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Chair

The Honourable Wayne Easter

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• (1205)

[English]

The Chair (Hon. Wayne Easter (Malpeque, Lib.)): Pursuant to the order of reference of Tuesday, May 9, we are studying Bill C-44, an act to implement certain provisions of the budget tabled in Parliament on March 22, 2017 and other measures.

We are fortunate to have Minister Bill Morneau here this morning. With him as witnesses from the Department of Finance are Paul Rochon, deputy minister, and Andrew Marsland, senior assistant deputy minister, tax policy branch. Welcome, gentlemen.

Just for the committee's information, we know that there is likely going to be a call for votes. There will be a 30-minute bell, and we will stay until there are about seven minutes left on that bell. The minister has agreed to come back, following the vote, to give us a full hour of his commitment to the committee.

With that, Minister, the floor is yours.

Hon. Bill Morneau (Minister of Finance): Thank you very much, Chair and honourable colleagues.

[Translation]

I am very pleased to talk to you today about Bill C-44, An Act to implement certain provisions of the budget tabled in Parliament on March 22, 2017 and other measures.

[English]

The passage of this bill paves the way for the next stage of the government's plan to strengthen and grow the middle class and all those working hard to join it. It will allow the government to continue making the smart investments that will create jobs, grow our economy, and provide more opportunities for the middle class.

The steps we have taken to date are having a real and positive impact on our economy and on Canadians. Over the past year, the economy created over a quarter of a million new jobs, the large majority of which were in full-time positions and in the private sector. Forecasters are expecting Canada's economy to grow even faster over the next two years.

We understand that, despite these positive signs, people are still anxious about the future. Canadians want to be assured that their hard work will mean a better future for their children and their grandchildren.

[Translation]

We must show through action that their concerns are real and that we are ready to take the necessary steps to help them succeed. That's why we are here today, to study and discuss important measures in Bill C-44 and to come to a consensus about the issues that matter most, which is what Canadians expect.

[English]

Though I know that the members of this committee are very knowledgeable on the contents of this bill, I want to begin by highlighting a few measures that I know are top of mind for the committee.

First, we have taken steps to strengthen the parliamentary budget office to make it truly independent. Bill C-44 recasts the head of the PBO as an officer of Parliament, with the authority to report directly to Parliament and supported by a team that is separate from the Library of Parliament. Our plan will ensure that the PBO will have expanded right of access to government information and a new mandate to provide costing of platform proposals during elections.

Honourable members, we need to get this right.

[Translation]

The parliamentary budget officer's work is essential to Parliament's capacity to discuss and study current economic and financial issues. This work helps us by requiring us to meet higher standards and to enable us to focus on the facts.

[English]

I am here today to take your questions. I know that some of you have expressed concerns. We are open to your views; in fact, we depend on them.

I want to turn now to one of the best ways we can bring confidence back to the middle class: investing in public infrastructure to build stronger communities. Our government has laid out a historic plan to invest more than \$180 billion in infrastructure over the next 12 years, but no order of government can accomplish ambitious goals for infrastructure alone. Investors have told us that they want to invest in Canada.

[Translation]

As you are well aware, our country has enormous infrastructure needs and infinite potential for the creation of world-class facilities. For this reason, Bill C-44, enacts the Act to establish the Canada Infrastructure Bank, which establishes the new Canada Infrastructure Bank as a Crown corporation.

[English]

Through this new bank, we will work with our partners to build world-class infrastructure that will transform communities, create good jobs, build a stronger and greener economy, and ensure that more of the infrastructure needed by Canadians gets built. Canadians today will benefit from good, well-paying jobs, and Canadians tomorrow will enjoy the advantages of good roads, bridges, transit, and social infrastructure built to meet their needs and help their communities thrive.

Looking beyond bricks and mortar, we really put people at the heart of our plan. I want to address a few measures of this bill that speak directly to our highest priority—the middle class and all those working hard to join it.

• (1210)

[Translation]

The government is firmly committed to helping Canadians of all ages to get the training and the skills they need to succeed in the current and future economic conditions. That is why, throughout the pages of this bill, you will find measures designed to help Canadians receive training, no matter what stage of life they are in.

[English]

We want to help Canadians to get the training they need so that their first job is a great job, and their next job is a better job. That's why we're taking steps to help working parents who must balance the demands of raising a family while managing their own career needs in this time of transition.

Bill C-44 would allow parents to choose to receive EI parental benefits over an extended period of up to 18 months at a lower benefit rate of 33% of average weekly earnings. It also proposes to do more to provide greater flexibility to pregnant working women, giving them the option of claiming EI maternity benefits up to 12 weeks before their due date, expanded from the current standard of eight weeks, if they so choose.

Budget 2017 also takes action to support those who have put their lives on the line to make Canada a safe and secure place to live. After putting themselves in harm's way in service to our country, our women and men in uniform deserve a successful transition to civilian life. To help, we'll create a new education and training benefit. This benefit will provide more money for veterans to go to college, university, or a technical school after they complete their service.

I want to stress that we understand the job is not yet complete. Veterans and stakeholders have told us that the existing suite of programs is complex, and difficult and stressful to navigate, and that simply isn't good enough. Over the coming months we intend to take additional action to streamline and simplify the system of financial support programs currently offered to veterans. That will include

fulfilling our commitment to re-establish lifelong pensions as an option for injured veterans so that veterans and their families can decide for themselves which form of compensation works best.

To conclude, the bill before us has concrete measures that move Canada forward as a smart and caring nation, but we can and will do more.

[Translation]

We continue to focus on growth, but we will not do so to the detriment of other key issues. We will ensure that all Canadians benefit from growth, not just the wealthiest, and we will help families see the futures of their children and grandchildren with more optimism.

[English]

I urge the members of this committee to support the bill and to work with us on those portions of it that can benefit from your own views and ideas so that at the end of the day we meet the high standards and expectations that Canadians have of us.

Before I conclude, I'd like to give you a preview of some of the issues we're looking to address over the coming months. Our government believes that every Canadian needs to pay their fair share of taxes, and in the coming weeks and months I'll be laying out our plan to ensure greater tax fairness. Billed-basis accounting, for example, will be brought forward as part of the next budget implementation act, which will provide the opportunity for the committee to consider in detail the legislative proposals for this measure. I know this is a topic that spurred much discussion, and I look forward to hearing your thoughts.

We're also examining tax planning strategies involving the use of private corporations. As announced in budget 2017, we will release a paper setting out the issues of this in detail, as well as proposed policy responses.

While I'm on the subject of taxation, I know members will have questions about our plans to tax the future legal sale of cannabis. Work has begun on the design of this taxation regime, and the issue will be on the agenda at the next meeting of provincial and territorial finance ministers in June. The goal will be to agree on some basic principles with the intent to move quickly on these historic legislative proposals.

Again, thank you for giving me the opportunity to speak to you today, and I'm happy to take your questions.

Thank you, Mr. Chair.

The Chair: Thank you, Minister, and also thank you for giving us an idea of what future thinking might be in some other areas for the future budget. It gives us an opportunity to think of those in advance.

We will go to five-minute rounds, beginning with Mr. Sorbara.

Mr. Francesco Sorbara (Vaughan—Woodbridge, Lib.): Welcome, Minister. Welcome back from your trip overseas as well.

Thank you for those opening remarks.

Minister, I've described our budget, both last year's and 2016-17's, as budgets having a three-pillar approach where we undertake investments in innovation, skills training, and lifelong learning as well as infrastructure, and with all of that, growing the economy and a stronger middle class.

