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Chair

Mr. James Rajotte

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• (0845)

[English]

The Chair (Mr. James Rajotte (Edmonton—Leduc, CPC)): I call this meeting to order. This is meeting number 121 of the Standing Committee on Finance.

Our orders of the day, pursuant to the order of reference of Tuesday May 7, 2013, is to begin our study of Bill C-60, An Act to implement certain provisions of the budget tabled in Parliament on March 21, 2013 and other measures.

We have a full meeting with officials today.

The way I'm suggesting we proceed is that we do it by part. We'll ask the officials to give a very brief overview, for instance, of part 1, and then we will deal with all questions from part 1, and then we'll move to part 2, part 3, and part 4.

We do have a full meeting, and I'm sure members have a lot of questions.

Welcome back to the committee to all of you.

Mr. Cook, if you could give a brief overview of part 1, then we'll have questions from members.

Mr. Ted Cook (Senior Legislative Chief, Tax Legislation Division, Tax Policy Branch, Department of Finance): Thank you, Mr. Chair, members of the committee.

I'm here today with Sandra Phillips, the associate assistant deputy attorney general of the tax law services of the Department of Justice; Sean Keenan, director of the personal income tax division of the Department of Finance; and Geoff Trueman, who is director of the business income tax division of the Department of Finance.

To give you a brief overview, I'll go through the measures as set out in the summary, and then we can turn to the committee's specific questions.

Part 1 contains a number of measures that were announced in budget 2013. The first relates to the adoption expense tax credit. Specifically, certain expenses are eligible for the adoption expense tax credit if they are incurred during what's known as the adoption period. What this measure does is to extend the adoption period by allowing it to start at the earlier of the time that an application to register with a provincial ministry responsible for adoption is made, or with an adoption agency licensed by a provincial government, and the time at which an application for adoption is made to a Canadian court.

The second measure relates to the first-time donor super credit. This measure provides for an additional 25% tax credit for a first-time donor on monetary gifts of up to \$1,000 in donations. A first-time donor is defined in the legislation as a person who has not made a donation since 2007, and this credit is available on a one-time basis for taxation years 2013 to 2017. The credit can be split between an individual and a spouse.

The next measure relates to the deductibility of expenses for safety deposit boxes. This measure provides that expenses for the use of a safety deposit box of a financial institution will no longer be deductible. This applies to taxation years that begin after March 20, 2013.

The next measure relates to the dividend tax credit. In order to ensure better integration of dividends other than eligible dividends received by an individual, this measure adjusts the gross-up factor and dividend tax credit associated with dividends.

The next measure relates to taxes in dispute and charitable donation tax shelters. This measure allows the Canada Revenue Agency to take collection action on up to 50% of the taxes, interest, and penalties in dispute in respect of a tax shelter that involves a charitable donation. That's in respect of the donor and the donation tax shelter.

The next measure relates to the mineral exploration tax credit for flow-through share investors. This measure extends that credit for one additional year, and it's applicable to flow-through share agreements entered into before April 2014.

The next measure relates to manufacturing and processing machinery and equipment. It provides that the 50% straight-line capital cost allowance rate currently available to machinery and equipment on a temporary basis be extended for an additional two years. It will apply in respect of equipment and machinery acquired in 2014 and 2015.

The next measure relates to reserves for future services and provides that the reserve currently available under paragraph 20(1)(m) of the Income Tax Act in respect of future services and goods to be provided is not available in the context of reclamation obligations.

The next measure relates to credit unions and would provide a phase-out of the additional deduction, allowing credit unions to access the small business tax rate on amounts that would not be eligible for the small business rate. This measure will be phased out over the current year to 2016.

●(0850)

The next measure relates to information requirements regarding unnamed persons. Currently, in order to obtain a judicial authorization to require a third party to provide information in respect of an unnamed person, the CRA must apply to a court for judicial authorization using an *ex parte* application. That is an application without notice to the third party. What this measure would do is actually streamline the measure by requiring the CRA to provide notice to the third party. This would allow the third party to participate in the actual judicial application and obviate the need for potential judicial review after the application has been heard.

The next measure relates to international banking centres. In recognition of the fact that the international banking centre rules haven't been used by any financial institution since 2007, what this measure would do is repeal the international banking centre rules in section 33.1 of the Income Tax Act.

There are additional measures contained in part 1. The first relates to caseload management for the Tax Court of Canada. This measure would do three things. It would update the monetary limits for access to informal appeals. In the case of income tax appeals, it would change the informal appeal limit from amounts of tax of \$12,000 to \$25,000. In respect of losses of a taxpayer, it would change the informal appeal threshold from \$24,000 to \$50,000. It would introduce an informal procedure appeal limit in respect of GST/HST appeals of \$50,000.

As well, it would allow the Tax Court to separate issues. Currently, the Tax Court must deal with all issues at once relating to a particular taxation year of a taxpayer. What this measure would do is allow taxpayers and CRA to agree to deal with some issues separately. Perhaps if there's a question of law that could advance more quickly, that could be dealt with in one decision, and then the questions of fact could take their normal course without holding up the question of law issue. As well, on application, it would allow the Tax Court to hear appeals affecting groups of two or more taxpayers that arise out of substantially similar transactions and provide that the results of any applicable decision would be binding on all the taxpayers involved.

The bill also provides a measure to streamline the provision of relief for Canadian Forces members and police officers deployed on international operational missions. Currently, for missions that are assessed at risk level 2, in order to receive the tax relief available under the Income Tax Act, the mission must be prescribed by regulation. What the new measure would do is allow the Minister of Finance, on recommendation of the Minister of National Defence or the Minister of Public Safety, to designate the mission, and that designation would implement the tax relief for the members involved.

Part 1 also contains a technical amendment with respect to registered disability savings plans. In order to clarify the application of a measure that was introduced in budget 2012, allowing qualifying family members to open an RDSP for a beneficiary whose contractual competence is in question, this measure would simply ensure it is clear that the qualifying family member who opens the RDSP can continue to hold that RDSP on behalf of the beneficiary.

●(0855)

The final measure contained in part 1 of the bill relates to Canadian-source income for non-resident pilots. In a recent Tax Court of Canada case, *Price v. The Queen*, the Tax Court indicated how complex it was to determine the Canadian-source income of non-resident pilots. In order to deal with this issue, we have introduced a simplified determination of income for non-resident pilots. If a flight takes off and lands in Canada, the income associated with that flight will be Canadian-source income. If the flight takes off or lands in Canada and the other end of the flight is outside Canada, it will be 50% Canadian income. If a flight takes off outside Canada and lands outside Canada, there will be no Canadian-source income.

Those are the measures that are contained in part 1.

The Chair: Thank you very much for your overview, Mr. Cook. We appreciate that.

Colleagues, we will have any questions related to part 1 of Bill C-60.

I'll proceed in the usual fashion.

We'll start with Ms. Nash, please.

Ms. Peggy Nash (Parkdale—High Park, NDP): Thank you, Mr. Chair.

Welcome again, Mr. Cook and the other officials. We appreciate you being here. Thank you for the earlier briefing that we received on Bill C-60.

I'd like to focus my time on the subject of credit unions and the tax changes for credit unions.

Many Canadians have experience with credit unions and other forms of cooperatives. They play an important role in investing in their communities, which distinguishes them from banks, because they have a social mission as part of their makeup. They're also generally much smaller than banks. Vancity, which is the largest credit union, is some 16 times smaller than the smallest of the major banks.

My question is around the purpose of these tax changes. It says that the goal is to create a level playing field with the private sector. Do you really think that credit unions are playing on an even playing field, or ought to play on an even playing field, with the large financial institutions?

Mr. Ted Cook: Perhaps I'll make some introductory comments, and then Mr. Trueman can talk a little bit more.

What this measure deals with is an additional deduction in excess of the small business deduction, which is available to Canadian-controlled private corporations.

The small business deduction is available on the first \$500,000 of income for corporations whose taxable income is less than \$10 million, and then it's phased out as taxable income increases up to \$15 million.

Over time, when the additional deduction was first introduced, the structure of the small business deduction back in the 1970s was significantly different, and the limit on the small business deduction was actually based on cumulative taxable income. The policy concern that was being addressed in the 1970s, when the additional deduction was first introduced, was that because of the statutory requirements on credit unions that applied, it would prevent credit unions from replenishing their ability to access the small business deduction in a way that other corporations could do.

The small business deduction structure has changed significantly since the 1970s, so the same technical policy reason for the additional deduction is not the same. Now the ability to access the small business deduction is based on taxable capital as opposed to cumulative taxable income.

That's just some background on how the additional deduction came about.

I think I'll just pass it to Mr. Trueman. He can speak more specifically to your policy question.

• (0900)

Ms. Peggy Nash: I'm running out of time, so perhaps you could be very brief. I only have a couple of minutes.

Mr. Geoff Trueman (Director, Business Income Tax Division, Tax Policy Branch, Department of Finance): Sure.

I think the basic idea in phasing out the additional deduction is to put credit unions and caisses populaires on a level playing field, a level tax playing field, with other corporations.

Ms. Peggy Nash: With other banks?

Mr. Geoff Trueman: With other businesses; there's no other area where the small business deduction is allowed extended access for a particular group of business. So really, it puts the small business deduction consistently available to all businesses in Canada.

Ms. Peggy Nash: But these organizations also have a social engagement that most other businesses, including most other small businesses in the private sector, don't have.

They have certainly, in my meetings with credit unions, expressed great concern, not only about the impact of this measure but also about the lack of consultation.

Can you describe what kind of consultation with the credit union sector went into this change, prior to it being announced?

The Chair: Just give us a brief response, please.

Mr. Geoff Trueman: I would make the point that credit unions and caisses populaires offer a broad range of financial services. They compete in that market, and that's the reason for levelling the tax playing field. This measure was not discussed ahead of time with the credit union sector.

Ms. Peggy Nash: That's what we've heard them say. We've heard them say there was no consultation.

Mr. Geoff Trueman: That's correct.

The Chair: Okay, thank you.

Thank you, Ms. Nash.

Ms. McLeod.

Mrs. Cathy McLeod (Kamloops—Thompson—Cariboo, CPC): Thank you, Mr. Chair, and I also would like to thank the officials.

I'm going to start by asking for some clarification around the dividend tax credit. I understand this is a very technical change. It was to correct an inconsistency in the tax system that we reduced the rate to 11%. Can you confirm that this will simply, for tax purposes, treat small business owners who use dividends to take money out of their company the same as those who do it through salaries or bonuses?

