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CANADA

## **Standing Committee on Finance**

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**EVIDENCE**

**Monday, November 28, 2016**

—  
**Chair**

**The Honourable Wayne Easter**



## Standing Committee on Finance

Monday, November 28, 2016

• (1530)

[English]

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

As you'll note on the agenda, pursuant to Standing Order 81(5), we're dealing with supplementary estimates (B), 2016-17, and pursuant to the order of reference of November 15, 2016, we're studying Bill C-29, a second act to implement certain provisions of the budget tabled in Parliament on March 22, 2016 and other measures.

We have the minister and his senior officials here to talk about those issues, both the estimates and Bill C-29, in one hearing.

Welcome, Minister. The floor is yours.

[Translation]

**Hon. Bill Morneau (Minister of Finance):** Thank you.

Good afternoon, Mr. Chair and members of the committee.

I am pleased to be here to discuss Bill C-29, A second Act to implement certain provisions of the budget tabled in Parliament on March 22, 2016 and other measures.

I thank you for giving me this opportunity to share with you the progress we have made for middle-class Canadians over the past year. I will be happy to answer your questions.

[English]

As Minister of Finance, my overarching goal is not only to grow the economy, but to do so in a way that benefits families, workers, and the most vulnerable members of our society. You will have heard me say before that we simply can't claim progress unless we all share in the prosperity that we create together. I can tell you that this has now truly become a global challenge. The world's attention has been focused recently on the fact that many of our citizens haven't seen the benefits of the growth we've had over the last several decades. Unfortunately, hard work doesn't always equal progress anymore. It's what Canadians asked us to fix when they elected our government a year ago. It's what we're working to fix with measures like the ones contained in the budget implementation act that we're reviewing today.

Just a few days ago, I had the privilege of travelling to the United Kingdom to tell Canada's stories. I met with students studying at the London School of Economics, where I studied myself just a few short...well, maybe more than a few short years ago. I met with members of the editorial teams at the *The Economist* and at the

*Financial Times*. I spent some time at the BBC. I met with investors who are looking for opportunities to invest in our country and in our people. Across the board, the feedback I got was this: it's nice to hear from a country that has such a positive story to tell. I can say that I felt very proud to be Canadian after that trip, and we all should. That's because we were one of the very first countries to put our finger on the fact that when you have an economy that works for the middle class, you have a country that works for everyone.

You know the story well, but I'd like to provide a few highlights of what this means.

In the past year, we took some big, important steps towards helping families regain the confidence they'll need to drive our economy forward. We cut taxes for nearly nine million people and introduced the new Canada child benefit, which puts more money in the pockets of nine out of 10 families with children.

With the budget implementation act that we're discussing today, we'll help ensure that the Canada child benefit will be indexed to inflation starting in 2020 so that families can count on the real value of this benefit well into the future.

Over the past year, we also increased Canada student grants for students from low- and middle-income families, and part-time students. We increased monthly payments for the most vulnerable seniors and struck a deal with the provinces to strengthen the Canada pension plan so that this generation of young Canadians and future generations will be able to retire in dignity. Know that we'll be discussing ways of making the Canada pension plan even better at the upcoming meeting of provincial and territorial finance ministers in December in the context of the triennial review.

[Translation]

In our fall economic statement, we clearly indicated that Canada's success in the economy of the future rests on investment and openness. We act in the way confident countries do. We invest in our country and its population by supporting the growth and prosperity of today's middle class, while generating economic growth for the years to come.

Thanks to our measures, Canadians will get home faster after work. They will spend more time with their children. They will breathe clean air and have quality drinking water. They will be able to live in better neighbourhoods and will have confidence in their future.

In this same economic statement, we also took steps to facilitate the process we are undertaking for the future. Over the coming months, we will co-operate with you in order to devise a more coherent calendar for the presentation of the budget and the main estimates.

I know this will be an improvement we will all appreciate.

• (1535)

[English]

Mr. Chair, allow me to come back specifically to the bill we're studying today and focus on two measures in addition to the ones I've already mentioned. The first is tax fairness, which is a central pillar of the promise we made to middle-class Canadians. The second is consumer protection.

On tax fairness, let me be very clear. We believe that everyone should pay their fair share of taxes, period. Budget 2016 committed \$444 million in new resources for the Canada Revenue Agency to address offshore tax evasion and aggressive tax avoidance. This will enable the Canada Revenue Agency to enhance its assessment capabilities through the hiring of additional auditors and specialists who will have the resources needed to undertake more expansive and comprehensive investigative work.

In addition, we're committed to combatting international tax evasion and aggressive tax avoidance by strengthening existing efforts at home and abroad by introducing new measures. The introduction of the common reporting standard for the exchange of information between national revenue agencies on financial accounts held by non-residents is an important global development. Canada will implement the standard consistent with our commitment to the G20 and similar commitments made by more than 100 other jurisdictions.

Similarly, we're proposing to implement one of the key recommendations from the G20 and the Organisation for Economic Co-operation and Development to address so-called base erosion and profit shifting, BEPS, by multinational firms. With our international partners, we are proposing to require large multinational enterprises to file a country-by-country report with a tax authority in their headquarters jurisdiction. The reports will provide revenue agencies with a high-level overview of the firms' global operations to assist them in performing more effective risk assessments.

Through this second budget implementation act, we also want to amend the Bank Act in order to strengthen and modernize the financial consumer protection framework. We are introducing enhancements to financial consumer protection to strengthen access to basic banking services, business practices, disclosure, complaints handling, corporate governance, and accountability. Together these enhancements will make the regime easier to understand and accommodate consumers' needs in a rapidly changing sector, as well as allow Canadians to benefit from an efficient national banking system from coast to coast to coast. We'll be working collaboratively with stakeholders to support the implementation of the framework.

I want to thank the committee for your work on this important piece of legislation.

[Translation]

Consequently, Mr. Chair, whether we are talking about the Canada Child Benefit, protecting consumers, or measures to guarantee tax fairness, you can see that our document makes the interests of middle-class families our priority.

By supporting Bill C-29, A second Act to implement certain provisions of the budget tabled in Parliament in 2016, you will support us in continuing our plan to put people at the heart of the economy and to give them the help they need right now, while investing in the years and decades to come.

I would now be pleased to answer your questions.

[English]

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

We'll go to five-minute rounds so that we can get everyone in.

Mr. MacKinnon.

[Translation]

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

Minister, thank you for being here with us once again. You are well on your way to setting a record for appearances before this committee. We congratulate you.

The committee spent considerable time on the issue of base erosion and the fact that profits are not recorded or taxed in the appropriate country. You alluded to the international efforts made in this regard in your statement.

Can you tell us more about these international efforts? Are they producing results, and is the G20 taking this issue seriously? Is Canada making its voice heard with regard to base erosion?

• (1540)

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

That is a very important question.

The first time I attended the G20 with the Prime Minister, base erosion and profit shifting were on the agenda, because it is important to have an approach that works everywhere in the world so that businesses with international operations pay their fair share of tax. This is very important.

As you know, G20 countries and the OECD are working to find an approach that works. It is not very easy, but there has to be a common reporting standard everywhere in the world. Canada is taking the lead to make sure that this happens. We have made a lot of progress and this will continue to be an important issue for us.

We have to ensure that enterprises pay taxes to Canada on their activities and that the system functions well in this regard.

**Mr. Steven MacKinnon:** Let's move on to the Canada Child Benefit. Our New Democrat friends have proposed an amendment to index this benefit now. However, you only intend to index the benefit in 2020.

Could you explain that decision to the committee? To what extent will Canadian families benefit from the Canada Child Benefit you have implemented? Why is it important to only begin indexing it in 2020?

**The Honourable Bill Morneau:** The Canada Child Benefit is very important for Canadian families. It will really change their situation everywhere in the country. In fact, it is going to improve the situation of 9 families out of 10. It will mean an enormous change for children who are now living in poverty. Our Child Benefit will improve the situation of 300,000 children.

However, we have to be fiscally prudent. This is a big change that will have an enormous impact. We know we have to improve future inflation rates. That is why we decided it was important to begin indexing this benefit in 2020.

As you are aware, the inflation rate is not very high at this time, but it will be important that this benefit be indexed in the future. We chose to act to make a major improvement to the situation right now, and we will do the same in future thanks to our decision to index the benefit.

[English]

**The Chair:** Thank you both. Mr. Deltell, you have five minutes.

**Mr. Gérard Deltell (Louis-Saint-Laurent, CPC):** Thank you, Mr. Chair.

[Translation]

Minister, it is always a pleasure to welcome you here, particularly in French. I am happy to congratulate you again on the quality of your French.

You travelled to London. You met people from the BBC and the London School of Economics, as well as investors. That is very nice, but did you tell these people when Canada would again have a balanced budget?

**Hon. Bill Morneau:** We focused more on Canada's debt-to-GDP ratio. The situation of the United Kingdom is much more difficult than ours because that country's debt-to-GDP ratio is much higher than Canada's. Its expenditures-to-GDP ratio is also higher than Canada's. We explained that it was very important for Canada to invest in the future to improve our growth rate. This was received with great enthusiasm.

• (1545)

**Mr. Gérard Deltell:** Canadians would be very enthused to find out when we will see a balanced budget. For the twelfth time, I am asking you: when will Canada restore budget balance?

**Hon. Bill Morneau:** I can say to you as I did the last time that it is very important for us to be prudent in our investments. We want to see the debt-to-GDP ratio diminish during our mandate. We think that our investments will generate a higher growth rate and that this will improve our future situation.

**Mr. Gérard Deltell:** May I point out for the third time that according to Canadians, the Minister of Finance has made no plan to balance the budget, which is not good news.

Mr. Chair, in reference to the Canada Child Benefit earlier, the minister said, "We have to be fiscally prudent." I want to remind the minister that during the election campaign, he and his party committed to ensuring that the cost of this benefit program would not be higher than it was under the previous government. The additional cost was supposed to be nil. However, these people made a \$3.4 billion mistake.

Minister, how can you explain this poor management of public funds?

**Hon. Bill Morneau:** We decided that it was very important to improve the situation of Canadian families and of the middle class in Canada. We made two very important decisions. First we decided to reduce income tax for the middle class, a measure that affects 9 million Canadians, and to implement the Canada Child Benefit, which will help families with lower incomes as well as middle-class families. Our objective is really to establish a system that works and will provide more money for middle-class Canadians. In this way, their children will have a better future. I think this program will be very important, and that it will allow more families to work in our economy and improve their situation in the future.

**Mr. Gérard Deltell:** That is a very nice principle, Mr. Chair, but the problem is that these people got themselves elected by saying that this program could be brought in at zero cost. However, the Parliamentary Budget Officer showed in black and white that this would mean additional expenses of \$3.4 billion as compared to the initial budget. In addition, in the initial phase, these people forgot indexation.

The minister has in his private life managed billions of dollars, which is very nice for him, but how would he have reacted if an accountant had presented a budget to him in which he forgot indexation, as he did in the case of the Canada Child Benefit?

**Hon. Bill Morneau:** As I already said, we want to invest in the future of our country. We began with investments aimed at improving the situation of Canadian families and setting out the opportunities they will have in the future. In addition, we invest in the future by means of investments in infrastructure, particularly. By doing so, we will have a higher rate of growth, which is very important, and a better fiscal situation.

[English]

**The Chair:** Mr. Caron.

[Translation]

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

Thank you, Minister.

I like the fact that everyone is talking about our Canada Child Benefit proposal. As Mr. Deltell mentioned, the non-indexation of the program was an oversight. I think that is obvious. The government did not mention indexation until we saw the results of the non-indexation in the report of the Parliamentary Budget Officer.

What is also clear is that by 2020, if the benefit is not indexed, we will find ourselves in a situation that will not be very different to the one that would have prevailed had the program not been modified.

If this had not been an oversight on the part of the government, would it have studied the possibility of changing the level of the benefit to allow indexation, rather than letting the amount of the benefit deteriorate over four years, which would represent a loss of buying power for Canadian families?

• (1550)

**Hon. Bill Morneau:** The Canada Child Benefit is going to have an enormous impact on Canadian families. It will change their lives. We made the decision to do something now to help families in a significant way. We know that this is one of the most important initiatives we will take. We decided it would be advisable to index the benefit in future. In this way, we can ensure that the program will continue to have an impact. We have already observed an impact on Canadians, and I am confident that this will continue.

**Mr. Guy Caron:** My question is also on indexation. Canadian families are going to experience a significant loss of buying power over four years.

Once again, could the government have studied the possibility of setting the benefit at a different level by indexing it right from the beginning?

**Hon. Bill Morneau:** We decided on the current level of the Canada Child Benefit. This decision means that in the beginning, Canadian families will enjoy a considerable improvement, which was our aim.

We know that thanks to this benefit, the situation of 300,000 children will be improved. That was our objective.

We also determined that it would be necessary to improve the situation later, and that we would do so in 2020.

**Mr. Guy Caron:** You say that when the program was created, the government had decided not to index it for four years and allow families' purchasing power to deteriorate during those four years.

**Hon. Bill Morneau:** We believe the most important thing is to help families now by setting the benefit at a high level.

**Mr. Guy Caron:** The second topic I would like to hear your opinion on involves the protection of consumers with regard to banking services.

Last week, we heard from representatives of the Public Interest Advocacy Centre, who spoke to us about the issue of jurisdictions. This is a paragraph taken from their brief:

More simply stated, C-29 invites constitutional wrangling, instead of promoting legal certainty, which will harm consumers and banks.

This was the result of the centre's legal analysis, which highlighted the weak power of federal laws and regulations in connection with common law and the Civil Code, as well as the greater protection afforded by provincial elements.

I would like to know why the government is stubbornly pursuing this, as it did in the case of the Investment Industry Regulatory Organization of Canada. It tried to supercede the Supreme Court's ruling regarding provincial jurisdiction, despite losing many cases.

Are you not concerned that Quebec and other provinces will challenge this decision before the Supreme Court, and that the government will again lose time and money to try to establish jurisdiction in an area that is not federal at this time?

**Hon. Bill Morneau:** We think it is very important to have a system that works for Canadian consumers. We think it is desirable that the system be the same everywhere in the country.

In addition, it was necessary that there be a level of clarity for consumers everywhere in the country. That is why we decided to have some rules, as we explained.

There is nothing different, but it is now clear to consumers that they are protected everywhere in the country.

[English]

**The Chair:** That's it. Thank you.

Mr. Sorbara.

• (1555)

**Mr. Francesco Sorbara (Vaughan—Woodbridge, Lib.):** Welcome, Minister.

Perhaps I can go on two different tangents.

We live in a global world. We are in the fight for competition. We are in the fight for jobs, for capital. I would argue that since our government has taken office, we have seen a number of victories on our side in terms of companies choosing to invest in Canada, whether it is Thomson Reuters, General Motors, or General Electric. Minister, I'd like you to comment on the measures we have taken to entice capital, entice organizations, to locate to Canada. That's the first tangent.