One of the issues we face in Canada is our demographics. We have an aging workforce, and we have a lot of people retiring, and we need to look at avenues to increase participation rates among certain classes of workers. Fundamentally, I think one way that we increase the long-term economic growth rate of our economy is to bring in under-represented groups of workers who may not be at levels where they can be, and we can undertake certain measures.

As the father of two young daughters, I want to ensure that women in the labour force are represented at equal levels to men. Our government has undertaken a number of measures, but I want to hear from you just how important it is for us. Specifically, in the budget, in chapter 5, there is a gender statement for the first time ever that we encourage labour force participation rates to increase, and how important it is for economic growth.

• (1215)

Hon. Bill Morneau: Francesco, let me start by saying that this is a hugely important issue for our country, and the kind of advocacy you've had on this issue, both at this committee and more broadly in the House of Commons, really has brought this issue to the forefront. We know that demographic challenges specifically are going to be one of the biggest issues we face in the next generation, and we know that for your daughters and for so many other women in this country, young women, their participation is going to be critically important to ensuring we are successful.

Thinking about that specific issue, we know that we have a 9% lower workforce participation rate among working-age women than we do among working-age men, and as we think about ways to make sure that our economy is successful, we need to think about how we can enable people to be in the workforce, if they choose to be in the workforce, so all of our measures that we put in our first budget and in our second budget that have addressed this issue have been geared to making it more likely that women are going to be successful in the workforce.

This starts with the way we took a look at child benefits, which was, of course, a very important first step by giving significantly more child benefits to lower- and middle-income families, knowing that helps women in particular, especially single women. In this budget there are a number of things that are going to make an important difference. The focus on early learning and child care by putting significant funds into early learning and child care is going to make a difference for families. The biggest burden of child care often falls on the woman, in many cases, as the primary caregiver. Enabling women to have better child care options is going to help with workforce participation.

We've moved forward on a number of other things. You heard me in my remarks talk about making parental leave more flexible,

recognizing that different families have different needs and enabling people to make the right choice for their family. Looking at things as specific as how we can help women entrepreneurs to be more successful can make a difference in terms of allowing people to see their potential opportunities in the workforce. All of these things are part of a broader plan on dealing with what's critically important, enabling women to be successful and, at the same time, having a really positive economic impact.

Thank you again for your question. It's one that is central to our government's efforts.

The Chair: You have time for a very quick question and a very quick answer.

Mr. Francesco Sorbara: Investing in Canada and in Canadians is of paramount importance to making sure that we have a thriving economy and that people have the right skill set for an evolving economy, which is obviously changing all the time.

I would like to follow up on a changed tangent. On the tax fairness, tax avoidance measures, for which we've put a lot of funds into CRA for the last two years, what are our expectations out of that? The way I look at it is, we need to ensure Canadians and organizations pay their fair share of taxes, but what is our overall theme in terms of the government's focus on that initiative?

The Chair: Minister, you'll have to sum up fairly quickly.

Hon. Bill Morneau: This is central to our government. We want to make sure we have a system that's fair and also that people are paying their fair share based on that system. The kinds of resources we gave to the Canada Revenue Agency were critical to make sure that happened. At our first budget we gave over \$400 million in additional funds to CRA so they could make sure people were actually paying the amounts they were due to pay. We saw that as a very successful effort to make sure that people were doing that. It actually paid dividends in terms of people paying their fair share.

In budget 2017, we moved forward again to put more money for CRA so they could enforce the rules in the fairest way across our country. It will have a positive impact on government revenues by ensuring that people are paying their fair share. That's a continuing approach that we'll take as we think about not only closing loopholes, but once we have the system, making sure that people actually do what we expect them to do, and that's to pay their taxes.

• (1220)

The Chair: Thank you both.

Mr. Poilievre, welcome to the finance committee.

Hon. Pierre Poilievre (Carleton, CPC): Thank you.

On the infrastructure bank, division 18, subclause 22(2) of your budget bill, it says:

The Minister of Finance, on the recommendation of the designated Minister, may make a loan or provide a loan guarantee with respect to the infrastructure project.

If you loan, say, a billion dollars of taxpayers' money to a company to build infrastructure, and that company goes bankrupt, who will repay Canadian taxpayers their billion dollars?

Hon. Bill Morneau: First of all, I'd like to thank you for bringing up the Canada infrastructure bank. We believe that this institution will enable us to produce more infrastructure across this country than would be the case if we didn't put it in place.

Hon. Pierre Poilievre: And who will repay the billion dollars?

Hon. Bill Morneau: What we look toward doing is thinking about how we can attract additional money into infrastructure projects that wouldn't otherwise get done. The institution will be able to use the \$15 billion of money we've put from our \$180 billion over the next 10 years, as well as use the \$20 billion in capital that the institution will have, to make projects work.

The specifics of each—

Hon. Pierre Poilievre: Loans would be an example of the capital.

The question was, if you loaned a billion dollars for an infrastructure project and the borrower went bankrupt, as often happens, and as happened to a builder in south end Ottawa, who will repay taxpayers their billion dollars?

Hon. Bill Morneau: I want to thank you for the additional clarity, but I did understand the question.

Hon. Pierre Poilievre: Nobody can understand your answer because you're not giving one yet.

Hon. Bill Morneau: I'd like to answer.

The bank will be able to have specific projects that it supports in terms of concessional capital or in terms of loans or loan guarantees—they're good examples—

Hon. Pierre Poilievre: Who would repay it if the builder goes bankrupt?

The Chair: Pierre—

Hon. Bill Morneau: I am happy to answer your question, if you'd like.

Hon. Pierre Poilievre: Anytime. We're ready for it.

Hon. Bill Morneau: If you have more to say, go ahead, I'll wait.

Hon. Pierre Poilievre: Okay, I will.

I'll move on to the same clause in the budget bill. It gives you the power to offer loan guarantees for a company building infrastructure. That will make the taxpayer the guarantor of a loan. If a company gets a taxpayer guarantee for a billion-dollar project and fails to repay that billion-dollar loan, who will repay it?

The Chair: The floor is yours, Minister.

Hon. Bill Morneau: Is it?

The Chair: Yes, it is.

Hon. Bill Morneau: Are you ready for me to answer?

Hon. Pierre Poilievre: We've been waiting for you to answer for the duration, so any time now. Who will repay the money?

Hon. Bill Morneau: What I was about to say was that in each project there will be specific situations, so in many cases there will be security behind that loan. The security behind the loan would mean that if in the case that you identified, that an organization wasn't able to repay the loan, the security would come back for the federal government in that case.

What I can't do is give you every specific project right now. What I can do is tell you—

Hon. Pierre Poilievre: Forgive me, minister.

Hon. Bill Morneau: Again, would you like an answer to the question or not?

Hon. Pierre Poilievre: The question is, who would repay it?

The Chair: The minister is answering your question. Give him time to answer it instead of interrupting.

Hon. Bill Morneau: Do you understand the concept of security behind a loan?

Hon. Pierre Poilievre: I do, in fact.

Chapter 2 of your budget touches on that. It says that you will use subordinated debt.

According to Investopedia, subordinated debt is more risky than unsubordinated debt. Subordinated debt is considered any type of loan that is repaid after other corporate debts and loans are repaid in the case of borrower default. That means that the debt owed to taxpayers would not be secured; the senior debt would be secured. You're factually wrong. You're contradicting your own budget documents. It would not be secured.

