The Empire Club, The Canadian Club, and
The Toronto Board of Trade Presents

THE HONOURABLE BILL MORNEAU

CANADA'S MINISTER OF FINANCE:

POST-BUDGET BREAKFAST BRIEFING

Welcome Address, by Mr. Kent Emerson, Associate Vice President at the Municipal Property Assessment Corporation and President of the Empire Club of Canada

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March 20, 2019

Good morning, ladies and gentlemen. From the Hilton Hotel in downtown Toronto, welcome, to today's event.

For those of you just joining us through either our webcast or our podcast, welcome, to the meeting. A quick program note. For questions today, we will be circulating question cards from the audience. You will find a few question cards on each table. Volunteers will come around to collect them towards the end of the sit-down portion of the event. The Minister will speak and then Jan will be doing an interview with the Minister. Today we present the Honourable Bill Morneau, Canada's Minister of Finance, on the day after the federal budget.

HEAD TABLE

Distinguished Guest Speaker:

The Honourable Bill Morneau, Canada's Minister of Finance

Guests:

Mr. Charles Brindamour, Chief Executive Officer, Intact Financial Group

Mr. Patrick Dalzell, Director, Government and Stakeholder Relations – Corporate Affairs, Bruce Power

Ms. Jan De Silva, President and Chief Executive Officer, Toronto Region Board of Trade

Mr. Andrew Graham, President, Canadian Club; Chief Executive Officer, Borrowell

Ms. Mona Malone, Deputy Head Human Resources and Chief Talent Officer, BMO Financial Group

Ms. Nancy McCain, Chair, Arts Access Fund

Mr. Tony Pampena, Tax Partner, Ernst & Young

Mr. Rob Vanderhooft, Chief Executive Officer and Chief Investment Officer, TD Greystone Managed Investments

Ms. Madeline Zito, Vice President, Public Relations, Great Gulf

It is not often that we have a joint meeting of the Empire Club of Canada, the Canadian Club and the Toronto Board of Trade. It is not the first time we have done this. It is only reserved for the most important events that have happened throughout history. The first event I could find where this had happened is Winston Churchill in 1930 and Diefenbaker in 1956. Clearly, Minister Morneau, you are amongst good company. This event, today, marks the fourth budget delivered in the House of Commons yesterday. It is not lost on anyone how extremely important this budget is because it is the budget before the upcoming election. As we know from yesterday's budget, Minister Morneau is focused on many important themes, such as women's entrepreneurship and workplace equity, future skills development, housing affordability and the role of science in the economy.

When you think of Minister Morneau's work prior to becoming a minister, whether at Morneau Sheppell, a firm he grew from 200 employees to 4,000—the largest firm of any kind in Canada—or his volunteer in charity work prior at Covenant House, at St. Michael's Hospital, the budget seems like a continuation of the path he embarked on many years ago, a journey to improve the lives of everyday Canadians. His is the Member of Parliament for Toronto Centre and an accomplished business leader. As Minister, he has played a key role in shaping government policy and initiatives, including the introduction of the Canada Child Benefit, tax cuts for the middle class and small businesses, and the negotiation of an enhanced Canada Pension Plan.

As I mentioned, between 1990 and 2015, he led a human resources firm, Morneau Shepell, through a period of transformational growth. As a community leader, he has worked to support the arts, help at-risk-youth, and improve access to health care and education. Over a period of 20 years, he has sat on many boards. Internationally, he founded a school for Somali and Sudanese girls in Kakuma Refugee Camp, a UN camp in northern Kenya. He has co-authored a book, The Real Retirement and previously served as pension investment advisor to the Ontario government.

He holds a BA from Western University. We should give a round of applause for Western University. He has an MSc from the London School of Economics. Any London School of Economics people here? There we go, down here.

Minister Morneau will be interviewed today by Jan De Silva. Jan is an experienced international business executive with a track record for excelling in on-the-ground leadership roles. As President of the Toronto Region Board of Trade, she is spearheading efforts to make Toronto one of the most competitive and sought-after business regions in the world.

Prior to joining the Board, Jan spent 14 years in leadership roles in Asia. She served as CEO of Sun Life Financial Hong Kong subsidiary and mainland China's joint venture. She co-founded and was CEO of Retail China Limited, which was acquired in 2010.

