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• (1630)

[English]

The Chair (Mr. Kelly McCauley (Edmonton West, CPC)): Good afternoon, everyone.

I call this meeting to order.

Welcome to meeting number 129 of the House of Commons Standing Committee on Government Operations and Estimates.

We have two witnesses with us today. We'll start with Laura Jones. She has slides up on our TV. We'll start with her, and then we'll go to Mr. Greco.

Very briefly, I'm going to save about five minutes at the end to go over the next few days and to update everyone on our shipbuilding tour.

Ms. Jones, welcome to OGGO.

The floor is yours for five minutes, please.

Ms. Laura Jones (Chair, External Advisory Committee on Regulatory Competitiveness, Business Council of British Columbia): Thank you for inviting me to address the committee.

By way of background, I am currently the president and CEO of the Business Council of British Columbia. Prior to that, I spent two decades with the Canadian Federation of Independent Business, representing small businesses across Canada.

Regulation has been a career-long interest of mine. I've published numerous studies on it, including one recently for a Harvard journal. I chair the External Advisory Committee on Regulatory Competitiveness, which has a two-year mandate to give external advice to the Treasury Board.

During our work, we heard the consistent theme that there was an urgent need to modernize and improve our regulatory system. I will touch specifically on three ideas that the committee spent time on.

First and most generally, Canada's regulatory system needs a vision or a North Star, and we propose that the North Star be regulatory excellence. The diagram on the slide that I provided shows that it has "protection" on the vertical axis and "burden" on the horizontal axis. The quadrant that we should be shooting for in Canada is the northwest quadrant, which represents high levels of protection while minimizing unnecessary burden. Of course, sometimes people refer to unnecessary burden as red tape.

High protection is important to Canadians. We want to trust that the milk in our fridge is safe to drink. It also gives us an advantage, of course, with foreign buyers. We know that Canadian products, whether we're talking about blueberries or lumber, are valued for their quality, and that includes the high environmental and safety standards that govern their production. That makes them very marketable.

Regulatory excellence serves the public interest by promoting strong protections while minimizing unnecessary burdens that can limit economic opportunities. Reducing unnecessary burden can be hugely beneficial.

We heard one very relevant and compelling example from the Province of Nova Scotia. The province is working to eliminate some of the unnecessary burdens facing doctors. One change they made was to eliminate some of the unneeded requirements around doctors writing sick notes. This one change alone freed up 67,000 hours of time for doctors in the province. That's the equivalent of over 200,000 patient visits. Imagine what a powerhouse Canada could be if we were to get serious about eliminating unnecessary burdens across all of the interactions that governments have with citizens and businesses.

The second idea that the committee spent time on is regulatory measurement. Measurement is foundational to accountability and trust. Canada's regulatory system is in critical need of better measures across the board.

We think that an early focus of this should be a digitized inventory of regulatory requirements, and the good news is that Transport Canada is developing something that could do this job across government. They're developing a searchable database that can do things such as identify regulatory requirements throughout the supply chain. You might want to know, for EV batteries, from mining to manufacturing, how many requirements there are, or maybe you want to know how many different definitions there are for "child" in Canadian legislation and regulation. The answer is that there are 103 definitions for "child" in 107 Canadian acts and regulation. An easy-to-search database would save time and allow for better targeting of areas where burden can be reduced and for understanding areas where more regulation may be needed. Of course, we could also track what's happening to the inventory over time.

The final idea that I want to highlight is consultation and engagement. We believe that we need a culture change from one-and-done consultation to ongoing engagement and continuous improvement throughout the life cycle of regulation. General themes that we heard in our work include the importance of plain language; outreach that starts early; making compliance as simple as possible and creating easier ways for users to provide feedback to the system; and creating and maintaining strong avenues for external advice and feedback, and this could, of course, include a third external advisory committee. We think that outside advice supports momentum and accountability around regulatory excellence.

In conclusion, there are three ideas.

First, regulatory excellence can make Canada more competitive and help with the affordability challenges that are top of mind for households and the productivity emergency that is top of mind for the Bank of Canada. It's an idea that should be championed across government and beyond.

• (1635)

Second, we need better measurement to hold ourselves accountable to the idea of regulatory excellence.

Finally, regulators need to seek outside advice and stay in conversation with those they regulate. The external advisory committee is a good example of that.

Thank you very much.

The Chair: Thank you very much, Ms. Jones.

Before we start with Mr. Greco, I just want to remind everyone to keep your earpieces away from your microphones at all times.

Mr. Greco, welcome back. The floor is yours.

Mr. Alex Greco (Senior Director, Manufacturing and Value Chains, Canadian Chamber of Commerce): Thank you, Mr. Chair. It's nice to see you again, along with members of this committee.

It's my pleasure, once again, to appear before you on behalf of 400 chambers of commerce and boards of trade and more than 200,000 businesses of all sizes, of all sectors of the economy, from every part of the country.

Now, I've already had a chance to share an opening statement with this committee, so I'm really looking forward to the discussion and questions. Therefore, I'll keep my opening remarks fairly brief.

Having said that, as I mentioned in my last appearance, the regulatory burden is an ongoing issue for Canadian businesses. It stifles business growth and investment in Canada. According to the Organization for Economic Co-operation and Development, or the OECD, Canada ranks second to last among a group of 31 countries in terms of business investment growth. The relatively poor investment performance of Canada compared to other countries suggests that businesses see less opportunity in Canada, spelling trouble for the country's future economic growth prospects.

While our members frequently bring forward specific regulatory challenges, they all lead to a broader general theme. The government is moving too slowly on regulatory modernization, while tak-

ing a piecemeal approach. As a result, the complexity of our regulatory system continues to stifle economic growth.

Canada also has a complex network of overlapping regulations from all levels of government that make a lot of things more expensive and more difficult than they need to be for businesses. Every hour and every dollar businesses spend dealing with redundant paperwork and confusing compliance issues is an hour or a dollar not spent running and growing a business. This is especially true for small businesses, which often lack the specialized staff and the financial resources of larger companies to deal with regulation and compliance.

Moreover, while some steps have been taken to strengthen inter-provincial trade with the launch of the Canadian internal trade data and information hub, we have missed opportunities to reduce inter-provincial trade barriers. Interprovincial trade barriers cost Canada's economy more than \$14 billion each year. Progress on strengthening internal trade is necessary to reduce barriers and to ensure an open market and the free flow of people and goods across Canada.

Regulatory modernization does not mean deregulation or a lessening of environmental, labour, safety or any other important societal standards. Rather, it means writing regulations smarter, more efficiently and in a manner that focuses on economic growth and business investment.

Now is the time for the government to move boldly and urgently on a collaborative, transparent, whole-of-government approach to regulatory reform. The three recommendations I put forward in my last appearance were as follows. First, the government must move to implement an economic and competitiveness mandate to federal regulators. Second is regulatory alignment across domestic and international jurisdictions. Finally, the government should pledge to provide regulatory certainty to businesses.

The Canadian chamber, though, also recently submitted recommendations to the President of the Treasury Board regarding the reignition of the Canada–United States Regulatory Cooperation Council, or RCC. Our relationship with our most important trading partner is of the utmost priority, and it was good to see yesterday that Canada and the United States reaffirmed their shared commitment to regulatory co-operation.

In such a competitive business environment, we need to streamline and align regulatory processes, promote trade, pursue mutual recognition and enhance the efficiency of cross-border operations between our two countries. A reinvigorated regulatory co-operation council will do just that, while promoting Canadian prosperity, sustainability and safety. With nearly \$3.5 billion of trade crossing our border every day, we must do everything we can to ensure that regulatory alignment will support further growth in trade and market access.

That said, I cannot stress enough that for Canada to be a competitive trading partner globally, we must have our own house in order. This will require not only regulatory harmonization with the United States but also addressing the web of overlapping regulations between Canadian jurisdictions. As I said previously, when regulations are more consistent between jurisdictions, businesses are better able to trade within Canada and beyond.

I thank you for the opportunity to bring further testimony to the honourable members of this committee today. I look forward to the questions and the discussion.

• (1640)

The Chair: Thank you, Mr. Greco.

We'll start with Mr. Morantz.

Mr. Morantz, welcome to OGGO.

Mr. Marty Morantz (Charleswood—St. James—Assiniboia—Headingley, CPC): Thank you, Mr. Chair. I'm happy to be here.

Mr. Greco, perhaps I'll start with you. I have in front of me a letter that was written on May 9, signed by Mr. Beatty, the head of the Canadian Chamber of Commerce. In the letter he comments at length about the budget that was delivered, and particularly the increases in the capital gains inclusion rate, which aren't self-regulatory in nature as the Income Tax Act is.

In the letter, he says:

As national industry associations representing Canadian companies committed to growing our economy, investing in this country and creating more opportunities for Canadians, we are alarmed to see these goals threatened by Budget 2024's proposed increase to the capital gains inclusion rate.

Further down, he says:

...the increase in the inclusion rate to 67% is deeply concerning to Canada's business community writ large.

He goes on with this line of argument, and then he says:

The assertion that the increase of the inclusion rate to 67% will only affect a small percentage of the wealthiest Canadians is misleading.

I point out that he signed it, and along with him, signatories are Dan Kelly from the CFIB, Mr. Darby from Canadian Manufacturers and Exporters, Kim Furlong from Canadian Venture Capital, Sherry McNeil from the Canadian Franchise Association, and Dave Carey from the Canola Growers Association.

Do you stand by those comments made by Mr. Beatty?

Mr. Alex Greco: Yes, we do.

There are a few things. On the tax increase, I think, there are a series of new taxes that build a lot of uncertainty in investment. I can tell you of one example. One of the small manufacturers I deal with is now caught in the middle of the capital gains tax. He was looking at doing an expansion, and he was dealing with a succession. As a result, because of the capital gains tax increase and how he's caught in that threshold, now he has to relook at his succession plan, and he has to look at new investments in machinery, equipment and technology.

At the end of the day, we want a competitive business environment, but we can't have a web of carve-outs and different caveats.

We need to look at any of our "tax and spend" politics, and really look at broad-based tax reform to ensure innovation with that investment—

• (1645)

Mr. Marty Morantz: I appreciate that. I hate to cut you off, but I have a few more questions that I want to make sure we get in.

One of the things that are of great concern is this point about the small percentage of people. I think it's important for politicians of all political stripes to understand that most small businesses are not sole proprietorships. In other words, people don't own the assets directly. They're owned through companies.

This change is inherently unfair, because you can have two businesses that are exactly the same. You can have a hair salon that's owned as a sole proprietorship right next to one that's owned in a small business corporation. One gets the \$250,000 exemption, and the other doesn't. If you count those people, who are no different from the sole proprietors, it's way higher, is it not?

Mr. Alex Greco: Yes, absolutely it is, but I think that's why we have to look at simplifying the tax system as a whole. It's why we've called for comprehensive tax reform for the interests of Canadians. We have to look not only at fairness. We have to look at it for all sizes of businesses; we have to look at generational fairness, and we have to look at what actions we want to take today so we're not sacrificing economic opportunity and prosperity.

Mr. Marty Morantz: I think it's important to understand that this change was made by way of a motion, not by a law. There will be implementing legislation that will come, probably in the fall. Is it the intention of the Canadian Chamber of Commerce to stridently argue that the government should withdraw these changes and not make an increase to the capital gains inclusion rate? Is that the position of the Canadian Chamber of Commerce? Will they do that?