Mr. Sean Keenan (Director, Personal Income Tax Division, Tax Policy Branch, Department of Finance): Dividends are essentially paid out of after-tax corporate earnings and taxed as part of an individual's personal income. The dividend tax credit mechanism ensures that income is not taxed twice, once at the corporate level and once at the personal level. The gross-up factor and the dividend tax credit rate are set such that the overall amount of tax that's paid on the dividends would be equivalent to the same tax rate that would apply if the individual earned the income as labour income. So essentially there's more neutrality in deciding whether to take the income out of dividends or as labour income.

Mrs. Cathy McLeod: Would it be fair to say that it became just a little out of balance with the original purpose when we lowered the business tax rate?

• (0905)

Mr. Sean Keenan: It would be fair to say that the gross-up factor and the dividend tax credit mechanism no longer reflected the federal or average provincial rate that applied to non-eligible dividends.

Mrs. Cathy McLeod: Like the federal government, many provinces and territories have made efforts to integrate corporate and personal taxes. Can you outline the provinces that since 2008 have changed their DTC rate, similar to what has been proposed in Bill C-60, to correspond with the reductions in their provincial and small business tax rate? I understand the provinces have done the same thing, because the intention is to create that balanced playing field.

Mr. Sean Keenan: I don't have all of the details with me today. But I do know that when the enhanced dividend tax credit was introduced in 2008 and then adjusted for the reductions in the small business rate, a number of provinces, including Ontario, Manitoba, Saskatchewan, Alberta, British Columbia, and Prince Edward Island, made adjustments to their provincial DTC rates to reflect changes in provincial corporate income rates and changes in the small business rate. Since the federal budget was introduced in March, some of the provinces that have had their budgets have made changes to their dividend tax credit rate to reflect the fact that the system needed to maintain a certain level of integration.

Mrs. Cathy McLeod: On page 121 of the 2013 budget there is a chart outlining the impact of all tax measures since 2006 that have provided tax relief to small businesses. It's very impressive as part of the overall picture. In the context of the DTC modifications in Bill C-60, can you tell us what type of overall tax relief since 2006 the small Canadian-controlled private corporation is benefiting from?

Mr. Geoff Trueman: You're absolutely right. Significant reductions have been put in place. The small business tax rate has been lowered to 11%, and at the same time the amount of income eligible for that preferred lower rate has been increased to \$500,000. In the budget, you'll note that it refers to a figure of \$10.4 billion in tax relief over the fiscal framework and \$2 billion annually as a result of those measures.

Mrs. Cathy McLeod: Thank you.

The Chair: Thank you, Ms. McLeod.

Mr. Hsu, please, for your round.

Mr. Ted Hsu (Kingston and the Islands, Lib.): Thank you very much.

I have a number of questions with quick answers. I understand you've received the questions we sent you beforehand, so I'll just go very quickly.

First of all, on the tax changes for safety deposit boxes, can you tell me how many Canadians are expected to be directly affected by this tax change?

Mr. Ted Cook: With respect to that, I can't respond directly to the number of Canadians. I can explain our analysis and the general impact.

The safety deposit boxes are not recorded on the T1. How much is paid by Canadians for safety deposit boxes is buried in investment and carrying charges.

In terms of the number of Canadians involved, we do know that the market for safety deposit boxes is roughly \$200 million per year. We understand that it is split between individuals and corporations, roughly equally, so \$100 million each. Beyond that, the cost of an individual's safety deposit box can vary widely, between \$40 to \$450 per safety deposit box. Of course, an individual or a corporation may have one or more safety deposit boxes.

Those are the parameters we work with, but in terms of the actual number of individuals, I can't respond to that.

Mr. Ted Hsu: Thanks, and that's the best you can do.

In terms of the dividend tax credits for other than eligible dividends, how many Canadians will be affected by that tax change?

Mr. Sean Keenan: Our estimate is that in the first year, when the measure takes effect in 2014, 750,000 Canadians will be affected.

Mr. Ted Hsu: With regard to the tax exemption for Canadian Forces personnel or police, briefly, what was the policy rationale for removing any ability to give this tax-free status to missions with a risk score between 1.5 and 2.0?

● (0910)

Mr. Sean Keenan: Essentially the Income Tax Act provides that for missions that are considered to be high-risk, where Canadian Forces members or police officers are on missions that are considered high-risk, the income they earn on those missions is exempt from tax.

The exemption automatically applies to level 3 and level 4 missions. There was a recognition that certain types of level 2 missions are very similar in characteristic to lower level 3 missions,

so they have a high-risk score and should be eligible for some tax relief.

The way the process worked was that level 2 types of missions could be prescribed. That process took quite some time and involved a significant delay, often, in the time between when a Canadian Forces member was on a mission and when they actually received the tax relief. The proposal in the bill is to expedite that process, but also to more closely reflect the fact that missions that are close to high-risk—essentially those missions that are 2.0 to 2.5—are eligible for the tax relief, and that the lower-level risk missions are not eligible.

Mr. Ted Hsu: Which missions in the last decade have at any time had a risk score between 1.5 and 2.0? Have any of the prescribed missions under these income tax regulations at any time had a risk score lower than 2.0?

The Chair: You have about one minute.

Mr. Sean Keenan: I did receive that question. We've asked the Department of National Defence for the information.

Mr. Ted Hsu: Will the government still publish a list of missions with a risk score below 2.5 that receive the tax-free status, and if so, where will it be published?

Mr. Sean Keenan: The list of designated missions will be published, similar to the process we have for designated stock exchanges. That information will be provided on the Department of Finance's website, unless the missions are classified.

Mr. Ted Hsu: With regard to the mineral exploration tax credit, I believe this measure has been in place for about a decade. When was it first introduced exactly, and has it always been in place since then?

Mr. Geoff Trueman: The mineral exploration tax credit was first introduced in 2000. There was a brief period when it expired on December 31, 2005, and it was reintroduced on May 2, 2006. Other than that roughly four- to five-month period, it's been in continuous effect since 2000.

Mr. Ted Hsu: Can I ask a little one on credit unions?

The Chair: Very quickly.

Mr. Ted Hsu: The budget says that this measure to phase out the additional deductions will cost \$75 million a year in taxes, but in 2012 the government said this particular tax credit only cost \$47 million. Why is getting rid of it going to cost so much more?

Mr. Geoff Trueman: You'll see when you look at those budget numbers that as the additional deduction is phased out, there's an increasing revenue impact. It reflects two things over that period.

It reflects the forecast growth in the base of corporate taxable income, as well as forecast growth in member shares and deposits in credit unions, which is what gives them access to that additional deduction over time.

The Chair: Thank you.

Thank you, Mr. Hsu.

We'll go to Mr. Van Kesteren, please.

Mr. Dave Van Kesteren (Chatham-Kent—Essex, CPC): Thank you, Chair.

Thanks to all of you for being here again this morning.

I think we need to clear up some of this, in that I think there's a little bit of a misunderstanding on the credit unions. I want to maybe just go through a run....

I understand it was introduced in the 1970s, because at that time credit unions weren't available for a preferential tax rate, which small businesses were. Is that correct?

Mr. Geoff Trueman: At the time it was introduced there was a cumulative taxable income limit that applied to all businesses, so you were able to shelter income at the preferential tax rate up until you had reached a certain level of taxable income. You could regenerate access to that by paying dividends. As a business paid out dividends, it would restore its cumulative taxable income limit.

At the time, credit unions argued they had a lesser ability to pay out those dividends due to provincial regulatory requirements, so the cumulative limit put in for them was based on members' shares and deposits as a means of providing an equitable or equivalent access to the tax rate as it was structured at that time.

• (0915)

Mr. Dave Van Kesteren: Okay. Small credit unions can now access the small business rate. As a matter of fact, wasn't this changed because credit unions are now eligible to qualify for the preferential rate? As a result of that, credit unions can now access the small business rate, so credit unions will not be affected by the change. Do I have that right?

Mr. Geoff Trueman: Essentially, credit unions have the ability, like any other business, to access the small business deduction on the first \$500,000 of income, and with a taxable capital limit of up to \$15 million. That will not change.

A small credit union will, in the vast majority of cases, not have any change in its tax bill at the end of the year. Credit unions that are small will qualify for the small business deduction. These are the credit unions that traditionally have not used the additional deduction because they don't need it. The additional deduction primarily benefits large and growing credit unions, and that is who the phase-out will affect.

Mr. Dave Van Kesteren: Would it be safe to say that the overall cost of this additional deduction was for larger credit unions, then?

Mr. Geoff Trueman: It's certainly fair to say that the vast majority of the costs associated with the additional deduction would accrue as a result of the largest credit unions. That's correct.

Mr. Dave Van Kesteren: Outside of the Big Six banks, how do these large credit unions compare to banks in Canada?

Mr. Geoff Trueman: Certainly, there is a broad range of credit unions across Canada. The Desjardins Group is probably the most well known—the *caisse populaire*—and is the largest organization. Without speaking for them, I will say that they have an asset base that is quite significant and would be similar to that of a bank such as the Laurentian Bank of Canada.

Outside of Quebec, credit unions in the rest of the country, in aggregate, would have an asset base that is a little bit less than Desjardins, but significant. What you'll see there are larger regional credit unions in each particular market, and then a broad range of smaller credit unions that serve more rural and small communities across Canada.

Mr. Dave Van Kesteren: You did mention, then, that there are no preferential tax advantages available for those sizes of banks that are equal in size?

Mr. Geoff Trueman: No. That's absolutely correct. The additional deduction is unique in providing this tax advantage to the credit union and *caisse populaire* section. There are no other equivalent provisions to provide extended access to the small business deduction for other businesses or corporations in Canada.

Mr. Dave Van Kesteren: Can you confirm that the Province of Quebec eliminated a similar deduction for credit unions in 2003? Is that correct?

Mr. Geoff Trueman: Absolutely. Across Canada, provinces may or may not offer an equivalent form of the additional deduction. Quebec, in particular, eliminated it in 2003. Alberta does not offer a special deduction for credit unions, nor do New Brunswick, Newfoundland, or Nova Scotia.

The Chair: Thirty seconds.

Mr. Dave Van Kesteren: Okay.

Just to follow up on that, the ones that do only do because certain income is not eligible for small business deductions in those provinces. Is that correct?

Mr. Geoff Trueman: What they're doing in most cases in those provinces is providing an additional deduction for income that would be beyond the small business limit.

