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Chair: Mrs. Kelly Block





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• (1105)

[*English*]

**The Chair (Mrs. Kelly Block (Carlton Trail—Eagle Creek, CPC)):** Good morning, everyone. It's good to see all of you. I call this meeting to order.

Welcome to meeting number 10 of the Standing Committee on Public Accounts. Pursuant to Standing Order 108(3)(g), the committee is meeting in public today to study “Report 2—Student Financial Assistance”, of the 2020 spring reports of the Auditor General of Canada.

Today's meeting is taking place in a hybrid format, pursuant to the House order of September 23.

To ensure an orderly meeting, I will outline a few rules as follows:

For those who are participating virtually, members and witnesses may speak in the official language of their choice. Interpretation services are available for this meeting. You have the choice at the bottom of your screen of the floor, English or French. Before speaking, click on the microphone icon to activate your own mike. When you have finished speaking, please put your mike on mute to minimize any interference. Unless there are exceptional circumstances, the use of headsets with a boom microphone is mandatory for everyone participating remotely. Should any technical challenges arise, please advise the chair. Please note that we might need to suspend for a few minutes as we need to ensure that all members are able to participate fully.

For those participating in person, masks are required unless you are seated and when physical distancing is not possible. Should you wish to get my attention, signal the clerk with a hand gesture. Should you wish to raise a point of order, please activate your microphone and indicate to me clearly that you wish to raise a point of order. With regard to a speaking list, the committee clerk and I will do our best to maintain a consolidated order of speaking for all members, whether you are participating virtually or in person.

I will now turn to our witnesses. Welcome.

Joining us today from the Office of the Auditor General of Canada, we have the Auditor General, Karen Hogan; Mathieu Lequain, director; and Philippe Le Goff, principal.

From the Canada Revenue Agency, we have Bob Hamilton, commissioner of revenue and chief executive officer; and Marc Lemieux, assistant commissioner, collections and verification branch.

From the Department of Employment and Social Development, we have Graham Flack, deputy minister, employment and social development; Atiq Rahman, acting assistant deputy minister, learning branch; and Marc Perlman, chief financial officer and senior assistant deputy minister.

As well, from the Financial Consumer Agency of Canada, we have Judith Robertson, commissioner.

For those of you who are making presentations, you will have five minutes to make your opening statements, and we'll begin with Ms. Hogan.

Ms. Hogan, you have the floor.

[*Translation*]

**Ms. Karen Hogan (Auditor General of Canada, Office of the Auditor General):** Madam Chair, thank you for this opportunity to discuss our report on student financial assistance, which was tabled in Parliament in July 2020.

Joining me today are Philippe Le Goff, who was the principal responsible for the audit, and Mathieu Lequain, who led the audit team.

At the time of our audit, the federal government had two programs to help students obtain financial assistance to attend college or university. These are the Canada student loans program and the Canada education savings program. The government considers this type of assistance to be an essential investment in Canada's labour force and economic growth.

This audit is important because there is a significant cost to the government when student loans are not repaid. In the 2018-19 fiscal year, that cost reached \$500 million, and the Chief Actuary of Canada predicted that the value of unpaid student loans will continue to grow.

Our report does not cover any assistance to students related to the pandemic as it was completed in December 2019. However, the pandemic is a compounding factor that has come into play since we issued our report. It may well cause labour market conditions to worsen, thereby limiting prospects for young adults. This might jeopardize their ability to repay their federal student loans. As a result, the value of unpaid and defaulted student loans reported earlier in the year would increase.

Overall, we found a number of areas in which Employment and Social Development Canada could improve how it manages student financial assistance.

On the loan side of student financial assistance programs, we found that the department did not properly check that information on applications to the repayment assistance plan was accurate, such as income. The department has known about this integrity problem and about the resulting risk that ineligible students might participate in the plan since 2015. At the time of our audit, the department did not have access to the Canada Revenue Agency's tax information to verify applicants' income, a practice that is used at the provincial level and that the department recognizes to be valuable.

• (1110)

[English]

As of July 31, 2018, 24% of borrowers whose student loans were due were participating in the repayment assistance plan. That translates into more than 200,000 borrowers who were struggling to repay their student loans, with the total loan value of \$3.6 billion. Almost nine out of 10 participants in the repayment assistance plan were making no payments. We found that Employment and Social Development Canada did not offer enough tools to help students understand their financial obligations under the Canada student loans program, despite recommendations from the Financial Consumer Agency of Canada to make this sort of information available.

Financial literacy is important, as for some students this is the first large financial commitment of their lives.

We also found that the Canada Revenue Agency did not have the tools it needed to maximize recovery once borrowers defaulted and student loans were transferred to the agency for collection. For example, the agency was using Employment and Social Development Canada's information system, which made it impossible for the agency to know exactly how much money was recovered by its own different activities and collection methods.

Finally, on the savings side of student financial assistance programs, we found that the government invested \$1.1 billion in the Canada education savings program in 2018, but low-income families did not fully participate in the program. For example, even though the Canada learning bond is paid by the government without any contribution from families, about 62% of eligible children did not receive it as of 2018 because no account had been opened for them.

In our view, it's important that Employment and Social Development Canada undertakes an evaluation that considers both the loans and the savings components of federal student financial assistance. This type of comprehensive review would work to ensure that the system is consistent and effective in achieving the objectives of promoting access to and completion of post-secondary education. We made five recommendations to Employment and Social Development Canada, and the department has provided us with an action plan. The committee may wish to ask the department what progress it has made to address our recommendations.

Madam Chair, this concludes my opening remarks. We'd be pleased to answer any questions the committee may have. Thank you.

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

We will now go to Mr. Hamilton for five minutes.

[Translation]

**Mr. Bob Hamilton (Commissioner of Revenue and Chief Executive Officer, Canada Revenue Agency):** Madam Chair, thank you for the opportunity to appear before you to discuss this report.

As you know, I am accompanied by Marc Lemieux, Assistant Commissioner of the Collections and Verification Branch at the Canada Revenue Agency.

For the CRA portion of the audit, the Office of the Auditor General examined whether ESDC and CRA analyzed student loan recovery activities and adjusted procedures accordingly to maximize the funds recovered for the federal government.

• (1115)

[English]

The Auditor General acknowledged that the CRA did not have the necessary tools to maximize the recovery of student loans in default. The methods available for the agency to recover student loans were more limited than those available to the agency under the Income Tax Act.

In the report, the Auditor General of Canada made five recommendations. None are addressed to the CRA. One audit recommendation does mention the CRA. To address that specific audit recommendation, ESDC is working with us to establish an information-sharing agreement, expected by the spring of 2021. This will enable CRA to strengthen verification of borrower marital status, income, spousal income and number of dependents against tax data during the repayment assistance plan application process.

Thank you, Madam Chair. I'm happy to answer any questions you may have.

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

We will now move to Mr. Flack.

[Translation]

**Mr. Graham Flack (Deputy Minister, Employment and Social Development, Department of Employment and Social Development):** Thank you, Madam Chair.

The report's recommendations align with our continuous work to strengthen the Canada student loans program, while making post-secondary education more affordable and accessible to all Canadians.

The government has made significant investments in recent years, including increasing Canada student grants and expanding its eligibility to make post-secondary education more affordable.

Since the onset of the pandemic, the government has taken measures to address the impacts of COVID-19 on students, which included temporarily suspending the repayment of student loans and applicable interest, and doubling Canada student grants for the current school year.

[English]

The government has also taken steps over the years to make student loan repayment more manageable. Most notable was in budget 2008, where the government announced the introduction of the repayment assistance plan, which was subsequently approved by Parliament and implemented in 2009.

RAP is a form of an income-contingent repayment system that allows student borrowers to repay only what they can reasonably afford given their income and family size. The government contributes to their payments such that the loan is paid off within 15 years of leaving school. In 2016, the government made it more generous by increasing the zero payment income threshold to \$25,000. This is a benefit, effectively like a deferred grant, and should not be viewed as a loss. In fact, the department has made and continues to make efforts to raise awareness of RAP, so that eligible borrowers can take advantage of it while they're trying to integrate into the labour market, but do not have sufficient revenue.

Spending on the RAP is very different from the write-off loss due to default. Therefore, we report separately on the two on the public accounts. Parliament has chosen to use grants to help students in financial need. The RAP is a means to assist students in precariously financial situations through the payment of their loan.

We agree with the OAG that we can improve on informing Parliament on program costs. We are already taking steps to do so. However, we intend to continue reporting program spending such as the RAP and write-off loss separately.

[Translation]

While we have made great strides, we know that there is still more work to do. We acknowledge the longer-term issues raised by the Office of the Auditor General. We agree with their recommendations, and we are taking action to address them.

Student loan repayment continues to be one of the priorities for the Canada student loans program. Our efforts in this area need to be coordinated with the provinces and other delivery partners.

Given the work that the department has already undertaken, we are confident that we will be able to implement our action plan, though some of the timelines may need to be reassessed due to the pandemic.

With respect to student financial literacy, we agree with the Office of the Auditor General that more needs to be done to improve financial literacy among young Canadians.

To this end, Employment and Social Development Canada, in consultation with the Financial Consumer Agency of Canada, developed a financial literacy plan in 2017 to inform borrowers of their repayment obligations and provide them with financial literacy tools.

The department has already launched a virtual repayment counsellor on the National Student Loans Service Centre web portal. New financial literacy content continues to be added on repayment options and obligations.