She later served as a Dean of Ivey Asia, leading the Hong Kong campus in Asia Operations of Ivey Business School of Western University. She has been named Canada's Top 100 Most Powerful Women, a "Woman of Our Time" by Hong Kong's South China Morning Post and made the Canadian Board of Diversity Council's inaugural Diversity 50 List.

I would now like to invite Canada's Minister of Finance, Bill Morneau, to the stage for some initial remarks, and then he will be joined by Jan later.

Thank you very much, ladies and gentlemen. Ladies and gentlemen: The Honourable Bill Morneau.

The Honourable Bill Morneau

Good morning. I would like to start by thanking you, Kent, for that voluminous introduction and for the shout from whoever went to Western. It is great to be here this morning. I would like to thank the Canadian Club, the Toronto Region Board of Trade and the Empire Club for hosting this breakfast this morning. It is great to see so many people coming out to hear about what the federal government is trying to do on behalf of all Canadians. I am looking forward to having a question and answer period after.

To the extent you have burning questions that you think will be able to be answered this morning and done in a way that has a little less noise than the House of Commons, I am delighted to answer those questions. It is my fourth budget as the Minister of Finance for Canada. What I can tell you is that if any of you were surprised by anything that we announced yesterday, I think you probably have not been watching us for the last four years.

We took a look at what was going on in Canada in 2015, and we came out to Canadians and said what we believed we needed to do in order to deal with stubbornly high unemployment, in order to deal with lower rates of growth than we should expect in a country as great as Canada. We said that we needed to make investments in middle-class Canadians; we needed to make investments to deal with people's worries about the future and ensure that people are able to do better, so that our economy can do better.

That was the starting point four years ago, and I think, as you will hear me talk today, you will see that continues to be what animates us as we think about how this country should move forward. To set the frame for the budget yesterday, I would like to step back and just identify the context.

All of you, I know, are watching what is going on around the world. We are seeing a raucous debate in the United Kingdom, with people questioning the benefits of immigration and the benefits of trade and tearing their country apart. We are seeing enormous challenges in France where the gilet jaunes are questioning the nature of their economic success and how that success goes to the broader population in that country. We are seeing a brand of divisive politics in the United States where people are increasingly finding it difficult to find common ground and talk to each other about what they think are the important things that the United States should be doing for the future. This is the backdrop that we find ourselves in. Unfortunately, this discussion is not getting at the root issues, the root challenges that we are seeing in our economy. I will tell you what I worry about.

I worry about that brand of populism and anxiety, but I really worry about issues that are facing everyday Canadians: high-household debt, the concern that the next generation will not be able to do as well as the generation that is doing well today, the worry that people will not be able to get into a house and that they will not be able to have the same sort of success as their parents or their grandparents might have had as this country grew.

That is the context for our budget. It is not really that much of a different context from what we saw in 2015 except for one important point. We are doing much better as a country, today, than we were just three-and-a-half years ago. If we think about the measures that we put in place early on in our mandate, the expansion of the Canada Child Benefit, the changes we put in place with the Canada Workers Benefit, we have seen some material changes in how Canadians are faring, just three-and-a-half years later.

We have created, together, 900,000 new jobs in this country. We have, just to put it in context, literally, the lowest unemployment rates that we have seen in my lifetime.

It is really a strong starting point for the next things that we want to do for our country. We have also taken real efforts to make sure that those people in our country that have not been doing well have the possibility of doing better.

One of the things I am proudest about over the last three-and-a-half years is the combination of the Canada Child Benefit, the Canada Workers Benefit—which gives people trying to get into work, the opportunity to earn more as they move from social assistance into work—and the increase in the Guaranteed Income Supplement. This means that in just three-and-a-half years, we have raised 825,000 Canadians out of poverty.

When you have a demographic challenge, when you realize you are facing issues that are enormously problematic because we have more people over the age of 65 than under the age of 15, getting more people actively at work, finding a way to raise people into the possibility of greater success for their family is critically important for them, and it is critically important for everybody in this room as well. That is the starting point of our budget, Budget 2019.

As much as I would like to think that the best unemployment numbers that we have seen in more than a generation and that the lowest poverty rates in a generation should mean that everyone in this room and across the country is no longer worrying about the future, it is just not the case. People are very anxious about what they are seeing.

