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CANADA

## **Standing Committee on Finance**

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**EVIDENCE**

**Wednesday, November 8, 2017**

—  
**Chair**

**The Honourable Wayne Easter**



## Standing Committee on Finance

Wednesday, November 8, 2017

• (1530)

[English]

**The Chair (Hon. Wayne Easter (Malpeque, Lib.)):** We'll call the meeting to order. Pursuant to Standing Order 108(2), we're studying the subject matter of Bill C-63, A second Act to implement certain provisions of the budget tabled in Parliament on March 22, 2017 and other measures.

In this first hour, we have with us the Honourable Bill Morneau, Minister of Finance, and the deputy minister, Mr. Rochon.

Welcome.

To start, the floor is yours, Minister, and then we'll go to questions.

**Hon. Bill Morneau (Minister of Finance):** Thank you, Mr. Chair, vice-chairs, and honourable committee members, for the opportunity to be here with you today.

I'd also like to thank all of you for your work on budget implementation act no. 2 and for all the work that I know you've been doing on the pre-budget consultations.

As you know, our government came to office with a plan to grow the middle class and to grow the economy, and budget implementation act no. 2 is an important next step towards that goal. The bill will help to make the tax system simpler, fairer, more flexible, and efficient.

[Translation]

A second Act to implement certain provisions of the budget includes measures to give federally regulated workers the right to request more flexible work arrangements from their employer, largely benefiting women, who continue to do the majority of unpaid domestic work in our society.

[English]

Also proposed is the elimination of unpaid internships in federally regulated sectors that aren't part of a formal educational program and providing labour standard protections for unpaid interns who are part of an educational program.

Mr. Chair, if you look at the measures in BIA 2, I think we can all agree that this legislation is an important step in our plan to build an economy that works for the middle class and for those who are working hard to join it.

Before I speak about the next steps in our plan, I'd like to tell you about how we got to where we are today and the signs that tell us our plans to build a stronger middle class and to grow the economy are working.

Just two years ago, the world economy was still in recovery. Canadians were feeling like they were working harder than ever but just weren't getting ahead, and there were grounds for their concerns. The median real wage income of Canadians had barely risen over the previous 30 years.

[Translation]

Middle-class Canadians were worried. They were looking for real change and elected a government with a plan to ensure that their hard work would not go unrewarded, a plan that would enable all Canadians to enjoy the benefits of a growing economy.

[English]

Today, as I mentioned, there are clear signs that this plan is working.

In just two years, we've lifted 26 long-term boil water advisories on reserve. Over 350,000 more students get help each year to afford books and tuition and earn their degrees. We've effectively doubled the Canada summer jobs program, helping almost 65,000 students find work in the summer months.

With the Canada child benefit, we've helped about 300,000 children to be lifted—

**Hon. Pierre Poilievre (Carleton, CPC):** I have a point of order, Mr. Chair.

I understand the minister is here to talk about the budget implementation act. He's now mentioned several measures that are not actually in that act, with which I do not have a problem as long as that approach is applied equally to all members sitting around the table throughout the hearings today.

**The Chair:** The issues the minister is talking about may not necessarily be in the budget implementation act, but they are tied to the budgetary matters that the government has pursued over the last year. I'll certainly allow the remarks, and there's fairly wide flexibility in what we allow to be asked at committee as well.

**Hon. Pierre Poilievre:** Great. Thank you.

**The Chair:** As long as we can stay away from the personal stuff, and not get personal....

Mr. Minister.

**Hon. Bill Morneau:** As I was mentioning, with the Canada child benefit, importantly, we've helped to lift about 300,000 children out of poverty.

Consumer confidence is up, Mr. Chair, and this confidence is sustaining a rise in household spending and economic growth. The Canadian economy is now resurgent, with average growth of 3.7% over the last four quarters, making Canada the fastest-growing economy in the G7 countries.

In just two years, over 500,000 jobs have been created, and the youth unemployment rate is near its lowest on record. This growth is underpinning a significant upgrade to Canada's fiscal outlook, which has improved by over \$6.5 billion compared with what we were expecting just in March. The federal debt-to-GDP ratio has been placed firmly on a downward track, and Canada continues to have the best fiscal position among G7 countries.

These achievements are more than just numbers on a balance sheet. They mean a better country for ourselves and for our children.

[Translation]

Thanks to Canada's strong fiscal standing, we are able to do what many countries wish they could do: invest in our country and in our future, while retaining the flexibility needed to weather global economic uncertainty.

[English]

It proves that as we invest directly in Canadians and their families, we have an immediate positive impact on the economy. The fall economic statement takes important next steps to ensure that Canadians can share in the success we achieve as a country. We're taking action on the understanding that for Canadian families, shouldering the rising costs of raising children can be a real challenge.

Our government proposes to strengthen the Canada child benefit by making annual cost-of-living increases to it starting in July 2018, two years ahead of schedule. For a single parent making \$35,000 with two children, a strengthened CCB will contribute \$560 in the 2019-20 benefit year towards the cost of raising his or her children. That means more support for purchases of books, skating lessons, warm clothes for winter, or whatever the family needs. By helping parents with the high cost of raising children, the CCB brings added confidence to families. It has proven to have an immediate positive impact on economic growth. Indexing the CCB for the 2018-19 benefit year will provide an additional \$5.6 billion in support to Canadian families over the 2018-19 to 2022-23 period.

The help is going to where it's needed most. About 65% of families receiving the maximum Canada child benefit amounts are single parents of whom 90% are single mothers.

For those working hard to join the middle class, and many of those who are living alone, we'll offer even more help with an increase to the working income tax benefit. This increase of \$500 million per year is on top of the increase of about \$250 million annually, which is already set to come into effect in 2019 as part of the enhancement of the Canada pension plan. It'll give a much-needed boost to over one and a half million low-income workers as they work long hours, sometimes in more than one job, to get a

foothold in the workforce and to support themselves and their families.

• (1535)

[Translation]

Our new investments in the working income tax benefit, or WITB, will mean greater support for current recipients by raising maximum benefit levels and expanding the income range of the WITB so that more workers will have access to the benefit.

[English]

For many Canadians, a stronger CCB and a more generous working income tax benefit mean more peace of mind when the bills come due. With the fall economic statement, we're also providing direct support to the small businesses that create the jobs that Canadians depend upon.

[Translation]

The balance we have achieved will support strong economic growth by allowing small businesses to put a larger portion of their revenues towards reinvestment and job creation, while ensuring that these benefits are available to more than just the wealthiest Canadians.

[English]

We're proposing to lower the small business tax rate to 10% effective January 1, 2018, and to 9% effective January 1, 2019. This means up to \$7,500 in federal corporate tax savings per year to help entrepreneurs and innovators to do what they do best.

Our plan for middle-class tax fairness will ensure that incorporated professionals and business owners can continue to have the flexibility to save up for personal reasons, such as parental leave, or for retirement, while ensuring that the measures are focused on a small number of high-income individuals who get the biggest advantage from existing rules.

We'll work with farmers, fishers, and business owners to better accommodate the transfer of a family business to the next generation while protecting the fairness of the tax system.

In everything we do, our government knows that when Canadians are given a real and fair chance at success, they'll make the most of it. The investments we're making point to a brighter future for Canadians. As we look to budget 2018, we'll continue our work to build on the gains we've made over the last two years.

[Translation]

We will make sure that Canadians have access to the skills, training, and learning opportunities they need to compete and prosper in a fast-moving global economy.

[English]

We'll drive forward our innovation plan, making big bets in the most competitive sectors of our economy, making Canada a world leader in industries like agrifood, clean tech, and digital. We'll continue investments in our transit, our roads, and in clean water to keep our cities moving and our children safe. We'll continue building a better future for the middle class, those working hard to join it, and those who will follow in their footsteps.

Thank you, Mr. Chair.

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

We'll go to seven-minute rounds for the first four, starting with you, Mr. Fergus.

• (1540)

[Translation]

**Mr. Greg Fergus (Hull—Aylmer, Lib.):** Thank you, Mr. Chair.

Minister and Deputy Minister, thank you very much for your presentation on Budget Implementation Act, 2017, No. 2.

Further to the information sessions we held, the remarks heard by the committees, and the stories my constituents have told me, one thing is clear when it comes to this bill: we now have an excise tax collection system and GST and HST measures that are much more efficient than they were in the past.

Would you describe the measures that improved the efficiency of our goods and services and harmonized sales tax system?

**Hon. Bill Morneau:** Thank you for the question.

As you know, two years ago, we decided to create a national tax regime that was effective and, at the same time, more efficient and fair. A year and a half ago, an expert panel helped us pinpoint the tax measures that were not working as intended. We included in the budget some of the measures stemming from our commitment.

We feel we identified key elements, and we will continue to implement measures that will result not only in a fairer tax system, but also create promising investment opportunities for the future.

The measures we put in place after consulting Canadians, a few weeks ago, are the most important when it comes to improving our system and making it more fair, and putting more money in the hands of small and medium-sized businesses so they can invest in the future.

**Mr. Greg Fergus:** Indeed.

We heard from a brewing company. Molson Coors representatives told the committee why the industry welcomed the excise tax on beer made from beer concentrate. The measure will be effective and significantly level the playing field. I imagine that isn't the only company applauding the measures.

Was the measure well-received by the brewing stakeholders you consulted?

**Hon. Bill Morneau:** We believe the measure was well-received. The initiative you described is essential. The importance of not taxing these products twice is very clear. That's something the brewing industry feels very strongly about.

All types of beer will be taxed fairly going forward thanks to these measures, which are more beneficial for the industry. From the consumer standpoint, it's important to always have access to an array of beers that are taxed at the same rate.

**Mr. Greg Fergus:** Thank you. I have two more questions for you. I hope I have enough time.

The first has to do with division 1 of part 5 of Bill C-63, which deals with the Bretton Woods and Related Agreements Act. These

provisions give you the authority to do certain things. Can you explain to Canadians why the Bretton Woods and Related Agreements Act is being amended to give you that authority?

• (1545)

**Hon. Bill Morneau:** We wanted to make sure the authority and responsibilities of the global affairs minister were well-established. That's the purpose of the measure, and I would say that, from a good governance standpoint, it was the right thing to do.

**Mr. Greg Fergus:** The legalization of cannabis is a government-led initiative. I noticed that the budget implementation bill set out some flexibility around establishing the structure to implement this change. To my mind, laying the groundwork for when legalization comes into effect is a good thing.

Could you talk a little bit about the flexibility you would like to have in your negotiations with the provinces and territories?

**Hon. Bill Morneau:** With the legalization of cannabis, having an effective tax regime is important, in our view. We want—and our goal is clear—the taxation level to reflect our objective. It has to be clear that it will be difficult for certain people to purchase cannabis because of their age. That's a key objective. It will also be necessary to establish cannabis pricing and an appropriate level of taxation.

We will have to negotiate with the provinces to find a solution in terms of the method and level of taxation. That is why we need to have the power to do so. That's important for us. Over the next few months, we will be talking with the provinces to establish agreements.

[English]

**The Chair:** Thank you, both.

Mr. Poilievre.

**Hon. Pierre Poilievre:** In what year will the budget be balanced?

**Hon. Bill Morneau:** Each year we've shown the ongoing trajectory to be fiscally responsible by reducing the amount of debt to our GDP over time.

**Hon. Pierre Poilievre:** In what year will the budget be balanced?

**Hon. Bill Morneau:** As I've said, we think it's important to be fiscally responsible and to have a balanced approach to managing our economy. That is exactly the approach we've taken. Happily, it's working with a high level of growth, and it's showing that we can make investments in our long-term future and do it in a fiscally responsible way.