The department also has a plan to consult with provincial partners and external stakeholders on mandatory financial counselling for borrowers.

● (1120)

[English]

Finally, the OAG has recommended a comprehensive evaluation of both the Canada student loan program and the Canada education savings program.

While our ongoing evaluation work has focused on the impact of the two programs individually, the department has been working with Statistics Canada for several years now on developing appropriate data sets that would allow us to do a comprehensive evaluation to examine the interaction between the two programs.

After much technology and privacy work to link those data sets, that has now been completed. Our first evaluation of the interactions between the education savings program and the Canada student loan program is underway. With better understanding we will be able to take appropriate steps to reduce financial barriers to students.

All of the efforts we have been undertaking have ensured that the default rate on student loans continues to decline, from a high of 28% in 2003-04 to its current all-time low of 8%.

Some of this success can be attributed to the repayment assistance program, which provides support to borrowers in financial difficulty so that they can get back on their feet and focus on their careers. The use of this model—

**The Chair:** Thank you very much, Mr. Flack. Your five minutes is up.

I will now turn to Ms. Robertson for five minutes.

**Ms. Judith Robertson (Commissioner, Financial Consumer Agency of Canada):** Thank you. Good morning.

[Translation]

Madam Chair, members of the Standing Committee on Public Accounts, thank you for inviting me to appear before you today.

[English]

The Financial Consumer Agency of Canada is a federal agency that operates independently. We are primarily funded by the financial institutions that we regulate. Our mandate is to protect financial consumers in Canada, and we do that in two principal ways.

First, we supervise the federally regulated financial entities, primarily banks, for their compliance with the consumer protection measures in legislation. Second, we strengthen the financial literacy of Canadians through programs, tools and resources to help them make informed financial decisions, as informed consumers are better protected consumers. In addition, we undertake research and experimentation to provide the evidence to support these efforts.

All of this work is carried out in close collaboration with many organizations and individuals in the public, private and non-profit sectors. This enables us to extend our reach and our impact across the country.

As you know, financial literacy is a vital skill that people develop and augment as they go through the various stages of life, and starting young makes a difference. We thus undertake various activities focused on helping people develop good financial habits early in life.

For example, young Canadians were a key target audience of ours during the tenth annual financial literacy month, which just wrapped up yesterday. We hosted a webinar in collaboration with the Canadian Bankers Association that targeted young graduates.

We've also developed and piloted educational training materials for post-secondary students in collaboration with the Canadian Association of Student Financial Aid Administrators and Colleges and Institutes Canada. We chair a federal government committee of departments and agencies, which includes ESDC, that exchanges information and coordinates efforts on financial literacy.

These are just a few examples of how FCAC is helping advance financial literacy. As you can see, collaboration is central to our efforts, and our partnerships have proven to be a successful way to develop and deliver financial education initiatives.

Turning to the Auditor General's report, FCAC welcomes the recommendation that involves our efforts to strengthen the financial literacy of post-secondary students in collaboration with ESDC.

FCAC and the Canada student loans program team have a long-standing and positive relationship. Our joint focus is to help student loan borrowers improve their financial literacy and better manage their finances.

As discussed in the Auditor General's report, our two organizations have been working together to include the financial literacy tools and information in ESDC's National Student Loans Service Centre portal.

We are pleased to report that over the past year, FCAC's educational materials have been added to the student loan portal as well as to the personal dashboards of student borrowers. They include links to FCAC's budget planner and information on how loans and credit cards work and on consumer rights related to credit products.

There are also tips on paying back student loans and setting up an emergency fund.

Going forward we will continue to build on our close partnership with ESDC and support its efforts to make enhancements and to integrate new content into the portal.

In closing, I'd like to bring your attention to the fact that we recently announced the launch of public consultations to renew our national strategy for financial literacy. The first national strategy was adopted in 2015 and successfully laid out a road map to where we are today. These consultations for a new strategy will help us plan for the future. We invite anyone who is interested to share their ideas.

In closing, FCAC is committed to continue advancing financial literacy in Canada, with the support of federal government partners like ESDC and other stakeholders.

This completes my opening statement. I would be happy to answer any questions that you may have.

● (1125)

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

Thank you to all our witnesses for your opening statements.

We will now go to our first round of questioning, which is six minutes. We will start with Mr. Lawrence.

**Mr. Philip Lawrence (Northumberland—Peterborough South, CPC):** Thank you very much, Madam Chair, and thanks to all of our guests for being here. I really appreciate your time. I know that during the pandemic it's particularly difficult to get time away for committee but we do appreciate it and I do think it's important.

I'm going to start with you, Mr. Flack. When we look at the repayment assistance plan recipients, they are required to submit monthly pay stubs, but they are not required to file annual tax returns, as is the case in the Ontario program. During this pandemic, the government has often required businesses and non-profits struggling through some of the most difficult times in their lives to have income tax returns. Why are these business owners being forced to file and show their tax returns before they can be helped when we don't require this in the repayment assistance plan?

**Mr. Graham Flack:** Madam Chair, the way the RAP operates is that it largely deals with individuals who face sudden income loss. For sudden income loss, the income tax return that CRA has from the previous year is not actually useful for us in determining that.

For example, if we had someone who lost their job today and applied under the RAP, even if I had access to that person's data at CRA, the data would be for their 2019 tax year and it would not allow me to evaluate whether they were eligible for the repayment assistance program. We have to do that evaluation based on their income in the previous month. That's the way the program is structured. It's not retrospective and looking at their income in the previous year because indeed their income from the previous year would have been higher to be able to do that. That's why, for individuals who suffer that sudden loss, we have to use pay stubs and other methods to assess whether they're doing that.

Where the CRA data would be very useful for us is looking retrospectively where you have individuals in the program for a longer period of time. Since the program was set up in 2008, the government has never looked at making it obligatory for individuals to file taxes. The rules around filing taxes are rooted in whether an individual has sufficient income. For example, if they have no income, there would be no obligation to file taxes and we would have to find another way. That's something we can certainly look into. It's just not something that's been in place since Mr. Solberg set up the program in 2008.

**Mr. Philip Lawrence:** To be clear, so that I understand the program, if the person had made a million dollars in 2019, and lost their job on January 1, 2020, they would still be eligible for the RAP program. Is that correct?

• (1130)

**Mr. Graham Flack:** Atiq, can I turn to you on that? I don't believe there's an asset test.

**Mr. Atiq Rahman (Acting Assistant Deputy Minister, Learning Branch, Department of Employment and Social Development):** That is exactly correct, Madam Chair. It's based on income; it's not based on their savings or assets. If somebody loses their income, they become eligible at that point.

**Mr. Philip Lawrence:** For an individual who is only making \$30,000 a year in the previous year and hasn't had their income drop, and a person who made a million dollars in 2019 and did have the income drop, the person making \$30,000 would not be eligible, but the person who made a million dollars in the previous year would be. Is that correct?

**Mr. Graham Flack:** They could be eligible, depending on whether they have family members. We look at two factors. It's \$25,000 if they're single, but if they have additional family members, the number is higher. It's closer to \$59,000, I think.

**Mr. Philip Lawrence:** You understand my point there.

Thank you very much for that, Mr. Flack.

Moving on from there, Mr. Hamilton referred to an information-sharing agreement that's supposed to be in place in the spring of this year. Mr. Flack, you equivocated there a little bit.

Will we have that plan in place by the spring? What is the spring exactly? Is that March or May or when is that in 2021?

**Mr. Graham Flack:** Yes, we have a tentative agreement now. The target is to get that signed in March. The reason it has taken time is that we had to negotiate this with the provinces as well, because they needed to be supportive of this. The other reason this has taken time is that sensitive tax information will be accessed by a third party provider who provides the loans. That has resulted in some extensive consultations with CRA to ensure that the full integrity of that information is protected.

That's been the reason for the delay.

**Mr. Philip Lawrence:** Okay.

I'll move to you, Mr. Flack. Sorry, I'm taking up all of your time here. The Auditor General has noted that over 20% of borrowers under the student loans program made no repayments, highlighting that there are obviously some major issues in the program.

That's what I wanted to focus on there. We're at 20%. What is the target? Are we still at 20% with COVID? Has that number gotten worse? I sort of assumed it would have. What is our target there? What's the number we want to get to? What are other jurisdictions at?

**Mr. Graham Flack:** In fact, there is not a target around that because the program is designed to be what we call an automatic stabilizer. In the event, for example, of a recession, one would expect to see younger people losing their jobs in greater numbers than others, and one would expect to see, temporarily, much higher numbers resort to the program.

I think the repayment program was a deliberate design by Parliament to say that in the case where a large group of individuals get into serious difficulty financially because of the broader economic effects, the government shall provide more support. It's not unlike the employment insurance system. We don't have a target on a given year for what it is. It's an entitlement based on income.

The number of people who are not repaying the loans reflects the fact that those individuals are below the income threshold that Parliament has set for which those individuals are entitled to, in effect, a deferred grant to cover the costs of their loans.

**Mr. Philip Lawrence:** Excuse me.

Madam Chair, I know I'm running short of time. Can I get one more question in?

**The Chair:** You're out of time. I'm very sorry. You're at six minutes and two seconds.

**Mr. Philip Lawrence:** I want Mr. Longfield back.

**The Chair:** We will move on to Mr. Ferguson.

[Translation]

**Mr. Greg Ferguson (Hull—Aylmer, Lib.):** Thank you very much, Madam Chair.

Good morning to all the witnesses.

