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—
Chair

The Honourable Wayne Easter

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• (1540)

[English]

The Chair (Hon. Wayne Easter (Malpeque, Lib.)): I call the meeting to order.

Welcome, Minister. We are running a little late and we appreciate the fact you had a little difficulty getting here.

Appearing before the committee today, pursuant to order of reference of Tuesday, May 10, 2016, on Bill C-15, An Act to implement certain provisions of the budget tabled in Parliament on March 22, 2016 and other measures. is Minister Morneau, Minister of Finance. Welcome.

With the minister is Andrew Marsland, who's the senior assistant deputy minister, tax policy branch; Marta Morgan, associate deputy minister; and Nick Leswick. I'm not sure of your title, Nick, but welcome, all.

Minister, you have the floor, and then we'll go to questions.

Hon. Bill Morneau (Minister of Finance): Thank you very much, Mr. Chairman.

For clarity, Nick Leswick is assistant deputy minister, economic and fiscal policy, and he's really good at his job too.

[Translation]

I want to thank you, Mr. Chair, and I want to say that I'm pleased to be here today to speak to the distinguished members of the Standing Committee on Finance about Bill C-15 and the investments that our government will make to strengthen the middle class and keep Canada's economy strong and growing for the long term.

[English]

The measures in the budget implementation bill will enable us to move forward on our ambitious economic agenda, designed to strengthen the middle class and ensure long-term growth by making smart, necessary investments in our country's future. It's a plan I was honoured to table in the House through our very first budget on March 22. Since that day, I have been telling Canada's story from coast to coast as well as in the United States, Europe, and most recently at the G7 finance ministers' meeting in Sendai, Japan.

Meetings like this one are a great opportunity to demonstrate Canada's leadership on important international issues and to send the message that Canada is back, that we're engaged, and that we're a global leader. In Japan, at the G20, at the IMF spring meetings on Wall Street, as elsewhere over the last two months, people kept

telling me the same thing: "We really like what you're doing in Canada."

Members may have read that the *Financial Times* called Canada a "glimmer of light". *The Wall Street Journal* called Canada the poster child for the International Monetary Fund's global growth strategy. Christine Lagarde, head of the IMF, praised our approach.

Our budget earned these endorsements because, I firmly believe, our government is focused on exactly the right things, and it has answered the call of millions of Canadians, who have told us both before the budget and after that they want real change.

Even before the budget, our government set to work to create the conditions that help middle-class Canadians and their families. On December 7, 2015, we took a significant first step to strengthen the middle class by cutting taxes for nearly nine million Canadians.

In addition to the tax cut, we introduced the new Canada child benefit in budget 2016. This benefit is intended to help parents better support their most precious resource, their children.

The Canada child benefit is a simpler, more generous tax-free benefit for Canadians. It's also better targeted to those who need it most than the previously existing child benefits were.

It's estimated that about 300,000 fewer children will be living in poverty in the 2016-17 fiscal year compared with the 2014-15 fiscal year, once the Canada child benefit is in place. This means that families will have extra funds to help them afford cleats for their kids playing soccer or to attend summer camp. It means the increased likelihood of the numerous little things that make summer in childhood the carefree, refreshing time that it's meant to be.

This is a tangible measure that gives families across this country options, options they may not have had before. It represents the most significant social policy in a generation.

But this isn't the only significant social policy within the pages of this budget implementation bill. Equally important are those that help our most vulnerable citizens find renewed support for the unique challenges they may face.

There are three broad areas in this bill that reflect our actions in this regard.

The first is seniors.

Canada's retirement income system has been successful at reducing the incidence of poverty among Canadian seniors; however, some seniors continue to be at a heightened risk of living in a low-income situation.

[*Translation*]

The budget will help Canadians retire with security and dignity by making significant new investments that support them throughout their retirement years. These include resetting the age of eligibility for old age security and guaranteed income supplement benefits to 65 from 67, and for allowance benefits to 60 from 62 over the 2023 to 2029 period.

The passage of the bill will also increase the guaranteed income supplement top-up benefit by up to \$947 annually for the most vulnerable single seniors, starting in July 2016.

The second area deals with Canadians who've fallen on hard times because of a loss of employment.

• (1545)

[*English*]

This bill proposes immediate action to enhance the employment insurance program so that out-of-work Canadians have the support they need while they look for their next job.

I'd particularly like to highlight that passage of the bill will extend EI regular benefits by five weeks to all eligible claimants in regions of the country that have experienced the sharpest and most severe increases in unemployment. We'll also extend employment insurance regular benefits by up to an additional 20 weeks for long-tenured workers in those regions.

I'd like to highlight another area where we'll provide much-needed support: veterans. We'll give back to those who've given so much in service to our country. Some \$1.6 billion over five years will flow directly to veterans and their families in the form of higher direct payments. These enhancements deliver on mandate commitments and respond to recommendations from key stakeholders, including the veterans ombudsman.

Budget 2016 is about supporting the middle class now through helping Canadian families. It will continue to do so in the future by laying the foundation for long-term economic growth.

Canada's population is aging. The global economy is volatile. Oil prices are, of course, unpredictable. We need to take steps to improve competitiveness and productivity in Canada so we become drivers of our own success now and in a generation from now.

We need to ensure that the steps we take now will help our kids and our grandkids. The budget signals a number of areas known to do just that. The largest are in the important areas of infrastructure and innovation. Our \$120-billion ten-year infrastructure plan and our innovation agenda will be articulated over the coming year. Once in place, they'll deliver a long-term boost to the Canadian economy. They'll create good jobs now and in the future.

Investments in public transit will also help mom and dad to get to work on time. Investments in green infrastructure will help to keep our water clean, and investments in housing will help entire communities to thrive. Investments in and a commitment to a more

innovative economy mean jobs after graduation, a cleaner resource sector, and a strong Canadian presence for the world stage.

Infrastructure and innovation are just part of the underlying objective of the 2016 budget. This objective is the development of a robust growth strategy to create the conditions for long-term sustained and inclusive growth for the middle class and those working hard to join it.

This is a multi-dimensional task, one that brings together a number of growth-related initiatives going on inside and outside government. It's also a team effort. I'm proud to be working with my cabinet colleagues, including Ministers Freeland, Bains, Sohi, and Mihychuk on delivering this agenda.

We know we don't have all the answers. We're open to innovative new ideas. As we look to a long-term growth strategy, we know we have to find ways to do things differently.

[*Translation*]

Just a few weeks ago, I hosted the inaugural meeting of the new advisory council on economic growth to advise the government on key elements of our strategy. It was the first step toward figuring out what Canada will need to create and sustain long-term economic growth that benefits the middle class and those working hard to join it.

[*English*]

That's why this council has been tasked with finding solutions to some of our biggest challenges, things like how to transform innovative ideas into high-value goods and services that will help Canadians and Canadian businesses, how to ensure that the historic investments in infrastructure make it easier for Canadians to get to work on time or get their products to market, and what can be done today so Canadians can take advantage of the job opportunities of tomorrow.

I expect that budget 2017 will become the blueprint for this next chapter of Canada's economic growth and another step toward ensuring that when you have an economy that works for the middle class, you have a country that works for everyone. By working together, we can ensure all Canadians continue to enjoy a high and rising standard of living.

Mr. Chairman, it's been a highlight and honour to be able to promote our government's vision. I know we all believe that Canada is a place of opportunities where people can dream of a future in which their children can thrive and succeed. Through our budget, we're making investments that will leave Canada, our middle class, our cities, and our economy better off. We promised real change. We owe it to Canadians to make it happen.

Mr. Chair, I look forward to working with members of this committee, Parliament, and all Canadians as we implement our plan and position Canada for a brighter future.

Thank you.

• (1550)

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

We'll go to five-minute rounds to get more people in.

Go ahead, Mr. MacKinnon.

[Translation]

Mr. Steven MacKinnon (Gatineau, Lib.): Thank you.

Thank you, Mr. Morneau and your officials for being here today.

One of the budget's highlights is the restoration of intergenerational equity in the Canada pension plan. The age of eligibility for the plan has been restored to 65.

Can you tell us about the impact of this measure? Is the change sustainable? Is the fund in good shape? In general, what will be the impact of restoring the age of eligibility to 65 from 67?

Hon. Bill Morneau: Thank you for the question.

I know that a number of Canadians find it difficult to have enough money for their retirement, especially people in the middle class and people who don't have a pension plan at work.

It's important for us to have a solution for people who will run into difficulties in the future. We know that it's possible. It's not very hard for a country as rich as Canada to have a retirement system that can help the people who need it the most.

That is why we decided it was necessary to change the decision of the previous government, which set the age of eligibility at 67, and to restore the age to 65. We know that we can do so without placing too much strain on the economy.

Mr. Steven MacKinnon: This budget is an equity budget. As you said, the establishment of the Canada child tax benefit is a major step forward for the country's social policy. These days, there are all sorts of families, and unfortunately, there are separations or divorces. We were able to speak with public servants who appeared before this committee to talk about how the government would determine the benefits or would allocate the benefits between parents who are unfortunately going through a separation or divorce.