**Hon. Pierre Poilievre:** In what year will the budget be balanced?

**Hon. Bill Morneau:** As I've said, the approach that we've taken is one that has demonstrably worked. The economy is growing much faster than it was, of course, when we came into office after the previous government left us with a very low rate of growth.

**Hon. Pierre Poilievre:** In what year will the budget be balanced?

**Hon. Bill Morneau:** I would be pleased to continue to have the same response to the same question, which is that we believe that having a balanced approach to having—

**Hon. Pierre Poilievre:** What about a balanced budget? When will that happen?

**Hon. Bill Morneau:** We will continue to make investments on behalf of the long-term future of Canadians, and that's working.

**Hon. Pierre Poilievre:** You promised that in 2019 you'd have a balanced budget. Will you balance the budget in 2019?

**Hon. Bill Morneau:** We will continue to make investments that we see are appropriate to grow our economy. Happily, that's working. We will continue—

**Hon. Pierre Poilievre:** When will the budget be balanced?

**Hon. Bill Morneau:** —to do that in a fiscally responsible way.

**Hon. Pierre Poilievre:** The minister doesn't know when the budget will be balanced.

Let's go on to his increases in taxes on small businesses. He said that small businesses will be allowed to have \$50,000 in passive income before his new penalties kick in.

Is that \$50,000 per shareholder, or \$50,000 per company?

**Hon. Bill Morneau:** Perhaps I'll start by setting the record straight.

In fact, we're reducing taxes on small businesses by moving forward on reductions that will move small businesses from where they are at the federal taxation rate currently of 10.5%, to 9% in—

• (1550)

**Hon. Pierre Poilievre:** On the issue of the passive investment income, you've said that you're going to allow small businesses to earn \$50,000 of passive income before new tax penalties take effect.

Is that \$50,000 per shareholder or \$50,000 per company?

**Hon. Bill Morneau:** Perhaps I can step back and conclude what I was saying, which is that we will be reducing the taxes on small businesses.

By January 1, 2019, the federal rate of tax on small businesses will be 9%. We'll do that at the same time as we assure that small businesses don't provide opportunities that are not intended to be there for growth but are—

**Hon. Pierre Poilievre:** Fair enough, but you said that small businesses will be allowed to earn \$50,000 in passive income before new tax measures will affect them. Is that \$50,000 per shareholder or \$50,000 per company?

**The Chair:** Let's try not to interrupt each other. I'm watching the time. The minister's round can be around equal time to the question asked, so there's no need to interrupt each other.

Go ahead, Mr. Minister.

**Hon. Bill Morneau:** I'm sorry, Mr. Chair, was I interrupting?

**The Chair:** No, you weren't. Mr. Poilievre was.

**Hon. Bill Morneau:** Sorry, I wanted to be clear.

The goal we've set out is an important one, we believe, which is to make sure that incorporating only for the opportunity to defer

income is not our goal. Our goal is to ensure people invest actively in their businesses. As such, we've said there will be a limit to the amount of income that can be deferred within a private corporation. That amount will be approximately \$1 billion in assets if you look at the \$50,000 of investment income. That, we believe, will allow our system to enable people to invest, and at the same time not create advantages for those who are already quite successful.

**Hon. Pierre Poilievre:** I have a point of order.

**The Chair:** Yes, go ahead.

**Hon. Pierre Poilievre:** The minister is running my clock. He can run his own clock during his opening statement. I've asked very short, pointed questions, seeking factual answers, and he's not answering them, so I'd ask for the ability to restate the question.

**The Chair:** State the question.

**Hon. Pierre Poilievre:** Thank you.

Is that \$50,000 per shareholder or \$50,000 per company?

**Hon. Bill Morneau:** As I said earlier, we think this is important. We believe that it's important to—

**Hon. Pierre Poilievre:** Do you know the answer to the question?

If I could revert to your interview on CBC's *The House*, you were asked a similar question, and you said that those details have not been worked out, but it's not a detail, Minister. If a company has 10 shareholders, and that company is only allowed to have \$50,000 in passive income, then that's actually \$5,000 in passive income per person. I don't know on what planet one would have to live to think that \$5,000 a year in passive income is enough for a business owner to pay for retirement or maternity leave or some other eventuality.

I'm just asking that you answer the question, because a lot of small business people desperately need answers, and you've been immersed in this matter now for 100 days. You should know, by now, what your policy is. Is your limit on passive investment going to be \$50,000 per company or \$50,000 per shareholder?

**The Chair:** Mr. Minister, the floor is yours.

**Hon. Bill Morneau:** I think now I have a fair amount of time given the length of the diatribe.

**The Chair:** You do.

**Hon. Bill Morneau:** As I said, we think it's important to make sure that our system works. We have a small business rate that we think will be hugely advantageous for small businesses to invest in their active business. At the same time, we want to make sure that we don't create a deferral opportunity for people in those companies that's not related to the active investment in their business, or for that matter, related to their legitimate needs to perhaps take maternity leave or build up retirement because the RRSP system doesn't work effectively for them, given their needs to invest in their business.

**Hon. Pierre Poilievre:** You don't know if it's \$50,000 per company or \$50,000 per shareholder.

**Hon. Bill Morneau:** I'm pleased to continue.

**The Chair:** Go ahead. The floor is yours.

**Hon. Bill Morneau:** Our goal in doing that was to put in place a measure that would limit the amount per company that people would be able to—

**Hon. Pierre Poilievre:** Oh, it's per company.

**Hon. Bill Morneau:** —keep passively inside their business for potential future investments or for their retirement. We will be releasing more complete details about this in our budget 2018 so there's absolute clarity for businesses moving forward. We know we've created an opportunity for people to invest in their businesses at a good rate, and to have the ability to save for their long-term needs at the same time.

• (1555)

**The Chair:** This is your last question.

**Hon. Pierre Poilievre:** I think the minister may have accidentally answered the question at a brief moment during his last statement. He seemed to suggest it was \$50,000 per company. That means that in a situation that is relatively normal, in which, say, 10 shareholders jointly own a small business, whether a restaurant or a landscaping company, they'll only have \$5,000 per shareholder, per business owner, in passive income before his new double taxation takes effect on those people.

Does he really think it's fair to hit people who are earning only \$5,000 per year in passive income with tax rates that are far higher than would be paid by, say, Morneau Shepell, on its passive income?

**The Chair:** That's your last question, Mr. Poilievre.

Mr. Minister.

**Hon. Bill Morneau:** We know that getting our economy going means we need to continue to enable small businesses to invest in their business. We also need to make sure they have the capacity to save for things they might need to save for, whether for retirement or maternity leave. Creating that balance was important to us. What we've done by lowering the small business tax rate is that we've given the opportunity for small businesses to invest more. What we've done for a company as well is that we've given them the capacity to save passively for those eventualities. Of course, any active investments will continue to be at that low rate. We will provide absolute clarity for people in budget 2018.

For those 85% of businesses that don't have any passive investments, of course, they are not thinking about this right now, but for all businesses we want to make sure that they have the capacity to invest at the small business rate, save appropriately, and continue to create success for themselves and their families.

**The Chair:** Mr. Dusseault.

[*Translation*]

**Mr. Pierre-Luc Dusseault (Sherbrooke, NDP):** Thank you, Mr. Chair.

Minister and Mr. Rochon, thank you for being here.

Since we are talking about the budget today, we also have to talk about income. I am referring to the Income Tax Act, which falls under your authority. Bill C-63 includes dozens of pages of amendments to the act.

I'd like to ask you about Canadian direct investment abroad. Among the top 10 countries where Canadians invest the most, Barbados ranks third, Luxembourg ranks fourth, the Cayman Islands

ranks fifth, Bermuda comes in sixth, the Netherlands is seventh, and, the Bahamas is in ninth place.

I am especially interested in the third country on the list, Barbados, where Canadians invested \$68.3 billion in 2016.

Can you, as finance minister, give us an idea of the type of investments that \$68.3 billion represents?

**Hon. Bill Morneau:** Of course, I can't tell you every investment of every Canadian; those are very specific details. I can say, however, that we want to make sure Canadians pay their fair share of taxes. That is very important to us, and that is why, since first coming into power, our government has put mechanisms in place to that end.

We've taken a number of actions, as you know. One of the main things we've done thus far is implement the Common Reporting Standard in Canada. It's a way for us to see accounts held by Canadians in other countries. That is very important.

When did that come into effect, Mr. Rochon?

**Mr. Paul Rochon (Deputy Minister, Department of Finance):** It started a few months ago.

• (1600)

**Hon. Bill Morneau:** It's a very significant measure, and it gives us a sense of which places are potentially problematic and how to rectify the situation. We reached an agreement with the OECD to ensure that companies making a profit in Canada pay their fair share of taxes in Canada, and not in some other jurisdiction. That's very important, and the agreement is helping us do that.

**Mr. Pierre-Luc Dusseault:** Mr. Chair, I do not know why the minister is telling me about the fight against tax evasion.

Mr. Minister, I simply asked you about the countries in which Canadians invest. I'm asking you what Canada's economic ties with Barbados and foreign investments look like. Why are you making a connection with tax evasion?

**Hon. Bill Morneau:** That's usually the question I'm asked. That is why I explained that it is important to consider the situation of other countries.

I do not have specific information about investments in Barbados here with me, but I can provide it to the committee later.

**Mr. Pierre-Luc Dusseault:** I would like some of your officials to provide us with an overview of the types of investments made in Barbados. It would be very helpful to know more about that.

Six countries have one thing in common: tax agreements, information exchange agreements or tax treaties. These numbers continue to grow every year. I think that's a good reason to look at tax agreements and tax treaties.

You voted in favour of an NDP motion calling for the review of tax information exchange agreements and double taxation agreements. What is the status of the review? Which agreements or treaties have you reviewed to date? Are Barbados, Luxembourg, the Cayman Islands, Bermuda, the Netherlands or the Bahamas included?

**Hon. Bill Morneau:** We will continue to work with other countries and multilateral institutions to ensure that the BEPS project is working. That's a major undertaking. In fact, it's difficult to look at every investment, but our intention is to get information, in order to monitor the situation and to ensure that companies pay their fair share—

**Mr. Pierre-Luc Dusseault:** Thank you.

I would like to continue on this issue. In my opinion, the BEPS project does not seem to be working very well, since the numbers continue to increase.

You just mentioned that all companies should pay their fair share and that they should be on a level playing field. Recently, your colleague, the Minister of Canadian Heritage, signed a \$500-million agreement with Netflix. Netflix continues to be exempt from collecting—I did say “collecting”—the goods and services tax, the GST. It is exempt. I'm not the one saying it. In fact, the Minister of Finance of Quebec has said it again today. This company is exempted by the federal government from collecting the goods and services tax.

Quebec has committed to rectifying the situation and to asking the company to collect taxes, as all the other companies are doing.

Will you commit today to doing the same thing?

The Minister of Canadian Heritage has sometimes even thrown the ball into your court, saying that tax matters are the responsibility of the Minister of Finance.

My question is really for you, Mr. Minister. Do you commit to asking Netflix to collect the goods and services tax, as all other Canadian companies are doing?

**Hon. Bill Morneau:** Actually, there is no exemption. We base our tax decisions on our budget. If the Quebec government decides to do something about it, we will clearly work with them, because we are the system administrator, but we have clearly said that the situation is important for Quebec. So, it's Quebec's decision.