Ms. Hogan, it is a pleasure to see you appear before the committee again.

My questions are about the relationship between the.... Perhaps I should say it in English.

[English]

My questions concern the financial accountability of the recipient of the loans to the department and the relationship between that and falling into default or being delinquent on their loans.

If we look at recommendation 2.35, I know the Auditor General indicated the following:

To prompt borrowers to be more diligent about repaying their student debt, Employment and Social Development Canada should inform credit bureaus about student debts in default.

Madam Hogan, are a lot of students defaulting on their debts?

I'm just thinking back to the time when I was young and I wasn't perhaps the most responsibly financial person there is. Would you find that there would be a better solution than reporting them to the credit bureau, which would, of course, put a stain on their credit record, which can carry forward, just as they're starting in life and their careers?

• (1135)

**Ms. Karen Hogan:** I agree with you that a better solution would be to ensure that they are well educated on financial obligations and what they have agreed to when they enter the student loans program.

An item to note is that, for the first six months post education, there is no expectation of payments. Then, if payments do not begin, a loan is delinquent after that six-month period. During the delinquent period, they are reported to the credit bureau.

If it extends beyond that, I think it's about nine months after—

**Mr. Greg Fergus:** Yes, it's 170 days.

**Ms. Karen Hogan:**—they would be considered in default; and then in default, they're no longer reported to the credit bureau.

We were looking for some consistency in the treatment, but as you say, financial literacy education is the best place for the government to start.

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

Next, then, I have two questions for the FCAC.

First, what progress can you report regarding providing ESDC with access to education materials for inclusion on the web portal?

My second question is a little more qualitative. What sense do you have that providing more information has led to better outcomes? Do you have any data on that front that would point to the default rate being lower, or the repayment rate higher, when students are provided with more of an informed choice as to what they're undertaking when they have these loans?

**Ms. Judith Robertson:** Thank you. I'm happy to respond to this question.

The first part is on the progress. We're actually very happy to report the progress that has been made, which has been made in stages. There are links to the various materials that we already have

on our website, many of which are designed specifically for students.

In addition, one of the things I would point to that we think is quite pertinent to this population is the link to our budget planner, which is a tool that we introduced last year. It is a very simple and easy-to-use planning tool, really—I know that budgets tend to be a bit non-sexy—but it incorporates behavioural insights and prompts and nudges, so we're really looking forward to this as a way to see the—

**Mr. Greg Fergus:** I'm sorry to interrupt, but do you have any early data as to whether or not it has led to less of a default or delinquency in their paying back their loans?

**Ms. Judith Robertson:** Sorry, I don't have any specific data on the impact on the student loans, but evaluation is something that we do for all of our tools over time. As I said, this was just introduced a year ago, so we're looking forward to conducting those evaluations.

**Mr. Greg Fergus:** My wife made me familiar with a great line that “in theory there is no difference between theory and practice, [but] in practice there is”. Do you have any data on other programs where you saw that, where people had informed themselves, they come from a certain population group and you've seen better results in terms of their being able to pay back the monies they owe?

**Ms. Judith Robertson:** We do. We had some really interesting research that we published last year and that we continue to build on. It's identifying specific behaviours that make a difference in what we call financial well-being. This is self-reported. A couple of behaviours really shone as making a difference, independent of the level of income. Of course, now we're not talking about subsistence. We're talking about people who do have incomes. Budgeting is one of the key ones. Those who planned for expenses and purchases and kept track really made a significant difference in their self-assessment. The second one is generating an emergency fund or a reserve fund, having some reserve to fall back on so that you aren't required to borrow in an unanticipated or unplanned way.

• (1140)

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

We will now move on to Mr. Blanchette-Joncas.

[Translation]

**Mr. Maxime Blanchette-Joncas (Rimouski-Neigette—Témiscouata—Les Basques, BQ):** Thank you, Madam Chair.

First, I would like to take some of my time to express the deep unease I felt earlier when my colleague Mr. Fergus began his speech in French and then stated: “Perhaps I should say it in English.” It is as if the French language is from another planet and it will be impossible for witnesses and committee members to understand.



Madam Chair, as a Quebecker, my official language is French. I want to make it clear that I have no qualms about speaking French, and I hope that my colleagues do not feel embarrassed or afraid to speak in one of Canada's two official languages. I just wanted to say this at the beginning of my speech, because I can absolutely—

[*English*]

**Mr. Greg Fergus:** I have a point of privilege, Madam Chair.

**The Chair:** A point of order, Mr. Fergus?

[*Translation*]

**Mr. Greg Fergus:** Yes, Madam Chair.

The only reason I switched from French to English to make my comments is that I had read the English version of the document I was about to quote. As I was not able to provide a free translation, I changed the language. That's the only reason.

I have a very good relationship with Mr. Blanchette-Joncas, so I wanted to inform him that this was the only reason. I must admit that I felt a little hurt when he said that I did not respect the French language. The only reason I spoke in English was because I had the technical terms in English in mind.

[*English*]

**The Chair:** Thank you very much, Mr. Fergus. I—

[*Translation*]

**Mr. Maxime Blanchette-Joncas:** Madam Chair, a point of order from me as well.

I would like to tell my colleague that I did not suggest any ill intentions on his part. I never clearly stated that he did not respect the French language. I simply expressed the discomfort I felt at the beginning of his speech. I welcome his clarifications. However, I find it more difficult when people suggest that I said things I did not say or, even worse, when people claim that I said things I did not say. At any rate, I thank my colleague for his clarification.

Madam Chair, while I have the floor, let me continue on the topic that brings us together today, which is the Auditor General's report.

Good morning, Ms. Hogan, distinguished witnesses.

Of course, we notice—

[*English*]

**The Chair:** Thank you very much, Mr. Blanchette-Joncas. I've been able to confer with the clerk, and these are not points of order. I appreciate that you have expressed your opinions. As you appear to be ready to do so, we will move back to the questioning. We did stop the clock, so we will start the clock now.

[*Translation*]

**Mr. Maxime Blanchette-Joncas:** That is excellent, Madam Chair. My thanks to you and to the clerk for that clarification.

So let's come back to the main topic, that is, the Auditor General's report.

Of course, Quebec has its own student financial assistance program. So the federal student financial assistance program supports

students from other provinces. In its report, the Office of the Auditor General showed some gaps in the management of this program, in terms of debt recovery. The reality is that students do not understand their financial obligations. The Auditor General reported that \$2.4 billion in debt was outstanding. While this does not directly affect Quebec students, it does affect Quebec and Canadian taxpayers. Actually, if students in the rest of the country don't pay their student debts, ultimately, all taxpayers will have to pay them.

Ms. Hogan, looking at your speaking notes, I stopped at paragraph 6. You say that the department has known about the integrity problem and about the risk that ineligible students might participate in the plan since 2015. On the loan side of student financial assistance programs, you say that the department does not properly check the information on applications to the repayment assistance plan, because it has no way of checking the accuracy.

At the time of the audit, did the Canada Revenue Agency not have the information to check the income of applicants? This was a well-known practice in other provinces, particularly in Quebec.

Can you tell us in more detail what measures the Canada Revenue Agency should put in place to properly check the applications?

● (1145)

**Ms. Karen Hogan:** Thank you for the question.

There is a threshold for the income that a borrower can have to qualify for the repayment assistance plan. The department had noticed, as we did later on, that a number of borrowers had incomes above the threshold. There was a lack of information on that. We therefore encouraged the exchange of information between the department and the Canada Revenue Agency. As the other witnesses mentioned, we are in the process of reviewing that. For example, the audit could be done by looking at previous years' tax returns. There could also be more information when determining people's eligibility. In addition, there should be ongoing monitoring while people are taking part in the repayment assistance plan.

**Mr. Maxime Blanchette-Joncas:** Thank you, Ms. Hogan.

Let me make an observation. We know that education is an area of provincial jurisdiction under the Constitution, particularly in Quebec. Logically, student assistance programs should therefore be the responsibility of the provinces. In Quebec, we have known that for more than 50 years, even since Daniel Johnson.

Would you not say that there are simply too many levels of bureaucracy that unduly complicate matters and that mean that we end up in situations such as the ones you describe in your report?

**Ms. Karen Hogan:** It is difficult to answer that question. Determining who runs a student loan program is really a political matter.

I feel that ESDC could benefit from more information in order to understand why borrowers in the repayment assistance plan are not paying their loans back. It would involve doing a more in-depth evaluation of the program, as well as the way in which it interacts with the Canada education savings program.

Regardless of whether the assistance comes from a province or from the federal government, the goal is to increase the number of students in Canada. Deciding which level of government it should come from is really a political matter. I will leave that decision to those in Parliament.

**Mr. Maxime Blanchette-Joncas:** Thank you, Ms. Hogan. I did not want to make you uncomfortable, not at all. I just wanted you to tell me your observations about the levels of bureaucracy, with a view to improving the efficiency and effectiveness of the whole.

In your report, were you able to determine whether communication flows easily and effectively between the provinces and the federal government? The latter runs the study programs for the students but, in reality, the provinces run the schools and communicate with the students, to a certain extent.

Did you feel that it was effective and that communication and management flowed easily?

**Ms. Karen Hogan:** Our audit did not focus on the communication between the provinces and the federal government. We just looked at how the government was running the education savings program and the loans program.