Mr. Dave Van Kesteren: Very quickly, we've introduced legislation and a regulatory framework that would allow credit unions to move federally across the country. Can you elaborate on how this would help credit unions grow and expand their business?

Mr. Geoff Trueman: It's not my particular area of expertise, but again, it would allow credit unions to operate under a federal model across provincial borders, whereas currently, as provincially regulated, they would have operations only in one province.

The Chair: Thank you.

[Translation]

Mr. Caron, go ahead.

Mr. Guy Caron (Rimouski-Neigette—Témiscouata—Les Basques, NDP): Thank you, Mr. Chair.

My questions for Mr. Trueman will be in the same vein as those asked by Ms. Nash.

I am curious about one of the measures you mentioned. Based on that measure, *caisses populaires* would be involved in a level playing field with private banks. You did talk about a level playing field, right?

[English]

Mr. Geoff Trueman: A level tax playing field.

[Translation]

Mr. Guy Caron: Okay. However, I have a problem with that argument, which may apply to larger municipalities. But municipalities with under 3,000 people—such as those in my own riding—have *caisses populaires* and no banks. Banks do not invest in those municipalities, but *caisses populaires* do.

Based on the description of additional deductions, those caisses populaires benefit from them. Therefore, they can invest more in the community, while banks have decided to close their branches there.

So the idea of a level playing field can work in urban areas. However, when it comes to rural areas, that notion puts caisses populaires at a disadvantage and will actually make them invest less in the community.

Could you comment on that?

• (0920)

[English]

Mr. Geoff Trueman: I think I may have mentioned this earlier, but in fact the vast majority of credit unions that are located in the rural communities, the smaller credit unions, would have access to the small business deduction serving that smaller market. It would be a relatively smaller credit union or caisse populaire. With ongoing and continued access to the small business deduction, it's unlikely that there would be a change in their taxable status. Again, the additional deduction primarily benefits the larger, growing credit unions.

[Translation]

Mr. Guy Caron: Based on the definition, the deduction is intended for all caisses populaires with a capital of at least \$15 million and up to \$500,000 in income. So a wide variety of caisses populaires—including small ones—have access to that additional deduction.

[English]

Mr. Geoff Trueman: No, to be clear, a credit union that has currently less than \$500,000 in income and taxable capital less than \$15 million would not be making use of the additional deduction. They would be paying tax at the small business rate, and that would continue unchanged.

[Translation]

Mr. Guy Caron: For instance, some caisses populaires form my riding become affiliated. So they create a network of three or four caisses populaires that will eventually become a single entity. Those entities will serve the community and come close to the threshold you mentioned. So the same question comes up.

Currently, the level playing field may exist in large municipalities and major cities. However, when it comes to caisses populaires set up in the regions—where they join forces in order to try to survive and provide a service on the ground—the elimination of that deduction will not provide them with a level playing field. It will rather put them at a disadvantage, as their mandate obligates them to provide local services, and that is not the case for banks.

[English]

Mr. Geoff Trueman: Without commenting on the particular tax situation of any given amalgamation of credit unions, again, as credit unions consolidate, merge, and become larger, they're able to realize economies of scale as they pass those thresholds for taxable income and taxable capital. Yes, they would be affected, but if they remain small, again, there's absolutely no change.

[Translation]

Mr. Guy Caron: Caisses populaires' mandate is different from chartered banks' mandate. They have a very community-based mandate to invest locally. Chartered banks do not have that obligation.

Was that factor taken into account when the impact of the deduction was being assessed?

[English]

Mr. Geoff Trueman: Yes, certainly it was. It's also important to remember that, again, the additional deduction only benefits credit unions and caisses populaires. There are other business forms. A mutual insurance company, which may also be based on similar social objectives, would not have extended access to the small business deduction, nor would other forms of cooperatives. So again, this is a unique attribute in place that benefits only one group of taxpayers.

[Translation]

Mr. Guy Caron: Normally, mutual insurance companies do not have the same mandate as caisses populaires. I am talking about direct local investments made by caisses populaires. That is why branches are set up in small municipalities. A municipality in my riding with 1,000 to 1,500 people has a caisse populaire, but no banks want to open a branch there. Mutual insurance companies are not involved in small municipalities either.

[English]

Mr. Geoff Trueman: Well, a mutual insurance company may have particular objectives, but when we speak of very small credit unions in small communities, they are very unlikely to be affected by this change.

[Translation]

Mr. Guy Caron: However, the elimination of that additional deduction is projected to increase revenue by about \$250 million. A \$250-million increase in tax revenues over five years will affect a number of caisses populaires.

[English]

Mr. Geoff Trueman: I'm not sure where the \$255 million comes from.

• (0925)

Mr. Guy Caron: It's \$350 million. Anyway, it was over five years.

Mr. Geoff Trueman: Oh, looking at the five-year total. Sorry. The fully phased-in cost in the final year is \$75 million. Again, as noted, given that the primary benefit of the additional deduction falls to large and growing credit unions, the flip side is that money would come from those credit unions with the removal of the additional deduction. Smaller credit unions of the type you're referring to would be very unlikely to see a change in their tax bill.

The Chair: Merci. Thank you.

Mr. Hoback, go ahead.

Mr. Randy Hoback (Prince Albert, CPC): Thank you, Chair, and thank you, witnesses, for being here this morning.

I'll go back to the question raised by my Liberal colleague on the tax relief for Canadian Forces members and police officers deployed abroad. I understand that in the current system, for a soldier to be classified as a level 2, the Minister of National Defence has to go through a process of justifying why this mission should be a level 2 classification; he has to go through a whole process of making sure that Finance is happy with the classification before he receives that classification for soldiers.

Can you explain how that process will now change, and how it will become easier to get the classification for the exemption brought forward?

Mr. Sean Keenan: Currently, for the level-two missions that can be prescribed under the income tax regulations for income tax relief, the prescription process requires the passing of regulations.

There is an interdepartmental committee that assesses the risk of all international missions. There's a task force commander, and he or she assesses the risk on the ground, at the site where the mission will be undertaken. They come back to the committee and then the committee assesses the risk of the mission. Based on that risk assessment, the mission is given a certain risk level.

Then the Minister of National Defence, or the Minister of Public Safety, in the case of police officers, brings forward, essentially, a decision for the cabinet to prescribe these missions. Once that decision is made that those missions can be prescribed, the Minister of Finance goes through the process of prescribing the missions in the income tax regulations, which involves another submission and the regulatory process.

That process has been criticized for taking a considerable amount of time. Because the missions are small and oftentimes involve very few soldiers or police officers, it takes a long time, and it takes a while for the Canadian Forces members to get their relief.

The new process being proposed is that the Minister of National Defence, or, in the case of police officers, the Minister of Public Safety, would write to the Minister of Finance. There would essentially be an exchange of correspondence between the ministers such that there would be satisfaction that the process had been followed properly for assessing the risk, that the process hadn't changed, and that the intention of the provision was still applied. Then the Minister of Finance would designate the missions under the designation process and that information would be posted on the website, which would be a much more expedited process allowing soldiers or police officers, when they're on a mission, to know with greater certainty that they would indeed be eligible for the tax exemption.

Mr. Randy Hoback: Would these amendments in any way change the way the missions are classified? Will it still remain a separate process?

Mr. Sean Keenan: The determination of the risk level of a mission is done, as I mentioned, by this interdepartmental committee. That wouldn't change under this process at all.

Mr. Randy Hoback: As far as the tax relief is concerned, just how much will this represent for the average CF member or police officer overseas? Will it change?

Mr. Sean Keenan: This change in the process won't change the tax relief. The tax relief is eligible on the pay the member receives while they're on the mission, up to the maximum pay that a top-level, non-commissioned soldier could receive. I don't have the pay scales here with me.

● (0930)

Mr. Randy Hoback: That's fine. Basically what we're doing is making it simpler and easier for the soldiers or police officers, whichever the case may be, to understand whether or not they qualify for this tax exemption quicker so that they know where they stand.

Mr. Sean Keenan: Exactly.

Mr. Randy Hoback: Thank you, Chair.

The Chair: Thank you, Mr. Hoback.

A couple of members have approached me to say they're concerned that we won't get through all three parts today in our two-hour meeting.

I have indications that there are no more questions from either the Conservatives or the NDP. Is that correct? Okay.

I understand the Liberals have two very brief questions. Is that correct?

Mr. Ted Hsu: Yes, they're very brief.

The Chair: Okay, Mr. Hsu, we'll get those on the record and then we'll go to part 2.

Mr. Ted Hsu: You can either say yes or no, or give me numbers.

With regard to phasing out the additional deduction for credit unions, are there credit unions in Canada that have grown too large to benefit from this additional deduction? If so, how many credit unions are now too large to qualify?

Mr. Geoff Trueman: I'll have to give you a little more than a yes or no—sorry—because we talk about growing credit unions and large credit unions.

Eligibility for the additional deduction is not linked to the size of a credit union. The income that is eligible for the additional deduction for any credit union in a year is equal to the difference between 6.7% of its members' deposits and shares and its cumulative income over time.

As a credit union grows over time, and deposits and shares increase, the amount of income eligible for the additional deduction will increase over time. It may be the case that a credit union that is not growing, for example, will hit its cumulative limit sooner than another credit union. That ability to access the additional deduction can be restored in a subsequent year when there is growth in member shares and deposits for a credit union.

We had a look at the data just to verify, and the vast majority of the large credit unions are able to access the additional deduction. As an example, in one year we saw a large credit union hit its cumulative limit. In the following tax year, there had been sufficient growth in their base of deposits and shares that they had restored access to the additional deduction. So it's not linked to size; it's linked to how the test actually works.

Mr. Ted Hsu: Is there a number that you can give?

Mr. Geoff Trueman: It would change from year to year, as the tax situation and parameters change for any given credit union or co-op. Among large credit unions, it's fair to say that most do not hit their limit in any given year. The credit unions that would be more likely to hit their limit may be the small credit unions that are not growing, but they would have access to the small business deduction, so the additional deduction is not relevant to them.

The Chair: Okay.

Mr. Ted Hsu: Finally, regarding amending the rules of the Tax Court and the monetary thresholds below which a taxpayer can choose an informal procedure for their appeal—I understand these numbers have just been changed—when was the last time these monetary thresholds were changed, and what was the change at the time?

Mr. Ted Cook: Just to respond quickly to that, the last time we went for a change was in 1993, and the informal limit was changed from \$7,000 to \$12,000.

Mr. Ted Hsu: Okay, that answers my question.