•(1605)

**Mr. Pierre-Luc Dusseault:** Why do you say there is no exemption?

When you buy a product from a Canadian company headquartered in Canada and doing business in Canada, you pay the goods and services tax. Why would a company like Netflix, which sells products and services, not have to collect this tax from consumers? Why do you say there is no exemption?

[English]

**The Chair:** That will be your last question, Pierre-Luc.

Go ahead, Mr. Minister.

[Translation]

**Hon. Bill Morneau:** We explained that we would not go any further with Netflix. However, if Quebec wants to do something, we will work with them, because that is the way our system works.

[English]

**The Chair:** I believe, Minister, you were going to get back to us with an overview of the kind of investments that were made in... Bermuda, was it? Or it was Barbados.

**Hon. Bill Morneau:** Yes.

**The Chair:** Mr. Sorbara.

[Translation]

**Mr. Francesco Sorbara (Vaughan—Woodbridge, Lib.):** Thank you, Mr. Chair.

Welcome, Mr. Minister.

Our government's focus is on the middle class. I am very pleased to say that the Canadian economy is growing fast. The growth is actually more than 4% and there are more than 500,000 new jobs.

[English]

That includes many new jobs in my riding of Vaughan—Woodbridge.

When we entered into office, we brought in the Canada child benefit. I was pleased to see the numbers in my riding—more than 16,000 children, 9,000 payments, for a total sum of \$4.3 million going to families who need it. They are not the millionaires, but actually low- and middle-income families who need it for their everyday necessities and putting their kids in school. With that measure, we saw that the Bank of Canada governor noted that the economy was boosted by 0.5% with the CCB, and we've indexed it now.

Moving on from the CCB to innovation, in Bill C-63, there are measures for clean technology, boosting the Business Development Bank capital, an investment of approximately \$1.4 billion in new financing through BDC and EDC to help Canada's clean technology firms grow and expand.

I wanted to get your comments on how important this is, not only helping middle-class families through the CCB and indexing the CCB but also having an innovation agenda so that we can boost the capacity of our economy to grow.

**Hon. Bill Morneau:** Thank you.

First of all, commenting on the starting point in your question, we are clearly seeing the benefits of investing in Canadians. It's quite clear that what we move forward on, in terms of putting more money in Canadians' pockets through tax reductions for middle-class Canadians and an increase in Canada child benefits, actually put more disposable income in families' hands. That has served as an important part of the increased growth we've seen in our economy.

Our plan, which was to have confidence that Canadians would invest in our economy by taking that money and helping their families, has worked. We know, as you say, that we now also need to be assuring that the long-term future of our country is successful. That means investing in innovation, in making sure we have the kind of research and development going on that will lead to future success, and making sure that Canadians have the kinds of skills they'll need for jobs of the future.



What we saw in budget 2017 were significant investments in Canadians, in innovation through superclusters, and in putting universities, leading businesses, and small businesses together to find ways for us to create even more advantage in already strong sectors. That will be our continuing approach, thinking about how we can help with the R and D and how we can prepare Canadians for the jobs of the future. That's going to be how we'll make sure this success that we've seen is continued for the next generation.

• (1610)

**Mr. Francesco Sorbara:** Thank you.

On the issue of tax fairness, we've cut taxes for middle-class Canadians, approximately nine million of them, and raised taxes for our wealthiest one per cent. With the last measure we introduced—and I applaud this measure—reducing the small business tax rate to 9%, firms will benefit up to \$7,500 in lowered taxes that they can use to invest and grow the economy.

I know my colleague on the other side mentioned passive investments. Isn't it a fact, Minister, that with a passive investment of \$1 million, approximately 98% of small businesses, from coast to coast to coast, are unaffected by that proposed change, that this change will only impact literally less than 2% of CCPCs across Canada? The local restaurant, the local bakery, and the plumber are all unaffected. This measure is based on tax fairness and will grow the economy to incentivize capital to be put to work.

**Hon. Bill Morneau:** You know, I don't think we can say it often enough: 100% of small businesses in this country will be positively impacted by a reduction in the small business tax rate. Every single business that earns \$500,000 or less in annual profits will have a lower small business tax rate. It will go down on January 1, 2018. It will go down again on January 1, 2019.

For the 1.7% of those private corporations that are shielding significant income and passive investments, yes, they may go over that million dollars in future, but let's think about that. First of all, every single investment in any small business that exists there right now will be protected. Nobody will have any change in tax situation on any investments they've accumulated in their private corporation. It's only in future that they will be able to continue to invest up to roughly a million dollars, and before then they would probably decide to, instead, put money into an RRSP or a TFSA.

We found a balance that ensures that every small business will have lower taxes and that, for almost all businesses, they will continue to be able to invest in passive investments to assure their retirement or maternity leave. We will end up with more investment in active businesses because it will be advantageous for businesses to do so, especially at the lower rate.

**The Chair:** We'll turn to five-minute rounds.

Mr. Albas.

**Mr. Dan Albas (Central Okanagan—Similkameen—Nicola, CPC):** Thank you, Mr. Chair.

Mr. Minister, thank you for being here today.

Minister, you told the Senate committee recently that you were planning on investing, or I should say spending, \$1.2 billion more in the CRA in preparation for the small business tax changes. Why

would you need to put in more money if you are not complicating the code so that the bureaucrats who will end up interpreting that code will have to spend more time and thus more resources on it?

**Hon. Bill Morneau:** That's incorrect. I informed the Senate committee that we had made investments in the Canada Revenue Agency over the last two years of roughly a billion dollars in each the 2016 budget and the 2017 budget. We allocated more money to the Canada Revenue Agency in order to ensure that we were going out and making sure there was no tax evasion going on. That investment has to be considered in light of the broader concern that people pay their fair share.

In no way did I say or infer—or if I did, I certainly did not intend to—that there would be any needed investment required for anything that we're doing in the regard you mentioned.

**Mr. Dan Albas:** Okay. I'd like to go, then, to what Mr. Poilievre originally talked to you about on a per-company basis. To be clear, you're saying that on a per-company basis the \$50,000 would apply. Is that correct?

**Hon. Bill Morneau:** To be clear, all investments that any Canadian-controlled private corporation has currently in its entity will be protected.

**Mr. Dan Albas:** My question was, though.... You said that on a per-company basis it would be at \$50,000. It would not be on a per-shareholder basis, the \$50,000. Is that correct?

• (1615)

**Hon. Bill Morneau:** As I said in the first instance, everything they've done up until now is protected. In future, of course, any investments they make will be from a bigger pool of profits because their taxes will have gone down. They will be able to invest in their business, their active business, in exactly the same way they've done in the past, but with more funds because of the lower tax rate. They also will be able to maintain passive investments in their entity of up to about a million dollars.

**Mr. Dan Albas:** Again, if it's on a per-company basis, then basically that encourages people to incorporate because of the lower rate. Isn't that the exact opposite of what you said in your July 18 paper: that you felt that the trend of going from 1.3 million Canadian-controlled private corporations to 1.8 million was a problem that needed to be solved? Aren't you, in fact, now encouraging the exact opposite, Minister?

**Hon. Bill Morneau:** In fact, we strongly support small businesses in this country. We are pleased if people are starting up small businesses. What we want to make sure is that the investments in those businesses with that low rate are actually investments in the active business.

What we've done is that we've created an advantage for people to invest in the active business by lowering the tax rate. At the same time, we've created a window of opportunity for them to have passive investments as well, so that they can manage their way while having that small business between retirement—

**Mr. Dan Albas:** Minister, you haven't created any windfall for anyone. It's their work. It's their retained earnings.

I appreciate that you look at it as being yours, but again, if you go with a per-company...that does encourage more corporations. Obviously, the criticism is out that if you lower the small business tax rate you'll encourage more corporations.

Minister, if what you were trying to solve initially was to stop people from incorporating, doesn't this very policy do that?

**Hon. Bill Morneau:** In fact what we said was that we were trying to make sure our tax system both encourages investments and doesn't create advantages for those who are already advantaged. By lowering the small business tax rate, we are encouraging active investment in business, and by creating an opportunity for people to have passive investments up to a threshold, we are ensuring we're not creating advantages only for the few.

Finding a balance is important. We think we have found a balance that will stimulate investment, and at the same time, not create a tax advantage that is only available to a very small subset. Of course, as mentioned earlier, about 1.7% of small incorporated entities might ever get to that limit.

**Mr. Dan Albas:** Minister, in Bill C-63, one of the first measures are changes to work-in-progress, or sometimes called billed-basis accounting. That will basically force lawyers and other professionals, if they're working on contingency cases, to pay taxes every year.

Minister, do you realize that in some cases, in small rural areas where they are not serviced by large law firms that can subsidize these kinds of cases, you will in fact make it more difficult for people who are on the margins and have legitimate cases—where it may not be a slam-dunk case—to have their legal representative...?

Your own parliamentary secretary said in the House of Commons that he is sensitive to these changes. We had MP McKay, a lawyer as well, say that there are challenges with the approach.

Minister, are you concerned that this will make it more difficult for people to get representation?

**Hon. Bill Morneau:** We've spent some time on this issue.

Of course, for other professionals, the law to ensure that people have their revenue and expenses in the same time period was changed in the early 1980s. We believe the approach we've come to is one that makes sense and that treats the legal profession like other professions.

We worked with the various legal associations to make sure we have the implementation effective in this regard. By moving the transition from what was originally considered to be a two-year transition to a five-year transition, we believe we've found a way to get at the objective. That is, a tax system that's consistent for people in different kinds of enterprises, and one that allows a transition for those organizations that have work in progress that they need to fold into their activities in a reasonable fashion.

•(1620)

**The Chair:** Ms. O'Connell.

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

Thank you, Minister, for being here. Mr. Rochon, thank you, as well.

I want to talk about Bill C-63 in terms of some of the items contained in here. We heard from witnesses yesterday about the importance of making this change to allow nurse practitioners to fill out forms for their patients. I come from a semi-rural riding, so it is not always easy...and certainly many Canadians are in ridings that are even more rural.

Can you maybe speak to why this change is important and what you anticipate its impacts will be?

**Hon. Bill Morneau:** We think this is a really important change. Obviously we are facing demographic challenges in this country that are going to continue to make the provision of health care challenging. We recognize that, in many cases, people will need to have a doctor to provide services for them in their health care situation.

In many cases, though, nurse practitioners can play an important role. This measure was to acknowledge that as an important issue moving forward. We believe that by doing this, it will create an opportunity for our system to be more cost-effective and also to give people the appropriate level of care they need from the appropriate provider. It's recognizing expertise where expertise exists and being efficient at the same time, which is a very positive outcome.

**Ms. Jennifer O'Connell:** I also want to speak to testimony that we heard yesterday from witnesses in terms of specified co-operative income and the changes that were made for fishers and farmers in co-ops. I know this is something that was raised by the chair as well. Yesterday the witnesses said it was a welcome change. I'm assuming this change is based on consultations or on what you heard.

**Hon. Bill Morneau:** During the course of our consultations, we did hear that in co-operatives there was a specific challenge. Often farmers and fishers put their businesses together in order to make it more efficient to actually conduct their business, but any change in their ability to have a small business corporation with the limits that small businesses actually have would have caused the potential collapse of their co-operative.

We listened and realized that not all businesses are run exactly the same way, and that there was a legitimate approach to managing these co-operatives that were creating economic advantage—an economic advantage that we think is important—and we found a way to assure them that they could continue on with the appropriate approach to taxation in their situation.