I don't know if one of my colleagues could give you an answer.

Mr. Le Goff, did you notice whether communication flowed or did not flow between the levels of government?

**Mr. Philippe Le Goff (Principal, Office of the Auditor General):** Good morning, Madam Chair.

Listen, I can tell you that—

[*English*]

**The Chair:** Good morning. Give just a very short answer, please.

[*Translation*]

**Mr. Philippe Le Goff:** Madam Chair, I can assure you that we have no concerns as to the collaboration between the federal government and the provinces that participate in the program.

**Mr. Maxime Blanchette-Joncas:** Thank you.

[*English*]

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

Mr. Green, take six minutes.

**Mr. Matthew Green (Hamilton Centre, NDP):** Thank you very much, Madam Chair.

I have to share that reading this report was actually a pretty difficult thing for me to do. I think back to the briefing we had with the Canadian Audit and Accountability Foundation. I'm really struggling with whether we're even asking the right questions here.

So far we've heard about the individual responsibility of students, about whether or not they're able to plan for their expenses,

about their ability to budget, and I'm wondering, when we look at the information on the supports for students on financial assistance, whether this report is fundamentally answering the right questions.

Through you, then, let me ask a general question, and forgive me for taking a shot in the dark here. What analysis went to the flip side of this, to the rising costs of tuition, the rising costs of rent, the rising cost of living relative to previous generations' ability to pay?

Also, was there any analysis put to the ongoing cuts and continued profitability from the financialization of education in Canada?

• (1150)

**The Chair:** Are you asking that question of Ms. Hogan?

**Mr. Matthew Green:** No, I guess it would be addressed to people from ESDC or any of the other staffers who are here. It's more a policy question. I know that Ms. Hogan is responsible only for answering the questions that are provided for in the particular study.

But Madam Chair, when we look at the default rates and we're positioning this as though somehow this is about students' ability to pay, for me the biggest elephant in the room is COVID. If we think this 2019-20 report is bad, I promise you, wait for the defaults in the years to come.

I am wondering, then, whether there has been a shift, in policy discussion, about how to adequately prepare for this.

**Mr. Graham Flack:** Maybe, Madam Chair, I can take that one.

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

**Mr. Graham Flack:** Indeed, the program has evolved over time in response to the changes you've described, and the most significant change in the evolution was the introduction of the repayment assistance program.

Effectively, there are two ways you could have come at this at the front end, because, as you know, the dominant principle behind this program is to ensure a level playing field between students coming from lower-income families and those from families with means.

If those from families with means get into trouble a little bit into their career; if they get an illness and can't repay the loan, they are going to have parental support that will ensure that this doesn't affect their credit.

Low-income families, however, don't have that fall-back to turn to. There is, then, a high risk, if you just have a loan program, that those individuals will not go to university or to higher education because they think they will be taking too much risk.

**Mr. Matthew Green:** Can we pause right there? On the loan program, what is the typical average interest rate?

**Mr. Graham Flack:** Atiq, can you give the new numbers?

**Mr. Atiq Rahman:** Yes, the interest rate right now is prime. It used to be prime plus 2.5% in 2009; then it was reduced to prime.

**Mr. Matthew Green:** So that would be right now, for the people who might be tuning in...?

**Mr. Atiq Rahman:** That is right now. The latest on it is that the fall economic statement yesterday announced that interest will be eliminated for the next year on Canada student loans.

**Mr. Matthew Green:** That's a temporary pause, right? That came out in the fall economic statement, but we know that when that resumes, it will go back up.

I guess my point is that when we have the financialization of education, we're going to have a section that is going to default, likely within private sector financialization in particular. These are secondary loans that are covered for the cost of the duration of your education. There's profitability in that. Do we have any idea of what the financial sector profits from when it comes to the student loan programs?

**Mr. Graham Flack:** There is always an option, I guess, for individuals to go to private sector institutions to seek funding, but I think the way the student loan program is designed means that the vast majority of students will come in through the student loan program because of its favourable terms.

Just to get back to the repayment assistance program, the reason it's so key, particularly for low-income students, is that it takes out that risk. If it turns out that you're unable to get a job that pays more than \$25,000, or if it turns out that you develop an illness or lose a job, you are going to have the government provide you effectively with a deferred grant to cover the cost of interest—and principal, eventually, if necessary.

This is one of the most important features that has evolved over time. I point out that, on the thousands of people who would be in the repayment assistance program, far from viewing that a negative factor, we in fact view that as the implementation of Parliament's explicit design. We want to ensure that for those individuals who don't have that income, we do not require them to repay as long as they don't have that income. That's one of those features that I think has been critical in ensuring that burden of debt. Individuals' fear that they're going to lose their credit rating if they don't get a job that pays well or if they lose their job is taken out of play. That's one of the most important features of the program, which is why—

• (1155)

**Mr. Matthew Green:** Have there been any policy discussions about how to lower the cost of tuition nationally?

**The Chair:** Please give us just a very short answer, Mr. Flack. Thank you.

**Mr. Graham Flack:** Tuition levels would be at the provincial level, but as the honourable member would know, in the context of COVID, there have been discussions around many things, including the fact that during COVID we doubled the grants, increased the loan levels people could take. Those discussions remain alive, yes.

**Mr. Matthew Green:** Thank you.

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

We will now go to our second round of questioning, starting with Mr. Kent.

Welcome, Mr. Kent, to the committee. You have five minutes.

**Hon. Peter Kent (Thornhill, CPC):** Thank you, Chair. I'm delighted to sit in today.

Thank you to all of our witnesses.

Mr. Flack, continuing from your last answer and given the various extensions, this is a question that we discussed at the human resources committee, but given those who may be watching this committee meeting—students, families, the general public—it is continues to be relevant. Given the various extensions and deferrals of so many government programs, why has ESDC resumed its collection activities of Canada student loans?

I've had constituents ask me if there is data showing that student loan borrowers are in a better position than other Canadians to make repayments now than they might be in September 2021.

**Mr. Graham Flack:** It's a question of government policy, so I'll tread delicately because that would ultimately be for Parliament and the government to decide. What I can say is that the mechanism that has historically been in place to deal with individuals who, whether on an individual basis or on a systemic basis because of a recession, are unable to make their payments has been the repayment assistance program.

There was an agreement we were able to reach with the provinces for the first six months of the pandemic, which they supported because we co-deliver the program with them, to freeze that for that period of time.

I would point out that there are a number of provinces that have expressed to us the fact that they would not be interested in extending that, and that it would greatly complicate the delivery of this because it's an integrated program on a single platform, but that would ultimately be a policy decision for government.

As Atiq indicated, the government has announced in the fall economic update that it will freeze interest for all borrowers in 2021-22.

**Hon. Peter Kent:** Certainly, to encourage repayment, it would help if the National Student Loans Service Centre phone line was more capable and had greater capacity.

You've seen the news stories. There have been anecdotal complaints of calls being made about unauthorized bank withdrawals, statements showing mispayments, no answers about repayment assistance, and very long wait times.

What is being done to increase the capacity of that phone assistance service?

**Mr. Graham Flack:** Atiq can talk about the fact that he has managed to double the capacity. I think we have wait times down to 13 or 14 minutes.

For the honourable member, the key thing that hit us is that November is usually the time when we have more people coming in. You start paying your loan six months after graduation, so it's normally a peak time.

As you will recall, the added thing was that there were cyber-attacks on a number of government systems. They did not directly affect the Canada student loans program, but we were concerned that they could affect the system. As a result of our putting additional security measures in place, a considerable number of our clients had to call in to authenticate their accounts. That greatly increased the volume, but we thought it was the prudent thing to do, given the risk that their accounts, in principle, could have been hacked using similar tools.

Atiq, can you give an update on where we are on wait times and your efforts to reduce them?

**Mr. Atiq Rahman:** Thank you.

The wait time varies a bit. Some days, we have had 15-minute wait times, and some days, up to 25, 30 or 35 minutes. Capacity has been increased significantly. More call centre agents have been added.

One of the challenges has been to get call centre agents during this pandemic, train them up and get their security clearances so they can deal with government data, but given all of that, the capacity has been significantly increased.

At the beginning, some of the students could not even join the queue. That is no longer happening, so things are improving. It will take another few days to get back to normal circumstances.

• (1200)

**Hon. Peter Kent:** Thank you.

Mr. Hamilton, it's good to see you again, sir. It brings back memories of days at Environment Canada and on the China Council.

When you speak of the information-sharing protocol that's being developed with ESDC, what exactly are the mechanics that will better re-engage delinquent borrowers and encourage repayment activity?

**Mr. Bob Hamilton:** Thank you, Madam Chair.

What we're trying to do is to make sure that the information that's at our disposal is shared with the *[Technical difficulty—Editor]* to help get a better picture of the financial *[Technical difficulty—Editor]* the individual.

Getting better data on previous tax filings, dependants and, obviously, income will help us make better decisions collectively about what we should do.

I'd just add to a point that Graham made that one of the reasons this can become time-consuming or more complicated is just to make sure we are protecting the privacy of the information we share. This always comes up when we share people's tax data.

*[Technical difficulty—Editor]* and we need to make sure that whatever we do respects that.

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

We will now move on to Mr. Blois, for five minutes.

**Mr. Kody Blois (Kings—Hants, Lib.):** Thank you, Madam Chair; and thank you to all of the witnesses for their testimony here today.

