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## **Standing Committee on Finance**

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**EVIDENCE**

**Tuesday, November 22, 2016**

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**Chair**

**The Honourable Wayne Easter**



## Standing Committee on Finance

Tuesday, November 22, 2016

• (1535)

[English]

**The Chair (Hon. Wayne Easter (Malpeque, Lib.)):** We'll call the meeting to order. Pursuant to the order of reference of Tuesday, November 15, 2016, we are studying Bill C-29, a second act to implement certain provisions of the budget tabled in Parliament on March 22, 2016, and other measures.

We have many witnesses to go through. All witnesses are related to their concerns about or praise for Bill C-29.

Mr. Liepert, you had a point you wanted to raise.

**Mr. Ron Liepert (Calgary Signal Hill, CPC):** Before we start, I just want to ask the folks from the library whether we're still on track to get our pre-budget consultation report at the end of this week.

**Ms. June Dewetering (Analyst):** We believe so. Suzie has been more recently in contact with them, so she may want to add something.

**The Chair:** Do you think we're on track?

**The Clerk of the Committee (Ms. Suzie Cadieux):** Yes, we are.

**The Chair:** We believe we are on track, and that would mean we would have it at the end of business on Friday. Yes, there will be lots of reading.

Before I turn to the witnesses who are here, I want to mention that Michael Veall from the department of economics, McMaster University, wasn't able to come. He had intended to come. His presentation, for members' benefit, is on your iPads.

We'll start, then, with the first witnesses. We ask witnesses to hold their remarks to about five minutes, and then we will go to a series of questions.

We'll start with the Public Interest Advocacy Centre, Mr. Lawford and Mr. St-Amant.

**Mr. John Lawford (Executive Director and General Counsel, Public Interest Advocacy Centre):** Thank you, Mr. Chair.

Honourable members, my name is John Lawford, and I am executive director and general counsel at the Public Interest Advocacy Centre, on behalf of which I am appearing today. With me is Jacques St-Amant, who teaches consumer law at the Université du Québec à Montréal and acts as a consultant to PIAC regarding financial services.

We're focusing today exclusively on division 5, part 4 of the bill. Our main message is that the bill's financial consumer protection

framework will not improve the protection of banks' customers and may, in fact, make things worse.

In his 2013 budget, the then Minister of Finance announced the government's intention "to develop a comprehensive financial consumer code to better protect consumers of financial products". This was followed by further announcements on this topic in every single budget, including the 2016 budget, which promised "a comprehensive, consolidated framework and include targeted and more flexible consumer protection rules to better respond to Canadians' changing needs."

We were cautiously hopeful that needed change was coming.

The current rules are deeply unsatisfactory. The FCAC—or Financial Consumer Agency of Canada—website lists over 50 provisions of the Bank Act, 28 regulations under the act, six voluntary codes of conduct, and over a half a dozen public commitments claiming to protect consumers. Very few consumers know these rules or understand what they mean. Many of them are not strong enough and they are not legally enforceable by a consumer. Often there is no rule, beyond a general legal principle to protect the consumer.

What Bill C-29 does is moves around the existing rules between the act and regulations, making the framework more rigid at a time when swift market evolution would require a more flexible set of rules. It does add five new principles, the legal impact of which is unclear, and some small changes regarding other issues, but it adds provisions that are clearly also unhelpful to consumers.

Bill C-29 does not address the real problems, such as banks unilaterally changing provisions in their terms and conditions, or disclaiming in their terms and conditions any liability for mistakes or negligence. As an example, we provide in the annex to these remarks a provision from CIBC's current terms and conditions. There is nothing in the Bank Act, or in Bill C-29, that prohibits such provisions. Contrast that with the consumer protection code established by the Central Bank of Ireland, which requires banks to act with skill, care, and diligence in the best interests of their consumers, and which prohibits, in principle, exclusionary clauses, such as I referred to.

Complaint resolution is not addressed by Bill C-29, even though the current regime allows a bank to choose its external ombudsman—an obvious conflict of interest. FCAC remains the watchdog under Bill C-29. However, it was given very limited powers in 2001, which have not been significantly increased over time, simply compared with the U.S.'s Consumer Financial Protection Bureau.

This is a weak framework. It is full of gaps. We are therefore worried by Bill C-29's apparent attempt to confine the protection of banks' consumers to this regime, as we understand that the intent behind proposed new section 627.03 is to thwart the application of provincial consumer protection legislation in banking. This is not a good idea.

First, consumers of banks would then be less well protected in some provinces than if they did business with, say, a local credit union, which would be subject to provincial rules. In effect, Parliament would be creating a disincentive for consumers to do business with banks.

Second, consumers of all provinces may not be treated equally. It is settled law that federal legislation is not paramount to common law, so the absence of any provision regarding unfair transactions in the Bank Act may have no impact on, say, the application of common law unconscionability rules in nine provinces. In Quebec, where similar rules are legislated in the provincial civil code and the Consumer Protection Act, those provincial laws could be found to be inoperative under this constitutional theory propounded in the bill. More simply stated, Bill C-29 invites constitutional wrangling instead of promoting legal certainty, which will harm consumers and banks.

However, we have an even more fundamental issue with what the minister proposes. In effect, he is inviting Parliament to declare that in Canada the convenience of bankers is more important than the protection of consumers. We believe that is mistaken and will not be popular.

- (1540)

Financial service consumers would gain by the implementation of a strong, coherent, and comprehensive set of legally enforceable rules that would be consistent with the Canadian constitutional framework established through an open consultative process. This set of federal rules could act as a floor, and if the floor were built high enough, provinces likely would not feel the need to offer additional protection to their residents, which would further the goal of consistency. This is not, however, what Bill C-29 currently does.

In conclusion, we suggest that this committee recommend to the minister that he take stock of these issues, withdraw the division from the bill, and consult again in order to implement, in the context of the upcoming global review of the Bank Act, a truly effective financial consumer protection regime.

Thank you.

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

For the Canadian Bankers Association, we'll hear Mr. Campbell and Ms. Cotroneo.

[*Translation*]

**Mr. Terry Campbell (President and Chief Executive Officer, Canadian Bankers Association):** Thank you, Mr. Chair. Good afternoon, ladies and gentlemen.

We would like to thank the committee for inviting the Canadian Bankers Association to participate in the committee's review of Bill C-29.

The CBA works on behalf of 59 domestic banks, foreign bank subsidiaries and foreign bank branches operating in Canada and their 280,000 employees.

[*English*]

Our opening remarks will address the provisions contained in division 5 of part 4 of the bill. These amendments to the Bank Act consolidate and streamline the consumer protection provisions that apply to banks under a federal financial consumer protection framework. My introductory comments are going to focus on the broader aspects of the amendments that will affect the banking industry and our customers.

Building and maintaining a strong client relationship is of fundamental importance to Canada's banks. Banks are an active and essential part of the daily lives of Canadians. Ninety-nine per cent of Canadians have an account with a financial institution, so many millions of Canadians turn to banks every day for products, services, and financial advice. We help Canadians safeguard their money, finance a home, manage their savings, plan their investments, and prepare for retirement.

Banks in Canada take very seriously their role in the lives of individual Canadians, and Canadians trust their banks and value the products and services they provide. In fact, Canada's banks have been recognized internationally for their commitment to providing a good consumer experience. Our banks have been ranked first out of 32 countries in the Capgemini "World Retail Banking Report" every year since 2012.

Bill C-29 consolidates the consumer protection provisions that exist in federal legislation as they have evolved over many years, including new measures, into a single financial consumer protection framework within the Bank Act. By creating a clear federal framework, Bill C-29 ensures that Canadian customers continue to benefit from consistent, safe, and high-quality banking products and services across the country.

Consolidating consumer protection and establishing a uniform set of standards under a single framework will improve the efficiency of financial services regulation, ensure consistent policy across the country, prevent consumer confusion, maximize product availability, and ensure the capacity of the Financial Consumer Agency of Canada to fulfill its regulatory mandate to inform and protect consumers.

We support the placing of the consumer protection framework under the oversight of a single regulator. The FCAC was created in 2001 to strengthen oversight of consumer regulation and expand consumer education. The industry has a long-standing and strong working relationship with the FCAC in many areas, particularly in the area of financial literacy.

We also support a framework of consumer protection principles that are not prescriptive and that can be adapted to change. Allowing and encouraging further innovation in the financial sector is essential, so that banks can continue to serve the needs of consumers by developing and enhancing financial products and services and the way they are delivered to our customers.

As leaders in financial technology, banks in Canada are constantly innovating, developing new products and services to meet the demands of their customers for greater convenience. Canadians can now bank at any time, from virtually anywhere, through online and/or mobile banking. Every year, more and more Canadians are adopting online and mobile as their preferred means of banking. Despite this trend, however, banks have maintained an extensive branch network across the country, because that is where relationships with their clients are often established and maintained.

More clarity about the implementation of the framework is going to be provided through the development of subsequent regulations, and we look forward to engaging in that process. Our aim would be to achieve a workable, efficient, and flexible approach for the benefit of Canadian consumers.

With the start of the global financial crisis now nearly a decade behind us, it's important to keep in mind that Canada's prudently managed banks, combined with an effective financial services regulatory and supervisory framework, were key reasons for the strength and the resilience of Canada's banking system. A key lesson of that crisis was the importance of a streamlined, coherent, and unified regulatory system, which we have in Canada, with a single regulator responsible for safety and soundness—the Office of the Superintendent of Financial Institutions—and a single regulator for consumer protection, the FCAC.

●(1545)

The CBA and its members have long supported a strong federal regulatory framework for the benefit of consumers. Although Canadians already benefit from a strong protection system, we think the federal framework proposed in Bill C-29 is an important step in the direction of further improving that regime, with a clear, streamlined, and consistent set of regulations that are applied across the country.

[*Translation*]

Thank you again for inviting us to be here today, and we look forward to your questions.

Thank you.

[*English*]

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

We turn to the Financial Consumer Agency of Canada, Ms. Goulard and Mr. Bilodeau.

Go ahead, Ms. Goulard.

**Ms. Brigitte Goulard (Deputy Commissioner, Financial Consumer Agency of Canada):** Good afternoon, and happy financial literacy month.

My name is Brigitte Goulard. I am the deputy commissioner of the Financial Consumer Agency of Canada, and my colleague Richard Bilodeau is the director of our supervision and promotion branch.

Thank you for the invitation. I look forward to providing you with our comments on Bill C-29.

[*Translation*]

The Financial Consumer Agency of Canada, or FCAC, is a federal government agency responsible for protecting consumers of financial products and services. The agency supervises the practices of banks, federal credit unions, and trust and loan companies. It also develops resources and organizes activities to strengthen the financial literacy of Canadian consumers. Lastly, the agency is mandated to monitor and evaluate trends and emerging issues that may have an impact on consumers of financial products and services.

We monitor external complaints bodies, or ombudsmen, if you will. Every bank and federal credit union must be a member of one of the two approved external complaints bodies.

Consumers who feel that their financial institutions haven't adequately handled a complaint about some banking activities can contact one of these bodies. The representative of one of the two approved bodies, namely, ADR Chambers—Banking Ombuds Office, also appeared before you today.

We also ensure that credit and debit card networks comply with certain business practice requirements to protect merchants. These networks include VISA, MasterCard, American Express and Interac.

●(1550)

[*English*]

FCAC welcomes the new financial consumer protection framework included in Bill C-29. If adopted, it will better protect financial consumers.

We are particularly pleased with the introduction of guiding principles that set out expectations to guide banks' conduct, and will help FCAC interpret and then enforce the legislation. Other enhanced consumer protection measures include improving access to basic banking services by allowing the use of a broader range of personal identification documents to open an account or to cash government cheques.

It also includes strengthening business practices' oversight by introducing a new prohibition on applying undue pressure and by adding cancellation periods to a wider range of products and services. It enhances disclosure of key information by expanding the use of summary boxes of information to all banking products and services. It also enhances transparency by requiring banks and external complaint bodies to report on the nature of complaints received. Finally, it will improve accountability by requiring the banks to report on how they are addressing the principles of the consumer framework and the challenges faced by vulnerable Canadians.

In anticipation of this new consumer framework, FCAC has spent the last year revising its own supervisory framework. I am pleased to announce that our new supervisory framework will be launched in spring 2017.

Three pillars underpin our new supervisory approach. The first pillar focuses on promotion, as FCAC believes that compliance is facilitated when obligations are clearly identified and accessible to regulated entities. Second, FCAC proactively monitors regulated entities to determine whether they are complying with their obligations. FCAC also gathers information on current and emerging issues that impact financial consumers. Finally, FCAC enforces the financial institutions' market conduct obligations. When a potential breach of a compliance obligation is identified, we investigate and take the appropriate action to respond to non-compliance and to deter any further non-compliance.