The Chair: Thank you.

We will move to part 2. I believe some of the officials are staying, and there will be some changes. We want to thank those officials who will be departing from the table and then welcome part 2 officials.

Colleagues, as you know, part 2 deals with implementation of certain goods and services tax and harmonized sales tax measures proposed in the budget. It also amends the Excise Tax Act and the Excise Act 2001.

I'll again look to colleagues, just in the interest of time, to indicate to me who has questions. We'll allow our officials to get settled.

Perhaps we'll have our officials just introduce themselves, and instead of an overview I think we'll go right to questions.

Monsieur Mercille, do you want to introduce yourself and your colleagues?

[*Translation*]

Mr. Pierre Mercille (Senior Legislative Chief, Sales Tax Division, GST Legislation, Tax Policy Branch, Department of Finance): Good morning. I am Pierre Mercille, Senior Legislative Chief, Sales Tax Division, GST Legislation.

I am joined today by Lucia Di Primio, Chief, Excise Policy, Sales Tax Division; and Carlos Achadinha, Legislative Chief, Sales Tax Division, Public Sector Bodies.

• (0935)

The Chair: Thank you very much. Welcome to the committee.

[*English*]

No questions for the NDP?

An hon. member: Not for part 2, no.

The Chair: Okay.

On part 2, Mr. Jean, please.

Mr. Brian Jean (Fort McMurray—Athabasca, CPC): Thank you, Mr. Chair. I wasn't sure if this was my round or Mr. Shipley's round.

The Chair: I'm sorry.

Mr. Shipley, go ahead.

Mr. Bev Shipley (Lambton—Kent—Middlesex, CPC): Thank you, Mr. Chair.

I want to go into part 2 on the GST/HST reports. Just as a preamble, I happen to have in front of me planned provincial and territorial health care spending for 2012-13, in which the federal government is committed to a 6% increase in health care spending across the country. In my province of Ontario, their commitment in 2012-13 was 2.7% and 2.3%. So there is a disparity of around 4%, which leads to my question.

I'm wondering if you could just help explain the difference between what is considered a health care purpose versus a non-health care purpose, in terms of the GST/HST.

Mr. Carlos Achadinha (Legislative Chief, Sales Tax Division, Public Sector Bodies, Department of Finance): That's my area of responsibility. I am responsible for the application of GST to public service bodies. That covers basically most services provided by government.

The principle under the GST is that basic health care services are intended to be exempt. In particular, the exemption applies to health care services that are paid or reimbursed under a provincial health care plan, services that are rendered to a patient at a health care facility, or services that are rendered by a member of a profession that is regulated by health care in at least five or more provinces. The overall intent is that we will provide exemption for those types of services provided under those circumstances.

Provinces generally regulate the health care system. They determine under their health care plans what types of services they will cover, and that's within their domain.

Mr. Bev Shipley: I wonder if you could just expand a little bit on that and help me with the kinds of services that will remain. There's been a lot of discussion about what's being pulled back and what's going to have HST that wasn't.... You might just help clarify the ones that will remain exempt.

I'll just give an example. If you had a report given by a doctor or a psychologist for the purpose of trying to determine whether a child who had autism might be required to go to a special class for some special assistance to help with that, would the GST/HST be exempt in that case, for example, if that was provided one on one?

Mr. Carlos Achadinha: In terms of the circumstances you're outlining, I'll just go back and repeat what the provision provides.

Basically, in what we've outlined in the provision, we've tried to identify what "qualifying health care" service is and what will be entitled to the exemption. It just means "a supply of property or a service that is made for the purpose of". We've tried to provide some sort of guidance or direction in terms of these types of services that are exempt and will continue to be exempt.

I'll just read it:

“qualifying health care supply” means a supply of property or a service that is made for the purpose of

- (a) maintaining health,
- (b) preventing disease,
- (c) treating, relieving or remediating an injury, illness, disorder or disability,
- (d) assisting (other than financially) an individual in coping with an injury, illness, disorder or disability, or
- (e) providing palliative health care.

Any service that is provided for one of those purposes will continue to be exempt, and largely those services are already exempt. It's been the policy since the introduction of the GST. Those are the types of services that are provided for one of those purposes and will continue to be exempt.

So in the case you just illustrated, the type of assessment you outlined would generally be to assess a learning disability, a disorder, with a particular individual. That would be the type of service that has been exempt and would continue to be exempt.

If specifically you were looking for the provision, that would be included under assisting an individual “in coping with an injury, illness, disorder or disability”, as well as “treating, relieving or remediating an injury, illness, disorder or disability”.

The Chair: You have one minute.

Mr. Bev Shipley: There's been a lot of discussion because of the concerns around mental health. Just for clarification—and maybe you've talked about it—will the mental health assessments performed by psychologists for medical purposes continue to be exempt?

• (0940)

Mr. Carlos Achadinha: They will continue to be exempt, as long as it is for a medical purpose. What we are trying to address here with this provision is that we are trying to say that those services that are provided for a non-health care purpose, and solely for a non-health care purpose, will be the ones that will not be entitled to the exemption.

Mr. Bev Shipley: What about fertility treatment, then? Is that considered...?

Mr. Carlos Achadinha: Fertility lab work, the services done with respect to fertility treatments, have been exempt and will continue to be exempt.

The Chair: Thank you, Mr. Shipley.

Mr. Hsu, please.

Mr. Ted Hsu: Thank you very much.

There are some specific cases I want to ask about. I'd like to ask for clarification on whether they will be subject to GST/HST as a result of Bill C-60.

As a result of Bill C-60, will medical work such as X-rays, laboratory tests, or documentation from doctors done for a victim of crime so that they can establish their case in court now be subject to GST or HST?

Mr. Carlos Achadinha: Probably what you'll have in the case of somebody who is injured is that they will have an initial treatment. They will go see their doctor. The doctor will assess them, treat them

for their illness, their particular injury. Those will all be part of the general treatment provision. There will be X-rays, different tests done.

If those tests, those examinations, those reports were done in the context of a treatment for a medical purpose, those are exempt now, and those will continue to be exempt.

If, in a court case, they asked for those types of reports, assessments, that were done in the context of the treatment, those will continue to be exempt, and those have been exempt.

If, however, something is done subsequently, and it is done after those initial treatments, and it is done simply and solely for the purpose of the legal proceedings, the insurance proceedings, then those would not be tests or examinations or reports—for example, some of the items you've listed—that would have been done for a health care purpose, and those would be subject to GST.

Mr. Ted Hsu: As a result of Bill C-60, will psychological assessment of a child with a learning disability for the purpose of a determination by a local school board, like the identification placement and review committee in Ontario, now be subject to GST/HST?

Mr. Carlos Achadinha: As I just outlined when I answered the question, those tests, those assessments that are done for somebody with a learning disability, a particular disorder, have been GST relieved, and they will continue to be GST exempt.

Mr. Ted Hsu: As a result of Bill C-60, will psychological assessment of a victim of crime, carried out to establish a case in court, now be subject to GST/HST?

Mr. Carlos Achadinha: It goes back to how I explained the general treatment for a person when they go see their doctor—

Mr. Ted Hsu: So the answer would be...?

Mr. Carlos Achadinha: It's in the same sort of context. Normally if people are injured, if they've been in an accident, they would go see a doctor, or they would go see their psychiatrist. It's part of their original treatment. They're getting some health benefits from that. If any of the assessments, any of those documents done in relation to that original ongoing treatment are used for a subsequent court case, since the purpose when they were originally undertaken was for health care, they would be exempt. Those are exempt right now and they would continue to be exempt.

Mr. Ted Hsu: As a result of Bill C-60, will medical work such as X-rays, laboratory tests, or documentation from doctors done to meet the requirements of private insurance now be subject to GST/HST?

Based on the previous responses, I'm guessing the answer is yes.

Mr. Carlos Achadinha: It goes back to my discussion of the policy intent. The intent is to relieve basic health care services. Those services are intended to treat a person, to help in the treatment or prevention of a disease or disorder. If this is done solely for an insurance purpose, there's no health care element related to it. This is a purpose test we've set out. The people best able to judge the purpose of a particular service or treatment, a diagnostics report, etc., would be the health care professionals. If it is done simply and solely for a non-health care purpose, it would be taxable.

Mr. Ted Hsu: Finally, as a result of Bill C-60, will medical documentation for requirements at school or work now be charged GST/HST? For example, in my riding at Queen's University, the health counselling and disabilities services centre might charge \$20 for a sick note or \$120 for a pre-employment assessment and certification.

Will there now be GST/HST on these services?

• (0945)

Mr. Carlos Achadinha: It's difficult to answer your question because, as I outlined to you, there is a real purpose test. Without knowing the purpose of these particular items, it would be difficult to give you a specific answer, yes or no.

Mr. Ted Hsu: It sounds like if you're asking for a sick note, that doesn't help your health, so it would be subject to GST. Is that what you're telling me?

Mr. Carlos Achadinha: Well, it would be in relation to...for example, are you ill? Is it something to suggest that it's in relation to your particular illness? Does it describe your illness, your treatment plan?

These notes are very different. It's very difficult. It would be up to that particular person. If there's a question about the health care provider, as to what would be the purpose, whether it's a health care purpose or not, they should be directing that fact situation to CRA. It's difficult to give you an answer without knowing the specific facts and circumstances for which these particular documentation tests are being used. I can give you the general purpose, the outline, and how that provision will work.

The Chair: Thank you, Mr. Hsu.

We'll go to Mr. Jean.

Mr. Brian Jean: Thank you, Mr. Chair.

Thank you for coming today. First of all, the reason it would be more appropriate for Mr. Shipley to ask questions on HST and GST is that I'm from Alberta and we don't have provincial sales tax there. I thought that was more appropriate, and I hope we'll see all the provinces turn that way.

I'm from the oil sands, and I recognize what's going on in this country. Right now, we have a fantastic economy, the best quality of life in the world, in my opinion. It's primarily because of the resource revenues. But that is going to end sometime.

My question is about what was done in relation to the changes in our tariffs. I'm talking about a program that has received some notoriety, the GPT program, to which changes were made to support manufacturing. In particular, there were 80 or 90 countries on the GPT list.

Is that correct?

The Chair: This is part 3.

Mr. Brian Jean: I'm talking about the customs tariff in part 3.

Mr. Pierre Mercille: Yes, we're in part 3.

The Chair: Sorry, we're still on part 2.