Very very similar to what Mr. Green said, I'll start by saying that there are, of course, broader considerations on policy grounds. I want to stick to the auditor's report.

I'm going to start with Deputy Minister Flack. It's great to see you, and as I'm an MP from Nova Scotia, it's great to see someone who has ties to that province.

This is an important subject. There's no doubt of that.

I went to exhibit 2.2 in the Auditor General's report. As I read it, in my quick math, about 85% of the student loan recipients are either repaying or are getting close to having that loan repaid. Obviously, this is an issue for about 15% with whom we have some work to do.

There is a lot of talk in the AG's report about improving the financial literacy tools on the website. I am a recent graduate of Dalhousie law school, so I went through these programs not that long ago. In fact, I am still enrolled in them.

What measures were already in place to help support students' understanding? I assume there were already some at the time this report was done. Do you know what those measures are?

**Mr. Graham Flack:** Yes. We developed a plan in 2017 with the agency on how to do this. The plan was going to be implemented on the IT platform that our third party provider has. It has taken some time, given the transformation project they're doing to improve service to students, and things had to be prioritized.

For example, as of November of last year, we had a virtual repayment counsellor on line. As my colleague indicated, there have been other tools added and we have a new release due in January. There are new tools to attempt to improve the literacy of students.

However, if I could just make a plea for those students who are on the repayment assistance program, I wouldn't want to leave folks with the impression that the reason they're on the program is because they're not financially literate. They're on the program because their income is under \$25,000. Parliament said, if your income is under \$25,000, we're going to help you by paying, if you need it, your interest.

I wouldn't want to leave the impression with the committee that our ultimate end goal is to hope that there is never anyone using the repayment assistance program, because we know in the dynamic economy we have that there are going to be individuals who aren't able to find jobs or who are ill.

I didn't want anyone to get—

**Mr. Kody Blois:** I certainly appreciate that. That's where I'm coming from as well. Whereas I think students certainly can appreciate this, whether the tools are there or not it's about having the means to repay these programs.

The Auditor General recommended, of course, that some individuals find their way into the RAP program who perhaps may not meet the criteria and suggested that there's some work to be done to try to maintain the integrity of that program.

Have you weighed, Deputy Minister Flack, the cost of trying to provide that extra supervision versus what the savings might be or perhaps some of the interest that might be accrued from having a few individuals get into that program who might not otherwise qualify?

**Mr. Graham Flack:** As we indicated in our response, we think it's worth pursuing what we started with the provinces in 2017, which is the work with the CRA to gather the CRA data. We think that has a good cost-benefit analysis, a good return on investment, particularly for people who are in the program for an extended period of time, when looking back at their tax records from prior years would be helpful.

The greatest challenge we have in the program is with the entry requirement, that the individual “in that month” have an income that was, on an annualized basis, below \$25,000 a year. As members will know, we do not require Canadians to file taxes every month, so there is no real-time information that Revenue Canada has or we have that shows what the monthly income of each individual is.

When they suffer a sudden event, then, and lose the income, we have to use imperfect methods such as pay stubs and attestations.

• (1205)

**Mr. Kody Blois:** I want to go quickly to the Canada learning bond. That is something that was mentioned. You mentioned it in your remarks earlier as a tool to help support lower-income families in the country. The AG report found that there's not much of an uptake.

What are some of the measures you're thinking about to have more Canadians be eligible for this program, as a tool to try to offset some of the additional costs with post-secondary education?

**Mr. Graham Flack:** One of the great success stories over the last decade is the increase in the uptake of that program. Individuals have to open accounts, but we have had, through a whole bunch of efforts—nudge methods, mail-outs, other forms of communications—a big increase in the program.

One option that has been mooted is a kind of reverse-onus position whereby, rather than requiring individuals to set up an account for their kids, you might have a situation in which, if that low-in-

come child were going to university, they would automatically be able to access the resources.

That's not a policy that's been pursued to date, but if one wanted to maximize availability, this would be the way to do it. There are going to be limits to what we can do even for RSPs or RESPs. How many people are willing to take those up and set them up themselves?

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

**Mr. Kody Blois:** Thank you, Madam Chair.

**The Chair:** We will now move to what I'm going to call our rapid round of questioning, the two and half minute round, starting with Mr. Blanchette-Joncas.

[*Translation*]

**Mr. Maxime Blanchette-Joncas:** Thank you, Madam Chair.

I will start by putting my questions to the officials from the Canada Revenue Agency.

I was quite surprised to read this, in paragraph 8 of the brief from the Office of the Auditor General:

We also found that the Canada Revenue Agency did not have the tools it needed to maximize recovery once borrowers defaulted and student loans were transferred to the agency for collection. For example, the agency was using Employment and Social Development Canada's information system, which made it impossible for the agency to know exactly how much money was recovered by its own different activities and collection methods.

Was there communication between Employment and Social Development Canada and the Canada Revenue Agency?

**Mr. Bob Hamilton:** I am sorry, my microphone was not properly adjusted and it was difficult to hear, but I think I have fixed the problem.

In this context, it is important to recognize that this program is subject to rules that are different from the income tax system in general, for which the process of recovering amounts is easier. Certainly, we collaborate with ESDC to make sure that—

[*English*]

**The Chair:** I'm sorry, but we're getting both the interpretation and your language of choice. Have you chosen the language?

[*Translation*]

**Mr. Bob Hamilton:** Is it better now?

[*English*]

**The Chair:** Yes.

[*Translation*]

**Mr. Bob Hamilton:** Okay, so I will carry on.

Certainly, we collaborate with ESDC to make sure that we have as much information as possible on the students from that point of view. However, the recovery process is different from the one for the income tax system. We do what we can, and I believe that that is what the Office of the Auditor General mentioned in its report.

**Mr. Maxime Blanchette-Joncas:** Thank you for those clarifications, Mr. Hamilton.

I am having a lot of trouble understanding. In five years, \$2.3 billion have been lost because contracted debts are not being paid back. However, when honest taxpayers owe five cents, you are able to collect that amount. How is it that you are not able to collect \$2.3 billion when you are able to collect five cents?

Which systems does the Canada Revenue Agency need in order to be able to work effectively?

• (1210)

[*English*]

**The Chair:** Mr. Hamilton, please provide a very quick answer. Thank you.

[*Translation*]

**Mr. Bob Hamilton:** The important thing for us is to have access to as much information as possible. In collection, the time it takes to have access to information can constitute an obstacle. Exchanging information is important in that context.

In general, we have a good process to recover as much money as possible. We also discuss with students the possibility of regularizing their loans. That's another method we use.

[*English*]

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

We will now move to Mr. Green, for two and a half minutes.

**Mr. Matthew Green:** Earlier in the interventions, we heard a comparison with the 2003-04 era, how the default rates have dropped considerably since that time. I recall that's actually my vintage. That would have been when I graduated. I graduated from Acadia, and I'll give a shout-out to Mr. Blois.

Tuition there was expensive at the time. It was something like \$3,500. That would barely cover the cost of books today. I also recall that people in my cohort knew that if they defaulted and claimed bankruptcy, their debt would be forgiven.

Has there been a change? I believe there was a change, and if so, in what ways are you referencing that change in terms of the way people are now continuing to be shackled to this debt?

**Mr. Graham Flack:** Madam Chair, I'll start, but Atiq might have more on the question of forgiveness.

The default rate has come down steadily. Just to give you the numbers, it was 28%—

**Mr. Matthew Green:** Sorry. You're just repeating your original answer. The question was, do you believe from a policy perspective that the reason people defaulted 15 years ago is that when they had to declare bankruptcy because of the absolute burden of student debt, once they declared bankruptcy, that loan was forgiven.

Do I understand it correctly now, that even in bankruptcy, people still have to pay these loans?

**Mr. Graham Flack:** Atiq.

**Mr. Atiq Rahman:** Thank you.

The rule right now—and it's the Bankruptcy and Insolvency Act that has this provision—is that student loans are not discharged when someone declares bankruptcy. If they declare bankruptcy within seven years of leaving school, it's not discharged. If it's after seven years, it would be. In that sense, the loan survives bankruptcy.

**Mr. Matthew Green:** That's what I thought. I just want to put that out there to caution us from using these past retroactive successes, when really what it did back then was to force people to claim bankruptcy. Now they can't get out of it that way.

However, I want to talk about the reverse onus, which I think Mr. Flack brought up, which I do agree on. I want to state on the record now that if Mr. Blois, in bringing that up, wanted to work on a private member's bill that created an automatic opt-in for low-income folks, to reverse the onus to allow them to access this program, I would be happy to work alongside him and any members of government to make this happen for students.

Thank you.

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

We will now move to our next round of questioning, starting with Mr. Berthold for five minutes.

**Mr. Philip Lawrence:** Actually, Madam Chair, it's going to be me.

That's perfect. Thank you.

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

**Mr. Philip Lawrence:** Mr. Flack, I was just a bit challenged by one of your responses and the fact that you didn't seem to have any motivation to decrease the default rate. Maybe I heard you wrong. Maybe you could just clarify that quickly, if that's not correct.

**Mr. Graham Flack:** We have every motivation to reduce the default rate, and we have, by a point every year. It has gone from 28% default to, in the latest year, 8%.