**Ms. Jennifer O'Connell:** Thank you.

Lastly, with regard to one of the Canada Labour Code changes in part 5, division 8, we heard from officials when we reviewed this section.... This is in regard to unpaid leave for victims of family violence for up to 10 days. I think it's a really important initiative, and as far as the language goes, the officials did a really great job in terms of explaining the process. The intention was to ensure that victims and their direct family members could seek help or, in some cases, medical attention right away, in terms of dealing with the longer-term implications with their employer. This really allows for that quick access to care in a lot of cases.

We've also heard in previous testimony—I believe it was on the pre-budget consultation—about the cost to the economy and the cost to employers as a result of domestic violence and family violence.

Can you speak to this initiative and why it's so important to start making these changes in the Canada Labour Code?

•(1625)

**Hon. Bill Morneau:** We believe that it's important to acknowledge challenges and to address them to find a way to assure that Canadians can address their individual situations and the challenges, and not suffer work penalties as a result of that. This really came out of that. It came out of an acknowledgement that having unpaid family responsibility leave is just an acknowledgement of the reality of today's much more challenging, fast-paced economy, and that people who are in a situation where they are a victim of family violence are in need of time.

That's hopefully going to produce what we would expect would be a better situation for them than if they weren't accorded the ability to take that time. All of these efforts are really with that objective in mind—to get the labour code up to date with the reality of both the family situation and the challenges that we face today. We think acknowledging that will create a healthy situation within organizations and a healthier economy over the long term.

**The Chair:** Thank you, Minister.

Mr. Kmiec.

**Mr. Tom Kmiec (Calgary Shepard, CPC):** Thank you, Mr. Chair.

Mr. Minister, I want to talk about division 2 in part 5 of Bill C-63, on the Asian Infrastructure Investment Bank agreement act that is being ratified. You must know this. Your officials came to committee and they said that every single project that this bank had approved thus far had received a human rights review, an environmental review—every project and every project being proposed. You must know that there are two pipeline projects that have received funding and that are receiving a loan from this bank in which Canada is now putting \$375 million U.S. You also must know that your government cancelled and made it impossible for two pipeline projects to proceed in Canada.

How can you justify wasting \$375 million U.S., gifting to China this money for their middle class, when you have hard-working energy families in Alberta, Saskatchewan, and British Columbia who are out of work and looking to their government to support them in their time of need as it is financing China's middle class?

**Hon. Bill Morneau:** Let me start by saying how important it is that we continue to work in our country to assure the success of people in challenging situations. Certainly, the economy in Alberta has had real challenges because of the change in oil prices. We recognize that. We're pleased to see that it's doing somewhat better today, but we know we have a lot more that we need to be doing together. It's similar in Saskatchewan, which is facing real challenges.

Our continuing goal is to work to make sure that we have the ability to move our resources to market. That will be of continuing importance for us—

**Mr. Tom Kmiec:** Pardon me, Minister, but this \$375 million U.S. is going to two pipeline projects. It will support the loans that this bank will give in the future. These are competitors with Canada's natural gas industry, with our LNG projects in the future. We do not need to be part of a bank in order for Canadian companies to bid on projects, so how do you justify spending \$375 million U.S. of Canadian taxpayer dollars, when you could have just put that money towards infrastructure in Canada?

**Hon. Bill Morneau:** As I was saying, we take very seriously the responsibility of working on the important issues in our country. We also see that it's important to be part of international institutions, as we have been historically, whether it's at the IMF or the World Bank.

The Asian Infrastructure Investment Bank is important. We have a share there, which is roughly equivalent to \$200 million U.S. That is the share we will be able to take up there. Unfortunately, we won't be able to take up our full economy's share, which we have been able to with other institutions, because we are coming late in the game.

We believe it's important to be a member of the international community and to help ensure that the global economy is working. Having a seat at the table at the Asian Infrastructure Investment Bank will be important. Those investments, by helping the global economy, will be important for Canada. Our goal will be to continue

**Mr. Tom Kmiec:** Pardon me, Minister, but you're going off track a little bit here. You haven't yet justified spending \$375 million U.S. of Canadian taxpayer dollars. That money could have easily been used to support middle-class Alberta energy workers. You haven't justified the money. You talked about multilateralism and working with what amounts to our competitors. This furthers China's foreign policy. Academics, professors, China's foreign spokespersons for different ministries say openly that this is to further their “one belt, one road” initiative.

I'm asking you why we are financing competitor markets when we did not need to do so before. Canadian companies were able to bid on these projects and we did not need to spend this money in the first place.

•(1630)

**Hon. Bill Morneau:** Just so that we're clear on the facts, we are going to make an investment of \$200 million in the Asian Infrastructure Investment Bank—that is the U.S. dollar amount. It gives us a seat at the table. It will allow Canadian businesses to be part of the investment opportunities. It will allow us to be at the table to consider what sorts of projects will be taken on by that institution, as we do at the World Bank, the International Monetary Fund, and the European Bank for Reconstruction and Development. We are looking forward to that as an important part of the international institutions.

**The Chair:** Thank you, Minister.

We'll now go into the second round with this five-minute question and then move to the supplementary estimates.

**Mr. Raj Grewal (Brampton East, Lib.):** Thank you, Mr. Chair, and thank you, Minister, for being here. It's much appreciated.

Minister, how many jobs were created in the last two years in the Canadian economy?

**Hon. Bill Morneau:** We are most of all concerned with creating jobs for Canadians. In the last two years, we've seen over 500,000 new jobs created in this country, getting us to a rate of unemployment that hasn't been seen in more than a decade.

**Mr. Raj Grewal:** Minister, I come from Brampton East, which is a middle-class riding with a lot of entrepreneurs, a lot of small businesses. They're really happy about the small business tax rate.

Yesterday I was at Loblaws, speaking to their carriers, their third-party trucking companies. One thing I got from them was that Canada is such a big country and they're transporting goods all across this country. They were excited to know the details of the Canadian Free Trade Agreement. Can you elaborate on how that's going to strengthen our country even more and make it more efficient for small businesses to do business across Canada?

**Hon. Bill Morneau:** Breaking down internal trade barriers in this country is of huge importance. We've made progress in this regard and we're pleased with that progress. We still have more to do. We know that finding a way to enable us to work together across the country with lower trade barriers will create economic opportunities that we wouldn't have otherwise. We've made progress again, but that is a continuing issue that our government will take seriously because we know that we can create more economic growth by breaking down those barriers.

**Mr. Raj Grewal:** Minister, I know my colleague asked this question, but I think it's really important. As somebody that interned at university and during law school, I want to make sure that we're achieving the balance between providing young students with the opportunity to intern to gain those experiences, and at the same time, protecting our young Canadians from being exploited in the internship space.

**Hon. Bill Morneau:** We recognize how important it is to give young people the opportunities that they need coming out of university or college or sometimes out of high school. We also recognize that allowing unpaid internships creates a potential challenge for people that have less economic means. If your family happens to be well off, an unpaid internship can provide you with good work experience, but that might not be the same opportunity for someone of lesser means.

We wanted to make sure that the internships that are unpaid are only really there as part of a formal educational program. Overall, we seek to encourage companies, organizations, and governments to make sure that internships are paid. People should be paid for doing their work and that will create a better playing field and a more equal playing field for people from all economic backgrounds to be successful, as they seek their first jobs.

•(1635)

**Mr. Raj Grewal:** Thank you, Minister.

**The Chair:** We have to cut it there and turn to supplementary estimates. I'm not sure if you have an opening statement here, Minister. Do you have a very short one?

**Hon. Bill Morneau:** Just that I'm delighted to be here for supplementary estimates.

**The Chair:** That is good.

We'll have to go to five-minute rounds. It's my fault that we were a little late starting. I had in my mind that the committee was going to be at 3:30 p.m., so my apologies.

To start, we have Mr. McLeod. We'll go to five-minute rounds.

**Mr. Michael McLeod (Northwest Territories, Lib.):** Thank you, Mr. Chair, and thank you to the minister for being here.

As the person from the north, not northern Ontario or Manitoba but Northwest Territories, one of two northern people sitting around this table, I wanted to bring some attention to some of the challenges we have in the north.

For many years, I sat as a minister with the Government of Northwest Territories and many times, we really experienced the shock of being left out of investments when the government would come forward with their budgets and we'd have to rush to Ottawa to try to get a carve-out because the money was invested in the north on a per capita basis. We have a small population and we have high costs, yet these things were not factored in. I'm hoping that you're going to keep an eye on some of these challenges that we have. We are working on a new northern strategy. The northern strategy provided by the previous government was military focused. That doesn't help us in our communities. Our communities are in crisis situations with housing, jobs, and many other things.

In the supplementary estimates, we talk about access to skill development and training for indigenous people. We also talk about adult basic education in the north. I'm hoping these things are going to get some priority and I'm hoping that we're going to develop a good strategy. We need a plan. However, as part of that plan, we're going to look at an economic chapter. I don't know if that's going to be enough. I'm wondering if you think that we need to sit down and develop a whole new northern vision with an economic focus for all of the northern territories—I'm saying territories, not northern provinces as well.

**Hon. Bill Morneau:** I just want to obviously thank you for pointing out how important it is that we have a strategy for each part of the country and one that considers the particular challenges of Canadians who live in northern parts of the country. All I can say is that it's important for us to continue to do that. I'm looking forward hopefully to be working with you on that in the course of the next number of months in preparing for budget 2018 because we will want to continue to recognize the particular challenges and opportunities, the opportunities that we see in the north in areas like mining and other industries that have a particular opportunity. That will be a continuing goal of our government.

**Mr. Michael McLeod:** Minister, we are making some progress. I was really happy to see that the chamber of mines sent us a letter congratulating us for the investments we're making. We have a choice. We either can provide subsidies to companies, industry, or we can provide infrastructure. We recently met with the chamber of commerce and chamber of mines. They've all stated that the preference for us in the Northwest Territories or in the north is transportation infrastructure. That will lower the cost. That will provide the investment climate we need.

We also need to develop our workforce. Some 50% of our population is indigenous. They need a focus. We need a strategy to deal with that. We have across the country over 150,000 indigenous people sitting in communities unemployed. It's really troubling to see that. Indigenous people usually don't take advantage of projects in another jurisdiction, in another province.

We need to ensure that our economic plan is spread across the country but we may need an indigenous workforce strategy also. Maybe you can comment on what you were thinking with that.

**Hon. Bill Morneau:** I can only, more than anything else, agree with you. Obviously the investments that we're making on behalf of indigenous Canadians both in the north and across the country are important. They're particularly important in dealing with some challenges that we recognize are there for the fastest growing part of our population. These are challenges like, obviously, very different economic outcomes, so a lower rate of income for indigenous Canadians, and challenges like a significantly lower education attainment.

We are trying to, and must, deal with these. Obviously we need to think about first principles. How are people actually living and succeeding, especially in northern areas where the costs are so much higher? These are important issues that we are working to get at. Again, we're looking forward to making more progress in the course of the coming months.

• (1640)

**The Chair:** Thank you both.

Mr. Poilievre, you have five minutes.

**Hon. Pierre Poilievre:** Thank you.

Have any offices that report to you as minister ever awarded contracts or paid work to a company in which you own shares?

**The Chair:** I don't think that deals with the supplementary estimates, Mr. Poilievre.

**Hon. Pierre Poilievre:** Actually it does, Mr. Chair.

The supplementary estimates provide funding for those same offices, and as a result the minister is here. He's answering questions about all kinds of other expenditures that the government wants to talk about. This might not be an expenditure he wants to talk about but the committees don't exist to the pleasure of ministers.

