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## **Standing Committee on Finance**

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**EVIDENCE**

**Thursday, November 9, 2017**

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**Chair**

**The Honourable Wayne Easter**



## Standing Committee on Finance

Thursday, November 9, 2017

• (1530)

[English]

**The Chair (Hon. Wayne Easter (Malpeque, Lib.)):** We'll call the meeting to order.

Pursuant to an order of reference of Wednesday, November 8, 2017, the committee is studying Bill C-63, a second act to implement certain provisions of the budget tabled in Parliament on March 22, 2017, and other measures.

Welcome to all the witnesses. We appreciate your coming.

Before I go to the witnesses, we will just change the agenda a little bit.

At 6:15 we will deal with Mr. Dusseault's motion, which was tabled on Tuesday and has had the proper amount of notice. After that discussion, we will have to go in camera to deal with some of the business issues of the committee and the costs of holding hearings. If a second panel is here at 10 minutes to five o'clock, we will make the switch then between the panels.

As an individual we have Ian Lee, associate professor at Carleton University.

Ian, the floor is yours. We will try to hold the comments to about five minutes, if we could.

**Dr. Ian Lee (Associate Professor, Carleton University, As an Individual):** I thank the committee for inviting me to speak on the issues before us today. First, here are my disclosures. I don't consult to anyone or anything, anywhere, not governments, not unions, not corporations, which means I'm not a registered or unregistered lobbyist. I don't belong to or contribute to any political party. Salient to what I am about to say in the next three and a half minutes, in about 70 days from now, I am passing, involuntarily, into that club called the "seniors of Canada".

I want to talk briefly about the whole issue of deficits but only as the prelude to talking about the greatest crisis that is facing Canada and every western country, the grey tsunami over the next 20 years or so. It is going to profoundly affect every OECD country.

Before and after the great downsizing of the 1995 federal budget and deficit, there was then, and still remains or continues, extensive debate in Canada concerning what I believe are two false premises concerning deficit reduction. First, it's argued that Canada is a very wealthy country and deficits will not break or bankrupt this country, so don't worry about it. The second argument that's put forward,

which I believe is a false argument, is that policy X, let's say the Canada benefit, is an excellent policy; therefore, deficits are justified.

I just want to put those arguments to bed and then get on to the bigger issue.

Of course, Canada is a wealthy country. I've travelled all around the world, in many developing and developed countries, and we are fabulously wealthy on a per person basis, one of the wealthiest countries in the world. It is approximately equal with Germany on a per person basis, and Germany is indeed the wealthiest country in Europe. However, that's no justification to squander scarce public resources. Secondly, yes, there are excellent policies on the books, but that does not justify deficits. Rather, it justifies pruning and judicious program review of, to paraphrase Governor Carney, "dead programs".

In the very few minutes I have, I want turn to this issue because I really do think it's the biggest crisis facing us. The IMF has said so. It has said that it's going to exceed, far more greatly, the financial crisis of 2008-09.

I first became interested in the subject after reading a book in 1999, called *Gray Dawn: How the Coming Age Wave Will Transform America—and the World*. It was authored by Pete Peterson, the former commerce secretary under President Ronald Reagan, who later founded what became the very prestigious Peterson Institute in Washington.

In the years since, a plethora of authoritative empirical studies have been published by the OECD, the World Bank, the IMF, and reputable think tanks such as Brookings, the Peterson Institute, the C.D. Howe Institute, and the Macdonald-Laurier Institute on the subject of aging, on the macro-economic economy, and on tax receipts and economic growth and productivity.

Both the IMF and the OECD have produced increasingly dire studies and warnings about the increasingly serious squeeze on fiscal revenues caused by a smaller percentage of the workforce, the employed paying taxes, and the concomitant dramatic increase in health care costs for the exploding number of seniors.

As one American demographer recently noted, in approximately 20 years, all of North America is going to look like Florida but without the warm weather. In other words, one in four people will be over the age of 65. As I've already mentioned, the IMF has argued that the aging crisis is going to impose far larger costs on our society over the next 10, 20, or 30 years than the 2008-09 crisis.

Closer to home, former governor and former deputy minister of health David Dodge published in 2011 a superb report called “Chronic Healthcare Spending Disease”, showing the gargantuan amount of health care per capita for those over age 75. The numbers of people over age 75 are skyrocketing.

Very recently, the PBO published a report showing that provincial budgets are going to become increasingly bleak going forward, because most costs associated with aging are funded by the provinces.

Having read and absorbed a number of these excellent studies, I've come to the conclusion that the cost of pensions will not be the problem that the OECD argues they'll become in Europe, precisely because of Canada's prudent, responsible, risk-diversified, four-pillar pension system, which is unfortunately criticized by some of my colleagues in academia. This is not to minimize the drag and loss of productivity and economic growth caused by the enormous loss of workers, but every serious economic study, including by Finance Canada, shows long-term GDP declines of 1% to 2% annually.

I've concluded that the vulnerability in Canada, and likely elsewhere, is health care. As Dr. Dodge demonstrated in his report using CIHI data, the older we are above 65, the more we consume per person per year.

• (1535)

As we move from our seventies to our eighties—and this is in his report from CIHI—we consume an average of around \$25,000 per person per year. This is the equivalent of consuming a new Honda Civic every year. Do we believe the young people in this room or across this country are shouting, “Whoopie! I'm going to get to pay a lot more taxes in the future to support Ian Lee and all the boomers in the years ahead”? For these reasons the overarching purpose of government policy concerning seniors should be focused on keeping this huge increase in seniors in their homes for as long as possible.

What follows is what I really want to talk about very quickly, and then I'll wrap up.

Firstly, in terms of pension reform, we need to be discussing a lot more about what we can do, such as eliminating early retirement before 60 across the board and penalizing retirement between 60 and 65. We need pension reform to eliminate incoherence within our policy frameworks, such as OAS allowing 65 retirement, CPP a range of 60 to 70, while employer pensions allow retirement as early as 65. We need to standardize there. We need to end the rule that prohibits RSPs and pensions after 71, in other words, that we have to take it.

Then, secondly, and then I'll finish, Mr. Chair, we need to completely invert the paradigm of health care to a model where we assume health care is delivered within the home. We assume now it's delivered within what I characterize as legacy hospitals—large, enormous, expensive hospitals—rather than local decentralized regional hospitals or community clinics, as a second instance, again, to encourage seniors to remain in our homes.

In conclusion, policy can ameliorate but it will not eliminate the great tsunami that is inevitably coming to Canada and other OECD countries.

Thank you.

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

We turn now to the Canadian Labour Congress, Mr. Yussuff, president, and Ms. Smallman, national director for women's and human rights.

**Mr. Hassan Yussuff (President, Canadian Labour Congress):** Thanks, Mr. Chair.

Good afternoon, colleagues and committee members. Thank you for the opportunity to appear before you here today. I will discuss the CLC position on two of the issues in the bill, family violence leave and changes to part III of the Canada Labour Code.

For years, the Canadian Labour Congress and the labour movement have insisted that domestic violence must be recognized as a workplace issue. CLC has been a strong advocate for workplace protection and support of victims of domestic violence. Bill C-63 creates a new leave to allow people experiencing domestic violence time off to deal with the effects of the violence and to take steps to address it, and we welcome this action. Unfortunately it falls short of providing support for job protection for people experiencing domestic violence. Designated paid leave is a vital component of helping survivors keep their jobs and their economic security.

Employment is a key pathway to leaving a violent relationship. Dedicated paid leave gives workers the job protection time to do the things they need to do, things to keep them and their children and family members safe. Whether that is obtaining counselling, getting a new bank account, meeting with lawyers or police, it is something people need time to do during standard daytime hours. Dedicated paid leave also gives employees the financial security they need to take steps to leave. This can be an expensive undertaking.

Paid leave is also important given the dynamics of power and control in abusive relationships. Research shows that 90% of domestic violence survivors experience financial control. If accessing unpaid leave results in a lower paycheque than the abuser is expecting, there may be serious consequences for the victim. The unintended result of not providing paid leave is that it may increase risks to workers and create barriers for victims.

We'd also like to flag a concern about the exception clause. We understand that the intention is to ensure that the leave is reserved for victims of domestic violence, and not abusers. However, the exception clause may pose a barrier to victims who end up being accused and charged themselves. This could happen in a situation where they retaliate or stand up to the abuser, or in a situation where the police lay dual charges in regard to domestic violence.

In our opinion, the language of being a victim should suffice to limit the perpetrator's right to the leave. No one should have to choose between not being abused and getting a paycheque. We urge the committee to ensure that the 10 days of family violence leave be paid leave. We also urge that careful attention be paid to the potential barriers created by the details in the provisions.

Regarding the changes in part III of the Canada Labour Code, Bill C-63 contains several important changes to the federal labour standards. Among these steps, the bill reverses the previous government's approval of unpaid internship outside of the approved educational program, requires advance notice for changes to scheduling, allows time off in compensation for overtime work, and provides a limited right to refuse overtime. These are significant and positive steps in the right direction.

However, I would say something about the process. In the spring of this year, the labour program began consulting broadly on the recommendations of the 2006 Arthurs report. It proposes strengthening the compliance and enforcement in part III rights. Our preference continues to be to have integrated and comprehensive discussion about strengthening the federal standards, and constructing an effective compliance and enforcement regime under the code.

I want to thank the committee for the opportunity to present here today and I welcome any questions committee members may have.

• (1540)

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

From the Canadian Union of Public Employees, we have Ms. Pasma, research officer, and Ms. Dandy, director of equality.

The floor is yours.

**Ms. Chandra Pasma (Senior Research Officer, Canadian Union of Public Employees):** Thank you and good afternoon.

Elizabeth and I are pleased to be here this afternoon to speak to you on behalf of the 651,000 members of the Canadian Union of Public Employees.

I want to start by echoing the comments that were just made by the Canadian Labour Congress about consultation and process. CUPE is disappointed that these changes to the Canada Labour Code are being made in an omnibus budget bill. This means these changes will not get the fulsome scrutiny and debate that they deserve. We recommend that division 8 be separated from Bill C-63 and be studied and voted on separately.

We are also concerned that the changes in Bill C-63 do not go far enough in providing important protections and reasonable access to leaves for workers in the federal jurisdiction. We believe that the federal government should be setting a high standard that meets or exceeds the best provincial standards. Unfortunately, some of the new standards proposed by Bill C-63 are well below the strongest provincial standards. For instance, we are concerned that giving employees only 24 hours' advance notice of schedules or shift changes falls well below the standard of one week's notice set by Saskatchewan.

We are also concerned that the broad exemption in the act could render the requirement meaningless. Advance notice of working

hours is important for workers to be able to carry out other activities like child care and education. We also know that uncertainty over work schedules contributes to precarity, stress, and work-life conflict.

Given this, why should the ordinary working of the employer's establishment take precedence and be given the same kind of priority as a serious threat to health and safety? We recommend that the requirement for advance notice be extended from 24 hours to one week, and that the third exemption relating to the ordinary working of the employer's establishment be deleted.

We have the same concern about the right to refuse overtime for family responsibility. Allowing an exemption for the ordinary working of the employer's establishment is too broad, and it means that the employer's rights are being prioritized over the well-being of families and children.

What kind of society are we if a child can be left waiting at day care for mom or dad to pick them up for no other reason than because an industrial establishment would otherwise not be working as it ordinarily does? We recommend that this exemption be deleted, which would also make this proposed section consistent with the best provincial standards.

With regard to the right to request flexible work arrangements, we are concerned that this change does not create a meaningful new right. The proposed section does not require employers to consider a request any more seriously than they might have before. It simply requires employers to provide a response in writing.

CUPE believes that instead of making a symbolic gesture that fails to accomplish real change, the government should be making significant changes in support of the most vulnerable workers: precarious workers who are forced to be flexible against their will.

• (1545)

**Ms. Elizabeth Dandy (Director of Equality, Canadian Union of Public Employees):** We are happy that the issue of family violence is being addressed in the Canada Labour Code in the form of a new leave for survivors of family violence. The focus of our recommendations for this proposed section is the need for the leave to be paid and the need to take the leave in less than one-day periods.

Survivors of family violence require stable, ongoing paid employment to enable them to leave violent relationships and seek safety. Unpaid leave defeats the purpose of family violence leave, which should be to give a survivor the financial security needed to achieve safety and stability. Many survivors won't be able to afford to take the leave if it is unpaid.

The bill also allows the employer the discretion to require that the leave be no less than one day's duration. We recommend that survivors be given the flexibility to take the leave in periods of less than one day. Many survivors typically require an hour or two at a time to address a number of basic tasks that they need to carry out to ensure their safety, tasks that the CLC referred to, such as meeting with a lawyer or opening a bank account that is separate from their abuser's.

We would also like to comment on the new leave of five unpaid days for traditional aboriginal practices. We are very concerned about leaving the highly contentious issue of determining indigenous status in the hands of employers. We recommend that the committee consult with indigenous organizations on the requirement to provide documentation proving aboriginal identity, and also on the range of indigenous practices covered by the proposed section.

Thank you. We look forward to questions.

**The Chair:** Thank you very much, Ms. Pasma and Ms. Dandy.

Now we have, from the Multiple Sclerosis Society of Canada, Mr. Davis, national vice-president.

Welcome.

**Mr. Benjamin Davis (National Vice-President, Multiple Sclerosis Society of Canada):** Good afternoon, and thank you for providing me with the opportunity to speak here today.

I'm here representing all Canadians who are affected by MS on the provisions put forth in this budget implementation act.

MS is a chronic, often—but not always—disabling disease of the central nervous system affecting the brain, spinal cord, and optic nerve. Different people experience different symptoms and outcomes, and there is no one kind of MS.

MS is one of the most common neurological diseases affecting young adults in Canada. Most people are diagnosed between the ages of 15 and 40, ages when many are in the workforce.

In consideration of Bill C-63, division 8 of part 5, we support the amendment to make work work by including more flexible employment policies to allow people with MS and other episodic disabilities to remain in the workforce. This would be good policy for compassionate reasons, for social reasons, and for economic reasons. This would include making improvements to income and disability supports for people who are unable to work or who can work only on an intermittent basis, thereby providing them with a more flexible environment in which they could work.

We support provisions in part 1 that would, first, give more authority to nurse practitioners for tax purposes, allowing them to sign off on a person's health issues, and second, introduce changes that would improve the accuracy and consistency of the income tax legislation and regulations, allowing people living with an episodic disability like MS to receive the disability tax credit, for example.

I could get into a technical discussion, but as you deliberate on the various provisions, please reflect on the following stories from real people living with MS.

Penny worked full time until her MS symptoms took over. She needed a different position. She could still work but needed the flexibility to work part time so she could manage her health. She left her job and is trying find a more flexible environment, but in the meantime, Penny must rely on social assistance. If there were a flexible work-sharing program in place, Penny could have reduced her hours while receiving partial EI support, allowing her to stay in the career she loved and costing the social development system less money.

Dave was recovering from a significant relapse of his MS and required full-time nursing for a period of time. However, because he was not gravely ill with a significant risk of dying, his wife couldn't take compassionate care leave. There was no flexibility with this leave, so she had to quit her job to look after Dave, leaving this family with no income at all for several months. Everyone loses in this situation: the family, the individuals, and the labour market. It simply doesn't make sense.