In general, what have you done to ensure that custodial parents will benefit from this allowance equally?

[English]

Hon. Bill Morneau: Thank you for the question.

Let me start by saying the Canada child benefit is intended to help families, and it does exactly that. For nine out of 10 Canadian families with children, it's going to put them in a better situation. For families that are single families with children, it will put them in a better situation.

As a starting point, we're actually providing more money for families. The examples that we often use are, first of all, on average, those nine out of 10 families will have \$2,300 more, and a woman earning \$30,000 who has one child under six will get \$6,400 more. Getting more money, in our estimation, is a very positive thing for families that are struggling to raise their children.

The more direct way to answer your question is that the design of the Canada child benefit is exactly the same as the Canada child tax benefit that it's replacing. There is really no change in this regard. Given that there's no change, we don't believe this is an area of significant discussion. It will not be included in income and will not affect child support payments for divorced parents. We want that to be clear to Canadians who are trying to evaluate their new-found and better situation, because we recognize that this is of importance to them. This will be a benefit that will be significantly better for, as I said, a very large percentage of Canadians, and we're very pleased with this change.

• (1555)

The Chair: There's time for a very small one.

[Translation]

Mr. Steven MacKinnon: Congratulations on making the benefit tax-free at both the federal and provincial levels. It's an additional advantage for Canadian families.

I would like to end by discussing growth, as you did.

You said that the 2016-17 fiscal year would be a time to assess growth opportunities. Can you tell us where, whether in innovation or in another sector, we should focus our efforts to find solutions to help the Canadian economy achieve a new growth rate?

Hon. Bill Morneau: Thank you.

We know that, for Canada's future, our economic growth has not been strong enough in recent decades. In the previous decade, it was the lowest it has ever been. We also know that, given our demographic challenges, it's very important to invest in growth. In our budget, we described phase 1 of our infrastructure program, which will help the economy become more effective and efficient in the future. Going forward, we allocated about \$11.5 billion and \$14.9 billion to our infrastructure program for 2016-17 and 2017-18. This measure, in addition to the others, will result in a 0.5% increase in economic growth this year and a 1% increase next year. As a start, it's very significant.

You also asked me about the other measures. We decided to allocate \$800 million to our innovation program. This amount will be used in the next four years to establish networks and clusters to improve our chances of creating a more vibrant economy.

For infrastructure and innovation, we will have more to say this year about phase 2 of our infrastructure program and additional measures.

I am also currently working with a council on economic growth.

[English]

The Chair: I will have to stop you there, Minister.

We are into seven-minute rounds, instead of five.

Ms. Raitt, go ahead.

Hon. Lisa Raitt (Milton, CPC): Thank you, Minister.

I am going to start with the child care benefit that my colleague ended on.

Minister, I am a little concerned about what I see as some crosstalk in what you said. You started by telling us that the child care benefit was much better than what we had in the past, much more lucrative and rich, but then you said that the reason you didn't do any extra consultation on the federal child care or child support guidelines was that there wasn't any significance in the increase. Can you tell me which it is? Is it a significant change, or is it not a significant change? If it is a significant change, why did you not consult with the Canadian bar associations or interested groups, either formally or informally?

Hon. Bill Morneau: Thank you for the question. Either I misspoke or you misheard. In fact, what I believe I said was that the benefit is a very significant change for Canadians. It is an enormous change in terms of the outcomes for Canadian families. Nine out of ten families with children will have an average of \$2,300 more per year. That is a significant amount for families. Low-income families will be in a significantly better position.

When I was referring to the design of the program, what I was specifically referring to was that the tax situation is not going to be different, so the CCB will not be included in income, which is the same situation as the Canada child tax benefit, so it will not affect child support payments for divorced parents.

That is important. We want to be very clear so that people are not in any way confused, because it is quite important for them to understand that this is a positive thing for them and it will not in any way impact those child support payments. That is positive.

•(1600)

Hon. Lisa Raitt: I understand, Minister, and you would understand, too, that there are two parts to the relationship: those who receive and those who pay. Those who are paying may have a different point of view as to whether or not it is a fair way to approach this lucrative and increased amount on the child care benefit.

I am going to ask you a few questions, Minister, if I could, about what you said about Canada being back, because I do find it interesting.

You did go to the G7, and you did go to the G20. At those two places, you specifically talked about the importance of stimulus, but I was more taken with what your German counterpart said. He said that high nervousness is apparent in financial markets and is fostered by huge government debt and excess liquidity. He stressed the need to reduce deficits and debt. I am wondering if you have a comment on what other things your German counterpart may have said about your approach.

Hon. Bill Morneau: Let me start by saying that I think it's important to be responsible when we sit in the House and we talk to Canadians. I want to again make sure Canadians understand, with respect to the Canada child benefit, that it will not be included in income and will not affect child support payments for divorced parents. The program is better for Canadian families. It helps those families that actually need money to raise their children.

I was proud to represent Canada at the G7, and I can say to you that at the G7 meeting we had an open and frank discussion among the countries there. There was not consensus there, but there was unanimity on the fact that we should all be focusing on growth.

The challenges to growth of the global economy are significant. We've seen a decline in the opportunities in some of the emerging economies around the world. We've seen a greater level of volatility in growth.

We all agreed that in each country's specific situation they should take whatever measures are most appropriate. We identified three different areas that countries might want to focus on: structural reform efforts, monetary policy, and fiscal policy. We recognized that different countries are in different positions from which to take those different measures.

Canada, as it turns out—happily, for our country—is in the best net debt-to-GDP position of all G7 countries, so we are in the best position to make fiscal investments. As you probably know, back in the 1990s our net debt-to-GDP ratio was reduced dramatically under the Chrétien and Martin governments. That puts us in a position where we can make those kinds of investments.

I will tell you that the kinds of investments we're making, which are fiscal investments, are appropriate for us, and I know the members around the G7 table would understand that those are the kinds of things we should be doing with our fiscal position. They are, by the way, similar to what's being done in six out of the seven G7 countries.

Hon. Lisa Raitt: Minister, President Obama also said, on the fringes of this conference, that the G7 leaders were committed to completing the TPP agreement by the end of the year. I do note in this document that there's no help for dairy farmers should this come to light. Do you have some kind of contingency put aside for this?

Hon. Bill Morneau: We—as I know you've heard us say—are committed to free trade. We believe it's important that Canadians have a role in consideration of the trans-Pacific partnership. It's for this reason that we've been out consulting with Canadians on their views. Those discussions are ongoing, and we think they've been very fruitful.

As we move forward in those discussions, we will listen to Canadians. Only at a later stage will we consider whether and how any decisions would be taken in response to that TPP deal. As it's not yet ratified, we do not have any sort of contingency in our budget in that regard.

Hon. Lisa Raitt: Thank you.

Minister, I noticed in the newspaper this morning that you're going to be convening or attending a meeting with the provincial ministers regarding increases to CPP. You mentioned that there was a country that is looking at stimulus spending. That, of course, is Japan.

Are you concerned about an increase in taxes having the same effect it had in Japan when they did it in April 2014 and, coupled with the deficit spending they undertook at that point in time, it actually drove that country into a recession?

• (1605)

Hon. Bill Morneau: Let me step back and say that we believe that enabling Canadians to retire in dignity is important. We recognize that with the decline in the number of, and participation in, defined benefit plans across the country, as well as with the emerging challenge of new companies that don't provide those kinds of plans, many Canadians are not in programs that will allow them to have a retirement that will come up to their expectations.

It's in this regard that we've committed to enhancing the Canada pension plan. We began that work in December. I'm looking forward to working in June, together with the provinces, to see if we can move forward on that.

Also, I want to be very clear here that we are not considering anything that would ever be called "payroll taxes". What we're considering is putting in place an enhanced Canada pension plan that would allow investments in the future retirement of Canadians. This is something that will improve their situation in the future and help our economy to be more successful. We think it's the right thing to do for the Canadians of tomorrow to make sure they have an appropriate retirement possibility.

The Chair: Thank you, Minister.

Mr. Caron is next.

[Translation]

Mr. Guy Caron (Rimouski-Neigette—Témiscouata—Les Basques, NDP): Good afternoon, Minister. Welcome.

I would like to speak a bit about employment insurance.

As you know, for this bill, the government decided to choose 12 regions that will be eligible for extended employment insurance benefits. According to the definition provided, the unemployment rate in these regions must have risen by 2% over three months without showing significant signs of recovery. I will not list the 12 regions. However, we now know that southern interior British Columbia, southern Saskatchewan, and Edmonton are eligible. According to the data published, Thunder Bay, Yellowknife, Regina, and Prince Edward Island may be eligible shortly.

I have a question.

The bill currently lists 12 regions. Do you plan on adding, one at a time, each region that becomes eligible? Isn't this method, which involves changing the bill as Statistics Canada releases its statistics, relatively ineffective?

Hon. Bill Morneau: Thank you for the question.

As you know, we made a number of changes to the employment insurance system through our budget. We first made improvements for new entrants or re-entrants. We also changed the system by reducing the two-week waiting period to one week. These two changes were made across the country.