Mr. Alex Greco: Yes, it is.

Mr. Marty Morantz: Thank you very much.

Now, perhaps I might switch, in the time I have left, Mr. Chair, to Ms. Jones. It's the same questions to you. Your organization issued a fairly damning press release about the budget. What is the Business Council's position on the increase in the capital gains inclusion rate? Do you plan to stridently argue against it before the implementation legislation is brought by the government?

Ms. Laura Jones: We're still looking at the capital gains inclusion rate. We certainly have heard some concerns from some members, particularly in the biotech sector, so we'll be looking carefully at that.

Our broader concern, in terms of what's going on in our budget, is that the numbers for GDP per capita are looking very bleak in Canada. We've lost a decade.

Mr. Marty Morantz: That's a great point.

Let me ask you this question. Do you think, given the weak productivity that we have in terms of per capita GDP, that increasing the capital gains tax at a time when we have such weak productivity is a good idea?

Ms. Laura Jones: We would be concerned about raising any taxes at a time when we are concerned about attracting investment to the country.

Mr. Marty Morantz: Thank you very much.

Those are my questions, Mr. Chair.

The Chair: Thank you.

Mr. Bains, please, you have six minutes.

Mr. Parm Bains (Steveston—Richmond East, Lib.): Thank you, Mr. Chair.

Thank you to Mr. Greco and Ms. Jones for joining us today.

I represent a region that is integral to the movement of goods in the supply chain corridor in Richmond, British Columbia, which is a part of the port of metro Vancouver network, the largest port in Canada. We know there is an expansion coming. I want to talk a little about improving the efficiencies there through regulatory reform. If you can speak to that, I'll go to Mr. Greco first.

Maybe even talk a little about the introduction of artificial intelligence in developing the sustainment of growth for Canadian businesses in general.

Mr. Alex Greco: Yes, when you look at regulatory efficiency, I think you have to look at redundant regulations that don't make any sense anymore.

One of the things I know that's been talked about in the past has been the one-for-one rule. In looking at expanding and modernizing that, I think it is important to ensure that there are efficiencies. Also, you could look at eliminating two regulations when you're introducing one for the sole purpose. I think that's one thing.

Secondly, as I mentioned in my remarks, is removing internal trade barriers, and looking at a national corridors fund especially. We need to do investments in that because, for our transportation lines and our transmission lines, we need to deliver products, machinery, equipment and technology, whether it's through British Columbia or elsewhere, to ensure that you're having that efficiency.

I think, as well, if you want to increase more the transparency and predictability for all regulations, you could look at something like a regulatory bill of rights that has guiding principles and focuses on outcomes-based measures, proper consultation and alignment with Canada and the United States. Really, consider all impacts, including doing a full, robust economic analysis to ensure that regulations are done efficiently.

• (1650)

Mr. Parm Bains: I want to pick up on what you mentioned earlier about the interprovincial trade barriers. I know that in the past there has been agreement between B.C. and Alberta, with the TILMA and things like that. How far have we come in combatting or overcoming those barriers?

You talked about consultation. What have you done, as an organization, to look at interprovincial trade barriers and consultation across the country?

Mr. Alex Greco: We consult with not only our member companies but also our chambers of commerce and our boards of trade through our policy committees and through one-on-one conversations. As for how far we've gotten, as I mentioned in my remarks, I think there have been steps with the internal trade hub to start to move that forward and to look at strengthening internal trade.

However, I think we still have a long way to go in terms of building that. In our 2024 pre-budget submission, we talked about establishing a national registry that goes beyond that in terms of identifying proper internal trade barriers. That's one aspect that we could do. Secondly, looking at the Canada-U.S.-Mexico free trade agreement in terms of being able to modernize the different mechanisms around internal trade barriers to reduce those barriers would be another thing.

The third thing is looking at mutual recognition in terms of whether you're dealing with trucking regulations or health and safety regulations and being able to harmonize them between different provinces in order to ensure that you have consistency. You have one requirement for B.C., and then you have another for Ontario and another for Quebec. The more harmonization you have, the easier it would be to do things, but it would also ensure that you're protecting the health and safety of Canadians.

Mr. Parm Bains: Do your consultations, if you've done any, include the governing bodies of the respective industries?

Mr. Alex Greco: Yes, we work closely with governing bodies as well, but then we also work with other trade associations and with different regulatory bodies. We try to take a whole-of-government approach federally, but then also with our provincial chambers of commerce and our members, of course, who work closely with provincial associations as well.

Also, on the theme of consultation, I think it's important, as we go forward, if we're improving consultations at the government level, to look at establishing different road maps with different divisions within the Treasury Board—whether you're dealing with life sciences, manufacturing, etc.—in order to see how you are progressing on these different measures and what your timelines are, and to ensure it aligns with not only business objectives but also Canadian objectives.

Mr. Parm Bains: Have you witnessed protectionism through these governing bodies from province to province, an unwillingness to remove barriers?

Mr. Alex Greco: I can speak from my experience in Ontario, when I was with them many years ago. I think there's been a challenge in terms of a culture change. Sometimes regulatory bodies are well intended, I think, but then they put in a lot of hoops in terms of different sandboxes that are supposed to streamline regulations. The end result is that it's not done officially.

The Ontario Energy Board was an example of that many years ago, but subsequently they took steps through reforms and consultation to improve it. It's a work in progress.

Mr. Parm Bains: I don't want to leave out Ms. Jones. She, of course, is representing the province of British Columbia.

If I can ask you the same question around the trade barriers from province to province, could you maybe touch a bit on that and on the work you're doing?

Ms. Laura Jones: Yes, but first I might like to touch on your other question, about AI. We did hear one really good example at the external advisory committee. The City of Kelowna is doing a pilot whereby they're looking at taking housing approvals from weeks and months to a matter of seconds for those basic approvals. Again, it's another example of how working towards regulatory excellence can deliver better outcomes for Canadians, because those staff who were working on those approvals at the City of Kelowna can now be working on more complex approvals.

That's an example of a win-win, and I think that we need to look at equipping our regulators to be world class in Canada.

In terms of your question about interprovincial trade, I don't think we're making nearly enough use of mutual recognition. We tend to approach these things one at a time: "Let's look at why we have different standards for first aid kits in every province and, okay, we'll spend two years aligning those standards." It's a very inefficient way to go about removing barriers.

Just saying, though, that gravity works the same whether you're in one province or another and we're going to mutually accept that if you're in compliance with one province's standards, that's good enough for another province—unless there's a good reason not to, and then we'll negative-list—would be a way better approach to accomplish more, faster, across Canada on the interprovincial trade front.

Mr. Parm Bains: Thank you.

• (1655)

The Chair: I have to cut you off there, Ms. Jones, because we're out of time, but I'm sure Mr. Bains will expand a bit more on his next round.

Mrs. Vignola, please, for six.

[Translation]

Mrs. Julie Vignola (Beauport—Limoilou, BQ): Thank you, Mr. Chair.

Mr. Greco, Ms. Jones, thank you for being with us.

Mr. Greco, I'm going to talk a little bit about capital gains, specifically the capital gains exemption for businesses. Above a certain amount, 67% of the capital gains of businesses will be taxable. What is the capital gains amount for businesses? Do you know?

[English]

Mr. Alex Greco: I don't know at this point.

[Translation]

Mrs. Julie Vignola: It's \$3.5 million.

Below \$3.5 million, the capital gains inclusion rate remains at 50%, where it is currently. It's on a scale. The bill has not yet been introduced, but it will certainly need amending, particularly with regard to small and medium-sized businesses, or SMEs, some partnerships and agricultural businesses. However, let's not get ahead of ourselves. We'll cross that bridge when we get to it.

That said, earlier, you talked about harmonization among the provinces. Should there be harmonization at the expense of the autonomy and jurisdictions of Quebec and the Canadian provinces? Isn't it instead up to the provinces to decide to sit down together and look at the aspects they need to discuss? Does the federal government absolutely have to stick its big nose in the process?

[English]

Mr. Alex Greco: I think there has to be a collaborative approach between the federal government and provincial governments in terms of regulatory co-operation and harmonization. I think that could be done through first ministers meetings and through FPT meetings that happen between different ministers.

I don't think you need to encroach on federal jurisdiction, but you need to be able to break the silos before you're doing any regulatory changes. Whether you're dealing with medical devices, food products or infant formula, everybody has to be able to talk to each other. Otherwise, you run the risk of duplication, and you run the risk of not protecting health and safety outcomes. The more we collaborate, the better off we all are.

[Translation]

Mrs. Julie Vignola: Thank you.

In terms of harmonization, let's look south of the border, at the American confederation, which has 52 states, if memory serves.

Have those states harmonized, or are the rules different for each one?

There is also the example of Germany, which is a federation. Does it have harmonized rules? Is this an issue that needs to be studied?

[English]

Mr. Alex Greco: I think the United States has made some progress. Another example would be the United Kingdom, where they have looked at harmonization initiatives.

One thing in particular that the U.S. has done through their Office of Regulatory Affairs is that they've launched a whole website that looks at different resources and different regulations between different states and are building that as a kind of concierge service to coordinate harmonization in regulatory activities.

I think that would go a long way, as a public tool, to helping the public understand what's there between different states, as well as helping government to understand that "here are the barriers to growth and here's where there are opportunities to harmonize". You could even have Canadians or officials from other governments being able to submit those harmonization opportunities through a portal.

[Translation]

Mrs. Julie Vignola: Thank you.

Ms. Jones, among the members of the External Advisory Committee on Regulatory Competitiveness, are there people who represent the interests of the public, or only people who represent business interests?

[English]

Ms. Laura Jones: That's a very good question.

Actually, it's a pretty broad-based group of Canadians. There are several academics on the group, a few who are representing business interests and one for civil society, but what I would say, as one of the reasons I was really proud to be the chair of this committee, is that I think all of us are Canadians first when we come into that room.

I don't think we were there to advocate for our particular sector or interest. Yes, we wanted to bring a perspective and to help shed light on things, but it was a very good group of citizens who were very serious about trying to do the right thing for the country.

• (1700)

[Translation]

Mrs. Julie Vignola: Thank you.

Having sat on school boards, I can tell you that it can be a challenge, even when we tell people that they have to serve the interests of all students, not just their child's. I imagine that your members have also had to put the collective interest ahead of their personal interests, so thank you for clarifying that.

What are the proposed regulations that the members have agreed on, and why?

What about the proposals they had much more trouble agreeing on? What were the reasons for that?

[English]

Ms. Laura Jones: That's another very good question.

One of the first things we did as a committee was to shift the frame. In the committee's name was "regulatory competitiveness". We agreed very quickly that might put too much emphasis on the need to reduce and might not be the right balance between protection and minimizing burden.

We changed our focus to regulatory excellence, which is really about those high standards that Canadians value and want, as well as a minimizing of the unnecessary burdens. It's an "and" proposition, and that's what we want to do: maintain those high standards and minimize burdens where possible.

You asked where we agreed. We largely agreed, actually, on many things. We heard about disability tax credits being more complicated than they need to be. We heard about uncertainty around timelines for larger projects. We heard from immigrants needing Canadian experience to get licensed while requiring a licence to get Canadian experience and how frustrating that is. We heard about duplication of language assessments. We heard about complicated language.