Mr. Brian Jean: Oh, I'm sorry. I thought we were on part 3. I apologize, Mr. Chair. It's just going too fast for me.

Voices: Oh, oh!

The Chair: So are those all the questions for part 2?

Ms. Glover.

Mrs. Shelly Glover (Saint Boniface, CPC): Thanks.

I apologize. That was probably my error. My wonderful colleagues here are zealous about getting to part 3.

I just have one comment. Mr. Hsu isn't here very often, so I thought in the spirit of collaboration I'd help a little bit. After 19 years of police work, I've dealt with a lot of victims of crime, and I've never had an opportunity or a situation where their original tests for their treatment were not available for court purposes. I've never had to have them do X-rays or other medical tests, because, frankly, the professionals in the health care system do a fantastic job at the onset, and then those become readily available for court purposes.

Of course, victims of crime are well taken care of, thanks to many of the measures this government has put forward, including lowering the GST, which I know Mr. Hsu's party would actually increase. So I'm encouraged by the questioning by Mr. Hsu and hopeful that perhaps they've turned the page and it's maybe led to an agreement on lowering the GST.

Nevertheless, I did want to provide him with some actual experience with regard to this. Hopefully, that helps him.

The Chair: Thank you.

Are there any further comments by officials?

A voice: Part 3.

The Chair: According to the time limit here, I'm being very generous with the Liberal Party time, but I think it's best that we do move on.

I want to thank our officials for being here for part 2 and for responding to our questions very clearly. Merci.

Colleagues, with respect to part 3, there are a number of divisions that this committee has to deal with, so I'd like you to prioritize very much. First of all, on part 3, division 1, are there any burning questions that deal with customs tariffs?

I see there are. Okay.

I remind colleagues that we have about an hour, and we have fewer than 18 divisions, because some have been referred to other committees, but I'll ask you to be very brief and concise in your questions. We'll get the same brief and concise responses from officials, and hopefully we will get through all 18 divisions, or the ones we have to deal with.

We welcome our two officials from Finance. If you would like to introduce yourselves, we'll start with questions from members.

• (0950)

Mr. Dean Beyea (Director, International Trade Policy Division, Department of Finance): My name is Dean Beyea, and I am the director of the international trade policy division at the Department of Finance. With me is Patrick Halley, who is the senior chief of tariff and trade policy at the department.

The Chair: Thank you very much for being here.

We'll start questions with Mr. Rankin, please.

Mr. Murray Rankin (Victoria, NDP): Thank you very much, Mr. Chair, and thank you, witnesses, for attending.

This is sort of a threshold question, a process question, before I get into the meat of the matter, as it were, with this part and this division. I have a question for legal counsel that they can get back to us on. Many people, of course, will only read the summary of Bill C-60, and in the summary, addressing this division of part 3, it reads as follows:

Division 1 of Part 3 amends the Customs Tariff to extend for ten years, until December 31, 2024, provisions relating to Canada's preferential tariff treatments....

But when one looks at page 43 of the actual act, section 36 says:

Sections 33 to 35 cease to have effect on December 31, 2024 or on any earlier date that may be fixed by order of the Governor in Council.

It would appear to me that there's quite a misleading statement in the summary, because of course it could be brought in at any time before 2024, yet one would get the impression in the summary that it doesn't come in until December 31, 2024.

That's a threshold sort of legal question, and I don't necessarily know that there will be an answer from these officials, although I'd welcome one. Perhaps counsel could get back to our committee on what appears to be a discrepancy.

Mr. Dean Beyea: I think I can speak to that. The programs exist now. The general preferential tariff for both the developing and least-developed countries exist now. They're in the law, and they're set to expire June 30, 2014. They're being extended now through this bill to the date I think you quoted of December 31, 2024.

Mr. Murray Rankin: Or any date the cabinet may choose to apply, or any earlier date that cabinet may choose to enact it. That's what it says in the bill, but it's not what it says in the summary.

Mr. Patrick Halley (Chief, Tariffs and Market Access, International Trade and Finance, Department of Finance): Just to clarify, if you look at section 36 of the Customs Tariff—not the bill, but the Customs Tariff—it says that sections 32 to 35, which are with respect to the general preferential tariff, cease to have effect on June 30, 2014. As Mr. Beyea indicated, this bill would change that date to December 31, 2024, or on such earlier date that may be fixed by order of the Governor in Council. That is already in law.

Mr. Murray Rankin: But it's not what the summary says. That's all I'm saying. I think it's very misleading to Canadians. That's all.

Could I talk about the substance for the very few minutes we have available?

My first question is on these reduced tariff rates that are brought into effect as a consequence of Bill C-60, which will actually increase the cost to Canadians on a whole variety of items: bicycles, sandals, wigs, grand pianos. Do you have a list available of the number of items that are subject to the tariff changes that are before us? Is there a comprehensive list we could look at?

Mr. Dean Beyea: The tariff reductions certainly aren't expected to increase prices. I think maybe you're crossing the two elements here. One is a reduction of tariffs on sports and exercise equipment and

baby clothes. Those tariffs were eliminated. There are 38 tariff items in all that were eliminated April 1, 2013, as announced in the budget.

I think the other changes you're talking about are the changes to the general preferential tariff, and there are no changes to the tariff levels at all, just to be clear. There are now 175 countries that are eligible for these programs, and come January 1, 2015, 72 of those countries will no longer be eligible.

Mr. Murray Rankin: Is there a list you've prepared indicating the number of items that those countries sell to Canada that will be affected by this change in tariff?

Mr. Dean Beyea: The tariff has in total 7,400 tariff items. Approximately 1,200 have a benefit under the general preferential tariff system.

Mr. Murray Rankin: We've heard concerns from retailers regarding the cost this is going to impose on consumers. Industry sources say the price of affected imports could rise by 3% on average.

Does the finance department have any estimate of what the total cost to consumers would be of these changes in the GPT?

• (0955)

Mr. Dean Beyea: If I could, when these changes were proposed in December 2012 there was a full consultation with Canadians, and we heard from retailers. One of the things they talked about was giving lead time for these changes. We were proposing an 18-month lead time from the time of consultation. Retailers in general had asked for a little more time. The changes will now be six months later.

Mr. Murray Rankin: My question wasn't about consultation, sir. My question was about the Department of Finance. Did they do an estimate of the impact of the cost to consumers of these changes? That was my question.

Mr. Dean Beyea: I'm saying that what we heard back from retailers was that they needed more time to shift sources of supply.

Mr. Murray Rankin: So your answer is no, you haven't got an estimate.

The Chair: First of all, the time is up.

Mr. Rankin, let's not put an answer in the official's....

Mr. Murray Rankin: I asked a question. I didn't get an answer.

The Chair: With all due respect, you can ask for the answer. The answer is given.

Mr. Murray Rankin: I asked twice. I asked twice for the answer. That's all. I asked for an estimate.

The Chair: An answer was given. The member may not like the answer, but an answer was provided.

We'll move on to it in the next round.

I'll go to Mr. Jean, please.

Mr. Brian Jean: Thank you, Mr. Chair. Do I get five minutes?

The Chair: You get five minutes.

Mr. Brian Jean: Excellent.

Thank you to Mr. Rankin, first of all, for asking more of my questions. I don't have to follow with this great lead-in about the oil sands and the economy and non-renewable resource revenues.

But I do want to talk about the manufacturing sector, because obviously long term that's the only way Canada is going to maintain its competitive advantage. It's the only way we're going to make sure Canadians have the quality of life we continue to have. I think that's why this government, in part, is doing what they're doing in relation to the GPT.

In particular, I'm interested in how 72 countries are coming off the list. I took a look at the list. The list includes countries like China, which is the number two economy in the world, and soon to be number one, if it's not today, and India, South Korea, and Brazil. We're talking about economies in the top 10 in the world, or close thereto.

My understanding of the original tariff and the preferential basis for it was to help developing economies bring their people up to the quality of life they can have, but not at the expense of our manufacturing sector. Would that be fair to say?

Mr. Dean Beyea: Yes, that's fair to say. The original goal was to help economic growth in poorer developing countries, and to help export diversification, help them move to a manufacturing base.

Mr. Brian Jean: I heard some explanation that in fact China was taking advantage of somewhere in the neighbourhood of 80% of this program. Is that true?

Mr. Dean Beyea: That's correct. Most of the benefits of the program accrued to China—I think 75% to 80%.

Mr. Brian Jean: Then what our government was doing was giving China a very competitive edge in order to compete with Canadian manufacturers of bicycles and all those other things that Mr. Rankin was talking about.

Is that true, that they were given a competitive advantage over Canadian manufacturers?

Mr. Dean Beyea: That's correct. On those 1,200 products, there was a preference over competing imports and Canadian manufacturers.

Mr. Brian Jean: What you're telling me, in essence, is that we are punishing Canadian manufacturers by continuing with the GPT program. Is that fair to say?

Mr. Dean Beyea: I think it's fair to say that China is a very competitive export economy and doesn't need this.

Mr. Brian Jean: I was in the retail and wholesale business for a while, and during that time, my understanding was that usually when you imported goods from China or India or other developing economies, you would have a discount, which would be 50% off the retail, plus another 20%, 20%, and then 10%. In essence, for a \$10 product, you would often pay about \$3.40 to \$3.60 on a wholesale to retail basis.

Are you aware of that?

Mr. Dean Beyea: I'm not.

Mr. Brian Jean: But you've heard those numbers before? That's very common.

Somebody who has a \$10 retail item shipped FOB to their retail store in Canada would pay \$3.40 to \$3.60.

I see that Patrick is nodding in agreement, and that's my understanding as well.

We shouldn't see a 3% increase on the input passed on to consumers. The reality is that they have already published those suggested list prices for years—in fact, usually they re-publish them every three to five years—and they're dispersed to all retailers and wholesalers across the country. The probability of a 3% increase is not going to hit consumers. That's been my experience.

Would you say that's fair?

Mr. Dean Beyea: I think that's fair.

Really, what we're talking about is about \$10 billion of imports out of \$460 billion of imports into Canada, so it's about 2% of imports. I think retailers have asked for the opportunity to shift to a duty-free source of supply, and two years is seen as a significant amount of time to do that.

Mr. Brian Jean: Based on what you've seen in the economy, would you say that China doesn't need any more help or any more preferential treatment against our manufacturers? Would that be fair to say?

Mr. Dean Beyea: I think that's fair. For example, the United States doesn't offer a beneficial—

• (1000)

Mr. Brian Jean: When did the United States take China off the GPT system?