With this new supervisory framework, we will proactively identify issues in the marketplace and take a more risk-based approach in our supervision and enforcement activities. We believe this approach will better position us to implement the legislative changes proposed in Bill C-29.

[Translation]

To ensure the adoption of the new framework for consumers, FCAC will work closely with stakeholders, including consumers, federally regulated financial institutions and regulators in the provinces and territories. This collaborative approach is at the heart of FCAC's activities and guides all of its activities.

Thank you again for allowing me to meet with you. My colleague and I will be happy to answer your questions.

[English]

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

I'll maybe give an explanation because it's quite unusual for us to have this many people on a panel. When we first looked at this panel and the deadline we're under on Bill C-29, we thought there might be votes today. Usually when there are votes, we end up cutting the last panel short.

I encourage members to take notes. We will go two rounds of questions, five minutes all the way around because I know there are a lot of panellists. Not everybody has to use their five minutes twice. It is so that people will not be rushed and can get enough questions in.

From the Association of Canadian Financial Officers, Mr. Chamberlain, go ahead.

**Mr. Scott Chamberlain (Director of Labour Relations, General Counsel, Association of Canadian Financial Officers):** Thank you.

Honourable members, thank you for the opportunity to appear today. The Association of Canadian Financial Officers represents the operational core of the federal government's financial workforce.

We understand how important public revenue is to delivering vital public services to Canadians and that fiscal responsibility requires both prudent spending and fair tax collection. We believe the best way to serve Canadians is through responsibly funded public services delivered by a professional and modern public service.

We believe that our leaders must first ensure that all Canadians contribute their fair share before resorting to austerity measures and the sale of valuable public assets. We recognize that progress in this regard is being made by this Parliament. You are delivering and engaged in a mission to modernize the tax regime. Millions have been invested in efforts against tax havens, and there has been a corresponding increase in recovered revenue, investigations, and audits.

We are encouraged by the government's ongoing review of tax expenditures with the purpose of further simplifying and rendering fair taxation in Canada. ACFO supports these efforts and we support Bill C-29, which includes provisions that contribute to this work.

Today we offer suggestions only on what further provisions could be implemented to maximize the effectiveness of this new regime. I'll start with the OECD BEPS initiative. In budget 2016, the government committed to working with the OECD and its action plan on tax avoidance. The OECD BEPS initiative represents an unprecedented international effort to modernize international tax and to ensure fair and stable government funding globally.

Bill C-29 helps establish the cornerstones of OECD BEPS by implementing both the country-by-country reporting standards and the common reporting standard for the automatic exchange of information between tax authorities. These are crucial steps towards a comprehensive global strategy against tax evasion. The country-by-country reporting framework, however, will require further improvements if it is to function optimally. Specifically, many developing countries, including many tax havens, lack the capacity to participate in the OECD BEPS framework, and the vast majority of multinational entities will not be required to report under the current thresholds.

Canada should seize the opportunity to lead on tax globally by spearheading the following: supporting developing nations' efforts to build capacity in order to participate in the OECD BEPS framework; calling for the establishment of a UN international tax body to complement the efforts of the G20 and the OECD and broaden the base of participation; calling for the lowering of the country-by-country reporting thresholds, which currently would not apply to 90% of the multinational entities; and finally, calling for most information in the country-by-country reports to be publicly available.

The details and full rationale of these recommendations can be found in ACFO's recent white paper, "Tax fairness: An opportunity to lead", copies of which have been provided through the clerk today.

In addition to leading on OECD BEPS, Parliament could continue to focus on complementary domestic measures, including implementing this committee's October 2016 report, "The Canada Revenue Agency, Tax Avoidance and Tax Evasion: Recommended Actions". The recommendations therein serve as a practical and reasoned road map for building on the progress made thus far. As someone who appeared at that committee, I thank the members for the good work on that report. We fully support it.

Other complementary domestic measures that Parliament could focus on include establishing a national public beneficial ownership registry, and finally, continuing in efforts to eliminate tax expenditures, which in our opinion should include the stock option deduction, which costs \$100 billion annually, encourages speculative behaviours, and overwhelmingly benefits the top one per cent with largely no discernible economic benefit, save and except for a reasonable exception for the high-risk innovative tech sector, for which there could be a reasonable cap.

In conclusion, as proud, hard-working public servants, ACFO's members help deliver on this government's agenda of infrastructure investment, reconciliation with our indigenous people, pay equity, growing the middle class, and supporting sustainable economic growth. Bill C-29 helps establish a stronger and fairer tax regime that we can build on for securing the revenue needed to achieve these goals for Canadians without resorting to further austerity measures and privatization.

Thank you.

• (1555)

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

Next is the Ontario Association of Radiologists, Mr. Foley and Mr. Taucer.

**Dr. Fabiano A.S. Taucer (Head of Diagnostic Imaging, Montfort Hospital, Ontario Association of Radiologists):** Thank you, Mr. Chair, and ladies and gentlemen. Thank you for the opportunity to present to this committee.

My name is Fabiano Taucer. I'm here with Ray Foley, the executive director of the OAR. I've been a practising physician in Ontario for 37 years, and for the past 28 years here in Ottawa at the Montfort Hospital as a radiologist and nuclear medicine physician.

In a nutshell, there are three issues I want to touch on regarding the small business deduction as it pertains to physician groups. The first is how medical practice has evolved, requiring the creation of group practices to the benefit of patient care; two, how the proposed legislation would lead to a dissolution of these group practices resulting in significant, unintended consequences negatively impacting patient care; and three, how and why physician groups should be exempted from the proposed legislation.

We're all aware of the ever-increasing complexity of medicine and medical knowledge. Hardly a week goes by that we don't see an item in the newspaper or in the media about some new therapy, some new surgical procedure. Some of you may have seen on the CBC television news last night an item where a neurosurgeon in Winnipeg used a new therapy on a young woman with a brain tumour by inserting a probe into the brain while she was conscious and treating that tumour.

This increasing complexity has led to the development of not just specialists, but subspecialists and super-subspecialists. The delivery of this type of subspecialty care is fostered and supported within group practices. The provision of 24-7 care from family physicians to specialists and subspecialists is likewise supported within the framework of a group practice.

In my own field of diagnostic imaging, groups have evolved to provide a full gamut of care, not just the direct doctor-to-patient care but many other things that occur in the background that have a direct and indirect effect on patient care. We're able to provide these key services, many of which are not remunerated or poorly remunerated, within the setting of a group practice, such as teaching, research, administration, quality control, leadership, as well as certain clinical services; yet all of these services impact directly or indirectly on patient care.

Pooling of income within a group model allows the best teacher in each subspecialty area to teach, the best administrator to advise the hospital or institution, the best clinician in her field to practise in that area, the best researcher, and so on. This can take place without a financial penalty to the individuals involved. I'm sure you can see how all of this benefits patient care both in the short and in the long term.

The removal of the small business deduction would have the opposite effect and would be a disincentive to provide non-remunerative yet important work.

Physician partnerships are different from other professional partnerships with respect to this legislation in two important ways. First, they operate in a not-for-profit system with no control over the fees that are set by provincial governments. Secondly, there is no multiplication of the small business deduction in physician groups, such as may have occurred with other professional groups.

My premise is simple. The legislation, as proposed, would have serious short- and long-term negative effects on patient care in this country, and I'm sure that was not the intent of the legislation.

• (1600)

**Mr. Ray Foley (Executive Director, Ontario Association of Radiologists):** We have some recommendations in terms of that same goal. First, we're seeking that the legislation be amended to carve out publicly funded health care delivered by medical practitioners who deliver their services in professional medicine corporations, which are a readily identified activity by CRA.

Second, we seek amendment in the legislation to recognize that policy objectives aimed at for-profit partnerships, whether they be legal, accounting, or otherwise, are not applicable to not-for-profit delivery of health care services as we know them under the Canada Health Act, following the litmus test of medically necessary examinations.

The third would be that a decision on this matter be made quickly. We have a thousand radiologists in Ontario, 2,800 across Canada. In the case of the thousand physicians in Ontario, they service 13 million patients. The lack of a decision is causing people to make decisions, and when enjoined with some of the other turbulent activities happening in the public sector at a provincial level, this creates unnecessary and dangerous instability.

The concern is that physicians, not just radiologists but physicians generally, will do what happened in the 1980s, 1990s, and the early 2000s, and that is that they will move to other jurisdictions, principally the U.S., to provide services. That, obviously, is one of the unintended consequences that we see, which obviously tax planners or policy-makers did not have in mind when they set out to do this, in terms of what the implication is for both federal and provincial health policy across the country.

The fourth is that if there is a change in the tax legislation that it be communicated as effectively and as efficiently as possible, that it be done through bodies like our own or the Canadian Medical Association in order to address this significant undercurrent that remains in the minds of practising doctors across the country.

Thank you.

• (1605)

**The Chair:** Thank you all very much for your presentations.

We turn to the first round of questions with Mr. Sorbara.

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

I do wish to acknowledge two young folks from my riding who are here in the committee, paying attention. They are sitting in the back. Welcome, Stefano and Cassandra. It's great that you can spend the day with the MP.

Now I'll go on to the questions. I'll divide my time up and I'll group it into the Canadian Bankers Association, along with Mr. Lawford and Mr. St-Amant, and then I'll move over to the radiologists.

Mr. Campbell, with regard to your comments on the Canadian Bankers Association, I'm generally in line with your view of it.

We've always maintained a strong regulatory framework and it has always been a balance between provincial jurisdiction and federal jurisdiction with regard to the banks in Canada, more so on the federal side.

One of the reasons we came out of the financial crisis so strong, I believe, is that we had a lot of good regulatory oversight from the federal side, be it OSFI or other regulatory institutions. I wonder if you can elaborate on the comment on the streamlined, clear, and consistent set of regulations that you mentioned.

**Mr. Terry Campbell:** Sure. Thank you very much. I appreciate those comments.

Again, I go back to the financial crisis. If we looked at many other jurisdictions in the world, certainly south of the border, we saw a multiplicity of regulators often working at cross-purposes. We didn't have that here.

I do agree with you that strong regulation and strong supervision through a unified regulator was part of the recipe of why Canada was able to get through the crisis with its head held high, and it served as a model. I see the bill, quite frankly, in front of us as carrying on that tradition.

Our sense is that what is important for the consumer is a consistent, clear, and coherent set of rules that is under a uniform system of supervision. It doesn't help consumers at all to have duplication or conflict or confusion as to whom to turn to in cases of concern.

Now, the devil is in the details and we haven't seen all the regulations yet, but what Bill C-29 does, from our perspective, is provide that clarity of intent, provide uniform consumer protection and uniform supervision. We think this is the strongest system. It already has a high-quality set of rules, which are higher, actually, in terms of some of the changes and enhancements and new provisions put in. We think this will be good for consumers.

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

I'll move over to the radiologists. There was one interesting comment in your presentation that within the group structure there is no multiplication of the small business deduction. Can you elaborate on that? Obviously, we have heard, and I have heard, from a number of physicians and physicians' groups across the country in the last number of weeks and in the last few days, so I do understand your concerns.

However, I wanted to zero in on this comment that you made about there being no multiplication to the small business tax deduction.

• (1610)

**Dr. Fabiano A.S. Taucer:** Thank you for the question and picking out the one thing that doesn't have to do with medicine.

**Voices:** Oh, oh!

**Mr. Francesco Sorbara:** I'm not a doctor.

**Dr. Fabiano A.S. Taucer:** I would describe it this way. In the current setting, in our group we have 12 radiologists. Each of those 12 radiologists is entitled to take advantage of the small business deduction, and there's not an additional deduction for each of those radiologists. Should the legislation go through, the partnership would be dissolved and each of those 12 radiologists would be allowed to take advantage of the small business deduction.

That doesn't directly answer your question, but my understanding of multiplication is that there are certain partnership structures that allow for individuals to effectively take advantage of that low tax rate for small business multiple times, rather than just one for that individual.

**Mr. Francesco Sorbara:** That is the way I understand it as well.

We know the delivery of health care is more a provincial area of responsibility. Obviously, there is the Canada health transfer and a lot of other stuff, but in terms of delivery and your comments on speciality and subspecialty care within the group practices, can you elaborate on that, please? I am worried about the unintended consequences of changes.

**Dr. Fabiano A.S. Taucer:** Certainly. In our group, and many groups like it, the group provides a radiologist to consult with the hospital. Generally, it's the chief or another member, wherever it's appropriate. Those services are not remunerated. I sit on the radiation safety committee for the hospital. That's not remunerated. I was chief for 10 years and I can't count the number of meetings I attended where everybody in the room was paid, but not me. That's the sort of non-medical care that is supported by a group practice.