On the second tangent—it's best just to lump them together—I've always argued very vehemently that we need to ensure that we have a tax system that is fair, a tax system in which all Canadians and all organizations in Canada are paying their fair share, one in which no one is subsidizing anyone else, and in which Canadians can have confidence. We have undertaken a number of measures. When I say we, I mean the government, and you, along with the national revenue minister.

I would like you to elaborate on the measures we have taken in the government and why it is so important that we coordinate our efforts globally and why Canadians need to have confidence in our tax system.

Thank you.

**Hon. Bill Morneau:** Those are two separate questions.

On the first question, I think it is fair to say that we've had some success this year. The decision by Thomson Reuters to locate their headquarters in Toronto was a positive one, and investment decisions by Microsoft, General Electric, and General Motors in Canada have been positive. That said, we know that more can be done. In our fall economic statement, there were several measures that we think will have a very positive impact on investment in Canada.

First of all, we announced that we were going to put in place an “invest in Canada” hub to focus our efforts around the country on how we can encourage more international investors to invest in Canada to create jobs here in Canada. That's critically important.

We also said that companies here in Canada that need particular talents and particular skill sets will have the opportunity to attract those people to Canada. Really, that's with the intent of hoping that they will be able to increase employment here in Canada by attracting those certain skills.

We also announced the Canada infrastructure bank, with which we hope to find projects that international investors will be able to be part of and that will enhance our infrastructure here in Canada, creating jobs now and a more productive economy in the long term.

On your second question, tax fairness is also critically important. We put in place measures in our budget to ensure that we are able to collect the taxes that are owed in this country. We're moving forward this year to look at how we can simplify the tax code to ensure Canadians can understand our tax code and believe it's fair, so that they will be able to understand and reap the benefits of a well-designed and well-understood tax code.

**Mr. Francesco Sorbara:** When it comes to the infrastructure bank and infrastructure generally, in my conversations with the pension funds and asset managers—that's coming from my prior life—there is a real desire to participate in the building up of Canada and the continuing rollout of infrastructure. I applaud the government's efforts on the infrastructure side and what we'll roll out over the next 12 years.

On the infrastructure bank, can you provide some colour on why it's so important to bring private capital into our economy and utilize that, along with public funds, to build infrastructure, and how that will help grow our economy and provide those middle-class jobs that are so important to Canadians?

**Hon. Bill Morneau:** Our decision to put in place the Canada infrastructure bank was based on our understanding of both the needs we have in Canada and the situation around global capital.

With respect to the needs we have in Canada, clearly we're going to make significant investments over the next 11 years. We've committed \$180 billion, but the needs are greater than that. We can actually invest more over time in order to have an even bigger impact on our economy and to have a more productive economy in the long term.

In thinking about how we can have a greater impact, we looked at what other opportunities there are. We have the lowest interest rates in history right now. We have a huge desire from long-term investors to invest in infrastructure. Putting those two things together, we can see that we can attract capital at a very attractive cost, capital that would be interested in the kinds of investments we have here. In our estimation, it's a win-win. We have more impact for more Canadians today, with more jobs, and in the long term, a more productive economy, while creating the opportunity for investors to invest in long-term projects that can make a difference for, in many cases, pensioners and others who are seeking to have those long-term returns.

● (1600)

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

Mr. Liepert.

**Mr. Ron Liepert (Calgary Signal Hill, CPC):** Thank you, Minister, for being here. I'm pleased to see that our colleagues from the government side used their question time to get all these softie questions thrown at you, so maybe we could challenge you a bit. We'll get off script a bit and ask a couple of questions that I'm hearing from my constituents, quite frankly, and that we also heard from witnesses who testified before our committee on Bill C-29.

I'd like to ask you first about a concern that's being expressed. I'm sure that your inbox is flooded, like ours are, by those medical professionals who are concerned about the elimination of the small business deduction for group medical structures under clause 44 of Bill C-29.

Both the radiologists and the Canadian Medical Association, who were here last week, referred to it as “unintended consequences”. I actually challenged your colleagues on this committee, because several of the questions were pretty clear that this was not an unintended consequence but a direct attempt to get at small businesses.

I'd like you to clarify before this committee whether this was an unintended consequence and whether this is an attempt to fix a loophole, which seems to be the indication coming from your colleagues on the other side, or are you going to look at an amendment based on the representations we've heard?

**Hon. Bill Morneau:** Could you just clarify what “this” is, that you're referring to?

**Mr. Ron Liepert:** Under clause 44 of Bill C-29, you are removing the ability for group medical structures to claim a small business deduction. They will be taxed at a corporate rate, which is a significant hit for the medical professionals.

I would like your comment on whether that is something you're planning to carry through on, because I have a lot of emails in my inbox to respond to.

**Hon. Bill Morneau:** In fact, we are clarifying what has always been the intent in the tax code, that for one business there is one ability to claim the small business deduction.

**Mr. Ron Liepert:** In other words, I take that as a “no”, that you're not planning to make any changes to Bill C-29.

**Hon. Bill Morneau:** You should take it as a clarification. The intent is that a small business has a small business deduction. We are clarifying that, yes, in fact, a small business has a small business deduction.

**Mr. Ron Liepert:** And you're clarifying—

**Hon. Bill Morneau:** There is one deduction per small business.

**Mr. Ron Liepert:** And partnerships don't fall into small businesses. Is that what you're saying?

**Hon. Bill Morneau:** I'm saying there is one deduction per small business.

**Mr. Ron Liepert:** I don't think medical professionals across the country will be too happy with that answer.

I want to ask you a question about what I am consistently asked when I'm home in my constituency in Alberta. We have, as you are probably well aware, a crisis in Alberta, relative to jobs. We have a 10% unemployment rate in Calgary, and it's rising every month. People are saying to me that they hear you consistently talk about the middle-class tax cut, but that doesn't do any good for someone who's not working. If they don't have children, the child tax credit is of no value.

I know that you gave a \$250-million equalization payment to the Alberta government, but that doesn't help the individuals in Alberta. What am I supposed to be telling my constituents who are out of work and who have little likelihood of finding work that the federal government is going to be doing for them as an individual person, not as a faceless, middle-class, child-rearing couple that we continue to hear about?

• (1605)

**The Chair:** Mr. Minister, this is the final question.

**Hon. Bill Morneau:** We recognize that the challenges in Alberta are significant. This is of enormous concern. I'm sure you're hearing what I'm hearing, which is that families are struggling in Alberta. That's not limited to Alberta; it's in other parts of the country as well.

We've taken significant measures to be of assistance. We started out, most importantly, with changes to the employment insurance system, recognizing that for regions of the country that were experiencing significant changes in unemployment, they would be in a better position in terms of getting longer unemployment insurance amounts so they could deal with the transition.

I won't in any way say that that's going to fully deal with the challenge. We are doing other things, as you mentioned. I think what we've done with the Canada child benefit is really important, because that is having a big impact on families with children who are finding themselves in that situation.

For all Albertans, and for that matter, for all Canadians, investing for the long term in our country is important. Finding our ability to invest in infrastructure—and we've announced a number of infrastructure investments in Alberta—will help to get people to work and will help the economy to be more productive over the long term.

We are making multiple efforts to make a difference, and we will continue to be focused on this challenge, recognizing that it's important. In the long run, we will be talking about skills and skills development as well, so that we can enable people to keep their skills up to date and consider ways in which they can have an impact in whatever field they choose to be in, whether in Alberta or in other parts of the country.

**The Chair:** Thank you both.

Ms. O'Connell.

**Ms. Jennifer O'Connell (Pickering—Uxbridge, Lib.):** Thank you, Minister, for being here.

I want to start off by clarifying something that my colleague mentioned with regard to the Canada child benefit, and keeping it cost neutral having been a campaign commitment.

I have gone through the platform, and it's my understanding there was never a cost neutral promise. The promise we made, which was delivered on, was that we were going to stop sending cheques to millionaires, and we were going to redistribute it to those who needed it most, and it would be tax-free, unlike with the previous governments under which people who received this got taxed at the end of the year.

Do you want to perhaps clarify the commitment that was made?

**Hon. Bill Morneau:** Well, I never like to challenge people without having absolute certainty of the answer. What I can tell you is that all of the things you just said are accurate.

Our main goal with the Canada child benefit was to significantly improve the outcomes for Canadian families, in particular for families in a lower-income or middle-class situation, and that we've done, raising 300,000 children out of poverty. It was also, as you said, to focus our efforts on families that really need it.

My family, previous to our decision, was getting the universal Canada child benefit, and we're not now. I think that is wholly appropriate, because we were able to take the money being used in sending out those cheques and give it to families that were in a greater position of need.

We also, in taking the approach we took, made sure that those payments were not taxable so that when people see the cheque, can really understand what they're getting and put it to use for their families.

I think it's made an enormous difference. We're hearing the differences. You're probably hearing them in your constituency office like I am. Across the country, we're hearing that the rolls are down in drop-in centres and places where struggling families would go to get support, which is an extremely positive thing for those families and for our country.

**Ms. Jennifer O'Connell:** Moving on to another topic, if the changes in Bill C-29 are incorporated, I'm wondering about the Bank Act changes and the consumer protections. Can you elaborate on how this will situate us in comparison with other G20 or OECD countries in respect of the bank protections for consumers, and what this actually means for the average Canadian?

**Hon. Bill Morneau:** The main issue here is that, of course, we want to protect Canadian consumers. We want to make sure that they understand their situation when working with their financial institutions.



The main issue for us was that we wanted to make sure there was one approach across the country so that there was clarity and we didn't fall into a situation where perhaps there were different levels of consumer protection across the country over time.

We think that we have a strong system, that it compares well internationally, and that it is something we are required to be clear about for the future. We've done that, and we think it'll be positive for consumers.

• (1610)

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

My last area is on economic development and the growth of the economy. I have raised this before, but you've touched upon it as well, and so I'm going to bring it up again.

As to the growth of climate change adaptation and the greening of our economy—and I'm sure you've spoken a lot about this with other leaders—how is Canada positioning itself to be a leader in green technology and climate change adaptation?

As we've spoken about before, it's not only good for our bottom line as we try to prepare so that we're not responding to disasters and just dealing with them, but it also helps us to be leaders on climate change adaptation and to grow the economy.

You mentioned this in your comments. I'm just wondering if you could elaborate on how we're doing as leaders, and how much you see this fitting into the overall growth of our economy as we move forward in the long term.

**Hon. Bill Morneau:** First and foremost, we should be dealing with the prospect of environmental issues by putting a price on carbon nationally, which we think is the single most impactful effort we can have. It will help organizations to make the right choices in where they invest and will enable the formation of a clean technology sector. We believe we can make investments to help ensure that organizations trying to be effective in the clean technology sector have the opportunity to do so.

The member asked me about the challenges in Alberta. We'd like not only to be successful in the resource sector, but also to think about people with strong skill sets in that sector. If we can make investments in clean technology firms, that might also enable some people to be successful in those firms in the future.

Our goal is clearly to be a leader in this area and to engender success among organizations that are trying to have an impact. We believe the investments we will be making in collaboration with businesses will have an impact.

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

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

Mr. Albas.

**Mr. Dan Albas (Central Okanagan—Similkameen—Nicola, CPC):** I want to thank the minister and his officials for being here today. Thank you for the service you do for Canadians every day.

I'd like to go back to Mr. Liepert's inquiry on the group medical structures. I can appreciate that you're making a clarification that says that these structures are not eligible for the small business preferential tax break. I appreciate that, but Minister, if we follow

this through its natural course, what's going to happen is you're going to break up all of these group structures that have been put in place over the last 20 years by provinces and territories. There's a lot of unremunerated work for teaching and research that will get lost, and all of those doctors are simply going to re-form into small businesses of their own and be able to access those credits at that lower rate anyway.

Minister, if you follow your train of thought, you're going to end up with people getting the full amount anyway, but breaking up and actually making it more difficult for provinces and territories to deliver health care. What do you have to say?

**Hon. Bill Morneau:** Sorry, I want to be clear before I respond to things that have to do with tax. I'll say again, the intent of the presentation in the budget was for clarity, that the small business deduction is in fact intended for small businesses. Of course, what you do by leaving money in the small business is you allow yourself to have a deferral of the tax that would be paid on the gains within that organization.

Having done the math, we saw it as an issue that we needed to be clear on, and having done the math in presenting it back to those organizations, we believe we've shown that this is a fairly modest measure that will put these organizations on the same playing field as other small businesses.

• (1615)

**Mr. Dan Albas:** Mr. Minister, you're clarifying that you're going to be instituting this in such a way that it will cause these group structures to no longer be used. It will have an impact on patient care, research, and education, and at the end of the day they're going to still come back. They'll restructure their businesses so they can get this.

You've basically made it so they have to go to their lawyers and their accountants to reprocess this. You're probably going to see as many, if not more, doctors claiming the small business amount, so why? Why not just say that you're actually going to clarify that this is okay so that this practice can continue? Why are you against seeing this practice continue?

**Hon. Bill Morneau:** As I said, we believe we've taken the correct action. We don't actually see the outcomes being the outcomes that you've just outlined.

**Mr. Dan Albas:** Again, the CMA actually had Deloitte have an independent look at it, and it's anywhere between \$16,000 and \$32,000 a year.

Maybe we'll switch gears here, since it looks like I'm not getting very far with this, Mr. Chair.

Before, you were mentioning about the need to make the tax system fair. Canadians are a fair people. We're also a practical people, and we know that practical people make decisions. I'm going to read to you something from the 2016-1017 edition of *Byrd & Chen's Canadian Tax Principles*. This is about reduced tax revenues. It states:

There is evidence that, if tax rates are too high, the result may be reduced aggregate tax revenues. Some authorities believe this begins to occur at tax rates between 40 and 50 percent.

We would know that, and with the 2016 increase in the maximum federal to 33 percent, maximum combined federal/provincial rate in most provinces now exceeds 50 percent, going as high as 54 percent in Nova Scotia. While it's difficult to predict the degree to which this will encourage tax evasion, it is almost certain that tax rates at this level result in significant amounts of income being moved out of Canada. Individuals with income in excess of the current maximum threshold of \$200,000, often have great flexibility in where they reside and how they invest.

Of particular importance is the possibility of moving to the U.S., where the combined federal/state rate on incomes in excess of \$200,000 can be as low as 33 percent.

Given that there are wonderful winters in Florida, Minister, do you not see that by instituting this increase, the middle-income tax cut, or whatever you want to call it, you're actually putting our treasury at risk?

**Hon. Bill Morneau:** We believe that the approach we've taken is sound methodologically. We also believe that in introducing a tax reduction for the middle class we've done something that's going to have a very significant impact on a large cross-section of Canadians. We believe that this sort of a fair tax approach is something that will stand Canada well over time. We also believe that Canada is a very attractive place in which to live and to invest and that we will see the benefits of that over the long term.

**The Chair:** Thank you. We're well over the time.

Mr. Grewal.