The world around us is moving faster than it has ever moved before. We know that the pace of job change is, if anything, accelerating. The budget we put forth this year is trying to address that very real challenge.

One of the things that I think will have a lasting and important impact on how people pursue their careers, in this country, is something we introduced yesterday. It is called the Canada Training Benefit. What we realize people need to see is the possibility that they can get the skills and the training they need to be successful in their current jobs and to consider what their next step might be in their lives, but it is difficult. It is hard to take time off work. It is hard to support your family if you are not working. For many people, it is hard to actually find the money to have that training course.

What we have put in place is an approach that allows people every four years, four weeks off. It allows them to go on the EI system, so they can get 55% of the average wage while they are off. It allows them to get a $250 tax credit each year, $1,000 every four years, and up to $5,000 over a lifetime, to fund their training. What I think is going to happen is that people are going to seek to find ways that they can constantly improve themselves. We already have a great situation in terms of an educated work force in our country. We have among the highest rates of post-secondary education in the OECD, but we need to be ready for the changes that are coming at this, and we are trying to prepare Canadians to be ready.

We also look at our housing market. You will know, many of you in this room, that we have done an awful lot in housing over the last three-and-a-half years. One of the first things I did as your Finance Minister was put in place some rules that did make it a little bit more difficult to get mortgages, because we saw that there was an increase in prices that was unsustainable. Those efforts have, in fact, stabilized our market, especially in places like Toronto and Vancouver. We have also put in place approaches to ensure that we have increased housing supply, especially, in affordable housing.

Even with all that, we know that there is a real challenge for people, middle-class Canadians to get into their first home. We had to look at how we could do this in a way that did not actually cause challenges with market stability.

We have come up with a First-Time Home Buyer Incentive. That means that, for families that cannot quite get into that first job, they are going to get a shared equity mortgage with the Canada Mortgage and Housing Corporation, meaning that, if they do that—and it is up to 10% of the value of the home, up to $480,000—they will be able to pass off some of those mortgage costs to the CMHC, lowering their monthly mortgage costs.

What do we aspire to here? We have about 100,000 Canadians each year that are first-time home buyers. We think that this measure might increase the number of people who are able to get into a first-time home buyer position by as much as 40%, that is, taking it from 100,000 families that can get into that first home to maybe up to 140,000 families on an annual basis. That is a significant and important benefit for people who want to see that they actually have the possibility for that dream for them and their families.

We did not stop there. There are other things that we have moved forward on, things that are in a continuum of what we have worked on over the last number of years. We have recognized that helping students to be optimistic is critically important. Having the possibility of a home and having the training benefit down the road are important. Many students are burdened with high debt loads, so we took a look at the amount that we were charging, as a federal government, for debt for student loans, and we realized that we could lower that to the prime lending rate.

That means that students—and there are about 1 million people in this country that have that debt—will pay, on average, $2,000 less in those debt charges over the course of their life. Two hundred thousand more people each year come out of those institutions with that debt. We are going to give them more optimistic futures that they can face up to the challenges that they will have in their working careers.

We have looked at seniors, and we have said we have made a lot of progress with seniors, but we want seniors, if they are going to work, to be able to continue to be able to put more money back in their pockets, so we gave them a higher earnings exemption, so, as they are on OAS and GIS, they can still actually do some work, if they choose, and keep more of that money for themselves.

Importantly, we looked around the country, and we realized that in a place like Toronto, everyone is part of the new digital economy. That is not the case around our country.

We know that in rural communities and places that are in the farthest reaches of our country, many people still do not have access to high-speed Internet, let alone actually have high-speed Internet. We put in place a plan, a plan that is working together with business to increase the amount of funding we put into high-speed Internet. It is going to make a difference in the short term. The Accelerated Investment Incentive we put in the Fall Economic Statement means that private sector actors like Bell, TELUS, Rogers and others are actually going to put more money into high-speed Internet in rural areas. On top of that, we are going to use the Canada Infrastructure Bank to crowd in more private sector money so that everyone across our country can have access to high-speed Internet by 2030. This is an important measure that will mean that Canada will be at the forefront of the world as we face up to the reality of a digital economy.