Sharon has been unable to work full time for the past several years because of her MS. Sometimes, when she's feeling well, she can work, but the short-term work keeps her income low. She doesn't fit into the current definition of disability, so she doesn't qualify for the disability tax credit, and because her income is low, the credit wouldn't make a difference anyway. Sharon spends an inordinate amount of time trying to navigate the complexity of multiple avenues of partial assistance. A flexible work arrangement could allow Sharon to work consistently but within the parameters of her MS symptoms, giving her financial security.

Time and time again, we hear that people want to work. They can work. They are able, mentally and physically, but it may not always be in the traditional sense of nine to five or regular shift work. There needs to be an avenue for employees to request flexible work arrangements. The current income and social support systems create an environment that forces people with episodic disabilities to be either in the workforce or out. Episodic illness is a square peg in a round hole, with no flexibility at all.

Half of working-age Canadians with disabilities have a disease that is episodic. It comes and it goes. It could be MS, mental health, arthritis, and/or a host of others. Implementing small changes would alleviate some of the financial and human resources burdens on the current system. These changes include allowing more flexibility for employees living with an episodic disease or illness so that they can continue to be in the workforce, contributing to our economy; making the income tax legislation and regulations consistent; and improving the parameters around the definition of disability. These changes would better support people with episodic illnesses, allow them flexible environments in which to contribute to the economy and workforce, cost support systems less, and alleviate economic, emotional, and social stress. They would also decrease pressures on employers to rehire and retrain new workers.

These amendments are the right thing to do for individuals, for families, for society, for the labour force, and for the economy.

Thank you. I'm happy to take any questions.

● (1550)

**The Chair:** Thank you very much, Mr. Davis.

From the Portfolio Management Association of Canada, we have Ms. Walmsley, president; and Mr. Adelson, head of legal, Canada, for Invesco.

**Ms. Katie Walmsley (President, Portfolio Management Association of Canada):** Mr. Chair, thank you very much for the opportunity to present today.

The Portfolio Management Association of Canada represents over 240 investment management firms from across Canada that collectively manage over \$1.6 trillion for Canadians, much of which is pension plans and group and individual RRSPs.

We've presented to this committee frequently over the years, and our recommendations typically are focused on retirement savings and ensuring fair tax treatment of retirement savings, which are typically tax exempt, with the overriding principle that Canadians deserve increased access to low-cost investment opportunities and fairness to help grow their pensions and RRSPs.

Segregated funds are insurance products very similar to mutual funds, but produced by insurance companies that provide returns based on a segregated pool of assets. According to a 2017 report by Strategic Insight, Canadians invest \$117 billion in segregated funds. We were very pleased that federal budget 2017 extended the tax-deferred merger rules to segregated funds, which allowed for these funds to merge and gain efficiencies, when appropriate, without negative tax consequences to Canadians holding these hybrid insurance and retirement savings vehicles.

We are here today because there was a bit of an oversight in the budget, we believe, and we would like to request that these rules be extended to prospectus-exempt pooled funds. As you know, most Canadians working for companies typically have one of three types of retirement savings plans. There's a traditional defined benefit plan, which is not growing. The more common types nowadays are defined contribution plans and group RRSPs.

Defined contribution pension plans and group RRSPs frequently invest in pooled funds, as they are much lower cost than traditional

retail mutual funds and provide the asset mix diversity needed for Canadians to save for their retirements. Pooled investment vehicles offer Canadians, particularly the middle class, with access to various asset classes on a cost-effective basis, given the ability to find economies of scale by pooling investments and sharing costs.

Unless the investment merger rules are extended beyond segregated funds to the underlying pooled funds that they invest in, a merger at the segregated fund level will be impacted by the tax consequences of the mergers of the underlying pooled funds. This would result in lower investment returns for the average Canadian with an employer-sponsored defined contribution pension plan.

My colleague, Eric Adelson, will now provide more detail and a specific example.

● (1555)

**Mr. Eric Adelson (Head of Legal - Canada, Invesco, and Representative, Portfolio Management Association of Canada):** Thank you, Katie.

Investment fund companies manage many funds for insurance companies that are accessed by Canadians through group retirement savings programs or defined contribution pension plans. According to a 2017 report by Strategic Insight, Canadians invested \$65 billion in pooled funds, and the main source of this investment is employer-sponsored defined contribution pension plans.

Funds grow and decline with employee population, and to manage these on a low-cost basis to optimize returns, companies need to be able to merge funds on occasion without negatively impacting the end investor. The extension of the tax-deferred merger rules to prospectus-exempt pooled funds would provide consistent tax treatment of mutual funds and segregated funds for the benefit of Canadian savers. The most common example of this is what we would call "target date" funds.

In most defined contribution pension plans, target date funds are the default investment option, so a great many middle-class Canadians own target date funds. These funds have a maturity date, which is included in the name of the fund, and use an asset allocation strategy that gets more conservative the closer you get to maturity. If someone anticipates retiring in 2030, they would invest in a fund with 2030 in the name of the fund.

At maturity, the investor typically retires, and they don't necessarily want to take a lump sum immediately. They can take that, but more typically, we would merge the fund into a broader, diversified fund through which the investor can draw down over time. This gives investors an easy-to-exercise choice of what to do with their retirement savings.

The problem is, if the target date funds hold stocks and bonds directly, we can merge the funds and defer taxes until the investor withdraws money, but if the target date fund holds pooled funds, which in turn hold stocks and bonds, the target date fund merger would give rise to immediate tax consequences, which differs from regular mutual funds and insurance company segregated fund products.

**Ms. Katie Walmsley:** We thank the committee for the opportunity to present and welcome questions.

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

Thank you to all the witnesses.

We'll go to seven-minute rounds, and the first is for Mr. Grewal.

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

Thank you to the witnesses for coming today. It's much appreciated.

I'm going to talk about what I just heard from the Portfolio Management Association of Canada.

Can you quickly restate that example you gave? Correct me if I'm wrong, but if it's held in mutual funds, there wouldn't be negative tax consequences, and if it's held in pooled funds there would be negative tax consequences. Is that correct?

**Mr. Eric Adelson:** Yes, that's correct. Keep in mind that, from an Income Tax Act perspective, the only difference, really, between a pooled fund and a regular mutual fund is the number of people who hold it. A regular mutual fund has to have 150 unitholders, each holding at least \$500. If you don't meet that test, then you're a pooled fund and the rules are more restrictive under the tax code. The problem is that the people who hold the pooled funds are buying it through a collective.

• (1600)

**Mr. Raj Grewal:** Okay. What percentage of Canadians, when they're planning for retirement, are taking pooled funds versus mutual funds? What are the advantages and disadvantages for, let's say, a 32-year-old person like me?

**Mr. Eric Adelson:** I'm not sure of the percentage.

**Ms. Katie Walmsley:** Yes. I'm not sure of the percentage, but we know that group RRSPs and defined contribution plans are typically invested in pooled funds, and that's \$65 billion, whereas mutual funds are the ones that are typically accessed by the general public, not through the employer-sponsored plans. In the employer-sponsored plans, they want to maximize the investment returns and keep the costs low, so pooled funds are a much more efficient vehicle because they're not subject to a lot of the legal disclosure requirements. They're not going to the general public. They're going to a specific employer-sponsored plan. It's a lower percentage, but it's....

The \$117 billion in segregated insurance products was addressed in the budget, but the \$65 billion was missed. We believe it was just an oversight. Segregated funds and mutual funds are more known to the general public and regulators. Pooled funds are a little lower on the radar, but in the real world, that's what group RRSPs and defined contribution pension plans are utilizing.

**Mr. Raj Grewal:** You gave an example of the 2030 pooled fund. On the day we reach 2030, it would be a deemed disposition on that day, and you would have tax consequences on it.

**Mr. Eric Adelson:** What would happen is that if there were no merger, the fund would be forced to wind up at that point, and there would be those tax consequences.

**Mr. Raj Grewal:** Okay. If there were a merger, would there still be tax consequences?

**Mr. Eric Adelson:** It would be deferred. In your RRSP, for example, your contributions grow without incurring tax consequences. It's only when you draw down to live off the money that you pay the tax, as you draw it down.

We just want to put this on an equal footing.

Because they're holding pooled funds, when they merge, there would be a tax hit right away. You would lose your whole deferral. Let's say that you're only 65 when you retire. You might live to 95. That pool of money you have when you hit 65 is what you're going to draw down on for the rest of your life—and hopefully invest some of it to pay off the taxes as well—to keep funding your retirement. If you were in a regular mutual fund at that point, you could just draw down the money and you wouldn't have a tax hit, but because there's the pooled fund interposed, you have a tax hit.

**Mr. Raj Grewal:** That's interesting. You learn something every day on the finance committee.

**The Chair:** Absolutely.

**Mr. Raj Grewal:** Mr. Yussuff, thank you for your testimony.

In the budget implementation act, there are also a lot of protections for unpaid interns. What are your comments on that? I believe you did an interview in the *Toronto Star* in regard to that as well.

**Mr. Hassan Yussuff:** Yes, we've been a strong advocate. There has of course been documentation about the exploitation of unpaid interns. I'm honoured and pleased to see that the government has listened to the presentations that have been made on closing this loophole. Internship is an integral part of giving young people an opportunity to gain skills, but there's no clear benefit when those who have taken advantage of this opportunity keep exploiting young people.

We hire interns in Canada for the CLC in the summertime. Of course, we establish a mechanism to pay them properly and we make sure they have an opportunity not only to earn an income but to gain experience at the same time. There have been a lot of stories documented in regard to how this exploitation really has been to the detriment of young people in terms of getting a good opportunity.

It's good that the government is fixing this piece in the Canada Labour Code going forward. I think it will be an impetus for the provinces and territories to share some of the experience, and hopefully amend their codes accordingly to bring about the same protection for young people who are getting an internship at the provincial and territorial levels.



**Mr. Raj Grewal:** I couldn't agree with you more. I interned, as a younger Canadian, and there are a lot of benefits to internships, but at the same time, we have to protect young Canadians, to make sure they're not taken advantage of by employers.

Chandra, you said the recommendation for advance notice is one week. Could you elaborate on why? From 24 hours to one week seems like a drastic jump.

• (1605)

**Ms. Chandra Pasma:** Right, but we think the federal standard should meet or exceed the best provincial standard, and the best provincial standard is Saskatchewan, which requires one week's written notice of your schedule and of any changes to your schedule.

Twenty-four hours just isn't enough, for a number of reasons. For example, if you book a medical appointment, a lot of establishments will require you to give 48 hours' notice for cancellation or you have to pay a fee, so if your employer calls 24 hours before and says they need you to come in and you're not allowed to say no, then you've incurred the fee and you don't get to have your medical appointment.

**Mr. Raj Grewal:** That's a really good, practical example. I just feel that seven days is a lot in 2017, when things are changing so quickly and e-commerce is taking over, and that corporations have to be adaptive and so do employees. There has to be a happy medium there.

But you gave an excellent example. Even I had to cancel an appointment last week and got charged for it, although my boss doesn't give me notice.

**The Chair:** I'm giving you notice; your time's up.

Go ahead, Mr. Albas.

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

I want to thank all of our witnesses for your attendance and your expertise today. I'm going to start with Dr. Lee.

Dr. Lee, the Conservative Party members have been voicing that there is not enough focus by the government, in particular on seniors and our aging demographics. They chose not to have a minister of seniors, which would address some of these issues in public policy, where there are many different areas, everything from employment to health care and other social needs including the pension system, a very important part.

You've mentioned a lot of concerns in terms of our demographics, but how do you think this grey tsunami will impact our national finances going forward?

**Dr. Ian Lee:** I've mentioned it, and I'll just reference it again. There has been a plethora of studies in the past 10 or 15 years by very prestigious and authoritative institutions. The World Bank, the IMF, and the OECD have published on this.

First and foremost, the exit of such large numbers from the workforce is going to slow down GDP. That's going to reduce the flow of revenues to federal and provincial governments. This had been modelled. It has been shown by these various forecasting agencies. Finance Canada, I'm told, has studies internally that show

this. The impact is going to show up in reduced economic growth and reduced revenues down the road. That's the first problem.

The second problem is that the dependency ratio is collapsing—and I mean collapsing—from the late 1960s, where it was somewhere around seven workers for every dependent or retiree. The dependency ratio is going to go down to 2.4. I guess I have an understanding of basic arithmetic, and to think there's going to be 2.4 young people supporting one of me, is a scary thought. We're living a lot longer, and as we get above that 75 point—and the break point is somewhere between 75 and 80 when health care costs start to absolutely skyrocket—something's going to give. That's why the OECD is using very apocalyptic language in its predictions, so is the IMF.

I've talked to colleagues in the universities, and they say, "Yes, yes, okay, revenues will be down a little bit tighter." I don't think it's going to be like that. Every forecast I've looked at shows it's going to be far worse than that. There are things we can do to mitigate it, such as trying to keep seniors in their homes and trying to keep them working longer.

Very quickly, I've met Fred Vettese, the chief economist at Morneau Shepell, at several pension conferences. He's a brilliant individual, one of the leading authorities on this. He says our pension policies are incoherent. Private pension plans allow you to retire at 55, the OAS age is 65, and the CPP age is 60 to 70. We could start by standardizing and adopting the CPP model, say, and amend OAS and the tax act for private pension plans. There are things we can do to mitigate this tsunami that's coming.

**Mr. Dan Albas:** Therefore, one part would be a structural change across pensions. Obviously, the federal government touches a lot of touch points with old age security, CPP, and the guaranteed income supplement, but lots of provinces also have different pension legislation, so does this need to be not just whole-of-government, but whole-of-governments in Canada?

• (1610)

**Dr. Ian Lee:** Exactly. Yes, I've mentioned this and I think several people have said this. Why do we have to draw down our RRSP or our pension at 71? Why can't I keep working until 75 without drawing down my pension and allow me to top up my pension because I'm postponing it, and things like that? It's completely arbitrary at 71.

Dr. Mintz has written about this as well. The government is going to get its take when the person eventually retires or passes away. It's not as if the money is being abated. It will eventually come to the federal government, but that's another area that should be looked at.

**Mr. Dan Albas:** I'm concerned because if we look at Japan, Japan has had aging demographics, coupled with a slowing economy and they have been, I believe, perpetually below economic numbers for quite a long time, which creates a lot of issues for government.

I've been asking for and I believe the parliamentary budget office has been working toward getting better data to break out, for example, our national debt, but not just by the federal government but also by provinces, and then demographics, so we can start to see where the real critical points would be.

I know that in the last Parliament some members of Parliament, and some senators from the Maritimes as well, had discussed some structural changes perhaps. Does it make sense to have multiple health authorities rather than trying to harmonize and work together?

Are these some of the strategies we're going to need to take? Again, if you look at Japan it's very difficult to boost growth to what people traditionally view as being normal, which is post-World War II numbers. What are some of the things we can do?