**Mr. Raj Grewal (Brampton East, Lib.):** Thank you, Minister, for coming today.

Just from going door to door in my riding during the summer, I learned that the Canada child benefit was a massive hit. Families really appreciated the extra money, the fact that it was after tax, and that they received it just in time to go back-to-school shopping. That was a great piece from the government.

To pick up on my colleague's comments on the business tax deduction for doctors and to clarify things for my colleague, nothing in the law prohibits doctors from still forming these partnerships. The only change in the law is that now they equally will share the small business deduction of \$500,000, which was the original intent of the law. In my previous experience as a corporate lawyer, I think it's actually the fair thing to do.

Minister, both you and the Prime Minister have been travelling the world, promoting Canada as this great place to invest. What do you see as the global economic challenges for Canada's economic growth outlook?

• (1620)

**Hon. Bill Morneau:** Clearly, we have put in place measures that we think are going to be positive for our country, but we're not immune from global economic conditions. There are a number of what I would call headwinds around the world that present challenges and reinforce the need for us to take measures in our own economy that can make a difference.

Globally, we've seen China move away from an approach to developing its economy that's focused on investment and infrastructure and one that's more focused on consumerism. That, of

course, reduces reliance on some of the things that we produce and changes global resource prices. That's something we have to deal with.

We've seen over the last couple of years a significant change in the levels of global trade. For the first time in many years, we've seen the increase in trade be less than the increase in global growth, which is a challenging trend and portends a challenge around global growth. Anything that has a negative impact on global trade, of course, has an impact on a country like Canada that relies on trade. Any decision to consider trade barriers or put up any challenges in that regard can present challenges.

For us, that reinforces the need to focus on what we can do. Our focus on helping families so that they can invest and consume is important. Our focus on investing over the long term in infrastructure can make a real difference. Our attracting investors from around the world to come to Canada can make a real difference. While we can't change global trends, we can do what we can nationally to make a difference for Canadians, to create jobs here. That's what we intend on doing.

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

Housing was a big concern to many Canadians, and then you implemented some changes that sort of settled the market. Are there any indications on how those changes have really ensured that the market is protected and that Canadians are protected in their investments? For many Canadians, and I would say for 99% of Canadians, their house is their biggest asset.

**Hon. Bill Morneau:** As you know, from the first days of our coming in as a government, we wanted to make sure that we understood the biggest risks to Canadians. We see the housing market as being something we have to be very vigilant about. We've taken two separate sets of measures in doing that. The first one was to deal with down payments for homes between \$500,000 and \$1 million. The more recent measures, as you've identified, are to put stress testing on mortgages, and to ensure that people are only claiming the principal house capital gains tax exemption.

They're intended to deal with the long-term stability of the market and with pockets of risk that we've seen emerge. It's gone, largely in the early stages, as we might have expected, but I will say that we need to remain very carefully focused on the impacts, and we will do so. That'll be our continuing promise to Canadians, that we will work to manage the risks as best we can so that their most important investment is protected for the long term.

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

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

Mr. Caron, for a short round, and then Mr. Ouellette will wrap it up.

[*Translation*]

**Mr. Guy Caron:** Thank you very much.

I would be remiss if I did not take this opportunity to bring up infrastructure.

There are two things, currently. There are the funds that were announced, and there is the Canada Infrastructure Bank. You are aware of our reluctance with regard to this infrastructure bank. First, it was not presented as such during the election campaign. The Liberal platform did mention an infrastructure bank, but it never mentioned such a massive commitment from the private sector.

There is also the fact that you will be taking funds that would have gone to small communities to put them in this infrastructure bank that will not really be accessible to small municipalities, as you acknowledged, I believe, to the Federation of Canadian Municipalities.

I would like to know why the government chose this massive commitment of private funds, when it could have borrowed at 2% at the time of the last 30-year securities auction. We know very well that Mr. Barton, Mr. Sabia and Mr. Wiseman would like to see a return of more than 5%, 6% or 7%. The Caisse de dépôt et placement du Québec had an overall return of 9%. I can't see them investing in a project that would yield less than that.

I have another question for you on infrastructure, but first I would like you to explain why this involvement of the private sector is absolutely necessary today, as it will mean a loss of public control over these infrastructures.

•(1625)

**Hon. Bill Morneau:** As I said a few minutes ago, we know it is possible to invest in infrastructure in Canada, and we need a lot of investments.

We decided that \$180 billion would be invested over the next two years. It is a very large sum, but we can do even more. That is why we think that being able to find investments—from pension funds for example—in the infrastructure sector is a good idea.

I must point out that your evaluation of the return does not comply with what is going to happen. When we talk about the return, we are talking about an entire fund. For the infrastructure fund, the return is much lower. This gives us the possibility of finding a lot of investments for our infrastructure, which will be helpful to our economy.

[*English*]

**The Chair:** Mr. Ouellette.

**Mr. Robert-Falcon Ouellette (Winnipeg Centre, Lib.):** Thank you very much, Mr. Chair.

[*Translation*]

Thank you very much, Mr. Morneau, for being here.

In the past, I asked you a lot of questions on the Canada Child Benefit, particularly as regards those who need it the most, especially

those whose parents receive social assistance. I wanted to know if those parents were going to receive the child benefit.

Moreover, how are we doing, everywhere in the country, in ensuring that the provinces do not take the money back? We give, but the provinces take back what we give. I would like to know what the situation is in this regard currently.

**Hon. Bill Morneau:** Asking what the provinces want to do is always a good question. It is not our issue, but as you know, we want to improve the situation for children in Canada. Thanks to the Canada Child Benefit, their situation will be improved. If the provinces do things differently, we'll see, but that is not our decision.

[*English*]

**Mr. Robert-Falcon Ouellette:** Thank you.

I've also heard that there are other provinces that continue to claw back these benefits from these families. One group in particular who I think you should know about who continue to suffer are the children who are in the care of the state. These are some of the most vulnerable children in our country. They have become an economic benefit for some governments and also for a number of people. They are almost a natural resource. We often say that our children are a resource, but in this case, they're actually an economic benefit. The more children you have in care, the greater the economic benefit. This is true in a lot of provinces, especially for first nations children.

I just want to put on your plate and in your mind that, if you have the opportunity to talk to various provinces, you make sure they don't claw back this money from these children. I know they're doing it in the province of Manitoba. It's not that I want to start a war with Manitoba, and I also know they're doing it in other provinces. I'd like to ensure that the monies that we give to these children, the most in need, when they leave child welfare at age 18 or they age out—children who often have no social support sometimes and very poor family structures—will at least give them financial resources that can propel them to a better future. They need at least to have the potential to pay for an education that will give them the long-term success they need so they don't end up living in places like the Occidental Hotel, now the Red Road Lodge, in Winnipeg, which is essentially a place for homeless people. Because they're 18 and they've aged out, they don't have the financial resources to pay because no one really wants these kids. I hope to put it in your head in a public way—and I hope you don't mind, sir—so you will talk to other finance ministers when you have the chance to encourage them to look at that.

I have a very short question. I'm just wondering if there are any studies being done on the longitudinal impacts on the Canada child benefit, especially among families. What are they using the monies for? Who benefits the most? Are we conducting scientific studies in order to really understand this form of guaranteed income for families?

Thank you for your time and for listening. I appreciate it.

•(1630)

**Hon. Bill Morneau:** First of all, to address the first part of your question, my officials confirm that no province has clawed back any of the Canada child benefit. When we were together last year, we asked them not to. They all confirmed that they wouldn't, and no province has introduced any clawback of the Canada child benefit, just to confirm that for you.

With respect to your second point, I'm assured that we are going to be looking at the impacts of the Canada child benefit through studies as we move forward. Clearly, what we want to do is ascertain that, in fact, the goals that we've set out are being achieved, but over the longer term we want to make sure it has the desired impact on improved outcomes for Canadian families.

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

**The Chair:** Okay, that will end it.

Thank you, Minister, and your officials for your time on the estimates and Bill C-29.

Thank you, Minister, Andrew, and Leah.

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

**The Chair:** On the supplementary estimates votes, I assume you have them in front of you.

DEPARTMENT OF FINANCE

Vote 1b—Program expenditures.....\$5,820,073

Vote 7b—Authority to increase the limit.....\$1

(Votes 1b and 7b agreed to on division)

FINANCIAL TRANSACTIONS AND REPORTS ANALYSIS CENTRE OF CANADA

Vote 1b—Program expenditures.....\$473,938

(Vote 1b agreed to on division)

**The Chair:** Shall I report the supplementary estimates (B) 2016-17 under the Department of Finance and FINTRAC to the House?

**Some hon. members:** Agreed.

**An hon. member:** On division.

**The Chair:** All right, we'll start on Bill C-29.

I think we were going to start on it versus committee business, weren't we?

**Mr. Steven MacKinnon:** Yes.

**The Chair:** Okay.

Do you want to suspend for five minutes for people to have a break before we get into Bill C-29?

There are quite a number of witnesses here for the part 1 of the bill, "Amendments to the Income Tax Act and to Related Legislation". From the Department of Finance, we have Mr. McGowan, Mr. Greene, and Mr. LeBlanc. I believe they will come to the table in case there are questions on that part.

We'll suspend for five minutes.

•(1630)

\_\_\_\_\_ (Pause) \_\_\_\_\_

•(1640)

**The Chair:** We'll reconvene. We're dealing with part 1 amendments. We'll go through them first, and then we'll eventually come back to clause-by-clause consideration.

Part 1 goes from clauses 2 to 88. There are no amendments from clauses 2 to 30.

We have a Bloc Québécois amendment on clause 31 by Mr. Ste-Marie.

(On clauses 2 to 30)

**The Chair:** On clauses 2 to 30, do you want to raise questions with the witnesses first, or do you have a point to make, Mr. Albas?

**Mr. Dan Albas:** I was hoping to make a quick intervention, Mr. Chair.

In terms of having a clean and efficient process, I want to state my objections to the common reporting standards. We heard from many different credit unions both in the pre-budget consultations but also on the review of this bill. It is a big mistake for the government to introduce legislation without having some sort of provision à la FATCA where it allows small credit unions to be exempted if they have less than 2% of their assets being held by foreign nationals. It will cause a lot of angst for credit unions.

I am thinking particularly of not just the smallest credit unions, where obviously the staff will have to spend more time doing paperwork to submit at the federal government's new behest on these common reporting standards, but also other credit unions which are not structured in the same way as the banks where in Quebec, Desjardins, will have to submit hundreds of applications because they have hundreds of locations.

Does one of my other colleagues from the Conservative side want to speak about the doctors? No.

We will be opposing those measures particularly the common reporting standards. Again, the so-called clarification is going to put a lot of good doctors who are doing research across the country in a position where they might just decide to leave for other jurisdictions, or at least it will cause a lot of angst for many of them who will have to restructure their practices in a way that is tax efficient for them.

On those two points, and I'm sure many other things in the budget bill, we're going to abstain or oppose, but we can do many of these on division.

**The Chair:** Are there any other points on clauses 2 to 30, or any questions anybody wants to raise with officials who are here at this time?

(Clauses 2 to 30 agreed to on division)

(On clause 31)

**The Chair:** On BQ-1, Mr. Ste-Marie.

[Translation]

**Mr. Gabriel Ste-Marie (Joliette, BQ):** Thank you, Mr. Chair.

In Bill C-29, the government is eliminating a series of small tax loopholes. For instance, SMEs were recording one deduction twice, and small savers reported the income from stripped coupons as capital gains. However, Bill C-29 has failed to eliminate the biggest tax loophole, which is the use of tax havens. I suppose that was just forgotten, hence this amendment.

Those who followed the debate concerning motion M-42 on tax havens, which I introduced, know this: the use of tax havens is due to the regulations that exceed the scope of the law and of treaties. Amendment BQ-1 does not really change the laws, and scrupulously respects fiscal treaties. It only repeats what is in the Income Tax Act, but does it in a direct way that makes it very clear that certain tax regulations are illegal.

Subparagraph (ii) reiterates that in order to be tax exempt, income derived from a foreign branch must be covered by a tax treaty. Through this clause, Parliament will invalidate paragraph 5907(11) of the Income Tax Regulations. In those regulations, the government discreetly exempted from taxation income generated in 22 tax havens with whom we had not even concluded tax treaties.

As for the third paragraph of amendment BQ-1, it repeats word for word what clause XXX of the tax treaty with Barbados says. If businesses open branches in Barbados to avoid paying tax, they will simply not be covered by the treaty.

However, unfortunately, the government again discreetly adopted a regulation to exempt them from paying tax, despite what the law and the treaty said. I am referring to paragraph 5907(11.2) of the regulations. These two provisions may well be illegal. By adopting this amendment we will say so clearly, and this will invalidate them. For the five big banks alone, we are talking about \$6 billion a year that will stop going up in smoke.

Thank you, Mr. Chair.

•(1645)

[English]

**The Chair:** Thank you, Mr. Ste-Marie.

I will have to do a ruling on this.

The amendment seeks to amend the Income Tax Act by including in the definition “taxable Canadian business” for any business that is entitled to a special tax benefit conferred by Barbados under the Canada-Barbados Income Tax Agreement Act, 1980. As *House of Commons Procedure and Practice*, Second Edition, states, on page 768:

An amendment is also inadmissible if it exceeds the scope of the ways and means motion on which a bill is based, or if it imposes a new charge on the people that is not preceded by the adoption of a ways and means motion...

It is the opinion of the chair that the amendment, by eliminating an exemption, would oblige certain entities to bear an additional charge. Therefore, I would rule the amendment is inadmissible.

(Clause 31 agreed to on division)

**The Chair:** There are no amendments from clauses 32 to 42.

Are there any questions on those sections for the Department of Finance staff, or is there anything anybody wants to raise?

Shall clauses 32 to 42 carry?

(Clauses 32 to 42 inclusive agreed to on division)

(On clause 43)

**The Chair:** We have NDP amendment 1. Mr. Caron.

[Translation]

**Mr. Guy Caron:** The amendment, as you know, seeks to index the Canada child benefit to inflation starting now. The government wants the indexing to start in 2020, but as I already mentioned, the loss in purchasing power between now and 2020 will be significant.

I don't think any further explanation is needed.

[English]

**The Chair:** Thank you, Mr. Caron. This would require a royal recommendation. I will quote *House of Commons Procedure and Practice*:

Since an amendment may not infringe upon the financial initiative of the Crown, it is inadmissible if it imposes a charge on the public treasury, or if it extends the objects or purposes or relaxes the conditions and qualifications specified in the royal recommendation.

I would suggest this amendment does impose an additional charge on the public treasury, and therefore, it's inadmissible as it requires a royal recommendation.

Shall clause 43 carry?

(Clause 43 agreed to on division)

•(1650)

**The Chair:** There are no amendments from clauses 44 to 60.

(On clause 44)

**The Chair:** Mr. Liepert.

**Mr. Ron Liepert:** I'm not going to put forward an amendment. We didn't put forward an amendment, because it would be ruled out of order.