I know because I am in front of a business audience that some of you are asking How are we going to pay for all of this? I think that is an important question. We, as you know, back in 2015, said that we thought the first and most important thing was to make sure that we invested in middle-class Canadians. Those investments have made a really big difference in terms of our economic outcomes.

I mentioned the excellent job report, but we also had really significant growth in 2017. We think that we will continue to be at the forefront of G7 growth in the years to come. What we do know is that we also were blessed with a very strong balance sheet. Our debt, as a function of the overall economy, is the lowest among G7 countries.

We have been able to reduce it each and every year we have been in office. You will see in my fiscal track that was announced yesterday that we have committed to continuing to reduce that debt as a function of our economy over time, so that we can be resilient in the face of any challenges we might face in the economy in the future. We also have a commitment to reduce the deficit as a function of our economy as we have done each and every year. Essentially, the debate is should we have a measured and appropriate way of reducing our debt and reducing our deficit over time, or should we take an approach favoured, I will admit, by some people who sit across from me, in a very loud way in the House of Commons, and do it really rapidly to get rid of the debt or the deficit in a really fast pace, so that we actually cause ourselves to be in a more difficult economic position by doing that more rapidly than we should do for an economy that is performing as well as Canada? You have seen our decision. Our decision is to invest in Canadians, to invest in middle-class Canadians, to give them the skills that they need, to give them the optimism for the future, and that confidence, we know, is going to allow us to continue on the great success story that is Canada. Thank you very much for being here this morning. If you have any really softball questions, I am happy to answer them. Thanks very much.

In Conversation with Mr. Jan De Silva

JD: Good morning, Minister. Great to have you here.

I want to echo what Kent said. It is just a pleasure to be working with Andrew and Kent and our three organizations. We share many of the same members, so it makes a lot of sense to just bring us all together in the same room. I am amazed. I have got notes, and you did not have a single note. This is very near and dear and close to the work that you have been doing.

BM: It is worse for me than that. Jan was sitting beside my wife, so she took notes.

JD: I have got lots of notes, lots and lots of notes.

For us, as a business community, the budget that has been put forward is very much thinking about needs of Canada, as a whole. Because we are here in Toronto, and we have a business audience, we would like to do a little bit more of a deep dive to make sure we are understanding how this becomes a platform for business growth and job creation. Let me start by saying we have got so much momentum in Toronto right now, because of the last five, ten years of an amazing innovation sector. The businesses that Andrew has built, and others have built—I know Mayor Vrbanovic from Kitchener is in the room and is part of the amazing Innovation Corridor, so elements of this budget really resonated for our innovators. The availability of SR&ED credits coming towards them, the treatment of some of the stock options about not hindering what is happening in that innovation space and the global talent are all critical enablers. Thanks so much for that.

A big part of the budget was also about the anxiety that is facing middle-class Canada. We really feel that as well. As our businesses are trying to figure out how they move into new disruptive technologies, what does that mean for jobs of the future? That is, again, really strong placement. Really, we applaud that kind of thinking. I would like to just recognize that thinking from the Minister. A round of applause for those elements, in particular.

With that, I wanted to do a little bit more deep diving to understand or double-click through some of the points that you have raised. As you did indicate, for businesses, professionals, students, there is concern about how we keep our skills relevant. You outlined at a high level some of the plans that are in place, but how do you see that moving forward in terms of making sure people are getting access to the right skills at the right time?

BM: This is central to what we have talked about in our budget. I have identified a few things that we have put forth, obviously, the Canada Training Benefit being the most significant. Let me step back and think about people at earlier stages of their lives. We have said to ourselves that we need to make sure that, at a young age, people have access to the kind of skills opportunities that they need. We put funding in for things like coding as people go through elementary and secondary school. With respect to university, I talked about the reduction in the debt charges that people have, but I did not talk about a couple of other things that we have done. We have put in place a strategy around encouraging young people that find that this is the opportunity that they seek, to consider apprenticeships.

We have put in place significant funding around encouraging people to get into apprenticeships. I know there are some people here from LiUNA who came to me talking about the need for more people in the skilled trades in a place like Toronto.