**Dr. Ian Lee:** First, Japan is an excellent example because, according to the OECD, it has aged more rapidly and has an older age distribution than any other country in the world. There are differences between Japan and us because, of course, we are still growing, and we are bringing in immigrants and Japan isn't. Nonetheless, if you want to look at the impact of aging on the economy, Japan is an excellent example.

I don't want to be simplistic, but I think very broadly there is a very big picture. We should be doing two things. You, as parliamentarians, should be saying, "What can we do to keep people in the workforce longer?" The idea of freedom 55 is a fraud. We're allowing people to leave the workforce when we need more people in the workforce and we're creating the problems that creates on employer pensions. We shouldn't even allow a pension plan to allow someone to retire before 60, or even 65.

If I can remind everybody, the OECD is urging every western government to push up the minimum age of pensionable retirement to 68.

**The Chair:** I'd like to thank you all.

Mr. Dusseault.

[Translation]

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

Thank you all for joining us today.

I especially want to focus on the planned changes to the Canada Labour Code. I am happy to be able to hear your point of view. The officials who have made presentations to us about the Canada Labour Code seem rather to be saying that everything is great, everything is rosy, that the consultations have been wonderful, and that everyone is on exactly the same page.

But today, we have been told about possible solutions that can specifically improve certain clauses in the bill; I am glad about that. When we do the clause-by-clause study, we will be able to try to come up with some amendments. But no one has talked about the documents that are requested in clause 206.7(5), which deals with leave for victims of domestic violence. It reads as follows:

206.7(5) The employer may, in writing and no later than 15 days after an employee's return to work, request the employee to provide documentation to support the reasons for the leave.

In other words, the employer can ask the employee to prove that the leave was justified.

I would like to know whether that provision concerns you, or, conversely, whether you see no problem with it. My question goes to Mr. Yussuff, Ms. Pasma, Ms. Dandy, or to anyone else who wants to reply.

[English]

**Ms. Vicky Smallman (National Director, Women's and Human Rights, Canadian Labour Congress):** I'll answer that in English, if that's okay.

Obviously, sometimes it's difficult for people who are experiencing domestic violence to provide the traditional kinds of documentation, and we don't want the requirements for documentation to impose barriers on people who are already going through very challenging situations. You don't want to do things like require a restraining order or something like that because there are many different types of domestic violence and people experience it in different ways and have different needs, so there is no one-size-fits-all solution.

Ideally, employers shouldn't require that kind of evidence, certainly not before. After the fact they could provide a letter from a lawyer or a statement from a worker at a women's shelter, for example, or another support service, as long as there is some flexibility in the type of documentation, but we would prefer that there not be a requirement.

That's the kind of stuff, though, that I think we could work out in regulations as opposed to putting it in the legislation per se.

I'm giving you a bit of a mixed answer. If you're going to have it in there, then after the fact makes more sense than requiring it up front.

• (1615)

[Translation]

**Mr. Pierre-Luc Dusseault:** Do you subscribe to those comments?

[English]

**Ms. Elizabeth Dandy:** Yes. We do recommend that the requirement for documentation be put in the regulations and not be part of the legislation.

We agree that it could be very challenging for a survivor leaving a violent situation to access documentation while doing the basic tasks that she needs to do to make herself safe—for example, if she needs to go out and open a bank account, or things like that. The purpose of the leave is to do those basic tasks, which may take an hour or two at a time.

We agree with CLC on that and recommend that it be in the regulations.

[Translation]

**Mr. Pierre-Luc Dusseault:** I would now like to ask Ms. Pasma a question, as she has already mentioned many reasons why an employer can refuse to provide flexible work arrangements. The range of reasons is so great that it can include anything. Basically, the employer can refuse to provide flexible work arrangements under practically any circumstances.

Ms. Pasma, you have often said that we should rely on what is done in other jurisdictions in Canada.

In your view, is there another jurisdiction that might have a higher standard, meaning restrictions or limitations on an employer's possible excuses. Are you able to direct us to a more appropriate jurisdiction?

[*English*]

**Ms. Chandra Pasma:** I am not sure there is another jurisdiction that has it specifically in its labour code that an employee can ask for flexible work arrangements, probably because it's not that meaningful. Employees do ask for flexible work arrangements all the time.

The bigger problem is that employees are being made flexible when they don't want to be flexible—workers who are casual, temporary, on call, or on contract. The labour code really needs to be updated to deal with that situation, especially when people are being kept as temporary employees in permanent positions, so that they never get to be permanent even though they are really doing a permanent job.

[*Translation*]

**Mr. Pierre-Luc Dusseault:** I would like to ask another question about leave for victims of domestic violence.

Does that type of leave exist in other provinces? Do the pieces of legislation before us compare to those in any provinces?

[*English*]

**Mr. Hassan Yussuff:** Currently, the Manitoba labour code provides for paid leave in domestic violence. The Ontario government recently had a broad consultative process regarding updating their employment standards and labour code. Currently, there are recommendations from the committee before the legislature, and very shortly the government will be announcing the position they will be taking on paid versus unpaid in regard to domestic violence.

The point we have enunciated is that it's good that the government has recognized this in the federal code and is providing for time off. The challenge is that, for individuals who are facing domestic violence, you are quite often going to perpetuate the situation they are in.

We can see from other jurisdictions, certainly from Manitoba, that you can achieve pay. Countries where this has been adopted and in place longer than in Canada—Australia, for example—do provide for domestic violence. More importantly, when people have to exercise this leave, they use only about two and a half days, on average, in situations where they need time off.

Our argument is that it's good that the government is moving in the right direction, but we would prefer they look at the importance of addressing the need for providing paid leave for individuals who may require it to deal with domestic violence.

• (1620)

**The Chair:** We'll have to end it there.

Mr. Fergus, go ahead.

[*Translation*]

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

I would like to thank all the witnesses who have joined us here today.

Each witness has spoken about the importance of having social cohesion in Canada. There are a number of ways to achieve that objective, not only through prosperity, but also in the way we treat the less fortunate. I am not only talking about the less fortunate in terms of income, but also those who are less fortunate than all of us around the table today.

Mr. Davis, I would like to start with you.

Through your stories and your analysis, you mentioned the importance of ensuring a degree of flexibility in the Canada Labour Code, so that people with chronic diseases, like multiple sclerosis, feel included by the amendments made to the labour code.

Can you tell us more about the importance of allowing people with chronic diseases, like multiple sclerosis, to work with dignity? To what extent are these changes important? Are there any other solutions we could explore for the next amendments?

[*English*]

**Mr. Benjamin Davis:** In regard to dignity, I would comment that what we hear from people living with MS and other episodic illnesses is that they want to work. They want to have the satisfaction of being able to make a contribution. If they're currently unable to work and they reflect back, that's often their first comment, "I wish I could have kept working longer." If you have MS, there's a 60% unemployment rate, so the social side of being able to make a contribution is very important.

The current system is a binary switch—either you're in or you're out. One of the additional recommendations we would certainly have is to make sickness benefits flexible. In my opening comments, I spoke about a work-sharing program. In addition to that, right now you have to take sickness benefits all in one lump sum. For an episodic illness, there could be a few days when you're unable to make a contribution, but when you're in remission, you're able to come back to work. The rigidity of that particular program makes it very difficult for individuals to feel as though they're making a positive contribution.

[*Translation*]

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

Mr. Yussuff and Ms. Smallman, you also talked about the importance of recognizing situation of family violence and to have provisions in the Canada Labour Code in order to address this evil.

I would like to ask a question similar to the one I asked Mr. Davis. In order to guarantee all employees, all Canadians, a degree of dignity, some flexibility is needed so that those who find themselves in situations of family violence—most frequently women—can keep their jobs.

Can you please tell us more about that?

[English]

**Mr. Hassan Yussuff:** Without a doubt, I think that the ability to go to work and deal with reality, which we all enjoy, is paramount in our lives. When individuals are going through situations such as domestic violence, it's critical that their workplace be as supportive as possible, but in addition, that it be a safe place where they can go to escape the violence.

Too often, the abuser will reach right into the workplace. If employers are not cognizant of that fact and do not screen the call if somebody calls up, they just leave the situation the same as in the violent home, with the person on the phone disturbing you from your work. Recognition of this as an issue has to be dealt with in the workplace.

Of course, in the regulations there will have to be other things. It will have to be dealt with so that the employer truly provides a safe environment for those who are experiencing domestic violence, to ensure that the workplace does not become another place where they're going to experience violence.

We have been working with our affiliates across the country, trying to raise the consciousness of Canadians, our own members, and employers at the bargaining table. I think there's obviously recognition and change going on, but as you know, the statistics on domestic violence are quite sad. Despite all that we have done, we haven't done enough, and I want to be blunt. For the most part, this violence is coming from men.

We have to do a better job. As a society, we have to figure out a way to elevate this conversation, because in 2017, when you look at the number of women still experiencing domestic violence, I think the reality we see is that we haven't done a good job.

This is not just about the federal government. It's also about the provincial and territorial governments working together as to how we can deepen the conversation and also change attitudes and behaviour so that this reality does not continue to be part of our society moving forward. This is one small step, but it's an important step.

More importantly, we need to make sure we get it right, because it can be a vehicle for the provinces and the territories to follow when they are not yet in that domain.

• (1625)

[Translation]

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

Professor Lee, I would like to ask you a quick question. Thank you for your analysis. I certainly share your concerns about the balance between our seniors and the active population in the workforce. It is very important.

You raised that question, and you gave Japan as an example. You also added a note of caution by saying that Japan was not really the greatest example of immigration. We know that Japan has a minuscule immigration rate, for various reasons. That explains why it is in that predicament.

However, Canada has chosen its path. For 50 years, we have placed our bets on immigration. I am here because my parents came

to Canada. I know that is the case for a number of people, including Mr. Kmiec. A number of members around this table are in the same situation.

[English]

**The Chair:** Greg, this was supposed to be a brief question to Mr. Lee.

**Mr. Greg Fergus:** I'm sorry.

Is immigration a key factor for compensating, in part, for the shortage that we're going to have in the workforce?

**Dr. Ian Lee:** I really do believe this is a very important issue. I believe it's an important part of the solution. Yes, we are a nation of immigrants. Of course we all are, as former Prime Minister Mulroney said many times. My own father came from England. My mother's parents came from the highlands of Scotland. I think if we go back one or two generations, we've all come from somewhere else.

However, that wasn't the question you asked. Economic immigration—I won't get into the issue of other types of immigration—is very, very important. You've probably received conflicting advice. Some statisticians say, "Look, it won't solve our problem, because you're bringing in the same profile of the population." That suggests that we should be weighting toward younger economic immigrants rather than older economic immigrants.

**The Chair:** Thank you all.

We're now going to our five-minute rounds.

Go ahead, Mr. Poilievre.

**Hon. Pierre Poilievre (Carleton, CPC):** My question is for Dr. Lee. He was speaking about the economic and financial challenges associated with a massive wave of retirements—the "grey tsunami", as he called it. I want to ask him about what I believe is an accounting problem, one for which I don't have a solution but one that I believe incentivizes governments to make short-term financial decisions at long-term costs.

Let me give you one example. We have a rule in our registered retirement savings plans that requires that retired people convert their RRSPs into RRIFs—income funds—and that they begin withdrawing funds at a fairly precipitous pace out of their RRIF so that they can have it as income and it can be taxed. There is no long-term financial benefit to the government in requiring these withdrawals, because the money will be taxed later anyway. If the person kept that money until they turned 85 and then took it all out, well, they would be taxed all in that 85th year of their life. By virtue of the fact that they're forced to take it out at 71, they are taxed earlier, it is true, but they are not taxed more.

Now, why do governments do this? This answer is that if a government today were to get rid of the mandatory withdrawal rule, that government would have to take all of the revenue loss. Some future government would get a revenue gain. Ten years down the road, people would start to take that money out, and it would be taxed in some future government. No present-day government would want to accept the revenue loss of allowing that deferral to go on. Even though there's no long-term cost to the crown, there is a short-term cost to the political government of the day.

When it comes to expenses and obligations that governments accept, let's say the government were to settle a lawsuit to pay out millions of dollars over three decades. Under our accounting system, the full cost of that decision is actually borne in the year the decision is made, not in the year the money is paid out. That's to ensure that a present-day government has to account for the financial costs of the future obligations it decides to take on.

Is there some way that principle, which applies to expenditures and obligations, could be embedded in the accounting of tax revenue?

• (1630)

**The Chair:** That question is for you, Dr. Lee. Go ahead.

**Dr. Ian Lee:** I'll be very brief. I'm not a tax accountant at all. I'm aware of the debate around the issue you're suggesting there. I really am aware of that, and I apologize; sorry.

I would just point out very quickly that I'm not sure that those forecasts would in fact unfold in that way—that is to say, that there would be a mass rush and that people would go at a certain point. I'm just thinking about universal retirement. Mandatory retirement for professors was taken out about five years ago. People predicted that there would be huge numbers of professors working well into their 70s and 80s. The averages haven't changed at all.

**Mr. Michael McLeod (Northwest Territories, Lib.):** I have a point of order.

**The Chair:** I didn't see you before, Michael, when you were trying to raise a point of order. If we can let Mr. Lee answer this question, then we can go to your point of order.

**Dr. Ian Lee:** To answer your question, on the accounting side, if you're asking me about government accrual accounting in the public sector, Mr. Poilievre, I believe that would be one solution, as opposed to using cash accounting, if I understood your question.

**The Chair:** Mr. McLeod, you had a point of order earlier and I didn't recognize that you were raising your hand for a point of order. Go ahead.

**Mr. Michael McLeod:** Thank you, Mr. Chair.

I take offence to what Mr. Lee just said. He stated that everyone has come from some other country. As an indigenous person and an MP for a riding that represents indigenous people, I think that's not a true statement, and we would have lots to say about that. I think maybe he should reconsider and retract that comment, Mr. Chairman.

**The Chair:** You've made your point.

Do you want to add anything further, Mr. Lee?

**Dr. Ian Lee:** MP McLeod is absolutely correct. I wasn't referring to first nations peoples, indigenous peoples. I was referring to people who came from elsewhere.

**The Chair:** Mr. Poilievre, we won't take that time away from you. Go ahead.

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

We do now have accrual accounting when it comes to the expenditures of the government. I'm wondering if there is a way we can account for, in the tax system, decisions by governments that are made in the present but that have long-term revenue consequences.

Let me give you another example. The government is proposing measures to penalize passive investment within Canadian-controlled private corporations. That will force a lot of people to take their money out of their company and to be taxed on it in the present so that they can save for their retirement outside of the company. If that happens, yes, the government will get a short-term burst of revenue, but all of that money that would have stayed in those companies and been taxed nevertheless later on when it was taken out will no longer be available five or 10 years down the road as it would otherwise have been. In fact, in this case, even if there are no behavioural consequences to the policy decision, there will be a long-term revenue loss, because not only will the government not be able to tax that money down the road, but any growth on that money will never have occurred and therefore will not be taxable either. Therefore, the government gets the benefit of a short-term burst of cash into its coffers, even though the long-term financial implications are negative for the crown and, in this case, as it turns out, for the taxpayer. There ought to be some way that the accounting system can take into consideration the long-term loss of revenue that is a definitive result of a short-term tax measure decision.