I'll give you another example. There are many interventional procedures that, for whatever reason, are very poorly paid but very important. Radiologists perform procedures through a very small hole in the skin, where before they were done with open surgery, and patients really appreciate that. Those are very poorly remunerated. In a group setting, the physician offering that service is not penalized financially. The income is pooled and everybody shares in that income.

Certainly you can see, as a patient, you would want to have a system where physicians doing important things are not given a disincentive.

**The Chair:** Okay, thank you.

Mr. Deltell.

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

Ladies and gentlemen, welcome to the House of Commons parliamentary committee on finance.

[*Translation*]

My initial questions will be for you Mr. Campbell, and they have to do with the banking system. I am very happy to welcome you to our committee.

Obviously, you know better than anyone that, in early October, the Minister of Finance decided to tighten the standards for home ownership by using what we call a stress test, in which the mortgage rate is doubled, in a way. I'm cutting corners by saying that, but the

mortgage rate is doubled to determine whether the person who wants to borrow can survive such a situation, should interest rates rise.

With the statement the day before yesterday by the president of the US Federal Reserve that interest rates could rise starting in December—December, that's in one week—we are obviously all a little surprised by this.

First, I would like to ask you about interest rates for first-time homebuyers. What reactions have you seen so far in your banks and with potential clients, so young families and people who want to buy their first home?

**Mr. Terry Campbell:** I'm sorry, but I will have to speak in English.

• (1615)

[*English*]

I'd say it is the question that is on everybody's mind these days. You can't open a newspaper without seeing something about housing.

What I would say is this. I'm going to answer your question in a bit of a roundabout way, but I'll come very specifically to the answer. The housing market, the mortgage market, in Canada is an extraordinarily complex one, as you know. There's no one mortgage market. There are a range of factors going into affordability. The key thing that we look for, and we looked for it when the previous government made a series of changes and we looked for it when the current government turned its mind to these issues, is the balance between the goal, if it is to maybe slow things down, take a bit of the heat off, and maybe spread out the risk a bit, on the one hand, and not damaging the vitality of the marketplace, on the other hand. Therefore, what we look for are targeted, incremental, step by step...

Now, every bank is going to have their own portfolio. Every bank will have their own relations with customers. From what we have seen so far, the reaction my bankers express to me is, "Let us see how this current set of changes"—the stress test that you mentioned, the portfolio test, the changes in down payments that were made last December—"work through the marketplace before we contemplate any further changes".

I think where most people are focused is the impact on those first-time customers.

**Mr. Gérard Deltell:** But, Mr. Campbell, why do we have to have all these new rules, while you should be more cautious with your clients?

When we knock on the door for the first time at a bank, all of us are a bit nervous. I'm sure it was the case for you; I can tell you it was the case for me. I had the chance 25 years ago. I had a mortgage, a good one, I'm very pleased with that, but I could have gone higher than that, nearly twice that. They said, "You have really good wages, your wife too, so you could have gone a bit more." It would have put me in jeopardy. Don't you think that you, as bankers, should be more cautious with the young people who are knocking at the door, instead of having those new tests implemented by the government?

**Mr. Terry Campbell:** First of all, for me, it was 35 years ago, and my interest rates were 16% and 18%, respectively.

**Mr. Gérard Deltell:** Oh, you were there.

**Mr. Terry Campbell:** Anyway, to your point, let me say a couple of things.

First of all, the quality of the underwriting has not changed. It is as strict as it ever was, and our prudential regulator won't let it be anything other than what it is. In fact, Mr. Deltell, I think a very telling case is that one of the proofs of the quality and the strictness of the underwriting is the rates of mortgages in arrears, when people can't pay them back. It is at virtually a historic low. It is less than a half of 1%. It's currently sitting at 0.28%. It's been under a half a per cent in periods of high inflation, low inflation, high unemployment, low unemployment.

What that says to me is two things. It says that banks continue to be very strict lenders, just by culture, but also our regulators require it. But it also says that Canadians are very good borrowers. They're very careful in paying their loans back.

**Mr. Gérard Deltell:** Yes, you're right. I once heard Premier Jean Charest say in a speech that Canadians are dull, but this is why we're safe.

**Voices:** Oh, oh!

**Mr. Gérard Deltell:** I'm sure he will be happy that I quoted him.

However, my last question, Mr. Campbell, is on an issue I raised in my introductory notes. A few days ago, the chair of the Federal Reserve System in America said that the rates could go up a point. Are you afraid of that? Are you cautious of that?

**Mr. Terry Campbell:** We've been watching the Federal Reserve board for quite some time. Will they raise it? I think it will happen. I don't know. I'm not making a prediction. I would say this. The deputy governor of the Bank of Canada, Tim Lane, was asked that question, and he made it very clear in his speech shortly after, in terms of speculation about where the Federal Reserve board would go. He said that Canada does not need to work in lockstep with the United States. We will not march in lockstep. We will consider the circumstances as appropriate to Canada.

Now, this is not my decision; it's theirs. We're going to have to see. The United States is going up like this, but if you look around the rest of the world, it's hard because it's not out of second gear yet. I think that our Bank of Canada, in setting their rates, will take into account all the factors it needs to, but it will look for a "made in Canada" approach. That's my sense.

• (1620)

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

Mr. Caron, go ahead, please, for seven minutes.

[*Translation*]

**Mr. Guy Caron (Rimouski-Neigette—Témiscouata—Les Basques, NDP):** Thank you very much, Mr. Chair. I would like to thank the witnesses for being with us today.

I'll start with Mr. Lawford and Mr. Campbell.

Your testimonies about the impact of section 5 are fairly different. Mr. Lawford presented certain arguments on this matter.

Mr. Campbell, could you respond to his concerns about the scope of tax jurisdictions or even about the impact it might have overall, such as possibly offering lower protection to consumers?

[*English*]

**Mr. Terry Campbell:** I say this with respect and affection for my friends from PIAC: I disagree. I disagree on a range of fronts.

If you look at it from the perspective of a consumer, the consumer does not want to have conflicting provisions. They won't know which will apply. They don't want to have provisions that can't work together. They don't want to have provisions about which there is confusion. Do they go to the FCAC? Do they go to the ombudsman? Do they go elsewhere?

The other thing to bear in mind is that, unlike provincial credit unions, which are in a local area, banks work across the country. This is a national regime. People move in Canada, and banks have to plan on a nationwide basis. With this legislation, we think there is strength in a uniform approach. We think there is strength in uniform supervision. Quite frankly, everyone around this table is a federal MP who has a view about how policy should be formulated. We think a uniform approach to policy is a good idea.

[*Translation*]

**Mr. Guy Caron:** Thank you very much. I must keep going because my time is limited.

**Mr. Glenn Campbell:** Yes, I understand.

**Mr. Guy Caron:** Mr. Lawford, would you like to add anything?

**Mr. John Lawford:** I will answer in English.

[*English*]

Consumers don't necessarily want a uniform approach. There are some advantages to that, but what they really want is a good approach. The rules that are being offered here today in Bill C-29 basically sweep a bunch of current rules into the act and add not very much. In return, consumers are being asked in certain provinces, notably Quebec, to forgo protections that they have, but there will be other provinces where there are higher standards, which will potentially be cut off at the knees by this bill.

What consumers really want is good banking practice, good financial services practice. That's what they're looking for. The suggestion that they'll be confused by it is unnecessary. If this bill had had more consumer protection in it, there would have been less need to say there's going to be a problem in the future. However, because there's so little, I can guarantee you there will be problems in the future, because consumers will be dissatisfied. They will go to their governments, provincial or federal, and ask for more.

[*Translation*]

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

So you really believe that there is a jurisdictional constraint on this. Can we compare that to the situation with the single securities regulator? Is this a similar case?

**Mr. Jacques St-Amant (Consultant, Public Interest Advocacy Centre):** With all due respect to Parliament—and I have great respect for it—Parliament can't easily change the Constitution. In recent years, the Supreme Court has repeated there is a shared jurisdiction over consumer protection in banking services. In fact, respectfully, when the minister tells us that he wants to regulate everything and standardize everything, he is in danger of having the same kind of difficulty as dealing with securities.

**Mr. Guy Caron:** So we risk being before the courts for—

**Mr. Jacques St-Amant:** We will certainly be back in court.

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

**Mr. Jacques St-Amant:** These provisions are a guaranteed recipe for new constitutional litigation.

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

Mr. Chamberlain, I have a quick question for you.

In principle, we aren't opposed to adhering to the criteria developed by the OECD on the BEPS, or base erosion and profit shifting. Might this give us a false sense of security? For example, Canada adhered to certain treaties, tax treaties or tax information exchange treaties. It seems to provide confidence to the fact that Canada is taking action to limit tax evasion but, ultimately, these measures have an impact that is sometimes contrary to what is reported to us.

Do you have the same fear regarding the standards established by the BEPS and to which Canada adhered?

• (1625)

[English]

**Mr. Scott Chamberlain:** Yes, absolutely. The OECD is a good base as I explained, but only 10% of the multinational entities are going to be captured by it. The vast majority of countries will not be participating in the county-by-county reporting because they don't have the capacity to do so, and so we will not have that information.

It is a good base to improve on, but we'll find that it's very ineffectual initially until more countries are able to participate in country-by-country reporting. I do think it creates a false sense of security. There's much more work to be done, but we'll give credit where credit's due that at least this is a beginning, a baby step.

We feel Canada needs to take the lead in supporting those countries, many of which are tax havens, in being able to build up the capacity to report, because in the end, country-by-country reporting is about Canada knowing which corporation is paying tax here and what tax they are paying in other countries. That's the core of getting at tax evasion, and currently we're not getting that.

[Translation]

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

I have one last question, and it is for you, Dr. Taucer.

Obviously, you are aware of the provisions that affect the deduction for small businesses and the impact it might have. You no doubt spoke with government representatives about this. What response did you receive regarding the concerns you have expressed before the committee?

**Dr. Fabiano A.S. Taucer:** Could you repeat the question, please?

[English]

**Mr. Ray Foley:** Sorry. I had the French.

[Translation]

**Dr. Fabiano A.S. Taucer:** I didn't speak with government representatives personally.

**Mr. Guy Caron:** I will repeat what I said, word by word.

Obviously, you are aware of the provisions that affect the deduction for small businesses and the impact it might have. You no doubt spoke with government representatives about the concerns you have expressed before the committee. What response did you get?

[English]

**Mr. Ray Foley:** We did meet senior finance department officials who were actually responsible for crafting the legislation. Their concern was about tax policy and not about other consequences—namely, of course, in our area, health policy—or about how the rubber hit the road in terms of how this impacted on the delivery of patient care, or how physicians were organized in order to deliver patient care, or that the synergy of physician groups, whether they be radiologists or surgeons or others, would be affected.

In a sense, tax policy is colliding with both federal and provincial health policies. The federal health policy that governs all health administration across the country is the Canada Health Act. Physicians are in a purely publicly funded health care system, and that's what we're talking about.

The synergy of 20 physicians working together is more than 20 physicians working individually. For the past 30 years, accepted health policy in this country has been about getting physicians to work in teams with other teams of physicians in order to avoid having patients fall between these cracks and to provide a much higher level of care.

That level of care is an intricate combination of general practice, general skills, specialty skills, subspecialty skills, and in tertiary care centres like teaching hospitals, even super-specialized care, in which very unique skills are located that are vitally important for the delivery of the full landscape, the full waterfront, of what patients are expected to receive in our health care systems across the country.

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

Mr. Grewal.

• (1630)

**Mr. Raj Grewal (Brampton East, Lib.):** I think it's Ms. O'Connell.

**Ms. Jennifer O'Connell (Pickering—Uxbridge, Lib.):** You can go.

**Mr. Raj Grewal:** Perfect. I can go now.

I'm sorry.

**Mr. Ron Liepert:** I'll go.

**Mr. Raj Grewal:** I appreciate that, Ron, but I don't think you would ask the same questions as I would.

Thank you, Mr. Chair. Thank you, witnesses, for coming.

With regard to the consumer protection discussion, I want to get your comments, Terry, on the balance between protecting Canadian consumers and allowing the banks to operate. Have we achieved that balance, or in your professional opinion, where does that balance exist, and has any country, particularly in the G7, gotten it right?

**Mr. Terry Campbell:** That's a very big question, so here we go.

This is a moving target. Consumer protection regulations are not a static matter. We have the establishment of a framework here, but that can be built on, and I think Mr. Lawford mentioned that the Bank Act might be another platform in a few years' time.