I think we all agreed on those things that there's room to reduce the burden while maintaining the protections that Canadians rely on. We also—

The Chair: Ms. Jones, we're past our time, so I'm afraid I have to cut you off there. Again, perhaps we can get back to that in another round.

Mr. Bachrach, please go ahead, sir.

Mr. Taylor Bachrach (Skeena—Bulkley Valley, NDP): Thank you, Mr. Chair, and thank you to both of our witnesses.

I'll continue with the very interesting and somewhat abstract topic of regulatory excellence. I like the phrase, because it indicates a balance between, as Ms. Jones mentioned, protection and burden or efficiency.

I'm curious about the topic of cross-border, interprovincial harmonization. Mr. Greco, you spoke about this.

I'll come back to my colleague Mrs. Vignola's question about how to ensure provinces are allowed to take different approaches from each other in areas of provincial jurisdiction. The goals of one province might not be the same as the goals of another province, based on the aspirations and desires of its citizens.

In British Columbia, there's a different building code than there is in Alberta. There's an energy step code that requires buildings to be ever more energy-efficient. Harmonization-wise, there are probably those in the industry who would like to see a lower standard, because the step code imposes certain costs.

How do we get around the fact that provincial jurisdiction is provincial jurisdiction, and provincial governments are accountable to their citizens? They're not accountable to neighbouring provincial governments.

Mr. Alex Greco: I think it's about establishing micro-forums to enable different provinces to talk to each other.

One of the things you could do is look at, for example, the Canada-U.S. Regulatory Cooperation Council. You could do something similar in terms of how different provinces focus on regulatory co-operation and interprovincial trade barriers. Have work plans and different principles the council could follow in order to ensure that where you have different priority items, you focus on what you can agree on for harmonized standards.

It's a collaboration effort. I don't think you need to be acting in silos to make that happen.

Mr. Taylor Bachrach: I'm curious. What are the barriers to having those conversations happen now?

• (1705)

Mr. Alex Greco: I think the challenge is that you have different ministers—let's say the energy minister or the finance minister. It's how much they talk to each other. Sometimes, at a broader level with different ministers, that doesn't always happen. That information doesn't get communicated through a whole-of-government approach.

Mr. Taylor Bachrach: Okay. It seems that, if there's a good to be achieved here, there's no barrier to ministers reaching out across the border and saying, "Should we come up with a harmonized approach in this area?"

It feels as if, where we have different regulatory systems, one of the reasons is that there are different regulatory objectives in different jurisdictions.

Mr. Alex Greco: That's a fair point.

Mr. Taylor Bachrach: If you have different regulatory objectives, how do you harmonize regulations?

Mr. Alex Greco: As I mentioned earlier, I think that's where a regulatory bill of rights could come in. This could focus at a federal level but be worked out with the different provinces, as well. You focus on outcomes-based principles and lean principles, and you look at economic analysis and clear objectives. That's one aspect of it.

If you do proper work plans with different priorities, make sure the different provincial ministers report back about what they're hearing from their constituents, then formalize and revise those plans on a regular basis, I think that could go a long way. It requires different governments talking to each other, but they also have to go to the different companies and talk to Canadians to make that happen. Otherwise, that process could be compromised.

Mr. Taylor Bachrach: This conversation seems to be driven primarily by the business community. Of course, regulations exist to achieve things other than business competitiveness. They exist to protect citizens. The example of milk was used for protecting safety. All of these things are important.

How do we ensure citizens have a seat at that table when we talk about regulatory excellence?

Mr. Alex Greco: I think the federal government has started to do that with the Let's Talk Federal Regulations portal, where anybody, if they're Canadian, can submit comments in response to consultations. That's one avenue.

The second thing is this: I mentioned what the United States does with its Office of Regulatory Affairs. There's a portal where Americans can submit. If they're open to transparency, governments can continue to produce accurate cost-benefit analysis and get comments on other regulatory analysis. There's an opportunity for them. To be clear, it has to be not only a whole-of-government approach but also a whole-of-citizenry approach in order for Canadians to be part of the process. They shouldn't be excluded.

Mr. Taylor Bachrach: Thank you.

I was smiling because Mr. Bains perked up when you started praising his government's initiative. I guess that's how it works.

Perhaps I can ask Ms. Jones a question.

You mentioned the example of sick notes. I think that one would resonate with a lot of Canadians. They would understand how inefficient it is to have highly paid, highly trained medical professionals sitting there writing out sick notes for people who aren't able to go to work that day because they're feeling under the weather.

I wonder what other examples would similarly resonate with people as seeming like regulations that aren't achieving their desired objective and could be restructured with very little cost to protection.

Ms. Laura Jones: I don't think you have to look very far before you find examples of overly complicated language that would be difficult for people to understand in most government forms and processes. That would be one that is high on the list there.

One of the interesting things they did in Nova Scotia with that doctor's example that I looked at was a lot of shadowing. They did a lot of really getting down and understanding what the world of the people they regulate looks like. Sick notes were one example. They found another one, which was a form that doctors have to fill in so that patients can qualify for income assistance. This was another incredibly complicated form. Again, thousands and thousands of hours have been saved, and life has been made better for the doctors and also for those patients who are trying to get access to government programs.

I don't think you're going to have to look very far. One of the challenges is that there are just so many examples. They're not all earth-shaking examples, but if you add them up, they add up to a lot of frustration and wasted time for Canadians. I just think there's huge opportunity here, and it's one of the reasons that the external advisory committee on regulatory competitiveness really recommends that the regulators stay close to those they regulate and that they understand what the consequences are of these rules: How are they working? Is there unneeded burden that could be reduced in order to free up time, increase our productivity and make things more affordable for Canadians—all the good things that we want?

• (1710)

The Chair: Thanks very much.

Colleagues, you're probably aware that I've let each intervention run quite a while past because the answers were very good. If you just keep an eye on your time, please, going forward, that would be great.

Mr. Lawrence, welcome back to OGGO. The floor is yours.

Mr. Philip Lawrence (Northumberland—Peterborough South, CPC): Thank you, Mr. Chair. It's a pleasure.

I'm going to follow up a bit on the questions that were asked by my colleague, Mr. Morantz. I want to talk specifically.... We'll start with some of the claims that the government has made with respect to the capital gains increase. One of its claims is that only 0.13% of Canadians...and that 99.87% of people will be exempt from this tax. What does the Canadian Chamber of Commerce feel about that? Also, what are you hearing from your members?

Mr. Alex Greco: What we're hearing from our members is that there's a lot of frustration right now in terms of carve-outs happening with these tax-and-spend policies, frankly. I think we all want to have fairness in the tax system. We understand that there need to be taxes that are paid, but as a result of this tax, there's a risk of losing productivity and losing investment to south of the border at a time when, in 12 out of the last 15 quarters, our productivity numbers are down; we virtually had almost no GDP growth.

Mr. Philip Lawrence: Our GDP per capita, depending on which metric you use, is down in seven out of eight quarters, which is really our income for Canada. Just maybe further on that.... What does your organization, what do your members, think the impact of the capital gains tax will be on productivity and GDP, for growth?

Mr. Alex Greco: It doesn't help it at all right now. The fact is that, going back to 2018 with regard to the level of productivity, we're back to where we were back then, and then we've had no growth. As I mentioned in my remarks, we're the second lowest in the OECD in terms of business investment. When you look at the ease of doing business, you will see that, according to the World Bank, we were sixth in 2006. Now we're 23rd.

Mr. Philip Lawrence: We have some difficulty, then.

Speaking of the ease of doing business, one of the under-reported stories with respect to the capital gains exemption is how much more complicated the government has made it. For example, if you sell your business, you're going to pay at least four different inclusion rates and probably a couple of marginal rates...tax difference. On one transaction, you could be paying tax at six or seven different rates because you have a capital gains exemption, the \$250,000 exemption, the Canadian entrepreneurs' incentive, and the full rate. What are your organization's thoughts with respect to the current complicated state of the Income Tax Act and to the capital gains increase making it more complicated?

Mr. Alex Greco: We feel that the tax system is completely too complicated. That's why we've called for comprehensive tax reform. I think having a royal commission to be able to develop that, look at it and focus on outcomes-based measures.... Right now, with the tax system as it is, SMEs are not encouraged to grow and scale up. They should be rewarded in terms of whether they're willing to invest. With how the Income Tax Act is structured right now, there's no incentive, because then they're paying more taxes, whereas when you go to another U.S. state with lower taxes, they're more incentivized on top of different incentives that they have made available with the Inflation Reduction Act and other avenues to help them do business.

Mr. Philip Lawrence: Thank you.

One of the most troublesome issues I've seen has actually been not the technical provisions but the attitudinal direction of this government. You've heard this really ramped-up, torqued-up rhetoric about people who are successful, who are being demonized—busi-

ness owners and job creators. Those are some of your members, and many of them aren't rich.

I want to get to those specifics here. If, in fact, your members had more capital, isn't it correct, Mr. Greco, that they would use that money to create jobs, reinvest in the economy and even make additional charitable donations?

Mr. Alex Greco: It's not just jobs; it's also investment in machinery, equipment and technology, particularly in manufacturing. They'd be looking at automation.

This has to be a whole.... It can't be a partisan affair. All different parties have to be able to come together to make this happen. If we don't have jobs, that affects Canadians in terms of getting things delivered, whether it's an appliance delivered in Quebec, or essential goods they need in the event that we have future crises, or even simple food and other basics for Canadians.

• (1715)

Mr. Philip Lawrence: In the past, the Chamber of Commerce, among other business organizations, has been successful in backing progressive Liberal governments off some of these punitive measures they put in place to hurt the economy and ultimately the most vulnerable.

Could you tell us whether you have any plans to launch websites and to have media campaigns? If you don't, I think now would be the time to start. You have five Liberal members here. You should tell them exactly the impact this is going to have on the Canadian economy.

Mr. Alex Greco: I think—

The Chair: You have time only for a yes-or-no answer.

Mr. Alex Greco: We're working on it.

The Chair: Thanks.

Mr. Sousa, go ahead, please.

Mr. Charles Sousa (Mississauga—Lakeshore, Lib.): Thank you for the opportunity to have a discussion about being competitive. That's the whole point. It's to try to lessen the cumulative burden on regulation, but at the same time to enhance the ability of Canada to be an attractive place to invest. We have been a pretty top destination for FDI, foreign direct investment. We have accumulated quite a number of investments from outside of Canada to come here. We are trying to nurture and monetize and scale up local companies and businesses to succeed and compete internationally, and that also means having a carbon pricing system in place that enables us to compete in terms of trade requirements, because putting in carbon pricing is built into the trade requirements.

We are doing what we can to try to improve ourselves internationally or through interprovincial issues. I'm thinking now specifically of a situation involving a co-operative securities regulator, for example, in which we tried to bring all of the provinces together to have one capital structure to be competitive. Of course, politics gets in the way and different elections happen in different provinces.

We're onside with making Canada competitive, but at the same time we're also onside with making Canada safe. I believe we're on the same page you are: To not have political interference when it comes to regulation for things like the Bank of Canada or the Ontario Securities Commission or the provincial regulatory systems. We brought in FSRA, the Financial Services Regulatory Authority from FSCO. It's at arm's length to keep political interference and rhetoric out of the system and to protect the interests of consumers as well, because doing that is built into it.