• (1635)

**Dr. Ian Lee:** I'll be very quick. I'm searching my head for articles I've read, and I'm pretty certain that Professor Mintz at the University of Calgary has published something on this issue. I promise the chair I will provide that article to the committee. I'm pretty certain he has looked at the financial consequences of extending mandatory drawdown of RRSPs at 71. I'll provide it to the committee.

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

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

Thank you all for being here.

Mr. Davis, you talked about nurse practitioners and the changes that this will bring for people with MS and in particular for those who maybe don't live in city centres or in areas where they have quick access to doctors. Even in big city centres, frankly, they may not have quick access to doctors.

What does this mean in terms of members with MS getting access to the types of tax credits or filling out the forms for the government that will then enable them to move through the next process and receive either a tax credit or whatever else they might need? What does that mean for those people who don't live in close proximity to a doctor or medical practitioner?

**Mr. Benjamin Davis:** I would agree with regard to the concerns in rural areas. We hear lots of stories of people with MS who sometimes have trouble finding the services they need. Therefore, this particular decision to enable nurse practitioners to assist in signing off on a particular portion of something like a disability tax credit is helpful, because it would expedite the process. The sooner someone with MS or a similar illness or disability has access to the supports, the better.

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

Have you heard any feedback about getting access to nurse practitioners? Is this measure something you think will help dramatically to improve that, or do we still need to work on making sure there are adequate nurse practitioners available as well?

**Mr. Benjamin Davis:** I haven't heard that specific piece of feedback, so I can't comment.

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

Ms. Pasma, I believe you mentioned changes in terms of time off for cultural aboriginal practices. We heard testimony from officials on this bill. I believe you said in your testimony—and if I wrote it down incorrectly, please correct me—that there should have been consultations on what constitutes aboriginal indigenous practices.

However, we heard testimony from officials who said that in fact there were consultations done with the indigenous community. They provided examples of things that they were not limited to, and my colleague, Mr. McLeod, asked questions about how this would result in practice.

The testimony we've heard is that those consultations absolutely did happen and that the wording around this measure was done specifically as a result of those consultations.

Are you suggesting that the consultation didn't take place?

**Ms. Chandra Pasma:** Of course not. I don't know who was consulted. Obviously, the range of practices that are represented in the bill is very limited. The rest will be seen in the regulations, and we hope there will be consultations around the regulations too in terms of what practices make it in.

Our larger concern is actually around the documentation of the status of “aboriginal”, which is highly contentious. I would hope that whatever consultations have taken place and whatever consultations take place in the future are very broad, because that's one of the most contested issues. It tends to be women in particular who have been excluded from having their indigenous status recognized. Therefore, they have greater difficulty claiming their indigenous rights.

We don't want to see employers being put in the position of deciding whether or not someone is indigenous if they don't have Indian status, for instance, or if they are Métis, whether or not if they can prove they meet the criteria for being Métis.

• (1640)

**Ms. Jennifer O'Connell:** Thank you. That clarification is important.

Both the CLC and CUPE spoke about this, so to whoever wants to jump in, that's fine.

In terms of the documentation for, let's say, an issue of family violence, Mr. Dusseault's questions were around documentation after the fact. I appreciate that you have both said that after the fact is certainly better than before.

When officials appeared, again these types of questions were raised. The response from the officials was that the intention—and I'm paraphrasing—of these changes was to ensure that those victims or their direct family members could quickly access work flexibility. The idea was that if there were a longer-term or larger issue, those types of things could be dealt with by the employer. The intention, however, is that this would provide quick access to time off, either to seek medical attention or for mental health reasons or for other things of that type. That's really the intention.

With that said, and with the documentation coming after the fact—I hear the concerns about documentation—can you see why quickly accessing that flexibility is the important aspect here?

**Mr. Hassan Yussuff:** The Canada Labour Code coverage is broad across the country. Not every employer has the same experience or will have the same understanding as to the intent of the law. I think the government will have to provide some very cohesive guidelines that would ensure that we have continuity of application across the country. Whether you live in B.C. or in Ontario, you could have the same employer, yet the interpretation may not have been communicated to you internally.

Quite often workers are dealing with their front-line supervisors and may have to engage with them in regard to their needs. I think it's critical in some industrial workplaces that there is also sensitivity to the fact that you're talking to somebody about an issue that you may not want to share with them.

Clearly this is something that we're going to have to work on. I'm not suggesting that employers are not co-operative or supportive, but I think we're going to have to work in a very intensive way to ensure that the intent and the application actually cover the same ground. More importantly, we must ensure that people don't have to be put in situations that are not tolerable or expected, in instances where they need both support and time off as quickly as possible.

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

Go ahead, Mr. Albas.

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

I would like to start with PMAC. Thank you for your presentation here today.

I certainly understand the importance, and I think things like target date funds are a really welcome innovation. Getting people to simply put money away for retirement in a balanced risk approach, based on their age, I think is a very smart strategy.

However, like any proposition, there are always going to be additional costs, and people might be critical. I think it is important to always listen to many different voices. If a prospectus-exempt pooled fund decided to start out with a particular asset allocation, why should we allow them to merge with these other ones and not pay their taxes at that point? Why throw in these exemptions?

What would you say to someone who raised that point?

**Mr. Eric Adelson:** I would take a step back and say that with prospectus mutual funds, you are allowed to do that, and the tax code has provided for that for a long time. I would turn it around and ask why we would distinguish from one vehicle to the other. If it's good enough for one, it's good enough for the other.

That question raises a whole host of other issues that PMAC has views on as well, which we'll raise in due course.

The pooled fund itself, first of all, comes more cheaply to the insurance companies, so they are able to charge less to the end investor, which obviously is desirable for retirement savings. It increases the amount you have at the end of the day.

When you have a merger, typically you have to have a unitholder vote to approve it, especially when there are real differences among the funds. Therefore, if you had a target date fund, which has a very specific investment objective, and it would merge into, say, a Canadian equity fund, if it were a mutual fund, you'd be guaranteed to have an investor vote, because the investment objectives are radically different.

In seg funds you don't have the same rules, but you do have what they call "free exit" in that situation, so if investors don't like the merger proposal, they can always redeem out of the fund.

One of the reasons we often propose fund mergers, as opposed to just terminating the fund, is if we terminate the fund or if you redeem your money, it's the same tax consequence. The one shot you have to defer the tax is if you have a fund merger.

Offering a fund merger as a possibility gives the investor control of their destiny. They have the widest array of choices. If they decide they want to trigger their tax now, they'll vote against it or just withdraw their money. They can also just defer it and see how this new investment does.

• (1645)

**Mr. Dan Albas:** You have talked about the target date funds, but can you give us another example of where it started with one situation and...?

I don't disagree that we should be somewhat agnostic. We don't want to treat two classes differently when they both have the same focus, but the rules are the rules, and they were designed that way. I think people need to understand what would create a situation whereby the government should exempt them.

**Mr. Eric Adelson:** Okay. Effectively, an investor in a fund product pays two levels of expenses: management fees and operating expenses. Typically, though it's changing a bit these days, the operating expenses the fund manager will charge are costed back to the fund.

You've heard the expression "management expense ratio". Let's say your management expense ratio was 2.14%; then 2% is usually the management fee, and the 0.14% are these operating expenses. We try very hard to lower that 0.14 on a regular basis.

The idea in a merger... Let's say we had started a fund. It might be performing well, but for whatever reason, investors haven't been interested in it. Because there are a lot of fixed costs to running a fund, if you have a small investor base, you can't really disburse

them across a wide number of investors, so the expense ratio tends to go up.

Very often you'll see mergers being proposed even on successful funds when the expense ratio is not high, because it's not really a good deal for investors anymore. They might still be making money, but it's very inefficient because of all those expenses, so you might want to merge two mandates to try to pool the cost and lower those expenses and deal with it that way. It's typically about efficiency.

**Mr. Dan Albas:** If this request doesn't go forward, what does that mean? Does it just mean that more people will simply choose not to open up these prospectus-exempt pooled funds?

**Mr. Eric Adelson:** There's a concern that if it doesn't go forward, as people get the tax hit, they'll find it a less than desirable vehicle, and the problem is that people will either try to manage their own portfolios without having the expertise, which will likely result in less savings for retirement, or they might not invest at all. They might invest in GICs, and you can't really retire off the rate of return you get today on a GIC. It might dissuade people from using target date funds, even though around the world that's becoming the default investment option of choice for people saving for retirement.

**The Chair:** We'll have to end it there.

From your perspective, would this be an issue of fairness in taxation? That's the word that seems to be flying around here these days.

**Mr. Eric Adelson:** Yes, I think it is a question of fairness. It's a question of the investor being treated the same way, regardless of the vehicle, given what they're trying to achieve, which is retirement savings.

**The Chair:** Go ahead, Mr. Sorbara.

• (1650)

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

Welcome, everybody, and good afternoon.

Quickly, first to Mr. Lee, immigration is important, and we know the demographics of the country. It's one of our biggest headwinds. Every economist from left, right, and centre agrees with that. It's great to see that our government has announced our immigration targets for the next couple of years, and we're increasing those targets. That's something that will offset some, though not all, of the pressures. We do know that StatsCan reported at the beginning of the year that there are now more people 65 years of age and older than there are folks younger than 15.

You mentioned two things about changes with regard to the year you can take CPP. Can you outline two of the measures that you would put in place with regard to providing workers with flexibility when they retire?

**Dr. Ian Lee:** I think you're referring to the reference I made to the chief actuary, Fred Vettese, and—

**Mr. Francesco Sorbara:** Yes.

**Dr. Ian Lee:** —the contradictions in our pension policy—he called it incoherent—in Canada, because our existing policy contemplates three completely different retirement ages. Is that what you're referring to?

**Mr. Francesco Sorbara:** Could you just outline the policy without getting into the background, please?

**Dr. Ian Lee:** Okay, sorry.

CPP offers a range between 60 and 70 years of age under the recent changes, which were prudent. If you go below 65, you're penalized. If you go between 65 and 70—and a lot of Canadians still don't know this—you can push up your CPP by about 42% by pushing back the drawdown.

With OAS, we take it at 65, and that's it. With company pension plans, under the Income Tax Act, you can go as early as 55.

What I was suggesting was that maybe we should look at—you, I should say, you, the members of Parliament, the finance committee—recommendations to standardize one model, the CPP model, which offers a range between 60 and 70. It allows flexibility. You can choose to go before 65, but you're penalized. If you decide to push it back, you can enhance your pension. That seems to be a more reasonable and prudent policy than the arbitrary OAS age of 65 or the often insolvent private employer pension plan.

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

To the Canadian Labour Congress, Mr. Yussuff, welcome.

With regard to some of the changes we've made to the labour code to provide workers with flexibility, how important is it to your members, members of other unions, and other employees to have this flexibility for events in their lives that they may have to deal with? We may not want to talk about them and we may not talk about it on a daily basis, but just how important are some of these changes to the labour code and the measures that we put in place for workers out there today?

**Mr. Hassan Yussuff:** I think that the changes that have been put forward are welcome. As you know, the section of the code that many of these provisions come from is part III, which is outdated by about 60 years. The Arthurs report was submitted quite some time ago, over a decade ago.

Arthurs had reviewed and made some significant recommendations about how to upgrade part III of the code. While this is only part of those recommendations, and I think we have a long way to go, this is certainly going to deal with the variety of challenges facing individuals from different communities in the workforce, at the same time recognizing that we can do different things in the code to help individuals meet their needs, and I think it's a good step in the right direction.

My colleagues from CUPE have put forward some suggestions on how we can improve these provisions, but I think they are welcome, because it has been long overdue. In the absence of having these provisions in the code, most workers, to a large extent, couldn't exercise these rights even if they wanted to, because there was no legal context for them to even ask their employers to give them that. If workers were fortunate enough to have employers willing to do it, it was an arrangement that was made by themselves, unless it was in their collective agreements.

I certainly welcome most of the recommendations, but the Harry Arthurs report was much more comprehensive, and I hope you'll get to that sometime in the new year.

**Mr. Francesco Sorbara:** Thank you, Mr. Yussuff, and again welcome.

My colleague, Mr. Grewal, has asked a bunch of questions to the folks at the Portfolio Management Association of Canada. I would appreciate taking this conversation further in another venue or another situation, just because there seems to be a lot to wrap my head around in terms of the tax treatment on pooled versus segregated funds and so forth. I do want to make that comment.

To the MS Society of Canada, my understanding is that the incidence of MS in Canada is the highest in the entire world.

• (1655)

**Mr. Benjamin Davis:** That is correct. Canada has the highest rates of MS in the world.

**Mr. Francesco Sorbara:** How do we ensure folks who have this—we can use the word “debilitating”—condition are able to remain in the labour force and remain productive individuals? How are we doing on that front?

**Mr. Benjamin Davis:** There's work to be done, as I mentioned earlier, in terms of the binary switch challenge. When people who have an episodic illness can't work, they need support, but when they are able to work, they should be able to work and make an impact.

For those who are unable to work at all, we have feedback around the disability tax credit as well. We think it should be refundable. We think someone with MS shouldn't have to check a box every year that says they still have MS, because it's Canada's disease. We don't know the cause and we don't have the cure yet.

**The Chair:** We'll have to cut it there.

On that point, Mr. Davis, you mention in your brief making income tax legislation and regulations consistent and improving the parameters around the definition of “disability”.

Do you want to expand on that a little bit? What has to be done to do that? I get your point about having to prove it every year, which is a little ridiculous.

**Mr. Benjamin Davis:** Thank you.

In regard to the definitions, we are really pleased with the accessibility legislation consultations. Our recommendation there is very clear: include episodic illness in the definition of disability. By simply doing that, the program opportunities are open by virtue of more people being able to access those programs.

**The Chair:** Thank you.



To the Portfolio Management Association, what would be the specific amendment from your point of view that would deal with the problem of certain pooled funds? I'll take your answer, but you can always send us a note to that effect.

**Ms. Katie Walmsley:** We have sent a note directly to the Department of Finance on this matter, but there's a specific section in the Income Tax Act that covered the merger of segregated insurance product funds and mutual funds. We're just asking that it cover pooled funds also.

**The Chair:** Could you pull up that note and send it to the clerk of the committee, please, Katie?

**Ms. Katie Walmsley:** Sure. I'm happy to do that. Thank you.

**The Chair:** With that, thank you to all the witnesses for answering our questions.

We'll suspend for a moment and bring up panel two.

The meeting is suspended.

•(1655) \_\_\_\_\_ (Pause) \_\_\_\_\_

•(1700)

**The Chair:** We'll reconvene to panel two for further discussions on the budget implementation act, Bill C-63. Welcome to all the panellists.

We will have to suspend this discussion at 6:15 because we have a motion to deal with.

On this panel, we'll start with Michael McDonald, executive director of the Canadian Alliance of Student Associations.

The floor is yours, Michael. We'll try to keep it to about five minutes if we can.

•(1705)

**Mr. Michael McDonald (Executive Director, Canadian Alliance of Student Associations):** Thank you.

Good evening, Mr. Chair, esteemed committee members, fellow witnesses, and members of the gallery.