Hon. Bill Morneau: Actually you're confused and you're inaccurate. If you'd like an answer, I'm happy to answer—

Hon. Pierre Poilievre: You've been asked four times who would pay back the taxpayer. So, if a builder takes a \$1-billion loan from your taxpayer back to the infrastructure back and goes bankrupt, who would repay taxpayers? Is it (a), no one; (b), the tooth fairy; or (c), you would take it out of your personal retirement funds? Who would repay taxpayers?

• (1225)

The Chair: Minister, we are going to give you time to answer that question; and your time is up, Mr. Poilievre.

Go ahead.

Hon. Bill Morneau: I appreciate the opportunity to reply.

The good design that we've put in place for the Canada infrastructure bank would allow us to create an agency with expertise around how you can deliver on complex financial arrangements to make sure that significant infrastructure projects actually get done. That would mean that what's required is not only seeking institutional investors, but considering the possibility of also finding ways to ensure that projects get done that might require loans, or in some cases loan guarantees. We've given the bank flexibility to do that. Of course, we'll be relying on the expertise of this agency in order to make sure that they do this on commercially successful terms, as we do with other Canadian government organizations like the Business Development Bank and the Export Development Corporation, which are very successful in terms of not only being able to provide loans, but being able to provide returns to the Canadian government through those loans. That's what we expect would happen in this case. We will be able to do more infrastructure through crowding and private sector investment. We'll be able to create structures that provide financing opportunities that allow us to get more done while creating better outcomes for Canadians both through jobs and through a better, long-term infrastructure, and a low level of financial risk.

The Chair: Thank you, Mr. Minister.

Thank you, Mr. Poilievre.

Mr. Dusseault, you have five minutes.

[*Translation*]

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

Thank you, Mr. Minister, for being here.

I would like to continue with the Canada Infrastructure Bank, which has been the focus of much discussion since you introduced Bill C-44 and even before that, obviously, since it was already in your department's sights.

An advisory council produced a report on economic growth and advised you. You subsequently almost copied and pasted it into Bill C-44.

Of the people who participated in the report, several—one in particular—mentioned that the objective of these infrastructure projects was to provide a return of 7% to 9%.

Can you confirm that the objective of the Canada Infrastructure Bank is to give investors a return of 7% to 9%? Can you confirm these percentages, which were put forward by people with special interests in the bank?

Hon. Bill Morneau: Thank you for your question.

An advisory council did, indeed, help us to make decisions and advised us on how we can improve Canada's level of economic growth. This committee was made up of experts from across Canada, including Quebec, which was very important to us. These experts helped us to find ways to increase investment in our infrastructure. This will make it possible to carry out projects, such as the Réseau électrique métropolitain, or REM, in Montreal. This type of project, which creates jobs, is very important for the community.

Since the projects will be different, I can't give you exact details on one. A good example of a project is the REM in Montreal, and it's a project that will be possible to accomplish with institutional investors. This transformative project will help the people of Montreal by creating jobs. In my view, it is very important to carry out projects like this.

Mr. Pierre-Luc Dusseault: Will the performance be 3%, 5%, 7%, 9%? Can you give us details of the return that investors are expecting? Investors who participated in the development of the bank are expecting a return on their investment. What are you guaranteeing them? Can you give us a specific percentage or a range of rates of return?

• (1230)

Hon. Bill Morneau: To begin, I would say that there is no guarantee of return on investment. Each project will be different. If a project involves a lot of risk, the return on investment may be higher. If a project is less risky, even if it is transformational for our economy, the return on investment may be less.

I can't tell you exactly what is going to happen, but I can assure you that the Canada Infrastructure Bank will allow us to do more for Canadians, including Quebeckers, to create more projects and to ensure that there is more money for infrastructure. All of these projects will create jobs and, as a result, contribute to our country's economic growth.

Mr. Pierre-Luc Dusseault: Thank you.

The bank's main purpose is to generate revenue. Section 6 of the Act establishing the Canada Infrastructure Bank explicitly states that the infrastructure projects must generate revenue.

Can you explain to me how an infrastructure project, or the infrastructure that will be built, can generate revenue?

Hon. Bill Morneau: You haven't understood the bank's purpose at all. It's about ensuring that there are more infrastructure projects in this country.

Mr. Pierre-Luc Dusseault: Clause 6 talks about infrastructure projects that will generate revenue. Can you give us an example?

Hon. Bill Morneau: As I said, the bank's goal is really to ensure there are more infrastructure projects, which will help Canada to be more productive and create jobs. At the same time, we will find projects that will generate revenue for an investor.

Mr. Pierre-Luc Dusseault: How will this revenue be generated?

Hon. Bill Morneau: There are projects that can generate revenues, such as the REM in Montreal. This will give an investor the opportunity to carry out a viable project, thereby creating more jobs in Montreal and allowing this city to help its citizens. This is a good example of a project that demonstrates what can be done with the Infrastructure Bank.

Mr. Pierre-Luc Dusseault: There has to be a user-pays element.

[English]

The Chair: Pierre, I'll have to cut you both off there. We're considerably over time. We went over a little on all three questioners so we will have to suspend for the vote. Coming back we'll have time for five questioners: Ms. O'Connell, Mr. Albas, Mr. Grewal, Mr. Liepert, and Mr. Badawey.

We will suspend until after the votes.

● (1230) _____ (Pause) _____

● (1250)

The Chair: We will reconvene. Thank you all for making quick work of a vote.

We'll continue with five-minute rounds.

Ms. O'Connell.

Ms. Jennifer O'Connell (Pickering—Uxbridge, Lib.): Thank you, Mr. Chair, and thank you, Minister, for being here today.

I want to speak about agriculture, and in particular your economic advisory panel. When we heard from them, it was in regard to their second report outlining Canada's potential and opportunity for agriculture growth and agrifood growth.

I was extremely happy today when, in my riding, Transport Canada released a new Pickering agricultural lease renewal strategy, something that hadn't been updated in more than 20 years. For 40 years, prime class 1 farmland has been underutilized in my riding of Pickering. Today, finally, allowing the types of investment in agriculture in my community through 10-year leases, beginning in 2018, will allow farmers to actually plan out crops, and properly work toward the types of investments they need.

Could you elaborate on the types of investments and priorities around agriculture in budget 2017?

Hon. Bill Morneau: The work in your riding, in particular, around the Pickering agricultural lease renewal strategy is going to have a huge impact. I know your advocacy in that regard is going to make a real difference for farmers in your riding. For us, more broadly across the country, obviously focusing on where Canada has a comparative advantage is critically important.

Our advisory council on economic growth really looked at the places where, in our country, we have already an advantage, and have the possibility for making additional investments to really improve our standing internationally. The agricultural sector is an obvious one. Looking at the possibility to expand on an already successful area of export is important. That's why we've moved forward with measures to help that sector.

Our broad approach will be to think about how we can make farmers more effective now, and how we can ensure there are policies that allow our agricultural sector to be successful in the future. We know this will provide us with real opportunity moving forward across the country, and obviously in places where we have big farming communities like in your riding.

● (1255)

Ms. Jennifer O'Connell: Mr. Chair, I was going to talk about the infrastructure bank, but I think we've heard a lot about that, and I

want to make sure, in my amount of time, that we touch on health care. Last Thursday, this committee had hearings, and we were talking about mental health investments, in particular.