We're all trying to do that, and your recommendations are good. The recommendations made by the other witnesses were also important, because dialogue is important here.

Tell me, do you know what the proposed capital gains rate is going to be for the United States? Do you know what they're doing? Are you aware of what our competitor is trying to do with capital gains relative to what Canada is doing?

Mr. Alex Greco: I understand what you're saying, but I also think you can't look at just the capital gains. You have to look at everything else that the United States—

Mr. Charles Sousa: Absolutely, and that's how I premised my question. Canada's doing quite a bit, but on the issue of capital gains that is being put to you, are you aware of what the United States is proposing to do?

Mr. Alex Greco: Here's what we know about what's happening with the United States right now. They've had many more incentives around the Inflation Reduction Act, which has put—and, yes, Canada has tried to respond, but when it comes to the United States, you can't look at just one single tax measure—

Mr. Charles Sousa: Mr. Greco, we've been doing a great job with inflation. We're battling it and we're keeping an arm's length away from the Bank of Canada, the governor, because we don't want to interfere with them.

Again, my question to you is what is the United States proposing to do with capital gains, on that one issue?

A voice: Double it.

Mr. Charles Sousa: What are they proposing to do? In terms of being competitive with Canada, what are they going to do?

Mr. Alex Greco: I don't think you can look at one single—

Mr. Charles Sousa: I'm asking you that one particular question, Mr. Greco. What are they going to do?

Mr. Alex Greco: Again, I think the reality is that you can't look at just one single tax measure.

Mr. Charles Sousa: You are looking at it when you're responding to the question about the rise in capital gains tax. Thirty-three per cent of capital gains is tax-free in Canada or will continue to be so; fifty per cent of that will still be tax-free for revenues up to \$250,000 or more annually, not just on a one-time basis.

Entrepreneurs are going to get a \$1.25-million lifetime exemption for the sale of their business. We are trying to be competitive, especially with the United States, because they're increasing their capital gains tax rate to 45%. Canada will not even be close to that.

Mr. Alex Greco: Having said that though, Mr. Sousa, with the one example I mentioned about SMEs, there are a number of small businesses that are captured by the capital gains tax that had a plan to invest and are now scrambling to look at different succession plans and different tax structures.

These SMEs are not wealthy. They are not the richest of Canadians. They're trying to make ends meet.

Mr. Charles Sousa: We need to support....

I'm sorry. I'm not sure how much time I have, Mr. Chair.

The Chair: You have one minute.

Mr. Charles Sousa: We need to support them. We need to support SMEs. We need to support entrepreneurs. We need to support start-ups in Canada. We need to enable them to succeed, and in so doing, we need to provide.... We are offering a number of other opportunities to support that. Partly, in doing so, we have had exemptions, and we have had some tax reductions well beyond those in the United States for SMEs.

To your point about the escalation from SME to corporate, and that tax differentiation you were referencing earlier, those are things that we need to support as we go forward.

I'm just trying to remind you that Canada needs to be competitive on all fronts, and those issues are being taken into consideration as we proceed. The inclusionary rate provides for a huge benefit at the \$250,000 mark—\$500,000 if they're husband and wife entrepreneurs—but the beneficial ownership that is not applied to trusts and small businesses will still be at a 33.3% tax-free benefit, which will be competitive—

• (1720)

The Chair: I'm afraid I have to interrupt. That is our time.

Mr. Charles Sousa: —with the United States. That is my point.

The Chair: Mrs. Vignola.

[*Translation*]

Mrs. Julie Vignola: Thank you, Mr. Chair.

Mr. Greco, my economics classes, both the ones I took and the ones I taught, are far in the past. However, as I recall, the gross domestic product is the revenue generated for each hour of work. I seem to remember that if more people are unemployed or in precarious or low-income jobs, it can have an impact on the GDP. The number of people without degrees or who have unskilled jobs can also affect it. Naturally, regulations can also have an impact on the GDP, because the hour someone spends filling out paperwork does not generate much revenue. It can potentially lead to revenue, but that can take a very long time.

Do we look only at capital gains at the time of a sale, or do we look at all aspects to determine what has a major impact on Canada's GDP?

[English]

Mr. Alex Greco: Thank you for the question. It's a good one.

I think you have to look at everything. It's not just one simple GDP measure. You have to look at everything from productivity to capital investment to growth and business investment in order to say where we are in terms of our competitive position.

I will give you a couple of other numbers. When we look at trading across borders, according to the World Bank, we're 51st. We're 64th on construction permits as a whole in part of that overall ease of doing business.

It has to be everything, and this is where I think we have to look not only at broad-based tax reform, but at broad-based regulatory reforms, and really look at them. I think the external advisory committee and the work the Treasury Board is doing are starting to do that, but they have to look at really focusing on how we're tracking, how we're reporting and how we're monitoring our progress. Otherwise, we're going to have a measure there and a measure here, and we're not going to keep moving things forward.

[Translation]

Mrs. Julie Vignola: Thank you.

Right now, Canada is experiencing one of the largest population increases in the last 30 years. Does the population boom have an impact on the GDP?

[English]

Mr. Alex Greco: Yes, to a degree, but it's also having more of an impact on some of our productivity numbers and how we will be able to maximize workers coming into the workforce to be more efficient and get the most out of what we do.

If you do a comparison between Canada and the United States, there's around a 20% to 25% difference in what we get out of our productivity. That has been due, yes, to our population, but it also requires additional training and resources to get those numbers up.

The Chair: Thank you very much.

Mr. Bachrach.

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

I found Mr. Sousa's line of questioning interesting.

Mr. Greco, you mentioned the anticipated impact of capital gains changes on the GDP. Are you familiar with the research into the impact of capital gains on the GDP?

Mr. Alex Greco: Yes, I am.

Mr. Taylor Bachrach: There is pretty mixed research in terms of the conclusions.

I'm looking at a study out of the American University, posted earlier this month. It looked specifically at the proposed increase to capital gains taxes in the United States. It found that there would be a positive impact on GDP by increasing the capital gains tax on the wealthiest Americans—something President Biden has proposed.

How is it possible that increasing the capital gains tax could increase GDP in the United States?

● (1725)

Mr. Alex Greco: What you have to look at is Canada being in a different position from that of the United States, so far, in terms of our GDP growth numbers, productivity and investment climate. Yes, it's important to pay attention to the United States, but we're in a different position in terms of our wealth and prosperity.

Mr. Taylor Bachrach: However, this study tried to pull out and isolate that one factor and quantify the impact of that one factor on GDP. It found a positive correlation, which, frankly, I find a bit surprising, but it calls into question this assumption that, if you raise capital gains taxes, it's going to negatively impact the gross domestic product.

I can read you the summary of the study and what they're actually finding.

It says:

This brief provides a new analysis of the macroeconomic effects of raising taxes on dividend income and capital gains. Increasing dividend income and capital gains taxes from 20% to 39.6% for households earning over \$1 million would raise government revenue by about 5% and GDP by about 1% in the long term.

It goes on to say at the end:

Because dividend income and capital gains are enjoyed largely by the wealthiest members of society, increasing taxes on income from these sources can play a crucial role in mitigating income and wealth inequality.

Here's a question: Is "mitigating income and wealth inequality" one of the goals of your organization?

Mr. Alex Greco: No, it absolutely is not.

Mr. Taylor Bachrach: Absolutely not....

Mr. Alex Greco: We want the prosperity of all Canadians, but we—

Mr. Taylor Bachrach: We're not talking about prosperity, though.

We're talking specifically about income inequality and wealth inequality, both of which are known to be corrosive to society. How can your organization not care about widening wealth equality?

Mr. Alex Greco: We do care about it. We care about wealth. We want wealth.

Mr. Taylor Bachrach: No, it's not about wealth. It's about wealth inequality.

The Chair: Mr. Bachrach, you're past your time. I'm trying to allow him to answer.

Give a quick answer, Mr. Greco. Then we'll move on to Mr. Morantz.

Mr. Alex Greco: All I'll say is that we want wealth and prosperity for all Canadians.

The Chair: Thank you.

Mr. Morantz.

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

Mr. Greco, I'll go straight up.

The finance minister says that the increase in the capital gains inclusion rate will affect only 0.13% of Canadians.

Do you think that's an accurate statement?

Mr. Alex Greco: Based on examples we've heard from members of all different company sizes, it's going to affect a small number of people.

Mr. Marty Morantz: Let's talk about the relationship between productivity and risk-taking, because that's the nub of the question. When you increase the capital gains tax, it is essentially a tax on productivity, is it not?

Mr. Alex Greco: Well, I think it doesn't help.

Canada's productivity is the worst it's been since the 1990s. As a result, we put at risk not only our prosperity but also our living standards. Simply put, I think something needs to change if we're going to jump-start economic growth.

Mr. Marty Morantz: The finance minister likes to argue that it's not fair that somebody working pays tax on 100% of their income, but somebody who makes an investment by taking a risk and who makes a capital gain doesn't pay tax on 100% of that income. They see that as being inherently unfair. You know, I'm willing to give some openness to hearing that argument. I mean, on the face of it, it seems that way.

However, is this not the reality of the end result of that argument? If you were to make 100% of a capital gain taxable—and say the inclusion rate was 100%—what effect do you think that would have on risk-taking across multiple sectors of industry in Canada?

Mr. Alex Greco: Simply put, if you have any series of new taxes, or anything that makes it more difficult to do business, it builds uncertainty, stifles investment and signals to the world it should do business elsewhere. That's something we can't have.

Mr. Marty Morantz: When people take risks, there's a risk that they could lose. Is that correct?

Mr. Alex Greco: Yes, in our entrepreneurial culture, there's always a.... We know a number of businesses that take risks every day to be able to grow and expand their businesses.

Mr. Marty Morantz: Yes, or they could make a profit.

Mr. Alex Greco: Yes. There's a risk of profit or loss.

Mr. Marty Morantz: It's different from just earning a salary at a job, is it not?

Mr. Alex Greco: It takes a lot to be able to start a business.

• (1730)

Mr. Marty Morantz: Yes, and lots of businesses fail, do they not?

Mr. Alex Greco: Businesses fail, and that's the risk of entrepreneurship.

Mr. Marty Morantz: If there were a young business person just deciding for the first time that they want to invest in a business, and you said to them, well, 100% of your gain is going to be taxable, just like if you were earning a salary, do you think they would be more likely or less likely to make that investment?

Mr. Alex Greco: Simply put, any additional new taxes put a risk on additional investments being made in Canada.

Mr. Marty Morantz: Yes, and given that Canada's productivity has declined significantly, and in fact has gone down 2% according to the OECD, when the United States has gone up 8% since 2015—I wonder what happened in 2015—Canada is heading in the wrong direction in terms of productivity. Shouldn't we, at the very least, not be making it more expensive for risk-takers to take those risks?

Mr. Alex Greco: The less expensive it is, the more businesses have a chance to succeed and want to do business in Canada.

Mr. Marty Morantz: Thank you, Mr. Chair. Those are my questions.

The Chair: Thank you.

Mr. Jowhari is next, please.

Mr. Majid Jowhari (Richmond Hill, Lib.): Thank you, Mr. Chair.

I want to extend a warm welcome to both of our distinguished witnesses today. Thank you for your testimony.