Actually there's a section in the statute that addresses this. The purpose is to provide uniform protection to customers, to provide uniform supervision, but it's also intended to provide a uniform set of rules so that banks can operate efficiently.

Do we have that balance? I would say that the consumer regime since I've been at the CBA, certainly in the last 10 years, has simply gone up and up and up. I don't say that in any kind of negative way. It's a fact. Compliance budgets have gotten considerably larger, and our engagement with the FCAC has gotten considerably more intense. Are there any other jurisdictions around the world? I go back in history, and I think it's still true. I would not trade any regulatory or banking system regime of any other country for what we have right here and now in Canada. I'm proud of it, and I think that the different elements—bank culture, bank management, supervision, and regulation—work together very well.

**Mr. Raj Grewal:** Thanks, Mr. Campbell.

Mr. Lawford, do you have any comments on my question?

**Mr. John Lawford:** Yes, I would trade instantly for the Irish system or the Australian system if I were a Canadian consumer. Both of those countries have a clear financial consumer code.

I'll give you one quick example: guarantees. If you are an older person and you go in with your child who wants to start a business, in Ireland, you're required to have a separate meeting, because you could lose your home to support your child through the love of being with that child. In Canada you sit in the same room. You sign the documents all at one time. They've taken that extra step, because they realize there are often problems such that someone who has been put into a conflict position doesn't know it and doesn't have the right advice.

That's a very concrete example of how they do it better in Ireland.

**Mr. Raj Grewal:** In your opinion they do it better in Ireland, but how does that impact their actual banks in doing their business?

**Mr. John Lawford:** They're still conducting business in Ireland and doing consumer retail banking. I don't know that there has been any loss of business there.

It's best not to mix up financial stability of the institutions with these consumer protection matters. The financial stability and the reserves that banks need and all those other Basel kinds of things are really not the same question as consumer protection. We're talking

about what happens when I'm wronged by a bank and I need redress. It's very hard to get in this country. It's very confusing, and my rights are quite limited.

**Mr. Jacques St-Amant:** If I may briefly add something, it's interesting that the banks actually thrive on using provincial legislation in areas such as providing mortgages, for instance. When provincial legislation enables them to do what they want to do, they're happy with it, but when it might in some ways inconvenience them, then they'd rather not have to abide by provincial legislation. In some cases, that means that consumers will be less well protected than they currently are.

**Mr. Raj Grewal:** Thank you, gentlemen. I'm sure you'll be happy to know that I'm a strong advocate as well of ensuring that financial literacy is being taught at a much younger age in school, because I think that's also a big component of ensuring that Canadians are protected across the board, and having Canadians know all the right questions to ask their banks when they go in.

My last question is for the radiologists.

I think you're going to be picked on a little bit today, not on purpose by any means.

Do you agree with the Government of Canada estimate that the effect of budget 2016 measures would effectively amount to a very modest increase in the tax burden for affected professionals?

• (1635)

**Dr. Fabiano A.S. Taucer:** It was certainly not modest for physicians. I don't agree with that. I'm not sure of the figure you used.

**Mr. Raj Grewal:** The example would be a physician making over \$200,000 in salary. Post-budget 2016, the additional expenditure would be in the hundreds.

**Dr. Fabiano A.S. Taucer:** If that were the case, I wouldn't be here. You can be sure of that. Our figures are significantly different. Ray can speak to this, but I believe they're in the \$30,000 to \$50,000 range.

**Mr. Raj Grewal:** Is this a physician making over \$200,000 a year, or a physician making \$1 million and the tax burden is \$30,000 or \$50,000? What number are you guys working off? That's the key to the whole argument.

**Dr. Fabiano A.S. Taucer:** I'm not sure it's the key to the argument. First of all, the way you use salary is something we as physicians are constantly fighting. We bill for services we provide so we're not salaried employees. We have no benefits, no pension.

If you use \$200,000 as gross income, it would be like the owner of the corner store getting \$200,000 of gross income and then paying all the overhead, all the employees, all the benefits, etc. In that case, maybe a \$100 difference is accurate, but it is not accurate to characterize that \$200,000 as a salary. It is gross income to a small business, and that makes an enormous difference.

**The Chair:** I'm going to have to cut you off. I expect we'll be in this discussion a few more times before we get to five o'clock.

Mr. Albas, you're next.

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

Thank you to everyone for coming today and sharing their expertise on this particular piece of legislation. I'm going to be focusing my time particularly on the Ontario Association of Radiologists. I appreciate your being here.

Mr. Grewal has already talked about salary and whatnot. I'm concerned, Mr. Chair, when I go to many parts of rural British Columbia in my riding, often it's more difficult to attract physicians. Raising taxes on high-income earners as this government has done has made it more difficult to attract physicians, particularly when places like the United States are right across the border and not very far away.

I'm very alarmed that not only are we providing disincentives for people who are working solo, but now in a way that affects our provincial and territorial partners.

I was sent an email saying that many of these medical structures were formed to deliver provincial and territorial health priorities. You have mentioned a number of them, particularly teaching, research, clinical services. These changes will impact the service and cause many of these group partnerships, which have developed over 15 to 20 years. That jeopardizes not just what you called non- or badly remunerated services, but will compromise health care for patients.

Is that correct?

**Dr. Fabiano A.S. Taucer:** Yes. That's correct.

I would like to make a number of points, but I will try to make it brief and use an example.

**Mr. Dan Albas:** I would much rather have you get them all on the table.

**Dr. Fabiano A.S. Taucer:** That's fine. I'll use the example of institutions that do research and teaching. These large groups that work in those types of hospitals function as a group, and the group supports the individual who is involved in teaching and research.

Money is short everywhere, but there's not a lot of money for research in this country, and research is vitally important. The reason I kept getting back to patient care and all the items I talked about, is that at the end of the day it funnels down to patient care. If you have good research, you're going to get a better result in the end, and everybody appreciates that.

Those individuals are financially supported by the groups. The provincial government in Ontario has established something called an AFP, an alternative funding plan, specifically to encourage groups to form so they can support teaching and research, which they recognize is underfunded.

**Mr. Dan Albas:** You see right now the provinces are trying to structure services for everyone's benefit, but at the federal level we're discouraging it.

• (1640)

**Dr. Fabiano A.S. Taucer:** Certainly the proposal of this legislation would work counter to the provinces.

**Mr. Dan Albas:** We had officials come in the other day, and they did mention, as I think you raised earlier, where all this is coming from. It seemed as if it's about revenue, and they don't agree with the assessment that this structure.... They think in a way that's very similar to the Prime Minister's comments that he believed small business tax rates were a way for many small business owners to enrich themselves at the expense of everyone else. I'm not paraphrasing properly there, but I think that's the point.

I did receive this earlier. I heard from a gentleman who operates out of the University of Western Ontario in the London Health Sciences Centre. He said that, in his centre alone, it will jeopardize a practice model that has taken 15 to 20 years to develop, that this negative impact will be felt by all groups, and that, in the end, patient care will suffer.

Would you agree with all those points?

**Dr. Fabiano A.S. Taucer:** I absolutely agree. I trained in London, Ontario. It's a great centre. University Hospital is a wonderful hospital, and I benefited from the teaching.

**Mr. Dan Albas:** Why are we only hearing from Ontario doctors? By the way, I love the fact that you're here to present, but is the fulcrum of this practice really in Ontario?

**Dr. Fabiano A.S. Taucer:** No, it's Canada-wide. I'm shocked as well. I would have hoped to have a barrage of physicians, but the reality is that everybody is really busy providing patient care. There aren't enough doctors. There aren't enough specialists. The reason why I'm here—I'm the alternate—is that the president of the OAR, Mark Prieditis, who was supposed to be here, is on call and he couldn't find someone to replace him. He's looking after patients as a priority. I happened not to be on call today, but I'm going to be doing my day's work tonight and tomorrow night.

**Mr. Ray Foley:** I think the other thing to appreciate is that when we talk about groups, certainly in radiology, groups on average range from 10 radiologists to 100. Obviously, the 100 are in large urban tertiary centres, but these are major collections of individuals with a very broad range of skills, and it works accordingly down to the smaller.

To the earlier part of your question, and this is something we did not mention, the impact of this will be on small town Canada, rural Canada, under-serviced Canada, but it will also be in urban and suburban areas, as people decide that this model, which has been cultivated by the provincial governments across the country, by hospitals across the country, to work in teams, to create this coalition, to create greater critical masses of skills....

Radiologists, for example, work with emergency physicians, and everyone who walks into emergency is typically running through the hands of a radiologist. Oncologists for the treatment of cancer, stroke, you name it, surgeons, internal medicine physicians, are all acting in teams in combination. This puzzle that has been crafted over really 30 years is now being accidentally...and I don't think anyone's doing it deliberately. That's the name of our talk, "Unintended Consequences".

To give you an example of another unintended consequence, of why we're, in a sense, the canary in the mine, these things happened before for tax reasons or for financial reasons, and led to long waiting lists, whether it was CT or MRI, where there were cancer wait lists, or hips and knees. It is not the intention, but this will have the effect of creating those kinds of things down the road. It will happen first in the hinterland of the country, and it will work to the centre. Again, it's through no fault of the federal government or the finance department, but there is a lot of turbulence going on in the country.

You're asking why are radiologists...? We're a very large group. We watched this. We became aware of it. People were asking questions. We're representing radiologists and other physician groups from across the country who are asking the same thing. The CMA will be here this afternoon talking about this.

●(1645)

**The Chair:** We'll have to cut it there, Ray. We're well over. I've let it go over a few times on this discussion because I think it's an important discussion.

Ms. O'Connell.

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

I apologize to the other witnesses, but I'm going to jump in on this conversation, too, because I do have some questions. I can barely see you, but that's okay.

I have a few concerns in regard to when we're talking about...and I understand your response, but from the financial officials we are talking about tax policy. The concern I have is in regard to this idea of care as a result of tax policy. Physicians and doctors—and I know many—do a lot, go above and beyond, and they took an oath that is above and beyond just financial conversations. You brought up one point specifically about certain doctors, certain specialists, who are not actually compensated very well for some of the work they do. But should tax policy really be a substitute for compensation?

Shouldn't those performing duties be compensated in a way that is fair, and each province deals with that? Why should tax policy become the substitute for fair compensation?

**Dr. Fabiano A.S. Taucer:** My understanding of tax policy is that taxes are not just intended to get money for the government. There's a second part to tax policy, and that is to influence the behaviour of people. We do that all the time. We use tax policy to encourage people to go to remote areas, or we use tax policy to discourage people from polluting. I think that perhaps the purpose of taxes is much broader than that.

I agree with you; I think services should be fairly remunerated. The reality is that they are not. In the real world, we have to deal

with that, and the proposed legislation would have a negative impact on care, whether we like it or not.

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

Although I'm trying to stay focused on the tax policy, which is what we're actually dealing with, I can't, because we're talking about a lot of other things. Mr. Albas raised the point that somebody sent to him that this has been a model for 15 or 20 years, which we're moving away from. I think there's some argument about whether we're moving to a better model or whether that has been a better model. Twenty years ago, if you went to your doctor, in a lot of cases there was a continuity of care. Going into group models, sometimes you can go in to see your doctor and you never see the same doctor, even though that's your family doctor.

In the past, the model used to be that if a physician went on vacation or was off sick themselves, they had family health groups or family health teams that would come in and substitute. People had this continuous care by doctors who knew who they were, doctors who understood their medical history, instead of having somebody new every single time.

We're not here to debate whether one model is better than the other, because, frankly, that's outside the purview of this, but it's been brought up that this will create a system of sole practitioners because there's a benefit. I'm trying to understand...and perhaps sole practitioners might not be such a bad thing in terms of care.

**Mr. Ray Foley:** Last year—and for many years—the tax ruling or the interpretation by CRA was that this was a permissible model. Physicians across the country have received these tax rulings and they have formed groups, not just of radiologists but of surgeons, of family physicians, of the alternative funding teams in London, and other academic centres.

What you're doing is sort of unwinding here, we think unintentionally, all of that integration of care. In health policy, everything is about integrating care and closing the gaps. We're not talking about the quality of care from an individual physician. Particularly in large practices, certainly in specialty medicine, everything in the science and the evidence is about practising in groups, not solo. That was the old model. There are actual quality concerns about physicians practising alone or with one or two individuals.

●(1650)

**Ms. Jennifer O'Connell:** But my understanding is that if someone was in a group model but now goes into a small business as an individual, that doesn't prevent them from that integration of care. Again, we're getting away from the idea of group care. This is a business structure, not a care structure in terms of your partnerships with other facilities or your partnerships with other doctors and things like this. It would be a tax structure with regard to how the individual sets up their business.