**Mr. Philip Lawrence:** Okay.

**Mr. Graham Flack:** What I was referring to was in terms of the repayment assistance program. That is a separate program that Parliament put in place to say, for individuals who have an income below that level, you should support them by covering their payments.

However, the default rate has come down, and continues to come down, and we are very focused on that.

**Mr. Philip Lawrence:** One of the things the Auditor General pointed out was that you were using a default rate of 9%, but in fact, there are much more fulsome numbers that I think are more useful to Parliament, and arguably, more predictive, such as a 14% non-payment rate.

Why don't you provide more non-payment rates? Do you agree with the AG's number of 14%?

• (1215)

**Mr. Graham Flack:** We do provide those rates. If you add them together, you do get that larger number, but we report in both the public accounts and the Canada student loans annual report on the value of the grants we provide, on the value of the repayment assistance program, on the default and on the cost of the default. All three of those are reported on.

Our point is merely that the repayment assistance program is a parliamentary decree that we shall provide benefits to people if they meet those conditions. That's what we do, which is why we do not characterize them as losses, nor do we think they're properly characterized as losses—

**Mr. Philip Lawrence:** Okay, I don't mean to cut you off but you have repeated that same line several times and my time is short.

The other number...I think there's a bit of an equity issue here. I think of many students who don't make access to the RAP program, some who are probably earning less than \$25,000 and are still paying off their student loans diligently. The number I would like to know is the following. What is the percentage of total student loans that are completely repaid without any assistance from RAP or similar programs?

What percentage of students are fully paying off their loans without any assistance from government?

**Mr. Graham Flack:** Atiq, do you have that number?

**Mr. Atiq Rahman:** We could get precise numbers but for example, eight per cent, as Graham mentioned, go into default. There are about 25% to 30% who end up using the repayment assistance plan. Roughly speaking, if you used that, the rest of them are paying off their loans without either defaulting or using the repayment assistance plan. We could get more precise numbers, for sure.

**Mr. Philip Lawrence:** In reality, then, we have more like 30% or 40% of students not repaying their debts fully, which I think is a substantial issue. Then we add that to the fact that the value of outstanding loans—this is not including the RAP program in default—was \$2.3 billion. Just to give you context, that would pay for both the Canadian recovery sickness benefit and the Canadian recovery caregiving benefit.

In 2018 and 2019, the federal government wrote off \$160 million in student debt as unrecoverable, despite the fact that legally they don't have to. Students are having enough of a time with COVID, but I want to understand, from an audit perspective, why are we writing this money off? Is there not a better way to do this?

I think this is to Mr. Hamilton if he's involved in collection, or to Mr. Flack, if he is better placed to answer, please jump in, but either one of you could answer.

**Mr. Bob Hamilton:** Perhaps I'll start and Graham may want to add. In recovery, after the loan has not been paid for nine months, it comes to us and our job is to try to collect. We have various ways to go out and try to collect that money. If at the end of that process we just decide that it is not recoverable for one reason or another—bankruptcy, you name the circumstances—then we recommend to

ESDC that the loan be written off. Then there's a process that follows at ESDC and ultimately at Treasury Board.

I'll ask Graham if he wants to add to that.

**The Chair:** Thank you very much, Mr. Hamilton. I'm afraid Mr. Lawrence's time is up. Perhaps this can back in another line of questioning back.

I will turn it over to Ms. Yip for five minutes.

**Ms. Jean Yip (Scarborough—Agincourt, Lib.):** Thank you all for coming.

I would like to hear Mr. Flack's answer to the previous question.

**Mr. Graham Flack:** There's also a legal obligation once government debts have been unrecoverable for seven years that we move to write them off as well. The write-off approach is part of all of our collection activities. Where benefits are provided and they're not ultimately recoverable by individuals, an analysis is made of the recoverability after those efforts are made. When they aren't, we are obliged to write those off. We do report those to the Treasury Board and they represent, as a percentage of the total value of the student loan account...Mark, is it about one per cent? Is that right?

• (1220)

**Mr. Mark Perlman (Chief Financial Officer and Senior Assistant Deputy Minister, Department of Employment and Social Development):** Yes, it's hovering about the 1% rate.

**Mr. Graham Flack:** It's been a little lower over the last two years, but it's been pretty constant over time that 1% of total value of the book would be written off in any given year.

**Ms. Jean Yip:** Thank you.

The OAG found that ESDC did not offer enough tools to help students understand their financial obligations under the CSLP.

In 2014, ESDC established a statement of work for the service provider that specified that students must have support throughout the loan process so that they can make sound financial decisions.

The initial plan was to provide support starting in April 2018, but the implementation date was postponed the first time to March 2019. The department later told the OAG that it was planning a gradual implementation up to 2021.

Why is there such a delay? Why is it taking seven years for this plan to be implemented?

**Mr. Graham Flack:** Atiq, you've been managing the project. Do you want to give the update on what it involved?

**Mr. Atiq Rahman:** Yes, sure.

In 2014, the request for proposals went out. That was not when the contract was actually signed; the contract was finalized in 2016 and was expected to be operational in 2018.

That got delayed to make sure that we had an error-free disbursement of student loans and grants. At the same time, over the last few years a number of changes had been implemented in the Canada student loans program because of the enhancements that the government had announced. That also had some impact on the service providers' capacity to do both at the same time.

Those are the reasons we had to reschedule the transformation initiative slightly.

**Ms. Jean Yip:** Can you tell us what this plan is about?

**Mr. Atiq Rahman:** I'm sorry, the plan...? Do you mean to give them more information; is that what you're referring to?

**Ms. Jean Yip:** Yes.

**Mr. Atiq Rahman:** It is what our colleague from the Financial Consumer Agency of Canada has already touched on: providing more information with respect to financial literacy.

There is already a virtual repayment counsellor that was launched last year, where students can go to look at different repayment options and, depending on their situation at the time, select which option they would like to choose and get back more information on it.

At the same time, we have continued to put more information on individual dashboards on the portal, as well as enable public access to part of the portal with respect to budgeting and expense management and such things.

**Ms. Jean Yip:** It doesn't seem that there are many students accessing this portal. Some stakeholders have recommended mandatory training for students before they sign the loan agreements after they either complete their studies or leave a program.

Do you feel that this would help increase financial literacy?

It's somewhat similar to students in high school—though this may not be financial literacy—being required to do 40 hours of volunteer work and not being able to graduate until they do. Do you feel that this would be beneficial, having mandatory training for students?

**Mr. Graham Flack:** Atiq, why don't I start?

We have been in discussion with the provinces around this idea, because were we to have mandatory training, it would require legislative change at the federal and provincial levels.

The U.S. is the jurisdiction we looked at that did put this in place. The academic literature around their program is that it has not resulted in better outcomes. It's an online program that everyone has to take. People figure out what the answers are or look them up online, and it doesn't appear to have a long-term impact.

We are working with the provinces, because they would probably be the front line delivering this, to test viable options for this type of training to determine what would actually work and improve outcomes. I think before recommending to the minister that we move to mandatory training, we would want to be very confident that there was a return on investment from it and that it wasn't just a burden on individuals without any improved results in the outcomes.

That's what we intend to test.

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

**Ms. Jean Yip:** Thank you.

**The Chair:** We'll now move to the next round of questioning, which is our six-minute round, starting with Mr. Kent.

**Hon. Peter Kent:** Thank you, Chair.

The question is for the Auditor General.

Ms. Hogan, given the recommendations that you make in your report, if you were to design a system that you would consider more effective both in dealing with loans being made and the re-engagement and repayment of those loans, what would it be?

● (1225)

**Ms. Karen Hogan:** That's an excellent question. I'm not sure I'm the best person to find that result. I guess I would want to start, however, with understanding why individuals who are in the repayment assistance program are perhaps unable to make the payments, whether they be reduced or not. Our audit did note that in 2019 about half of the individuals in the repayment assistance program had not made any payments in four years, so perhaps it's the design of the program. Perhaps it's some financial literacy issue. Perhaps it's a combination of other elements.

Before I would attempt to try to tell you how to design a program, I'd really want to understand why the current program has the outcomes it has in order to be well informed.

**Hon. Peter Kent:** Is that the sort of information that you would request from either ESDC or the CRA?

**Ms. Karen Hogan:** Well, it's the sort of information I would encourage them to gather and analyze in order to be able to make recommendations for any changes that might be needed to the program.

**Hon. Peter Kent:** With regard to the recommendation regarding information sharing, were there specifics that you included with that recommendation that you could share with us, or was that a general proposal?



**Ms. Karen Hogan:** No, it was a general proposal that stemmed from our finding that there were individuals who had revenue higher than the threshold and were admitted into the repayment assistance program, recognizing that having that historical information is just one piece of information you need and that, together, CRA and ESDC should share the information they need to make the best well-informed decision about who should be admitted and whether or not they should be given reduced payments.

**Hon. Peter Kent:** In your work across government, looking into programs administered by all departments, what are your recommendations regarding the point made by Mr. Flack as to the frailty, the vulnerability of our data protection in the federal government?

**Ms. Karen Hogan:** I'm actually looking to start some work in perhaps a year or so that looks at the protection of information on the cloud. Like any organization, the federal government is subject to people who try to access our data sets, our servers with bad intentions, so I do think it's important that we take the time to ensure that taxpayers' information is protected from external hackers and also follows the rules of the Privacy Act and the Access to Information Act.