One of the things that we have done that many people in this room will recognize as critically important is we have said that we want to work together with the business sector to think about how every student in this country, as they are going through post-secondary education, can have the opportunity for a co-op or work-integrated learning. The Business/Higher Education Roundtable and the work that David McKay from Royal Bank of Canada and Anne Sado from George Brown and now Meric Gertler from the University of Toronto have put forward the suggestion that we can actually get to a work-integrated learning opportunity for every single Canadian that wants it, if we put in the right amount of funding.

With what we put in, we think that we will get 84,000 new spots for co-ops and work-integrated learning from here to 2022, 2023, and that means that we think the demand is about 150,000 spots.

We will actually be able to entirely fill that demand. That is a really important building block as people prepare themselves to get into the workforce. Of course, what we have done is we have said that once you are in the workforce, the idea that you can have that Canada Training Benefit for the refreshment of your skills is critically important. All of us in this room know that the lifecycle for the skills that we have, the new technologies, is not as long as it used to be. That is going to help people to remain capable of addressing those challenges.

JD: Yes, which is great. I really appreciate the folks as well on highly skilled trades. I know LiUNA, as you mentioned, are in the room. With some of the infrastructure funding that we have been advocating for and which your government has been very forthcoming in terms of trying to bring into our communities to correct housing and transit supply, we have got a huge shortage of folks coming through the trades, so our ability to work alongside your programs and make sure that there are stronger pathways for kids to get into those programs, I think, will serve us well. I think just in the Toronto region, about 146,000 jobs are being created over the next decade by the infrastructure funding that has been committed here; 127,000 of those are new jobs, so it really is incumbent on us to help move folks into those opportunities. Deloitte and the Business Council of Canada recently released a scorecard measuring our global competitiveness. It showed that 55% of our leaders are very concerned about the competitiveness of our business environment, citing taxation and regulation as among the biggest barriers.

What measures do you anticipate on regulations?

You refer to that in the budget. What do you see happening in that regard?

BM: Of course, we hear this, and we are listening to this issue. Those are two separate issues, obviously, taxation and regulation. On the taxation front, we moved forward, as I mentioned, with the ability to accelerate capital costs depreciation in our Fall Economic Statement. That was an important measure that allows people to invest quickly, to create jobs. It also ensures that we are more than competitive with the United States.

On the next investment for a Canadian company, there is about a 5% advantage for that next investment in Canada versus the United States. Our actual tax rates are in a competitive zone. We are at about 27%. The United States is at about 26% in terms of federal and either provincial or state, depending on the country. Of course, in the small business sector, we are very competitive. We are much lower. Our small business tax rates are lower than any other country in the G7, including the United States.

From a regulatory standpoint, though, there is absolutely more to do. The biggest thing I hear is that, as I go around the country, the regulatory front is obviously getting big projects built. There is a big and legitimate concern that we, for example with pipelines, cannot get a pipeline built to get our resources to international markets. You know that we took an historic decision around the Trans Mountain Pipeline to purchase that pipeline. We are going through that process right now and going through the consultations. We want to get this done, but we need to get it done right way, so that we actually have a demonstrated approach to getting a project like that done. In the budget, specifically, we addressed some regulatory areas. We addressed the agricultural sector; we addressed the health sector; and we addressed the transportation sector where we know that those are the places where business leaders have said that these are big places where there are challenges. We have put funding in so that we can actually try and get at those challenges. We are working with business to identify the specific regulatory barriers.

We always have to think about health and safety, of course, but we do not want to have regulations that do not make sense. I think there was some applause for what we did in the Fall Economic Statement, and now I think people are going to watch carefully to make sure we deliver. I will tell you that our intent is to deliver.

JD: I know we have had an opportunity to meet with you. We are part of the eight large cities in Canada.

The boards of trade are working together through the Canadian Global Cities Council. One of the things we have also been trying to advocate, in Ottawa but also across the provinces is just harmonizing interprovincial regulations. That is also a huge pain point for helping our business scale up here as well. I know that is not in scope.

BM: No, we should all acknowledge this is a tough challenge. Canada is a great country. We are fortunate to live here. There are some things that are challenges.

Interprovincial barriers are challenges. We all have to work together to get things done. In the transportation sector, for example, it is not sensible that there are different trucking regulations as you go from one province to the other, but there are important things that have developed over time that we need to break down. I would ask everybody in this room, in your day-to-day life and your business life to be an advocate for breaking down barriers that do not make sense.

That is the most problematic issue for us: getting those barriers broken down.