If this is wrong, tell me; educate me. What I'm saying is that it's not that if somebody goes into a business structure then they no longer work with anybody else.

**Dr. Fabiano A.S. Taucer:** What you're suggesting is correct if you have all physicians providing exactly the same service. For instance, if each family doctor provided the same service and billed the same amount and worked the same hours, it would work fine. The reality is that medicine has evolved tremendously since the days of Marcus Welby, so that's no longer the case.

Medicine requires subspecialization. You can no longer have that one doctor who knows everything, or even a group of doctors. Radiology is a fairly specialized field. Even in radiology, in my group, we have subspecialists in neuroradiology and subspecialists in musculoskeletal or abdominal imaging.

Because the fee schedule is what it is, if they were individuals, they would all bill different amounts.

**Ms. Jennifer O'Connell:** Aren't those subspecialists—

**The Chair:** Sorry, Jen, you're well over time.

Mr. Liepert.

**Mr. Ron Liepert:** Thank you, Mr. Chair.

I'm going to quickly make a couple of comments to Mr. Foley and Mr. Taucer.

In a previous life I was a health minister in Alberta, and if there's one thing that drove me crazy, it was the fact that the medical profession didn't work as groups. I think the advancement that you've made in the last decade or so has been phenomenal in terms of providing that kind of care to the patient. We could get into a pretty good debate with my friends across the way here about these things.

Mr. Foley, you said a couple of times that these are accidental, unintended consequences. We had finance officials here last week, and I don't think it was accidental. In fact, in listening to some of the questions that are coming from the government side, I'm convinced it's not accidental. I'm convinced that this is the beginning of how this government is going to move into small business taxation. We have a budget, but first we had an election where the Prime Minister not only said that they were going to increase taxes a little bit higher on the high-income earners; he also said that small businesses in many cases were nothing more than a tax dodge.

Now in this budget, where we did not have, as promised in the election campaign, a reduction in the small business tax, we are now seeing a tax coming on for small businesses. For Mr. Grewal, who unfortunately isn't here, we're going to see with the Canadian Medical Association and their presentation in the next group that, as an example, in the province of Nova Scotia the tax rate goes from 13.5% to 31%. That's hardly hundreds of dollars.

I think, with all due respect, gentlemen, if this gets changed, it's going to be because of the work of people on this side of the table, and because of people like you. It is not an accident, and if it doesn't get changed that will prove me correct. I see Mr. Champagne sitting right next to you who can take that back to the finance minister.

Those are my comments regarding that. I'm not sure if you want to make any other comments, but I would suggest that this is this year, and next year it's going to be groups of general practitioners or other medical professionals. I think this is a trend that's going to happen.

•(1655)

**Mr. Ray Foley:** We may be guilty of being naive or being too nice. Tax law is not what physicians do.

**Mr. Ron Liepert:** That's right.

**Mr. Ray Foley:** I think a comment would be that physicians, when those comments were made during the election, to a large extent didn't believe that they applied to doctors because it's not normally part of the orbit. When we became aware that this might, and then it did, involve physicians, there was a significant level of concern. That concern continues. Some of the turbulence that I referred to happening at provincial levels, it has the effect of causing physicians, who are highly mobile, to consider whether they should stay in this country or they should leave. There's an immediate advantage for 30% or more to go to the U.S.

**Mr. Ron Liepert:** Let me tell you, if Mr. Trump carries through with his reductions to personal income tax rates, in terms of that wee little bit extra that this government said they're going to squeeze out of the high-income earners, they're going to get nothing out of the high-income earners because they're all going to be crossing the border to work, including a whole bunch of health care professionals.

I'll leave it at that because I have a question over here.

Mr. Lawford, you represent the Public Interest Advocacy Centre, where you spoke on behalf of consumers. Then, Ms. Goulard, you represent the Financial Consumer Agency of Canada. When I heard the two presentations.... Who's representing consumers here? Because quite frankly they couldn't have been more opposite, unless my hearing is going.

I'd like each one of you to maybe give me, as a layman, an example or two of, in your particular case, Mr. Lawford, how this is going to make it worse, and in Ms. Goulard's case, how it's going to make it better.

**Mr. John Lawford:** Sure. There are some minor things that do make it worse. One of them is that there's a deemed delivery rule in this thing now that says that once a bank mails you something, five days later it's deemed that you've received it.

Well, you might not have received it, so that's a weird little one, but the larger issue is that if there is a change such that provinces are shaken out of dealing with banking.... You have a regime in Quebec where you can't exclude liability, yet banks' terms and conditions often exclude liability for many things, so that will be lost to consumers as well.

It's not that we don't want to have a national, federal level playing field and consistent rules for everybody across the country. The trouble is that the level that's being offered in this bill is too low. It could have been higher because we expected a financial consumer code and that's not what we got. We got something quite a bit less.

**Ms. Brigitte Goulard:** We are the regulator for the financial institutions. We are not a consumer advocate. We look after consumer interests. I think that's the distinction between Mr. Lawford and ourselves.

We believe that this is going to be very good for consumers, and I'll give you just two examples. One is broad and the other one is very specific. One specific example is that one of the ways we disclose information to consumers is through information boxes. If you open your credit card application, you will find on the cover an information box that includes information such as the interest rate that's going to be applied, and other relevant information. One of the things that this government has done, that the bill has done, has to do with the information boxes. They will now be required for a much broader set of products and services so that consumers have an easier way to find the information when they are purchasing products from banks. That's very specific, and there are a number of very specific examples.

A much broader example of how this will be good for consumers involves the new principles. The legislation now includes five principles that will direct the banks in terms of how they need to conduct themselves with consumers. That means broader access to products, and the banks must treat consumers and the public fairly. A couple of times Mr. Lawford referred to Ireland and how well it treats its customers. Ireland is one of the countries that we will be looking at because they already have a principle-based approach, so perhaps the approach that Mr. Lawford is referring to is the approach that we will now be adopting in Canada, which is a principle-based approach.

We will be implementing these requirements, and we have spent quite a bit of time examining what's going to be required of us. I can say that it's much broader than what Mr. Lawford is perhaps referring to, because we see there are very small changes that have been made that will have a significant impact, we think, on consumers' interests. We are looking forward to implementing.

• (1700)

**The Chair:** Thank you both.

Robert, do you have a quick couple of questions? We're a little over time but it's my fault. We let it go over on a number of questions.

Go ahead.

**Mr. Robert-Falcon Ouellette (Winnipeg Centre, Lib.):** I was shortchanged, Mr. Chair.

**The Chair:** You were.

**Mr. Robert-Falcon Ouellette:** Thank you very much for coming. I have a few quick questions for *Monsieur* Campbell.

I was just wondering if you had any information on how many bank accounts were actually refused to Canadians.

**Mr. Terry Campbell:** I don't have those specific numbers but I can tell you, in the reverse, that depending on the specific survey, between 96% and 99% of Canadians have a bank account, an account with a financial institution. The vast majority do. There are some provisions in the legislation where for fraudulent purposes accounts can be denied, and so on, but the vast majority are covered.

**Mr. Robert-Falcon Ouellette:** Okay. I was just wondering how many banks are found on reserves, especially on first nations reserves or in rural areas, and I need that broken down.

**Mr. Terry Campbell:** I don't have that specific number. I can get that number to you. I do know that banks take a lot of care of both the employment side and on sponsorships and education.

**Mr. Robert-Falcon Ouellette:** Here's another question you could get back to me about. I was wondering if you could talk a little bit about, or send us the information about, what you believe low-cost or no-cost actually means, and how many people that would apply to. That is information I'd be interested in receiving for the entire committee—

**Mr. Terry Campbell:** Yes.

**Mr. Robert-Falcon Ouellette:** —at some later date. I won't have time to get that on the record.

**Mr. Terry Campbell:** I would be happy to follow up.

**Mr. Robert-Falcon Ouellette:** Then I'd just like to point out one final thing. In my riding, for instance, I have an awful lot of homeless people, and it's very difficult for them to open a bank account. In the 2007 report from Toronto, 60% of homeless people do not have bank accounts. It's very hard for them to get ID, so where do they start? I was reading the documents in the bill, and it's very good. Access to basic banking services is in proposed new division 3, and it lists all the things that you can get. But if you're a homeless person with no ID, you essentially can't get a bank account, and if you can't get a bank account, you can't have direct deposit for your social assistance or your welfare cheques. You can't gain access to other government services. It becomes another barrier.

What I would encourage is for more banks to do as the Bank of Montreal is doing. It works with a clinic in Nova Scotia, the ID clinic, to help get ID to people. The Bank of Montreal there in that one town, in Halifax, gives \$25 into each bank account in order to get more people accessing these services, so it's a great thing the bank is doing. I encourage more large banks, which enjoy the monopoly here in Canada, to continue to try to get more people into the banking system so that it's not 96%, but 100% with access.

**Mr. Terry Campbell:** That's a fair point.

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

**The Chair:** If you could, please provide the information that Mr. Ouellette asked for.

I have to come back to the radiologists for a minute. In layman's terms, you have Dr. A, you have Dr. B, and you have Dr. C. Could they currently operate in a situation where they would have the availability of the small business tax deduction?

**Mr. Ray Foley:** Yes, if they were operating as sole physicians.

**The Chair:** If they were operating as a sole physician, then they would have that tax deduction available.

**Mr. Ray Foley:** Correct.

**The Chair:** But if they combined all their operations into one, they'd only have the one—

**Mr. Ray Foley:** That's right; they share it.

**The Chair:** —for the corporation as a whole.

**Mr. Ray Foley:** Right, so these groups are, as I said earlier, on the small end, the short end, 10, and up on the high end, 100. Many groups are in the 20 to 30 or 35 range.

•(1705)

**The Chair:** Let me ask you the question this way, from your point of view—and I think I know your answer before you answer it—are these various doctors from various fields coming together in this corporation for a tax benefit or for the betterment of health care?

**Mr. Ray Foley:** Clearly for patient care.

**Dr. Fabiano A.S. Taucer:** But don't take his word for it. Groups coalesced even before there was any benefit. It was for the benefit of patients and for health care delivery.

**The Chair:** The Canadian Medical Association will be on next, I know, but I would like to know what the rough figure is in terms of tax consequences. If you are suggesting that people would move out of the country, that to me would be a serious matter. I also know that this place does operate in silos. Sometimes one department doesn't understand what the other department is thinking. In any event, I hear what you're saying.

Thank you, all, for your presentations. We will suspend in a minute.

To members, while suspended between panels, could members confirm with the clerk in what language—English, French, or both—you want your watermarked copies of the pre-budget consultation draft, so that they can get that done in the language of your choice?

We will suspend for five minutes.

•(1705)

(Pause)

•(1710)

**The Chair:** Let's come to order quickly.

I think everyone heard my introduction before. We're dealing with Bill C-29, a second act to implement certain provisions of the budget tabled in Parliament on March 22, 2016, and other measures.

The first witness will be Mr. Wudrick from the Canadian Taxpayers Federation.

Go ahead and start.

**Mr. Aaron Wudrick (Federal Director, Canadian Taxpayers Federation):** Thank you very much, Mr. Chair.

As you said, my name is Aaron Wudrick. I'm the federal director of the Canadian Taxpayers Federation. We're very pleased to appear this evening to comment on Bill C-29, which, of course, contains various provisions to implement aspects of the 2016 federal budget.

At 244 pages, it's a rather voluminous bill. Rather than even attempting a micro-level analysis of it, I just want to touch on a few measures in particular that the CTF takes a view on, specifically the indexation of the child care benefits and anti-tax avoidance measures, and I have a comment on the government's overall attempts to simplify what is a very complex tax code.

The Canadian Taxpayers Federation supports the government's modification of the UCCB into the new means-tested Canada child benefit. Our only concern about this measure is the total cost of it, specifically that it was presented during the election campaign as part of a package of measures that were supposed to pay for themselves, but ultimately, it ended up costing more than advertised.

In this sense, I'd actually suggest it's a miniature version of the government's overall fiscal situation.

That said, we do support indexation generally. I note that the Taxpayers Federation was one of the vocal groups that advocated for the elimination of bracket creep for income taxes, whereby individuals were pushed into higher income tax brackets just because of inflation. Paul Martin, when he was finance minister, implemented this in the 2000 federal budget.

While that measure was designed to protect taxpayers from higher tax brackets, the CCB indexation, by contrast, because it is an entitlement, will lock in a higher expenditure level. We think that this is ill-advised, given that the government is already spending more on this measure than it had planned to.