My name is Michael McDonald, and I am executive director of the Canadian Alliance of Student Associations, otherwise known as CASA. Thank you for your invitation to speak about Bill C-63.

Broadly speaking, CASA was pleased see the continued investments in students in budget 2017. We were especially encouraged by new supports for first nations and Inuit learners, expanded access to grants for students with dependents and for part-time students, and new rules on unpaid internships.

For the remainder of my time, I am going to be focusing on the proposed amendments on unpaid internships, which are part of this bill. This move fits with the broader efforts to make Canadian workplaces more modern, inclusive, and effective. We applaud, for example, the framework announced a few days ago to fight harassment and sexual violence in the public service and in federally regulated workplaces.

Tens of thousands of students work in federal government jobs and in federally regulated sectors each year. Alongside all their colleagues, they deserve a safe and respectful workplace that allows

them to thrive. For the same reason, we support Bill C-63's proposed changes to ban uncompensated internships.

At CASA we are firm supporters of quality work experience for students. Recent research links participation in co-op programs with higher pay and better jobs after graduation. Surveyed students who did co-ops as part of their studies give their overall post-secondary education experience better reviews than those who did not, and employers also speak highly of the skills and job readiness of co-op graduates.

While we know that the quality of work experience pays off for students and employers, uncompensated experiences do not. An American study found that far more graduates who did unpaid internships did not land jobs as compared to those who did do paid internships. Indeed, an unpaid experience did virtually nothing to improve job prospects, according to a recent study by the Canadian Internship Association.

The likely explanation is simple: when an employer is invested in the experience, they give the student more attention, more responsibilities, and more opportunities.

Ultimately, we would like all internship experiences to be paid. However, we do recognize that compensation in the form of credit is better than no compensation at all, and Bill C-63 proposes to end unpaid internships in federally regulated sectors except when those internships are part of formal education programs. We support this move, as it is an important measure to promote high-quality work experiences and safety and to fairly compensate young workers.

We recognize that like paid internships, quality is generally also higher for work experiences that are built into formal post-secondary education programs, and we support the budget 2017 promises to ensure that all interns, including those working for credit in formal programs, receive labour standard protections. Moreover, we think it's important to highlight that unpaid interns tend to be far more prevalent in fields that are dominated by women. We think this is particularly problematic and we hope it is something that this bill addresses.

Another important consideration is for students from low-income backgrounds who have less flexibility when it comes to choosing between experience that might help them now and paying their bills.

We are pleased with the steps taken by the budget to protect interns; therefore, we will continue to be advocating for federal investment in new paid work opportunities for students. This is why we're a big supporter of some of the work-integrated learning opportunities that have been presented most recently.

We'll continue to support high-quality compensated student work experiences. We are pleased to see the changes presented in the bill and we think it's moving in the right direction.

Thank you.

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

We will turn now to the Canadian Centre for Policy Alternatives and Ms. McInturff, who is a senior researcher at the national office of the CCPA.

Please go ahead.

**Dr. Kate McInturff (Senior Researcher, National Office, Canadian Centre for Policy Alternatives):** Good evening. My name is Kate McInturff, and I am a senior researcher at the Canadian Centre for Policy Alternatives. I would like to thank the committee for inviting me to speak today.

The government's decision to include gender-based analysis in the federal budget is an important step forward for gender equality and, as I argued in my pre-budget submission, for our economy. Budget implementation bills are an important moment for the government to act on that analysis.

To date, the analysis presented in both budget 2017 and the fall economic update identifies how men and women are affected differently by, for example, tax policy. I was very pleased to see the fall update take note of the negative impact on women of income splitting and income sprinkling. It is important, however, to ensure that the analysis actually forms the basis for action and better policy. That is to say, our government policies need to be designed with the analysis in mind.

The scope of Bill C-63 is understandably narrow. However, I would like to take this opportunity to demonstrate how gender-based analysis can make the government's policies more effective and go further in setting us down the path to gender equality. I am going to speak specifically to the issue of leave for victims of domestic violence.

In the 2017 budget's gender statement, the government recognized that "[w]omen and girls are more likely than men to experience poverty, violence and harassment", noting that "[w]omen are more likely than men to experience the most severe forms of self-reported spousal victimization".

The government's decision to implement leave for victims of domestic violence is a very welcome step in addressing the relationship between economic insecurity and susceptibility to domestic violence. However, a deeper analysis suggests that there are two further steps that need to be taken to ensure that this policy achieves its goal. Bill C-63 provides an excellent opportunity to take those steps.

First, leave for victims of domestic violence needs to be paid. The evidence is clear that when women remain in violent settings and

return to those settings, it is because they cannot afford to leave. A study from the University of British Columbia found that survivors of intimate partner violence experienced financial hardship as a result of that violence, regardless of their income status prior to leaving their abusive partner. That is to say, this has an impact on women from all economic groups. That financial hardship continued for years after they had left the violent setting.

In the short term, when a woman leaves a violent setting, she faces immediate financial challenges. One of the primary reasons given by women in shelters for returning to a violent household is that they cannot afford housing. Additionally, women with young children fear that if they are unable to financially support themselves and their children, those children may be apprehended by child and family services. This not only means the tragedy of a victim of violence being separated from her children, but in small communities this can also result in the children being placed with, for example, a relative of the violent partner, potentially putting them at further risk.

The costs of lost work, lost wages, and lost productivity are significant. Justice Canada estimates the cost of lost wages due to domestic violence at \$33.7 million annually. The cost of lost productivity to employers is an estimated \$68.5 million annually.

What does this look like in the life of a survivor of domestic violence? When you leave an abusive spouse, you leave with almost nothing—your children and a few suitcases at most, not a fork, not a pot, not a chair, not a bed. When it's time to find housing, a survivor of domestic violence is starting from scratch. If she has children, she has the additional pressure of having to demonstrate to child and family services that she can provide the basic necessities of life for her children.

Three days of wages, three days of paid leave, for a woman making \$25 an hour amounts to \$600. That is enough to buy a mattress, a few plates, and a fork. That can make a world of difference in the life of a woman trying to build a new, safer life for herself and her family.

The second recommendation I would make to ensure that domestic violence leave is effective is to eliminate the exclusion of those facing police charges. While I understand the desire not to extend this leave to someone who is charged with a violent crime, the exclusion of those who have been charged with domestic violence has the potential to exclude victims of abuse as well. This is because in some jurisdictions in Canada the police practise the policy of automatic or dual charging. Automatic charging means that when police respond to a domestic violence call, they are required to charge those involved. This may result—and does in fact result on occasion—in both the abuser and the victim of the abuse being charged.

•(1710)

Automatic charging is intended to ensure that charging occurs and that the police response to domestic violence is robust. However, the result is that in some cases victims are charged. Under the current proposal, under the legislation proposed here, those victims would be excluded from eligibility.

The government is leading the way by recognizing the role of financial hardship and lost work in the lives of those who experience domestic violence. With these additional changes, the policy will set a new standard in supporting survivors of that violence. Further, it is precisely in implementing its policies that the government has the opportunity to put gender-based analysis to work and to ensure that this analysis leads to action.

Thank you.

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

From the Canadian Federation of Independent Business, we have Ms. Pohlmann, senior vice-president for national affairs and partnerships.

•(1715)

**Ms. Corinne Pohlmann (Senior Vice-President, National Affairs and Partnerships, Canadian Federation of Independent Business):** Thank you for the opportunity to be here today. You should have a slide presentation on your tablet that I was hoping to walk you through over the next few minutes.

CFIB is a not-for-profit, non-partisan organization that represents more than 109,000 small and medium-sized businesses across Canada. Our members represent every region of the country and are found in every sector of the economy.

Today I want to touch on three aspects of Bill C-63: introduction of flex-work arrangements, implications of the changes to the multiplication of small business deduction, and the Canadian free trade agreement.

Allowing employees the right to request flex-work arrangements is unprecedented in Canada. Though only a small number of small businesses are federally regulated, provincial governments often implement similar changes, which then affect many more.

We would argue that such legislation is actually not needed among small companies, because as you can see on slide 4, CFIB found that many small business owners offer some form of flexibility to help their employees balance work with other responsibilities. In fact, most do.

Also, an Ipsos poll that was conducted earlier this year of those working in firms with fewer than five employees showed they tend to be more satisfied with the flexibility given to address personal needs, as you can see on slide 5.

In addition, the same employees are more likely to be very satisfied with their job in general, compared to workers in larger firms.

**The Chair:** I'm going to ask you to slow down a little, Corinne, if you could.

**Ms. Corinne Pohlmann:** Sure.

This is because most smaller employers already understand the importance of being flexible for retaining employees, attracting new workers, and maintaining good work morale.

We believe this new legislation could pose several challenges for the small businesses, as listed on slide 6.

First would be the added administrative burden, such as reorganization of responsibilities to deal with employee requests and complying with regulations related to applications. Also, small businesses have limited resources to address any potential complaints or appeals processes that may result.

Second, in some businesses it is difficult for employers to offer certain types of arrangements, such as working from home, which may also require specialized equipment, which can be quite costly for smaller firms.

Third, there can be significant costs in terms of temporary reductions of productivity due to disruptions of regular schedules. Moreover, many small-business owners may have concerns regarding the fair treatment of other employees, who may end up taking on extra work, causing resentment among co-workers.

Finally, such legislation could lead to undue pressure on those small employers who are unable to accommodate the requests due to the nature of the work they do, such as those in the transportation sector.

Each business faces its own unique challenges. That's why it's really best left with employers and employees to work out the most suitable arrangement between them. In our feedback to the government, we recommended that they not proceed with this legislation, and if they did, that they potentially exempt smaller businesses. If they still planned to move forward, we had put forward a series of reasons that an employer should be allowed to refuse such a request, and we were pleased to see that many of those were incorporated into this legislation. However, we would like to see more than 30 days allotted to the employer to respond to a request. We had suggested three months, which is the period that's allowed in the U.K., and there were a few details about the enforcement of this bill and whether there will be an appeals process. These are areas that we remain concerned about at this time.

Next I want to talk about the multiplication of the small-business deduction.

In Bill C-63 changes were made to the treatment of farmers and fishers selling to co-operatives so they can remain eligible for the small business deduction. This was welcome clarification of the changes to this multiplication of the small business deduction that was introduced earlier this year, but, really, more needs to be done with it. In budget 2016, the government announced changes that would seem to be targeted at those who had created certain structures that enabled access to the small business deduction more than once, but this now seems to be affecting more businesses than we were first led to believe. Under these new rules, active business income is not eligible for the small business deduction if a corporation earns that income from providing services or products to a direct or indirect interest; however, no guidance detailing what exactly "indirect interest" is has been given.

What does this mean? Well, it seems these new rules are having a broader impact on some small businesses, especially in rural areas. For example, we have one member from a small town in Alberta who owns a restaurant and purchases fresh produce from her father's farm. Our member has a very limited number of suppliers, as there are few other businesses in her area that provide fresh produce, so she purchases it from her father. However, under these new rules, any active business income generated from their arm's-length relationship may no longer be eligible for the small business deduction, even though they both run completely separate businesses.

The rules have also created additional administrative costs, as it requires increased effort to determine whether these rules apply to one's corporate earnings, and to what extent. If a business is affected by the rules, it has been recommended to them that they keep two sets of accounting records: one for income not eligible for the small business deduction and one for the part that is eligible. We believe more needs to be done to fully understand and address the impacts of these changes.

Finally, I want to mention the importance of the Canadian free trade agreement and how pleased we are that this budget bill confirms the federal government's commitment to this important and historic agreement. It's clearly important to small businesses, but now the really hard work begins. We need the federal government to continue to play a key role in making sure that progress is made on the agreement, and this starts with making sure the regulatory reconciliation and co-operation table is active in addressing key issues for small business.

On slide 11 you can see the list of regulatory areas that require greater alignment across Canada and that should be tackled quickly by the RCT. They include corporate registration and reporting, agricultural and transportation regulations, professionals and trade licensing, and workers' compensation and health and safety rules. We would encourage the federal government to use its influence in keeping discussions going and finding solutions.

Thank you.

• (1720)

**The Chair:** Thank you.

From the MaRS Discovery District, we have Mr. Mulvihill.

**Dr. Cory Mulvihill (Lead Executive, Policy and Public Affairs, MaRS Discovery District):** Thank you, Mr. Chair, for the invitation to come to speak to Bill C-63.

My name is Cory Mulvihill, and I'm the lead executive for policy and public affairs at the MaRS Discovery District. MaRS is North America's largest innovation hub and is located in the heart of Canada's largest research cluster. We bring together entrepreneurs, educators, researchers, social scientists, investors, and corporate business experts under one roof, giving innovators what they need most—a home with connections to networks of talent, customers, and capital to grow and scale.

MaRS provides advisory and programming support to over 1,100 start-up ventures, with our reach extending to partners in start-ups across Canada. Since 2008, MaRS-supported ventures have raised

\$3.5 billion in capital and generated \$1.8 billion in revenues. Today they employ more than 6,100 people in knowledge economy jobs.

Today I'd like to speak specifically to the importance of nurturing a strong ecosystem of smart capital for Canada's emerging companies, particularly in our four focus areas: health, energy and environment, finance and commerce, and work and learning. A critical element to the success of these companies is their ability to access the right amounts and types of capital for their stage of growth, along with the effective advice that comes along with it.

Budget 2017 will commit a further \$400 million to stimulate growth in the Canadian venture capital ecosystem, following on the success of the previous government's venture capital action plan. As Canada's foundation of high-growth companies is accelerating, this investment through the Business Development Bank of Canada will play a critical role in ensuring that the momentum built through VCAP to strengthen the VC ecosystem will continue and that these companies will be able to access capital during their critical stages of growth.

While this year's deal flow, according to the Canadian Venture Capital Association, is said to outpace that of last year, the Canadian economy continues to face a systemic challenge in scaling firms to compete globally due to their undercapitalization. At MaRS, we have used our role as a centre of convergence in the innovation ecosystem to nurture the growth of capital in areas where we've seen gaps. This includes the management of the investment accelerator fund, Ontario's most active seed fund, which has invested \$52 million through 115 investments, and ArcTern, which was launched to address a gap in funding for clean tech-focused companies.

We look forward to the launch of the venture capital catalyst initiative, which will be a critical component in maintaining the momentum of Canada's venture capital ecosystem.

Thank you.

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

From the Nurse Practitioners' Association of Ontario, we have Ms. Agnew and Ms. Tymianski.

**Ms. Theresa Agnew (Chief Executive Officer, Nurse Practitioners' Association of Ontario):** Thank you so much.

Hello, everyone. My name is Theresa Agnew, and I am the chief executive officer of the Nurse Practitioners' Association of Ontario. With me here today is my colleague, Dr. Dawn Tymianski, a director on the board of NPAO. Dawn will shortly become the interim CEO of the NPAO as I step down from this role after five years.

We thank the Standing Committee on Finance for giving NPAO the opportunity today to provide feedback on Bill C-63. I will start by providing the committee with a short background on the role of NPs and NPAO.