I just want to ask a question. Is clause 44 the same as section 44, where we talked about the small business deduction?

**The Chair:** Officials? It's better to answer on the record because head shakes don't get on the record.

**Mr. Ron Liepert:** I believe he said yes.

**Mr. Trevor McGowan (Acting Chief, Tax Legislation Division, Tax Policy Branch, Department of Finance):** Yes, it is.

**Mr. Ron Liepert:** I'd like to make a few comments, if I could. Then I would like to ask for a recorded vote on this clause.

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

**Mr. Ron Liepert:** I think we have witnessed, both at the stage of consultation and confirmed here again by the minister today, that this is clearly the first step where this government, the minister, and the department are going to start to whittle away at the small businesses. We know that in the election campaign, the Liberals campaigned on a reduction in the small business tax and joined with the other two parties, and then they reneged on that commitment when it came time to present a budget.

We also know that when the current Prime Minister was campaigning, he used a phrase along the lines that small businesses were nothing but a tax dodge, and I think we are seeing here the first evidence of that thought. I would put all small businesses on notice to watch out for budget 2017, because today it's the group medical structures, and tomorrow, who knows what it's going to be? Our witnesses before the committee last week said that they believed it was an unintended consequence. It is clearly not an unintended consequence. This is clearly designed to take away a small business deduction from a group of practitioners who are simply organized in this fashion so that they can deliver better health care to Canadians.

I think it is absolutely ludicrous that the government would carry through with this kind of initiative. In my view, this is the first of what we will see consistently going forward over the next three years: an attack on small businesses, an attempt to bring in more revenue by hitting small businesses. I want to go on record, as part of this discussion, to say that the Liberal members of Parliament will pay the price for this in the next election.

I would like to ask, Mr. Chairman, that we have a recorded vote on this particular clause.

**The Chair:** We will when we get to the vote.

Is there anybody else who has anything to add or are there any further questions for the officials?

Mr. Caron, go ahead.

[Translation]

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

I'd like to ask the officials a question.

You've heard what the Canadian Association of Radiologists and the Canadian Medical Association had to say.

How do you respond to their arguments?

[English]

**The Chair:** Mr. McGowan, go ahead.

**Mr. Trevor McGowan:** We received a number of submissions from the Canadian Medical Association and the Canadian Association of Radiologists, and looked at the testimony before the committee.

A few points probably warrant further mention. Obviously from their perspective, it affects doctors, but it is a provision of general application. The small business deduction is available regardless of what business you're in.

As was said earlier, these measures would follow the existing policy where there's one business and one business limit of up to \$500,000 that applies to partnerships as well in this context. The rules are called the specified partnership limit rules, and they provide that when you have a partnership with a number of corporate partners, that one limit is shared among the partners. These rules are currently in the act, and the amendments in Bill C-29 are an extension of that policy.

I mentioned as well that it's a provision of general application. As we've heard, it applies to doctors, and it would also apply to lawyers, accountants, dentists, engineers, architects, or any group that could

organize themselves into one of these structures. It is not a provision aimed solely at the medical community. It is reinforcing the integrity of the small business deduction rules and the \$500,000 limit, and it does not look at what type of business is being carried on.

I know a number of comments were based on numbers. They mention certain numbers. The Department of Finance had others. I believe we have our costing measures, our numbers that we provided in the last hearing. But one thing that had been mentioned I heard earlier was the \$32,000 number. I can explain briefly where that came from, but in doing so, I would have to provide a little context into how these rules work, and the sort of planning that is going on.

If an individual earns income directly, they pay taxes at the normal marginal rates, as was said, often around 50%. I think the top marginal rate in the relevant example provided was an Ontario individual, so that would be, I think, 53.53%. If you earn income through a corporation, there's corporate tax. The general corporate tax rate is 15%, and the small business deduction rate is 10.5%. That's federally, obviously. There are provincial taxes on top of that, but I don't want to list them all. We're not neglecting them, but it does make it higher.

Due to the corporate shareholder integration mechanisms in the Income Tax Act, if you earn income in a corporation and then pay it out in the same year, you generally pay the same combined corporate and individual tax rates as if you earned them directly. In the \$32,000 case, that was \$500,000 of income from Dr. M., and so if they earned it directly or through a corporation, we'd have roughly the same amount of tax in Ontario.

The benefit sought to be obtained is when funds can be retained in the corporation, so there's a lower corporate tax rate, 15% federally, as opposed to a top federal rate of 33%, assuming Bill C-2 is passed, so that's a significant difference.

To the extent those funds are not needed for personal costs of living, maxing out your RRSPs or whatever, to the extent that those funds are available to be left in the corporation and invested, then that presents a deferral benefit if they're not taken out in that year. In the case provided, I think some \$214,000 was left in the corporation and the difference between the small business rate and the general corporate rate was calculated at about \$32,000, but those are the funds available to be invested and to get the benefit of the one-year deferral, you can invest those funds at around a 5% rate of return, and that might give you, I think, about \$1,500 over a year. I think there were comments on that. Then that \$1,500 would be taxed, so the actual benefit would be even lower. That's just by way of explaining the differences in the numbers.

● (1655)

It looks at the benefit, at where you take the computation. Do you look at the dollars available to be retained in the corporation or do you look at the actual value of the deferral benefit?

I hope that provides some more context into where some of these numbers are coming from and the planning itself. It really involves the ability of particularly professionals, such as lawyers and so on, to leave their excess funds in their corporations and to invest them to earn an enhanced yield. If you're earning income directly and you're a top-rate taxpayer, taxed at 53% in Ontario, and then you earn \$100—your last \$100 subject to the top rate—you'd have \$46 or \$47 available to invest. If you earn it in a corporation and the corporation pays tax at 20%, say, you'd have \$80 to invest. That's a good head start.

That's the benefit of the deferral, and that, of course, is not being touched, the general difference between the general corporate rate and the personal rate. It just provides some context into the nature of the benefit and the differences in the numbers.

To kind of tie it all together, those benefits will continue. What will be preserved is the general policy underlying the small business limit, which is to say that one business, either a sole business in a corporation or a partnership, has one \$500,000 deduction, and that can't be, to use our phrase, just multiplied. If you have one partnership, you have one \$500,000 limit; if you have 10 partners, that could be \$5 million or \$5.5 million; 100 partners would be \$50 million, and so on.

I understand there were questions about the use of the word “multiplication” as well. That's the sense in which the term was used in the Department of Finance documents.

● (1700)

**The Chair:** Thank you very much, Mr. McGowan. Thank you for going through the testimony so thoroughly in order to give us some answers.

You have a supplementary question, Mr. Caron.

[*Translation*]

**Mr. Guy Caron:** Thank you.

Has the department identified the kinds of reactions that can be expected?

If doctors or other professionals enter into partnerships, they obviously did an analysis and concluded that doing so was the more beneficial or appropriate way to go. Since the deduction for small businesses has been eliminated, I was wondering whether an evaluation had been done with a view to restructuring those partnerships.

Will another type of structure be created, or are all those professionals expected to go back to being sole practitioners?

[*English*]

**Mr. Trevor McGowan:** The department did look at the effects and, of course, we had a consultation period, starting with when the budget was tabled, and again looking at the revised draft legislation that was released in July. We heard a number of comments from a number of affected stakeholders.

I know I mentioned this before, but it's worth reiterating. These are amendments of general application. They apply regardless of the industry. If there's, for example, a law firm carrying on business through a partnership, as many do, setting aside sole practitioners,

one would expect that law firm to continue, to perhaps stop using this particular tax planning strategy to the extent they were using it before to multiply access to the small business deduction. Of course, in that case, I've worked at firms where there are over 100 partners, and I would not expect them to stop carrying on business in a partnership.

Of course, what we've heard a lot of today is from the medical community. I would say we heard, in the course of our consultations, that it seems that it's not universal that these types of arrangements are done through what would legally be considered to be a partnership. There's been a bit of, I won't say confusion, but different uses of terminology. For example, we've heard a number say that we have this partnership but it's not profit-oriented.

Well, the definition of a partnership is something that is carried on, a business that's carried on, in common with a view to a profit, and so there have been some difficulties. We have heard, though, that some operate through, not joint ventures, but co-ownership types of structures. I don't know the extent to which there could be a migration to that. We have definitely heard, in our submissions, and I think that you've received the same ones, that there would be difficulty, or reluctance, to move to those in the teaching hospitals or research community. But it is something we looked at.

As I said, there are still a number of tax benefits to be obtained when you look at the differences, for example, between earning directly versus earning through a corporation, even when that corporation is a member of a partnership and does not have access to the complete small business deduction. In addition, you have, as we worked through the numbers, the \$32,000 number. When you work through it, it's actually much smaller than that. The value of the deferral is the \$32,000 available to be invested. But if you paid that out in a year, it would be worth nothing. The next year, it might be worth, I think, around \$1,500.

So, on the impacts, of course, we can't tell what will happen. You can't predict the future. We did not anticipate massive changes. That wasn't the intention.

As I said, many industries, and lawyers are the paradigm example, will continue to operate through a partnership, without any question.

Based on what we've heard, and continue to hear, although obviously concerns have been expressed, it's not clear to us that all the partnerships either will cease to be carried on or cannot be reorganized.

● (1705)

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

We will turn to Mr. Liepert.

I know we had passed a motion that the chair may limit debate in each clause to a maximum of five minutes per party, but I think we're going through a lot of clauses where there isn't going to be controversy, so, I think we'll go through the full discussion on this one, if people have questions. This is one of the big clauses of controversy in the bill, so we'll continue the discussion for a while.

Mr. Liepert.

**Mr. Ron Liepert:** Thank you, Mr. Chair. I know there are a few members of the committee who are anxious to shut this down in a hurry, as we did Bill C-26, but I think this is so important that I thank you for making this exception.

Mr. McGowan, it was obvious when the minister was here that he was, I would say, unaware of this or certainly wasn't well briefed on it. I'm not going to try to speculate why, but I can tell you that our inboxes are full. We had two very impressive presentations before this committee last week, which fell on deaf ears.

With all due respect, and with all due respect to many of my lawyer friends, I don't think a partnership of lawyers who may practise in different areas of law is in any way similar when compared with what we're talking about: these medical structures, which are designed not as tax dodges, but are designed to recruit some of the best minds in the world to come to Canada. They're also designed, if we were listening to the testimony, in such a way that many of these partners perform work that is not necessarily billed, because we're talking about a publicly paid billing system. It would seem to me that for you to compare dentist and lawyer partnerships with this particular type of partnership is blatantly unfair.

I think the finance department—which this obviously originated in, because the minister certainly didn't originate it—is taking a pretty bull-headed approach to something that I think is plain wrong. You, as a finance department official, are not going to pay the price, but my Liberal colleagues across the way are going to pay the price at the ballot box next time, because what you are doing here is, in my view, taking away something that in our country we've been trying to encourage our health care professionals to do: to work more as teams.

This is going to break them up. You're going to have a whole bunch of individual practitioners or smaller partnerships. Finance will get no more money at the end, as pointed out to the minister earlier by my colleague. It seems that all we're hearing is that this seems to be falling on deaf ears, and I'm saddened by that.

**The Chair:** Are there any questions for the officials?

Mr. Deltell.

**Mr. Gérard Deltell:** Gentlemen, welcome. I appreciate your answer. It's a very detailed answer.

[*Translation*]

I have two points I'd like to make, but I think my colleague Mr. Caron brought up the first.

Did you fully assess the potential impact of these provisions on the medical community?

Members of the community who appeared before the committee were rather scathing in their criticism. Unfortunately, nothing good can be expected going forward.

You mentioned various fields of activity, essentially the liberal professions. I'd like to know whether you assessed the impact these provisions could have on the medical community, specifically, all over the country.

•(1710)

[*English*]

**Mr. Trevor McGowan:** I should say by way of background that I made a comparison using lawyers as an example purely because that's the background I came from and am familiar with. I was certainly not suggesting that any of these partnerships, be it a law firm or a medical association, would be established as a tax dodge.

In terms of the study of the impact specifically upon the medical community, I can say unequivocally that the Department of Finance has received a number of submissions since the tabling of the budget in, I believe, March, from the medical community outlining its members' concerns. We have had numerous consultations. We've received numerous submissions and have gone through them, and this is something we have been looking at. These submissions have been made public. We've received them and have been analyzing them absolutely over the last while, in addition to analyzing the general impact that the measure would have overall, because, as I said, it's not simply—

**Mr. Gérard Deltell:** I understand well that you have received a lot of concerns, but before tabling this, you didn't evaluate the impact on the medical field. Am I correct?

**Mr. Trevor McGowan:** No, we did. As I said, this was a general measure that applies, and we costed it. We determined the financial impact across all sectors of the economy, and we did due diligence to the extent possible across all sectors. My point was simply to have something public to point to, because of course our advice to the minister is not public, but we can certainly point to that and say that in the public domain we've had several consultations. We've just received a number of consultation documents. We've been working through them and working with stakeholders.

**Mr. Gérard Deltell:** As you know, in Quebec there have been some special evaluations of this issue. Especially with the physicians, it's not an easy task and then you have very different issues. Is this clause applied differently in the province of Quebec?

**Mr. Trevor McGowan:** The measures in the bill apply without regard to the province in which the business is carried on.

**Mr. Gérard Deltell:** Do you have any indication that in Quebec we will see more or less of an impact than in other provinces?

**Mr. Trevor McGowan:** I remember seeing a breakdown by province, but I believe that was in the CMA's submission in my package, and I think they had Ontario being the largest one. I'm afraid I don't have—

**Mr. Gérard Deltell:** Are you talking about CMA?

**Mr. Trevor McGowan:** We, of course, received their submission and heard their testimony.

**Mr. Gérard Deltell:** So, as far as you are concerned, there will be no difference between a Quebec doctor and doctors in the rest of Canada? It's the same thing from coast to coast to coast and in Quebec there is nothing special.



**Mr. Trevor McGowan:** There's nothing in the rules that applies in a special way for a particular province or any particular class of business. The rules essentially provide that the small business limit of a partnership would be shared among not just its partners but also sufficiently connected corporations providing services to the partnership as well, without regard to the jurisdiction of residence of the partners or the business.

• (1715)

**Mr. Gérard Deltell:** Thank you so much, Mr. McGowan.

**The Chair:** Thank you very much, Mr. Deltell and Mr. McGowan.

Mr. Albas.

**Mr. Dan Albas:** Thank you again, Mr. McGowan, for what you do and also for your answers today. I may not like them, but I do appreciate your presenting the case.

The last time I asked you whether you had spoken to any provinces, you said you had been studying the issue and that you had received the CMA's submission. Have you made any outreach to provinces that this will be an issue for?

**Mr. Trevor McGowan:** I believe my answer the last time was that I was unaware of that, and I checked with my colleagues who had spoken with provincial regulators, so thank you for asking. I did go back and check and they had spoken with representatives of provinces, and in particular, Ontario.