Mr. Dean Beyea: They've never applied their general system of preferences to China.

Mr. Brian Jean: All right. That makes sense. Thank you very much.

The Chair: Thank you, Mr. Jean.

We'll go to Monsieur Caron.

[*Translation*]

Mr. Guy Caron: Much has been said about China and Brazil. The BRIC countries, as well as Korea, have been discussed at length. Is there an economic reason for removing other countries from the list? We are talking about 72 countries, including Gabon, Equatorial Guinea, Botswana and Venezuela. Those are not countries like China. Why have 72 countries been removed? We are not just talking about China, Brazil, other BRIC countries and Korea. We are talking about 72 countries. Many of them are not as developed as China.

Mr. Patrick Halley: We conducted consultations in late December. We used two criteria to determine the eligibility for the general preferential tariff. Countries had to either have an economy below high income or upper-middle income—according to the World Bank standards—or have less than a 1% share of overall exports.

Those criteria are generally applied by other countries. For instance, the European Union overhauled its generalized system of tariff preferences and adopted essentially the same criteria. In the case of income, the same criterion imposed by the World Bank is used. The same lists are used.

[English]

The Chair: Ms. Glover, please.

Mrs. Shelly Glover: Thank you, Mr. Chair.

I want to give you the opportunity, Mr. Beyea. No tariffs on specific items are being increased, correct?

Mr. Dean Beyea: Correct.

Mrs. Shelly Glover: This wild allegation being made, not only here but in the media, is in fact just that: a wild insinuation, an assumption, a prediction that has absolutely no basis in BIA or budget 2013. There are no increases to tariffs in budget 2013.

Mr. Dean Beyea: That's correct, there are no increases at all. In fact, there is the elimination of 39 tariffs on sporting goods and baby clothes, but no increases.

Mrs. Shelly Glover: Very good. Thank you.

I want to make sure Canadians understand that tariff rates apply to all countries in an equal manner unless they are on the general preferential tariff list, because it was originally designed to help developing and poor countries, correct? So these are additional breaks. We're just saying that for those economies that have grown and are actually doing better than Canada, our manufacturers ought to be able to be on a level playing field. Our manufacturers compete with many countries that don't get the special tax break, because they are set at a specific tariff rate, and these ones that are getting special treatment, additional special breaks, are being reduced to the same tariff rate as other countries Canada competes with. Is that correct?

Mr. Dean Beyea: That is correct. The 72 countries that will no longer qualify for the general preferential tariff will now pay the most favoured nation tariff for those goods post-January 1, 2015.

Mrs. Shelly Glover: Canadian manufacturers have said very clearly that it's about time. Why? Because they compete with all of these companies. This provides Canadian manufacturers with the opportunity to actually produce a competitive product. They don't have to then compete with China, Brazil, and India, which are getting extra value with special breaks. This levels the playing field for them in a way we haven't seen since the 1970s, which is why they are happy with this. Correct?

Mr. Dean Beyea: Yes, we've had very positive feedback on the program.

Mrs. Shelly Glover: I appreciate that.

Now we haven't monitored this since the 1970s, when it was introduced for poor countries, although other western economies, other western countries, have in fact monitored this and have removed or graduated countries as they went along. Can you confirm and speak to this for us?

Mr. Dean Beyea: Sure.

I think what's happened in Canada—and we started out with this discussion about the dates—is that these have been in place for 10-

year periods and have then continued on, generally with little review. For example, the last time was in 2004.

The Doha Round was a relatively new phase, and there was a decision made not to do a review because the most favoured nation tariffs would be implicated and have subsequent implications.

So there's no automatic threshold. The United States, for example, reviews the general system of preferences annually, including beneficiary countries and products on the list.

• (1005)

Mrs. Shelly Glover: Have they removed countries from it, graduated countries from it over time?

Mr. Dean Beyea: On an ongoing basis.

Mr. Patrick Halley: Maybe I would just add this, to follow up on the example of the European Union, since they made the pretty recent significant change to their own system, along the same items as in budget 2013. They went from 176 beneficiary countries to 80.

Mrs. Shelly Glover: Very good. Excellent.

Just for the benefit of all members here, can you tell us what the size of the economy is for...and I'll pick four: China, South Korea, India, and Brazil, which were in fact getting special breaks on top of the tariff rates and which are now being graduated? If you can compare them to Canada as well, that would be very helpful.

Let's start with China, if that's...

Mr. Dean Beyea: Sure, and maybe we'll just give Patrick a minute, if we've got this here. I know we've looked at this.

Mrs. Shelly Glover: Sure. While he's looking, Mr. Beyea, did you want to comment about how important free trade agreements are? I don't want to take up your time, so....

Mr. Dean Beyea: Sure.

I think free trade agreements are another means for Canadian manufacturers and business to get improved access to foreign markets, as the United States has kind of slowed down over time. An overwhelming majority of Canadian exports have gone to the U.S. market, and I think the government has made a priority of seeking access offshore through the negotiation of free trade agreements. A significant one—

Mrs. Shelly Glover: As long as they're getting the special tax break, the chances of their signing a free trade agreement that actually gives us some leverage is pretty much nil, right?

Mr. Dean Beyea: I think when you weigh the benefits of a free trade agreement versus the general preferential tariff, it's a decision a developing country certainly has to consider.

The Chair: Okay, thank you.

Mr. Halley, can you just provide those figures?

Mr. Patrick Halley: Canada is about \$1.7 trillion, in terms of their economy; China is at \$7.3 trillion; Brazil is at \$2.5 trillion; and India is at \$1.8 trillion.

The Chair: Thank you.

Thank you, colleagues.

Are there any further questions on division 1?

Mr. Rankin.

Mr. Murray Rankin: Thank you.

The Library of Parliament has helped us as parliamentarians prepare for this, and they've written the following, and I want to see if you agree with it. It says, "Section 34 of the Customs Tariff authorizes the Governor in Council", the cabinet, "to amend the list of countries to which the GPT regime applies. By removing them from the GPT regime, imports from those countries will face higher tariff rates."

Is that accurate?

Mr. Dean Beyea: If they don't receive the benefits of the general preferential tariff, imports from those countries...?

Mr. Murray Rankin: Yes.

Mr. Dean Beyea: Well, it depends. If there's a free trade agreement with the country, they also have that. For example, Mexico will be taken off the GPT list, but they can import duty free under the Mexico tariff. So it depends on the country.

Mr. Murray Rankin: But there are 72 countries affected, not simply China, South Korea, and the like. There are 72 countries affected by this change. Is that correct?

Mr. Dean Beyea: That's correct.

Mr. Murray Rankin: For those imports from those countries, if the tariff rates go up, will Canadian consumers have to pay more, in principle, for those goods?

Mr. Dean Beyea: If goods are imported from those countries, they'll pay the most favoured nation tariff and not the general preferential tariff.

Mr. Murray Rankin: The cost to Canadian consumers, as a consequence, will be higher for those goods.

Mr. Dean Beyea: I don't want to say the cost to Canadians would be higher; it depends on whether the goods continue to be imported from those countries.

Mr. Murray Rankin: Right. If there are imports continuing from those countries, as the Library of Parliament itself says, the imports from those countries will face higher tariff rates. You don't disagree with that sentence?

Mr. Dean Beyea: No.

Mr. Murray Rankin: Okay.

Were there economic criteria used by the Department of Finance in determining the eligibility for a particular country for Canada's GPT regime? And what are those criteria?

Mr. Dean Beyea: As Mr. Halley said earlier, we use the World Bank designation for high income and upper middle income and then a trade competitiveness factor of 1% of global access.

•(1010)

Mr. Murray Rankin: Okay, thank you.

The Chair: Thank you.

I just want to clarify with one question,

Mr. Beyea, if I'm a manufacturer in Canada and I'm sourcing from a country that now receives a general preferential tariff that now, as a result of this legislation, will change, as a manufacturer I have the option, then, to go to another country to provide the same source of whatever I'm making and to get that right. That's why you're saying it depends. Can you just clarify that for me?

Mr. Dean Beyea: Sure. It can be two points. I think budget 2009 and budget 2010 eliminated all tariffs on machinery, equipment, and manufacturing input, so there are no tariffs for a manufacturer to pay, but as a retailer-wholesaler importing, say, certain finished goods that would be subject to tariff, there is the opportunity to shift. That's what we heard from the retail community and the wholesale community. They needed a couple of years to adjust sources of supply. Our presumption is that they will shift sources of supply, minimum.

The Chair: When are those tariffs in the two previous budget measures fully implemented? Is it 2015? Am I correct in that?

Mr. Dean Beyea: That's right. The vast majority, well over 95%, have been implemented or have been eliminated. There are a few textile tariffs that are being phased out to 2015.

The Chair: Okay. Thank you for that.

Ms. McLeod, please.

Mrs. Cathy McLeod: Thank you, Mr. Chair.

You talked about a fairly extensive consultation process before these measures were introduced in budget 2013. To the best of your knowledge, did the Liberals or NDP submit any concerns or make any submissions on this issue?

Mr. Dean Beyea: I don't recall any submissions from any political parties.

Mrs. Cathy McLeod: Thank you.

The Chair: Thank you very much.

I appreciate your presentation, which clarified these issues for us.

Thank you so much for being with us.

Colleagues, just before I call officials, do we have questions on division 2 of part 3 dealing with financial institutions? Otherwise, I'm going to move on.

Do we have questions on division 3, dealing with the Federal-Provincial Fiscal Arrangements Act?

I'm told that we do have questions on division 4, so we will move to division 4, "Payments to Certain Entities or for Certain Purposes".

We'll ask all the officials to come forward. This is one of the larger sections, dealing with payments to the Canadian Youth Business Foundation, Genome Canada, Nature Conservancy of Canada, Nunavut Housing Corporation, Indspire, the Pallium Foundation of Canada, and the Canadian National Institute for the Blind.

I want to welcome all of our guests to the committee.

I'll have each of you introduce yourselves and tell us which department you're from. Then we'll go to questions from members.

Ms. Helen McElroy (Acting Director, Health Human Resources Policy Directorate, Health Canada): My name is Helen McElroy. I'm the acting director of the health human resources strategies division with Health Canada, and with me is Sharon Harper, from the continuing care unit at Health Canada.

The Chair: Thank you.

Ms. Alison McDermott (Acting Director General, Program Coordination Branch, Department of Industry): I'm Alison McDermott. I'm the acting director general of the program coordination branch at Industry Canada.

We're responsible for overseeing the funding agreement with Genome Canada.