With respect to the anti-tax avoidance provisions, the Taxpayers Federation applauds these measures to clarify the law. We strongly oppose tax evasion and believe that those who break the law should face the full force of the law. But we should also be absolutely clear about the potential effect of eliminating so-called grey areas, these loopholes that have effectively functioned as safety valves to lower the overall tax burden, since the practical effect of eliminating those loopholes is to raise the overall effective tax burden. We should be honest about the potential impact there. I know that not everyone on this panel might agree, but we would argue that raising taxes is not a good way to boost economic growth, which, of course, we know is one of this government's central objectives.

The last thing I want to touch on is the simplification of the tax code. I think it's safe to say that concern about the excessive complexity of our tax code cuts across the political spectrum. As of this year's tax filing date, the Income Tax Act was over one million words long and would take the average person 59 hours non-stop to read. To give you an idea of how long this is, Leo Tolstoy's epic war novel *War and Peace* is only 587,000 words. By contrast, the Income Tax Act is about twice as long as *War and Peace*. I really think we need to look at ways of making the tax code simpler. We can always debate what the right level of taxation should be. Of course, our group will always be there arguing that lower is better, but whatever we settle on, I think we should be looking to try to find simpler, more effective ways to raise the same amount of revenue.

I'll leave it at that. Thank you.

•(1715)

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

Mr. Schnapp.

**Mr. Marshall Schnapp (Ombudsman, ADR Chambers Banking Ombuds Office):** Thank you.

My name is Marshall Schnapp. I'm the ombudsman for ADR Chambers, and we're the external complaints body that RBC, TD and DC Bank use. I don't have any specific comments on the bill, but I would say that what the legislation does for external complaints bodies is current with our practices and it codifies a lot of what was in the regulations.

I'm also here, obviously, for any questions.

Thank you.

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

From the Canadian Labour Congress, we have Ms. MacEwen.

**Ms. Angella MacEwen (Senior Economist, Canadian Labour Congress):** Hi. Thank you.

I'm here on behalf of the 3.5 million members of the Canadian Labour Congress. I want to thank you for the opportunity to present our views on Bill C-29.

The CLC brings together Canada's national and international unions along with the provincial and territorial federations of labour and 130 district labour councils whose members work in virtually all sectors of the Canadian economy, in all occupations in all parts of Canada.

As my colleague from the Canadian Taxpayers Federation did, I'm going to touch on just two parts of this bill because the bill is very long.

Part 1, subclause 43(1) amends section 122.61 of the Income Tax Act, indexing the Canada child benefit to inflation, but only starting in July 2020. The Canada child benefit replaced the universal child care benefit, which was taxable and not indexed; the Canada child tax benefit, which was not taxable and indexed to inflation; and the national child benefit supplement, which was also not taxable and was indexed to inflation.

The Canada child benefit was introduced and came into effect as of July 2016. It is not taxable, like two of the previous three, and not indexed to inflation, like the UCCB. It simplified the other three programs and it better targeted this benefit to low-income families, so it was very popular and one of the things that the Canadian Labour Congress pointed to as a success that would lift children out of poverty.

The maximum benefit under the old system, if you had one child under six, would be \$5,700 for this year. The new CCB gives those families an extra \$650 a year for that child. This is a considerable amount of money if you have a low income, but since the CCTB and NCB were indexed to CPI, this advantage shrinks to only \$190 in 2020. It is inexplicable that a benefit aimed at reducing child poverty would be allowed to erode by so much in such a short period. An alternative to keep costs down would be to phase the benefit out earlier. Right now, two-child families with incomes of up to \$200,000 still receive some benefits. It's also inexplicable that we're allowing.... Because we're not indexing either the \$30,000 or the \$65,000 as peoples' incomes rise, they'll grow out of those groups... in order to keep benefits for fairly wealthy families.

Part 4, division 1 introduces a definition of "suitable employment" into the Employment Insurance Act. This definition was previously spelled out in EI regulations and in the "Digest of Benefit Entitlement Principles". Most of the definitions from the EI regulations have been moved into legislation but some parts of them are specifically missing.

The health and physical capabilities that allow workers to commute and perform the work is no longer a factor in considering suitable employment nor is it necessary that the hours of work are not incompatible with family obligations or religious convictions. That's quite significant. If you are offered, say, a night shift but you

have a child in school, do you have to take that night shift or can you say that's not suitable employment? Most of us have to be accommodated for our family situations, and it would be incongruent if EI did not also accommodate us for our family situations.

That the nature of work not be contrary to moral convictions or religious beliefs is no longer included in the definition of suitable employment. This was in EI regulation 9.002(1). The definition in Bill C-29 is otherwise the same as EI regulation 9.002(2) and (3). I'm wondering if this was an oversight, or if it was intentional, given that the Social Security Tribunal relied heavily on years of jurisprudence from the Board of Referees and the umpire. We're likely to get more consistent decisions if we can stick to the established definition and people will have more consistent outcomes.

Thank you very much.

• (1720)

**The Chair:** Thanks very much, Ms. MacEwen.

From the Canadian Medical Association, we have Mr. Feeley and Dr. Davies.

**Mr. John Feeley (Vice-President, Member Relevance, Canadian Medical Association):** Thank you, Mr. Chair.

I'm John Feeley, vice-president of member relevance at the Canadian Medical Association. I'm joined here today by Dr. Rick Davies, who is a professor in the division of cardiology at the University of Ottawa Heart Institute and managing partner of the Associates in Cardiology group medical structure.

Let me first thank the members of the committee for recognizing the risk to health delivery posed by the proposed changes in Bill C-29 affecting group medical structures, and for inviting the CMA to appear before you as part of your study of this important legislation.

The CMA watched your first meeting on this bill with great interest. As part of my remarks today, I'll address the questions posed by the committee during that meeting.

Since the release of this proposal in the 2016 budget, it has become increasingly clear to the CMA that Finance Canada is vastly underestimating the risk to medical group structures. I'm here today to clarify that the risks are real. If this proposal applies to group medical structures, there will be a negative impact on medical research, physician training, and the delivery of specialty care in Canada.

Group medical structures are prevalent within academic health science centres and among certain specialty groups as we heard earlier, notably among radiology, cardiology, anesthesiology, and medical oncology.

The CMA estimates that about 10,000 to 15,000 physicians are incorporated in these group medical structures. This team-based care is essential for educating and training medical students and residents in teaching hospitals and for conducting medical research. Unlike other professions, group medical structures have not been formed for taxation or commercial purposes. Also unlike other professions, physician compensation is set by negotiations with provinces and is based on the existing tax framework.

Group medical structures are formed to deliver on provincial and territorial health priorities primarily in the academic health setting, such as teaching, medical research, as well as optimizing the delivery of patient care.

Maintaining the current framework for the small business deduction is critical to the continued viability of these structures. It is critical that the committee understand that Finance Canada is significantly underestimating the impacts to group medical structures. Changing the eligibility to the small business deduction will have a significantly larger implication than simply the 4.5% difference in the small business versus general rate at the federal level, as suggested by the department.

With no practical way for the provinces to use a different definition, the combined tax rate increase would be as high as 17.5%. As a result, this federal tax change would establish a strong disincentive to practices in the impacted structures. While we recognize Finance Canada's validation of cost-sharing arrangements, this is unlikely to resolve the concerns we're raising today because we're talking about pooled income and reallocation of revenue amongst a group practice.

The CMA is also aware that the department developed financial impact scenarios that show the net impact will be in the hundreds of dollars. While unfortunately we were not afforded access to this analysis, it is our position that these results are not an accurate portrayal of the impact of this federal tax proposal.

To demonstrate this case, the CMA worked closely with MD Financial Management to develop real financial scenarios based on real financial information from two typical incorporated physicians in group medical structures. MD Financial Management is a subsidiary of the CMA providing financial management services to Canada's doctors.

This real financial calculation revealed annual net reduction of funds of \$32,500 and \$18,000 for each of these physicians respectively. Projecting forward when extended to all incorporated members of each physicians group structure, this would represent a negative impact of \$39.4 million and \$13.4 million based on a 20-year time frame and 4.8% rate of return.

• (1725)

In closing, I would like to underscore the importance this issue has to health care delivery. Since the release of the budget, the CMA has received an unprecedented level of correspondence from physicians expressing their grave concerns with the federal proposal.

To date, we've been copied on over 1,800 submissions to Finance Canada, the finance minister, and to members of this committee. In comparison, when we informed our members of the increase to the

top personal taxation rate, we did not receive one message—not one single message.

When we surveyed physicians they confirmed the concerns we had heard regarding these specific proposals. Sixty-one per cent of respondents indicated that the group structure would dissolve. Three-quarters said that other partners would leave the group practice, almost 80% said the tax proposal would lead to reduced investments in medical research by their group, and over two-thirds said that the tax proposal would limit the ability to provide medical training spots.

I thank the committee again for inviting the CMA to appear during your study of Bill C-29 and I strongly encourage the committee to adopt CMA's recommendation to exempt group medical structures as the only means of avoiding this negative and unintended consequence.

Dr. Davies and I would be pleased to address any questions you may have.

Thank you for listening.

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

For the Canadian Centre for Elder Law, we have Ms. Watts.

**Ms. Laura Tambllyn Watts (Senior Fellow and Staff Lawyer, Canadian Centre for Elder Law):** Thank you very much.

We are a national research and law reform institute. We focus exclusively on issues associated with law and aging. We are independent, non-partisan, and non-political, and we're very honoured to present to you today.

I wanted to lead off by saying that while we are not an advocacy-based organization, we have had the privilege of reviewing some of the submissions from the Public Interest Advocacy Centre and the Foundation for Advancements of Investor Rights, FAIR Canada, and we agree with many of those provisions.

I'm going to focus today on three things. First, I'm going to try to bring the voice of older people to the table when we review both the OAS and look at some of the code provisions with regard to financial services. Second, I'm going to bring to the table the voice of older women in particular, and how older women are disproportionately negatively affected. That information is not well reflected in the provisions available in the budget that the committee has looked at so far. Third and last, I'm going to focus very specifically on section 19 of the OAS with regard to the payment allowance for a pensioner's spouse or common-law partner.

To begin, I think it's important to reflect that financial services are not dealing with the overarching reality of Canada's aging population. We have the largest demographic shift in the history of humankind, and we have the largest intergenerational transfer of wealth in Canadian history. With great respect, many of the provisions reflected in the document before us for consideration do not adequately reflect the real needs of Canadians to make sure that financial services are responsive to both the aging population and the transfer of wealth, and that services are accessible, make sense, and deal with the realities of cognitive impairment that we see.

In a 2016 study that we participated in, reviewing financial elder abuse in particular, we know that 2.6% of all Canadians are subject to financial elder abuse involving hundreds of millions of dollars. We know many people are becoming older and many people are becoming more cognitively impaired, and that financial services have not established training to deal with that.

The complaint mechanisms we've seen proposed are enormously confusing for older people and families. They don't know how to go to a variety of resources, how to manage internal services with their financial institutions. They perceive gaps in insurance services. We hear time and again that older people and family members simply are not being well served by financial institutions and that the dispute resolution mechanisms are inadequate in this regard.

I want to bring together the voice of older women. We just finished a three-year consultation with older women of diverse populations, including indigenous populations, and some said the government has to raise their pensions, it has to raise OAS, it's not enough, they cannot eat. If they're earning half as much as a man, then they're only able to contribute half as much to their pension. They save for an RRSP, but it's not meeting their needs when they're old. Aging is a man's world. Women are starving. When we reflect on how negatively women are served by OAS.... We appreciate the changes that are being made to the OAS, and appreciate that it has been raised, but there are significant impacts for older women, particularly because they are the poorest group in all of Canada.

Most people living in Canada contribute to CPP through paid employment. It provides a pension based on a lifetime of pensionable earnings. We age throughout life. When we see the dropouts for caregiving it means that older women in particular live in poverty.

The last piece I want to raise is a very narrow point of section 19 in the OAS. In particular, this section deals with people who may be forced to separate because of things like jail. We hear time and again that people are forced to separate because of care needs, particularly when they move into retirement homes and nursing homes. There is no presumption that this kind of separation would be included in this.

• (1730)

With great respect, there should be clarity that when people are forced to separate for health and care needs, it's not accidentally captured by this provision.

I'm happy to speak further on a number of aspects, but those are my initial comments.

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

Turning to the first round for seven minutes, we have Mr. Ouellette.

**Mr. Robert-Falcon Ouellette:** Wow. I don't know what I'm going to do with all that time. That's incredible. I think it's the first time in my life, Mr. Chair.