I want to talk about those investments in this budget regarding health care, and the work you're doing with other ministers, Minister Philpott for example, in working with the provinces and territories to ensure that mental health is being addressed across this country.

Hon. Bill Morneau: It's quite helpful because we haven't spent enough time, I don't think, talking about the significant health care investments in budget 2017. In getting to what was really a co-operative way to work with the provinces, we've set ourselves up for continuing success in health care over the longer term. We know Canadians would like to see more significant investments in some specific places where there are big challenges, and the two that we identified were mental health and in-home care.

The agreements we came to allow us to continue our approach to be a partner with the provinces on health care, broadly speaking, but also to focus our efforts in those areas.

In the mental health area, which you referenced, Minister Philpott and the Department of Health will be working together with the provinces to ensure that we actually have a measurable impact on mental health in the provinces by identifying actions and investments each province will make that will have an impact on improving mental health outcomes in the provinces. The significant investments we've made will make a real difference for people across the country in an area where we know so many people are challenged.

Ms. Jennifer O'Connell: Do I have more time?

The Chair: You have time for a very quick one.

Ms. Jennifer O'Connell: I will get back to the infrastructure bank, because, given my background in municipal government, I can't not. With regard to the infrastructure bank, I've heard feedback from mayors and municipalities about the ability to complete projects that they might never have been able to complete. I'll give you an example from my riding. My community is in a suburb of Toronto. A lot of people work in Toronto, and having transit that crosses borders can be quite difficult. Can you maybe elaborate on the infrastructure bank and the opportunities to have these really transformational types of infrastructure that maybe one municipality or one area couldn't have done alone?

Hon. Bill Morneau: I think this is a particularly important thing to think about with the Canada infrastructure bank. We've identified that we have significant infrastructure needs in our country, more significant than any one level of government can get at. In fact, we believe they are more significant than all levels of the government can get at even together. So although we're making a very enormous investment in infrastructure, \$180 billion over a dozen years, and even with the additional investment of municipalities and provinces, which will increase that amount, there will still be projects that won't get done, and they won't get done for a number of reasons.

One is that they might just be too big for any level of government to take on. Another might be, as you suggested, that as we go through the traditional way of identifying projects, which often come from municipalities through the provinces for consideration, the ones that go past one municipality into multiple municipalities might not actually be highest on the list of things to do. By looking at projects that are bigger, that transcend boundaries, and that display the opportunities for successful investment, we can actually get things done that might not otherwise get done. The kind of project you're talking about might be a perfect example. Transit such as you're talking about will often have revenue opportunities attached to it. It will require big investments by multiple jurisdictions, and it's very susceptible to creating opportunities for outside investors. I think that's the sort of project we'll get at together with our new bank and provinces and municipalities, which we might not get at otherwise.

• (1300)

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

Mr. Albas, you have slightly more than five minutes.

Mr. Dan Albas (Central Okanagan—Similkameen—Nicola, CPC): Thank you, Mr. Minister, for being here with your deputies today. We certainly appreciate your presence. I would like to just touch on the infrastructure bank. It should probably be called an infrastructure corporation, because it won't be providing bank services so to speak.

Minister, just to put this in context, right now I'm hearing from insurance companies that say OSFI's new capital requirements for them to invest in Canadian infrastructure are going in the opposite direction of the rhetoric of your government. They're saying right now that as of January 2018, the new capital requirements will actually make it more difficult for Canadian insurance companies, which have traditionally invested billions—I think \$70 billion—in Canadian infrastructure. Can you explain why you are so gung-ho on an infrastructure bank that basically is to attract foreign investment while at the same time actually making it more difficult for Canadian companies to invest in Canadian infrastructure?

Hon. Bill Morneau: Thank you for the question. I think this is actually a useful thing for us to talk about. The two things you're bringing up we see as entirely separate. As we think about the capital requirements for banks and for insurance companies, we're thinking about the requirements those institutions have in order to protect the people who are, in the case of the banks, putting their deposits into the banks, or, in the case of insurance companies, buying policies. We expect there to be capital requirements, because we want to make sure that banks or insurance companies have the long-term sustainability they need in order to pay out those depositors or those policyholders when the time comes. That is the sole way we're

going to look at those capital requirements. With respect to the way those institutions decide to invest their money, that will be based on those capital requirements they have. That's the approach.

To the second part of your question, the Canada infrastructure bank is an entirely different body. This body is not a body for which there will be depositors, in that classic sense, or policyholders. Instead its goal is to increase the amount of infrastructure investment that goes on by using outside capital to come in on a project-by-project basis.

Mr. Dan Albas: The outside capital, though, Minister—and this goes back to Mr. Poilievre's point earlier—won't be subject to the same rules about how much capital they need to have in reserve. Is that correct? They won't be bound by the same rules we're going to be expecting of insurance companies come January 2018.

Hon. Bill Morneau: That is absolutely correct. We're talking about two separate things. An insurance company's capital requirement rules are based on the actual goal of that institution; whereas our goal, as the prudential regulator of those institutions, is thinking about protecting the people within them. The Canada infrastructure bank is actually looking to do something quite different.

Mr. Dan Albas: If you can't make sure that there are proper reserves for those companies that will be investing in these projects, Minister, what happens if a project goes bust? What happens when that money has to be paid back either through a loan guaranteed by the government or through financing by the taxpayer? Won't taxpayers end up holding the bag in that case, especially if they're not regulated at the same level as Canadian insurance companies and banks?

Hon. Bill Morneau: Again, this is a separate kind of institution. The projects we're talking about will be projects investors will come to invest in because they will see a business opportunity there. They'll see the business opportunity because there will be an opportunity for perhaps their pensioners, who could well be Canadians invested in the pension fund, to take advantage of those streams of income.

If, for example, there were a project in which one particular investor, for some reason or another, didn't stay involved in that project, the continuing business attributes of the investment would be there, meaning that it would still be possible for another investor to come in—

Mr. Dan Albas: However, there will be two separate rules: one where the taxpayer ends up holding the bag; and another that is tightly regulated, with capital put in place. I just disagree with that kind of thinking, Minister. We should be encouraging Canadians to invest in Canada.

I'd like to move to excise duties.

• (1305)

Hon. Bill Morneau: No, you're entirely confusing the nature of what we're trying to do here, and just to be clear—

Mr. Dan Albas: Minister, are you aware that the excise duties on wine have increased by 125% since 1980 and that the new measures you are proposing will basically be 2% per year forever? That's going to take a lot of investment out of wineries, microbrewers, and brewers of spirits across this great country. They are very sensitive to excise changes.

Minister, have you done any work to see what this will do to jobs and investment? In this country right now, we are at the lowest level of business investment since 1981. Minister, have you done the homework on this particular sector, on how sensitive it is, considering they pay all the other taxes? By the way, excise ends up being paid provincially as well as federally, then you add the GST or HST, depending on where you're making it. Minister, there are going to be increases right across the board. Have you done the homework?

Hon. Bill Morneau: Let me come back to the first part of your comment to say, once again, that the Canada infrastructure bank, on a project-by-project basis, will seek outside investors. That is exactly what we hope to do in order to increase the amount of infrastructure investment in this country. The advantage will be that we will have outside investors. This will allow us to do more, and it is entirely separate and distinct from banking or insurance company regulation. The two should not in any way be confused.

With respect to the decision to not allow excise tax to decline over time, we've decided that what we will do is ensure that inflation, which occurs in our economy, as you may know, will be considered, because the excise taxes will be subject to inflation, just as other aspects of our economy are subject to inflation. That, we believe, is an approach that will be a long-term positive and will make excise taxes more predictable over time.