**Hon. Peter Kent:** Chair, do I still have a couple of minutes?

**The Chair:** Yes, you do, sir. You have two and a half minutes.

**Hon. Peter Kent:** Super, thank you.

For Commissioner Robertson, on the literacy training that you support, I'm wondering what elements of prudence.... I suppose the use of loans is included in that literacy. As the Auditor General pointed out, and as you pointed out, a major student loan is generally the first serious debt that many young people face.

We know, again anecdotally, that some borrow beyond their absolute needs in terms of their education.

**Ms. Judith Robertson:** Thank you for that message.

The information that is now included on the portal, more generally by us but also by others, does focus on the prevention side or the "before you commit" side. I think that's what you're getting at. It's important to know what you're getting into and to make an informed decision about whether this is the best way to pay for your education. We actually have a section on paying for your education, in addition to a second on repaying. We're trying to get at both ends, the going in and then the repayment of the loan.

• (1230)

**Hon. Peter Kent:** With regard to those who are delinquent over a period of years, as mentioned by the Auditor General, again, what advice is offered to those who may think they can simply not repay that loan, one way or another?

**Ms. Judith Robertson:** Is that question for me?

**Hon. Peter Kent:** Yes, it is. I'm asking about consequences.

**Ms. Judith Robertson:** Specifically, we are not the ones supplying information on the requirements of the Canada student loans program. That would be to the program itself. However, we do have more general information on what to do when you get in trouble and how you can access services to provide assistance such as credit counselling, and so on, in order to find a path to a better future.

**Hon. Peter Kent:** Thank you.

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

Thank you, Mr. Kent.

We will move on to Mr. Sorbara.

**Mr. Francesco Sorbara (Vaughan—Woodbridge, Lib.):** Thank you, Chair. It's great to be here this morning.

I have a first quick question for the CRA commissioner.

In terms of the opening remarks with regard to the specific audit recommendation, ESDC is working with the CRA to establish an information-sharing agreement, expected by the spring of 2021. Obviously, we know that COVID-19 has put a large burden and asked a lot from the CRA and its amazing employees, and I just want to confirm that it is still on track for the spring of 2021 and that an appropriate work plan has been developed and is still there.

**Mr. Bob Hamilton:** Thank you, Madam Chair. I'll take a stab at that, and my ESDC colleagues might want to add to it.

Yes, we have been in train of trying to get this information sharing done. As far as I'm aware, we're still on track for March. As I think Graham indicated earlier, COVID has changed the timing of some things and we've had to be adaptable and flexible, but my understanding is that we are on track.

**Mr. Francesco Sorbara:** Thank you. That's perfect.

I think this question will go to ESDC, on the credit bureau situation, with regard to some borrowers having their credit report or credit number impacted. At first glance, for these individuals going through university, taking on some debt potentially in the form of these loans and then finding themselves in a very difficult situation, we know how important the credit score is when you go to the bank and purchase a house, a car, and so forth. How are we looking at that from a holistic point of view? How is ESDC looking at the credit aspect of it?

Anybody else can chime in on looking at that, and also from the Financial Consumer Agency standpoint in terms of the education process.

We don't want to penalize youth right off the bat, coming out of university or college and finding themselves in a difficult position.

**Mr. Graham Flack:** Maybe I can start.

I think the core principle behind the program is that those individuals who have the means to be able to pay should repay according to the schedule that was laid out, and those individuals who suffer an economic event or a health event that prevents them from being able to do so, or has a growing family that makes their income at a level where they would be spending more than 20% of their income on the repayments, they should not be required to be repaying. The way that we get at the credit rating fundamentally is by relieving the burden for those who don't have the ability to pay. However, for those who do have the ability to pay, when they fail to make a payment, each time that happens, that's reported through a third party provider to the credit agencies and it stays on their record for up to six years until such time as they repay.

**Mr. Francesco Sorbara:** Is there any further comment from anyone, or can I move on to the next question?

There's no comment.

Ms. Hogan, I'm speaking in reference to the Canada learning bond. The one thing I gleaned from the Auditor General's comments at the beginning was that 62% of eligible children did not receive it as of 2018, because no account had been opened for them. I think you might have alluded to this earlier, and I apologize if I missed it, but is there any consideration of adopting what's called a "negative option billing" here, where the folks who really need the Canada learning bond are almost automatically enrolled in the program so we can assist those individuals in getting an education for their children?

• (1235)

**Mr. Graham Flack:** That would indeed be an option. It would ultimately be for government to decide if it wanted to pursue it, but it's certainly one of the things we've looked at.

We have significantly increased the percentage of people who have opened the accounts, but we think there's going to be an upper limit to how far that goes. The negative option would be a way to not penalize a child if their parents had not decided to open this free account. However, that would be a policy decision for a government to take.

**Mr. Francesco Sorbara:** This last number was from 2018, Mr. Flack. Do we have an updated number as of, say, 2020 or 2019?

**Mr. Graham Flack:** Atiq, I don't think we do yet, do we?

**Mr. Atiq Rahman:** No, that's the last number we have so far.

**Mr. Francesco Sorbara:** This is my last question, Madam Chair, and this probably will take me to my time.

In reading the Auditor General's spring 2020 report on page 15, the recommendation at paragraph 2.48.... You know, we have a program in place. The program is there to encourage and ensure that individuals have access to education. One barometer for measuring that is looking at the participation rate and fundamentally asking this question: Does this program increase the participation rate of youth accessing post-secondary education? We know how important that is for human capital development, for an economy to move forward.

There is a department response to that.

Mr. Flack, could you comment or elaborate on this? There were departmental plans to start in-depth CESP evaluations in the spring of 2020 to assess the interaction of the CESP. I look forward to seeing this report—I believe it's for the spring of 2020—when it is done.

Could you comment on that? I think this is incredibly important.

**The Chair:** I'm sorry, Mr. Flack. I'm going to ask you to keep your answer very short, as Mr. Sorbara was correct. His question did take the rest of his time.

**Mr. Graham Flack:** We're thrilled to now have the datasets merged after three years of hard work, and we're looking forward to putting that to work and being able to get that more granular conclusion that you're seeking.

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

We will now go to Mr. Blanchette-Joncas.

[*Translation*]

**Mr. Maxime Blanchette-Joncas:** Thank you, Madam Chair.

My next questions go to Ms. Robertson, from the Financial Consumer Agency of Canada.

Ms. Robertson, in your opening statement, you mentioned that the role of your agency is mainly to strengthen the financial literacy of Canadians through programs, tools and resources to help consumers make informed financial decisions. You believe that informed consumers are better protected consumers. I agree with you.

However, according to the conclusions in the report, 44% of the people who take out loans do not know that interest will start to accumulate as soon as they finish their studies. That is almost every second person. It is quite incredible, actually, that so many people who have taken out loans do not know that, even in the final year of their studies.

What do you feel about this observation that the Auditor General made?

**Ms. Judith Robertson:** Thank you for that question.

[*English*]

I agree that it is....

First, let me correct or add a nuance. Our mandate is to protect consumers, and we do it in two ways. Financial literacy is one way. It is a major focus of ours. Nobody knows better than we do the challenge of delivering an effective financial literacy program and actually achieving the outcomes that you say.

I would say that my reaction to the Auditor General's report is that it is a fair assessment and that it points us in the direction of the work that needs to be done. It's, quite honestly, not an unusual outcome at this stage, but we are finding over time, as I say, through our research and experimentation, more and more effective ways to try to improve those results.

• (1240)

[Translation]

**Mr. Maxime Blanchette-Joncas:** Thank you for those clarifications, Ms. Robertson.

We sense the goodwill on your side in terms of the recommendations and about the work that remains to be done and the improvements that need to be made. In November 2019, a virtual repayment counsellor service was launched online. The service provided the people who had entered into loans, the borrowers, that is, with the information they needed on their student loans, including, for example, the repayment options likely to help them.

Since that virtual service was launched, have you gathered any data about its use? Have any adjustments been made? Can you tell us more about it?

[English]

**Ms. Judith Robertson:** No, I'm sorry, I don't have that information, because that is a system run by ESDC. It's not information that comes back to us, so I cannot provide you with information on this.

**Mr. Graham Flack:** Atiq, do you have early data on the results of the virtual assistant?

**Mr. Atiq Rahman:** We have the number of page views, the number of students visiting different pages that we have launched. Those numbers we have, yes. I don't have the information with me right now, but we have those numbers.

[Translation]

**Mr. Maxime Blanchette-Joncas:** Would it be possible to have a written reply from the department, please? We want to make sure that it is working well. If we could help you, and therefore help the students and the people with loans to obtain information, it would be very worthwhile.

Madam Commissioner, I was looking at the recommendations, particularly recommendation 2.40. It asks you to “make available on the web portal of the National Student Loan Service Centre all the financial information needed...” I understand that you do not have all the data for that, but can you send us the information that would tell us what stage you have reached in the project to provide “access to education materials for inclusion on the web portal” of the department, and to what extent you have provided the department with “advice related to mandatory training for students receiving direct loans from the Canada Student Loans Program”?

[English]

**Ms. Judith Robertson:** Concerning what is currently on the portal, we're very pleased with the results. We were consulted and provided direct feedback not just on the content but also on the form, because as we know, how and when and what colour—even where it is on the screen—makes a difference to whether it is accessible and meaningful.

As for the proposal or suggestion to require mandatory training, we are open and eager to collaborate again with ESDC on this. I think our focus would be on trying to develop ways of ensuring effective training. Making it mandatory may be part of it or may not be. That deserves some consideration.