JD: We are here to help with that for sure. You are a downtown Toronto MP, and we are with a downtown business audience. This is one of the most successful job creation centres in the country with the momentum that we presently have, but, with this success, it has come at a price. Housing has been really a struggle.

Our young professionals, in particular, fresh university grads. I met an amazing student who is just graduating out of Ivey Business School, and he is going to be working at Bain. He can afford $1,000 a month to pay for an apartment in Toronto, but he cannot find anything as he is trying to get into the workforce, so I know there is a huge focus with this sharing equity incentive, but what other advice would you have or what other thoughts would you have for some of our young professionals that are just struggling to get into the housing market in a starting point, even in the rental side of things?

BM: I think lots of people in this room are parents, and they recognize how big this challenge is for the next generation. The things that we can do, as a federal government, we are working on. We have put in place significant funding for more rental construction across the country. In this budget, if you take a look at it, we put in place additional funding, a $10 billion additional funding amount for rental construction financing across our country. We see that as critically important for dealing with supply. I know there is at least one mayor here—we put in place a housing supply challenge for municipalities, a $300 million amount, and municipalities are going to come to us and give us ideas on how they can expand supply, because, really, the issue in a city like Toronto is very much about supply. That is what we are trying to do to encourage more actual building. Obviously, in a place like Toronto, it will come with debates about density.

Those are going to make that a challenge, for sure.

We will continue to be on this. We will continue to think about supply, even this idea, this shared equity mortgage that we put in place. What it means is people can put 5% or 10% of their house value with the CMHC, but it is only 5% if it is for a house that already exists. It is 10% if it is new supply—again, creating an incentive towards new supply. I think we need to keep encouraging people at the municipal level, at the provincial level, to think about supply. That is what I will be doing from my position.

JD: We looked very carefully. I think there are some good opportunities. If you look at the average condo price, some of the programming that has been put in place with the CMHC program will make sense, but it is likely going to make sense outside of Toronto, which kind of connects to the next question.

Transit continues to be a huge need that we have throughout the Toronto-Waterloo corridor—two-way, all day GO and other types of ways of moving people across this economic zone. Your government has done an amazing job of saying we are going to make infrastructure funding available. The prime minister was at our gala dinner in February. We were having a fireside chat about how the dollars have not flowed as quickly as we had hoped. I asked him what his thoughts were.

He said stay tuned for the budget. With the budget, could you tell me how are we going to help move these infrastructure dollars into market, into construction, into solving some of the transit gaps that we have got?

BM: I just have a huge sense of relief. Thank goodness I followed what I was supposed to do. Again, for those of you who have not spent as much time on our budget as I have, let me give you the detail of one of the things that we did yesterday. We have had some challenges in getting the commitment of infrastructure funding out in our country. We made a really significant commitment in 2015 that we would take what was then a $90-billion commitment over ten years and make a $180-billion commitment to infrastructure over ten years and also try to crowd in private sector money through the Canada Infrastructure Bank. These are big commitments underpinning the need for us to have better infrastructure not only in our cities but across the country. That has been proceeding at pace. This year, we have spent about $13.9 billion that is, this year; it is the fiscal year, so up until the end of March 31st, we spent that on infrastructure. It is not meeting up to everything that we wanted to get done. That means that in places like Ontario, Saskatchewan, Manitoba and New Brunswick, we have not been able to get the provinces fully on board with all the things we want to do. Yesterday, we announced that we are putting an additional \$2.2 billion into a municipal infrastructure top up that is going out to municipalities across the country. It is in a frame that has been used before, the gas tax. It has got a formula. In Toronto, for example, and I spoke to John Tory the evening before the budget, to tell him that that works out to about \$150 million or so, a little more than that, I think, going to Toronto, as an example. I do not know the number for other cities off the top of my head, but the point is it is going to make a material impact on cities' abilities to get at infrastructure projects that they want to get at and do it in a fashion that means we are moving forward quickly. We think it is the right thing for the long term. We also think it is the right thing for our economy at this moment in time.

JD: Perfect. One last question from me before I take some of the questions that have come in from the audience.