As you said, we decided to introduce a temporary measure to improve the situation in parts of the country where the unemploy-

ment rate had quickly increased by 2%. Along with the 12 targeted regions, we applied this temporary measure to three other regions. We then decided that these would be our last changes to the employment insurance system. We therefore made changes to the entire system and changes for these 15 regions, which will be our last changes.

Mr. Guy Caron: So, if these four other regions that I mentioned become eligible under the definition, they will not be included in the five-week extension program. Is that what you are telling me?

[English]

Hon. Bill Morneau: Yes.

[Translation]

Mr. Guy Caron: Okay.

A professor, Trevor Tombe, said the following, and I will repeat it in English because I have the quote in English in front of me.

[English]

Hon. Bill Morneau: Thank you.

[Translation]

Mr. Guy Caron: Oh, oh!

He said the following:

[English]

The lack of clarity involves how long a sustained amount of time is. The second criteria is that you can't show significant signs of recovery. How we interpret sustain or significant, that is what is up for grabs.

[Translation]

This refers to the conditions that were—

[English]

Hon. Bill Morneau: It was a trick; the English was a trick.

[Translation]

Mr. Guy Caron: Oh, oh!

I was saying, therefore, that this makes reference, in fact, to the conditions that have been imposed in order to be eligible for this extension. It refers to an unemployment rate that has increased by 2% in a three-month period without any significant signs of recovery in the region. According to him, the definition is arbitrary. Indeed, how would you describe recovery or significant signs of recovery?

Do you not think that a bill should contain clearer, less ambiguous wording?

• (1610)

[English]

Hon. Bill Morneau: Since part of it was in English, I'll take the liberty of answering in English.

We think the measures were appropriate. We have parts of the country that are experiencing sharp and sustained changes in their situations. The regions we've chosen are the ones that have had the most significant changes in unemployment. At the same time, we recognize that employment insurance is helpful for many other parts of the country, and that's why we've made some changes to allow people to get into the system more rapidly.

I think, as you know, we've also made some changes in the amount of money we're putting in for training so that people, once they get into the system, can also get more access to training dollars.

We think these are the right measures to take at a time when we're experiencing regional differences in our economic situations, with some regions experiencing positive situations; and some regions, as a result of, largely, but not exclusively, changes in the price of oil, experiencing difficult situations. Our view is that we've made significant differences by taking these approaches.

There are other things we're doing that I would encourage you to consider. Lowering taxes for Canadians and adding the Canada child benefit will make a very big increase, especially for those who are the least well off in our society, and it will have a measurable impact on their ability to cope at this time.

Finally, and not least, we hope and expect the investments we're making will allow us to have a more effective long-term growth rate, which will help people in the future.

[Translation]

Mr. Guy Caron: I have another question about employment insurance.

I come from eastern Quebec. Like Atlantic Canada, our economy is largely based on seasonal work. Before, a program allowed for five additional weeks of benefits. This was what was known as the pilot project. It was designed to bridge the gap, that is to say, the period between the end of benefits and the beginning of work, which can be up to 13, 14 or 15 weeks.

This program was eliminated in 2011-12 by the Conservatives. Now, a program is being implemented that is practically the same, except with entirely different criteria. Seasonal workers are being left in the lurch.

In terms of employment insurance, do you have any measures for regions that still rely heavily on seasonal work? I, for one, haven't seen any. Correct me if I'm wrong.

If, in fact, there are none, why has this situation not been addressed?

[English]

Hon. Bill Morneau: As I mentioned in the previous answer, the change from two-week eligibility to one-week eligibility applies to people going into the employment insurance system across the country, irrespective of what region they're in. In the regions you're referring to, in Quebec and Atlantic Canada, that change applies to them as well. We think that's an important measure because it will allow them to get into the system more rapidly and it will allow them, to the extent they want to do retraining or training for another job, to start doing that training more rapidly.

One of the things we're concerned with is to not have people unemployed for long periods of time, because they lose their skills, and that's why training and retraining are so critically important.

That said, I'll come back to the other measures in our budget, especially for those people who are seasonal workers on low incomes who might be trying to raise a family. The Canada child benefit will have a material impact and a positive impact for their

families. The reduction in taxes is likely to apply to a significant percentage of those families. In total, we think we've provided a situation whereby they will be able not only to deal with the challenges of being seasonal workers but they'll also be able to have more income so they can raise their families in this challenging situation.

The Chair: Thank you, Minister.

We will move to Mr. Sorbara for five minutes.

Mr. Francesco Sorbara (Vaughan—Woodbridge, Lib.): Thank you, Mr. Chair. Welcome, Minister, and thank you for your comments and your continuing leadership.

I have to admit that I found your comments on the innovation and infrastructure side refreshing. The ability to move people, goods, services, and information from both rural and urban Canada to where they need to be is crucial for our long-term prosperity. On the innovation front, we need to be part of those ecosystems that exist and form every day. That's where the high-quality, high-paying jobs are, so we are going in the right direction. I'm glad to be part of a government that recognizes that.

What I would like to ask is more of a broad-based question. I've called Bill C-15 "the blueprint after the budget". What I would like to know is how this begins a major step forward to enhance Canada's long-term growth profile and to strengthen our middle class, while doing so in a fiscally prudent manner.

• (1615)

Hon. Bill Morneau: Thank you very much.

Maybe I can spend a minute focusing on our innovation agenda, because as we think about what we need to do in the long term in order to be more effective, it will be about creating a more productive and effective economy.

As I mentioned, we put \$800 million in the budget over four years to focus on innovation. As you know, I appointed an economic advisory council to look at how we can focus on growth. That will be an important cornerstone of what we hope to achieve for the future of our country.

We started in the budget with a focus on research and universities. We know that putting \$2 billion against universities and specifically around innovation and research at universities will help them to tool up and build the capacity to help with research and innovation.

We also recognize that the only way we're going to be effective as a more innovative economy is if we have quality students coming out of our universities. We recognize that for many families, especially low-income and middle-income families, university tuition is a challenge, so we changed the university grants system so they would have a much improved situation. It was moved from \$2,000 to \$3,000 for the lowest-income Canadians, which will help a quarter of a million low-income Canadians.

Along with building blocks, helping students, and supporting universities in research, we are now looking at what we can do around our innovation agenda in terms of the enablers for networks and clusters. We are considering whether there are measures we can take that will enable us to be more effective, and we are also specifically considering whether we should be targeting how we create the opportunities in regions and in sectors to make a difference. That's what I'm working on with our advisory council. We are looking forward to making a good, long-term difference for the country.

Mr. Francesco Sorbara: I'll deal with something more specific and maybe a little more obtuse.

Bill C-15 deals with bank recapitalization. I was wondering if you can offer a few comments on how the specific measures in the bill continue to strengthen our banking system while ensuring that depositors remain protected.

Hon. Bill Morneau: I can. One of the great exports we have in this country is the Bank of England governor, Mark Carney, who's also the chair of the Financial Stability Board. Internationally it has recommended bail-in procedures for systemically important banks around the world. Other countries have moved forward in this regard. The United States and the United Kingdom have moved forward; I believe most of the EU has moved forward as well, and we've moved forward now on the bail-in regime.

In the very unlikely situation that a Canadian bank is finding itself on uncertain footing, we want to ensure that depositors are not in jeopardy. It protects depositors by allowing for long-term debt to be turned into equity so they can be protected in a difficult situation.

The Chair: Thank you both.

What's your time frame, Mr. Minister? I want to know how much time we have left. Then we can divide it by the numbers and get everybody's question in.

Hon. Bill Morneau: I was planning on being here for an hour, and I know I was a little late. If other people are able to stay for the whole hour, I am.

The Chair: All right. We'll cut each person back to about four minutes.

Phil, you've got less. Go ahead.

Mr. Phil McColeman (Brantford—Brant, CPC): Mr. Chair, we're on the second round. He just got five and I'm getting four.

The Chair: No, no, he was in the first round, and he should have had seven.

Mr. Phil McColeman: Thank you for being here, Minister.

I'm concerned for small business in a lot of ways. It's my heritage, what I did before this place. It's on the record that your government promised during the campaign to go ahead with small business tax reductions. Is it fair to have broken that promise to small businesses?

• (1620)

Hon. Bill Morneau: Thanks for the question.

We absolutely recognize that small business is a very important part of our economy, that we have a very large number of small businesses across the country, that we have a large number of people

employed by small businesses, and we see the critical importance of encouraging small businesses to start and maintain their success.

We looked at the measures that we thought were most likely to be effective both in ensuring tax fairness in our country and ensuring that small businesses could be successful. In our estimation, having a healthy and strong customer class is critically important for small businesses. Small businesses, in order to be successful, need to have the ability to sell their services or products to Canadians, in most cases. For that, we know that reducing taxes on Canadians, providing more money for Canadians through the Canada child benefit, will put them in a better family situation so they will be better able to buy the products and the services provided by small business. In our estimation, that will be positive not only for the economy through the stronger growth rate, which will support small businesses, but will also be specifically better for each family so they can be better prepared.