[Translation]

**Mr. Maxime Blanchette-Joncas:** Thank you for those clarifications, Ms. Robertson.

What tools would you like to have at your disposal and that could be given to Employment and Social Development Canada in order to improve financial literacy, aside, of course, from mandatory training and a virtual service centre?

The report by the Auditor General of Canada is actually quite eloquent. As I mentioned, about one person in two does not know that they will be starting to pay interest on their loans as soon as they finish their studies. So I am trying to find an effective way of informing people. I know that people do not always read what is written at the bottom of a contract in fine print, but the fact remains that they are entering into a contract for a loan. That is a serious matter. It can have consequences on their lives.

[English]

**Ms. Judith Robertson:** I am completely in agreement—

**The Chair:** Make a very short answer, Ms. Robertson.

**Ms. Judith Robertson:** My short answer is that I think this is a wonderful opportunity to experiment and to try some pilot projects, which we are well-positioned to facilitate.

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

We will now move to Mr. Green for six minutes as our last questioner today.

**Mr. Matthew Green:** Thank you. I'll end this session by saying that I'm still very uncomfortable about all the time and energy we have for means testing and putting individual onus on people without really thinking deeply about the systems—the wholly inadequate systems—that are currently in place to provide education for our workforce, which of course, is one of the key cornerstones of our economy.

We've heard students be categorized as consumers, and I would agree that the financialization, the privatization, the increasing capitalization of education tilts them in that direction. We've also heard a lot about financial literacy, but I'll put this question to Ms. Robertson, who I believe is in charge of this.

Given everything that we've heard in the report, Ms. Hogan states that it doesn't cover any assistance to students related to the pandemic; however, the pandemic is a compounding factor that has come into play and that will cause market conditions to worsen, thereby limiting the prospects of young adults.

For young people who are watching and who graduated into one of the worst and most precarious economies prior to COVID, knowing that COVID is going to be a compounding factor, if you were to give financial advice to people looking for secondary education, would you advise them even to pursue it, at this point?

• (1245)

**Ms. Judith Robertson:** Our role, of course, is not about providing advice on whether to pursue higher education, although we do have some research showing the benefits over a lifetime of educational achievement.

It's been a very difficult time. We understand completely. We have some more research coming out in our monthly report, which should help guide future policy directions on the specific effects of COVID by specific demographics.

**Mr. Matthew Green:** I often agree with my friend, Mr. Blanchette-Joncas, but I heard today the idea that mandatory training, that financial literacy is somehow going to provide answers to people who happen to be living in poverty, who happen to be living in one of the most precarious job and employment environments and who have absolutely no control over the economic outcomes of COVID.

Would you care to comment on that assertion? Will this in any way, shape or form alleviate the compounded pressure of student debt?

**Ms. Judith Robertson:** I will say completely that although we are passionate about financial literacy and the importance of it, not just for students, but for people throughout their lives, we also don't fool ourselves that financial literacy is the solution to all problems.

**Mr. Matthew Green:** Thank you. I will accept that because, of course, it was a rhetorical device that we use politically.

I'm going to say this to the committee: I'm still challenged by this. I challenge every person over 50 to think about what they paid in tuition, relative to their ability to earn through summer jobs and through immediate employment, relative to the cost of living that they had decades ago, and then compare it in real terms to today's economy.

I feel like this report, despite the many ways in which it's been explored today, still fails to answer the fundamental questions that young people are facing in this economy based on education.

Now I want to get to the end of the cycle of debt recovery, and I want to ask the question, through you, Madam Chair, and I put this in terms of the way people used to use bankruptcy to discharge their debt. What happens now after seven years when it's been written off, in as easy a way as possible to explain it?

This isn't to Ms. Robertson. This is to ESDC or whoever would be responsible for that.

**Mr. Graham Flack:** Atiq.

**Mr. Atiq Rahman:** Once the money is written off, the loan is not forgiven. The debt still survives.

**Mr. Matthew Green:** So here's the question, an economics question. I'm really struggling with this. I know that we're in fractional-reserve banking and that we borrow money into existence. How then can this government simultaneously write off the debt—it dis-

appears—and yet the debt still remains on another balance sheet for a third party collector and the person who owes it?

**Mr. Atiq Rahman:** If I could just add—and Mark you might be more useful here—I don't think it stays with the third party collector at this point. There is no active collection after that point once it is written off.

**Mr. Matthew Green:** If you've written it off your books, then how is it that the people who owe it still have it as a liability? How does it exist in two places at the same time?

**Mr. Atiq Rahman:** The way it works is that the consequence of having a loan written off is that they will no longer receive any other student loans or grants. If they want to apply for another one, they will have to—

**Mr. Matthew Green:** Does it still show up as a liability on the government's books?

**Mr. Atiq Rahman:** Mark, you might be more useful there.

**Mr. Mark Perlman:** In answer to that question, no, it does not. It is not actively pursued, but as Atiq mentioned, we do keep the records, so if the person does want to pay it back, they can.

**Mr. Matthew Green:** But it's not a liability in the government's books.

This, to me is the Ponzi scheme that we have in capitalist debt financing. Companies, whether it's the government or the predatory payday loans that we have here, work on a continuum of debt that appears and disappears and reappears in so many different ways to the advantage of the financier instead of the person who's actually receiving the debt. I'm just wondering if there couldn't be a more equitable way to transfer debt.

Once it's discharged, there are no more collections after that?

• (1250)

**The Chair:** Provide a very short answer, please.

**Mr. Mark Perlman:** Once the loan is written off, there are no more active collection activities that take place.

**Mr. Matthew Green:** Thank you.

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

Thank you, members, for your very thoughtful questions and observations.

I'd like to thank our witnesses for joining us today and would now invite you to leave the meeting as we move into some committee business.

Madam Clerk, is the room clear?

**The Clerk of the Committee (Ms. Angela Crandall):** Yes, I believe it's just the members now.

**The Chair:** Okay, colleagues, thank you very much for allowing for this quick little bit of committee business that we need to take care of before December 10th. We have three meetings left until the House rises for the Christmas break, and we still don't have anything scheduled for one of those meetings, the date that I just mentioned, December 10th.

In the proposed calendar, we had recommended studying either the report on respect in the workplace from the fall of 2019, or oversight of Government of Canada advertising from the spring of 2019. However, in discussions with the Treasury Board, the clerk has learned that they would not be available to appear on December 10, so I'm wondering if the committee wishes to move forward with a study on respect in the workplace on December 10.

If you have any thoughts on that, please raise your hand.

I see Mr. Blanchette-Jocas.

[*Translation*]

**Mr. Maxime Blanchette-Joncas:** Thank you, Madam Chair.

I would just like one point of clarification. I know you were talking about something else, but I have a question about the next session. I want to make sure that our clerk really is going to have the action plan for our additional session on the taxation of e-commerce. I just want to make sure that we will not lose that thread, and that we will be able to start our work as scheduled next Thursday.

[*English*]

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

Madam Clerk, would you be able to provide him with an answer?

[*Translation*]

**The Clerk:** Yes. I received the English version yesterday and I am waiting for the translation. It's on its way. I hope that I will be able to distribute the document by the end of today.

**Mr. Maxime Blanchette-Joncas:** Thank you very much for those clarifications.

[*English*]

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

Mr. Longfield.

**Mr. Lloyd Longfield (Guelph, Lib.):** Yes, I was looking forward to the workplace study, so given that that's our choice of one now, I'd like to move ahead with it.

**The Chair:** Are there any other interventions by members?

**The Clerk:** Mr. Lawrence would like to intervene.

**The Chair:** Thank you.

Go ahead, Mr. Lawrence.

**Mr. Philip Lawrence:** I would—

**Mr. Philip Lawrence:** I would generally like to disagree with my Liberal colleague, but as we are the public accounts committee and are supposed to be non-partisan, I will agree with his learned intervention.

**Mr. Lloyd Longfield:** Excellent. I'll get you working on my campaign yet.

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

Is there anyone else? If there is no further discussion—

**The Clerk:** Madam Chair?

**The Chair:** Yes.

**The Clerk:** I just might remind members that I sent an email yesterday asking if they would be amenable to taking the last half-hour of Thursday's meeting to in camera to talk about future business after the Christmas break. I've received a few responses, but not from everyone, so I just wonder if there's consensus to do that. Again, I'll make the proper arrangements so that the committee can do it.

**The Chair:** Thank you very much for that reminder, Angela. Yes, if those members who did not respond to the clerk's email would indicate here and now if they are amenable to our taking the last half an hour, we would appreciate being able to try to get our calendar for the period after Christmas to some degree.

Can you all raise your hands? If you're in favour, give us a thumbs up.

I see thumbs up. Great.

Madam Clerk, I think you have your answer.

• (1255)

**The Clerk:** Thank you very much, Madam Chair.

**The Chair:** Great. Thank you so much for that. I know it's a second part of a study that we'd already embarked on, so we are hopeful that we won't be taking our members' time for questions.

With no further discussion, next Tuesday, December 8, the committee will meet in camera to study draft reports, and you will be receiving these drafts by Friday so that you can prepare for the meeting.

With that, is it the will of the committee to adjourn the meeting? I see thumbs up again.

Thank you very much, colleagues. It was a great meeting. Enjoy the rest of your day.

The meeting is adjourned.





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