The Nurse Practitioners' Association of Ontario is the professional association representing more than 3,100 nurse practitioners and NP students in Ontario. The NPAO formed in 1973 as an independent association representing NPs. NPAO has the largest percentage of voluntary members of any professional nursing association in Ontario.

Nurse practitioners are registered nurses with advanced university education and experience who provide a full range of health care services to millions of patients across the province and across Canada. In Ontario, NPs can order and interpret all laboratory tests and most diagnostic imaging tests. NPs are also able to refer to specialists and admit, treat, and discharge hospital patients. Nurse practitioners can also do minor surgical procedures.

Nurse practitioners are authorized to prescribe controlled drugs and substances, and this long-anticipated change to scope of practice now enables nurse practitioners, as primary care providers, to deliver all aspects of palliative and end-of-life care to their patients across the province, including medical assistance in dying for those eligible patients who request it. You will be interested to know that in Ontario more than half of the practitioners on the ministry's MAID registry are nurse practitioners.

Nurse practitioners work across the health care system in a wide variety of settings, including hospitals, family health teams, community health centres, NP-led clinics, and long-term care centres. Nurse practitioners work with individuals and families, from newborn babies to the elderly, and serve many vulnerable and marginalized populations.

I'm going to jump now to our support of Bill C-63.

As you know, Bill C-63 is an omnibus budget bill. We have not read all 275 pages of the bill, nor have we examined the many pieces of corollary legislation that would be amended if the bill is passed, so we will keep our comments to a very high level.

First, NPAO is pleased to see proposed changes to the Canada Labour Code that would provide Canadians with greater flexibility to take vacation time, to add more bereavement days in the event of losing a loved one, and with time to attend traditional healing practices. In addition, we strongly support statutory time off work to recover after experiencing family violence. This is a compassionate approach, and we know that all of those affected by family violence can be traumatized and need time to begin to heal. NPAO would, however, recommend that the statutory time off be with pay, rather than an unpaid leave. This would help to ensure that families are not penalized financially when they have already been through so much.

Potentially, the bill could also go further in supporting families experiencing domestic violence. I speak in loving memory of Zahra Abdille, who was a nurse practitioner I had the honour of getting to know when she was an NP student. Zahra was passionate about the care of the elderly. Sadly, she kept the fact that she was a victim of domestic violence from her colleagues and friends.

In July of 2014, Zahra had left her husband and had taken the boys to a women's shelter. She then sought legal assistance to pursue leaving her abusive husband. She worked as a nurse practitioner and was the family's sole breadwinner, and because it was determined that she earned too much money, Zahra was denied access to free legal aid—this despite the fact her husband controlled the family's bank account. Feeling that her options were limited, she and the boys returned to her husband. On November 29, 2014, Zahra and her two children, Faris and Zain, were killed by her husband. He later killed himself.

● (1725)

On behalf of women like Zahra Abdille, NPAO implores the government to ensure that all women who are victims of domestic violence have access to free legal assistance. If this amendment cannot be made as part of Bill C-63, we urge the government to find a way to enshrine this access into legislation.

NPAO also supports measures within Bill C-63 that seek to make our tax system more transparent and fair. Canadians pay tax to support the programs we hold near and dear, such as medicare, affordable housing, and subsidized day care. Those who make more should pay more. We support any amendments that would close tax loopholes that unjustly benefit the top income earners. Revenues from fair and equitable taxation could then go to improving the social determinants of health, thereby improving health for all Canadians.

We also speak in favour of proposed amendments within Bill C-63 that provide enhanced incentives to use geothermal energy.

Finally, we'd like to thank the committee and thank the federal government for introducing changes in the omnibus bill that enable nurse practitioners to sign many federal forms. Despite the fact that nurse practitioners are independent assessors of patients, make diagnoses, and treat and manage health conditions, there are currently many federal forms that do not accept the signature of a nurse practitioner. This results in patients having to return to a clinic or health care setting to see a physician who may not know them. This causes additional expense for the client and the system.

We're thrilled with the omnibus changes in Bill C-63 that enable nurse practitioners across Canada to serve clients in a more expeditious and efficacious way. We'd like to take this opportunity to thank the Canadian Nurses Association and the Nurse Practitioner Association of Canada for their extensive work and advocacy to make these changes a reality.

Again, we thank you for the opportunity, and we look forward to your questions.

● (1730)

**The Chair:** Thank you very much, Ms. Agnew.

After a quick scan of your environmental scan, I hope the Minister of Health has that. You should send a copy to the Minister of Health.

**Ms. Theresa Agnew:** We'll make sure that we do that. Thank you.

**The Chair:** We'll now turn to questions.

Who do we have on our list?

Mr. Sorbara, we'll go to five-minute rounds.

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

Welcome, everyone. Good evening.

I'll start off with Dr. Mulvihill.

Can I just call you Cory? Would that be all right?

**Dr. Cory Mulvihill:** That sounds good.

**Mr. Francesco Sorbara:** Cory, our government has announced the superclusters initiative, which has been applauded by many tech sectors. I've been down to the MaRS Discovery District in Toronto, and a lot of really exciting and great things are happening there.

In relation to the two initiatives we are undertaking within Bill C-63, the VCC and the second initiative whereby BDC and EDC are coming in to assist, how important is it for government to partner with—I call it the tech sector—the innovation sectors, or sectors in which innovation plays a crucial role? How important is that to drive innovation in Canada, and commercialization as well?

**Dr. Cory Mulvihill:** It's important that government be seen as a supportive partner to the tech ecosystem. Our perspective is that the entrepreneurs who found and grow companies should be in the driver's seat, but organizations such as ours and the government can be enablers to help grow the innovation ecosystem and to help grow those companies.

At MaRS, we provide advisory services; in some cases, we provide space. The strategy is really about removing as many barriers as possible to allow those companies to grow and benefit the economy. I would say the same with regard to supports from the government. The venture capital catalyst initiative is one of those interventions whereby government, in partnership with the private sector, can address a gap that we've found to ensure that companies are able to access capital when they need it.

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

I'll move on to CFIB.

You didn't get to this, Corinne, on the slides that you provided—and thank you for the slides—the Canadian Free Trade Agreement. With regard to reducing barriers, when we say “bilateral” or “multilateral”, we often think of outside of Canada and our international partners, but there also exist barriers within our great and beautiful country.

I want to get your feeling. How important is the CFTA for your members in being able to export and import within Canada, open new businesses, and expand? If you could talk about the CFTA on that angle, on how important it is and how we can leverage it, that would be wonderful.

**Ms. Corinne Pohlmann:** I would say it's absolutely critical, because the Canadian Free Trade Agreement is.... If a small business has trouble selling goods or services across provincial boundaries, the likelihood they're going to try to go international is even more remote. Getting rid of some of those barriers that are happening between provinces would go a long way in making it a lot easier to do business.

Of course, the other factor in all of this is that with the Canadian-European trade agreement, there would have been this weird scenario in which European companies would have had better access to certain procurement contracts than Canadian companies would, so we had to do something to disband some of these barriers. Absolutely, it's critical, because this is where small businesses trade, and if we can get them to feel more comfortable trading across the country, we think we can then encourage them to start thinking about trading into other countries, which is what we want them to do.

• (1735)

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

Do I have another minute, Mr. Chair?

**The Chair:** Yes, you do.

**Mr. Francesco Sorbara:** Thank you for pointing out some concerns you may have on the multiplication of the small business deduction. That's the first I've heard of that language here, so I definitely want to take a look at that.

I want to add, although it's not in Bill C-63, that it was announced that we'd be lowering the small business tax rate to 9% by the end of 2018, which would provide up to about \$7,500 in tax savings to your members. I think we need to applaud that.

I will move on to Ms. Agnew and the nurse practitioners.

Our health care system innovates along the way and provides innovative solutions—if I can use the word “innovation” on that angle—and flexibility. I see the contents of Bill C-63 as providing enhanced flexibility for patients because nurse practitioners will be able to fill a void and gap in certain areas geographically and also provide flexibility to the health care system.

How important is it for nurse practitioners to have this right and be given this responsibility for their patients?

**Ms. Theresa Agnew:** The omnibus bill includes numerous forms that will be changed so that the signature of a nurse practitioner can be accepted. That helps to provide expeditious care from someone who's gotten to know the client and has assessed the client. It also decreases extra visits back for a client to see another health care professional, so it's very cost-effective that way.

**Mr. Francesco Sorbara:** You're saying that Bill C-63 and providing nurse practitioners with that additional responsibility will potentially save the health care system dollars and will improve health care outcomes for individuals, or patients, if I can use that term correctly. I think that's great.

**Ms. Theresa Agnew:** Absolutely.

**Mr. Francesco Sorbara:** Thank you very much for commenting.

I do want to move on to Mr. McDonald.

How important is it for students to get internships and to get that experience in general? Do you want to comment on that angle, please?

**The Chair:** You're next.

**Mr. Michael McDonald:** I think that our 22 student government members in both college and polytechnic and undergraduate and graduate associations have all seen that in the changing nature of post-secondary education, it's critical to be able to get access to on-the-job opportunities, if a student wants them.

We think that overall the promotion of more work-integrated learning opportunities that are clearly compensated, and that show students the value of their work, is critical. If we want students to be able to find those opportunities further on, showing them the value of what they are contributing, and giving them paid opportunities, really bring that forward and give them that opportunity very clearly early on. We think firms have clearly demonstrated that when those students have been able to come in and learn the firm's culture, which they've stressed is important, the students are better able to adapt into those kinds of private sector opportunities.

We think it's been critical overall. It's a really good opportunity. It's something that needs to be expanded further into all disciplines.

**The Chair:** Mr. Kmiec is next.

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

I'm going to start with the Canadian Federation of Independent Business.

You were speaking really fast at one point, so even I had difficulty keeping up, and I wasn't listening to translation. You mentioned that some members are being informed by maybe their accountants, or your association, to keep two ledgers to comply with some of these rules.

Can you explain a little bit more about why they will need to have two ledgers now in order to ensure they have an opportunity to comply with some of these rules that are being introduced?

**Ms. Corinne Pohlmann:** In budget 2016 there were some changes made to what they call the multiplication of the small business deduction. This was to prevent, I believe, mostly professionals from taking advantage of the small business deduction more than once. When the rules came out, it ended up having a far broader reach, because there was, again, a lack of clarity around what it actually meant. It ended up having an impact on businesses or family businesses that are maybe doing business with each other but may not actually have ownership of each other's businesses.

In many small or remote communities in Canada, sometimes families own multiple businesses. They each individually own those businesses, but they have to do business with each other because they don't have any other suppliers. That's seen now as potentially being caught in this rule. To avoid it, their accountants are now telling them that they should probably keep two sets of books, one for the business they are doing with their own family members and one for the business they're doing with non-family members, and at the end of the year clarify. Basically, for any earnings they get from the business they're doing with family members, they're not able to get the small business rate. For any earnings they get from the business they do with non-family members, they are able to get the small business rate.

It's adding complexity. There's a lack of clarity and information on whether this is the way they go. They are basing what they are doing on what their accountants are telling them.

We have tried to get greater clarity from the finance department on this aspect. We haven't necessarily gotten very clear feedback on whether this is the right way to go or whether this is what they have to do. We're still suggesting that they need to do more to understand

the impact of these changes, because in my opinion they have gone more broadly than they originally intended.

• (1740)

**Mr. Tom Kmiec:** There are two things there. You're saying that this has a greater impact in rural communities, where there are fewer opportunities to find competitors or other suppliers, so you will do business within a family or with relatives you know. There's a certain amount of trust you have that they are going to pay on time and are going to be good clients of yours and good supporters of the business.

On this compliance measure, you said you had been talking to the finance department. The information you got back wasn't clear. Is there a lack of clarity there in clarifying the rules?

**Ms. Corinne Pohlmann:** We've asked them to provide us with feedback on the advice we can give our members who are in this situation, and we haven't received any feedback. Essentially, it's "go talk to your accountant", so they are doing what their accountants are telling them, and their accountants are basing it on what they can see. They are trying to be as cautious as possible to make sure they are abiding properly with the rules.

**Mr. Tom Kmiec:** They are keeping two sets of books to hopefully comply with whatever the taxman of the day determines is fair taxation, so to speak. That must be more expensive for members.

**Ms. Corinne Pohlmann:** Absolutely. I would suggest that this is even the bigger issue we're dealing with right now. It's the complications and the administrative burden this is adding, more than the fact that they are not able to get the small business deduction on a portion of their—

**Mr. Tom Kmiec:** Has your association determined, on average, what that cost could be for a small business?

**Ms. Corinne Pohlmann:** We don't really know how broad it is at the moment. Again, I gave you one example of a family farm in rural Alberta. I have another example, again from a small community, where the child owns a construction company and the parent owns a lumber yard. Again, it's a small town, so most of their lumber comes from their parents. They are two different companies, but they are being caught in this as well. They have been given the same advice.

It's out there, and it's happening. I was left with the impression after budget 2016 that this was not the intent of these changes, so that's what we worry about in terms of where we are going to go forward. That's why we suggest that further analysis needs to be done on this aspect.

**Mr. Tom Kmiec:** How much time do I have, Mr. Chair?

**The Chair:** You have time for a very short question.

**Mr. Tom Kmiec:** When these changes were introduced in 2016, was your organization consulted before these changes were introduced?

**Ms. Corinne Pohlmann:** We were told a little bit about the planned changes that were coming, and we were told that they shouldn't affect the vast majority of our members. That's why we weren't too concerned when we first saw them in the budget, but when the actual legislation came out, we started hearing concerns from accounting members and individual members.

**The Chair:** Thank you both.

When did you ask finance for clarity on this issue? Do you remember?

**Ms. Corinne Pohlmann:** We sent a letter to the finance minister's office back in February. I can send a copy of that letter to you.

**The Chair:** If you could send us a copy, we'll give notice to finance right now. They will be here on Tuesday, and we'll ask them then.

Go ahead, Mr. Dusseault.

[Translation]

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

First, I would like to ask Ms. McInturff about the changes to the Canada Labour Code involving family violence.

I feel that you have made a very good argument for having paid leave of this kind. I hope that everyone around the table will agree that, when people are trying to escape from a violent family situation, they must not be penalized financially. Getting out of a violent family situation is even more difficult when you have no income.

As for the definition of victim, are you aware of the criteria that determine who can get leave because of family violence? We want to make sure that the aggressors will not be getting this kind of leave. We all agree on that.

So it comes back to what I was asking other witnesses earlier. Do other jurisdictions with the same kind of leave have the same problem? If so, what solutions have been found to ensure that all victims have the right to that leave?

• (1745)

[English]

**Dr. Kate McInturff:** I'm not aware of other jurisdictions where the leave is paid. My understanding is that leave has been introduced in a couple of jurisdictions in Canada, but it's been unpaid leave.

I understand that deciding who is eligible is a difficult situation. I understand the distaste in the thought that someone who was an abuser could access this and benefit from it, but the well-intentioned practice of dual charging means that victims can end up being charged. I think it's a question of balancing the benefit to those victims who may otherwise be excluded with the distasteful aspect of providing paid leave to people who are abusers. That's the difficult decision you'll have to make, but I would tend to err on the side of making the leave available even in cases where people have been charged. I think it will capture women who really need that time off and who need that money.