Ms. Raquel Fragoso Peters (Director, Policy and Liaison, Small Business, Tourism and Marketplace Services, Department of Industry): I'm Raquel Fragoso Peters. I'm the director in the small business branch of Industry Canada.

I'm here to speak to the Canadian Youth Business Foundation.

Mr. Elisha Ram (Director, Microeconomic Policy Analysis, Department of Finance): Good morning. I'm Elisha Ram. I'm with the economic development branch of the Department of Finance.

Ms. Mary Taylor (Director, Habitat Conservation Management, Department of the Environment) Good morning. I'm Mary Taylor. I'm the director of habitat conservation management with the Canadian Wildlife Service, Environment Canada.

•(1015)

[Translation]

Ms. Diane Cofsky (Director, Department of Indian Affairs and Northern Development): Good morning. I am Diane Cofsky, Director of Education Programs at Aboriginal Affairs and Northern Development Canada.

The Chair: Welcome.

[English]

We will begin with members' questions on this division.

I'm going to go to Ms. McLeod, please.

Mrs. Cathy McLeod: Thank you.

Hopefully I can run through a number of questions, so we can do a nice snapshot.

What kind of work and research projects does Genome Canada engage in, and do they receive funding from any other source? That question is for Ms. McDermott.

Ms. Alison McDermott: This is a not-for-profit corporation that invests in large-scale genomics projects in areas such as human health, fisheries, forestry, agriculture, environment, and energy. A large portion of the projects to date have been in human health, but there is certainly diversity within all of these other areas.

Yes, the federal government provides significant support to Genome Canada, but there have always been leveraging requirements, so Genome Canada has been supported by provincial governments and other organizations, such as the private sector.

Mrs. Cathy McLeod: Thank you.

I believe this question would go to Ms. Taylor.

How does the Nature Conservancy of Canada work to conserve ecologically sensitive lands? What is the nature conservation program, and can you give us one example of their work?

Ms. Mary Taylor: The Nature Conservancy of Canada works with a scientific base. They do an evaluation of what the eco-sensitive areas within Canada are and where there are priorities for them to acquire land or some interest in land. They would then purchase or get an easement from a landowner, and then protect and conserve the ecological integrity of that land.

A well-known one would be the Flathead River Valley land in British Columbia, where, in partnership with the provincial government and a number of other organizations, they've managed to conserve quite a large area of eco-sensitive land.

Mrs. Cathy McLeod: That's like the B.C. example.

What kind of programming does the Canadian Youth Business Foundation offer to help young entrepreneurs, and how many youth per year do they help with their services?

Ms. Raquel Fragoso Peters: The CYBF was established and the federal government has been providing funding since 2002. Their core activity is providing funding to youth entrepreneurs, who traditionally have difficulty accessing debt financing, so this is filling a gap. The success of the program is related to a strong mentorship program that results in low default rates. In the past year, the CYBF has provided over 498 loans to young entrepreneurs, and since 2002 it has helped establish over 5,600 young businesses.

Mrs. Cathy McLeod: Great. Thank you. Budget 2013 promises \$100 million to Nunavut housing. Why is Bill C-60 advocating \$30 million immediately?

The Chair: We welcome Mr. Vats to the committee.

Mr. Nipun Vats (Director, Federal-Provincial Relations Division, Federal-Provincial Relations and Social Policy Branch, Department of Finance): My name is Nipun Vats. I'm the director of the federal-provincial relations division at Finance Canada. I apologize for not being at the table. It's a bit crowded.

Basically, \$100 million was committed in the budget, and \$30 million for this fiscal year is being appropriated through the budget bill. Certain timelines are required to make sure that this money flows and that contracts can be done. If you waited for the supply bill process, it would be fairly late in the year before that money would be able to flow. For the next fiscal year, that money will be provided through the normal supply bill process. So there's \$30 million in the budget bill and the \$70 million for the next fiscal year will come through the supply.

Mrs. Cathy McLeod: I understand Bill C-60 allocates \$5 million to Indspire. Who does Indspire help and how many people per year benefit?

Ms. Diane Cofsky: Good morning.

[Translation]

The Indspire Institute provides over 2,200 aboriginal students with scholarships every year. It receives significant donations from the business sector's various stakeholders and uses them to help students succeed. Thanks to this new investment, the Indspire Institute has promised to provide an additional \$10 million and will be able to grant scholarships to thousands of other aboriginal students.

• (1020)

[English]

The Chair: You can ask a brief question, if you want.

Mrs. Cathy McLeod: I'll be quick.

The Canadian National Institute for the Blind is improving library services for the print-disabled community digital hub. What is it, and how many people will benefit?

The Chair: Welcome, Ms. Milroy-Swainson.

Mrs. Nancy Milroy-Swainson (Director General, Office for Disability Issues, Department of Human Resources and Skills Development): Thank you. I'm DG with the Office for Disability Issues in HRSDC.

The digital hub will be responsible for working with partners to outsource and produce the development of accessible materials, managing a digital repository, providing online access to its collection as well as physical distribution, and partnering with national stakeholders and international stakeholders to enhance the availability of accessible material for Canadians with vision loss and print disabilities.

The Chair: Thank you.

Thank you, Ms. McLeod.

Are there any further questions on division 4?

I want to thank our officials very much, all of you, for being with us this morning and for responding to our questions.

Colleagues, do I have any questions on division 5?

Do I have any questions on division 7?

Are there any questions on division 11?

Oh, you wanted division 5? Okay.

Mr. Guy Caron: I wanted 5 and 6.

The Chair: Division 5 deals with the Canadian Securities Regulation Regime Transition Office Act. We welcome our two officials to the table.

We have Monsieur Marion. Please introduce yourself and your colleague.

[Translation]

Mr. Nicolas Marion (Chief, Capital Markets and International Affairs, Securities Policies Division, Department of Finance): Good morning. My name is Nicolas Marion. I work as a chief at the Capital Markets and International Affairs Division of the Department of Finance.

I am joined by Allan Prochazka, also from the Department of Finance.

The Chair: Okay.

Mr. Caron, go ahead.

Mr. Guy Caron: Thank you.

I do have one question, but it will be fairly quick.

The Supreme Court handed down a decision in December 2011 on the bill aiming to create a single national securities regulator. The Supreme Court stated the following: "The proposed securities act represents a comprehensive foray by Parliament into the realm of securities regulation." So the Supreme Court was clear.

By extending that transition office's life, is the government trying to find a way to interpret or circumvent the Supreme Court's decision? If not, does the government intend to facilitate the Canadian passport system, which is currently implemented by the provinces?

Mr. Nicolas Marion: Thank you for your question.

I am not a lawyer, so I cannot speak to the legal aspect. However, when you read the Supreme Court's decision, you can see that the court clearly said that securities regulation was a responsibility shared by the provinces and the federal government.

When it comes to Parliament's responsibilities with respect to securities, the court said that Parliament would have jurisdiction over issues of national scope that are related to the effectiveness and integrity of capital markets. In addition, the Supreme Court recognized Parliament's jurisdiction with regard to the Criminal Code and its application to securities.

• (1025)

Mr. Guy Caron: The Supreme Court established that Ottawa's Parliament did not have the authority to create a Canada-wide securities regulator, unless provinces agreed to that, of course.

Mr. Nicolas Marion: The Supreme Court said that, if the objective was to create a Canada-wide organization with provincial and federal jurisdictions under the same umbrella, the two levels of government should work together.

The Chair: Thank you, Mr. Caron.

[English]

We thank our officials very much.

[Translation]

Thank you very much for answering our questions.

[English]

Colleagues, I'll go to division 7.

Division 6 deals with the Investment Canada Act, and that's been referred to the industry committee.

[Translation]

Mr. Guy Caron: Okay.

The Standing Committee on Industry, Science and Technology will study the report and will be able to propose, but not adopt, amendments. Those amendments moved by the Standing Committee on Industry, Science and Technology should be debated and adopted by the Standing Committee on Finance, without us at least having had the opportunity to discuss that issue with officials, or even witnesses.

[English]

The Chair: The industry committee will obviously look at the Investment Canada Act provisions and they will send a letter to the chair. They may include recommendations to those clauses. We will have officials who will presumably be presenting to the industry committee, and they will be here for the clause-by-clause section of the bill.

[Translation]

Mr. Guy Caron: Thank you.

[English]

The Chair: Is there anything on division 7?

Is there anything on division 11, the Nuclear Safety and Control Act?

I'll move to division 13, Ridley Terminals Inc.

I believe we have questions on Ridley Terminals, so I will ask those officials to come forward.

Welcome back to the committee, Mr. Ram and your two colleagues.

Would you like to introduce yourselves to the members? Then we'll have some questions.

Mr. Elisha Ram: Good morning again. I'm still Elisha Ram with economic development at Finance.

Mr. Soren Halverson (Senior Chief, Corporate Finance and Asset Management, Department of Finance): I'm Soren Halverson, also with economic development, corporate finance branch, Finance.

Ms. Janet Kavanagh (Director, Ports Policy, Department of Transport): I'm Janet Kavanagh, director of port policy at Transport Canada.

The Chair: Welcome. Thank you for being with us.

I will start with Mr. Van Kesteren.

Mr. Dave Van Kesteren: Thank you, Chair.

Thanks to all of you for being here with us this morning.

I guess the question that begs an answer is why the private sector ownership? Why has the government decided on private sector ownership of Ridley Terminals?

Mr. Soren Halverson: The decision to sell Ridley Terminals is consistent with the government's commitment to the efficient use of public resources. Ridley Terminals is the only coal export terminal in Canada that is currently owned by the government. All other terminals are owned and operated by the private sector.

Mr. Dave Van Kesteren: Are there any conditions on this sale?

Mr. Soren Halverson: The sale will only go through if it maximizes value for Canadian taxpayers. In addition to that, the government has indicated that the sale won't occur unless the purchaser is committed to providing service on an open access basis.

Mr. Dave Van Kesteren: Obviously there are going to be some existing contracts. Will the new owner be required to honour those contracts?

Mr. Soren Halverson: Yes, they will.

• (1030)

Mr. Dave Van Kesteren: Ridley Terminals has plans for an expansion to 25 million tonnes. Is it going to continue with those plans?

Ms. Janet Kavanagh: Yes, they will continue with the expansion plan. They're projecting that they will finish that by the end of 2014 or early 2015.

Mr. Dave Van Kesteren: Obviously there are going to be some concerns about foreign ownership. What about if a foreign company proceeds to try to buy it? What checks will be in place?