Mr. Dan Albas: Minister, excise taxes are *ad valorem*, so as the price of the wine goes up, particularly for inflationary reasons...

The Chair: Dan, we're substantially over time.

Mr. Dan Albas: I just disagree with that, and I hope the department has done the homework.

The Chair: We'll give you a minute later to follow that line of thought.

Mr. Grewal.

Mr. Raj Grewal (Brampton East, Lib.): Minister, thank you for being here at committee.

Sometimes we get into the Ottawa bubble, but it's always nice to go back to the riding and talk to the people of Brampton East. When I get to meet them at events or I go door-knocking to talk to them, they're really impressed with what our government is doing, especially when it comes to investment, whether it's helping families through the child benefit, the middle-income tax cut, or our general narrative on tax fairness.

Something that resonated in my neck of the woods, especially as the proud son of a taxicab driver, was the recent change to the tax policy on the definition of "taxi" and how we're going to include

ride-sharing services so that they will also have to pay GST and HST. Can I get your thoughts on why you think this is important for all Canadians?

Hon. Bill Morneau: Raj, I want to say that you and a number of other members of Parliament were instrumental in bringing forward this idea. We know that tax fairness is critically important. In the area of ride-sharing services, we know it's important that people are looked at on an equal playing field. When we looked at this, we said that taxis that are sitting side by side an Uber driver should be subject to the same level of GST. Your advocacy made a difference. We've moved forward on this. We know that it will put us in a position where going forward, we can allow for new technologies, but it's going to be done on a fair basis only.

Mr. Raj Grewal: Thank you, Minister.

On behalf of all taxi drivers and sons and daughters of taxi drivers, thank you very much for implementing that policy.

I'll move on. We came into power after 10 years of low economic growth and low job creation. Now, with our investments, we're seeing the unemployment rate declining. You mentioned earlier in your testimony that worker participation is going to increase by having more female participation in the workforce. At the same time, in this budget we also want to ensure that new Canadians who come to our country in search of the Canadian dream and have qualifications as engineers, lawyers, and doctors have an opportunity to practise their professions here in Canada.

We're making investments in foreign-credential recognition. Could you elaborate on how that's going to not only help those new immigrants settle in this country, but also, in terms of economic growth, how that can leverage their skills?

Hon. Bill Morneau: We know this is really important.

We bring really talented people to our country. We want to make sure they have the ability to be successful here. So many people...and you mentioned taxi drivers. We find ourselves in a situation where people who have a high level of credentials are doing jobs that are significantly less demanding of their skills and talents than they should be.

We've said we should put money towards ensuring we help newcomers to be successful here. We've put \$27.5 million in budget 2017 over five years in order to have a targeted strategy to help newcomers get themselves credentialed in Canada, to actually make the most of the real talent that comes to our country. We think this is critically important today, and important for the future, as we think about how we ensure that our workforce remains dynamic and successful. We're pleased to be making this initiative, and we think it's going to have a real impact.

• (1310)

Mr. Raj Grewal: Thank you, Minister.

Lastly, Brampton is one of the fastest-growing cities in the country. It's the ninth-largest city today. Its population is 600,000, and it's projected to be one million in the next 10 years.

Infrastructure is a huge demand in our neck of the woods. Just to correct the record on some of the questions and testimony that have been given today, how can the Canada infrastructure bank help a city like Brampton build infrastructure to help Canadians get moving again?

Hon. Bill Morneau: We know that Brampton, like other places across the country, needs to have the kind of infrastructure that will allow people to get back and forth—in the case of Brampton, to downtown Toronto—and will allow people to get home to their families more rapidly in the evenings. That infrastructure is expensive. We know the money we've put for the next dozen years is going to make a really significant dent, especially when we work together with Ontario and local municipalities.

However, there will be projects that will provide us with the opportunity to think about doing even more. That's what the Canada infrastructure bank is intended to do, find those projects where we can crowd in private sector investors; they can put money to work. It might help all of us who have pensions that are being run by those institutional investors, and it can also help us to have a more productive place, whether it be Brampton or other places across the country, because of those investments.

That's what we're trying to achieve.

The Chair: Thank you both.

Mr. Liepert.

Mr. Ron Liepert (Calgary Signal Hill, CPC): Before we leave this whole question around infrastructure, I wanted to get clarity on a comment you made to my colleague.

If I heard you correctly, you indicated that the new infrastructure corporation would operate similarly to the Export Development Corporation and the Business Development Bank, which I believe are both 100% backstopped by the Canadian government. If that's the case, if there are bad loans in those organizations then it is, in effect, the taxpayer who would pick up that bad loan.

Is that your answer to Mr. Poilievre's question, that if there's a bad loan within this new infrastructure corporation, it would, in fact, be the taxpayer who would pick it up?

Hon. Bill Morneau: Thank you for the question and the opportunity to clarify.

What I said was that this institution would be finding ways to crowd in private sector capital. Among the ways this might be done would be to consider loans and loan guarantees that might allow projects that might otherwise not be economic to become economic. In the case of each specific project, we expect the project would have dynamics that would entice investors to be involved. This would mean that in many cases, there would be security for whatever it is that they might have had a loan or a loan guarantee for. That's important.

We do expect that in many cases that won't be necessary; in some it might. It will be specific to each project. I expect what will happen is that the security that might be there might create the opportunity

for us to have loans that work to make sure these projects are successful.

Mr. Ron Liepert: I want to shift gears a bit. If my colleague Mr. Deltell were here, he would ask one simple question: when are you going to balance the budget?

Hon. Bill Morneau: And if your colleague Mr. Deltell were here, I would want to spend time reminding him how successful our efforts have been to deal with what we saw as a challenging environment when we came into office.

Happily, we are seeing a situation where employment has improved in this country, a very positive outcome, I'm sure, across the country, likely in all the ridings we represent.

I'd also point out—

Mr. Ron Liepert: I asked one simple question, when are you going to balance the budget? You haven't answered it, so I want to go on to the next question.

Hon. Bill Morneau: —that people are seeing that the economy is doing better.

The Chair: Okay, let's hear your next question.

● (1315)

Mr. Ron Liepert: The next question is this. I'm looking at division 2, part 4, which allows for the borrowing of up to \$1.3 trillion.

Mr. Minister, if my calculations are correct, during your four years as finance minister that budget debt will increase by about \$80 billion. Are you comfortable with that being your legacy?

Hon. Bill Morneau: We are very much looking at a legacy of creating success for Canadians and for Canadian families. We know that behind the 250,000 new jobs that we've created in this country over the last year are families that are now being more successful. We know that in each one of those situations they are creating better economic outcomes. We know that to the extent we can grow the economy more rapidly than it was growing when we came into office, because of the lack of investment before, we can actually find ourselves in a better, long-term situation that will improve our economy, and as a result, improve our fiscal health.

Mr. Ron Liepert: Just to be sure that the record is clear, when this government took over almost two years ago the budget was balanced.

Mr. Minister, you talk about legacy for Canadians. If my math is correct, I think when you're done as finance minister every Canadian will have a legacy of something like at least \$17,000 per person owing. Again, are you comfortable with that legacy?

Hon. Bill Morneau: Maybe we can be absolutely clear. When we came into office what we saw were "rosier than expected" economic growth forecasts that led to a conclusion that was erroneous, that we would be successful fiscally over the next number of years. In fact, when we looked at the real outcome, the growth was going to be lower; and therefore, as you know, we have made investments to try to deal with that growth.