The example from the Nurse Practitioners' Association of Ontario is compelling on that front. We see women return to abusive situations because they financially can't leave or they're concerned, as I said, that their children might be apprehended because they're not providing sufficiently for their basic necessities. The consequences can in fact be fatal. I would weigh that against the unpleasantness of the thought that some of the beneficiaries of this paid leave would actually be abusers.

[Translation]

**Mr. Pierre-Luc Dusseault:** We are going to try to fix that situation, and to make sure that it is done properly.

My next question goes to the nurse practitioners.

Are you aware of this mess involving the disability tax credit, specifically for those with diabetes? Are you aware of the situation?

[English]

**Ms. Theresa Agnew:** No, we are not aware of that.

[Translation]

**Mr. Pierre-Luc Dusseault:** Okay. I had a question about it.

Let me turn to the representative of the Canadian Federation of Independent Business. In recent meetings, we have talked a lot about different ways of accounting. One of them was bill-based accounting.

Bill C-63 talks about the possibility of eliminating bill-based accounting for designated professionals, such as lawyers, accountants and other kinds of professionals.

Have any of your members talked to you about that part of the bill? Are they concerned about the new way of accounting?

[English]

**Ms. Corinne Pohlmann:** Actually, no. No one has come to us. We do have some professionals as members, but it's certainly not a large part of our membership. I suspect they'd be working with their professional associations if they had concerns, and then they would raise them.

I personally cannot speak to that. Sorry.

[Translation]

**Mr. Pierre-Luc Dusseault:** No problem.

So—

**The Vice-Chair (Hon. Pierre Poilievre):** Unfortunately, your time is up.

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

[English]

**The Vice-Chair (Hon. Pierre Poilievre):** Go ahead, Mr. Fergus.

**Mr. Greg Fergus:** Thank you all for coming today.

It's sometimes rare at finance committee to hear things that surprise us. One thing did surprise me. Ms. McInturff, once again that was very powerful testimony. We just heard from you a couple of months ago.

Again today you brought up one of the unintended consequences of this, one thing I hadn't considered, with regard to the notion of dual charging. Can you help us? What type of wording would you suggest we could use in this regard, understanding what the intention is? What would allow us to avoid that unfortunate situation in that particular jurisdiction?



•(1750)

**Dr. Kate McInturff:** Given that the consequences of not providing adequate financial support to allow women or men to leave a violent setting can be fatal, I think it is worth extending leave, and frankly paid leave, even to people who are experiencing domestic violence and may have been charged as a result of dual charging.

**Mr. Greg Fergus:** You understand the problem we're trying to avoid.

**Dr. Kate McInturff:** Yes. As it is presented in the current bill, it would exclude that class of people. I would not exclude them, even though I understand that on the face of it, it sounds as if you're supporting abusers, which obviously you don't want to do. However, to leave out the people who would potentially need that support and who would be excluded unintentionally could cause dire consequences for them.

To follow up a little, I understand there's a cost involved for employers, but I want to reiterate that not addressing this issue and not empowering people who are being abused to leave the setting and have the time off and the finances to do it means that the abuse goes on. This comes at a huge cost for employers. Again, the cost to employers as a result of spousal violence is \$68.5 million in lost productivity.

Although there is a cost there, we can also see that allowing women the means to leave the situation sooner is better for them and better for their families, and it will save on lost productivity for employers in the long run.

**Mr. Greg Fergus:** Forgive me for going back to this question, if you'll indulge me, Mr. Chair, but I just want to get back to the point. I have to admit I'm a little uncomfortable with leaving the door wide open.

I'm hoping you can help me here. I know this is an unfair question to ask, but I'm just trying to figure out some way or some wording we could use that would exclude those being charged except for those in the....

**Dr. Kate McInturff:** This might be a case in which it would be useful to go to the provinces where they have dual charging, as they do in Ontario, and talk to them about how they're dealing with this problem. It may be that you have a charge and then it's dropped, because it's recognized as it proceeds through the judicial system that the person being charged was the victim, not the aggressor. There are ways for the police to note that in their initial charging.

In some cases when the police are on those calls, I think they feel their hands are tied and they have to.... You're there and you have two people who are very angry and upset, and both are making accusations about each other. It is possible, over time, to figure out that one person was clearly the aggressor and the other one was defending himself or herself. In the initial case, the police feel they have to charge both.

In talking to the jurisdictions where they practise this, there may be a way to figure out a way of wording the exclusion such that it doesn't unintentionally capture the victims of violence. That's beyond my expertise. You need to talk to the police forces about how they handle those cases and if there's some way to create a

definition that would capture those people who are victims but who are still charged initially.

It's a sticky problem, and I don't have a perfect solution for it.

**The Chair:** I see Theresa nodding her head. If you want in, Theresa, just raise your hand and we'll let you in.

**Ms. Theresa Agnew:** My thought with the wording is for it to remain "victim of family violence" because that doesn't identify the perpetrator versus.... Initially, that seems to me to be broad enough.

**The Chair:** Mr. Fergus.

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

Mr. Mulvihill, I recognize the great work that MaRS does and the opportunity it has. Thank you very much for your testimony regarding the measures in Bill C-63.

You also said there are some aspects that could still go a little further. If you can, please give me a quick summary, because I think I have a short period of time.

**Dr. Cory Mulvihill:** I guess you're referring to some of the gaps that we see in the capital ecosystem. The Canadian venture capital ecosystem has been growing, but so has our grouping of strong, growing, innovative companies. If there are one or two particular areas where there is a gap, those would be in the ventures in the health sector and the clean-tech sector. We've had good growth in the ICT space, but health and clean tech are areas in which we still need to develop more management expertise, and also build the pool of capital for ventures.

•(1755)

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

Mr. Albas.

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

Thank you, witnesses, for your testimony today. I'm going to start with the Canadian Federation of Independent Business.

Ms. Pohlmann, thank you for being here and for raising the issue of indirect interests. Obviously, governments need to be up front and clear with the business community, because businesses require not only opportunity to grow but also certainty. So when suddenly the government introduces rules that are vague or that do not necessarily allow them to understand how they need to comply, it can trigger all sorts of unintended consequences. People stop doing things just because they're not sure. It's a grey zone, and oftentimes accountants are some of the most conservative in a business sense, Mr. Chair.

First of all, has the government been able to convey what problem it is trying to fix by introducing these indirect ownership restrictions?

**Ms. Corinne Pohlmann:** My understanding, based on budget 2016, was that it was to provide rules that would prevent what we understood to be organizations, mostly professionals, from accessing the small business deduction more than once. There was the example of the law firms in which each partner had their own incorporation, plus the law firm itself was incorporated, and each would get access to the small business deduction. That was my understanding.

However, what we're seeing after the fact is that it goes well beyond that and it's having an impact on what I would consider middle-class small businesses that are simply trying to make the best of it. It's bringing complications into the system that they had not foreseen. Not only is it not allowing them to access the small business deduction on certain parts of their corporate earnings but it's also adding a lot more administrative burden, which again is an extra cost to those businesses. By not getting good clarity on whether what they're doing is the right or wrong approach, you're right that they are then taking that conservative approach their accountants are telling them to take, because it's not clear right now until we start seeing people challenge the government on it.

**Mr. Dan Albas:** One of the biggest challenges I've heard since July 18 was around the tax planning for the private corporations' document. Beyond the rhetoric, many people didn't like being described as utilizing loopholes. One of the things we heard was that there are challenges around family ownership and owners wanting to have intergenerational transfer of their farms or businesses. Why is the government so concerned about businesses doing business with each another? They're going to get their share of tax regardless. To me, with this indirect method, it sounds as though they are basically creating a situation in which they want to charge almost by the shareholder and not by company. Is that correct?

**Ms. Corinne Pohlmann:** Now you're getting beyond my expertise. This is where it becomes very complicated in how it works.

**Mr. Dan Albas:** Yes. Yesterday we were trying to get the Minister of Finance to build some certainty in the business community, because the government has said that they want to tax passive investments, but it's not being clear about whether or not the thresholds at which someone goes to a much higher rate on passive income are by shareholder—so that no matter how many businesses you own, you get that exemption for \$50,000—or by company.

**Ms. Corinne Pohlmann:** With regard to the current tax changes the table, there were amendments made, some of which were very good, but there were other amendments that... There are certain elements of those tax changes that are still moving forward and there are lots of details we still don't know. I think that's creating a lot of uncertainty and we need those details quickly, and we need to understand what those impacts are going to be. I would use the changes to the multiplication of the small business deduction as an example of what could happen if we do not look at this closely and understand what those unintended consequences are. It's not just impacting a few, but many. That's our fear about those changes that are still on the table.

**Mr. Dan Albas:** Some might say that tax cuts are a wonderful thing. I usually think they can be good, but again, private campgrounds that are apparently not small enough, because they only have five employees, are being ruled out for that deduction; doctors such as radiologists who are working in a shared practice

have been disallowed; and until this bill, co-operatives of farmers and fishers would have been disallowed.

How does the government fix the indirect cost? Would you say it should just repeal that legislation and be agnostic when it comes to the interactions within families?

• (1800)

**Ms. Corinne Pohlmann:** Absolutely. What's needed is some clarity, such as the farmers and fishers' thoughts around co-operatives, as to what it means when family members do business with each other but don't own shares in each other's companies. They're still separate companies. That's the issue that needs to be—

**The Chair:** We'll have to end it there.

I believe the minister said yesterday, in response to those questions on passive income, that they're still working that through and will make an announcement in the not-too-distant future.

Mr. McLeod.

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

I have a few questions. The first one is for the Canadian Centre for Policy Alternatives. I listened with real interest when you talked about the issue of housing and how it affected employers. You pointed to domestic abuse as something that has resulted from poor housing.

I just sat on a committee that reviewed the issue of suicide in aboriginal communities across the country, and the numbers that we found and the despair that people are exposed to are horrific. There are many issues that are causing the despair among our youth, but housing was pointed to as one that was fixable.

It was mentioned many times that if we could fix the issue of housing, which has worsened over the years, we'd solve 50% of the social issues that are challenging us. Housing is a factor in domestic abuse, but in our aboriginal communities it's also a real factor in sexual abuse. It's also a factor when it comes to suicide. It limits our people being able to hang onto gainful employment. Students have a hard time studying, and it causes lower grades.

I'm assuming you have some research you could share with us.

Mr. Chair, maybe she could provide that to us.

My next question is for the Canadian Federation of Independent Business. I represent the Northwest Territories. Almost all our communities are aboriginal. We really have a challenge, because the way we live has changed. Many things are causing that, and our culture is being diluted. A lot of our elders say that our youth have to live in two cultures now: they have to have a foot in both worlds. Some of the elders of the Tlicho Nation say that you have to be strong like two people, because you have to be able to know how to hunt, fish, berry pick, trap, and all these traditional pursuits that we've done historically, but at the same time you have to have a full-time job to look after your family.

We were quite happy to see the flexibility in the labour code changes. We know there was a lot of work done with indigenous governments and people in terms of consultation. I wonder why you're making a recommendation not to go ahead. Have you talked to indigenous people? Have you gone out and consulted with indigenous governments, first nations, Métis, and Inuit? There was a lot of work done on this, and I'm not sure where you're getting your direction from. I'm assuming....

I'll let you answer that.

**Ms. Corinne Pohlmann:** It's from our membership. Our membership are 109,000 owners of small and medium-sized businesses across Canada, including in the Northwest Territories. We have over 250 members in the Northwest Territories.

**Mr. Michael McLeod:** Yes.

**Ms. Corinne Pohlmann:** It came from them. It's the direction we get from them.

The reason we prefer not to make prescriptive changes to flexible work arrangements is that we worry that when you get too prescriptive around some of these labour code changes, it almost takes away a lot of the flexibility that already exists. Small companies know their employees very well and tend to know what's going on with them, because the owner works beside the employee. We know they already provide a lot of flexibility.

We have recently done public opinion polling of employees and found that, for those who work at the smallest companies, the thing they like the most about working at a small company is the flexibility it provides. What we worry about is that when we start implementing requirements, it can sometimes restrict the flexibility that already exists.

• (1805)

**Mr. Michael McLeod:** Could you go to the question I just asked you?

**Ms. Corinne Pohlmann:** What was that?

**Mr. Michael McLeod:** Have you talked to any indigenous people on this?

**Ms. Corinne Pohlmann:** Well, we talk to our membership.

**Mr. Michael McLeod:** That's not what I asked you.

**Ms. Corinne Pohlmann:** That's where we get our direction from. We get our direction from our membership.

**Mr. Michael McLeod:** I'm asking you if you've talked to any indigenous governments about this.

**Ms. Corinne Pohlmann:** No, I have not talked to indigenous governments.

**Mr. Michael McLeod:** Okay, thank you.

My next question is for the nurse practitioners.

I really appreciate the work you've done to allow the nurse practitioners to enhance their role. We depend a lot on nurse practitioners in all three territories in the north. A lot of times it's difficult to see a doctor, and if you do, you're probably not going see him or her again. I want you to maybe discuss with us your organization's work in the remote areas of the province that you're in, and maybe the rest of Canada, and how that's being received by your members and the people they assist.

**Ms. Theresa Agnew:** There are now close to 5,000 nurse practitioners across Canada. Many of those nurse practitioners work in rural and remote and northern areas across every jurisdiction. I, myself, had the pleasure of working for a year in the Moose Factory zone and providing primary care services to the communities of the James Bay coast. I would say nurse practitioners are somewhat disproportionately represented in under serviced northern and remote areas, yes.

**The Chair:** We will have to leave it there. Thank you all.

Mr. Kmiec, you have about four minutes.

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

Just to go back to the Canadian Federation of Independent Business and to talk about the flexible work arrangements specifically, a lot of the rules proposed in Bill C-63 are for federally regulated employees. My question for you is, first—because you had said you're kind of worried about it—what kind of impact will it have on your members? You do represent small and medium-sized businesses, so which of your members would specifically be most impacted by this? Second, what would be your suggestions for amendments or modifications to the proposal put forward in Bill C-63?

**Ms. Corinne Pohlmann:** It's the federally regulated employers, and we recognize that not a lot of small firms are federally regulated. There are some, but not many. What happens is that the federal regulations often then get copied by provincial regulations, and therefore they end up spreading across the country. We worry, again, that it would tend to limit the ability of smaller firms to work out flexible arrangements that work for them and their employees. We know they're offering a lot of that informally already, and we worry that it would limit what's already out there. The other piece of this is that it brings in more administrative burden and more rules the employers have to make sure they're following when they're going through this process.

As to the adjustments we would make if we're going to move forward with some sort of legislation, at the very least, we would like to see this. The amount of time the employer has to respond to a request is only 30 days in the legislation right now, and we'd like to see that go to three months. Actually, that is the case in the U.K., which we know is part of what this has been modelled after. Also, there's not a lot of detail in this legislation around enforcement, what that's going to look like and how that's going to impact employers, and employees, for that matter. Is there going to be an appeal process? That's also not clear at this point in time. Those are things that are still question marks and worries for us.

**Mr. Tom Kmiec:** Just to go back over the types of members of yours that would be affected, trucking companies are, obviously.