I'll ask again. Have any offices that report to you as minister ever awarded contracts or paid work to companies in which you own shares?

**The Chair:** Do you want to answer this question, because I think I can....

Go ahead.

**Hon. Bill Morneau:** I hold no controlled shares in any company. That's quite easy for me to say at this stage. What I can say is that to the extent that I had any controlled assets in the past, I had a conflict of interest screening so I would have no way of answering that question.

**Hon. Pierre Poilievre:** All right. Thank you.

The next question is regarding tax treaties with tax havens.

Mr. Minister, when you were asked about the ongoing tax treaty with Barbados and why you hadn't addressed that tax treaty as part of your grand crusade to raise taxes on other Canadians, you said, "we're not going to throw the baby out with the bathwater". You didn't reveal when you made those public comments that you had formerly been on the board of a company that had relocated its office to Barbados.

**The Chair:** Pierre, this has nothing to do with the supplementaries.

**Hon. Pierre Poilievre:** Mr. Chair, the members across the way and the minister, in his earlier comments, went outside of those bounds as well, so I appreciate that you're narrowing the confines now—

**The Chair:** No. Mr. McLeod's questions dealt with the supplementary estimates, because the reason we're putting the extra money in there is related to the issue he asked the question on.

Stick to the supplementaries if you can.

**Hon. Pierre Poilievre:** Okay, Mr. Chair, then I will return to a question that is directly linked to the supplementary estimates, which is the budgetary framework in which all estimates are funded.

I will ask the question again. In what year will the budget be balanced?

**Hon. Bill Morneau:** As I've said, we think finding a balance is particularly important—

**Hon. Pierre Poilievre:** In what year...?

**Hon. Bill Morneau:** —and the balance that we're—

**The Chair:** The *Rules of Order* say that repetitive questions can be cut. You can ask the question in a different way, but I'm not going to allow a series of questions on exactly the same words during this second session because we're going to run out of time.

Go ahead and ask it in a different way.

**Hon. Pierre Poilievre:** On what date will the budget be balanced?

**Hon. Bill Morneau:** As I've said, our focus is responsibly investing in our economy so we can see growth, and doing that in a way that allows us to reduce debt as a function of our economy. Our economy is proving to be extremely successful, showing higher growth than we've seen in a decade, higher growth than the previous government experienced, job growth that hasn't been around for a decade, more families with more confidence than—

**Hon. Pierre Poilievre:** This is not an answer.

**The Chair:** Mr. Minister, we're going to try to hold you to the same time as the questioner, if we can.

Go ahead. We'll stick to the rules.

**Hon. Pierre Poilievre:** Will the budget be balanced within this decade?

• (1645)

**Hon. Bill Morneau:** Again, within the time period that we are estimating, we will actually have the lowest debt burden as a function of our GDP in 40 years.

**Hon. Pierre Poilievre:** But when will we arrive at a day when the deficit is zero? In what year...?

**Hon. Bill Morneau:** We will continue to make investments to get ourselves to a higher growth rate, which is what's been successful. That has allowed us to be in a much better economic position than we would have been otherwise, with more Canadians being successful. It's a very responsible fiscal approach.

**Hon. Pierre Poilievre:** Is it possible that you just don't know? You've been asked about 15 times today when the budget will be balanced, and you've been incapable of providing a year, a date, or even an approximation.

There is no shame, Minister, in just saying you don't know. Is that the case? Is it that you just don't know when the budget will be balanced?

**Hon. Bill Morneau:** What we've said is that we believe managing our economy responsibly is important. The accolades we've received from organizations like the International Monetary Fund and the recognition of people like the Organisation for Economic Co-operation and Development are important. They're saying that the kinds of fiscal policies we're adopting, which have led to significant growth, many more jobs, and a very responsible approach to managing down our debt, are the right way to go forward. It's a balanced way of making a difference for Canadians.

**The Chair:** Mr. Dusseault is next, and then Ms. O'Connell.

[Translation]

**Mr. Pierre-Luc Dusseault:** Thank you, Mr. Chair.

Thank you once again, Mr. Minister.

I want to come back to the topic we were talking about earlier, the Income Tax Act, which relates to your responsibilities as a minister, and the reality of new technologies.

When the foundations of our current tax system were established, neither the Internet nor new technologies existed. Many things have happened since. Netflix aside, I was wondering whether you were at least able to make a commitment to review our tax laws in order to adapt them to the digital age, where the situation is radically

different. This week, even the Governor of the Bank of Canada said that this new reality needs to be addressed.

Is your department doing this right now?

Traditional trade, which takes place in a physical space, on the high street, has changed. Are you going to look into that?

**Hon. Bill Morneau:** Our economy is constantly changing, no doubt about it. We will continue to study how our system works to make sure that it works well.

Every year, we look at the changes needed in our budget. If there are changes in the economy, we must ensure that the system continues to work.

**Mr. Pierre-Luc Dusseault:** Do you think those changes need to be made right now or do you think that the situation does not require it today?

**Hon. Bill Morneau:** We always need to consider how we can ensure that the system works. We do it every year. Right now, we are considering the current system for Budget 2018.

**Mr. Pierre-Luc Dusseault:** Okay. I'm glad to hear you say that. We will see what happens in Budget 2018.

I would like to take advantage of the time I have left to talk about tax treaties. I'm not sure whether you can talk about the tax treaty between Canada and Barbados. I know that you had interests in that country. I did say "you had", in the past tense, to reflect what you just said.

I would like to know whether you were familiar with the tax treaty with Barbados and whether you knew it included an agreement to avoid double taxation. Do you think we need to maintain this particular treaty with Barbados?

• (1650)

**Hon. Bill Morneau:** I have nothing special to say about Barbados.

I can tell you that we evaluate our commitments with each country every year to make sure that the commitments are still meaningful.

**Mr. Pierre-Luc Dusseault:** Considering—

[English]

**The Chair:** Please keep your questions to the supplementary estimates.

[Translation]

**Mr. Pierre-Luc Dusseault:** That's clearly part of the government spending. As I said at the outset, we cannot spend without revenue, and we have a problem with our revenue going into foreign jurisdictions. I think it's important.

From reading newspaper articles, the Prime Minister is able to determine in a matter of seconds whether all taxpayers are paying their fair share. In Mr. Bronfman's case, for example, the Prime Minister said today that everything was legal and everything was fine.

Are you able to say the same thing? Can you make a decision about all taxpayers in a few seconds based on newspaper articles?

**Hon. Bill Morneau:** No, I cannot make a decision. We will consider each situation, but it is not up to me to decide.

[English]

**The Chair:** Ms. O'Connell.

**Ms. Jennifer O'Connell:** Thank you, Mr. Chair.

I wanted to ask about the G20 framework working group and the co-chairmanship of this group. I'm curious as to what the anticipated benefits are for Canada in being involved in this group, what the results have been to date, and what some of the areas are. Obviously, if it's a Department of Finance expenditure, I'm assuming that it's talking about the economy, and I'm assuming global initiatives. Can you elaborate on some of the work that will be done there and how this benefits Canadians?

**Hon. Bill Morneau:** Yes. Thank you.

We co-chair the framework working group at the G20 with India and have done so since 2009. What it does is it allows us to be engaged in the work the G20 does in thinking about the objectives of the international work that we do together. As we think about priorities globally, a good example would be the priority in China, which, under their G20 leadership, was around inclusive growth.

Of course, we were able to have really important insight and ability to influence the agenda. Clearly, each president of the year—that year, China—has the overall responsibility, but we're very involved in actually doing the work that gets us to conclude on what we can do together. Our objective, of course, is to encourage other countries to take economic actions that will help in their country but that will also, as a result, help the global economy, which will have a benefit for Canadians.

In thinking about how the global economy works, we do help Canadians directly. Our growth rate, while hugely advantaged because of the kind of work we've done over the last couple of years in helping Canadians to have more money directly in their pockets, is also enabled because the international growth rate has improved. That's part of the work we do together at places like the G20 table. We have Canadian experts who are at that table helping to get to good global conclusions.

**Ms. Jennifer O'Connell:** Thank you.

My next question is in regard to the funding to strengthen Canada's anti-money laundering, anti-terrorism financing regime and FINTRAC overall.

What are these enhancements, or what are we anticipating that will strengthen this? Is it updating with new technologies? Again, how is this a change?

**Hon. Bill Morneau:** This is a very important and continuing initiative. What we're finding is that the bad guys are out there, and they are getting more and more effective at hacking into any systems that exist. Financial systems are certainly no exception.

If you talk to organizations in this country, large and small, you will find a very large number of them have said they have had some concerns around people who have been trying to actually, effectively, steal money from their organization through cyber means.

We need to stay on top of this. We will continue to invest in protecting our financial architecture. This is an area, if anything, of increased vigilance and one we're also focused on internationally because it's critical that we work together with other countries in protecting our financial infrastructure in particular.

• (1655)

**Ms. Jennifer O'Connell:** Thank you. So it's not just the anti-money laundering, anti-terrorist. It's also just protection of our systems as well and enhancing that security.

**Hon. Bill Morneau:** Anti-money laundering and terrorist financing are a critical part of that. Obviously, having a broad-based, secure financial architecture stops the ability of financial means being gotten by people with bad intent.

**Ms. Jennifer O'Connell:** Thank you.

**The Chair:** Thank you both.

Go ahead, Mr. Albas.

**Mr. Dan Albas:** Thank you, Mr. Chair.

Minister, I notice that you have here funding for the financial sector legislative review.

I and, I'm sure, many of us here as well have heard the same concerns regarding an Office of the Superintendent of Financial Institutions decision to restrict credit unions use of terms like “bank”, “banker”, “banking”. I've written a few times to you in regard to this.

Could you enlighten us as to what you have heard through the review in regard to banking terminology?

**Hon. Bill Morneau:** The use of the term “bank” or “banking” was one, of course, that was originally intended around ensuring that consumers could understand what the institution was actually presenting itself as. I think the Office of the Superintendent of Financial Institutions has been charged with enforcing that act, and it identified a concern around the use of that term that was becoming more prevalent.

We have worked with the credit unions of Canada to move forward on an approach to ensure that they can continue to appropriately characterize their business activities using terms that make sense. That's a process going on right now, but I'm assured that both the association and the credit unions are comfortable with the approach we're taking, which will allow us to ensure that they can maintain the appropriate usage of the terms that customers have come to associate with their business.

**Mr. Dan Albas:** Okay. In terms of consultations, I think you would be the first to admit that they don't always go the way they are intended.

When will you be announcing the results of the review, Minister?

**Hon. Bill Morneau:** I don't yet have a date for you, but as the consultations are ongoing, we will have a date in the not too distant future.

**Mr. Dan Albas:** In order to make sure there is certainty for credit unions, I have tabled a private member's bill, Bill C-379. I've written to you about it.

Minister, it would allow for credit unions to continue to use the term "bank", "banker", and "banking" as they have traditionally used them over the past 100 or so years. Would you be supportive of that bill?

**Hon. Bill Morneau:** As I've said, we're working through these consultations. I'm not sure your private member's bill will be necessary. I'll consider it when I see it.

**Mr. Dan Albas:** In regard to that, Minister, because you have said that the concern is about consumers mixing up the terms of entities that use the term "bank", I'm sure you would agree with me that a food bank would not be subject to OSFI's regulation in this regard.