I'm going to go back to productivity and capital gain, although I had a completely different question, but I believe it's worth making some clarification.

I'll start with you, Mr. Greco. Can you tell me, in your definition, what productivity means?

Mr. Alex Greco: I think that in terms of productivity it's being able to get the most out of our workers, to be more efficient, to be able to produce more goods and services in Canada.

Mr. Majid Jowhari: Okay.

Can you give us a history of where the inclusion rate has been...let's say since the 1980s, through two or four different governments?

Mr. Alex Greco: When you say “inclusion rate”, are you talking about specifically the capital gain—

Mr. Majid Jowhari: The capital gain inclusion rate, yes: for example, during Mulroney's time, during the Chrétien time, during the Harper time and during Trudeau's time.

Mr. Alex Greco: I would have to get back to you on that. I don't have the specifics on that at this point.

Mr. Majid Jowhari: Okay.

Look, I'd like to submit that under Prime Minister Mulroney, who I admire a lot, the capital gain inclusion rate was actually at 75%. Then it was brought down to about 50%, and that continued until now, until the proposed increase. Do you have any idea how that inclusion rate increased from 50% to 75% during Prime Minister Mulroney's time? How did it impact productivity?

Mr. Alex Greco: I don't have the specifics on that. I would have to work on that with our senior director tax person at the Canadian Chamber, and I can get back to you on that.

Mr. Majid Jowhari: I'm happy to let you know that the highest productivity rate in recent history occurred during the tech boom of the 1990s. That's when the inclusion rate was actually at the highest. Can you explain to me how an increase of 16% in the inclusion rate for a high-tech company that is in the growth stage—with that many allowances to be able to exclude it from taxes—is going to impact productivity?

How does it reduce the productivity? You just said that productivity is basically the output of individuals who are working in that economy. How is that going to impact this?

Mr. Alex Greco: I think you can't just... You have to also look at just the overall environment to be able to invest in people and processes and technologies. That all ties into productivity as well. Simply put, if it's more expensive to do business and there are higher business costs, it impacts the ability to be an investor and to do investments in productivity. It can make it more expensive to do so.

Mr. Majid Jowhari: The capital gains inclusion rate comes only at the time that you're actually divesting. During that time, there's nothing stopping any organization from investing and growing the company, because at the end of the day what they want to do is to grow the company, and they realize that \$3.5 million of free tax....

I'm at a loss. Perhaps Ms. Jones might be able to intervene on that one to help clarify some....

Ms. Laura Jones: I apologize, but my audio failed temporarily. I know that you were asking about productivity, but perhaps you had a more specific question.

Mr. Majid Jowhari: I'm trying to understand this adverse relationship, as claimed—that productivity will go down because we now have a 16% inclusion rate for a small business or corporation, after an approximate \$3.5-million exemption. I'm trying to understand impacts, or how the reduction has an adverse effect on productivity.

• (1735)

Ms. Laura Jones: I am more of an expert in productivity as it relates to the regulatory topics we're talking about.

Productivity, simply put, is the amount of output per worker. The more efficient we can be, the more we can produce. That translates into being paid more, which is something that's important for all Canadians. Productivity is a concept that sounds boring but is actually very important to all Canadians.

When it comes to the regulatory side of things, of course we need rules to keep us safe and protect the environment, but make sure we are doing almost a minimum dose. We need to do that without going overboard, so rules can help lift productivity. Making sure our taxes are reasonable so that we're competitive is also important for productivity. When taxes are too high, employers don't have as much to invest in the equipment that helps make us more productive, produce more per hour and get paid more per hour.

The Chair: Thank you very much.

Mrs. Kusie, go ahead, please.

Mrs. Stephanie Kusie (Calgary Midnapore, CPC): Thank you very much, Mr. Chair.

Mr. Greco, the last time the Chamber of Commerce was here, April 10, I asked you a question on the impact of the \$2.5 billion promised in carbon tax revenues that has not been returned to small businesses since 2019. In budget 2024, the Minister of Finance stated that she has now created the new Canada carbon rebate for small businesses, which will return this \$2.5 billion to small and medium-sized businesses.

Do you think it's disingenuous for this government to present money it already owes to these businesses as new funds?

Mr. Alex Greco: I think, at the end of the day, we want to look at how things can be more affordable for Canadians. What we've said is that any carbon tax revenue for SMEs has to be returned back to revenue in order to help with the machinery, equipment and technology that help small businesses grow. If we don't have affordability in the minds of Canadians, it's a challenge. We have companies that have made investments for net zero, and that has to be protected as well.

Mrs. Stephanie Kusie: Thank you. I think, unfortunately, that this is a theme with this government.

Are you concerned this will be a one-time commitment and the government will not continue to return what is owed to Canadian small businesses because it does not provide a future path within this budget?

Mr. Alex Greco: At the end of the day, it goes back to what I said. It's about affordability. Everything we're talking about today needs to go back to our tax system as a whole. If we don't do comprehensive tax reform, we won't have companies being able to prosper and grow. It's long past due to do that.

Mrs. Stephanie Kusie: Another organization that testified at this committee, the CFIB, stated that small businesses pay about 40% of the carbon tax but are eligible for only approximately 5% of the rebates. This is already a decrease from the previous 9% they could claim.

In your opinion, how would this impact Canada's productivity and the ability for small businesses to grow?

Mr. Alex Greco: At the end of the day, you have to look at not just taxing but also all of the different mechanisms in terms of permitting, regulatory environment, investment supports and others to help governments help Canadians succeed. I don't think you need to have environmental and financial outcomes for businesses sacrificed. Everything can go together, but it requires a whole, comprehensive approach, as I said, for tax and regulatory reform.

Mrs. Stephanie Kusie: In another recent CFIB survey, 82% to 85% of members were “against the carbon tax”; 56% of small businesses said they “will need to raise their prices”; 45% said they “need to freeze or reduce wages”; and 33% will have “less capacity to invest in environmental initiatives and reduce their emissions”, something this government has tried to claim as their flagship.

Do you feel this carbon tax is effective, when it's only increasing costs on small businesses and preventing a third of businesses from investing and reducing their emissions?

Mr. Alex Greco: At the end of the day, Ms. Kusie, when you look at investments for small businesses, I just think they need to have a better environment for doing business in Canada, simply put.

• (1740)

Mrs. Stephanie Kusie: In your opinion, how will the continued increase in the carbon tax impact Canada's current cost of living crisis, when 56% of small businesses are raising prices while also freezing or reducing wages?

Mr. Alex Greco: I think, again, it's about looking at a much more competitive business environment for Canadians. At the end of the day, government has to be able to get out of the way and make it easier to do business. It's about getting the fundamentals right for Canadian businesses to succeed.

Mrs. Stephanie Kusie: I'll turn back to the questions raised by my colleagues in the first two rounds.

In a letter to the Minister of Finance on May 9, the Chamber of Commerce stated, “generational fairness should consider the actions we are taking today at the expense of our future prosperity.” You also state, “this measure will limit opportunities for all generations and make Canada a less competitive, and less innovative nation.”

What specifically will be impacted by the increase in the capital gains tax?

Mr. Alex Greco: I think, when you look at generational fairness, you have to consider the actions we are taking today. Based on what has been proposed, it's at the expense of our future prosperity and our economic opportunity. I think we're at a point right now where we've had a lot of complicated different tax measures, different carve-outs and different caveats. I think we have to get away from that. Otherwise, we're undermining innovation and growth in Canada.

Mrs. Stephanie Kusie: In your opinion, will this impact only Canada's most wealthy, or will this impact middle-class Canadians as well?

Mr. Alex Greco: In our conversations with members, we have a number of small businesses that have been affected by this. It's not just the wealthiest of Canadians. It is affecting small businesses

who are trying to look at new investments in Canada and are not part of the wealthy 1%.

Mrs. Stephanie Kusie: Thank you very much.

The Chair: Thank you, Mrs. Kusie.

Mr. Kusmierczyk, go ahead, please.

Mr. Irek Kusmierczyk (Windsor—Tecumseh, Lib.): Thank you, Chair.

I wanted to talk about the red tape reduction study, but I'm going to bite on this conversation that we're having here.

The average pay of the top 100 CEOs in Canada is about \$14.9 million. It is 246 times the average worker salary in Canada. We heard a lot about fairness today. We also heard about inequality.

Explain to me how I can explain to a nurse or a teacher or an electrician or a carpenter in my riding why 100% of their salary, their employment income, is subject to tax, whereas for a top CEO earning \$14.9 million, who has investments in stocks they're selling or real estate or cottages, those capital gains are subject to being taxed at only 50%. Help me explain to my residents how it's fair that for a worker—a nurse, a teacher, a carpenter, a welder—100% of their employment income is subject to tax, whereas for a CEO who's earning \$14.9 million, 246 times the average salary of an average worker in Canada, for their investments, whether stocks or real estate, only 50% of that profit is subject to tax.

How is that fair, sir?

Mr. Alex Greco: I think you have to look at overall generational fairness. I don't look at picking and choosing. It's about what this means for everyone and about what we look at in the future. I know a number of small business owners who are not part of the wealthiest Canadians and have made investments and are caught up in this.

At the end of the day, though, I think we have to get away from these carve-outs. I think we have to look at what's fair for all Canadians. That's where it goes back to what I said earlier. It's about comprehensive tax reform that we have desperately needed, something that our organization has called for to help all Canadians and all businesses for communities. It's not about one group or the other.

Mr. Irek Kusmierczyk: Sir, we had a much more fair capital gains system under Conservative Prime Minister Brian Mulroney, when the capital gains inclusion rate was 75%, the highest in history. It was mentioned to you today that neither productivity nor innovation suffered. In fact, Canada experienced the highest productivity and innovation at that time, with the tech boom of the 1990s.

Tell me, how do I square that?

Mr. Alex Greco: A simple, fair and principled tax system that works in the best interests of Canadians is the way to go. It's why I think we need a non-partisan effort by all political parties to commit to a comprehensive and independent review of Canada's tax system. It cannot be politicized. It has to be all parties coming together to work in the best interests of Canadians to make this happen.

• (1745)

Mr. Irek Kusmierczyk: Mr. Greco, answer me this question. Why does Galen Weston have a lower marginal effective tax rate than a plumber, a teacher, a nurse or a welder in my community, and how is that fair?

Mr. Alex Greco: Again, at the end of the day, we have to look at generational fairness. We have to consider the actions that we want today.

Do we want future prosperity? Do we want economic opportunity for the benefit of Canadians?

If we don't have jobs, prosperity or investment in Canada, it affects all Canadians. It affects the ability of Canadians to get what they need at the end of the day.

Mr. Irek Kusmierczyk: Mr. Greco, is it a good thing? I'm going to ask you some questions.

Is it a good thing that we introduced the child care plan, which is saving moms and dads, who are employees working for the companies you represent, \$10,000 a year on average? Is that a good thing?

Because of that child care, they're able to take that job or go to school and improve their skills. Is that child care plan a good thing for your organizations and the companies you represent?

Mr. Alex Greco: Yes, there have been positive steps taken by government in terms of child care—

Mr. Irek Kusmierczyk: Doesn't it make sense to ask—

Mr. Alex Greco: May I finish?

Mr. Irek Kusmierczyk: —the wealthiest in Canada to pay a little more so that we can continue to provide child care and save moms and dads \$10,000 a year on the cost of child care?