**Ms. Corinne Pohlmann:** Federally, yes they are.

**Mr. Tom Kmiec:** Federally, and then would there be anyone else that would be a smaller—

**Ms. Corinne Pohlmann:** Small airlines.

**Mr. Tom Kmiec:** Small airlines?

**Ms. Corinne Pohlmann:** Yes, there are small airlines that are all over the place. But mostly it will be the smaller trucking companies that might be federally regulated. And there might be some small broadcasters and that kind of thing.

• (1810)

**Mr. Tom Kmiec:** There might be small broadcasters as well.

One of the things you mentioned, as well, is that smaller employers really know the people who work for them, because they work so closely together and, typically, employees work for them for a long time. Parliament is an employer. We all work here. I have my daughter with me today. I call her the junior member for Calgary Shepard. She's just sitting in the back.

I've worked in human resources before. In my experience, smaller members already make a lot of accommodations for the people who work for them. It cost thousands of dollars to replace an employee who leaves for whatever reason. Is it your experience that most small and medium-sized employers will do what they can to accommodate their current employees?

**Ms. Corinne Pohlmann:** Absolutely, because they know that by doing that they will attract more and retain the ones who are there. It's very expensive to hire and train new people, so you're going to do everything you can to keep the good people you already have at your organization.

Part of that is about being flexible when you need to be flexible. There are many stories you hear from small business owners about that, and also from their employees, who talk about going through a tough time and how their employer helped them through it. There are many of these stories, and often it's not just that they know their employees, but that their own family members are working for them. There's a combination of that, and they become a family. I would suggest that smaller companies are already doing quite a bit on the flexibility front. It's just not formalized.

**The Chair:** Okay. We will have to end it there. No more comments from the witnesses...?

Mr. Grewal.

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

Thank you to the witnesses for coming. I really appreciate it.

Not that we're picking on the Canadian Federation of Independent Business, but I just wanted to get your take on this. When we travelled across the country for pre-budget consultations, government red tape... I just spoke at the Loblaw's carriers conference. These are a lot of small businesses and trucking companies that carry for Loblaw's across the country. They were really excited when I talked about the Canada free trade agreement. What else can we do that could really reduce the red tape to make sure the Canadian economy continues to grow at a record pace?

**Ms. Corinne Pohlmann:** When it comes to the Canadian free trade agreement, I think a key piece of it is the regulatory co-operation and the table that they've created, right? Right now, we have some concerns that it hasn't really been moving forward the way it should. We really would encourage the government to take some leadership and get the provinces moving to make this table work. The point of the table is for the provinces to work together with the federal government to align a lot of the rules and regulations that exist. Trucking is a perfect example.

**Mr. Raj Grewal:** Yes, it's actually comical. There are different standards across the country in the 10 provinces and two territories.

**Ms. Corinne Pohlmann:** That's correct. For something as simple as changing the colour of the warning flag on the back of your truck, you have to stop at a border and change it.

**Mr. Raj Grewal:** Yes.

**Ms. Corinne Pohlmann:** That's the kind of the thing we'd like to see, that kind of co-operation. This is the key part of the whole Canadian free trade agreement that needs to get up and running. It needs to be active, it needs to show that it's going to have results, and we need the federal government to be part of that.

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

For the Canadian Alliance of Student Associations, I was an intern, so I know how important it is to give students an opportunity to gain work experience, but at the same time we have to ensure that they don't get taken advantage of by their employers. You had a statistic showing that those who graduate with co-op experience have a better chance at a full-time job. I came out of Laurier's co-op program, so yes, I had a better chance at a full-time job. I was employed a year before I graduated.

What more could the federal government do to ensure those opportunities exist? Even though we're doing a lot to ensure that we're empowering young Canadians, I'd love to hear your perspective on that.

**Mr. Michael McDonald:** That's a fantastic question. I think this government has shown a commitment with some of its investments in work and creative learning, which were announced just at the end of August. These are creating opportunities for STEM and business students and are an excellent jumping-off point. We think these kinds of programs are a great start, where you create sector relationships among academic institutions at both the college and the university level and with sector partners in order to create work integrated learning opportunities that are worked into programs.

The second thing that we think could be really valuable is something that we've included in our pre-budget submissions. I know that our chair spoke to you as well earlier this year. It was about changing the Canada summer jobs program as it currently stands to provide part-time opportunities for the remainder of the year. This is a program that provides people with experience in the field and provides small businesses and not-for-profits financial support to hire students. We think these are the kinds of models to move forward with and to use to find those kinds of partnerships that support the industry, the academics, and the students in general, and that really meet everybody's needs.

• (1815)

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

**The Chair:** That will be the last question.

On Bill C-63, just for committee members, the deadline to submit amendments to the bill is 12 noon on November 16. We'll start clause-by-clause on November 21 at 8:45 in the morning and, if we have to, we'll go through until 9 o'clock that night. That will be on Tuesday the 21st.

Thank you, witnesses. We really appreciate your coming forward and answering questions.

We'll now turn to your motion, Mr. Dusseault. The floor is yours. *[Translation]*

**Mr. Pierre-Luc Dusseault:** Thank you, Mr. Chair. With your permission, I would like to thank the witnesses who are now leaving us.

Thank you for coming.

Mr. Chair, thank you for setting time aside for us to discuss the motion that I gave notice of last Tuesday. It is very appropriate, given what is in the news these days. I am going to read it again, so that we are fully aware of what we will be deciding on today.

*[English]*

That, given ongoing media revelations that could implicate some Canadians in aggressive tax avoidance or tax evasion, the Committee invite Stephen Bronfman, Revenue Chair for the Liberal Party of Canada; and Leo Kolber, former Senator and former chief fundraiser for the Liberal Party of Canada, to appear before the Standing Committee on Finance before November 30, 2017, to answer questions relating to their offshore assets in jurisdictions that are considered to be tax havens.

*[Translation]*

The goal of this motion is quite simple. I quickly explained it on Tuesday when I submitted the notice of motion.

The intent is to enlighten the committee on the tax strategies that have been used by these two individuals. The goal is not to put them

on trial here, or to determine whether it is legal or illegal, but rather to have the facts and the strategy explained to us.

Of course, all Canadians whose have seen that information were shocked to learn that some strategies, like the ones these two individuals have used, foreign trusts, allow them to hide some of their wealth and their assets and to make profits from those assets. The investments bear fruit and are invested in all kinds of places around the planet, while the assets generate income in foreign countries with tax rates that are practically nonexistent.

It would let us hear what they have to say in explaining the way in which, legally, in their view, they can move their assets abroad to generate income tax free. The ultimate goal is to find out about their strategy. That would then allow the committee to address the shortcomings in the Income Tax Act, as well as the fundamental problem: that these individuals can use strategies of this kind and avoid paying their fair share in our society.

The individuals benefit from our health care system. I do not know Mr. Bronfman or Mr. Kerber personally, but I would not be surprised to learn that they have been to hospitals in Canada at one time or another. They benefit from our health care system. As they are in Canada, they travel on our roads and highways and they use our infrastructures. But they pay little or no tax. So they get along fine by taking advantage of our society and of the services that our government provides.

Our governments are having difficulty providing quality services to Canadians because of a tax system that is quickly eroding. That does not come from me. A lot of work is being done internationally on the issue of the eroding tax base and the transference of profits to foreign countries. For the committee then, this is an opportunity to learn more about it. This study has no set end date, but I would like them to appear before November 30. However, the motion does not set a deadline. In my opinion, the deadline is when we find possible solutions that will put the situation right.

I feel that Canadians would be happy to see the House of Commons Standing Committee on Finance tackle this situation, which is very much in the news. Above all, they would be happy to see the committee identify solutions that would put an end to these scandals, which pop up from time to time in Canadian news, and even international news.

• (1820)

So I hope I will get the support of my colleagues so that we can respond to a concern shared by Canadians, including the constituents of my colleagues. To do so, I hope that I can count on the support of all my friends around the table, so that solutions can be found.

Thank you.

*[English]*

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

First on my list is Ms. O'Connell.

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

I move that the debate be now adjourned.

**The Chair:** The motion is in order.

**Hon. Pierre Poilievre:** A point of order, Mr. Chair.

**The Chair:** There is no notice required—

**Hon. Pierre Poilievre:** It's okay, I just have a separate point of order.

**The Chair:** Okay.

**Hon. Pierre Poilievre:** Thank you very much, Mr. Chair.

We just received a motion from Monsieur Dusseault, which members of the Conservative delegation were planning to support. We think it is—

**The Chair:** I don't think that's a point of order.

**Hon. Pierre Poilievre:** No, it isn't. You're right, but I am coming to my point.

**The Chair:** No, I'm sorry, Pierre, there is no debate allowed on this kind of motion.

**Hon. Pierre Poilievre:** I'm not debating the member's motion. I have no comment on her motion whatsoever.

**The Chair:** I'm going to disallow the debate. I don't see it as a point of order.

I'm going to call the vote.

**Mr. Pierre-Luc Dusseault:** A recorded vote, please. I am surprised by this decision.

**The Chair:** A recorded vote.

Mr. Clerk.

**Hon. Pierre Poilievre:** Mr. Chair, I just want to note for the record that no member of the governing caucus was prepared to defend their position on this issue, or their party's position on it.

**The Chair:** There is no debate. Pull the mike.

The motion is on the floor.

(Motion agreed to: yeas 5; nays 4)

**The Chair:** The motion is carried.

I would point out that this means that we are temporarily suspending debate under way on a motion or study. That's what it says in *House of Commons Procedure and Practice*.

Turning then to the next order of business, which is the—

**Hon. Pierre Poilievre:** On a point of order, Mr. Chair, I understand that the members have temporarily delayed debate on this motion and will be revisiting the subject forthwith. When do you foresee our having an opportunity to do that?

**The Chair:** Well, we certainly won't do that until we come back after the break week, but that depends on when somebody wants to lift it off the table. That's my understanding.

**Hon. Pierre Poilievre:** I would like to put forward a motion for unanimous agreement that we will have a special hearing into this matter, and that the members of each party will confer to ensure that we are able to do this within the next two weeks.

**The Chair:** I do not see that. If somebody wants to move a motion outside of the day that we're dealing with Bill C-63, they have the right to do so. They can lift it off the table and we'll be back here in the week of November 20.

Mr. Dusseault had his hand up next, and then Mr. Fergus, and then Mr. Albas.

● (1825)

[*Translation*]

**Mr. Pierre-Luc Dusseault:** I would like to make a motion that this committee resume study of my motion as soon as the committee is available to do so.

[*English*]

**The Chair:** A sub-motion.

Can you tell us what your motion is again, Pierre?

[*Translation*]

**Mr. Pierre-Luc Dusseault:** The motion goes like this:

That the committee resume study of the motion at the first available opportunity.

[*English*]

**The Chair:** It is in order. "At the earliest opportunity" would be the week of November 20.

It is in order. Okay, it's on the table.

**Hon. Pierre Poilievre:** I would like to speak to that.

**The Chair:** I had Mr. Fergus next on my list, and then Mr. Albas.

**Ms. Jennifer O'Connell:** I'm speaking to the motion he just moved. Is that not laid on the table?

I move that the debate be now adjourned.

**An hon. member:** She did not have the floor.

**The Chair:** No, she did not. Mr. Fergus had the floor. Sorry.

Go ahead, Mr. Fergus.

**Mr. Greg Fergus:** I would like to move that the debate be now adjourned.

**The Chair:** We will have a recorded vote.

I want to confer with the clerk for a minute.

(Motion agreed to: yeas 5; nays 4)

**The Chair:** I'm going to the next item on the agenda.

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

**The Chair:** Let's hear it.

**Hon. Pierre Poilievre:** I have a different motion: "That the committee commence a study in reference to aggressive tax avoidance and tax evasion"—

**The Chair:** That's not a point of order.

**Hon. Pierre Poilievre:** Mr. Chair, we are able to make motions. The clerk ruled earlier that a motion similarly put was in order.

**The Chair:** You said you were making a point of order.

**Hon. Pierre Poilievre:** I will put a motion, then.

**The Chair:** Then put your motion.

**Hon. Pierre Poilievre:** My motion is—

**The Chair:** Before you do, just as a point of interest, Mr. Dusseault's motion, the original one, can be pulled up by him at the next meeting if he so decides. It's a temporary suspension.

Why we would go through a whole bunch of procedural wrangling here, I don't know, because he will have an opportunity to pull his motion off the table if he so decides, or anybody else on the committee, I think. Anybody can pull that motion.

Why would we go through a whole series of procedural wrangling when that's the possibility?

**Hon. Pierre Poilievre:** I can answer your question, Mr. Chair.

When motions are put, we seek only to have an opportunity to have a debate on them. The members across the way have tried to stifle that debate through the use of their majority to shut down any scrutiny of this matter.

Obviously tax evasion and tax avoidance are matters of great importance to Canadians. They have major impact on the revenues of the Government of Canada and on the fairness of our overall tax system. They shift the burden to middle-class people by allowing those who are well connected and wealthy to stash their cash where it's out of reach of the government, and their tax obligations go unsatisfied.

**The Chair:** Put your motion.

**Hon. Pierre Poilievre:** That's the reason. You asked the question of me, and I'm answering that question. I move:

That, given ongoing media revelations that could implicate some Canadians in aggressive tax avoidance or tax evasion, the Committee invite Stephen Bronfman, Revenue Chair for the Liberal Party of Canada; and Leo Kolber, former Senator and former chief fundraiser for the Liberal Part of Canada, to appear before the Standing Committee on Finance

—here's where the difference comes in—

before November 25, 2017, to answer questions relating to their offshore assets in jurisdictions that are considered to be tax havens.

Mr. Chair, I understand if members want to shut down this debate, as they did the last one. I would just seek the opportunity to state very briefly why I think it's important.

In the public interest, related to the finance committee, the government claims it's in favour of tax fairness, yet it is favouring well-connected and wealthy insiders, allowing them to avoid paying their fair share of taxes while raising the tax burden on everyday Canadians. The fact that the government is fighting so furiously to keep this debate from happening, to shut it down before anyone can speak, demonstrates that it doesn't want any transparency in this particular area. The government members have not even given a single piece of rationale as to why they wouldn't want to have the debate if their party and their government have nothing to hide on the subject.

They said tax fairness was their number one priority. Then Mr. Dusseault put forward a motion that would allow them to prove it. I know the problem they had was with November 30, as opposed to November 25, which I put forward as a date.

Because it's such a priority of the government, maybe we should move the date forward rather than moving it to the 30th. Maybe the members across the way were so anxious to get started with this examination that they couldn't wait until November 30, so I'm giving them an alternative.

Thank you.

• (1830)

**The Chair:** Who is next on the list? I have Mr. Ferguson, Mr. Dusseault, and Mr. Albas.

**Mr. Greg Ferguson:** Mr. Chair, I move that the committee do now adjourn.

**Mr. Pierre-Luc Dusseault:** I want a recorded vote.

**The Chair:** Okay. There is no debate on this motion either.

(Motion agreed to: yeas 5; nays 4)

**The Chair:** The meeting is adjourned.







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