**Hon. Bill Morneau:** Can I help you in some way? Is there...?

**Mr. Dan Albas:** I just asked you a question. I was hoping you'd answer it.

**Hon. Bill Morneau:** I'm clearly not involved in food banks in this country.

**Mr. Dan Albas:** Again, it's an entity operating using the term. I would certainly hope that you would agree that this would not be the intent of the Bank Act?

**Hon. Bill Morneau:** We've worked together with the Credit Union Association and the credit unions to ensure that we preserve their ability to be an important part of our economy, which they are. I will continue to make sure those consultations move forward in a way that protects their ability to effectively provide their services to Canadians who seek them.

• (1700)

**Mr. Dan Albas:** I certainly won't be offended, Mr. Chair, if he utilizes exactly the same language. Ultimately, it's about giving the certainty that credit unions deserve so that they can help our local economies. I hope the minister would agree that it shouldn't matter who gets the credit. It's about doing things right by Canadians.

Thank you.

**The Chair:** I don't believe there's a question there.

Mr. Fergus.

**Mr. Greg Fergus:** Thank you, Mr. Chair.

Sometimes, Minister, it's unfortunate and it's certainly to be regretted that some people are more interested in striking a pose when they ask a question than being able to discern an important answer.

One of the answers you gave that I think is well worth going over was when you said, "within the time period that we are estimating, we will actually have the lowest debt burden as a function of our GDP in 40 years".

Can you talk about that and can you talk about why that's important?

**Hon. Bill Morneau:** What we're obviously trying to—

**The Chair:** We're in the supplementaries.

**Mr. Greg Fergus:** It came up in a discussion that took place right across the table.

I'm sorry, Mr. Chair.

**The Chair:** Okay.

We'll let one question go on that.

Go ahead, Mr. Minister.

**Hon. Bill Morneau:** I will be short.

We will continue to work to be fiscally responsible. In our fall economic statement we showed the kinds of investments we're making have enabled us to have a growth rate in excess of what we expected at this time six months or a year ago. That, together with our responsible approach on delivering what we want to deliver for Canadians, is allowing us to have a lower and lower debt as a function of our economy. In looking forward in our five-year time horizon, we see that we'll get to the lowest debt as a function of GDP since 1977. We think this is an important marker to explain to Canadians how successful the policies we put in place have been for them and their families.

**Mr. Greg Fergus:** Thank you very much, Minister.

I also notice in the supplementaries, Minister, you put aside some funds.

[*Translation*]

I'm referring to the item "Funding to continue the negotiation and implementation of comprehensive land claims, treaty-related and self-government agreements." Your department is requesting \$331,000. Seven other federal organizations are requesting funding under this horizontal item, for a total of more than \$100 million. What will the funds be used for? I would like to have a better idea of the difference in the way these amounts are allocated.

My question is perhaps for Mr. Rochon rather than for you.

[*English*]

**Hon. Bill Morneau:** Mr. Rochon is going to answer that question.

[*Translation*]

**Mr. Greg Fergus:** Thank you.

**Mr. Paul Rochon:** As far as first nations are concerned, the amounts are for negotiations on the tax agreements and the revenue transfers that we carry out under those agreements. There is a whole process, and a number of first nations and departmental officials are involved in it.

**Mr. Greg Fergus:** Do you think those amounts will be spent before March 31, 2018?

**Mr. Paul Rochon:** I think so, yes.

**Mr. Greg Fergus:** Thank you very much.



My second question is about the government's commitment, in Budget 2017, to spend \$11 billion over 10 years to support home care and mental health initiatives. Toward the end of the summer, the federal government announced that it had agreed to a common statement of principles with provinces and territories. This spending was previously authorized, but can you quickly tell us when the funds will flow to provinces and territories? In addition, do they have to be spent this fiscal year?

• (1705)

**Mr. Paul Rochon:** The amounts will be spent over 10 years. Those transfers will basically go to the provinces and territories, within a framework that the Minister of Health will negotiate with them. I understand that discussions are well under way and we expect the money to be spent over the years indicated.

**Mr. Greg Fergus:** That even includes the current year.

**Mr. Paul Rochon:** Yes, that even includes the current year.

[English]

**The Chair:** Thank you, all.

Next is Mr. Kmiec, and final questions will go to Mr. Sorbara.

**Mr. Tom Kmiec:** Thank you, Mr. Chair.

On the voted appropriations, there's a \$30-million line item saying, "Funding for a grant to the Government of Alberta to support provincial actions that will stimulate economic activity and employment in Alberta's resource sector (Budget 2017)".

My understanding is that this is going toward a Government of Alberta loan project for orphan well remediation. Is that correct?

**Hon. Bill Morneau:** Excuse me, I missed your question there.

**Mr. Tom Kmiec:** It was all just a question. For the funding, the \$30 million that is being handed over to the Government of Alberta, it says, "to support provincial actions that will stimulate economic activity and employment in Alberta's resource sector (Budget 2017)".

Is that going toward the loan program that the Government of Alberta is running to remediate orphan wells?

**Hon. Bill Morneau:** Yes.

**Mr. Tom Kmiec:** It's \$30 million to remediate. There are probably billions of dollars in liabilities. How many jobs did you expect this to create?

**Hon. Bill Morneau:** That, of course, is not something that we did analysis on. This was something we worked on with the Alberta government so that they could move forward on the remediation of these wells in a way that would enhance employment, yes, but would also get at an issue that is particularly challenging in Alberta.

**Mr. Tom Kmiec:** How did you arrive at the \$30-million number?

**Hon. Bill Morneau:** We worked with Alberta. That was their request.

**Mr. Tom Kmiec:** Did Alberta tell you that \$30 million is what they needed from the federal government?

**Hon. Bill Morneau:** I think what's clear in this case is that Alberta has a long-term challenge in remediating these wells. What's also clear is that Alberta and, of course all of us, want to make sure that we have good employment outcomes in Alberta, so we—

**Mr. Tom Kmiec:** Pardon, Minister, that's not clear. Sorry, forgive me.

I asked whether the \$30 million being assigned here in this appropriation was a direct request of the Government of Alberta, or if it was something the federal government officials here determined would be the correct amount to give. It wasn't clear from your answer. Yes or no, did the Government of Alberta ask for this \$30 million specifically?

**Hon. Bill Morneau:** We worked with Alberta. I can't tell you that I know the exact exchange, but of course, their request was for these funds in order to help remediate the wells in Alberta.

**Mr. Tom Kmiec:** It was some sum of money, you're not sure what, and your department came to \$30 million at some point.

**Hon. Bill Morneau:** I'm quite sure it's \$30 million, and I'm quite sure that we worked with Alberta. I'm quite sure that our goal was both to help remediate the wells and have a positive impact on employment in Alberta.

**Mr. Tom Kmiec:** One of the reasons Alberta has so many more wells to now remediate is because of actions by your government that put businesses out of work. They put energy workers out of work, and then they returned the energy leases with these orphan wells on their properties. When you go after the energy sector, you cause the problem, and you make it worse.

Alberta's always having orphan well issues, and you've made them worse over the last few years. The \$30 million doesn't compensate for the loss of energy east pipeline jobs, 14,000 jobs there. It doesn't compensate for the Pacific NorthWest LNG project in B.C. It doesn't compensate for the jobs that would have been created through a northern gateway.

The \$30 million is a drop in the bucket, which is why I'm asking the question. Who came to the determination that \$30 million is the right amount? I'm still not getting an answer, whether it was the federal government that decided this was all that you could spare, even though Alberta gives you \$18 billion in equalization transfers, or whether it was the Government of Alberta.

**Hon. Bill Morneau:** We will continue to work with Alberta, as we do with all provinces, in order to make sure that our country is successful. I think the impact of the work that we've done for Canada, for Alberta, has been positive. We recognize the challenges faced by Alberta as a result of changes in global commodity prices that are significant. We will continue to find ways, not only to advance the cause of the oil and gas sector in Alberta but also to broadly advance the cause of Albertans.

• (1710)

**The Chair:** This will be your last question, Mr. Kmiec.

**Mr. Tom Kmiec:** Minister, I was sent here by my constituents to deal specifically with things like estimates. No other job here in Canada deals with something like estimates in Parliament. It's the most fundamental job of a parliamentarian. I am asking you about this \$30 million that you're asking us to approve. Who decided on this \$30 million? Was it the Government of Alberta or the Government of Canada?

You've said that you're collaborating, you're working with them, and that you'll continue to work with them. I'm sure you will, but I'm asking you specifically about this amount of money. Who decided on the \$30 million? Was it the Government of Alberta or was it the Government of Canada?

**Hon. Bill Morneau:** We're doing the supplementary estimates for the Government of Canada, so we are deciding to approve the Government of Canada supplementary estimates, which means that this is our conclusion of the \$30 million. It was, of course, through a process of discussion on how we could best have a positive impact on Alberta. We're pleased to have it go forward with this.

**The Chair:** Mr. Sorbara, you have four minutes for the last set of questions.

**Mr. Francesco Sorbara:** Thank you, Mr. Chair.

Minister, in our supplementary estimates for 2017-18, some funding, I think about \$300 million, was put in there for provincial governments for home care services and mental health services. I know that my colleague referred to this. In that allocation and in the allocations to come for mental health, how important is it for our government to assist those in Canada, considering the incidence rate of people suffering from mental health issues?

**Hon. Bill Morneau:** We think it's very important. We have worked together with the provinces on this issue. I know that the previous Minister of Health worked to get the priorities of the provinces aligned around mental health, and I know that the current Minister of Health is working to assure that we have a continued level of collaboration on this issue. Obviously, by earmarking funds directly for mental health, we think that we not only assure that the money goes in that direction but we provide an impetus for all of the provincial and territorial governments to look at mental health as being important in their jurisdictions.

The incidence of mental health challenges is increasing as a function of both our changing economy and the reduction in stigma. One way or another, demand is increasing. This is allowing us to get at something that is important to improve people's health and is also important for the long-term health of our economy, which is why it's important in this context.

**Mr. Francesco Sorbara:** Thank you, Minister.

As a new MP, I have one final comment. It's about understanding the budgeting process and the estimates process. It's about our government's desire and process for transparency and allowing MPs to fully understand. It's great to see the alignment between the budget and the main estimates that the Treasury Board Secretariat has put forward.

Would you or Mr. Rochon want to talk about that and about how that will improve the process for parliamentarians to understand the 2018 budget process?

**Mr. Paul Rochon:** I'm happy to do so.

The objective is to have in the main estimates as many budget measures, and potentially all, that should be in the main estimates this year. The process we will use is essentially to delay the main estimates by approximately a month. In budget implementation act two, we're asking for authorities to ensure that departments can continue to contract and have the certainty that they can continue to contract for the time period that's involved between the start of the fiscal year and the tabling of the main estimates.

In principle, aligning the two should give parliamentarians a more complete line of sight on the government's fiscal plan as it breaks down by department and by program.

**Mr. Francesco Sorbara:** Thank you.

Thank you, Chair.

**The Chair:** Okay. That will be it.

Thank you, Minister and deputy, for appearing before us on Bill C-63 and the supplementary estimates.

Committee members, we'll let the minister go, because I know he has a hard stop at 5:15.

Thank you again.

**Hon. Bill Morneau:** Thank you.

**The Chair:** Committee members, we need to vote on the supplementary estimates. You have them before you.

DEPARTMENT OF FINANCE

Vote 1b—Program expenditures.....\$31,952,332

(Vote 1b agreed to on division)

FINANCIAL TRANSACTIONS AND REPORTS ANALYSIS CENTRE OF CANADA

Vote 1b—Program expenditures.....\$420,000

(Vote 1b agreed to on division)

**The Chair:** Shall I report vote 1b under the Department of Finance and vote 1b under Financial Transactions and Reports Analysis Centre of Canada to the House?