Is that not fair? Is that not a good thing?

Mr. Alex Greco: Again, I think you have to look at simplifying the tax system. We can't have a reliance on tax-and-spend politics. It undermines growth; it undermines investment and it undercuts future generations.

When we look at fairness...if we do comprehensive tax reform properly, that will allow us to do it for the benefit of all Canadians.

The Chair: Thank you very much.

We will now go to Mrs. Vignola for two and a half minutes, please.

[Translation]

Mrs. Julie Vignola: Thank you, Mr. Chair.

My questions are for both witnesses.

Let's go back to the regulations and the amount of red tape.

A few weeks ago, I held a symposium on sustainable tourism. Stakeholders and businesses of all shapes and sizes all told me that there was too much paperwork to fill out to apply for grants or loans, or to access certain tax credits. They added that it was hard to get information about what they were entitled to, particularly in the case of SMEs. Large companies, as well as investors, have access to a wide range of tax credits. It's quite astounding.

What can be done, first, to ensure that information is provided in a timely manner and, second, to reduce the paperwork involved to efficiently support our businesses? Are there examples of this elsewhere in the world?

[English]

Mr. Alex Greco: I'll start.

One example is the scientific research and experimental development program, or the SR and ED program. There are forms, and there's one specific tax form that's very complicated for SMEs to fill out. I think reducing the redundancy, looking at forming check boxes and being able to...that's one aspect of it that works. It's simply a yes or a no, instead of having to fill out a ton of information. I think that's one aspect of it.

I think it's also about helping them have the resources they need. Tool kits are another thing. You look at having.... In the case of the SR and ED program, the Canada Revenue Agency helps deal with compliance and auditing, making it easier for customer service to be established to enable them to be compliant. I think that includes improving compliance training but also getting different compliance officers to meet with manufacturers to understand....

[Translation]

Mrs. Julie Vignola: Thank you, Mr. Greco. I want to give Ms. Jones some time to respond.

[English]

Ms. Laura Jones: Thank you.

I think you're pointing out that there are lots of opportunities to simplify without undermining the objectives. Certainly, paperwork forms are something that we heard a lot about at the external advisory committee. Our advice on that was that every department and agency needs to get very focused on what it can do. Leadership is one of the things that are really important. There are lots of priorities in government, but I think this one deserves to be a priority.

The last thing I would say is you don't need to look around the world for good examples. Nova Scotia is doing a great job of this with the example I shared of the doctors. It's also looking at housing and other things.

I think just about any priority of government that you can imagine can be made better by trying to simplify some of the unnecessary burden.

• (1750)

The Chair: Mr. Bachrach, go ahead, please.

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

Mr. Greco, I was somewhat stunned that you weren't able to address my question about wealth inequality and income inequality, because these are widely held economic concerns. Does the chamber of commerce have a position or a perspective on the impact of widening wealth and income inequality in Canada?

Mr. Alex Greco: We want equality for all at the end of the day. There has to be equality and fairness for all.

Mr. Taylor Bachrach: Do any of the policies that you've been advocating today contribute to greater equality when it comes to wealth or income?

Mr. Alex Greco: All the policies we put forward are for the interests of all Canadians. Yes, we are a business organization, but everything we put forward as an organization is for the prosperity of all Canadians and to ensure that Canadians' interests are protected.

Mr. Taylor Bachrach: However, certain kinds of growth, for instance, contribute to greater inequality.

The World Bank has expressed concern that if that's the direction that countries take, they're not going to be able to sustain that growth, and they're not going to be able to sustain social stability, because widening inequality is corrosive to society, and we've seen that all around the world.

This is the question when it comes to capital gains; this is the nub of the issue. The tax code and the way we've structured taxes have worsened the issue of income and wealth inequality in this country, so trying to reverse that means making changes to make it better.

Do you not support those changes, given what we know about inequality?

Mr. Alex Greco: With respect to making changes, I talked about it earlier and I'll say it again: That's why comprehensive tax reform is important—to focus on best outcomes, not only for businesses to grow, but to help in terms of prosperity for all Canadians. If we don't have jobs, we have no investment; we don't have growing communities and we're not improving our standard within the world.

Mr. Taylor Bachrach: Are any of the tax reforms that your organization advocates connected to reducing wealth and income inequality, and is there any evidence that you can table?

Mr. Alex Greco: We are focused on equality and fairness for all Canadians.

Mr. Taylor Bachrach: Equality and fairness for all Canadians—

The Chair: Thank you very much.

Mr. Morantz, go ahead, please.

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

Mr. Greco, I want to spend a little more time on Mr. Beatty's letter, because it's quite interesting.

In the part where he talks about how saying that the inclusion rate is affecting only a small number of Canadians is misleading, he goes on to say the following:

One in five Canadian companies are likely to be directly impacted over the next ten years and the effects of this tax hike will be borne by all Canadians, directly or indirectly [w]hether through...diminishing the creation of new companies and jobs, reducing the availability of medical practitioners, eroding...pension returns, altering the delicate risk-reward balance of countless investments, or threatening the retirement plans of millions of Canadians who pinned their plans on the proceeds of selling a family cottage or a small business grown over a lifetime.

It's a pretty damning statement about the government's plan. Would you agree with the characterization that this is economic vandalism on the part of the Liberal government?

Mr. Alex Greco: At the end of the day, though, it goes back to the need to have—and I want to stress that this is a non-partisan comment—fairness in the tax system for all Canadians, and right now, I think when you have tax-expense carve-out policies, that is just a signal to the rest of the world about what we do in terms of investment in Canada.

Mr. Marty Morantz: Yes, and speaking of fairness, I want to return to this example, because I don't think we spent enough time on it.

My colleagues around this table, other than the Conservatives, don't seem to recognize that a small business can be incorporated, as in the example I gave of the hair salon that's a sole proprietorship and that is right next door to a hair salon, a small business, that happens to be incorporated. Maybe they went to a lawyer to do it up for them so they could rent space through a company, or maybe it's because they wanted to limit their liability, as people do.

Those two people are treated differently. How is that fair?

• (1755)

Mr. Alex Greco: Again, I think at the end of the day, there has to be fairness for all Canadians, and I just think that we can't be pitting groups against each other. It has to be fair for all, and I think that's a challenge when we have these different policies.

Policies shouldn't be dividing people. We have to be able to unite people in order to ensure not only that businesses thrive but that Canadians thrive as well.

Mr. Marty Morantz: Mr. Beatty goes on to say that the “tax hike will only...undermine the government's stated policy objectives: bolstering health and dental care..., attracting and retaining skilled professionals, increasing investment and innovation, and helping small businesses thrive.” You couldn't have a more damning position of the government's policy, yet it seems to be falling on deaf ears.

I was heartened to hear you say earlier that before the implementation legislation is tabled, the Canadian Chamber of Commerce will be proactive about this and, hopefully, that enough pressure will come over the summer, like it did with the in-the-dark-of-nighttime changes to the TOSI rules back in 2017, which the government ended up having to back off on. I suspect that a similar thing is going to happen over the summer when businesses—small businesses—wake up and realize they're getting screwed over by the government again.

Do you believe that the Chamber of Commerce will be mounting an exercise to push the government into withdrawing these changes?

Mr. Alex Greco: It's continuing with advocacy. Our position is the position that was in the letter, and we continue to push advocacy for those changes.

Mr. Marty Morantz: Thank you very much.

The Chair: Thanks.

Mr. Bains, please.

Mr. Parm Bains: Thank you, Mr. Chair.

I'm going to go back to growth of business and talk about red tape and regulatory reforms. I'm going to dedicate this round to British Columbia.

My dear colleague here will be sharing some of my time.

My question is for Ms. Jones.

You recently provided recommendations to the Treasury Board on regulatory competitiveness. Can you share some of those recommendations—maybe the top few? Then I'll cede my time to Mr. Hardie.

Ms. Laura Jones: The top ones that I would like to highlight are, first of all, that we need a kind of a North Star, an idea of what it is we want our regulatory system to do. I think that too often we equate more rules with better protection and fewer rules with less protection. That's sometimes the case, but it's not always the case.

We spend a lot of time talking about what regulatory excellence looks like, and we think that Canadians benefit from high standards. Certainly, our products are very marketable around the world because they're seen as coming from a jurisdiction that has high standards. That's important, but of course we want to minimize the drag on productivity and wasting people's time that unnecessary rules have. That regulatory excellence is the first recommendation.

Second, I just want to come in again on how we need better measurement. I mean, we wouldn't think on the fiscal side of not having really good measures and a budget that's tabled that we can debate and argue about and numbers that are readily available. We don't have that on the regulatory side. We need better measures to support striving towards regulatory excellence.

Also, then, we heard a lot from different people about plain language and just making sure that they're in constant conversation with the people who are regulated, not just before a regulation goes into place in doing a kind of "one and done" consultation, but also making sure that they're then following up. Are we achieving the desired outcomes? Are there things we need to change? Are there

burdens we could reduce? Are there things we need to do better? Also, in some cases, are there areas where we're not regulating enough and we need to do more in order to protect Canadians?

These are all important questions, and they deserve more attention than they're getting.

Mr. Parm Bains: Mr. Hardie.

Mr. Ken Hardie (Fleetwood—Port Kells, Lib.): Thank you, Mr. Bains.

I want to say a quick hello to Ms. Jones. It's been a long time since we sat across the table chatting about taxation and things.

I wanted to talk about productivity again.

Mr. Greco, I'll aim this at you. A chap by the name of Peter Phillips, who's a distinguished professor emeritus at the University of Saskatchewan's school of public policy, wrote something in *The Globe and Mail* a few days ago. I don't know if you're familiar with that. I think it's a good place to look. I don't expect, actually, to have an answer to this. On the record, it's intelligence that gives us a spot to look at.

He said, "Let's start with productivity." He mentioned two professors at McMaster University. They concluded, these two professors, that Canada's stagnation in productivity in the past 20 years is "almost entirely because of the oil industry."

Where they came up with that, I don't know, but it's worth looking at. The article said that when they "netted out the oil components of the economy and looked at productivity in the rest of the economy, they found it rose at about the same rate as in the past and compared [favourably] with the [United States]." Again, it's something to look at.

One thing I would like your reflection on, Mr. Greco, is whether there should be some rules about rollover. You realize a capital gain, but you turn right around and you reinvest it. What kind of advice would you give to the government about how to construct those rules so that somebody who's making an honest effort to build a business in using the proceeds of their investments, etc., doesn't necessarily get swept up in this?

• (1800)

Mr. Alex Greco: I think one of the things that would just help with productivity.... If you look at Atlantic Canada, for example, they introduced an investment tax credit of 10% to help improve reinvesting in machinery, equipment, environmental performance and other avenues, to help out with what we're talking about, to address productivity.

I think looking at and having specific measures that make it easy for small businesses to invest in that would help, but also making sure that there are strict rules so that nobody gets swept into different challenges would be, I think, one thing.

Second, though, from my perspective, again, I think the simplest way is what I talked about in my remarks: to look at these reforms to the regulatory system and to look at the tax system. That would just go a long way to improving our productivity numbers.

The Chair: Thanks, Mr. Hardie.

Mrs. Block.

Mrs. Kelly Block (Carlton Trail—Eagle Creek, CPC): Thank you, Mr. Chair. I do appreciate the opportunity to have a round of questioning, even though I have only been here for the last hour.