Mr. Phil McColeman: I can debate that, but I don't have the time to debate it with you.

As a previous small business owner, I had an incentive for hiring an extra employee. We might have had 10 employees, and we could get that eleventh employee to grow our business, pay more taxes, and bring people off other programs that were a drain on the government. That has gone as well.

We had the Canadian Convenience Stores Association appear earlier this month, and they said they were told by someone in the finance department that the small business tax cut would be implemented in 2017. Did anyone in your department tell them that?

Hon. Bill Morneau: No.

Mr. Phil McColeman: Okay. So is the reduction from 10.5% to 9% deferred, or is it cancelled indefinitely?

Hon. Bill Morneau: As we said in our budget, we moved forward on the change from 11% down to 10.5%, and at this stage we have deferred any further change in the small business tax rate.

Mr. Phil McColeman: So it's "deferred" versus "cancelled indefinitely". If it's deferred, what year is it deferred to?

Hon. Bill Morneau: I have no further information at this time to answer that question. We've decided that at this stage it's deferred, and if there's future information to be provided, we will certainly provide it to you.

Mr. Phil McColeman: Okay, I will take that as the other one: that it is cancelled indefinitely.

Canadians deserve to know what they're getting for the massive borrowing and debt that your government's moving forward with. There was a refusal to release the detailed five-year cost estimates initially, and then they were released based on the PBO coming forward. I'd like to read you a quote of what the PBO said to this committee when they were here, and it's about releasing the models, which is critical for the proper oversight of the budget. It says—

Hon. Bill Morneau: Sorry, can I ask you to start that quote again? I apologize.

Mr. Phil McColeman: Sure.

I wasn't at the quote yet, but here's what he said. I'll go right to the quote. It says, "I would like to say that the use of models and multipliers is more a question of judgment than details."

How can we evaluate your judgment if you refuse to tell us how you came up with your economic and job projections in the budget?

This is about job projections, and they would like to know the models and multipliers you used, which they are not able to get from your department.

Hon. Bill Morneau: Let me start by saying that you know we're pleased to work together with the parliamentary budget officer, and when they asked us for more information, we provided it within a week. In my estimation, that's appropriate and that's what we did.

In our budget we were able to show that in our estimation the measures that we put in for this fiscal year would increase jobs by 43,000, in the next fiscal year they would increase jobs by 100,000, would grow the economy by 0.5% this year, and would grow it by an additional 1% next year.

What I do know is that the PBO came out and acknowledged that our budget efforts would grow the economy and increase employment in this year and next year. The fact that there are some differences between those economic estimates is to be expected because people will come up with their estimates differently, but the consensus between those two estimates is that they will help us to grow the economy.

• (1625)

Mr. Phil McColeman: Are you prepared to share your models with them?

The Chair: You are well over time, Phil.

Ms. O'Connell is next.

Ms. Jennifer O'Connell (Pickering—Uxbridge, Lib.): Thank you, Mr. Chair.

Thank you, Minister.

I want to actually go back to the question that my colleague raised in regard to CPP, understanding that you do have a meeting coming up with your provincial counterparts.

Specifically we heard testimony from one witness in particular that there isn't a dire situation for seniors and retirees in this country. In my riding we're predominantly middle class, quite comfortable, and very lucky, I would say, but when people in my community retire, they tend to then struggle and have to make choices between medication or food because pensions have not increased but costs of everyday things like hydro, water, and property taxes all tend to go up.

In terms of CPP and moving forward with the provinces, what is your take, or what is the department's take, in terms of the conditions and situations that seniors are facing in this country?

Hon. Bill Morneau: It's important to not be too dramatic on this subject. We've had a good situation in helping seniors over the last

generation in retirement in Canada. If we go back to the 1960s, the situation for seniors in this country was very difficult. We had very high levels of poverty for women, over 60%, and for men it was over 50% levels of poverty, so it was a very difficult situation.

The actions taken at that time around the guaranteed income supplement, old age security, and the Canada pension plan made a difference. They made a real difference so that Canada now has a much lower level of senior poverty. The actions worked. Taking action in advance by putting those programs in place had a long-term impact that made a real difference.

That's where we find ourselves today. We're looking at the situation that we're in, with a continuing level of senior poverty that's not nearly as high—it's more like in the 6% or 7% zone—but it's one that could get more troubling in the future, for two reasons. First of all, there's lower pension plan coverage; second, people are living longer, so they actually have to make the amount that they have stretch out longer. In that situation we want to make sure that we take actions today that are going to help people over the long term.

We're very focused not only on the current situation but also on the future situation. The decisions we make today, I think, will leave a legacy for our children and our grandchildren and ensure that they find themselves in a better situation when they retire than they might be in otherwise. It's for that reason that I'm personally committed, and our government's committed, to enhancing the Canada pension plan in a fully funded way that will enable people to have a more secure retirement in the long term.

That, I think, is the responsible thing for us to do. It will mean that the people who are doing well today can feel that the next generation will be in as good a situation as they are in today. These measures will allow us to continue to work on reducing seniors' poverty over the next few years and also in the long term.

Ms. Jennifer O'Connell: Thank you.

Moving a little bit, I recently attended the Council of Europe as a member of a Canadian delegation. One of the urgent debates or current topic debates was on the Panama papers, in particular about international trade agreements with other countries and how the European parliaments and governments need to look at countries that are doing more to deal with tax avoidance and tax evasion. Given the investment in budget 2016 for just that, what are you hearing in the international community in terms of Canada leading the way as a good global partner in dealing with countries that are benefiting from nationals avoiding taxes in their own countries?

Hon. Bill Morneau: Thanks.

I think maybe the way to think about this might be in two separate buckets. In our budget we allocated \$444 million for the Canada Revenue Agency. Those funds are really intended to allow the Canada Revenue Agency to do better at collecting payments that are due from Canadians and ensuring that people are paying their fair share in our country.

At the G20 there are a number of initiatives that people are working on, and we are an active and a full participant in those discussions on ensuring that globally people are paying taxes where they should be paying taxes. There's an OECD initiative called base erosion and profit shifting that is trying to ensure that companies in particular don't gain revenue and profits in one jurisdiction and shift them to another place that has a lower taxation jurisdiction. We're working as a participant in that initiative.

There's another initiative around common reporting standards, trying to ensure that we know where people are actually moving their money from and that we report that in an efficient way. We will also be working on ensuring that we know who actually owns things in countries, beneficial ownership, so that we have a better sense of who owns entities in order to ensure that the actual owners pay the taxes that are due.

• (1630)

The Chair: Thank you, Minister, and thank you, Ms. O'Connell.

Mr. Liepert is next.

Mr. Ron Liepert (Calgary Signal Hill, CPC): Thank you, Mr. Chairman.

First of all, Minister and staff, thank you for being here. It's going to be an awfully long evening for all of us, and I can tell you that it's longer there than it is going to be for each one of us individually.

I really only have one question, but I wanted to get a little clarity first about Mr. MacKinnon's first question around the change in age from 65 to 67 and then 67 to 65. Mr. MacKinnon seemed to indicate that we were talking about CPP, when I think we were in fact only talking about OAS. Is that right?

Hon. Bill Morneau: I can't put words in Mr. MacKinnon's mouth

Mr. Ron Liepert: The reason I say that is he mentioned something about the stability of the fund. Really, we're only talking about stability of the fund being the federal treasury, because that's where OAS comes from. Is that correct?

Hon. Bill Morneau: That would be correct.

Mr. Ron Liepert: Okay, fine. I simply wanted to get that clear.

My question is from a constituent of mine, who is a former pension plan manager, who writes to me and says, "This government talks a lot about making decisions based on evidence and scientific data, yet the finance minister, before being elected, authored a book called *The Real Retirement*, which contained a compelling analysis of the adequacy and stability of the Canadian pension system and advocated for the retirement age increase from 65 to 67. If you ever get the opportunity to ask the finance minister why he is now doing something different than he advocated for before being elected—"

What should I tell him?

Hon. Bill Morneau: Maybe first I can ask you to tell your constituent that I'm happy he or she bought the book.

Mr. Ron Liepert: Maybe not. He might have got it from the library. I don't know.

Hon. Bill Morneau: In the book, which I co-wrote with a colleague, we identify the fact that with an aging population we will

have demographic challenges. We identify the fact that some Canadians will be able to work longer and that some Canadians won't be able to work longer, which is a function of the different jobs Canadians have.

The approach taken to changing the old age security by the previous government, in my estimation, was arbitrary. It was a decision made without consultation to move the age of retirement from 65 up to 67 and it jeopardized the retirement possibilities for many Canadians who would have been relying on old age security. It did it in a way that did not have any sort of consultation or any sort of process that would have led them to conclude that this was about to happen.

We don't like that approach. We moved that back to 65 because we don't want to do something in that way.

We recognize that the old age security system, for lower-income Canadians in particular, is an important pillar of the retirement system. We are of the view that this is going to help a significant number of Canadians who can't work past 65 because they are in jobs that don't allow them to do that. Other Canadians will be able to work past that, and this is something we should consider.

