that there is an equilibrium among the big Canadian banks, which are all similar in size. The fact that it's the biggest of them, Royal Bank, that wants to buy HSBC worries me because it will make the banking sector less balanced.

We also know that HSBC's environmental policies are more rigorous than Royal Bank's. If Royal Bank acquires HSBC, the financial sector's climate change commitments could take a hit, and that worries me too.

I would like to raise what I think is another very important consideration. Bill C-56 is before the House now. Part 2 of the bill would expand the Competition Bureau's powers to review transactions. The review of whether Royal Bank should be allowed to acquire HSBC was therefore done by a more anemic version of the Competition Bureau that had no real powers, as we've come to see in recent years. In my opinion, one very interesting approach that could provide some reassurance would be to ask the Competition Bureau to re-evaluate this proposed transaction once Bill C-56 has been passed and implemented and the Bureau has more teeth. Ideally, some other financial institution would acquire HSBC's Canadian operations.

That, in a nutshell, is why I will support the motion put forward by my colleague, Mr. Hallan.

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

[English]

Now we will go to MP Blaikie.

**Mr. Daniel Blaikie:** Thank you very much, Mr. Chair, and thank you to MP Ste-Marie for setting the table for some of the things I will also say.

Obviously there is a lot of talk, and rightly so, about the competition regime in Canada these days. The government recognized as much with Bill C-56, and NDP leader Jagmeet Singh has proposed some even more forceful amendments to Canada's Competition Act.

I doubt that I'm the only MP around this table hearing from frustrated customers in light of the Rogers-Shaw merger and the way that it's unrolling. Of course, when there's a merger in the offing, it's always usual to hear how it's going to be great for customers and 1,000 flowers will bloom, but I have been around long enough now to see the fallout of those kinds of mergers, whether it's Rogers-Shaw or Bell-MTS back home in Manitoba, where Manitobans have seen a marked lack of—or, shall I say, deterioration in—service, so it should be no surprise.

I remember talking about bank mergers for the first time around 1998 with my father, who was a New Democrat MP at the time and opposed the bank mergers of those days, so I'm glad to see we're in more mixed political company these days in terms of our opposition to those mergers and I welcome all those folks to the party.

I think it's also worth mentioning that HSBC has been compared to large banks, so that's an important caveat, Mr. Chair, but it has been more pioneering in the green finance space that this committee has been looking at and has a more diversified portfolio, while RBC is one of the biggest Canadian bank investors in the fossil fuel sector. They are, with the exception of the federal government, the most exposed on the TMX pipeline, and I think it would be tragic to see a financial institution that seems to be making an effort to diversify its portfolio and provide capital for the new energy economy that's coming out get swallowed up by a larger bank that has shown a decided lack of interest in pursuing financing for these kinds of projects that are going to be the basis of a lot of good union-paying jobs for Canadians into the future.

There's a lot to consider here, but I think that when you consider the facts that are already available, it's clear that this is a merger that should not proceed, and that's why I will be happy to vote for the motion presently.

• (1735)

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

I don't see any more hands or any discussion, so I guess we'll have a show of hands for those who are in favour of MP Hallan's motion.

**Mr. Jasraj Singh Hallan:** Let's do a recorded division.

**The Chair:** Okay.

Clerk, would you...?

**Ms. Rachel Bendayan:** Mr. Chair, I'm sorry. I'm having trouble following.

Are we having a recorded vote now?

**The Chair:** We are having a recorded vote, yes.

**Ms. Rachel Bendayan:** Thank you. I will be abstaining.

(Motion agreed to: yeas 6; nays 0 [See *Minutes of Proceedings*])

**The Chair:** The motion passes. It's carried. That's it. All right.

Members, shall we adjourn?

**Some hon. members:** Agreed.

**The Chair:** The meeting is adjourned.









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