In your opening remarks, you were talking about just the global backdrop that we face right now and some of the challenges that are happening in other major markets. One thing that we wanted to reflect on is our three largest trading partners, the U.S., China, and the UK. We are facing a lot of headwinds with each of those relationships right now. How did that influence some of the forecasting that you did and how did that influence some of the choices that were made around this budget?

BM: In terms of the forecast, I see Craig Wright here, from RBC; we do not actually use our forecasts. As a continuing approach, the federal government uses private sector economists' forecast. We use a large number of private sector economists in order to come up with what we think the economic indicators are going to be. I am presuming that Craig, in his forecasts—and Craig, you can tell me whether or not you did this—considered the impact of global trade on his forecasts. That is the way it is supposed to work. What is clearly the case is that these are real issues, that the current issue between the U.S. and China is challenging.

I know they are working as well as they can to try and get to a better spot. I am in pretty regular touch with Steven Mnuchin, the Treasury Secretary, who informs me that those discussions are going reasonably well, albeit challenging. I am looking forward, hopefully, to a resolution to some of those tariff barriers that we are seeing causing global impediments.

With respect to the UK, we will continue to trade with the UK on a favoured basis. We are preparing for whatever eventuality comes out of the Brexit discussion. I am sure that we will continue to have a strong tie, based on our historic relationship. With the United States directly, the USMCA, or the new NAFTA, is proceeding along the ratification process. We are in discussions about the steel and aluminum tariffs.

I am cautiously optimistic we will get to a solution there. We are certainly not there yet, but we are having discussions that are proving to be fruitful. It is a challenging time.

There is no doubt about the fact that the anxiety facing people in major industrialized countries is resulting in politics being fraught with more challenges, and that immigration looks different in different countries. Some people are—if they do not have a job—worried that people coming to their country will take their jobs. We have got the great, good fortune in Canada that we do not have that to nearly the same degree. Our immigration system is working well. New immigrants are doing very well in this country. I think, broadly, we embrace immigration. Those same factors around immigration are also impacting people's views around trade, and we just need to keep working at developing these relationships, which we have done to get us through this difficult time.

JD: I would say the other thing we are focusing on even closer to home is what we can be doing about interprovincial trade because the ability for businesses in Canada to scale up in Canada, I think, is also a critical opportunity that we are just not missing. We have had some discussions with Minister LeBlanc and will continue to advocate at a provincial level for that, but that, to me, is another big opportunity for us.

Questions & Answers

JD: Questions from the audience. Let me just pick. This is with respect to high-speed Internet in underserved and rural areas. Can you elaborate on the incentives that will be put in place to encourage more private sector participation in this regard? That is about high-speed Internet in underserved and rural areas.

BM: The way we have attacked this problem is we recognized that the economics for high-speed Internet in different parts of the country are different. The first thing we did is we put in place the Accelerated Investment Incentive. That gives the business sector ability to invest more and more rapidly. We expect to see about $1 billion of additional investment in high-speed Internet from the key providers. Obviously, those are going to be in places where the economics, for them, are strong. Then, behind that, we expect that the ability for the Canada Infrastructure Bank to put in place some funding and to crowd in private sector funding will be at the slightly less economic part, because the Canada Infrastructure Bank can have some, what they call concessional capital, so their returned expectations are not the same as the major telcos. We have got about $1 billion on their first tranche, and they have got the second tranche with about $1 billion from the Infrastructure Bank, plus, we hope, about another couple of billion dollars crowded in from the private sector. Here, we are at the \$3–\$4 billion investment level. Then, we expect that the CRTC has about \$750 million that can also be invested. Then, underneath that we have got government funding of about \$1.7 billion in those very hard-to-reach, last-mile places. That includes an expectation that we will be able to use a new technology called Low Earth Orbit technology to make investments. There is a company called Telesat, for example, that is a world leader in this area where we might actually be able to get a less expensive way to get high-speed Internet to really hard-to-reach places. It is a comprehensive plan using the private sector and public sector funding to get at an issue which we think is really important for every Canadian.

JD: Absolutely agree. Your budget put significant focus in an investment on reducing carbon emissions, especially in cities. Thank you. What do you need from us and what is in it for us? A question from the audience.