• (1635)

Mr. Ron Liepert: Are you now prepared to consult on that and change your decision? I think there is compelling evidence—you don't necessarily have to consult—that shows that the cost to the Treasury is going to become very large as we move 10 years out into the system. Is that something you are prepared to consult on and change?

Hon. Bill Morneau: First, I will say that there is compelling evidence that Canadians in different lines of work and different economic situations have greater or lesser ability to retire later. By taking a draconian step that impacts everyone, you don't recognize that reality.

We will continue to work on retirement security for Canadians, recognizing the importance of considering demographic issues and the importance of helping Canadians to save in a way that will enable them to retire. That is something we will continue to do.

As you know, this coming month we are working on the Canada pension plan enhancement. You will see us continue to consider this issue, because we believe that it will be an ongoing issue of great concern for Canadians as they consider how they can retire when they will have to live ever longer on savings that, in many cases, are going to be inadequate for that task.

The Chair: Thank you, Minister.

We have two members who haven't had the opportunity to ask questions yet. Mr. Grewal is first.

Mr. Raj Grewal (Brampton East, Lib.): Thank you, Mr. Chair.

Thank you, Minister, for being here.

As a recent grad—well, not so recent, but not so long out of school—I want to focus on what the budget does for young Canadians. The cost of education, especially post-secondary education, is going up every year.

We spoke about innovation and growth. At the heart of that is ensuring that we have the talent to build our innovation agenda and grow our economy. Education is the single most powerful tool to change your circumstance and contribute to society and the economy.

You mentioned earlier the grants that we are going to be doubling. Can you also please elaborate on how we are going to make it easier for students to manage their debt load, because the cost of education is increasing?

Hon. Bill Morneau: Thanks for the question.

This is an important issue. I would say that the very first way we are going to help students to manage the debt is by helping them not to have as much.

I do have to go back to the student grants. I think pretty well every student would rather have less debt, so by increasing the grants for low-income, middle-income, and part-time students, we will make a material impact on the actual amount of debt they have when they graduate from school. That is step number one.

Step number two is that we are creating a significantly larger number of summer jobs for students. First, you have a higher grant; second, you provide more jobs. Our summer job program will increase the number of jobs for students by 300,000. That will give them more opportunity to earn money during their summers so that they will be able to pay off a portion of their debt.

Those are step one and step two. Step three is to enable them not to have to pay their debt until they get to a reasonable amount of income. We have allowed for up to \$25,000. Until students earn \$25,000, they won't have to begin paying the debt. That allows them a time period until they get their first job or their first serious long-term employment when they are not burdened with that debt. That will help them to get going.

All of these things, I think, are important measures for students. Of course, investing in universities and innovation is going to enable them to gain the skills and find the kinds of jobs that will make a real difference for them in the long term, so that they will be able to afford to pay off their debt when they get into the workforce.

Mr. Raj Grewal: Thank you, Minister.

The Chair: You have time for one more.

Mr. Raj Grewal: We also spoke about the importance of infrastructure in this budget, and how we're going to make a historical investment in infrastructure. In previous years there was a lot of conversation about "shovel-ready" and "shovel-worthy", and the bureaucracy associated with getting money on the ground and making sure there was a return on investment. The infrastructure minister, Minister Sohi, said the screen for P3 projects has been lifted for some of those projects. Can you elaborate on that's going to make it more efficient to get money on the ground?

• (1640)

Hon. Bill Morneau: We don't want anyone to take away the idea that we think P3s aren't a useful way to build infrastructure. It's just not necessarily useful in every single situation. We do recognize that it's something that slows down the process of moving forward on infrastructure projects.

To your question, which is around the speed of getting to infrastructure projects, I think I can identify a couple of issues, because we do want to get to things quickly.

In the case of the research and university projects, we had a short timeline because we knew that many of those projects were ready and willing to go. I believe the timelines have already passed for the submissions to be submitted to the infrastructure department, so we're getting going quickly on those.

In the federal infrastructure that we outlined, we also knew there were many projects ready and able to go, so those things can get going rapidly. By a change in the sharing of infrastructure projects from one-third federal, one-third provincial, and one-third municipal, to fifty-fifty, we actually create the conditions that allow projects to go forward more rapidly.

Those things, together with not requiring a P3 screen in every situation, will allow us to move forward more rapidly, and we hope to get things started that will have a long-term impact on the economy while providing some short-term gains in terms of immediate employment.

The Chair: You may have the final question, Mr. Ouellette.

Mr. Robert-Falcon Ouellette (Winnipeg Centre, Lib.): Would you like to ask a question?

Ms. Elizabeth May (Saanich—Gulf Islands, GP): If the committee allows it, I'm grateful.

The Chair: The committee has time.

Mr. Robert-Falcon Ouellette: I have three questions, but I'll forgo those questions.

The Chair: Each take one. We don't want to wear out the minister. He has a long night ahead of him.

Ms. Elizabeth May: Thank you. I'm grateful.

Mr. Minister, thank you.

I'm surprised by my opportunity to ask a question. I have many.

I have one that's buried down in the details and I'm preparing an amendment on it for this committee. I'm unhappy that the "long-tenured worker" definition that came out of the last government has been reinserted into changes in this budget for employment insurance. The "long-tenured worker" definition, which this omnibus budget bill brings into the EI act instead of getting rid of it, will prejudice younger workers and newer workers. I'm wondering if the government is open to an amendment to Bill C-15 that would allow the "long-tenured worker" definition to be pulled.

Hon. Bill Morneau: I would be happy to get back to you outside of this committee. I don't have the details on the long-tenured worker. I can tell you that we believe we've made measures to the EI system that will make significant improvements. If there is any more that we can say on long-tenured workers, I will get back to you.

Ms. Elizabeth May: Thank you very much, Mr. Minister.

The Chair: One short one, Mr. Ouellette, and then we have everybody covered.

Mr. Robert-Falcon Ouellette: I would have liked more time to talk, but thank you.

We often talk about how we're lifting 300,000 children out of poverty in this country through the CCB. We had at this committee Dr. Evelyn Forget, who testified about the benefits of the guaranteed income for all Canadians. In my estimation, the CCB serves as a form of guaranteed income for families. It allows them to make choices as they deem them necessary for their own lives.

Will families who are on reserve or off reserve who are receiving the CCB also be able to receive other benefits such as welfare without seeing those clawed back by provincial governments? Are you working to ensure provincial governments aren't going to be clawing those back so that we don't give with one hand and take with the other?

Hon. Bill Morneau: I think there are two separate questions here. The first question is about whether gaining welfare or anything else will have a clawback provision on the CCB. Unless their income is so high that they get into the zone where there is a clawback, the answer will be no.

The second part of the question is whether we will work together with provinces to ensure that these programs aren't clawed back by provinces. What I can tell you is that Minister Duclos is working with provinces to ensure that this is not the case, that provincial actions will not reduce the amount of money going to people.

• (1645)

The Chair: Thank you very much, everyone, for your questions. Thank you very much, Minister and officials, for being here about five minutes over your hour. Thank you. We appreciate your answering all the questions.

We will suspend for three or four minutes and then deal with officials on divisions 9, 12, and 14, which we didn't get done previously.

We are suspended for five minutes.

• (1645)

(Pause)

• (1650)

The Chair: I think we'll have to say that the third time, Ms. Martel, is a dream, because you've been here three times and it looks as though you're going to get your say this time.

Just for members' information, we're dealing with those divisions and parts of the Budget Implementation Act, 2016, No. 1, that questions had been raised on. Ms. Martel is here to deal with division 9 of part 4, which concerns the Old Age Security Act.

I think you have a statement to make, and then we'll go to questions.

Thank you.

[Translation]

Ms. Nathalie Martel (Director, Old Age Security Policy, Income Security and Social Development Branch, Department

of Employment and Social Development): Good afternoon, everyone.

[English]

Division 9 of part 4 of the budget implementation act proposes to amend the Old Age Security Act in two ways. First, it increases the guaranteed income supplement top-up by \$947 per year for the lowest-income single pensioners and for pensioners whose spouse or common-law partner is not eligible for old age security benefits. This increase also applies to the top-up of the allowance for the survivor.

The change will be effective on July 1, 2016. It is estimated that close to 900,000 low-income seniors will benefit from this measure at a cost of \$669 million in 2017-18, the first full year of implementation.

• (1655)

[Translation]

Second, it is proposed that the age of eligibility for the old age security pension and the guaranteed income supplement be restored to 65, and that the age of eligibility for the allowances be restored to 60. You will remember that the act was amended in 2012 in order to raise the age of eligibility for the old age security pension and the guaranteed income supplement from 65 to 67, and from 60 to 62 for the allowances. The increase was supposed to be implemented gradually, from 2023 to 2029. Cancelling the increase in the age of eligibility will have no impact on the costs of the old age security program before 2023.

[English]

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

I wasn't sure whether you said 900,000 people would benefit from the top-up.

Ms. Nathalie Martel: That's correct, yes. To be more accurate, it's 863,000 in the first year.