What Canadians will see as a result of our investments, as a result of our government over time, is as I said, more success for their families, a better situation for the long term, and more positive growth in this country.

Mr. Ron Liepert: That's not correct, Minister. Your own finance department released the numbers that said the budget was balanced at the end of that fiscal year.

Those are all the questions I have.

The Chair: Mr. Minister, do you want to add further to that?

Okay, if there is nothing further to add, we have Mr. Badawey.

Mr. Vance Badawey (Niagara Centre, Lib.): Thank you, Minister, for being here this afternoon.

Mr. Minister, in my former capacity as a local mayor and local member of regional council in the Niagara region, I recognized the need to, one, expedite municipal projects; and two, equally if not more important, ensure that projects were affordable to local property taxpayers through leveraging.

With that, in my current capacity as a member of Parliament, we're working together, all of us—different departments, different ministries—towards putting in place what I will call these enablers.

My question is this. Do you envision the infrastructure bank, as well as the \$180-billion infrastructure investments that the government is prepared to make over the course of the next few years, to act as a mechanism, as an enabler, to expedite municipal projects while alleviating the financial pressures on our local property taxpayers? These projects would include community improvement plans, as well as those that align with federal government strategies, such as the trade corridors in certain jurisdictions throughout the nation.

Hon. Bill Morneau: Vance, I think it's important, especially coming from your background at the municipal level, to know that, to the extent that we can find projects that are going to make a really big difference in your region, that can be funded through the Canada infrastructure bank, and allow investors to create returns there, what it will do is allow the local municipalities to make other investments if they choose, or to be in a better financial situation.

That is exactly what we're trying to achieve. If we can do more, it's going to make things better for people in your area. If we can do more in a way that allows the local area to make other investments that are going to be important for residents, that's also critically important.

Mr. Vance Badawey: If I can have a second question as well, Mr. Chairman, when we look at areas such as those who we're trying to help in the middle class, you mentioned earlier pregnant women and pregnant working women. What I've heard in the past week or so is a great idea. It's great that those women are going to have 18 months versus the 12 months now available to them to spend with their child. It also alleviates some pressure on the day care costs.

Is there an opportunity to look at those women who are pregnant now and/or just getting into their maternity leaves, to take advantage of that possibility within the budget?

● (1320)

Hon. Bill Morneau: Well I'm glad to hear that you're getting that question. It means that people are seeing the advantage of the policies that we're putting into place, the flexibility that it's going to create for families, the opportunity that it's going to create for women to have the ability to stay away longer, or come back earlier, depending on their personal situation.

Our answer is that we want to move forward with this bill as soon as possible. Our goal is to have this committee review it, to get the bill passed as soon as possible, so that we can help more women to have that flexibility sooner. That's why we want to move forward quickly. With your support, that's what we'll get to, and it will make a real difference for women and families.

Mr. Vance Badawey: With regard to those women currently entering in the system, on maternity leave for their first month or two, will they have the opportunity to tap into that 18 months, versus the current 12 months?

Hon. Bill Morneau: We're working towards getting the transition rules done as rapidly as possible. Clearly, moving forward quickly is going to make a difference.

Mr. Vance Badawey: Wonderful, thank you.

The Chair: Thank you both.

To be balanced, Mr. Dusseault, you have time for one question, and I told Mr. Albas—because people were talking over each other—we'd have one question on the “of interest” issue.

Mr. Dusseault.

[*Translation*]

Mr. Pierre-Luc Dusseault: Thank you.

We talked earlier about the Infrastructure Bank and about generating revenue for infrastructure projects. You mentioned the REM project, which is targeted at returns of 8%, which gives you an idea of the revenue investors want.

In this regard, BlackRock is one of the major players among those consulted about the creation of this bank. You have consulted this firm several times. It seems to be very close to the advisory council on economic growth, which suggested that you create this infrastructure bank and the model we know today.

Given that BlackRock has been very involved in the creation of this bank in many ways and is going to benefit from it, do you think there is a potential conflict of interest?

We are talking about companies that invest money in this bank, that have been involved in the development of that same bank, and that will benefit from returns of 7% to 9% on their investment.

Is that a conflict of interest?

Hon. Bill Morneau: Thank you.

We decided it was very important to consult with people who are really experts in this area. Quebec experts, for example, have a very good understanding of the current situation in that province when it comes to infrastructure investments.

We also consulted pension plan representatives, investors in several regions of Canada and investors from international institutions. It was very important.

Still, each project will be different, and the level of risk and the return on investment will vary from one to the other. In terms of determining the project and what the investment will be, the decision will be made every time by the government.

It is very important to note that this will be our decision. We have had consultations certainly, but governance will rest with the government. We will certainly have some choices to make on the projects and in different situations. Our government's only goal is to ensure that Canada and Canadians across the country benefit as much as possible from major infrastructure projects.

[English]

The Chair: Thank you, Minister.

Make it a short, concise question if you could, Dan, on the countering positions on excise tax.

• (1325)

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

I was in Halifax, Nova Scotia, which has the highest number of microbrewers per capita in the country. One of the persons who started in the industry in the eighties said that back when he started there were about 20 or 30 microbreweries. In the first budget by the Harper government, Mr. Flaherty put in place excise tax relief. Now there are well over 600 of these microbreweries right across the country. They are also, obviously, subject to excise tax provincially.

When you add these costs to their structure—in addition to the money that they pay in corporate income tax and in addition to the GST, etc., that's generated and the income taxes by all the jobs—when you take more money out with excise tax, Minister, you're effectively making it more difficult for them to invest and grow.

What do you say to those microbrewers who've just gotten into the market and have invested their life savings to grow a business only to find out that many of them may not have the margins that they did to be able to grow?

Hon. Bill Morneau: We know that we need to create a tax system that's fair and a tax system that keeps up with the times. We know that we need to have a system that creates government revenues appropriately and creates a predictable and understandable way of dealing with changes in the economy. By making sure that excise taxes in this sector are changed with the consumer price index, we are just doing what we know is most straightforward, like with every other thing that we purchase or every other item. We're seeing that inflation is keeping the real value of these excise taxes consistent.

In real terms, for that investor, we're saying that their excise taxes will be consistent over time because as inflation changes, these excise taxes will stay consistent and won't move in an erratic way unrelated to that factor.

The Chair: Thank you, Minister.

That ends our round.

I don't know whether or not you could assume that there won't be questions at question period today because all the answers have been given here. I doubt it.

Hon. Bill Morneau: I'll be waiting with bated breath.

Thank you.

The Chair: Thank you, Minister.

We'll suspend for a couple of minutes for officials.

First up is part 4, division 17.

• (1325)

(Pause)

• (1330)

The Chair: We'll reconvene now please.

With us to deal with part 4, division 17, on labour and employment laws, are Mr. Advokaat and Mr. Rochon.

Welcome, folks.

I see you cover about 50 pages in this budget implementation act, so we'll see how long it takes.

The floor is yours.

Mr. Eric Advokaat (Senior Director, Occupational Health and Safety, Workplace Directorate, Labour Program, Department of Employment and Social Development): Thank you very much, honourable members.

My name is Eric Advokaat. I'm the senior director of the occupational health and safety division for the labour program within Employment and Social Development Canada. I'm here with my colleague Charles Philippe Rochon, a senior analyst.