BM: Let me start by saying—and I know there is certainly a lot of discussion about this: We see that putting a price on pollution is the only responsible way for us to move forward. I know there are provinces out there that are questioning whether that is an approach that makes sense, but we think that the idea that we can create the incentive towards new technologies that actually reduce our carbon footprint by putting a price on pollution is eminently sensible. It is an idea that has come out over years, mainly heralded by right of centre political parties for most of its iteration. We are going to take the step of taking every single dollar that comes to the federal government, if we are the backstop for this, and putting it back to people. All of you are going to be doing your taxes soon. Sorry, that is part of the deal.

I love it when I go through Porter Airport. There is a sign there, and it says "You are retiring, but the tax man has not." And she always says, " That is you." The point is, in your tax return this year, what you are going to get is you are going to get that money back in advance.

You are going to get, in Ontario, for a family—it is going to be about $307. That is equivalent to, for at least eight out of ten Ontarians, what that price on pollution will actually result in. You will have a decision to make.

You will have a decision to make with what you will do with that $307. Do you keep doing what you are doing now, or do you do some sort of home retrofit, so you actually spend less on home heating? That will be each and every person's decision. The economic argument is that the collectivity, all of our decisions, together, will actually get us to a better place. That is what we are trying to achieve. It is not a novel idea in the world.

It is certainly the case that this is going to help us with climate change, of course, but it is even going to help us with things like getting pipelines built.

I can tell you that with respect to getting pipelines to go to the United States right now, one of the impediments is that the states that have to approve these pipelines going through their states are actually looking at our approach to climate change and asking whether we are actually meeting up to their expectations. This is a real issue. We need to get on it. We are just going to stay with it, and we hope that the people in this room, people across the country will support our efforts to be a responsible country in the face of what is really devastating climate change around the world.

JD: Certainly, you see the global movement. I think it was a 14-year-old that started it now, by just trying to raise awareness on it is their future. This is all the time I have got with you now. Nancy, thanks for the tips.

I could not work them into the discussion, but maybe another time. On behalf of the business community, I want to thank you so much for coming, for sharing.

You are clearly deeply into this. Not a single note in front of you. I just want to recall, I think it was four years ago, in this very room, when you were newly elected our new Finance Minister. You were talking about the transition into the role and the amazing bureaucrats that you were working with and all the big binders that they were pushing across the table at you.

Clearly, you have got those memorized and down pat. I think there are a lot of things that are really good news for the business community, for Toronto and for our middle class here, in the region. Thank you very much for all of the time that you have put into this and all of the effort that you are putting in across the country on our behalf. A round of applause for our Finance Minister Morneau.

BM: Thank you.

Concluding Remarks, by Mr. Andrew Graham, President, Canadian Club of Toronto

You can stay here. This will not take too long. First of all, my name is Andrew Graham. I am the President of the Canadian Club of Toronto, and I am very pleased that we were able to host you, Minister, today, in an environment that was probably less noisy, at least, than what you have had in the House of Commons. On behalf of the Canadian Club, the Empire Club, and the Toronto Region Board of Trade, I am really pleased that you chose to come here to our podium to share news of the budget so soon after you delivered it. I think two things struck me about your remarks. First of all, your clear passion for the issues.

I think you have got a really great grasp, and you clearly care a lot about what the environment is globally and what the environment is in Canada for families and individuals here. There is certainly lots in this budget for many different Canadians to think about and appreciate. I think, second of all—it has been mentioned before—is just that you have such a strong grasp of the budget and the issues that you have been speaking without notes really impressive.

I sometimes speak without notes. I was going to say there is an easy way to speak without notes. It is just to get all the numbers wrong. That is the approach that I take, but it is very impressive to see just the grasp you have.

Thank you very much for that. Jan, thank you, as well, for leading such a thoughtful conversation with the Minister. Really great to get the perspective that you brought about the region here, of course, and also issues nationally.

Thank you very much to you both. Just before we close, I just want to mention that we, as nonprofit organizations, the Canadian Club, the Empire Club and the Toronto Region Board of Trade, count on our sponsors and partners to help us further our missions, and each contributes to making the city and the country stronger. Thank you very much to our sponsors, again: BMO, Bruce Power, EY, Freeman, Intact and LiUNA. Thank you very much.

Finally, a big thank you to the Hilton Hotel staff, mediaevents.ca, Canada's online event space, and VVC for livestreaming today's event. ***Merci a***nd thank you. We hope to see you all again soon.

Have a good day.