I would have to say that it's a bit ironic that today's study on regulatory modernization was put forward by the Liberals on this committee with a view to doing a few things, like reducing the unnecessary administrative burden on small and medium-sized businesses, simplifying regulatory processes, cutting red tape and examining regulations that may impede international competitiveness, yet here we are.

They have introduced yet another what I would call “vacuous” policy with their increase in capital gains, which is going to have a huge impact on the members you represent. I think I have heard that in the short time I have been here today. Put that together with the carbon tax, which is already hurting small and medium-sized businesses, and with the increases that are going to be contemplated all along the way.

I know, Mr. Greco, that you asked to return to this committee—that you have been here before, provided some testimony and asked if you could come back. You said that there were some things that you wanted to address.

If I'm covering ground that was already covered in the first hour, I don't want to do that, but I'm thinking that you probably talked a lot about the capital gains policy of the current government. Is there anything that is really pressing that you would like to share with us today, given that you asked to return?

Mr. Alex Greco: Also, just to be clear, I know that Mr. McCauley mentioned that he wanted me and others back in June, just given the fact that we didn't get into hardly....

One thing I really want to highlight, going back to regulatory reform, is what has been happening in British Columbia. What they did is look at having a minister of deregulation, and that kind of helps separate...to really put a focus on red tape. Then government agencies had to work on tracking and reporting regulatory activity against a baseline.

Furthermore, agencies were put on a regulatory diet whereby, in addition to looking at measurement and monitoring, they had to commit to reducing regulatory requirements by one-third. That was tied into agencies' having to demonstrate why regulations would be introduced in exchange for any new regulations. New regulations that were introduced held greater scrutiny to demonstrate, you know, how many regulations would be eliminated but also to focus on outcomes-based measures, evidence, and a risk-based approach focusing on outcomes. Reform was decentralized, so each agency was responsible for tracking, reporting and monitoring progress.

I mention this because we're looking at reforms to what the Treasury Board is doing. These are things that we have to keep in mind, especially with regard to consultation. Yes, “one and done” consultation has been talked about, but it's also looking at road maps and at that progress. If there aren't those proper work plans in place, then we don't have authentic consultation. It's going to be like we talked about it and then moved on.

I think we really don't want this to be a study where we just sit on a...and say, like, “We're done.” There needs to be this reform, and we have to move it forward. Otherwise, frankly, we're spinning our wheels.

• (1805)

Mrs. Kelly Block: Thank you very much.

I want to turn back to the Red Tape Reduction Act and the fact that at the last meeting we had around this, we had some witnesses around the table who weren't necessarily very familiar with some of the requirements in that act on the part of the government and the President of the Treasury Board to table an annual report on federal regulatory management initiatives and provide an update on what the government is doing.

Have you heard from many of your members on this issue—that they may not have a full understanding about what is required of this government when it comes to the act, and given your mandate in representing your members, is there any advice you would provide to us on that front?

Mr. Alex Greco: That's a great question.

Generally, I think there's a lot of education that needs to be done still. It goes back to explaining what different initiatives are in plain language.

Part of that, too, when you're explaining... We talk about cost-benefit analysis all the time. Yes, it's based on the data available, in terms of regulatory analysis and what's available from StatCan. It's going into how this affects businesses. They have to deal with different things: compliance, cost of operation, cost of payroll and other technical requirements. That all has to be accounted for. Otherwise, if an initiative is put forward under the Red Tape Reduction Act, there's no accountability. It's not painting the whole picture.

It has to look at everything: economic, environmental and societal considerations. Otherwise, we're not looking at what's in the best interest, not only for businesses but also for Canadians.

The Chair: Thanks very much.

Mr. Sousa, go ahead, please.

Mr. Charles Sousa: Thank you, Chair.

My question is for Laura Jones.

Let's talk a bit about the regulatory bodies.

There's been a lot of chatter and opposing views regarding politicians being the ones making decisions when it comes to matters like provincial regulatory affairs around securities law. Sometimes I see certain politicians get into the decision-making of a securities regulator, especially when it comes to innovative engagement. The Bank of Canada, for example, is an area where politicians are making claims that they want to be the governor and promote other forms of currency, it seems.

From your vantage point, how do you see the integrity of the system, especially on the Canadian regulatory side—the legitimate side? People come to Canada for certain reasons. One of them is that they're safe from interference. I would like to know your thoughts on arm's-length relationships with regulatory authorities.

Ms. Laura Jones: I think we're fortunate to live in a country where we have good institutions and standards around that. Of course, it's important that we're always mindful of this. Having healthy debates and conversations about this is part of it. However, respect those boundaries. You mentioned the ones between the Bank of Canada and politicians. Healthy boundaries have been set up for good reasons, and respecting those is important.

We certainly didn't hear a lot of concern about this, if that's your question, among people who were coming to talk to us at the external advisory committee on regulatory competitiveness. It wasn't high on the list. It wasn't on the list, in fact. I don't think we had anyone raise that, specifically.

Mr. Charles Sousa: I am concerned about competitiveness. I think all of us want to lessen the cumulative burden of regulatory initiatives. However, in order for our companies and institutions to be competitive, especially when they're competing with other parts of the world.... I think that's one of the reasons we're having this discussion. There are some safety codes we want. There are voluntary standards provided by industry. I think we sometimes equate those with regulatory issues.

Do you distinguish between those?

• (1810)

Ms. Laura Jones: It's important to be a little more nuanced about this. It isn't always the case that reducing regulatory burdens will increase competitiveness. In some cases, our competitiveness is enhanced by the fact that people have a lot of faith in Canadian products being safe and healthy. I know this gets advertised, for example, in Asian markets around some of our fishery and agriculture products. That's a huge competitive advantage. They come from Canada—a country known for its health and safety.

At the same time, we can't always equate more rules with more safety, either. It's finding that regulatory excellence.

Mr. Charles Sousa: I agree with you. I believe it's a fine balance to protect people's safety while being competitive.

Mr. Greco, in 2008 we had a huge global financial meltdown.

How did you feel about Canada during that time? How did you feel about our financial institutions during the time of that downturn?

Mr. Alex Greco: Yes, at the time, our financial institutions were resilient. I think a bipartisan effort happened—efforts by the Ontario government and the federal government. It was as a result of those efforts, I think, done in a non-partisan way. It got us out of that financial crisis.

Mr. Charles Sousa: We certainly had a manufacturing crisis. We had to renew, regroup and bring back a lot of employment, and we did. In fact, a lot more employment came back. A lot more manufacturing was reinvested into Canada, especially in the auto industry, because of some of the collaboration among governments in regulatory affairs when it came to protecting the financial services industry and consumers.

Would you agree with that?

Mr. Alex Greco: I remember in Ontario, when we did pension reform, for example, I think that was definitely a positive step in

the right direction. However, Mr. Sousa, I think that there were challenges with manufacturing, going back as far as four, five or six years. It wasn't all perfect either in terms of the loss of manufacturing jobs and where we were at in terms of sustained economic growth.

Mr. Charles Sousa: I am talking about the recovery—

The Chair: That's your time, I'm afraid, Mr. Sousa.

Mrs. Vignola, please.

[*Translation*]

Mrs. Julie Vignola: Thank you, Mr. Chair.

Ms. Jones, Corinne Pohlmann appeared before the committee on April 10. One of the things she talked about was making a distinction between two types of regulations. There are the regulations that are necessary, particularly for health and safety. Then there are somewhat unjustified regulations, which place an undue burden on small, medium or large businesses.

How do we distinguish between necessary and justified regulations and regulations that become an undue burden? Where is the dividing line between the two?

[*English*]

Ms. Laura Jones: That is another very good question.

I think in some cases it's obvious. When we look at the Nova Scotia example I gave earlier, employers, doctors, patients—everyone was agreeing that the sick note requirements were not adding any value, and they were taking a lot of time. That's an example of the obvious.

Sometimes, your definition of what's needed might be my definition of red tape, and that's where you get into healthy debate. I think in all cases it's important to ask what objective we are trying to achieve and whether this particular set of rules is doing that effectively.

If we go back to those first principles and we look at data and evidence, then that's very helpful. We can also look at where things are duplicative. If we have two or three rules trying to do the same thing, maybe one will accomplish the goal, and that's often an example of where you can find that line between necessary regulation and red tape.

[*Translation*]

Mrs. Julie Vignola: Thank you.

In addition, business owners told me that they did not understand why they were being asked certain questions. The information should already be available, either from the Canada Revenue Agency or from Canadian business registries.

Wouldn't it be a good idea to lighten the paperwork load by allowing interdepartmental communication in some cases?

• (1815)

[English]

The Chair: Could you offer a brief answer?

Ms. Laura Jones: I think there is. I know that in the past there have been some privacy concerns for people not necessarily wanting government departments to share information, but I think that's an area where we need to continue to advance and check in with Canadians. Appropriately, I think a lot of Canadians would be fine with sharing information if it were to simplify forms. We have to be careful about that balance with privacy, but I think that's an area, certainly, where things could be simplified.

The Chair: Thank you.

Mr. Bachrach is next, please.

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

I like what Ms. Jones said about defining the regulatory objective. One of the objectives around which there's a lot of regulatory development is the need to reduce climate emissions.

I am curious about the B.C. Business Council's perspective on this, because we see two main approaches. We see a pricing approach—an attempt to send a market signal that will drive emissions reductions—and we see mandatory performance-based regulations. In British Columbia, there's a zero-emission vehicle mandate; there are methane emissions regulations, and there is the building step code, which I mentioned earlier.

Which of these two policy tools does the business council feel should receive the most emphasis, assuming that the council supports the objective of reducing greenhouse gas emissions in line with our targets?

Ms. Laura Jones: Yes, of course.

In very general terms, the pricing approach would be preferred, but a pricing approach that is revenue-neutral and whereby we're taking the revenue from carbon taxes and putting it into tax reductions in things like income tax reductions is the approach that we would, in very general terms, prefer.

I think the worst scenario is to have the pricing, and then layering on of regulations, where sometimes there is duplication, and we haven't considered the unintended consequences of when we have multiple different rules trying to do the same thing. That's what we would want to avoid.

I think we have to balance it. We would say that we want to balance that with making sure that Canadian exports remain competitive, because that's very important to our standard of living in Canada.

Mr. Taylor Bachrach: Earlier, you said you accepted that while much of the focus of this study is on increasing regulatory efficiency and removing regulations that are unnecessary, like the examples you provided, at times there is the need for new regulations to be developed.

I wonder if you could give a couple of examples of new regulations that the business council would support and feels are necessary.

Ms. Laura Jones: When you think about new...where you might be likely to have less regulation than is optimal is in that lower quadrant that we're talking about in the diagram I gave you. It would tend to be in emerging industries. That's where you get debate. When you think about how long it took to put some regulations in place around vaping products or things like that, we're sometimes slower than we need to be with emerging products.

I would say that where we're more likely to be over-regulated than under-regulated is in industries that have been around for a while. That's where we need to be modernizing our thinking, but it's with those emerging products that we may tend to under-regulate.

Again, I think regulatory excellence provides a really good North Star for it, and getting better at measurement will also help us more quickly identify where we are.

Mr. Taylor Bachrach: Thank you very much.

The Chair: Thanks, Mr. Bachrach.