**Some hon. members:** Agreed.

**The Chair:** With that, we will suspend for a quick minute and bring the officials up here to deal with divisions 9, 10, 11, 12, and 13. Hopefully, we can get it done before they go.

• (1710)

(Pause)

• (1715)

**The Chair:** Thank you, ladies and gentlemen, we'll reconvene.

With us to talk about the Economic Action Plan 2015 Act, No. 1, part 5 of division 9, is Margaret Hill, senior director, labour program, Employment and Social Development Canada, and Mr. Sadek, policy analyst, labour program.

The floor is yours. Welcome.

**Ms. Margaret Hill (Senior Director, Labour Program, Department of Employment and Social Development - Labour Program):** Thank you very much.

Division 9 of part 5 is focused on provisions in part III of the Canada Labour Code related to interns, and responds very directly to the government's commitment in budget 2017 to limit unpaid internships in the federally regulated private sector. It also complements other Government of Canada initiatives to help Canadians, especially youth, to gain work experience in today's reality.

As you may know, part III of the Canada Labour Code establishes minimum working conditions for about 900,000 employees in the federal private sector, which includes industries such as banking, telecommunications, and international and interprovincial transportation, as well as most federal crown corporations. Part III sets out the rules for things like maximum hours of work, minimum wages, hours of work, scheduling, termination of employment, and also outlines and provides for a number of leaves.

Let's focus now on the interns part of this issue. An intern is someone who's in the workplace for a short period of time, and is there to learn and develop the skills and experiences they need to enter the workforce. An intern is typically a student who is doing a co-op or some other kind of work placement as part of their college or university program or secondary school training. Interns are also sometimes newcomers to Canada who want to be in the workplace to learn about Canadian work practices.

It's also important to recognize that interns can be paid and unpaid. When they're unpaid, this raises a number of concerns about whether they're being treated fairly, or even being exploited when they're in the workplace. Often, while an employer may call someone an intern, the individual is actually really doing work for which they should be paid. In 2015, the Statistics Canada federal jurisdiction workplace survey found there were about 13,000 interns in the federal private sector. The vast majority of these individuals were paid. Just over 2,300 were not paid.

The amendments proposed to the code in division 9 would repeal provisions related to unpaid interns that were enacted in 2015, through the economic action plan, and are not yet in force. The 2015 changes to the code established two very limited situations when an intern can be unpaid. The first is if their internship is part of the requirement for a program offered by a secondary or post-secondary educational institution or a vocational school in Canada or abroad. The second is if the individual's internship meets six specific criteria, such as its being four months or less in duration, the benefits of the internship accrue primarily to the intern, the intern does not replace an employee, and the internship is not a requirement for a position with the employer. In addition, a provision was introduced to specify that when an intern is unpaid, they are entitled to a modified set of labour standard protections, to be identified through regulations. This would include things with respect to maximum number of hours of work, for instance.

The amendments being proposed in the current bill would remove the second situation of when an intern can be unpaid, and the related regulation-making authorities that go with that second circumstance.

The result would be that an intern would only be allowed to be unpaid if their internship is part of the requirement for their academic program. Any intern who is in this situation and is unpaid would continue to receive that modified set of labour standards, such as maximum hours of work, weekly days of rest, and general holidays that would be established through regulations.

I'll leave it at that and welcome any questions.

● (1720)

**The Chair:** Thank you.

Are there any questions on division 9? There are no questions. Thank you very much.

I think division 10 will take a fair bit of time, so I am going to jump to division 11, the Judges Act, if we could. We'll leave division 10 till the end.

On division 11, Judges Act, from the Department of Justice, we have Ms. Crosby, senior counsel and deputy director, judicial affairs, courts and tribunal policy; and Ms. Decker, counsel, judicial affairs, courts and tribunal policy.

The floor is yours. Go ahead.

● (1725)

**Ms. Anna Dekker (Counsel, Judicial Affairs, Courts and Tribunal Policy, Public Law Sector, Department of Justice):** Thank you, Mr. Chair. I am here to speak to division 11 of part 5, and there are three measures reflected in the amendments to the Judges Act that are included here.

The amendments would authorize the salary for a new associate chief justice position for the Court of Queen's Bench of Alberta, change the designation of "senior judge" in the territorial superior trial courts to "chief justice", and change the mechanism for payment of most annuities under the Judges Act. I'll briefly describe each of these proposed changes.

For the associate chief justice, funding for the salary for this position was included in budget 2017, and this new position is reflected in an amendment to paragraph 20(c) of the Judges Act.

With respect to the change in designation of senior judges, in the superior trial courts in the provinces, the head of the court is called the chief justice, but in the superior trial courts in the territories, the role is called a senior judge, which the Judges Act currently defines as the judge with the earliest date of appointment.

The proposed amendments would align the title in the superior courts in the territories with that used in the equivalent courts in the provinces, in the equivalent roles. The amendments would repeal the definition and remove all references to “senior judge” in the Judges Act. A transitional amendment would also ensure that any senior judges who served in that role before the amendments came into force would retain all of their entitlements, even if they didn't get the name change.

In terms of annuities, currently all annuities require an order in council be passed before they can be paid. However, the Governor in Council in fact has no discretion on whether to grant them. They must be paid. The proposed amendments would streamline the process for payment of all non-discretionary annuities to judges as well as survivors and children. In effect, once the statutory conditions are met, the payments can be made.

To implement the change, the proposed amendments would generally change the terminology, which currently uses the words “granting”, and in French, “*accordées*”, and it would be changed to say that they would “be paid”, or “*versées*” in French.

That's all I have prepared, but I'm happy to take any questions.

**The Chair:** Are there any questions to the witnesses on this division?

Go ahead, Mr. McLeod.

**Mr. Michael McLeod:** Thank you, Mr. Chair, and thank you to the witnesses.

I want to say that I'm very pleased to see this change happening. I'm happy that the government is making progress on changing the names from senior judge to chief justice. It brings us in line now with the provinces, and we've called for this change for some time now. We're hoping that our commissioners will also become lieutenant-governors at some point.

I think you've done a good job telling us how the changes would affect the judges in the territories. Could you tell us how long this is going to take, for it all to come into play? What's the time frame around getting this all done?

**Ms. Anna Dekker:** We are collaborating with our counterparts in the territories. These amendments would not actually be brought into force until all of the amendments in the territories would also be brought into force. Those amendments exist, but they have to be brought into force, so it would be as soon as that happens. I can't speak to exact timelines, but it is something that we are actively working on.

**Ms. Adair Crosby (Senior Counsel and Deputy Director, Judicial Affairs, Courts and Tribunal Policy, Public Law Sector, Department of Justice):** If I might just add, in our discussions with the territories, they've indicated that they hope to have their reciprocating legislation in place by the spring.

**The Chair:** Thank you very much. We'll let the witnesses go.

We'll turn to division 12, the Business Development Bank of Canada Act. We have officials from the Department of Innovation, Science and Economic Development.

We have Mr. Valerio who's director in the small business branch. The floor is yours.

• (1730)

**Mr. Jim Valerio (Director, Small Business Branch, Innovation, Science and Economic Development Canada):** Thank you very much.

The division requests or proposes that the Business Development Bank of Canada Act be amended to increase BDC's paid-in capital limit to \$4.5 billion. The BDC is subject to a paid-in capital limit under the BDC Act. It's currently set at \$3 billion. This limit concerns the capital injected into the BDC by the Government of Canada, the sole shareholder. As of March 31, 2017, the paid-in capital limit of the BDC totalled \$2.4 billion.

In budget 2017, the government announced that it is making available nearly \$1.4 billion in new financing through the BDC and Export Development Canada to help Canada's clean-tech firms grow and expand. As well, budget 2017 announced that the government is making available, through the BDC, \$400 million for a new venture capital catalyst initiative that will increase late-stage venture capital available to Canadian entrepreneurs.

To implement these two initiatives, the BDC would require an injection of new capital in the amount that surpasses the current limit of \$3 billion. It is therefore proposed to increase the BDC's paid-in capital limit to \$4.5 billion to allow the government to inject the necessary capital for the BDC to deliver these budget 2017 initiatives, and for future initiatives or contingencies that may emerge.

I welcome any questions.

**The Chair:** Thank you.

Are there any questions?

Tom.

**Mr. Tom Kmiec:** This is a 50% increase of what you had before in terms of the total equity you could have.

When was the last time this was increased?

**Mr. Jim Valerio:** It was in 2009, for a stimulus package.

**Mr. Tom Kmiec:** What was the increase then?

**Mr. Jim Valerio:** Roughly about the same amount, \$1.5 billion.

**Mr. Tom Kmiec:** It was \$1.5 billion, then 2009 comes around, another \$1.5 billion, and now another \$1.5 billion.

**Mr. Jim Valerio:** Correct.

**Mr. Tom Kmiec:** This will be going to those different programs so the government, through the BDC, can borrow for these different programs.

**Mr. Jim Valerio:** Correct.

**Mr. Tom Kmiec:** In case of any emergencies, or bad loans or things that go wrong, you feel that this will give you a sufficient amount of money to ensure that you'll have a float.

**Mr. Jim Valerio:** Correct.

**Mr. Tom Kmiec:** That's all.

**The Chair:** I have one point, Mr. Valerio.

We did ask the BDC to come, and the response we got was that ISED would make that representation. We ran into the same thing last year with ACOA.

From my perspective, as chair—we didn't have time to get into an argument about it—when we ask for BDC, we expect BDC, and you with them. You can tell them, in the future if we ask for BDC, we expect BDC to be here.

Thank you.

There are no further questions then.

Do we have agreement to go until 5:50? Votes are at 6:00. We have 26 minutes left. Do we have agreement to move forward?

**Some hon. members:** Agreed.

**The Chair:** With Treasury Board Secretariat, on division 13, Financial Administration Act, Mr. Sprecher, senior director, expenditure management sector.

Go ahead, Mr. Sprecher.

[*Translation*]

**Mr. Darryl Sprecher (Senior Director, Expenditure Management Sector, Treasury Board Secretariat):** Thank you.

Good afternoon. I am pleased to be here today to speak to clause 261 of Bill C-63, which deals with an amendment to subsection 32(1) of the Financial Administration Act on the control of financial commitments.

Let me put this amendment in context. In June 2017, the House of Commons approved amendments to the Standing Orders that deferred the tabling of main estimates from March 1, or earlier, to April 16, for the next two budget cycles. This deferral makes it possible to include in the main estimates the new funding announced in the budget.

When the main estimates were usually tabled by March 1, before the beginning of the new fiscal year on April 1, Parliament would be asked to approve an interim supply bill to provide departments with sufficient funding to be able to continue operations until all appropriations are approved at the end of June.

• (1735)

[*English*]

The Financial Administration Act, or FAA, currently constrains departments' ability to make financial commitments, such as for contracts or contribution agreements, by requiring there to be a sufficient authority in an appropriation or in estimates then before the House of Commons. The deputy of finance already spoke about this very briefly.

These limits are retained in proposed paragraphs 32(1)(a) and 32(1)(b). However, to begin the fiscal year 2018-19, only the interim estimates and corresponding appropriation will be available until the complete main estimates are tabled roughly two weeks into the new fiscal year. If the government were to leave the FAA as it is now, departments would not be able to reflect the full year's value in contracts or contributions that they sign on or just prior to April 1.