**Mr. Dan Albas:** Was there any feedback from those provinces or do you not want to share that?

**Mr. Trevor McGowan:** That was prior to last Thursday's hearing, or whenever that was, and so it's not an update on what has happened, but rather we've had our ongoing consultations and we still believe that the tax consequences arising from the bill are correct, certainly from a tax policy perspective.

**Mr. Dan Albas:** Okay, and obviously with regard to the modelling you've done, it's well understood that because these doctors are being paid through the public system, it's quite different from the private system, in which if there were an increase in inflation or cost, they would simply pass it on to the consumer. In this case, the consumer is all of us through the provincial governments.

**The Chair:** Mr. Greene or Mr. McGowan.

**Mr. Trevor McGowan:** That observation is correct. Of course, with a law firm, you can change your billing rates, but it's a different type of negotiation with the provision of medical services. It's not, as in the the law firm example, where they hand you a bill at the end of the day. That is, of course, different.

**Mr. Dan Albas:** Well, I am just acknowledging the differences.

Thank you.

**The Chair:** For clause 44, there will be a recorded vote.

(Clause 44 agreed to: yeas 6; nays 4 [See *Minutes of Proceedings*])

**The Chair:** There are no amendments from clauses 45 to 60.

(Clauses 45 to 60 inclusive agreed to on division)

(On clause 61)

**The Chair:** We have amendment NDP-2.

[*Translation*]

**Mr. Guy Caron:** Thank you.

Clearly, this measure seeks to achieve compliance with the OECD's recommendation on country-by-country evaluation. The recommendation calls on large multinationals with revenue of more than €750 million a year to prepare an annual report that would include more information about their taxes, revenue, and assets in each country where they operate.

However, even though the OECD has given us guidance, that does not stop us from going farther. Knowing that the €750-million threshold excludes 85% to 90% of all multinational companies and would apply to only a few dozen companies in Canada, we want to lower the revenue threshold at which reporting would be required from €750 million to €60 million.

We want to lower the threshold in order to increase the level of oversight and transparency.

• (1720)

[*English*]

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

What dollars are you talking about: \$60 million U.S., \$60 million Canadian, or what?

**Mr. Guy Caron:** It was euros actually, because the original one was euros.

**The Chair:** Okay, 60 million euros.

All right, it's open for discussion. Is there any further discussion on NDP-2 amendment?

There is no discussion.

(Amendment negated [See *Minutes of Proceedings*])

(Clause 61 agreed to on division)

**The Chair:** There are no amendments from clauses 62 to 116.

(Clauses 62 to 116 inclusive agreed to on division)

(On clause 117)

**The Chair:** We have amendment BQ-2.

Mr. Ste-Marie.

[*Translation*]

**Mr. Steven MacKinnon:** Mr. Chair—

**The Chair:** Yes.

**Mr. Steve MacKinnon:** —if we have questions for the experts, should we hear the amendment proposed by the Bloc Québécois or should we put our questions to the officials first?

[*English*]

**The Chair:** We can go either way for that matter. I think the amendment is on the floor. We'll deal with it.

Okay, put the amendment on the floor, Mr. Ste-Marie.

**Mr. Steven MacKinnon:** Okay.

**The Chair:** There's no ruling on this one, so you can ask questions.

Put the amendment on the floor, Mr. Ste-Marie.

[Translation]

**Mr. Gabriel Ste-Marie:** Mr. Chair, I'd like to ask permission to present Bloc Québécois amendments 2 and 3 jointly. BQ-2 concerns clause 117 and BQ-3 pertains to clause 131, but the two amendments are related.

Would that be okay?

**Mr. Steven MacKinnon:** Yes.

[English]

**The Chair:** That's fine.

[Translation]

**Mr. Gabriel Ste-Marie:** Thank you very much.

The banks have always felt that the Civil Code of Quebec and the Consumer Protection Act were overly favourable towards average citizens. They even went all the way to the Supreme Court to keep from having to disclose their hidden fees and to be able to charge customers however much they want without even telling them.

Unfortunately for them, in 2014, the Supreme Court ruled that they had to comply with Quebec's Consumer Protection Act, in the Marcotte decision. In 2012, the Harper government gave the banks precedence over all else in the preamble of the Bank Act.

[English]

**The Chair:** Mr. Ste-Marie, if I could get you to hold for a minute so the officials who are coming to the table will be able to hear your arguments, and then we won't have to repeat them.

[Translation]

**Mr. Gabriel Ste-Marie:** Very good. I don't have to start over, then?

**Mr. Steven MacKinnon:** No.

[English]

**The Chair:** We'll give the officials a chance to settle in.

Welcome, Mr. Girard, Mr. Campbell, and Ms. Ryan.

Go ahead, Mr. Ste-Marie.

[Translation]

**Mr. Gabriel Ste-Marie:** As I was saying, in 2012, the Harper government gave the banks precedence over everything in the preamble of the Bank Act. The government thought it could shield the banks from the requirements of Quebec's legislation. The Supreme Court, however, wasn't convinced.

Now the government is again trying to get around the court's decision, this time through Bill C-29. It is trying to use the back door to encroach upon civil law, a 400-year-old legal system protected under the Constitution, and is depriving consumers of their rights in the process. This is very serious.

The government can expect to face another legal battle, like the one that resulted in the Marcotte decision, and consumers will be in for years of uncertainty, not knowing which legislation is applicable.

If Bill C-29 is passed in its current form, without our amendments, the banks will be able to do what they want. If a customer is swindled, they will no longer have any real recourse. Gone are the days of customers being able to take advantage of the free and simple complaint mechanism available through Quebec's office of consumer protection. The only place bank customers will have to turn is the office of the banking ombudsman, an organization funded by the banks.

Clause 131 of Bill C-29 as well as the English version of clause 117 raise serious constitutional questions. They set consumer rights back and open the door to legal challenges, while encroaching upon civil law, a coherent legal system that has existed in Quebec for more than 400 years.

For all those reasons, I urge you to adopt Bloc Québécois amendments BQ-2 and BQ-3. I'd also like to hear the officials' views on these amendments, if I could.

Thank you, Mr. Chair.

• (1725)

[English]

**The Chair:** We have a question from Mr. MacKinnon, and then the officials can provide their opinion to you as well.

Mr. MacKinnon.

[Translation]

**Mr. Steven MacKinnon:** Are we at the discussion stage or the clarification stage?

[English]

**The Chair:** Yes, we are.

[Translation]

**Mr. Steven MacKinnon:** Both?

[English]

**The Chair:** No, the amendment is on the floor, but you had a question for the officials on it, I believe. We're doing both.

[Translation]

**Mr. Steven MacKinnon:** Okay.

Thank you for being here, ladies and gentlemen.

As I said at a meeting in the spring, when the committee considered amendments to the first budget bill, you had the daunting task of amending the Bank Act. The same is true of this second budget bill. I want to thank you for all the great work you've done.

My first question is this. Is the Canadian Constitution unclear when it comes to jurisdiction over the regulation of banks?

[English]

**Mr. Glenn Campbell (Director, Financial Institutions, Financial Sector Policy Branch, Department of Finance):** Thank you for the question.

From a policy point of view, not being a lawyer speaking for Justice, no, there is no lack of clarity. Even the court has ruled that Parliament and the Government of Canada have jurisdiction over banks and banking, and therefore all the regulation that follows suit.

[Translation]

**Mr. Steven MacKinnon:** And it's been that way since Confederation.

[English]

**Mr. Glenn Campbell:** That is correct.

[Translation]

**Mr. Steven MacKinnon:** My colleague brought up the Marcotte decision. Describe for us, if you would, what the case is about.

[English]

**Mr. Glenn Campbell:** Yes, I can. There was a Supreme Court decision, commonly referred to as the Marcotte decision, that ruled in a specific set of facts about foreign exchange fees and conversion fees, and whether those fees were portrayed in an appropriate way under both federal and provincial laws. That's a summary by a non-lawyer, a policy person. Following that, in part of that decision, the Supreme Court indicated that in certain circumstances provincial rules may apply, where they may not conflict with federal rules, and that the Parliament of Canada, the Government of Canada, should clarify the circumstances and the intent under which it expects its chartered banks to follow its regime.

[Translation]

**Mr. Steven MacKinnon:** More specifically, is there anything in the proposed amendments that might negatively affect the recourse available to consumers under Quebec's consumer protection regime or that of another territory or province?

[English]

**Mr. Glenn Campbell:** The amendments proposed in this bill pertain only to federal regulation and federal legislation. They do not touch directly upon provincial regulation or legislation. Provincial rules will continue to apply where they apply and where they are appropriate. The amendments included herein stipulate that the banks that are subject to these provisions should follow this comprehensive set of rules nationally to ensure that consumers have a consistent, comprehensive framework of rights from coast to coast to coast.

• (1730)

[Translation]

**Mr. Steven MacKinnon:** If there were 13 different consumer protection regimes, or even 14, if we include the federal regime, what effect do you think it would have?

[English]

**Mr. Glenn Campbell:** Without question, it would be operationally challenging and very costly, even if it was possible—because it is not clear whether it would even be possible for an entity to be subject to multiple rules for the same issue across the country—and it certainly wouldn't be in the consumers' interest, either in a province or nationally, not to know what rules apply to them in a specific circumstance. There is no question that it would be difficult.

It's clearly not what the policy intent is. The policy intent from Parliament, historically, has been for banks that are subject to its charter and regulation to follow a certain set of rules and regulations and have a dedicated regulator, as such, and for Canadians, no matter where they are, from coast to coast to coast, to have the same protections that pertain to these issues.

Let me be clear. There are many provincial rules and legislation that fall outside of the scope of this legislation, for example, contract law that doesn't pertain to consumer issues, or business practices that don't pertain to consumers. All those will still apply. All those remedies will still apply, and other provincial legislation will still apply.

[Translation]

**Mr. Steven MacKinnon:** What we are doing, then, is setting a fairly strong minimum threshold around the regulation of banks in a global context, are we not?

[English]

**Mr. Glenn Campbell:** I am not sure if it's a minimum context. I would say that this is one comprehensive federal standard so that all Canadians, no matter where they reside, travel, or work, can expect that the banks will be held to account to ensure they have the same rights no matter where they go. It is a comprehensive and high standard in its own right.

[Translation]

**Mr. Steven MacKinnon:** My colleague mentioned the banking ombudsman. Banks are required to pay the cost of providing a consumer protection mechanism, as they should. It shouldn't be up to taxpayers. Do you honestly think that banks could somehow interfere with the work of the ombudsman under this bill?

[English]

**Mr. Glenn Campbell:** Let me step back and explain that the complaints handling process that exists now and is being enhanced under the amendments of this bill is strong, is convenient, is cost-effective in that there's no cost to a consumer, is timely, and it works well. The first step is clearly, like any organization, that it's a bank internal process and complaints handling system, and then there is a time limit to which the bank has to respond and if it's not to the satisfaction of the customer, they can then go to an external complaints handling body, of which there are only two in Canada that are now regulated by the federal regulator.

The fact that a bank would pay for that funding—the banks now pay for OSFI and bank supervision—that's a standard world practice, that the institutions that are subject to regulation often will cover the cost of that regulation, and it's internalized. In this case, the two entities follow the same standard of handling bank complaints and then, thereafter, you still have the dedicated federal regulator that sits on top of both the external complaints bodies and the banks.

Let me draw your attention to amendments in this bill that further enhance the obligations on both the external complaints bodies and the banks to publish all their details, the nature of those complaints, and to make the boards under corporate governance rules, the boards of directors, even accountable for ensuring that they comply with the external complaints handling and publicizing and the public accountability statements, all of that information, to hold them to account.

[Translation]

**Mr. Steven MacKinnon:** What I gather, then, is that it would be false to say that interference was possible because we were asking the banks to pay the cost of protecting their customers, through independent mechanisms. It would be false to claim that bank management or executives could influence the process.

• (1735)

[English]

**Mr. Glenn Campbell:** That would be false. The way complaints handling works, even inside the bank and with the external complaints body, and to often manage what sometimes are information asymmetries, more clarity, or in certain cases if restitution is required, often that requires somebody to help the customer interact with the bank. In certain circumstances, the external complaints body may engage with the bank on behalf of a customer to help them address their interests. I wouldn't say that's the bank interfering. If anything, that's expediting the process to the satisfaction of resolving in a timely way whatever issue the consumer has.

[Translation]

**Mr. Steven MacKinnon:** In a nutshell, there is absolutely no doubt as to jurisdiction, but the court has clearly asked Parliament to pass legislation on the issue. There is no risk of infringing upon provincial jurisdiction or that of Quebec.

This, of course, deals with federally chartered banks.

[English]

**Mr. Glenn Campbell:** That would be any bank that is regulated under the Bank Act, regulated by the Financial Consumer Agency of Canada, or the banking regulator. There's a whole suite of banks, as well as that one new federal credit union.

[Translation]

**Mr. Steven MacKinnon:** So it wouldn't apply to the Caisse Desjardins.

[English]

**Mr. Glenn Campbell:** Not at all.

[Translation]

**Mr. Steven MacKinnon:** Thank you.

[English]

**The Chair:** Thank you, Mr. MacKinnon and Mr. Campbell.

Before I turn to Mr. Deltell, did your questions get answered in that submission, Mr. Ste-Marie? You'd asked the officials' opinion, and I slipped over it.

[Translation]

**Mr. Gabriel Ste-Marie:** I would like to get the officials' opinions on three things.

First, if Bill C-29 is passed without our amendments, will the banks still be subject to Quebec's Consumer Protection Act, or will they be exempt from it somehow?

Second, will the banks have any control whatsoever over the hiring of the ombudsman? Will they be allowed to look at candidates' CVs? Will they be able to recommend people for the job?

Third, in Marcotte, did the Supreme Court indicate that certain aspects were already unconstitutional?

[English]

**The Chair:** Mr. Campbell.

**Mr. Glenn Campbell:** To respond to the first question, the clarity is that federally chartered banks, under this legislation, should adopt and comply wholly with this comprehensive suite of consumer protection rules that exist here in the act. That is what they are being asked to comply with. Banks themselves need to manage to the extent to which other rules may apply that fall outside of that. That is my answer to your first question.

On the second question, to my knowledge, there are only two external complaints bodies that are authorized and regulated, certified, in Canada to perform the role. Our banks can choose only one of two. They both must follow the same rules and procedures, and meet the guidelines set out by the Financial Consumer Agency of Canada. They are independent corporations, corporate entities, that make their own decisions about staffing and hiring, but their roles are quite transparent.

**The Chair:** And the third question?

**Mr. Glenn Campbell:** Could you repeat the third question? I missed the translation.

[Translation]

**Mr. Gabriel Ste-Marie:** Certain aspects of Bill C-29 are already unconstitutional, are they not, given that they were described as such in the Marcotte decision?