**The Chair:** You will certainly figure out a way I'm sure.

• (1735)

**Mr. Robert-Falcon Ouellette:** I would like to talk about the Canada child benefit with Ms. MacEwen from the Canadian Labour Congress.

I agree that the Canada child benefit actually did have a really great impact, but I wonder if you realize there are other issues. For instance, if you're a child in child and family services, and you're placed in care of the state, many provinces roll that money back, away from you.

I was wondering if you were aware of that.

**Ms. Angella MacEwen:** Yes. I know there was a campaign by child welfare groups who were campaigning to get the provinces to not claw that money back from parents on social assistance, but I'm not sure—

**Mr. Robert-Falcon Ouellette:** It's not just social assistance. For instance, if you're in child and family services—

**Ms. Angella MacEwen:** Yes. I don't know where it was. I haven't heard what the resolution is for children in care.

**Mr. Robert-Falcon Ouellette:** For the children in care, apparently, in many provinces what actually occurs is that the provinces will roll back many of the funds. For instance, the most in need children who often might end up aging out of the system and end up on the streets, or who are trying to go to university or college with no family supports or services, who should probably have a certain kitty of money in order to support themselves through RESPs or something, don't have those funds or those family supports one would normally have, but they also don't have their Canada child benefit, which was taken by the province they find themselves in.

Anyway, I encourage you to look more into it because I think it's not just the federal government's problem; it's a problem of all governments across this country.

My final questions are for Mr. Schnapp related to the ombudsman's office. Could you describe your level of independence versus the institutions you represent?

**Mr. Marshall Schnapp:** Sure. How we're structured I think allows us to be independent. First of all, we go by the ombudsman standards, of which impartiality and independence are a part. We also have investigators and we review all of the matters. We have discretion when it comes to intake. We also have discretion when it comes to what files to deal with, even if they are not in time to make the complaint. When we do reach a decision, that draft decision is given to whichever party we've decided against and then they have an opportunity to make comments, and that goes both ways.

As well, how we're set up is that if a bank doesn't agree with what we do, we'll publish the report on our website. I don't think we've ever had to do that because the banks do defer to our ultimate recommendation.

**Mr. Robert-Falcon Ouellette:** A previous witness here said what the act had in division 6 under complaints wasn't robust enough to deal with the complaints.

Are the new changes we're putting in place going to allow you to still hold banks to account for their activities if they trample the rights of a citizen?

**Mr. Marshall Schnapp:** I didn't see anything in the new act that would change that. Unfortunately, I wasn't here to hear the comments. I'm not sure if there was anything specific. I would be more than happy to address it.

If anything, we see what was in the regulation now being codified in the law, so I don't see any change in that regard.

**Mr. Robert-Falcon Ouellette:** His comment was that essentially the banks get to choose their own ombudsman, meaning the control then rests with the bank over the ombudsman, and the potential is there for a level of conflict of interest.

**Mr. Marshall Schnapp:** I think with any independent body.... There are two different ombudspeople, and I think our work is pretty transparent. I think our methodology is pretty transparent. I guess part of the challenge is that there aren't that many service providers that are offering this.

In my experience as an ombudsman and investigator, I haven't had the experience where a bank was trying to unduly influence us, or also respects our rule. That's the model that's in place. I don't see it like that, but....

**Mr. Robert-Falcon Ouellette:** That's okay. I'm not criticizing.

**Mr. Marshall Schnapp:** No, of course.

**Mr. Robert-Falcon Ouellette:** I'm just asking a few questions.

I have just a little tiny follow-up. If you actually make a ruling against the bank, what enforcement does that have? How powerful is that in their relations with the public?

• (1740)

**Mr. Marshall Schnapp:** An ombudsman has the power of persuasion, has the power of public relations, as it were. We would post that. I think banks are very sensitive to the idea that they're publicly told that their decisions are wrong. Having said that, we can enforce a recommendation, in that if it's not followed through, we publish. We're also a dispute resolution tool. If a party gets a recommendation, and it's not followed, while we can't enforce it like a court, they have that information to take it to another body as they see fit to try to have it enforced.

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

**The Chair:** You have no other questions? That's unusual.

**Mr. Robert-Falcon Ouellette:** It's incredible.

**The Chair:** Okay, Mr. Liepert, you're away.

**Mr. Ron Liepert:** Thank you.

Mr. Schnapp, I love short presentations, but I think in the time I've been here, yours was the shortest. I'd like to learn just a little bit more about you. I didn't know you existed; not you, as an individual, but your office.

If I understand your role, it is to resolve disputes between the customer and the bank.

**Mr. Marshall Schnapp:** Correct.

**Mr. Ron Liepert:** How does the customer know about you?

**Mr. Marshall Schnapp:** The customer knows about us through the bank's complaint handling system. What all customers are advised is that if they have an issue at the bank, first they have to go to the person they were dealing with, and then the manager, customer care, and then finally the bank ombudsman. If the bank ombudsman doesn't resolve their complaint to their satisfaction, they're provided notice that there is an external complaint body. Whether it's us or OBSI, they're told who to go to and how they can access us. They can access us over the phone, or by email, letter. We also have a website, so we explain how our system works.

**Mr. Ron Liepert:** What would be your most common kind of complaint or resolution?

**Mr. Marshall Schnapp:** Our most common resolution...?

**Mr. Ron Liepert:** What would be the thing that you would handle the most? What kind of complaint?

**Mr. Marshall Schnapp:** Sure. There are different categories. One could be just customer service, so people are unhappy with how they were treated, or if they feel they were treated unfairly. We also deal a fair bit with mortgages. If people want to end their mortgage early, a lot of people aren't aware of termination penalties. We also have fraud issues. Sometimes people will have their card, be it their debit card, their visa card, and they believe that these are transactions they shouldn't be responsible for, and sometimes the bank says that they should. Those are some of the complaints.

**Mr. Ron Liepert:** Good.

To the Canadian Medical Association, I'll spare my colleagues across the way my tirade about Liberal taxation policy, but I'd like to get a little bit more understanding of the current situation. We've certainly heard from the radiologists and understand that. My doctor is in a group of half a dozen doctors who practice in a clinic together. Can you tell me how are they currently taxed?

**Professor Richard Davies (Professor, Division of Cardiology, University of Ottawa Heart Institute, Canadian Medical Association):** Perhaps I can take that one. I'll speak to our group at the heart institute, and specifically academic groups.

First, we formed a legal partnership in 1976, and while it's a partnership, it wasn't to make money, really. What we did is we're supporting what we call the academic mission. Right now, we do a lot of research and we're actually becoming better and better recognized for that. We have the top-rated teaching program in the country. We get some of the best cardiology trainees in the country for that reason. We also do clinical care. Some of it is well paid; some of it is poorly paid.

For example, we recruited somebody who was described to me when we recruited her as the best cardiologist in Australia. She takes care of patients who are very sick. If you have a heart transplantation, she's the person who's going to be looking after you. That's very poorly remunerated. In order to be able to recruit excellent people like this, what we need to do is we need to be able to adjust. What we've done with our partnership is essentially we've been able to maintain excellence in all areas. There's research, which we fund almost all of. There's clinical care, and poorly funded things, which we essentially redistribute to so we can keep these excellent people, and there's teaching, which is completely unfunded. We spend our time doing this because we think it's important to have researchers and doctors for the future.

**Mr. Ron Liepert:** Okay, so you're going to be impacted by this change?

• (1745)

**Prof. Richard Davies:** We're going to be impacted tremendously.

**Mr. Ron Liepert:** Okay, but you are a teaching group.

**Prof. Richard Davies:** Yes.

**Mr. Ron Liepert:** What I'm interested in is if it's not a teaching group but, say, just a partnership of six doctors practising in a clinic that runs a small business. Are they going to be impacted by this?

**Prof. Richard Davies:** They'll be impacted in the short term. I've spend a lot of time—more time than I'd like—talking with lawyers and accountants about this.

**Mr. Ron Liepert:** Well, no. I'm just trying to get clarity.

**Prof. Richard Davies:** I'll answer your question.

Yes, they'll be affected. However, they're likely a cost-sharing arrangement, so they may be using a legal partnership out of convenience in order to share costs. In that case, it will be a pain in the neck for them. They can reconfigure at a lot of expense, and they may get a somewhat less efficient mechanism for doing the same thing. But because those partnerships, in general, bill the provincial government as individuals, they don't have to be a partnership to make money. The purpose of their partnership, really, is to share costs, and it's a way of convenience.

**Mr. Ron Liepert:** So they wouldn't be impacted?

**Prof. Richard Davies:** They would be impacted in that they would have to reconfigure, but unlike us, the reconfiguration would be a whole lot easier.

**Mr. Ron Liepert:** Okay, so it's just not teaching partnerships at universities that are being impacted.

**Prof. Richard Davies:** That's correct. It's just not teaching partnerships.

I would say that teaching partnerships are being selectively and more severely impacted.

**Mr. Ron Liepert:** Yes, I understand that.

I have a quick question for the Canadian Taxpayers Federation. It happened to be talking to three individuals during our break week. All had very high incomes, and all said to me that if Trump reduces personal income tax rates in the States for the highest earners, they are going to declare U.S. residence for taxation purposes.

Have you heard anything along that line?

**Mr. Aaron Wudrick:** Not from our supporters specifically. I think you raise an important point; tax competitiveness matters. You can't simply look at your own tax policy. The fact is that we live in a global world, and whether or not we like what happens in the United States, they are our biggest trading partner and our closest neighbour. We have to be cognizant of that with all of our tax policy.

**The Chair:** Okay, thank you both.

Mr. Caron, you have seven minutes.

[*Translation*]

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

Once again, I'd like to thank all the witnesses for being with us today.

I will start with the Canadian Medical Association representative.

Obviously, the bill specifically affects partnerships in the medical professions. Are there any physicians who have been incorporated into small business and would be affected by this provision?

[*English*]

**Prof. Richard Davies:** I can. Unfortunately, my French is not as good.

As I said, we've incorporated ourselves as, I guess, a small business. We're a group of 35 cardiologists. What will happen with our group is that.... In particular for some of our groups, I have to deal with, as a managing partner, a fourfold difference in earning ability from people whose training is about the same.

[*Translation*]

**Mr. Guy Caron:** I don't think I phrased my question well.

In your case, the partnership is among 35 practising physicians.

Take the example of physicians who have established a private clinic. Do they currently have access to the deduction for a small business?

[*English*]

**Mr. John Feeley:** Yes.

**Prof. Richard Davies:** Yes.

[*Translation*]

**Mr. Guy Caron:** Right.

In your recommendation, you mention that an exemption should be given only to partnerships. Ultimately, what you're saying is that physicians in clinics that are not in a partnerships could no longer benefit from the deduction for small business. Am I wrong about that?

[*English*]

**Prof. Richard Davies:** I might misunderstand you, but I think yes. As I understand it, somebody who is in private practice by themselves has access to the small business deduction. If he's in a partnership, he will lose it.

**Mr. Guy Caron:** But with this bill, would they still have access to the deduction? I'm trying to understand.

**Prof. Richard Davies:** Yes. If I'm a solo practitioner—

**Mr. Guy Caron:** It's only partnerships that will lose it.

**Prof. Richard Davies:** This is my problem as an academic doctor. Let's say I have a young cardiologist in front of me who's interested in pursuing a career in higher-end medicine. If he just goes and becomes a solo practitioner, and if you like, a jack of all trades, he has access to the small business deduction. If he joins my group, he loses it.

The problem faced by academic centres is that there's a selective impact. As the representative of an academic group, I cannot recruit those doctors on a level playing field with somebody in the community who can allow them to practice as a solo practitioner. Essentially, it makes it much harder for me to get doctors into the kind of practice that we have, and it's very important. It hurts us very badly.

• (1750)

[Translation]

**Mr. Guy Caron:** I'm trying to understand from your perspective the government's intention of moving in that direction.

Why would physicians practising in a partnership lose the opportunity to benefit from the small business tax rate, but not doctors practising individually in a clinic? If the government's intention is that professionals can't benefit from this rate because it is almost the equivalent of a salary for them, it doesn't make sense to impose this restriction on physicians who are part of a partnership, but not on physicians practising by themselves.

Can you explain why one group is affected, but the other is not?

[English]

**Mr. John Feeley:** I think you have to recognize that they are all essentially in a small business. Some are solo business practitioners, some are in a group where they are sharing costs, and some have actually set up partnerships because they are pooling their income or revenue to accomplish an academic mission and clinical mission.

The proposal would only impact those who are pooling their income to undertake teaching and research, and the broad specialized service group. The others are not impacted by the proposal in the current bill. That's what we're seeking, an exemption for those who would be negatively impacted.

[Translation]

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

I will now move on to Ms. MacEwen.