My area of expertise is really in part II of the Canada Labour Code, which is the occupational health and safety aspect of it. Charles Philippe will be able to address some of the detailed proposed changes in part III, which is really the labour standards portion of the Canada Labour Code.

Division 17 of part 4, as has been noted by the chair, is a large portion of the budget implementation act.

Number one, it proposes to amend the Canada Labour Code to update the suite of compliance and enforcement tools aimed at deterring non-compliance with occupational health and safety and labour standards requirements. This is to ensure that workers in federally regulated industries suffer fewer accidents and injuries at work, and that they receive the pay and benefits to which they are entitled. It will also consolidate the various adjudicative functions that exist under the code, under the Canada Industrial Relations Board.

There are three key changes that I'm going to speak to before I turn it over to Charles Philippe. These changes will apply both to part II, which, again, is the occupational health and safety aspect of the code, and to part III, the labour standards standards parts of the code.

These three amendments are to establish, under a new proposed part IV of the code, a system of administrative monetary penalties to promote compliance with occupational health and safety and labour standards requirements. This would include giving the Governor in Council regulation-making powers to designate violations and determine the associated penalties, up to a maximum of \$250,000 per individual violation, and also setting out processes for the issuance review and appeal of notices of violation.

The second aspect is to provide authority to publish information about employers who have been found guilty of an offence or who have violated occupational health and safety or labour standards requirements. The type of information that could be published would also be spelled out in regulation after consultations with stakeholders, but could include, for instance, the employer's name, the nature of the violation or offence, and the associated penalties. Information would be published only once all review and appeal processes have been exhausted.

The third aspect of the change is to, as I've said, consolidate under the Canada Industrial Relations Board the functions of appeals officers under part II and of wage referees and unjust dismissal adjudicators under part III of the code, as well as the functions of adjudicators under the Wage Earner Protection Program Act. This entails some changes as well to part I of the code, which speaks to industrial relations, and would be necessary to adjust the board's powers, duties, and functions. We believe this measure would streamline the appeals process, better use existing expertise, enhance consistency of decisions, and promote a timely resolution of issues.

Those are the three bigger changes that apply to all aspects of the Canada Labour Code, and then there are several others that Charles Philippe is going to speak to that are proposed for part III of the code.

• (1335)

Mr. Charles Philippe Rochon (Acting Manager, Labour Standards and Wage Earner Protection Program, Workplace Directorate, Labour Program, Department of Employment and Social Development): Thank you.

Several other amendments would be made specifically to the part III labour standards of the Canada Labour Code. This is in order to ensure that employees can avail themselves of existing labour standards rights and protections and more effectively recover unpaid wages.

More specifically, these amendments will bring a number of changes. First, they will provide a new recourse mechanism to deal with employer reprisals. This will allow employees to make a written complaint to the Canada Industrial Relations Board if their employer has engaged in reprisals against them for trying to exercise a labour standards right or providing assistance to an inspector or the Minister of Labour.

Second, there will be a new power that will permit the Minister of Labour or a delegated official to order an employer to conduct an internal audit and to report within a specified period whether it is in compliance with one or more provisions of part III. The employer would also have to indicate what steps have been taken to address any instances of non-compliance as part of the reporting.

[*Translation*]

New powers will also be conferred on inspectors, in particular to notify employers of compliance orders specifying the time limit for terminating a situation that contravenes labour standards and, where appropriate, the measures to be taken to prevent the situation from recurring.

It will also be possible to clarify aspects of the salary recovery process and to confirm that inspectors do have the power to make decisions regarding wages owing, in particular where an employer fails to keep or provide pay records.

In addition, a significant change will be to extend the period that may be covered by payment orders issued by inspectors. This will allow for the recovery of unpaid wages and other amounts owed to an employee over a period of up to two years prior to the date a complaint was filed, the date employment ceased or the date an inspection started. This is a change from the current standard, which allows going back up to a year. So we're doubling the time frame.

[*English*]

The other changes to part III would provide for the issuance of a notice of voluntary compliance where an employer has voluntarily paid to an employee amounts found owing by an inspector during an investigation. This would be without the need for a payment order. Allowing the issuance of a notice of voluntary compliance would open the current review and appeal mechanism for employees who may believe they are actually owed more wages than what was assessed by the inspector.

Changes would be made to allow the recovery of unpaid wages stated in the payment order by ordering any person indebted to a director of a corporation—for example, the director's bank—to pay amounts owing directly to the Minister of Labour, which can then be disbursed to the affected employees. This would be an expansion of an existing power that allows for debtors of employers to be asked to provide any amounts due.

New administrative fees would be imposed on payment orders, and these administrative fees would be equal to the greater of \$200 or 15% of the amounts due. These fees would apply to payment orders issued to an employer, not to a director. Moreover, these administrative fees would be reimbursed to the employer if a payment order is subsequently rescinded on review or appeal.

In addition to that, with the consent of the Minister of Labour, employers and directors of a corporation would be given the option to provide a security, as opposed to a cash payment, if they seek to have a payment order reviewed or appealed. This would give a bit more flexibility to employers, who in some cases may have difficulty putting the full amount together.

All of the proposed enforcement tools under the code can be found in other labour jurisdictions in Canada and other countries, so we are not reinventing the wheel here.

The proposed amendments would come into force by order in council. This is expected to be done on a staggered basis over the coming 36-month period after royal assent. This would provide time for consultations with stakeholders to develop the required regulatory amendments. We are aware, for example, that for administrative monetary penalties we will need to set out all of that in regulations. It would also give time to design and develop the new compliance and enforcement regime, and educate employers, employees, and others.

Thank you, Mr. Chair.

• (1340)

The Chair: Thank you both.

Turning to questions, I have Mr. Sorbara first, and then Mr. Dusseault.

Mr. Francesco Sorbara: I have a clarification question, more of an educational question for myself.

These amendments apply to federally regulated workforces, not outside of that sphere. Is that correct?

Mr. Eric Advokaat: That's correct.

Perhaps it should be clarified that part II, which is occupational health and safety, applies to federally regulated employees in the private sector as well as the public service, whereas part III does not apply to the public service. There is other legislation that applies to them for labour standards provisions.

Mr. Francesco Sorbara: I'm just curious. What is the rationale for proposing to add an administrative fee issued against the employer under payment orders? Is that the \$250,000 fee that you referred to, or is it another fee?

Mr. Charles Philippe Rochon: Actually, it's a \$200 fee, not a \$200,000 fee, just to be absolutely clear.

Mr. Francesco Sorbara: Sorry, that's the clarification I was asking for.

Mr. Charles Philippe Rochon: Basically, the rationale, the objective here is to improve compliance and to encourage employers who owe wages to their employees to pay up as early as possible.

We are aware that there have been circumstances where certain employers, perhaps more unscrupulous, would actually try to delay the process and therefore wait for a payment order to be issued and then ask for their full review, appeal, etc., which can take quite a bit of time. The objective here is to create an incentive so that, if employers actually do owe wages, they pay them up as soon as possible after the investigation by the inspector, before a payment order has to be issued.

That said, we do recognize that there may be reasons why employers in some cases disagree with the inspector's assessment, and therefore if they wish to have the payment order reviewed and appealed, and if they successfully appeal it so that it is rescinded, no administrative fees will be owed by the employer.

Mr. Francesco Sorbara: Okay.

I have a follow-up question. I'm thinking about federally regulated sectors, the airline industry being one of them. Do these sets of

changes make the system more efficient and less bureaucratic for both employers and employees?