The Chair: Okay. Thank you.

Going to questions, does anybody have any questions on the old age security aspect in this division?

Mr. Ron Liepert: I have one quick one.

The Chair: Yes, go ahead, Mr. Liepert.

Mr. Ron Liepert: What is the average monthly benefit of this?

Ms. Nathalie Martel: The pension is \$570 per month, and the guaranteed income supplement is based on income and marital status. If you have no income at all and are living alone—you're a single senior—it can be as high as \$773 per month.

Mr. Ron Liepert: No, I'm talking about the average increase.

Ms. Nathalie Martel: Oh, I'm sorry. The average increase is \$775.

Mr. Ron Liepert: Is that per year?

Ms. Nathalie Martel: That is correct.

Mr. Ron Liepert: And that is per person.

Ms. Nathalie Martel: Yes. The maximum increase is \$947. Single seniors with an income below \$4,600 will get the maximum increase, and seniors with an income between \$4,600 and roughly \$8,400 will get a partial increase. Beyond \$8,400, there won't be any increase.

The Chair: Are there any other questions?

Okay, I guess that is clear-cut.

That's third time and done. Thank you very much, Ms. Martel. Could we have the witnesses for division 12, please?

We're dealing with division 12 of part 4, respecting the Employment Insurance Act. We have Ms. Ryan, who is director general of employment insurance policy, skills and employment branch, and Ms. Venne, who is the director, policy analysis and initiatives, employment insurance policy, in skills and employment branch.

Welcome. I believe you have a brief statement, and then we'll go to questions. Thank you very much for coming. I guess this is also for the third time.

Ms. Annette Ryan (Director General, Employment Insurance Policy, Skills and Employment Branch, Department of Employment and Social Development): Thank you, Mr. Chair.

The bill proposes to make three essential changes to the Employment Insurance Act. The first of these is to extend extra weeks of benefits for workers in regions affected by the downturn in commodity prices, the second is to eliminate new entrant and re-entrant provisions, and the third is to change the two-week waiting period to one week.

I'll speak to these briefly in turn and then take questions.

On the extension of extra benefits, the EI program provides temporary financial assistance to unemployed workers who have lost their jobs through no fault of their own while they look for employment or upgrade their skills. Dramatic declines in global commodity prices since late 2014 have produced sharp and sustained unemployment shocks in commodity-based regions. Budget 2016 provides that eligible unemployed workers in 12 regions hardest hit by the downturn in commodity prices may receive additional weeks of EI regular benefits. Five additional weeks of EI regular benefits will be available for all eligible unemployed workers in specified regions, up to a maximum of 50 weeks, and up to an additional 20 weeks will be available to eligible unemployed long-tenured workers in specified regions, up to a maximum of 70 weeks. Extended benefits will be available for a period of one year starting in July 2016, with the measure applying to all eligible claimants as of January 4, 2015.

That's the first measure, Mr. Chair.

I'll speak next to the second measure, the elimination of new entrants and re-entrants.

The government is seeking to make amendments to the EI Act and to amend the EI regulations and EI fishing regulations to eliminate the new entrant and re-entrant requirements established for regular claimants and self-employed fishers.

Currently new entrant and re-entrant rules require workers newly entering the labour force or re-entering after an absence of two years to accumulate 910 hours of insurable employment in the year preceding their claim to be eligible for employment insurance benefits. The proposed amendments will eliminate the new entrant and re-entrant provisions introduced in 1978 and instead will require claimants to meet their regional variable entrance requirement, which varies between 420 hours and 700 hours, to be eligible for EI regular benefits.

Self-employed fishers will need to reach the regional insurable earnings entrance requirements for fishers, which varies from \$2,500 to \$4,200 to qualify for fishing benefits.

The provisions will also allow workers to gain access to EI-funded training supports delivered through labour market development agreements with provinces and territories, as these workers must qualify for Part I benefits before qualifying for Part II benefits.

Turning to the third measure, Mr. Chair, the Employment Insurance Act currently requires claimants to serve a waiting period prior to benefits being payable and provides that it may be deferred or waived in specific circumstances.

The waiting period has been set at two weeks since 1971. These amendments to the EI Act will reduce the waiting period from two weeks to one week. All claimants whose benefit period commences before the coming into force of these amendments will be subject to the existing two-week waiting period.

•(1700)

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

We will go to questions, but before we start I have a question on new entrants and re-entrants.

You talked about the regular insurable hours. That system, though, still varies. It can go up from 420 to 440, etc. It jumps around according to the employment in the region. Am I correct about that?

Ms. Annette Ryan: That's absolutely right, Mr. Chair. The variable entrance requirements and the weeks of eligibility are specified as per a table that ranges from 6% and under for unemployment rates and then has a maximum threshold of 16% and higher, which determines benefits according to how many hours you qualify with.

The Chair: Thank you.

Mr. Caron is next, and then Mr. Ouellette.

[*Translation*]

Mr. Guy Caron: Thank you, Mr. Chair.

Many thanks to the witnesses for appearing today. I have a few questions.

I would really like to understand the logic underpinning the calculations used to determine eligibility for the five-week extension of benefits.

Before, five weeks of benefits were given to workers in regions with high unemployment rates, therefore, often in regions in which seasonal employment was predominant or significant. We now have a new formula: the region must now have experienced a 2% increase in its unemployment rate over a three-month period without showing any signs of recovery. In the end, the bill lists the 12 regions that are eligible, and three other regions should be added to that list. In accordance with the formula that has been proposed, by next month, four other regions could have been added to the list, but we have just learned that these four other regions will not be included, because a decision has been made not to make any further changes to the list at this point.

I would really like to understand the rationale and thinking that led to these decisions. Frankly, it makes no sense at all, particularly to someone like me, who is from eastern Quebec, where there is a crying need to bridge this gap.

Ms. Annette Ryan: In fact, you had two questions. If you don't mind, I will answer in English.

• (1705)

[*English*]

The first question speaks to the issue of why benefits would be extended, and as I understand it, sir, the second question would speak to why these regions were selected.

In terms of why benefits would be extended for five weeks—

Mr. Guy Caron: I have nothing against the extension of benefits. I understand the rationale. I want to know the thinking behind the establishment of the formula that was used.

Ms. Annette Ryan: The formula essentially reflects a range of analyses that we were undertaking within the department for a period of months. Following the downturn in commodity prices, we instituted a range of measures to track the EI claims that were coming in. We saw a marked increase in EI claims in early 2015. It was quite specific. In the week after Christmas, there was a large increase in the number of claims. These claims were very localized by province and aligned very closely with any number of other metrics.

In terms of the demographics of the claims that were coming in the door, not only were they located in regions that were heavily dependent on commodities, but the claimants themselves showed a marked pattern of professions related to the oil sector and the commodity sector. That was one level of analysis that was done, and we did not see similar patterns across the country.

In other features that we noticed, we did begin to see an increase in the exhaustion of benefits that started in September or October of 2015. We didn't get a sense from the earlier claimants who were

coming into the program that people were having great difficulties in re-entering the workforce, but later in the year it very much increased.

Those patterns of both high intake and then high exhaustion were very localized and correlated with any number of other metrics, and they were specifically the metrics on which we based access to the extended benefits.

The other most pertinent analysis we did was parallel to the downturn in 2009, when there was a much more widespread increase in unemployment rates. There was a pattern of 2% or more in most parts of the country, essentially.

[*Translation*]

Mr. Guy Caron: I understand the argument about the collapse in commodity prices and the repercussions this may have. However, a 2% increase in a region's unemployment rate over a three-month period, whether because of the collapse in commodity prices or for any other reason, is highly problematic.

I understand that the sharp drop in commodity prices is one of the reasons for extending the number of weeks of benefits, but why is it the only one?

My second question is a follow-up to the first one. Why limit the list of regions that could benefit from this measure now? Why not consider the regions that could become eligible according to the criteria in June or July for example?

[*English*]

Ms. Annette Ryan: In the first instance, the specific criteria we used correlated with other measures, but in the interests of clarity and precision, we set the specific criteria of 2% for a period of three months in hopes of bringing that precision.

Could I ask you to repeat your second question?

[*Translation*]

Mr. Guy Caron: Why would it be determined that, as of now, no other regions would be added, even if they were to become eligible according to the defined criteria?

Ms. Annette Ryan: That's a good question. It has to do with the timetable for implementation, in the sense that the extended benefits begin in January 2015.

• (1710)

[*English*]

The idea of it being a measure that tracks a sharp and sustained deterioration in labour markets and having that access to benefits begin in January of 2015 would become increasingly less connected to the proposed policy measure.

In terms of the flexibility that's built into the system—that was related to the chair's first question—the program remains able to adjust to ongoing changes in economic regions. When regions have a change over a period of almost a year and a half, versus the change in commodity prices, it constitutes less of a sudden increase in unemployment and moves away from the policy intent of dealing with those mass layoffs that occurred at a given time.

Those two measures—the policy design as well as the idea that we are trying to bring extraordinary measures that target a sharp and sudden deterioration—both speak to timing that gets less direct the further you get away from the period of the downturn.