The proposed addition of paragraph (c) to subsection 32(1) of the FAA clarifies departmental financial commitment authorities for the period between the tabling of interim estimates in February and the complete main estimates in April. This would be done by permitting financial commitments to be made against a limit that would be specified in the interim estimates bill.

The second addition, proposed paragraph 32(1)(d), clarifies that commitments may be made against the unencumbered balance of revenues actually received by a department or the amount of a department's estimated revenues set out in the estimates. The commitment limit would be based on the forecast planned spending, including expected revenues, that is known when the interim estimates supply bill is introduced—in other words, the forecast main estimates before new budget measures are taken into account.

To conclude, I would emphasize that these amendments clarify the authorities of departments. They do not add to them, nor do they change their authorities to make payments out of the consolidated revenue fund. Such payments will continue to be limited by the specific amounts set out and voted on by Parliament in the appropriations.

With that, I thank you for your patience. I would be pleased to answer any questions you may have.

**The Chair:** Thank you for your patience, Darryl. I don't know if this is the second or the third time you've been here.

**Mr. Darryl Sprecher:** It's the third.

**The Chair:** Thank you very much for the explanation and for coming several times.

Are there any questions?

Mr. Dusseault, go ahead.

**Mr. Pierre-Luc Dusseault:** I just want to be sure.

[*Translation*]

Does this apply only to the next fiscal year or budget process, or is it something that will always apply in the future?

**Mr. Darryl Sprecher:** It will apply to next year and the following year.

**Mr. Pierre-Luc Dusseault:** Will it no longer be needed afterwards?

**Mr. Darryl Sprecher:** That will depend.

[*English*]

If the original standing order change was for two years and the standing order continues after that period, then that will be necessary as well.

[*Translation*]

**Mr. Pierre-Luc Dusseault:** Thank you.

[English]

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

We'll bring to the table division 10, trade within Canada and harmonization of energy efficiency requirements.

From ISED, we have Mr. Fertuck, director general of the external and trade policy branch, and Ms. Hill, special adviser in the strategy and innovation policy sector.

Welcome. Thank you for coming, and thank you for your patience.

The floor is yours, Mr. Fertuck.

**Mr. Stephen Fertuck (Acting Director General, External and Trade Policy Branch, Innovation, Science and Economic Development Canada):** Thank you very much, Mr. Chair.

Actually, my colleague, Melanie Hill, will be providing a short explanation of part 5, division 10.

**Ms. Melanie Hill (Special Advisor, Strategy and Innovation Policy Sector, Innovation, Science and Economic Development Canada):** Thank you for having us.

To start I'll just provide a quick background about the Canadian Free Trade Agreement. The CFTA, as it's also known, came into force on July 1 of this year, and it's a successor to the Agreement on Internal Trade, or the AIT. The CFTA commits federal, provincial, and territorial governments to a comprehensive set of rules that will help to achieve a modern and competitive economic union for all Canadians.

In order for the Government of Canada to implement certain aspects of the CFTA, associated legislative changes are needed. As such, division 10 of part 5 would enact the Canadian Free Trade Agreement implementation act. It's based heavily upon the implementing legislation for the Agreement on Internal Trade. The nature of its provisions are mostly administrative. The act would establish the responsible CFTA minister, facilitate dispute settlement, permit the award of monetary penalties, allow the appointment of committee members and panellists for disputes, and authorize federal funding for the intergovernmental CFTA secretariat.

Given that the CFTA replaces the AIT, the Canadian Free Trade Agreement implementation act would also repeal the Agreement on Internal Trade Implementation Act.

In order to further demonstrate federal leadership on internal trade, division 10 of part 5 would also propose three amendments to the Energy Efficiency Act, or EEA. First, the EEA would be amended to provide the Minister of Natural Resources with the authority to make technical or administrative changes to existing Governor in Council regulations. These changes must be for the purpose of maintaining harmonization with another jurisdiction.

Secondly, the EEA would be amended to provide the Governor in Council with the authority to incorporate by reference technical standards documents for the purposes of harmonizing with another jurisdiction.

Lastly, section 26 of the EEA would be repealed, which is a requirement to pre-publish regulations in *Canada Gazette*, part 1, which is duplicative of a Treasury Board directive.

The above changes to the EEA will provide new tools that will allow for the Government of Canada to create consistency in standards across the country, and to ensure that Canada is aligned with other key trading jurisdictions.

Division 10 of part 5 also proposes consequential amendments to the Financial Administration Act, the Department of Public Works and Government Services Act, and the procurement ombudsman regulations by replacing references to the Agreement on Internal Trade with references to the new CFTA.

This division would also repeal the Timber Marking Act. The Timber Marking Act is an outdated federal law from 1870 that applies to only three provinces: Ontario, Quebec, and New Brunswick. It mandates that anyone floating timber on rivers in those provinces must mark the logs and register that mark. As such, it is de facto discriminatory, making it contrary to the non-discriminatory treatment obligation under the CFTA. A formal consultation on the repeal of the Timber Marking Act was held, and all stakeholders who provided comments expressed support for the proposed repeal and did not anticipate any negative impact as a result.

Division 10 of part 5 would be deemed to have come into force on July 1, 2017, to coincide with the coming into force of the CFTA, providing continuity. The proposed legislative changes contained in division 10 of part 5 are not controversial, given that any substantive changes pertaining directly to the CFTA were accepted by provinces and territories during the course of the negotiations, or in the case of the EEA amendments were the subject of consultations in which industry stakeholders, as well as provinces, were highly supportive.

We'd be pleased to take any questions you may have.

• (1740)

**The Chair:** We have Mr. Kmiec.

The floor is yours.

**Mr. Tom Kmiec:** I have two areas I wanted to ask questions about. I'll start with "Appointments", proposed section 17. It says in proposed subsection 17(1):

The Governor in Council may, by order, appoint any person to fill any position that may be necessary or advisable, in the opinion of the Governor in Council

But if you look at these other appointments, it's always to appoint a minister or to fill a roster. In this case, it says that basically the Governor in Council can appoint anyone for any positions that they think are necessary or advisable. My interpretation of this is that the government would be able to appoint as many people to as many roles as their government feels responsible for. Then there's the remuneration underneath. They would pay remuneration expenses to these people.

How broad is this appointment power? Is there a roster to fill? Are there specific positions that this is related to, or does this just give the government the power to appoint literally anyone to anything? It seems very broad compared with some of the other sections in this bill, and just more broad than what I've seen across government.

**Ms. Melanie Hill:** This appointment authority is brought over from the existing Agreement on Internal Trade Implementation Act, so this wouldn't be a new authority being provided. It would just be transitioned from the Agreement on Internal Trade Implementation Act to the Canadian Free Trade Agreement implementation act.

The authority is generally written in a way that would allow for flexibility for the Governor in Council to, by order, appoint, as you said, any person to fill a position that may be necessary or advisable. At this current stage, there's no particular role that we envision would need to be filled using this power, but it obviously is beneficial to build in such an ability through the Governor in Council by order at the recommendation of the minister or ourselves to make an appointment in order to carry out the agreement.

Without this, we could be in a position where we would have to amend the Canadian Free Trade Agreement implementation act in order to provide such an ability. Rather than doing that, it seemed wise to carry this forward into the CFTA implementation act.

• (1745)

**Mr. Tom Kmiec:** When the agreement was negotiated, what was the intention of having such a section in there? Was it so that the government could appoint at some point an internal trade czar or appoint a negotiator? I would assume other sections of that agreement cover that. What is intended by a section like this to preserve it into the future? I mean, if you haven't used it before, it seems like a "just in case" clause.

I'm just wondering why we should continue to approve a section like this and give such latitude to the government to appoint whoever they wish whenever they wish.

**Ms. Melanie Hill:** I'd just like to clarify that this appointment ability isn't built into the Canadian Free Trade Agreement itself. When you refer to negotiations and to adding such a clause, it's irrespective of the agreement itself. What it is, as I mentioned, is carrying forward this existing authority of the Governor in Council by order to appoint someone from the Agreement on Internal Trade Implementation Act into the Canadian Free Trade Agreement implementation act, although, as I said, it's not envisioned exactly which role this authority would be used to fill. It is worthwhile having such a provision and maintaining such an authority. I do want to highlight that it's not a new authority.

**Mr. Tom Kmiec:** Just so I can be clear, the Government of Canada, the Governor in Council, has never made an appointment under this section or its previous version either. It's a section that has not been used.

**Ms. Melanie Hill:** To my knowledge, no, this authority has not been used, but that's not to say that we wouldn't need it in the future. It would be wise to have that ability built into the implementation act so as not to have to muddy up the bill process to make that amendment, but rather just maintain an existing authority, should the case arise in the future.

**The Chair:** You don't need to rush, Tom. If we don't finish, we only have this one section left, and we can invite the—

**Mr. Tom Kmiec:** By my count, Mr. Chair, two, five.... I'm all happy to stay here during.

**The Chair:** Yes, you'd be happy. Did you finish your line of questioning?

**Mr. Tom Kmiec:** Unless there are others who want to ask questions, I have one other thing.

**The Chair:** Mr. Albas.

**Mr. Dan Albas:** Thank you, Mr. Chair.

In regard to it, this act allows the Government of Canada to either withhold a benefit or to put in place imposed regulatory measures of equivalent effect under article 1013 of the agreement. Is that correct?

We are going to be putting the federal government.... There are two mechanisms here the federal government can impose.

What do you mean by withholding a benefit? What kinds of benefits may be taken away if a province or provinces are not complying with their obligations under the agreement?

**Mr. Stephen Fertuck:** With respect to this provision, chapter 10 is related to the dispute resolution chapter of the agreement, and one of the incentives that parties agreed on as a way to incent compliance with panel rulings through the dispute process is to have the ability to award monetary penalties to ensure that there are monetary consequences associated with not living up to panel decisions. Also, until such time as a party has paid up, there is also the withholding of the opportunity for residents of that party to the agreement to be able to access the dispute provisions. If someone doesn't pay up, then their citizens can't access the dispute process to go after another jurisdiction.

• (1750)

**Mr. Dan Albas:** Okay, let's say a province does not comply and the federal government decides to withhold benefits, including keeping other disputes from coming forward. Then they can apply to a federal court. Is that correct? There are two methods. You can go to the Governor in Council or you can go to a federal court for a court order. Is that correct?

**Ms. Melanie Hill:** It could be done through either the CFTA or federal law.

**Mr. Dan Albas:** Okay, so an individual could take their case to a federal court if either they weren't getting satisfaction from the Governor in Council or just on compliance with the panel decision. Is that correct?

**Ms. Melanie Hill:** It would be the suspension of benefits or the retaliatory measures that would be determined using either the CFTA or federal law. The CFTA chapter 10 dispute resolution processes have to be used for any CFTA-related disputes, not federal courts.

My apologies if I misspoke, but the point I made about federal law and federal courts was with respect to suspending benefits or imposing retaliatory measures.

**Mr. Dan Albas:** Thank you.

**The Chair:** We have three questioners, so we are going to have to invite you back. I'm sorry for that.

Are you okay, Mr. Dusseault?

**Mr. Tom Kmiec:** I have a long question.

**The Chair:** You have a long question.

Okay, we will have to scramble for votes.

Are members okay if the witnesses come back before we start clause-by-clause? It's past the deadline for amendments.

**The Clerk of the Committee (Ms. Suzie Cadieux):** The only other option is tomorrow.

**The Chair:** Are you okay with that?

We'll bring them back just as we start clause-by-clause and that's on Tuesday, October 21.

The meeting is adjourned.

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