• (1740)

[English]

**Mr. Glenn Campbell:** I'm not going to make any comment about constitutionality. I think that's beyond my remit. However, the court, in our reading, from a policy point of view, was pretty clear. The Government of Canada, through the Parliament of Canada, needs to express its intent and be clear in legislation over how it intends these rules to apply, particularly around the circumstances where there may not be direct conflicts with the provincial law, but they're close, or there may be gaps. We believe that is entirely constitutional.

The provisions that are here under what we call the three Ps—the preamble, purpose clause, and paramountcy—effectively reinforce long-standing interpretation. They just clarify Parliament's intent, subject to Parliament's voting, and that appears to be entirely consistent with asking an entity to follow one set of rules.

**The Chair:** Mr. Deltell.

[Translation]

**Mr. Gérard Deltell:** Thank you, Mr. Chair.

Welcome to our witnesses.

This is an awfully interesting debate. I think we need to let two principles guide us in our analysis. First of all, we need to comply with the judgment of the Supreme Court and, second of all, we need to be effective. We can't do any more than that. The previous government passed legislation that was the subject of a challenge, and the Supreme Court ruled on the matter, taking a specific view.

As I understand your explanations in response to Mr. MacKinnon's and Mr. Ste-Marie's questions on the subject, your version of the bill meets the requirements of the Supreme Court's judgment. Therefore, it complies with the decision delivered by the court two years ago. Do I understand that correctly?

[English]

**Mr. Glenn Campbell:** Yes.

**The Chair:** I don't think that came through on the record, Mr. Campbell. Yes?

**Mr. Glenn Campbell:** The suite of amendments that are being proposed here, in our opinion, respect the framework set out by the court.

**Mr. Gérard Deltell:** I would just like to be certain.

[Translation]

I'd like you to clarify something for me. When you talk about amendments, you are referring to the provisions in the bill and not the amendments put forward by my Bloc Québécois colleague.

[English]

**Mr. Glenn Campbell:** I'm responding to, holistically, the provisions that are here now, including the amendments that—

**Mr. Gérard Deltell:** The amendments made by...?

**Mr. Glenn Campbell:** Pardon me. The government's amendments that are reflected in Bill C-29.

**Mr. Gérard Deltell:** Okay, so not the opposition's amendment. This is a little bit different.

[Translation]

You are giving us assurance, then, that this respects the parameters of the Supreme Court's decision.

Now, we want to be effective. That was the second point I wanted to address. It's clear that all laws are made to be challenged. If we accept that, we know there will always be some lawyer somewhere who will find some aspect to challenge. As my colleague rightfully argued, however, the government could set off a never-ending guerrilla war, legally speaking. As lawmakers, we need to take steps to make absolutely sure that our laws are less vulnerable to challenges.

I am taking you at your word since you are the experts. You helped draft the bill so as to ensure it complied with the Supreme Court's decisions. I will tell you, though, that, in this particular area, it won't be some humble and modest lawyer from the country

arguing the case. It could very well be highly competent authorities, such as provincial representatives, challenging the provision on the grounds that it doesn't comply with the Supreme Court's decision. We are talking about very well-equipped people.

In your view, how likely is a legal challenge stemming from this provision? I don't mean a challenge mounted by your average Joe but, rather, by a province?

[English]

**Mr. Glenn Campbell:** First, let me say that the legislation as amended, as proposed, is clear in its intent to have entities that are subject to the legislation follow the rules that are set out, and to know that these are comprehensive in their structure, such that they would be the rules to which those entities would follow pertaining to consumer protection in the realm of banks and banking, which is under federal jurisdiction as per the Constitution. That's clear. Even the provisions around paramountcy merely reinforce the clarity that this is a comprehensive set of rules, which we are asking our federal entities to follow.

There is no reference directly to what provincial rules may be structured, what they may do, and where they apply. They will still apply where they apply, and it may, downstream, take courts to determine that.

I can say to your latter point that even with this language, the intent going forward is collaboration, having more co-operation and collaboration between the federal regulator and provincial regulators to avoid these issues. Working with entities on both sides is clearly the path forward and the intent.

The Financial Consumer Agency of Canada, which is a new agency, is engaging and will continue to engage with provincial counterparts. The way it's designed to work is that if there is a federally chartered institution that does something in a province, a provincial regulator can go immediately to the federal regulator and have that issue addressed.

The plan going forward is for more co-operation and collaboration, recognizing that there is a dedicated regulator for those entities. I think everyone would be hopeful that this clarity makes returning to the courts for various disputes less likely.

● (1745)

**The Chair:** Thank you both.

Mr. Deltell, go ahead.

[Translation]

**Mr. Gérard Deltell:** I'd like to get some clarification and make three comments.

First of all, we are understandably opposed to Bill C-29 overall, so naturally, we won't be voting in favour of this clause.

Second of all, does the clause, in its current form, satisfy the requirements set out in the Supreme Court's decision?

[English]

**The Chair:** Thank you, Mr. Deltell. You're dealing with the clause, not the amendment to the clause.

**Mr. Gérard Deltell:** But I'm going there.

**The Chair:** Okay.

**Mr. Gérard Deltell:** I'm going there, but it's just to explain where we stand.

[Translation]

We will therefore be voting against the clause strictly speaking. With respect to the amendment, the issue is whether the clause, as it is currently worded, satisfies the Supreme Court's decision.

We have three experts in front of us confirming that it satisfies the Supreme Court's decision on all counts. Yet one of our colleagues has reservations, and on the surface, they appear to be valid and relevant. Nevertheless, according to the experts, the clause is fine and the proposed amendment is not necessary because the current language of the clause satisfies the Supreme Court's decision.

It will never be possible to prevent a lawyer from mounting a legal challenge; nor will it ever be possible to prevent a province from doing so. That's what you're telling us. On a broader level, we should recognize that, while the experts who drafted the bill confirm that the clause in question satisfies the requirements set out by the Supreme Court, a legal challenge is still possible.

[English]

**The Chair:** Thank you for that comment.

Mr. Caron.

[Translation]

**Mr. Guy Caron:** Thank you.

Once again, welcome to the witnesses. I always enjoy discussing the Bank Act with you.

I have just one question, provided your answer doesn't give rise to another. You said, and rightfully so, that you weren't a lawyer but that you could speak to policy issues.

I'd like to know whether the Department of Justice was consulted and whether it issued an opinion on the constitutionality of this bill with due regard to the division of powers.

If so, I realize that you can't tell me what that opinion was. At the very least, though, I'd like to know whether an opinion was provided.

**Mr. Jean-François Girard (Senior Project Leader, Financial Sector Policy Branch, Department of Finance):** Yes. Generally speaking, all legislation is drafted by the people at the Department of Justice. All bills are subject to an approval and verification process, through which the Department of Justice has an opportunity to review every clause in order to determine whether it raises any questions.

That means that a verification process is carried out. That process includes examining whether Parliament has the authority to legislate on the matter in question.

• (1750)

**Mr. Guy Caron:** I'm not sure whether that answers my question. For instance, when certain controversial measures are drafted, they may be subjected to a test to ensure respect for the Canadian Charter of Rights and Freedoms. Through the test, it's possible to determine whether the legislation is compatible with or satisfies the charter.

I would think a similar principle applies with respect to the Canadian Constitution. Am I wrong?

**Mr. Jean-François Girard:** I'm not sure I understand your question.

**Mr. Guy Caron:** I can be more specific.

It's a matter of jurisdiction. Jurisdictional powers are enshrined in the Canadian Constitution, which spells out the areas of activity for which each level of government is responsible.

Here we have one element that appears to be controversial from a jurisdictional standpoint. I would think that, if the Department of Justice subjected proposed legislation to a charter compliance test, as part of the drafting process, it would also have a test for constitutional compliance.

**Mr. Jean-François Girard:** There again, not being a constitutional expert, I'm reluctant to comment. That said, the Constitution expressly lays out banks and banking as an area of federal jurisdiction.

It is that test, then, that is administered. Perhaps in other cases, there is more ambiguity. Perhaps the courts have developed different tests. In this case, though, Parliament's constitutional authority is clear.

**Mr. Guy Caron:** However, consumer protection has not necessarily been identified as falling exclusively within the federal domain.

The other thing to keep in mind is that that very reasoning led to the Supreme Court challenge involving the Investment Industry Regulatory Organization of Canada. There, too, a dispute arose over what some provinces wanted control of, specifically, Quebec and Alberta. They considered the matter to be their responsibility, but the federal government was of the view that it could have some involvement, and that's what it argued before the Supreme Court.

Ultimately, the Supreme Court ruled, siding, on the one hand, with Ottawa with respect to systemic risk monitoring and, on the other hand, with the provinces regarding everything else. In this case, we are dealing with banks, which are indeed under federal jurisdiction, and consumer protection, which is under provincial jurisdiction. A dispute could therefore arise.

I think I agree with Mr. Deltell. A representative of the Quebec government or someone else will no doubt raise the issue.

That's why I wanted to know whether the Department of Justice had done at least one analysis from that standpoint before including the measure in Bill C-29. I realize that you can't tell me what the Department of Justice's opinion was.

[English]

**Mr. Glenn Campbell:** We can safely assume that the Department of Justice, in its service to the Department of Finance in helping to draft this legislation for the government, has exhausted all of the necessary reviews before putting this legislation before Parliament. We're here to refer to the specific provisions and the policy intent—and we can talk about that—but I think we can safely assume that vetting has been done. We can't speak to all the processes, though.

With respect to the paramountcy provision stipulating that the rules here have greater weight than those of the province in this narrow area, let's try to be clear: this is the regulation of banking, and the regulation of banking as expressed through these provisions that apply to the consumer and dealings with the public. Often, in most provinces, they have laws of general application that apply to consumer issues, and in this case there is a comprehensive, dedicated set of rules that apply holistically to banks in their dealings with their customers.

Many other areas outside the scope of what is covered in this part still apply, and there's no interference in an individual's right to seek redress and remedies over breaches of contract or other issues. That remains intact. This is about the narrow provisions that apply to this particular part of the regulation of banks and banking.

• (1755)

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

[*Translation*]

**Mr. Guy Caron:** Thank you.

Mr. Campbell, I'm not sure I agree with you on this matter. I think it's something we may find out for ourselves in the future.

My second question concerns the Bank Act. We know at least one *caisse populaire* is now federally chartered.

Would the act also apply to future federally chartered *caisses populaires* or credit unions? I assume the act doesn't apply to provincially regulated *caisses populaires* or credit unions.

[*English*]

**Mr. Glenn Campbell:** I had answered this question earlier, but to be clear, this applies to banks and any current or future federally chartered credit unions.

[*Translation*]

**Mr. Guy Caron:** Thank you.

Therefore, in the same province, there could be federally regulated *caisses populaires* or credit unions governed by a certain set of consumer regulations, and others governed by another set of regulations. Couldn't this give rise to conflicts?

[*English*]

**Mr. Glenn Campbell:** That's a very good question. We went through this test recently with the *caisse populaire* in New Brunswick, which is now UNI Coopération financière. Similar to other federal provisions, for example, deposit insurance, they've had to go to their customers, their members, and stipulate that the regime is changing and that the rules under which they are operating are changing for deposit insurance, including consumer protection.

The FCAC, the federal regulator, has worked with that entity to ensure they had all the documentation necessary to inform those members and those customers and clients about the differences that may exist between the federal regime and the provincial regime in New Brunswick. So the onus is on that entity to make sure it clearly explains to its members where there may be changes or differences in the rules that may apply to them.

[*Translation*]

**Mr. Guy Caron:** Thank you.

[*English*]

**The Chair:** Mr. Ouellette.

[*Translation*]

**Mr. Robert-Falcon Ouellette:** Thank you, Mr. Chair.

My question is more general. I want to properly understand the subject. For example, if a consumer files a complaint against a bank in Quebec, then compares the federal regulations to the provincial regulations and finds that the provincial regulations are more beneficial to him, would the rules apply?

[*English*]

**Mr. Glenn Campbell:** In this case, if they're a resident of that province and a customer of that particular institution, then under this regime the federal rules would apply and they would approach that institution...and everything that follows suit. If they just had a general complaint about something, they could go to the federal regulator and lodge a complaint. There are many ways in which they could still register a complaint if they had an issue.

**Mr. Robert-Falcon Ouellette:** I was wondering if you knew how the two laws differed in relation to banks.

**Mr. Glenn Campbell:** There can be extensive differences between the provincial regimes. I'm not an expert in all provincial regimes, given the different provinces that—

**Mr. Robert-Falcon Ouellette:** I don't assume that you are an expert in everything, but I was wondering about it. In my reading of the federal law, I think it is fairly comprehensive for an ombudsman. The ombudsmen do have a greater level of independence. They're not completely chosen by the banks. They can issue rulings in order to force the banks.... Obviously, the banks would like to see some rulings in their favour, but the ombudsmen are also guided by a code of ethics and conduct, and it's their job to look out.

Ombudsmen work for the federal government. They're hired and appointed by, I believe, the Privy Council, but they still criticize us, and that's good.

In a general way, for instance, I remember living in Quebec, where if at the supermarket you were overcharged by accident... If the ticket price said \$12.99 and you got to the cashier and they scanned it as \$15, you would actually get the \$12.99 minus \$10, so really, the object would only cost you \$2.99. It was a very advantageous type of consumer protection law.

I was wondering what the differences were in this instance, because I don't know myself. It's just a question of curiosity. There's no right or wrong answer, by the way.

•(1800)

**Ms. Eleanor Ryan (Senior Chief, Financial Institutions Division, Financial Sector Policy Branch, Department of Finance):** No. Understood.

To go back to the objective, first of all, the bill is intended first to have a very clear statement of intent by the federal government about having high standards to protect consumers. Second, it contains additional high standards that are being set in the bill. Part of that process is actually enhancing the standard for complaint handling bodies.

What we do with a complaint handling body is that they actually apply to the FCAC, the federal consumer regulator. They apply and submit applications according to expectations that this consumer regulator has set, and it is the consumer regulator that actually assesses whether they've met the standard. Indeed, after the assessment, they follow up as well, in order to continue to maintain that standing to be a complaint handling body.

As an example of where the standards are constantly reviewed by the FCAC to ensure they are being met, I'm using the complaint handling example. It isn't just that they are set, but that they are actually followed up on as well. The FCAC is very active in their supervision of banks to ensure they're meeting the standards.

In your example, sure, you could do that. You could go back and seek redress, if you wish, from the bank. You could say to the bank that you were overcharged, and you could ask to use the internal process. You could go to a bank and you could use their internal ombudsman process and say that they overcharged you.

In regard to that, I looked at some stats today in the case of one bank in particular. For example, 98% of the cases that were brought to the attention of that bank's ombudsman were resolved to the satisfaction of the customer. That compares to the example you gave, which is that 98% of customers get satisfaction right away.

In addition, the FCAC is sitting on top of that and watching to make sure that consumers are protected. Every consumer has a helping hand here. They don't have to do this by themselves. They actually have a federal regulator that is making sure the rules are protecting them.