Mr. Charles Philippe Rochon: Yes.

The objective is to be much more effective at recovering wages. Part of the issue is how quickly we can recover wages that are owed to employees, rather than having a process that really is very long and onerous. This is to improve effectiveness. It is not a money-making scheme in that sense. It's really to improve compliance and ensure that employees receive what is owed.

The Chair: Thank you both.

Mr. Dusseault is next.

[*Translation*]

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

I would like to thank the witnesses for being here today.

You said that most of the clauses would come into force only 36 months after the act received royal assent, because you want to consult and, most importantly, to inform the individuals affected, meaning employers and employees.

My question is more about what was done before the changes were proposed in Bill C-44 in the way of consultations not only with employers in the federal jurisdiction, but also with employees and unions. These are relatively major changes, which will have huge repercussions.

How many consultations were there before these changes were proposed? How long has it been in the works? You certainly didn't start working on it yesterday.

Mr. Eric Advokaat: Thank you. That's a good question.

There were two major consultations, with the most recent one taking place in January. We talked to a number of key stakeholders, mostly employee and employer representatives. We often talk to—

[*English*]

the Canadian Labour Congress and FETCO, which represents federally regulated employees in the transportation and communications sectors.

[*Translation*]

We spoke with them in January. There were other discussions between May and June 2016, and they mainly focused on the changes proposed in Part III.

• (1345)

[*English*]

For the most part, the comments that we have received from stakeholders have been focused on the administrative monetary penalties regime. They want to make sure that we don't immediately use AMPs to punish accidental non-compliance. We use a regime that starts with education and awareness raising and moves to voluntary compliance and counselling measures, and then on to orders and directions that may or may not immediately have administrative monetary penalties associated with them.

They would like to ensure that we continue to use that sort of scale, so that employers who are unintentionally non-compliant don't immediately get hit with administrative monetary penalties. That has been the focus of their remarks to date.

[Translation]

Mr. Pierre-Luc Dusseault: Thank you for that information.

For my other question, I'd like to know how the new proposed standards compare with the provincial labour standards. The vast majority of employees in Canada are under provincial regulations. Labour standards sometimes differ, and it can be difficult for Canadians to know which ones apply to them.

Mr. Charles Philippe Rochon: Thank you for the question.

As you know, every jurisdiction in Canada has its own system. The legislation of each one is fairly different, but they tend to have some points in common. According to our analysis, all the measures proposed in clause 17 of the bill exist elsewhere in Canada. As I said earlier, from this perspective, it isn't particularly innovative. Basically, we really have examples to follow.

Not all measures are available in every jurisdiction. However, in the case of administrative monetary penalties, there are similar measures in occupational health and safety or labour standards legislation, or both, in Alberta, as well as in British Columbia, Manitoba, New Brunswick, Nova Scotia, Ontario, Quebec and Yukon. Several jurisdictions have adopted such systems.

As for the power to designate offending employers, the majority of jurisdictions have it. With respect to protection against retaliation, the federal government was one of the few not to have adopted a scheme in this area. So we're now going to catch up with several other jurisdictions.

I won't give you all the examples, but let's say that our analysis gave us a bit of an idea of what was being done elsewhere. Care should be taken to include protections that are at least comparable to those available to employees subject to provincial legislation.

Mr. Pierre-Luc Dusseault: Thank you.

That's all for me.

[English]

The Chair: Thank you.

Just before we go to Mr. Albas, we will not get to divisions 20, 21, 13, and 14 before question period, that's for sure. We will hopefully get to those shortly after six tonight.

For those of you who are sitting here waiting, you needn't wait. You can go and do whatever else you have to do until six o'clock.

To those who are leaving, thanks for your endurance

Mr. Albas.

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

To the officials, I certainly thank you for your presence today and your explanations and what you do for Canadians.

In this particular division, is there a privative clause that limits the judicial review of this new system?

Mr. Charles Philippe Rochon: Yes, there are privative clauses.

Mr. Dan Albas: Can you explain to members of Parliament and the Canadian public what a privative clause does and what it is intended to do?

Mr. Charles Philippe Rochon: Just to give a bit of context, there are privative clauses and there have been such clauses in the past in the Canada Labour Code. The objective is to ensure to the extent possible that existing adjudicative functions under the code are not challenged unduly in court.

Essentially that doesn't prevent entirely a judicial review of the decision of an adjudicator or referee or of the OHS tribunal, or, once everything is transferred, the Canada Industrial Relations Board. It does, however, mean that any court should give a fairly high degree of deference to any decision made by the administrative tribunal, so in this case, the Canada Industrial Relations Board, or any of the other bodies before the transfer is done.

● (1350)

Mr. Dan Albas: Just as long as the board is operating along the principles of procedural fairness—

Mr. Charles Philippe Rochon: Absolutely.

Mr. Dan Albas: —then obviously by the principles of natural justice, this would not preclude someone from taking action if it were found that the board did not operate on either of those two.

Mr. Charles Philippe Rochon: It does not preclude...and right now obviously the Canada Industrial Relations Board already has a number of powers under part I of the code. There is a privative clause there, but that does not prevent somebody from challenging a decision, and that's been done, at times successfully, in the past, so that will not change.

Mr. Dan Albas: Is there a minimum or maximum claim through this system?

Mr. Charles Philippe Rochon: Just to clarify, do you mean a claim for unpaid wages?

Mr. Dan Albas: Yes, I mean for wages, etc.

Mr. Charles Philippe Rochon: Basically there is no maximum in terms of amounts; however, there is a maximum period that can be covered, and this is what will actually be changing.

If somebody files a complaint for unpaid wages, and let's assume the person is still employed with the employer, it will be possible to look back in time up to two years from the date of the complaint for any wages that were not paid during that period. From that perspective, if there was \$5,000 in unpaid wages over time—with vacation pay, etc.—within that two-year period, it would be possible to recover that amount, so there is no set—

Mr. Dan Albas: What is the current—

Mr. Charles Philippe Rochon: Currently it is possible to go back 12 months, or up to 24 months for vacation pay. What changes now is that it will be 24 months for any wages or other amounts provided for under part III.

Mr. Dan Albas: Just following up on Mr. Dusseault's questioning, is it similar to provincial regulations, or is it stand-alone from the rest of the provinces?

Mr. Charles Philippe Rochon: Our standards will be more similar to those of Ontario. Several jurisdictions have put certain limits in terms of time period that can be covered by payment orders. It will make it more generous than it was before in terms of recovering wages, but it would be within the norm of provincial legislation.

Mr. Dan Albas: There's still a certainty for employers, and they are going to be, as you said, not only consulted but also, I'm sure, given some education materials about the new system, how it works, how they can protect their rights as well.

Mr. Charles Philippe Rochon: Absolutely. We need to make sure that everybody is well aware of the obligations. I should perhaps mention as well there will be transitional provisions, so things will apply as of the date of coming into force. We're not going to go back

in time, and penalize individuals for something on which they had no knowledge that they had particular obligations.

Mr. Dan Albas: Is the day of coming into force by an order in council?

Mr. Charles Philippe Rochon: It will be by order in council. At this point, different provisions could come into force on different dates. That's why it may be done on a staggered basis over a 36-month period. We expect that probably the last amendments to come into force would be those related to administrative monetary penalties just because of the complexity of setting up such a regime.

The Chair: Thank you both for your clarity on what is a fairly complicated issue.

We will adjourn until 3:30 in the meeting room across the hall.

The meeting is adjourned.

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