The Chair: Mr. Ouellette, do you have one more? You can come back.

Mr. Robert-Falcon Ouellette: The cost of this program over two years is probably around \$582 million. Is that right?

Ms. Annette Ryan: That's exactly correct.

Mr. Robert-Falcon Ouellette: With regard to these special regions that we're discussing with Mr. Caron, what will the overall cost be for that program?

Ms. Annette Ryan: I'm happy to speak to that. The cost for the additional three regions that the Prime Minister announced would be \$214 million in the two-year period that follows the budget and \$241 million over the entire span of the program, because some people will continue to collect benefits into a third year. Administrative costs will be \$4.4 million, and our estimate is that this will help some 63,500 people.

Mr. Robert-Falcon Ouellette: How many Canadians receive EI benefits?

Ms. Annette Ryan: In a given year, 1.8 million Canadians receive EI benefits, and 1.3 million receive EI regular benefits.

Mr. Robert-Falcon Ouellette: What would be the annual cost?

Ms. Annette Ryan: The annual cost is tracking right now just short of \$16 billion in the combined set of benefits.

Mr. Robert-Falcon Ouellette: You talked about fisheries and how self-employed workers in the fisheries industry can receive EI benefits, which is unusual in that most people working in other sectors can't receive them if they're self-employed. I was wondering if you could give a bit more information about how that came about and why it doesn't apply to people up north who are hunters. Indigenous people often do a lot of hunting, and it would be an interesting extension of benefits for some other groups in our society.

Ms. Annette Ryan: That's a wide question, Mr. Chair.

The Chair: Answer what you can. It came in during Roméo LeBlanc's time when he was Minister of Fisheries. I do know that. That'd be Dominic's dad.

Ms. Annette Ryan: The fishing benefits date to the 1950s and target self-employed workers. In recent years the program has extended employment insurance special benefits to the self-employed, but not the fishing benefits that you described. Why a program wasn't expanded is beyond my scope to comment on.

Mr. Robert-Falcon Ouellette: Okay. Thank you very much.

The Chair: We're always open to political initiatives, Mr. Ouellette.

Ms. May, did you want to ask your question on long-tenured workers?

Ms. Elizabeth May: Mr. Chairman, I would love to, because these are the appropriate witnesses to ask.

The Chair: Go ahead, and then we'll come to Mr. Caron.

Ms. Elizabeth May: You were here when I put the question to the minister, so as you probably know, the Canadian Labour Congress has already raised this issue in testimony before the committee.

Since the difference between the benefits for long-tenured workers and others is quite dramatic, there is a concern about subclause 207 (1) at the beginning of division 12. Why has that been done, and can that be omitted without doing any...? That would improve the EI system, in my view, but I'll leave it to you to explain it.

• (1715)

Ms. Annette Ryan: Thank you for the question.

The definition of long-tenured workers, just to start there, is someone who has contributed at least 30% of the maximum employee contributions into the program in seven of the last 10 years and has not drawn more than 35 weeks of EI regular benefits in the last five years. This is a definition that was put in place during the 2009 recession and the extraordinary measures that followed.

The intent of it has a number of antecedents, if I can put it that way. To go back to the work that we had been doing in terms of monitoring the increase in claims that we saw and analyzing the background of the people who were exhausting their benefits, what we saw was that a preponderance of these people were long-tenured workers who were aged 45 years and older and had essentially the highest benefit rate amounts in their weekly cheque.

In terms of past work that we've done and the wider research on that particular age group, there's a wide body of work, particularly in Canada, to the effect that for those workers starting at age 45, if they experience a job loss, alarming proportions of them do not work again, essentially, until they can access a pension income. I'd point to David Gray and Ross Finnie at the University of Ottawa, who have done quite good work on this front.

The claims analysis that we were doing, coupled with the wider research of the difficulties that this group in particular can face in reattaching to the labour market, were considerable reasons for continuing the extension that was granted during the recession. I think there are other considerations, such as the degree to which they have also contributed to the program without drawing on it in the past.

The Chair: Can we leave it there?

Ms. Elizabeth May: I'll be able to revisit it at clause by clause, but yes.

Thank you. I'll dig up some more information on why I'm worried about it.

The Chair: Go ahead, Mr. Caron, and then we have to go to division 14. There's not too much time.

[Translation]

Mr. Guy Caron: I have two other questions.

I asked whether the budget implementation bill contained measures for regions in which seasonal employment is prevalent. I was told that the measures in place, namely, reducing the waiting period from two weeks to one week, applied to everyone.

Would you be able to confirm that the budget implementation bill contains no other measures specifically for regions that depend heavily on seasonal employment?

Ms. Annette Ryan: There are two types of measures in the budget. There are those that will be implemented by the bill, including the waiting period, provisions for new entrants and re-entrants to the labour force, as well as changes with regard to the extension of benefits.

[English]

These are the three measures that are in the bill. They have a differential impact for seasonal areas. I am quite confident that the analysis of the one-week waiting period is a relatively strong benefit to regions with seasonal workers.

The new entrant and re-entrant provisions will have their largest, if you will, dollar figure in urban areas. They're measures that benefit youth and immigrant groups in particular.

That measure will also have a relative impact in regions with high rural youth populations. In particular the northern regions of Quebec do relatively well in our analysis. In terms of the extended benefits, to the extent that there are seasonal workers in the 12 to 15 regions that will receive the extended benefits, they would be eligible for the extra five weeks depending on when they qualify.

• (1720)

The Chair: You may ask one more.

[Translation]

Mr. Guy Caron: Okay.

I will ask my next question.

In its commitments, the government said it would like to remove the condition of a person having to have been diagnosed as terminally ill in order to receive employment insurance benefits for compassionate care leave. That's not in the budget implementation bill.

Have you started working on this? If so, could you tell us how much a program like this might cost?

Ms. Annette Ryan: In the current budget, the government has committed itself to holding consultations in order to determine which measures will be proposed in the 2017 budget. We have started working towards that goal.

The costs will correspond to the definition chosen. It is important to establish a clear definition in a prudent manner. In fact, 8.1 million Canadians take care of a family member, while compassionate care benefits are currently being provided to only 6,000 individuals every year. That's a huge difference. It is important to get it right when we come up with that definition.

[English]

The Chair: You can probably detect that Mr. Caron is expecting great things in the 2017 budget.

Mr. Guy Caron: They're only expectations.

The Chair: Thank you.

I don't think there are any other questions.

Thank you, Ms. Venne and Ms. Ryan.

We'll turn to division 14 of part 4, dealing with the Jobs, Growth and Long-term Prosperity Act.

We have as witnesses Ms. Sheehy, director of operations, machinery of government, PCO; and Mr. Smith, vice-president of finance, risk, and administration and chief financial officer, and vice-president of strategy and organizational development at PPP Canada Incorporated.

Thank you for coming. You have some remarks, and then we'll go to questions.

Ms. Heather Sheehy (Director of Operations, Machinery of Government, Privy Council Office): Thank you, Mr. Chair.

In the budget the government committed to ensure that government institutions are aligned to best support infrastructure innovation by transferring responsibility for PPP Canada to the Minister of Infrastructure and Communities. Currently PPP Canada is a subsidiary of the Canada Development Investment Corporation, which is a parent crown corporation in the finance portfolio.

Created in 2008 by OIC and incorporated under the Canada Business Corporations Act, PPP Canada is a small organization whose mandate relates to two things: first, providing advice on P3 opportunities to the federal government and to others, and second, managing the PPP fund on behalf of the federal government.

Division 14 of the budget legislation provides for two things to effect the transfer of PPP Canada from the Minister of Finance to the Minister of Infrastructure and Communities. First, as required under the FAA, it allows the shares of PPP Canada to be transferred to the Minister of Infrastructure. Second, as is currently the case, the legislation preserves the government's oversight of PPP Canada by authorizing the Governor in Council to amend key business characteristics, such as mandate and business restrictions, the selling or disposal of shares or assets, amalgamation or dissolution of the corporation, and its agency status in the future.

As it is a parent crown, there needs to be an act of Parliament to do these things. Previously or currently, when it was a subsidiary, they could be done by OIC.

That's a brief overview of the legislation.

• (1725)

The Chair: Thank you very much.

Are there any questions?

Mr. Grewal.

Mr. Raj Grewal: I asked Minister Morneau this as well, about the P3 screen. Infrastructure is extremely important in the budget, and getting it on the ground and getting projects going is obviously very important. In my short term in government, I've noticed that everything takes a very long time to get done here.

Can you speak to products over \$100 million not having to go through this so-called P3 screen? Can you speak to how that's going to help us get money on the ground quicker?

Mr. Greg Smith (Vice-President, Finance, Risk, and Administration and Chief Financial Officer; and Vice-president, Strategy and Organizational Development, PPP Canada Inc.): Sure. Those were the applicants to the Building Canada fund within Infrastructure Canada programming. I think the removal of that screen allows those projects to be considered more fully and more immediately for funding. Our role was to provide advice to Infrastructure Canada with respect to those projects that could be P3s. What we're seeing is that most of the complex large projects are coming as P3s, and the screen was confirmation of how the procuring jurisdiction wanted to procure that asset.