Before we get into committee business to discuss my stuff, Mr. Greco and Ms. Jones, thank you very much. You were wonderful witnesses. We learned a lot, but there's a lot more we have to pick up on. Both of you mentioned various studies and reports, and examples like Nova Scotia. Please, if you have any of those that you wish to share with the committee, I welcome and encourage you to send them to our clerk. He will have them translated and distributed to the committee as part of our report. I sincerely thank you.

I'll dismiss you both. Hopefully, we'll see you again. Perhaps it will be as we continue the study in the fall.

Thanks very much. You are dismissed.

Yes, I will get to you, Mrs. Block.

Colleagues, this is the plan for the last couple of days.

On Monday, we have the PBO for an hour on the supplementary estimates. My intent and hope is that in the second hour...there was the indigenous procurement motion that we brought forward, I think, about a month ago. It's the one that led to all of those documents, so we're going to discuss that a bit.

On Wednesday, if we are sitting, and I think we will be, we have Minister Anand for the second hour on the supplementary estimates. Minister Duclos rightly declined, as there are no supplementary estimates (A) for PSPC, so we'll have Minister Anand for the second hour. We'll probably start at 5:30.

Regarding the shipbuilding study and the trip that never seems to end, I presented the budget at the Liaison Committee and unfortunately both of them were shot down, so there will not be travel for that. I encourage you, though.... Several of us, over the years, have visited the shipyards separately. They are very welcoming. We cannot do it as a group, but I would recommend that you do it separately.

Mrs. Block, you had something before we go.

• (1820)

Mrs. Kelly Block: I did, Mr. Chair. Given that we are in committee business, I have a motion that I would like to put forward at this time. I have it in both official languages, and we'll distribute it now.

I move:

That the committee hold at least three meetings to study the office holdings and real estate assets of the Government of Canada and that the government invite PSPC officials, Treasury Board officials and National Capital Commission officials to testify.

If I may, my motivation for moving this motion is really twofold.

The first motivation is the recent decision by the government to have public servants return to their offices for three days a week and what we are hearing in the public about the concerns that are being raised about office space for public servants across the country.

Secondly, we also have the ongoing process of the government looking at converting government buildings into housing.

I believe it's part of our mandate as OGGO to take a look at these things, as Public Services and Procurement is the central purchasing agent and real property manager. It would be, I think, important for us to have a handle on what could be happening with those assets.

I know we will likely not get to these meetings until the fall, but I thought we should get this on the books so that when we return, we can begin a study looking into this issue.

Thank you, Mr. Chair.

The Chair: Thank you.

Are we fine with this, colleagues?

Mr. Kusmierczyk.

Mr. Irek Kusmierczyk: I just wanted to ask if this motion is in order, by the clerk.

The Chair: It is.

Mr. Irek Kusmierczyk: Then I just wanted to ask for a suspension, so that my team and I can have a conversation about this. It's the first time we're seeing this.

Today, we were looking at the modernization and the red tape reduction study. This is not really related to that. It came out of left field, so I just wanted to have an opportunity to actually look at it.

The Chair: We can suspend for two or three minutes.

Mr. Irek Kusmierczyk: Five minutes would be great.

The Chair: It will be two or three minutes.

• (1820)

(Pause)

• (1830)

The Chair: We are back in.

Mr. Hardie.

Mr. Ken Hardie: Thank you, Mr. Chair.

I perked up when I saw this motion. Even though I'm not a member of this committee, I have a real interest in where this motion could go. Where it could go is toward the issue of housing. There's been a tremendous amount of discussion about the use of federal buildings for housing.

In that regard, in my community of Surrey there's been an awful lot of work done with the rapid housing initiative. It basically involves taking an existing building and repurposing it for living units. It's been particularly good for low-income people or people who are just unhomed, if you will. If this motion is adopted and the study goes ahead, I hope you look at the overall strategy for that. With the rapid housing initiative itself, something like \$14 million was invested in Surrey to make this happen. Dozens and dozens of units resulted from that.

The other thing is a caution. It's very tempting to say, well, the government owns these buildings; it owns all this land, and we have a housing shortage in Canada. There's no doubt about that, although in my community they're building like crazy. A caution here is to not necessarily say that a piece of property or a building will be suitable for housing when you're looking at the overall urban development aspects of it. In our community, there are pieces of federal land that are out in the countryside. Yes, you could go in there, and you could probably build 300 townhomes on one, but they would be a long, long way from public transit. They would force people to use motor vehicles to get around. That works against some of the community development aspects that I think we should be aiming for when we look at an overall and very comprehensive 360-degree housing strategy.

The other piece of that, of course, then goes to the issue of municipal zoning. Especially in British Columbia, we have not only municipal zoning but also the agricultural land reserve, which means to say that if you have a piece of farmland, you can't just flip that over and build houses or a warehouse or anything else.

These are all the kinds of considerations we need to look at if indeed the intention of a motion like this is to go forward and talk about housing. The disposition of public property for something that on the surface looks really good could turn out to be pretty messy when it got down to the local level, just simply because of these factors that have to be thought about as we go forward with something like that.

That's it, Mr. Chair. Thank you.

The Chair: We'll go to Mrs. Vignola and then Mr. Kusmierczyk.

[Translation]

Mrs. Julie Vignola: Thank you, Mr. Chair.

I'll speak briefly to the motion. I don't think it's a bad idea. On the contrary, it's a good one in the sense that the committee's mandate includes following up on the real estate assets of the Government of Canada.

That said, right now we have a slew of studies that we have to report on. The reports are either very preliminary or not even started. We should probably finish something, five years into it. Obviously, we've just completed our report on the changeover of the public service health care plan from Sun Life to Canada Life, and that's great. We still have a lot to do, though, including reports for the studies on McKinsey consulting contracts, the national shipbuilding strategy, the ArriveCAN app, regulations and diversity in procurement. As I said, we have a whole slew of studies to complete.

I'm tempted to say yes to the motion, but not right now. I say that amiably, since as everyone here can attest, I try to avoid confrontation. Let's aim for this fall or, even better, January, so that we can finish at least one or two more studies. That will take a load off our shoulders.

I really need to know that real estate is being used for a good purpose. There is talk of converting some buildings into housing. We need to ensure that provincial and territorial laws and regulations will apply to that housing, not laws and regulations that do not exist at the federal level.

I agree with this motion, but, given the importance of the proposed study and the fact that we already have several on the table, I would suggest that we complete a few studies to lighten our burden. Later, during the next parliamentary session, let's conduct a thorough, appropriate and professional analysis of federal real estate assets and all that entails, including how they are managed.

• (1835)

[*English*]

The Chair: Go ahead, Mr. Kusmierczyk, and then we have Mr. Bachrach.

Mr. Irek Kusmierczyk: Thank you very much.

As is often the case, I agree wholeheartedly with what Madame Vignola has stated. She is the voice of reason, oftentimes, on this committee.

I agree wholeheartedly. We have a slew of studies that we've begun. We keep adding to those studies. We have hardly finalized a single one. That's the challenge. Our average is quite low in terms of the ones we've completed. Canada Post comes to mind, and there is shipbuilding, McKinsey, ArriveCAN, outsourcing, red tape, diversity in procurement outsourcing. There are probably a dozen more that we've started and haven't finished.

I would focus our efforts on the tasks at hand. Let's complete those studies before we open up a completely new front. I think it's important.

Picking up on what my colleague also stated, on the issue of housing and the issue of looking at office holdings and converting them into housing, for example, the HUMA committee has already done two studies. I think they're on their third housing study in the last year. The HUMA committee completed a study on the financialization of housing, in which they looked at housing from a number of different perspectives. They had 29 witnesses and 41 briefs studying the housing issue. They're conducting right now, as we speak, a federal housing investment study, looking at all the ways

the federal government can make investments and change policy to maximize housing. If you're talking about housing, HUMA is the place to talk about federal surplus lands and converting that into housing. It really belongs in the HUMA committee. It doesn't belong here.

In terms of the work of PSPC, as I understand it, PSPC and Treasury Board are working on looking at inventory of public land holdings and working on a management plan or a strategic plan.

With regard to moving this motion today, again, I wholeheartedly agree with what Madame Vignola has stated: It is premature. For that reason, I move that we adjourn debate.

• (1840)

The Chair: We'll do a recorded vote, colleagues.

(Motion agreed to: yeas 6; nays 4)

The Chair: Ms. Vignola, please go ahead.

[*Translation*]

Mrs. Julie Vignola: Thank you very much, Mr. Chair.

I have a motion.

If you haven't already received it, you should be receiving it shortly.

It reads as follows:

That, with regard to the study on federal government consulting contracts awarded to McKinsey & Company, the following persons and organizations be invited to appear:

Kevin D'Entremont and Gregory Vainberg of McKinsey & Company;

the Deputy Minister of Public Services and Procurement;

the Deputy Minister of the Treasury Board Secretariat;

the President of the School of Public Service (or the head of learning and/or training program development);

the Privy Council Office (the person responsible for policy and/or corporate culture within the public service); and

the Canada Infrastructure Bank,

provided that no more than four two-hour meetings, when the House of Commons returns in September 2024, be held for this study.

You will note that the motion is very similar to the one proposed by our colleague Stephanie Kusie on Monday. It is very similar, but more specific and detailed. As I said earlier, my goal is to move the study on McKinsey and other consultants forward, without dragging it out and without having a whole host of witnesses who may not be able to answer our questions. The goal of paring down the list of witnesses is to get answers to our questions, and I'm sure there are many.

That is the motion I am proposing so that we can proceed with our study on McKinsey and consultants in general.

[*English*]

The Chair: Thank you, Ms. Vignola.

I assume, because a lot of the more disagreeable things from the other motion have been taken out, that you have talked to the others, so I appreciate that.

Do you wish to speak to this, or is it something we just get to vote on right away?

Mr. Bachrach, did you want to speak to it?

(Motion agreed to)

The Chair: Mr. Bachrach.

• (1845)

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

I wonder if we might just have a brief conversation about which studies we intend to fully complete and table reports for. I can speak to the study we brought forward on rural postal service. I would very much like to see a report tabled in the House with recommendations.

I'm not sure, but it seems like some of the other studies are more open-ended and have continued for many months. I understand that this committee doesn't necessarily produce reports for every study,

so I'm just curious, because I would like to pick up the postal service study. You and I had a sidebar conversation about holding one more meeting. I think we've explored some of the different facets.

We're short of the number of hours of hearings that we had intended in the original motion. However, in my view, we could proceed then to a draft report, table it in the House of Commons and move on.

There aren't any other studies that I'm attached to following that process for, but perhaps there are other members who are attached. If we can identify two or three reports that, as a committee, we want to see tabled, let's do that and have a shared understanding that the other studies will remain open. Perhaps we'll be talking about McKinsey next March. Who knows?

The Chair: The intent was to have an hour with the PBO and a second hour to discuss the motion we had put forward regarding indigenous procurement.

Maybe, if it's fine with everyone, I will chat with the analyst, and we'll try to get a progress report on each of the studies to see if there is something we can push forward and finish quickly. I'm not sure there is. Why don't we get a progress report? We can chat about it on Monday.

Mr. Taylor Bachrach: That sounds good. Thank you, Mr. Chair.

The Chair: Colleagues, if there's nothing else, we'll adjourn.

Thanks, everyone.

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