Mr. Soren Halverson: Proposals that are received from foreign buyers will be assessed through a standard bid evaluation process. That process will ensure consistency with the new guidelines that were announced in December 2012 regarding state-owned enterprises. The assessment would include a full consideration of free market principles, as well as the impact of the proposed investment on employment, production, and capital levels in Canada.

Mr. Dave Van Kesteren: Good. Thank you.

Those are all the questions I have, Mr. Chair.

The Chair: Mr. Hsu, and then I'll go to Mr. Rankin.

Mr. Hsu.

Mr. Ted Hsu: Thank you, Mr. Chair.

Does the government have any prospective buyers for Ridley Terminals at the moment?

Mr. Soren Halverson: It's too early to comment on any aspect of the sale process.

Mr. Ted Hsu: Is there a type of buyer that the government is planning to sell the terminals to? What I mean is, has any priority been given to asset management companies or terminal operators over resource extraction companies or other users—companies that might be related to users of the terminal?

Mr. Soren Halverson: Again, the government hasn't announced any particulars around the sale process. The intent, of course, will be to develop a process that is competitive and that ensures the outcomes the government has already indicated in terms of an open access regime.

Mr. Ted Hsu: You mentioned maximizing value for taxpayers. What value has the government assigned to Ridley Terminals?

Mr. Soren Halverson: Again, that's a question that can't really be answered at this point in time. There needs to be a competitive process to come out with a proper answer to that question.

Mr. Ted Hsu: I think you're saying you don't really know the value until the market tells you the value through this competitive bidding process. Is that what you're saying, essentially?

Mr. Soren Halverson: It's premature to announce a value for the terminal. There hasn't been any indication of what that is.

Mr. Ted Hsu: Are there any proposed terms of sale, besides what you've already announced, in terms of operating on an open access basis?

Mr. Soren Halverson: The government has indicated that it's looking for a buyer who will operate the terminal on a long-term and sustainable basis.

Mr. Ted Hsu: Okay.

With respect to this sale, or divestiture, is there a plan to consult or accommodate first nations in the region?

Mr. Soren Halverson: The government will ensure that its duty to consult, where and as applicable, is honoured.

Mr. Ted Hsu: What's the expected impact of this divestiture on the Port of Prince Rupert? Are there any other facts...?

Mr. Soren Halverson: I'll refer this question to Janet Kavanagh.

Ms. Janet Kavanagh: Ridley Terminals is a tenant of Prince Rupert. That will continue under a new owner. Prince Rupert will benefit as Ridley Terminals benefits, through its lease payments.

Mr. Ted Hsu: Will that lease change at all with the change of ownership, or is that something that goes along?

Ms. Janet Kavanagh: Aspects of that sale will be determined through the sale process as well.

Mr. Ted Hsu: There isn't a lease that just carries through?

Ms. Janet Kavanagh: Yes, there is. There is a lease until it's changed. Through that process that lease may change.

Mr. Ted Hsu: Thank you.

The Chair: Thank you.

Mr. Rankin.

Mr. Murray Rankin: I have just a couple of quick questions. Thank you very much for coming.

What is the legal effect of the purpose statement in clause 201? What legal impact does it have, to simply state a purpose in the middle of a bill like this?

Mr. Soren Halverson: My understanding of it is that it just generally provides the government's intent with respect to this particular authority.

Mr. Murray Rankin: So it's just intent.

What is the definition of "open access to its services" in that clause 201? What does it mean to say, in the last line of clause 201, "will operate the business on a long-term and sustainable basis and with open access to its services." What do you mean by that?

•(1035)

Mr. Soren Halverson: Ridley currently provides services on commercial terms to multiple users. It's the government's intent to have that kind of relationship continue, that services are made available to multi-users on a commercial basis.

Mr. Murray Rankin: Okay. Thank you.

The Chair: I want to thank our officials for being here with us.

Colleagues, we have divisions 14, 15, 16, 17, and 18. We do have questions on division 14. We have about 10 minutes remaining. I will ask you to be very brief in your questions. Hopefully we can get through it all by 10:45.

[Translation]

Mr. Racine, welcome to the committee.

[English]

If you want to just introduce yourself to the committee, then we'll have questions.

[Translation]

Mr. Denis Racine (Executive Director, Major Events and Celebrations, Department of Canadian Heritage): Good morning. My name is Denis Racine. I am the Executive Director of Major Events and Celebrations at the Department of Canadian Heritage.

Division 14 is transferring the responsibility of promoting the national capital from the National Capital Commission to the Department of Canadian Heritage.

The Chair: Thank you.

[English]

We'll begin questions.

[Translation]

Mr. Côté, go ahead.

Mr. Raymond Côté (Beauport—Limoilou, NDP): Thank you, Mr. Chair.

Mr. Racine, your branch will be in charge of transferring the activities the National Capital Commission used to be responsible for.

Mr. Denis Racine: That will not necessarily be the case. The NCC group in charge of promoting the national capital will be transferred as a whole to the Department of Canadian Heritage. We will then assess the resulting synergies and efficiencies.

Mr. Raymond Côté: Will recurring activities be compromised during that transition period?

Mr. Denis Racine: Not at all. Until the transfer has been completed, everyone will have the same responsibilities and continue to work on events and projects.

Mr. Raymond Côté: Will there be any downsizing as a result?

Mr. Denis Racine: I don't think so, as the idea is to transfer the whole unit to the Department of Canadian Heritage.

Mr. Raymond Côté: Frankly, we are still worried about that transfer. The 1812 celebrations elicited a very mixed response. Their resonance among Canadians was fairly limited.

Transferring the management of those activities from an organization to a department is still a source of concern in terms of potential partisan abuse. The organization has some independence and its own budget, while the department is headed by a minister. What guarantee can we have that partisan abuse will not affect other events the National Capital Commission would be taking care of?

Mr. Denis Racine: My understanding is that the responsibility transfer is due to the fact that the Department of Canadian Heritage has some responsibilities when it comes to commemorating events of national significance. In addition, the national capital is a very important location where activities are organized and where many national symbols are located.

I think that merging the two groups will really optimize their joint capacity to turn the capital into a place of national importance through major commemorations leading up to the 150th anniversary.

Mr. Raymond Côté: Frankly, that does not reassure me, especially since we missed an important anniversary—the 250th anniversary of the Treaty of Paris. After all, that was an important agreement on which the division of North America was based. You could even claim that the world was being divided up. It was entirely comparable to the 15th century's Treaty of Tordesillas. Unfortunately, that anniversary came and went without notice, as the government obviously does not like to talk about issues as fundamental as the actions our country is founded upon. That is a political decision, but I find it to be in poor taste. My world is that of archives and, thereby, of history.

[*English*]

The Chair: On a point of order, Ms. Glover.

Mrs. Shelly Glover: Of course, I respect my colleague across the way. We are here on the BIA. It's not a political debate with these witnesses, and this is exactly what he's committed himself to. They complain about not having enough time, and this is exactly why they don't have enough time. I would suggest he get back to the BIA.

• (1040)

The Chair: Okay.

[*Translation*]

Would you like to respond to this point of order?

Mr. Raymond Côté: Yes, I would like to respond to this point of order. Mr. Chair, considering that the government has a majority and has decided to include this kind of a measure in a budget implementation bill, we have to live with its decisions. Frankly, I do not understand my colleague's complaint at all.

[*English*]

The Chair: Okay, thank you. I think the concern is that with the officials it is primarily to get clarification and information, and then we have our political debate with other panels and then ultimately at clause-by-clause consideration. I think given the time constraints—we have less than five minutes, and I have three divisions that other members wish to ask questions on.

Are there any further questions?

[*Translation*]

Mr. Raymond Côté: Mr. Chair, it is clearly all about money, which guides actions. That was what my questions for Mr. Racine were about. I would like to continue in the same vein.

[*English*]

The Chair: Okay. You have 30 seconds, but it's going to be 10:45 in four minutes, so I'm not sure....

[*Translation*]

Mr. Raymond Côté: It is very short.

Mr. Racine, thank you for attempting to answer my questions.

Thank you, Mr. Chair. I have passed on my messages.

[*English*]

The Chair: Thank you.

On division 15, are there any questions?

On division 14?

Could we bring Mr. Racine back? This will be the last round.

Mr. Hsu, please.

Mr. Ted Hsu: Thank you.

In the transfer of the responsibility for the National Holocaust Monument from the National Capital Commission to the Minister of Heritage, it seems that the requirement to maintain the monument has been deleted.

I am wondering if you could clarify this omission.

[*Translation*]

Mr. Denis Racine: Yes, certainly.

When a monument is designed, the whole design phase is the responsibility of the Department of Canadian Heritage. Once the monument has been unveiled, its maintenance becomes the responsibility of the NCC—as is currently the case. The NCC will continue to be responsible for monument maintenance.

[*English*]

The Chair: Do you wish to ask a question?

Mr. Raymond Côté: Yes.

[*Translation*]

The Chair: Mr. Côté, go ahead.

Mr. Raymond Côté: I want to come back to my colleague's question.

In the budget approval phase for the National Holocaust Monument of Canada, the NCC has a very rigorous protocol. Why is that monument being treated differently from other monuments? The NCC will be responsible for the maintenance and, consequently, any future costs. Isn't that a bit strange?

Mr. Denis Racine: The National Holocaust Monument Act entrusted this project to the minister in charge of the NCC. Since the responsibility for promoting the capital includes monument design and creation, that responsibility will be transferred to the Department of Canadian Heritage. However, the NCC will still be in charge of maintaining the properties, parks and sites under its responsibility—including any urban landscapes and monuments on those properties. That is the difference between the responsibilities of the department and those of the NCC.

Mr. Raymond Côté: At first, the minister in charge of the NCC did have the responsibility of designing and creating that monument. So the roles have been reversed.

Mr. Denis Racine: That will be the responsibility of the team being transferred from the National Capital Commission to the Department of Canadian Heritage. In addition, the ministerial responsibility is changing.

Mr. Raymond Côté: Thank you Mr. Racine. I will ask my more political questions in the House.

Thank you.

The Chair: Thank you very much, Mr. Racine.

●(1045)

[*English*]

Colleagues, we have about one minute left. I don't know that you'd want to start another division.

At this point I'm going to thank our officials. I apologize for not getting through all the divisions today. If there are any questions, members can obviously submit them to the various departments.

We will see you a week from Tuesday.

Thank you. The meeting is adjourned.

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