The Chair: Mr. MacKinnon is next, and then Mr. Caron.

[Translation]

Mr. Steven MacKinnon: Unless I am mistaken, this provision results in PPP Canada Inc. being subject to the Financial Administration Act.

[English]

Ms. Heather Sheehy: My apologies; the translation cut out. Could you repeat your question? I apologize.

Mr. Steven MacKinnon: Does this bring PPP Canada, or its new entity, under the provisions of the Financial Administration Act?

Ms. Heather Sheehy: It was already under the provisions of the Financial Administration Act.

Mr. Steven MacKinnon: I mean as a crown.

Ms. Heather Sheehy: This simply transfers it from the Minister of Finance over to the Minister of Infrastructure and Communities.

Mr. Steven MacKinnon: Okay. Just to follow up on my colleague Mr. Grewal's question, in terms of discussions with the Minister of Infrastructure—or the Minister of Finance, for that matter—around infrastructure projects and the role of PPP Canada, even in its new incarnation, how will that evolve?

Ms. Heather Sheehy: I can start.

This proposed legislation does not change anything with respect to PPP, other than moving it from the Minister of Finance's portfolio over to the Minister of Infrastructure and Communities' portfolio. It does not make any other changes. It maintains the same governance framework that it had, so there are no other changes in this legislation.

Mr. Steven MacKinnon: It does. It has an external board of directors, for example.

Mr. Greg Smith: We have that now, and it continues to exist. We are a legal corporate entity under the Canada Business Corporations Act, and that continues to exist. We continue to govern ourselves that way. The only change is that the chair of the board reports to a different minister when this legislation passes.

[Translation]

Mr. Steven MacKinnon: Will you be taking part in discussions on an investment bank for infrastructure?

[English]

Mr. Greg Smith: We're open to that. I think there are plans for Minister Sohi to come to speak to our board. We look forward to having those discussions. At this point we're sitting here prepared.

Mr. Steven MacKinnon: Okay.

Those are all my questions.

The Chair: Mr. Caron.

[Translation]

Mr. Guy Caron: You say it won't change much, other than responsibility being transferred from one department to another. But there are a number of elements that seem to alter the current status of PPP Canada Inc. Among other things, there is a section that reads as follows: "PPP Canada Inc. may, with the approval of the Governor in Council, sell or otherwise dispose of all or substantially all of its assets." This appears to change the structure and powers of PPP Canada Inc.

What is the rationale behind such a measure? Would it allow for the privatization of public assets? Could PPP Canada Inc. be privatized solely with the authorization of the Governor in Council?

[English]

Ms. Heather Sheehy: Currently, as a subsidiary of CDIC, these types of changes that are in this legislation could be done by order in council. This transfers and preserves that exact same governance structure when it moves over to the Minister of Infrastructure and Communities. It does not propose any changes. It is the exact same framework that shifts over to the Minister of Infrastructure and Communities. There are no proposals for change in this legislation in that regard.

• (1730)

The Chair: Mr. Smith, did you want to add something?

Mr. Greg Smith: I would add that the P3 Canada Fund that is administered by PPP Canada invests in other levels of governments' procuring of assets. We don't hold any assets that are infrastructure assets. We hold the cash that supports our commitments to those other levels of government procurements that are under way.

[Translation]

Mr. Guy Caron: You say that no changes have been made, but a section has nonetheless been added to the act.

If nothing's changed from the current situation, why add a section stating that "PPP Canada Inc. may, with the approval of the Governor in Council, sell or otherwise dispose of all or substantially all of its assets?"

That, to me, seems to be a significant change.

[English]

Ms. Heather Sheehy: The FAA currently already provides this for subsidiaries. In order to have the exact mirroring of the same governance structure it has with the Minister of Finance when it is with the Minister of Infrastructure and Communities, you need to include these clauses in the legislation.

Mr. Guy Caron: You didn't have the mirroring before. Is that what you're saying?

Ms. Heather Sheehy: It's in the FAA already for subsidiaries that these types of things can be changed by order in council. As it's changed over to the Minister of Infrastructure and Communities, it has been added into the legislation to mirror the same governance.

[Translation]

Mr. Guy Caron: I have one last question.

The new subsection 209.1(1) stipulates the following: "The Minister of Infrastructure ... may acquire the shares of PPP Canada Inc."

[English]

Why the "may"? It seems to be left to his discretion.

Ms. Heather Sheehy: In order for, again, the shares to be transferred, this is technical language that needs to be included in legislation, and then that transfer can happen. It allows for it to happen; it doesn't actually make the change.

[Translation]

Mr. Guy Caron: All right.

Thank you.

[English]

The Chair: Thank you very much.

Go ahead, Mr. Sorbara.

Mr. Francesco Sorbara: This is just for clarification. Previous to this amendment, PPP Canada was not a crown corporation, just a wholly owned subsidiary.

Ms. Heather Sheehy: Previously, PPP Canada was a subsidiary of the Canada Development Investment Corporation. It was a subsidiary; now it will be its own parent crown. They're both crowns, but one is a subsidiary crown and the other is now a parent crown.

Mr. Francesco Sorbara: It will be a parent crown within the Ministry of Infrastructure.

Ms. Heather Sheehy: Correct.

Mr. Francesco Sorbara: As a follow-up, in terms of the ease of facilitation within the infrastructure ministry of a rollout of infrastructure spending, there's really no impact, I would estimate, in this change, other than it's within the same umbrella.

Ms. Heather Sheehy: It strengthens alignment between the crown corporation's activities and the expertise and activities of the Office of Infrastructure of Canada, but there should be no other changes in terms of Minister Sohi's ministry.

Mr. Greg Smith: With respect to us as a corporation, we are a corporation. We exist. Our appropriations continue to exist as they always have in main estimates. We continue to govern ourselves appropriately. This is just changing the board's reporting to a different minister.

Mr. Francesco Sorbara: You made the comment earlier that you just hold the cash that will be used when a project is undertaken, when there is a federal component to the project.

Mr. Greg Smith: Correct.

We don't own any of what I call fixed assets. This funding is in support of construction of infrastructure assets. We don't hold any of those assets. We are a transfer payment organization. In order for us to make our commitments to these projects, we have the cash. That's the asset that we hold, other than some small working capital just to manage as a corporation.

• (1735)

Mr. Francesco Sorbara: Okay. Thank you.

The Chair: Go ahead, Mr. Ouellette.

Mr. Robert-Falcon Ouellette: I was going to be doing some questioning along the same lines as Monsieur Caron.

I'm actually right now in the Jobs, Growth and Long-term Prosperity Act, from 2012. What this division 14 actually says is:

The Jobs, Growth and Long-term Prosperity Act is amended by adding the following after section 209:

Now I'm looking at section 209. Unfortunately, I can't seem to find this authorization parent crown corporation, especially part 4.

I'd like to know, then, in relation to this part 4, how many assets you actually hold in PPP Canada. How much are we talking about that's allowed to be sold by the Governor in Council?

Ms. Heather Sheehy: I'll start and then maybe my colleague can add to it.

In the 2012 Jobs, Growth and Long-term Prosperity Act there is a small provision, as you have mentioned, with respect to PPP Canada. That's where the changes in this legislation are being proposed. PPP Canada was set up by order in council; it was not set up through legislation. You will not find legislation that governs PPP Canada. It does not exist.

I don't know if you want to add to...

Mr. Greg Smith: As far as our assets are concerned, we've received \$1.4 billion in appropriations over the years and we have committed a little more than \$1.3 billion into 24 projects. Those projects are generating a little less than \$2 billion in value for money.

Mr. Robert-Falcon Ouellette: Currently on your books, then, you have \$2.4 billion?

Mr. Greg Smith: No. We have \$1.4 billion in cash, and that is in support of commitments to 24 projects in the amount of a little over \$1.3 billion.

Mr. Robert-Falcon Ouellette: Are these such projects as the Barrie water treatment plant?

Mr. Greg Smith: That's correct.

Mr. Robert-Falcon Ouellette: It seems like a fairly large group or corporation. Why was there no legislation before?

Hon. Lisa Raitt: VIA Rail is under an order in council. It's not separate.

Mr. Robert-Falcon Ouellette: The CBC, for instance, has their CBC act.

Hon. Lisa Raitt: They have their own, yes, but VIA doesn't. These are just weird anachronisms that happen throughout the government.

Mr. Robert-Falcon Ouellette: I hope that when you come back you'll be able to present us with some legislation that will guide us in the future, so that you're no longer an anomaly in the future. You can use your expertise to make it a reality.

Thank you very much.

The Chair: Are there any final points for Ms. Sheehy or Mr. Smith?

Thank you very much.

We apologize for the number of times we asked you here, but we are finally done with all the divisions. Thank you very much, witnesses.

For committee members, tomorrow we start clause-by-clause study on this little bill at 11 o'clock. We'll go until we're done, after 3:30.

The meeting is adjourned.

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