**Mr. Robert-Falcon Ouellette:** Is there also a potential that these two laws could be complementary?

**Mr. Glenn Campbell:** It's very hard to say that they would be complementary when you have the potential for multiple jurisdictions. It's incongruous to have a national banking standard where banks and related entities design all their products and services for a national scope and then, in many respects, meet varying provincial requirements.

In many cases, going back to your initial question, in many provinces there are no rules that apply to banks. They haven't been doing so. They've been referring them to the federal regulator. They refer them to the Government of Canada to be addressed, so it's not even easy to answer how they would apply. Other provinces, when there's a complaint or an issue, try to have another provincial rule potentially apply to the bank where it may not be appropriate.

**Mr. Robert-Falcon Ouellette:** In essence then, if the province hasn't really regulated it, and since they don't really have competence in this area in federally regulated banks, they can't really legislate either, so there is an emptiness, in a certain sense, jurisdictionally. You wouldn't expect the province all of a sudden to start regulating federal banks about the conduct that they can and can't do.

•(1805)

**Mr. Glenn Campbell:** Many provinces do regulate their credit unions or caisses populaires or other entities, and some have generic consumer protection that applies to regular corporations, and it really speaks to the intent of a province of whether they want—I'm just speaking generally, hypothetically—to interfere with the provincial ability to regulate banks. Clearly a province may or may not then try to do that. I can say we haven't seen a lot of evidence of that.

**Mr. Robert-Falcon Ouellette:** But a federal—

**The Chair:** I think we are starting to stray a little distance from this amendment.

**Mr. Robert-Falcon Ouellette:** It's the same—

**The Chair:** Go ahead.

**Mr. Robert-Falcon Ouellette:** It's just the constitutionality. A lot of these examples you gave, the caisses Desjardins or the caisses populaires,

[*Translation*]

apply to provincially regulated industries. We're therefore talking about provincial jurisdiction. On the other hand, the Bank of Montreal, CIBC or the National Bank are country-wide banks that aren't governed by a single provincial authority, but by a number of authorities. It's not the same thing. The difference is quite significant.

[*English*]

**Mr. Glenn Campbell:** They may not be the same thing. Let me go back and correct; I may have misspoken earlier. This applies to Caisse populaire acadienne UNI credit. I misspoke earlier and said caisses populaires Desjardins. In fact, it clearly does not apply to Desjardins.

Mr. Girard.

[*Translation*]

**Mr. Jean-François Girard:** Some questions concerned the rules that apply to provincial entities in relation to the rules that apply to banks. As it stands, the bill doesn't change the situation. Currently, some entities are provincially regulated. These include the caisses populaires Desjardins or entities covered by a provincial licence and governed by a certain number of provincial rules. Moreover, certain banks are currently governed by the Bank Act. The rules aren't necessarily identical.

This bill won't change the situation. For example, provincial entities that operate today according to the provincial rules will continue to do so if this bill is adopted. The two types of entities are governed by two types of regulations, and the bill as it stands won't change this situation.



[English]

**The Chair:** We are voting on the Bloc Québécois amendment BQ-2, which is an amendment to clause 117.

**Mr. Steven MacKinnon:** Of the amendment, or—

**The Chair:** The BQ-2 amendment. We're dealing with the amendment.

(Amendment negated [See *Minutes of Proceedings*])

**The Chair:** Shall clause 117 carry?

**Mr. Guy Caron:** Are we going one by one, or—

**The Chair:** I'll deal with clause 117 first and then I'll deal with the bunch.

[Translation]

**Mr. Guy Caron:** I request a recorded division.

[English]

**The Chair:** Okay, we have a request for a recorded division on clause 117.

(Clause 117 agreed to: yeas 5; nays 4)

**The Chair:** There are no amendments from clauses 118 to 130. Does anybody have any questions?

[Translation]

**Mr. Guy Caron:** I request a recorded division.

[English]

**The Chair:** I'm blocking them together.

[Translation]

**Mr. Guy Caron:** I request a recorded division on all the sections.

[English]

**The Chair:** You want a recorded division. I am told we need unanimous consent to have a recorded vote on a block of clauses together.

• (1810)

[Translation]

**Mr. Guy Caron:** Okay.

[English]

**Mr. Steven MacKinnon:** No.

[Translation]

**Mr. Guy Caron:** They need to be dealt with one by one.

[English]

**The Chair:** Okay. If we're going to do a recorded vote, we'll have to go through them one by one.

[Translation]

**Mr. Steven MacKinnon:** If you want to be irresponsible, let's go.

[English]

**The Chair:** We will have a recorded vote on whether clause 118 carries.

(Clause 118 agreed to: yeas 5; nays 4)

[Translation]

**Mr. Guy Caron:** I want to rise on a point of order.

I'm curious. I was wondering whether we could do the same thing we do in the House and apply votes in the case of a recorded division.

[English]

**The Chair:** That requires unanimous consent as well, to apply votes.

Is there unanimous consent?

**Mr. Steven MacKinnon:** No.

**The Chair:** We will have a recorded vote on whether clause 119 carries.

[Translation]

**Mr. Guy Caron:** This will be the case until clause 135.

[English]

**The Chair:** Okay, we're going through them one at a time.

(Clause 119 agreed to: yeas 5; nays 4)

(Clause 120 agreed to: yeas 5; nays 4)

(Clause 121 agreed to: yeas 5; nays 4)

(Clause 122 agreed to: yeas 5; nays 4)

(Clause 123 agreed to: yeas 5; nays 4)

(Clause 124 agreed to: yeas 5; nays 4)

(Clause 125 agreed to: yeas 5; nays 4)

(Clause 126 agreed to: yeas 5; nays 4)

(Clause 127 agreed to: yeas 5; nays 4)

(Clause 128 agreed to: yeas 5; nays 4)

(Clause 129 agreed to: yeas 5; nays 4)

(Clause 130 agreed to: yeas 5; nays 4)

• (1815)

(On Clause 131)

**The Chair:** Turning to amendment BQ-3 on clause 131, I think we pretty well had that discussion. We're satisfied with that discussion. Shall amendment BQ-3 to clause 131 carry?

(Amendment negated)

**The Chair:** On amendment LIB-1, Ms. O'Connell.

**Ms. Jennifer O'Connell:** Mr. Chair, these are simply house-keeping amendments. Frankly, they're typos that are being corrected.

Paragraph (a) gets rid of a double “*moyen*” in the text, and paragraph (b) replaces “(A) or (B)” with “(B) or (C)”.

It's strictly housekeeping.

**The Chair:** Is there any discussion on LIB-1?

Mr. Albas.

**Mr. Dan Albas:** I appreciate Ms. O'Connell's intervention. I'm asking officials if the housekeeping aspects of this amendment are correct.

[*Translation*]

**Mr. Jean-François Girard:** Okay.

[*English*]

**The Chair:** Is there any further discussion?

(Amendment agreed to)

We're voting on clause 131, as amended.

[*Translation*]

**Mr. Guy Caron:** I request a recorded division, Mr. Chair.

[*English*]

I would like recorded votes up to clause 135.

**The Chair:** There will be recorded votes up to clause 135.

(Clause 131 as amended agreed to: yeas 5; nays 4)

(Clause 132 agreed to: yeas 5; nays 4)

(Clause 133 agreed to: yeas 5; nays 4)

(Clause 134 agreed to: yeas 5; nays 4)

(Clause 135 agreed to: yeas 5; nays 4)

•(1820)

**The Chair:** There are no amendments from clauses 136 to 145.

Shall clauses 136 to 145 carry?

(Clauses 136 to 145 inclusive agreed to on division)

**The Chair:** Next is clause 1, the short title.

(Clause 1 agreed to on division)

**The Chair:** Shall the title carry?

**Some hon. members:** Agreed.

**An hon. member:** On division.

**The Chair:** Shall the bill as amended carry?

**Some hon. members:** Agreed.

**An hon. member:** On division.

**The Chair:** Shall I report the bill as amended to the House?

**Some hon. members:** Agreed.

**An hon. member:** On division.

**The Chair:** Shall the committee order a reprint of the bill?

**Some hon. members:** Agreed.

**An hon. member:** On division.

**The Chair:** That completes Bill C-29.

Mr. MacKinnon, you have a motion.

**Mr. Steven MacKinnon:** I do. Would you like me to read it?

**The Chair:** Yes, I believe the officials have already left, but for those who are still here, the committee thanks them for their efforts today in coming before the committee to give us their opinion on the matters that were raised with them.

Mr. MacKinnon.

**Mr. Steven MacKinnon:** Would you like me to read the motion, Mr. Chair?

**The Chair:** Well, you'd better tell us what motion it is.

**Mr. Steven MacKinnon:** It's the one dealing with Bill S-4.

**The Chair:** The clerk has copies. Could you lay them out? It is legislation, so we have to deal with it.

**Mr. Steven MacKinnon:** It's a strictly procedural motion which I think is self-explanatory, Mr. Chair.

**The Chair:** We'll pass it out and then go with it.

The motion is with respect to Bill S-4.

Do you want to explain it a little, or do you want to just move it?

**Mr. Steven MacKinnon:** I'll just move it.

**The Chair:** That's good.

Is there any discussion on the motion by Mr. MacKinnon regarding Bill S-4, an act to implement a convention and an arrangement for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income and to amend an act in respect of a similar agreement?

Go ahead, Mr. Caron.

[*Translation*]

**Mr. Guy Caron:** Mr. Chair, can the motion be amended at least with regard to the list of witnesses? The motion indicates that the list of witnesses must be submitted no later than tomorrow at noon. That's in less than 24 hours, which isn't much time.

**Mr. Steven MacKinnon:** How much time do you want?

**Mr. Guy Caron:** There will be a one-hour meeting on Monday, December 5, and another meeting on Tuesday, December 6.

**Mr. Steven MacKinnon:** If necessary.

**Mr. Guy Caron:** We'll probably propose one or two witnesses. However, I would like to have at least until Thursday to do so, if possible.

**Mr. Steven MacKinnon:** I was going to propose a deadline of tomorrow at 5 p.m.

**Mr. Guy Caron:** And if we said Wednesday at noon?

**Mr. Steven MacKinnon:** Okay.

Ms. Cadieux, does that give you enough time?

**The Clerk of the Committee (Ms. Suzie Cadieux):** It depends on the witnesses. The more time we have to invite them the better. If certain committee members have witnesses who are available tomorrow, the members should send us the witnesses' names and we'll contact them immediately. If you agree with the Wednesday deadline, we'll call the witnesses starting at noon.

**Mr. Steven MacKinnon:** Does Wednesday at noon cause problems for you?

**The Clerk:** Not necessarily for me. Witnesses are always telling us they don't have much time to prepare. It's the nature of the beast. The committee must determine the deadlines it considers reasonable. Most other committees have at least one week to contact witnesses. For our committee, that's rarely the case.

• (1825)

[*English*]

**The Chair:** Mr. Albas.

[*Translation*]

**Mr. Dan Albas:** Mr. Chair, the idea of the member opposite is quite good.

[*English*]

I think these kinds of motions really draw the ire of someone who actually wants us to do our work. This has obviously received.... This is a government bill. It should be treated with respect. However, so should Parliament.

If parliamentarians cannot be given the time to, first of all, see which witnesses we should be inviting to our study, then we will not have good testimony. If we do not have good testimony, we are not doing our jobs.

I think that this is completely abhorrent to proper process and proper conduct by parliamentarians. I think no one will disagree with me that this is fast and loose and is not going to, at the end of day, produce a parliamentary study that we can be proud of.

If members opposite are okay with that, then just simply say yes to Mr. MacKinnon's motion, but we owe a bit more to this place than simply rubber-stamping what comes in from the government.

Believe me, I heard the same kind of stuff when I was on that side. But you have a greater appreciation for this place when we actually let it function, and committee is the one chance where parliamentarians get to do a deeper dive into these bills.

S I would ask Mr. MacKinnon to push back on this and to not engage in such a quick and hurried study. We are not doing our jobs. We are not doing service to this place, and I think at the end of the day, we let ourselves down, Mr. Chair.

**The Chair:** Mr. Deltell.

[*Translation*]

**Mr. Gérard Deltell:** Thank you, Mr. Chair.

I think I understand that the approach being presented here is, technically speaking, the usual approach. Bill S-4 is no small matter. The schedule is extremely tight.

Can we assume that everything can be done within the time frames set out in the motion? We first need to know the number of witnesses to determine whether that's possible. Seventeen hours and 33 minutes to find witnesses is not much time. We should at least extend the deadlines for submitting the list of witnesses. If necessary, we should provide more time. We can't get ahead of ourselves.

[*English*]

**The Chair:** Okay.

Mr. MacKinnon.

**Mr. Steven MacKinnon:** I would consider it to be a friendly amendment to adjust the timing until Wednesday at noon. I think that would be fine, noting the clerk's comments about getting witnesses in tomorrow if at all possible so that she may contact them more quickly.

As for Mr. Albas, it has been 13 months, but I didn't think his memory was getting that short about how committees used to work around here and how they work now. The amount of public hearings and rigorous study that we're giving to bills, the pre-budget process, and frankly, the amount of opposition input that we are allowing—I remember discussing with my friends on the other side about the pre-budget recommendations last year—

**The Chair:** I think we're going down a road that we perhaps should not—

**Mr. Steven MacKinnon:** He went down the road, Mr. Chairman.

**The Chair:** Could we stay on the topic of this bill?

The fact of the matter is, if they don't get this bill to us from the Senate, this could be a problem.

**Mr. Steven MacKinnon:** There's a prestudy.

**The Chair:** It's a prestudy, but I think we're looking at going to clause-by-clause consideration on the 12th, and that means we have to have the bill before then.

I'm going to stick to the essence of this motion.

**Mr. Steven MacKinnon:** It's a friendly amendment.

**The Chair:** Are we agreed to the friendly amendment?

**An hon. member:** No.

**Mr. Steven MacKinnon:** I guess it's not friendly then.

We'll have to stick with the motion that's—

**The Chair:** On the original motion, you're not moving the amendment then?

**Mr. Guy Caron:** I'm moving the amendment.

**The Chair:** You're moving the amendment for it to be Wednesday at noon.

**Mr. Guy Caron:** That's right.

**The Chair:** Then the amendment would be that the deadline to submit witness lists for Bill S-4 to the clerk will be Wednesday at noon.

The amendment is on the floor. That's what we're discussing.

(Amendment agreed to [*See Minutes of Proceedings*])

**The Chair:** With discussion on the motion as amended, we have Mr. Albas and then Mr. Ouellette

• (1830)

**Mr. Dan Albas:** I'm going to be very brief.

I served as a parliamentary secretary. I worked with members on a committee that was opposition chaired and we got more unanimous reports done than any other iteration of that committee did in 10 years.

We did that by going across and talking about these things ahead of time, asking for input, and working together on what was reasonable. There are always going to be politics in this place, but that doesn't mean we can't be good parliamentarians.

This approach, Mr. MacKinnon through the chair, is not a productive way to do that. If you want to antagonize one another, these are the kinds of things that drive people nuts. I do have a very good memory, and I do know that that process worked. Perhaps members opposite may want to reconsider their approach.

**The Chair:** Mr. Ouellette and then Mr. MacKinnon.

**Mr. Robert-Falcon Ouellette:** Thank you, Dan, for the comment. I think we can work together.

I'd just like to point out that it is a Senate bill. It's at second reading in the Senate as of November 24. This is actually a very interesting bill. It's not a very big bill, but it looks at the:

...convention between the Government of Canada and the Government of the State of Israel for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income and an arrangement between the Canadian Trade Office in Taipei and the Taipei Economic and Cultural Office in Canada for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income. It also amends the Canada-Hong Kong Tax Agreement Act, 2013 to add to it, for greater certainty, an interpretation provision.

The convention and arrangement are generally patterned on the Model Tax Convention on Income and on Capital developed by the Organisation for Economic Co-operation and Development.

It has two main objectives:

...the avoidance of double taxation and the prevention of fiscal evasion. Once implemented, they will provide relief from taxation rules in, or related to, the Income Tax Act. Their implementation requires the enactment of this Act.

It's a very small thing. Often you see these things go by. There was, for instance, a trade treaty with Mongolia that was tabled in the House just last September. These are the types of things that, for whatever reason, were introduced in the Senate. I understand that we would love to study the taxation issues of double taxation of Taipei and Hong Kong. I would also love to have had a bit more advance warning. I hope the whip's office hears that, because I do like to get information beforehand. It's something that I think we can deal with swiftly and see through to ensure that we can actually build these economic bridges with Taipei and Hong Kong and with the State of Israel to ensure that a few companies aren't double taxed.

Thank you, Mr. Chair.

**The Chair:** Mr. MacKinnon, you had your hand up and Mr. Liepert.

**Mr. Steven MacKinnon:** Mr. Chair, I can't let Mr. Albas' comments go without a response, only to say that I took care to walk over to the other side last week. I can't remember specifically if you were there, but I know I spoke to members from both parties last week. I took care to run this motion by you and I filed notice five days ago, so we've had all that time to consider it. This is hardly anything precipitous.

**The Chair:** Could you mention why it's so urgent that this be dealt with?

Go ahead, Mr. Liepert.

**Mr. Ron Liepert:** We have almost another three years left of this government. I don't see the urgency that we have to ram this thing through committee stage in, literally, the next 10 days. I cannot support this quick and dirty process. It just doesn't make any sense when we have all kinds of time.

There was nothing in what Mr. Ouellette just finished reading that seems to be urgent, so I would like to encourage the government to give this due process. We'll have lots of time in January to do that.

**The Chair:** I think if, from what I read, it was debated in the Senate, there is some urgency to it, Mr. Liepert. I don't know if Mr. MacKinnon wants to read what was stated in the Senate. I don't know if it's absolutely accurate or not.

● (1835)

**Mr. Steven MacKinnon:** We'll have a chance to review that. There is some urgency and perhaps a lot less complexity involved in this legislation than the members assume there is. That's all I would say, but we'll have time to study the bill and I'd suggest we vote on the main motion.

**The Chair:** Okay.

**Mr. Dan Albas:** Just to put it to members, when we sign these tax treaties and when there's a discrepancy between the Income Tax Act and a tax treaty, the tax treaty gets precedence. If we don't study these things, it could potentially contravene Canadian law in such a way that affects us. I think as parliamentarians, we should not tolerate a quick and dirty process, just because the government sees a couple of holes.

I've already made suggestions of what we could study. That's something that I think all of us would agree had a large amount of support in the House.

**The Chair:** All those in favour of the motion put forward by Mr. MacKinnon.

(Motion agreed to [See *Minutes of Proceedings*])

**Ms. Jennifer O'Connell:** Mr. Chair, I have a motion as well that was put on notice. I see you picking up the gavel.

**The Chair:** I am picking up the gavel because I'm going to adjourn fairly quickly.

**Ms. Jennifer O'Connell:** Mr. Chair, I have a motion that I gave notice on.

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

**Ms. Jennifer O'Connell:** Mr. Chair, I move:

That the Finance Committee make a report to the House, no later than December 2, 2016, recommending that the Government raise the issue of child rearing and disability drop out provisions at the next Provincial and Territorial Finance Ministers meeting, in the context of the Triennial review of the Canada Pension Plan.

The motion is also provided in French.

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

**Mr. Dan Albas:** Mr. Chair, I don't think you'll find this in order because we were discussing it as an amendment and the amendment was still being discussed. Therefore, the member can't move a motion that's already been moved.

**Ms. Jennifer O'Connell:** Not if there's substantial change, Mr. Chair.

**Mr. Dan Albas:** There's supposed to be 48 hours' notice for a change, Mr. Chair.

**The Chair:** It is substantially different because there is a deadline in this one now. It's actually dated.

**Ms. Jennifer O'Connell:** Also, I provided 48 hours' notice

**Mr. Dan Albas:** Mr. Chair, again I would just say that the committee has to deal with the previous business first before you can move on to new business. We already have something on our order paper, so to speak, with regard to this exact topic.

**The Chair:** This is a separate motion. This is not an amendment to a previous motion.

**Mr. Steven MacKinnon:** We don't have an order.

**Mr. Dan Albas:** We do have a list of precedents as to what gets done and we actually have that as a debate. You can't have two different discussions on two different motions that touch the same topic.

Has the member given us 48 hours' notice for her to move this?

**Ms. Jennifer O'Connell:** Yes.

**The Chair:** Yes, it was issued on Friday.

**Mr. Ron Liepert:** Is it 48 business hours?

**The Chair:** Yes.

**Mr. Ron Liepert:** Then it's not 48 hours.

**The Chair:** I'm informed that because we're under committee business it can be brought forward now, and it is substantially different, in that it has a date and it is a motion, while the other is an amendment to a motion.

It is, then, on the floor. Is there any discussion?

**Ms. Jennifer O'Connell:** Mr. Chair, I'd like a recorded—

**The Chair:** Mr. Caron.

[*Translation*]

**Mr. Guy Caron:** I didn't attend the committee meeting where the discussion took place regarding the motion submitted initially by my colleague, Scott Duvall. This motion wasn't approved by the committee. I want to know how Ms. O'Connell's words are different and how they would lead us to vote for her motion as opposed to Mr. Duvall's motion, which wasn't adopted.

[*English*]

**The Chair:** Let me explain, Mr. Caron.

There was a motion by Mr. Duvall, an amendment to Mr. Duvall's motion was put forward, and the meeting adjourned. The chair may not have been quite correct in adjourning that meeting, but I did, and that's done, so I'm told. We thus never finished the debate on the amendment to Mr. Duvall's motion or on his motion.

That amendment contained no dates. The motion that is being put forward by Ms. O'Connell now is different, in that it has a deadline in it and isn't an amendment to a motion.

Go ahead, Mr. Caron.

• (1840)

[*Translation*]

**Mr. Guy Caron:** I question the relevance of studying this motion when we haven't finished discussing or ruling on the other motion. I also think the motion doesn't mean much since it repeats what we hear during the question period.

The federal government and the provinces meet to discuss the enhancement of the Canada pension plan. I've already seen these meetings. In fact, I've already attended these meetings, not necessarily from the inside, but at least from the outside. Details such as the issue of child-rearing and disability dropout provisions are not discussed at these meetings. A general agreement is reached on the key principles specifically.

One thing is clear in this case. When drafting Bill C-26, the government made an error that excluded these elements. There's no need to bring this matter to a federal-provincial meeting. Instead of discussing this motion, I want us to finish dealing with the motion submitted, and even amended, by my colleague, Scott Duvall. Otherwise, I would consider this matter more a political game than anything else.

[*English*]

**The Chair:** I can only deal with what is on the floor, and this motion is on the floor.

Mr. Ouellette is next, and then Ms. O'Connell.

[*Translation*]

**Mr. Robert-Falcon Ouellette:** I think this motion is excellent. It will place a bit more pressure on our Minister of Finance and the other ministers of finance, who are our partners when it comes to the Canada pension plan, or CPP.

When I spoke with public servants from the Department of Finance, I understood that there must be an agreement. A change must be made and the change must be approved by the majority of finance ministers because it's a new type of plan. It's an enhancement of the CPP.

For me, it's extremely important to protect women and ensure equality. I know you recognize this as well. I greatly appreciate your party's contribution to the House of Commons. I think many others also appreciate it.

This doesn't take away anything from what you did. However, this motion will certainly proceed more quickly. Ultimately, I don't want the Minister of Finance to leave next week without the matter having been dealt with by the committee.

[English]

It's very important that this subject matter be treated as soon as possible. At the end of the day, I don't want the finance minister ending up in this meeting with the other finance ministers and not having a certain level, not only on ourselves as a government, but also on all our partners in the provinces, to ensure that all of them know that this is important, that it was talked about in Parliament, that there is a motion on the floor, that the Liberal Party, the NDP, and hopefully the Conservatives, are all behind this idea of equality for women and for people with disabilities. This is a change that we'd like to see, and done in a good way.

I'm very supportive of this, and I appreciate Ms. O'Connell and her hard work in trying to get this together.

**The Chair:** Mr. Albas.

**Mr. Dan Albas:** Mr. Chair, we've been very supportive of the NDP for raising their views and not having debates shut down as it was in previous times. That being said, this particular motion is exactly the same motion they put forward to try to steal the thunder of the NDP. They raised an issue they thought had resonance. This is more a fight between the Liberals and the New Democrats to show who cares the most about these kinds of issues. We've already made our comments very clear on Bill C-26. We're just going to step out and let the Liberals and NDP deal with one another on this matter.

• (1845)

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

Mr. Caron, you're next.

**Mr. Guy Caron:** I'll try in English so maybe the message will carry this time.

There is no way with respect to the federal-provincial negotiations which took place, where there was an agreement to increase the CPP, that the provinces and the federal government agreed to drop the issues regarding the child rearing and disability provisions. There's no way that was negotiated. It didn't come. The only reason this is a problem right now is that it's been dropped during the drafting of the federal legislation.

It means the provinces have nothing to say about this. I'm fairly sure the provinces and territories signed the agreement with the understanding that those provisions will still be there. There is no need to wait until the federal-provincial meeting to address this question, unless you can tell me that when it was signed, when there was that big ceremony, both federal and provincial governments agreed to drop those provisions. I don't believe that was the case.

**Mr. Ron Liepert:** That was sloppy on their part.

**Mr. Guy Caron:** Yes. That means it doesn't require going back and having the approval of the provinces.

**The Chair:** Okay, you've made your point.

Is there any further discussion on this motion?

Mr. Caron.

[Translation]

**Mr. Guy Caron:** I request a recorded division, Mr. Chair.

[English]

**The Chair:** Okay, we'll have a recorded vote.

(Motion agreed to [See *Minutes of Proceedings*])

Mr. Caron.

[Translation]

**Mr. Guy Caron:** Will it still be useful for the committee to study Mr. Duvall's motion?

[English]

**The Chair:** Yes, it will, and if you want to pull it up, you can pull it up.

[Translation]

**Mr. Guy Caron:** I'll leave it to Mr. Duvall to do so at the next meeting.

[English]

**The Chair:** Okay, at the next opportunity when he's here.

The deadline for recommendations for the pre-budget consultation is tomorrow at 3:30. We need an indication of how many recommendations are coming forward. I'm told it takes a day to translate 2,000 words. How many words? Do we have any idea what's coming forward from the parties because we're going to run into a time crunch on translation.

Mr. Caron.

**Mr. Guy Caron:** I'm being told that at this point—and that's probably where it will end—we have about a page and a half.

**The Chair:** You have a page and a half of recommendations?

**Mr. Guy Caron:** Yes.

**The Chair:** How many words are on a page? Does anybody know?

**Mr. Steven MacKinnon:** I want a clarification. Wasn't the deadline for recommendations translated?

**The Chair:** It's 3:30 p.m. tomorrow.

**Mr. Steven MacKinnon:** For 3:30 p.m. tomorrow.

**The Clerk:** That's the issue. The issue is that if all of the parties are submitting 2,000 words between now and later tonight to be translated for the meeting at 3:30 p.m. tomorrow—

**Mr. Steven MacKinnon:** We're not going to get there.

**The Clerk:** —logistically it's impossible if all the parties are submitting that much content at the same time.

We're just trying to gauge if we can still respect that 3:30 p.m. deadline in order to have it distributed or not. We're just trying to gauge approximately how many words the translators would have to translate.

**The Chair:** Mr. Caron.

[*Translation*]

**Mr. Guy Caron:** We've already addressed this issue. In the past, it wasn't necessary to have the recommendations at the same time as the report. We can cover the full report, which will likely take more than one meeting. Generally, two meetings are required. The recommendations will be available at the end of the second meeting, when we can discuss them properly.

**Mr. Steven MacKinnon:** Two meetings were scheduled to discuss the report. Is that correct?

**The Clerk:** Yes.

• (1850)

[*English*]

**The Chair:** The clerk indicates to me that the worst-case scenario is we could distribute the recommendations in both official languages Wednesday, as soon as they're available, so that we would have them to discuss on Thursday.

I've been talking to a number of people about this. It's too bad we can't find a meeting soon where we can discuss the whole process of pre-budget consultations. We ran the time frame. It's what's in legislation, I guess, but the Library of Parliament worked nights to no end to get their document together. We didn't have the document for our own review to do recommendations. It's not their fault; it's ours.

I think we really need to talk about this and how we do pre-budget consultations. Whether they're too big or whatever, I don't know, but we really need to refine this thing so we're not stressing people out in the process, so that we have time to do our own work and the Library of Parliament has time to do theirs, and so the clerk's not run off her feet, too. We need that discussion.

What would be the deadline to have them in both official languages, then, if we're to go with that?

**The Clerk:** They would still have to send them for translation today, because they would have to have been sent to translation today to have them available for 3:30 p.m. tomorrow anyway.

**The Chair:** Okay, let's say a page and a half would take two and a half hours. The Liberals' was around—

**Mr. Steven MacKinnon:** It would be 2,500 words.

**The Chair:** So 2,500 words in two and a half hours. That's a day and a half.

**The Chair:** Do you have any idea yet?

**Mr. Dan Albas:** I think we said that we could go along with the same proposal as Mr. Caron said.

**The Chair:** So that would be five hours.

Okay, so we'll still aim for the 3:30 p.m. deadline tomorrow.

**The Clerk:** And if it changes....

**The Chair:** If it changes, we'll have to deal with it.

Okay, it just gives people a bit of notice of where we are beyond the confusion, but I do think we need to find time to talk, while the situation is still fresh in our minds, on pre-budget consultations. This process is just a killer.

**Mr. Dan Albas:** Unfortunately, I don't think we're going to have very much time squirrelled away in December, but if there is time, we should try to do it. I agree with you.

**The Chair:** Okay, the meeting is adjourned.

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