With regard to employment insurance, the government seems to be reinstating the definition of unsuitable employment, which the Conservatives abolished in 2012. However, some definitions still seem arbitrary to me. For instance, the government can decide that an unsuitable employment becomes suitable after a period of time. In short, if a person refuses to take that job, his or her EI benefits will be lost. I asked some officials how much time had to elapse for an unsuitable employment to become suitable. I was told that it was two to three months, which was also the case before 2012.

How do you see the situation? How can it take so little time for a job that a person isn't qualified for, so an unsuitable one, to become a suitable employment that the person is qualified for?

[English]

**Ms. Angella MacEwen:** Right. It is my understanding that before 2012, after a period that they deemed a reasonable amount of time, if you can't find work at your old level, you would have to accept work at a lower level.

It was also my understanding that this was not evenly applied throughout the country. It was almost at the discretion of the staff who were hearing the case, so there wasn't a single standard, which is unfortunate. Changing that now going back I think is going to create a lot of problems, especially with the Social Security Tribunal, which is very problematic as well.

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

Mr. Sorbara.

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

Welcome, everybody, and thank you for your testimony.

I'm going to start with the Canadian Centre for Elder Law.

On the question of elder care or our greying population, obviously our government has done a number of things to help these individuals out. We increased the guaranteed income supplement by almost \$1,000. We reversed the old age security and GIS eligibility after the Conservatives had put it to 67, and we reversed it to 65. We still have the seniors benefit index we're working on that was in our platform. We've done a number of things to help seniors out. I would love for you to comment on that one.

One of the things I would like to see maybe in the future—because we've also enhanced the CPP, which is going to be a great thing for future generations—is the potential for changing, in the next go-around on the CPP discussions, the 60% to 100% level, which would allow, if your spouse passes away, your benefits to go from 60% to 100% of the other spouse, but still maintain the cap. That has been talked a lot about as a very effective measure in the future to reduce poverty for seniors.

Can you comment on that?

• (1755)

**Ms. Laura Tamblyn Watts:** Thank you. I'll take the last piece first.

The Canadian Centre for Elder Law is a research and law reform institute, so we don't do advocacy. Having said that, the last comment is certainly one that we've looked at. It would be a significant benefit to older people, and particularly older women, because older women do still outlive older men. The predominant number is that 26% of older women in Canada live exclusively on CPP and OAS, as opposed to about 17% of older men, so it's a significant increase.

Having said that, with great respect, this is the only government that's not appointed a federal minister responsible for seniors. It is a great concern to, I think, the Canadian population at large, as well as folks who work in the field responsible for aging, that there is no place to go for issues concerning seniors. I know that would be of great interest to the elderly community and their supports to ensure that there is a minister responsible for seniors, as past governments have done.

**Mr. Francesco Sorbara:** Thank you for your commentary.

This question is for the CMA. After hearing your presentation and the presentation before by the radiologists, I've been grappling with this issue, so I want to ask it in this context.

The current structure for group structures.... I belonged to the CICA's accounting standards board. I sat on it for a number of years, although, obviously, I don't do that now. I'm looking at this from a tax treatment perspective. It is advantageous for the group structure to be in place for specialists, like doctors, radiologists, and so forth. I get that.

If this structure is no longer allowed to be utilized, so the eligibility is no longer there, thereby having a detrimental impact on health care.... I want to hear your opinion on the tax consequences versus the health care. If you can tie it in, that's great. If you can't, I just want to hear some more colour around that, please.

**Prof. Richard Davies:** I can speak to that.

In academic centres, in order to get, if you like, your top tier of health care, we encourage our doctors to specialize in often very narrow fields. I mentioned the doctor who takes care of patients who need cardiac assist devices and heart transplants. This is unlike what I'll call a community cardiologist, who tends to do a broader range of activities. If you have an individual practising in the community, he'll do some things that are highly remunerative, some that he loses money on, and on the average, things work out okay.

In order to deliver that absolutely top tier of health care, what we have to do is encourage people to spend all of their time doing activities that they become very excellent at. This is how you can get the truly top tier of care. Without academic groups and the ability to function in academic groups, we can't do that because, essentially, there are some activities in which nobody could ever be able to make a decent living, so we need to support them. If the truth be told, there are some people who are in very highly remunerative activities and they are willing to support their equally well-trained colleagues because they realize that essentially the provincial billing often got it wrong. If they got the billing right, or possibly not....

However, what we've done to function over the years, in order to make sure that we can maintain this level of excellence, is that we've maintained groups like this. You'll lose that level of excellence if we lose the ability to form these academic partnerships.

**Mr. Francesco Sorbara:** My concern is this. A number of years ago, I purchased a home from a thoracic surgeon, who was trained in Canada and who had worked in Canada for a bit, but he had received two job offers: one to remain in Canada and one to move to Massachusetts. He has now been in Massachusetts for many years. He took it for many reasons and taxation wasn't one of them, but I think it was a little bit about lifestyle and also the opportunity for

advancement. I understand people are mobile and capital is mobile, so I want to look at the impact on health care to discover if there is one or if there will be one.

• (1800)

**Mr. John Feeley:** It goes back to the survey that we did of our members. I think one of the disturbing findings that we didn't anticipate in the survey was the response from medical residents that, if they did not see an opportunity within group structures, they would leave. It would have a steering influence, if you will, on their decision where to practise. It might be in the community, but it's also a global market for research and clinical service provisions.

We believe that it will have an impact. We've been told—I just had a call not that long ago from a large group of 150 physicians who are looking at dissolving their partnership. That will have a real impact. They contribute millions of dollars out of their own pockets to support medical research, in addition to teaching and in addition to ensuring a vast array of specialty care services are available. I believe, based on anecdotal evidence, but also survey evidence, that it will have an impact.

**The Vice-Chair (Mr. Ron Liepert):** I'm sorry, your time's up.

**Prof. Richard Davies:** I have something to add. This provision hurts a key structure within medical schools badly. I can't imagine how, if you hurt your medical schools, that you're not going to hurt health care, both currently and certainly in the future.

**The Vice-Chair (Mr. Ron Liepert):** Okay, thank you.

Mr. Deltell.

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

Ladies and gentlemen, welcome to your House of Commons.

[*Translation*]

I would like to begin with a few basic thoughts on the tax reductions that are currently being suggested in the budget. I'm talking about the so-called tax reductions.

Mr. Chair, as you know, these amounts that were given to Canadians had to be done at zero cost. Unfortunately, the figures do not match, since it is costing \$3.4 billion more than had been expected with the measures adopted in another era. That had to affect a very large number of Canadians. However, it's important to understand that 65% of workers are not affected by the alleged tax cuts because it excludes those earning \$45,000 or less.

The biggest beneficiaries of these tax cuts are people earning between \$140,000 and \$200,000. I immediately confess the conflict of interest in this regard. I am one of the people in that earning bracket, as are all my colleagues here with us. In short, if we say that the middle class benefits the most, I can tell you that, with an income of \$145,000, we aren't really part of the middle class anymore.

Earlier, someone mentioned that it was supposed to be the richest people who would pay for it. You can laugh, but one of these days, the richest may get fed up with the situation and decide to leave.

I just want to remind you that there are serious dangers attached to this situation, and I know what I'm talking about. About 40 years ago in Quebec, mass migrations occurred and led to tax increases for businesses and the more affluent. This led to many departures from the province. Perhaps one of the best examples of this is Toronto. Compare Toronto's situation 40 years ago to now, compared with that of Montreal at the same time and today. If you compare the evolution of these two cities, you'll see that one has benefited far more than the other from lower taxes.

It's also important to remember that some people may be strongly tempted to take advantage of taxes that may be better elsewhere than where they are, without necessarily engaging in tax evasion. For seven years, an MP who represented a Montreal riding preferred to pay his taxes in Ontario because he lived there. It was actually to save \$6,000 a year in taxes.

In short, people sometimes move to avoid paying taxes they feel are too high. Similarly, supposed tax reductions do not necessarily benefit those who were considered primarily when they are put in place. In that regard, there is a substantial loss of \$3.4 billion. We should also not forget that the people who designed this program forgot one small detail: the indexing that was done five years ago after this model was put in place. Be careful when you laugh a little too quickly about it.

My question is now for the representative from—

• (1805)

[English]

Canadian Taxpayers Federation.

Mr. Wudrick, welcome again to your House of Commons. It's always a pleasure to see you.

As you know, there is a huge tax for small businesses with the new Liberal carbon tax, with the new Canada pension plan fees that will increase, and also with the fact that we still have a high tax rate, instead of lowering it as was proposed during the last electoral campaign. For sure, we're talking about business, but when business faces those new realities, it has an impact on working people.

Do you think it is a big issue for taxpayers to see those new taxes, the Canada pension plan with new fees, a Liberal carbon tax, and also the fact that businesses have a high rate to pay for taxation?

**Mr. Aaron Wudrick:** Yes. I think this debate will never be fully settled. That's why our group is out here advocating that lower taxes are better for the economy. I think it's important in this case to not just focus on a single tax measure, but on the aggregate of all the measures this government is introducing.

They are talking about a new carbon tax and, as you mentioned, CPP premiums. While people point out that the people who pay them receive some benefit down the road, from the point of view of a business it is a new cost that is introduced and they have to bear it. They were anticipating a cut to the small business rate. They're not receiving it. When you start to add all these things up, it does sort of

work against the government's stated objective of boosting the economy. It's hard to see how increasing costs to business is more likely to stimulate more economic activity.

**Mr. Gérard Deltell:** My question will be to Madam Tamblin Watts from the Canadian Centre for Elder Law. Madam, we welcome you to the House of Commons. We talked about the Canada pension plan. This is the real purpose. We're talking about the long term. It will take 40 years before we have the true effect of all of that. How do you think this will affect the people that you represent here?

[Translation]

**Ms. Laura Tamblin Watts:** Thank you for the invitation to appear before the committee.

[English]

With the CPP and the OAS, I will put the two together, because they are so inextricably linked in how we do it. We would like to provide a few key issues.

The first piece is that it disproportionately costs people who are poor more than the actuarial amount that they get back from it. There's excellent actuarial science to indicate that for CPP and OAS payments being paid by people who are quite poor, it doesn't balance out on the other end. It is a structural concern of institutionalized poverty, and there are gender concerns around that, as well.

The second piece is that it can disproportionately negatively affect immigrant populations. As many of you would know, you need to have a number of different qualifications in order to get your CPP and OAS. That does have an effect in the long term. You need to pay in for 40 years, or for partial benefits 10 years, and be 59, while living in Canada.

What we know is that over the life course people who are in immigrant populations in Canada are significantly poorer as they age, as a result of that. It's not well indexed to support the fact that Canada is a population that is welcoming its diverse immigrants. We need to rethink that in the longer term. It does not currently reflect a positive outlook for finances for older people who come to Canada.

**The Vice-Chair (Mr. Ron Liepert):** Ms. O'Connell.

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

I wanted to start off with Ms. Tamblin Watts. For women being most negatively impacted, you said something that I found really interesting. You said that men are aging and women are starving.

I understand that gap, but the fact that women live longer might also mean increasing the impact in the sense that they have to survive with less for longer. Obviously, if you live longer, then your health might not be as good. How do we deal with that? What would you recommend when we're looking at the OAS and these changes outside of this, as my colleague pointed out, to some of the other work that still needs to be done as part of our platform commitment? Through that gender lens, how do you move forward, but still shrink that gap?

**Ms. Laura Tamblyn Watts:** Thank you so much for the question.

When we look across the life course, there are a number of different pieces that we need to pull together. One of them does very much deal with the consumer financial protection aspect that we're talking about today, and one of them will also reflect the OAS and CPP piece. The first is that we can charge, and I say charge because that's what you're doing. They're paying into CPP and OAS. You're charging your clients who are the people paying in. You can index it to less. You can look at the actuarial science around the cost paid in and paid out. That hasn't been looked at for many years. There's an opportunity to bring a gender lens for the real cost in and the real cost out.

The second piece could be quite simple. Under certain qualifications, we could give women more money, particularly single women, who are the poorest population in Canada, as a broad group. You can also offset it by looking at caregiving dropout provisions, which are similar to what my colleague was talking about with the child tax benefit. There are tools to reflect the life course caregiving challenges, which are not yet used as revenue tools or concessions to revenue tools.

We certainly can look at ways across the life course, particularly because we know that older women are also caring for other older women, men, and other people across the life course. As they age, caregiving is not concluded. We can look at some of those analogous tools to the child tax benefit and look at those for caregiving provisions.

The last piece I will say—and I was reflecting on this with our colleague from ADR Chambers—is that in the conversations with the Ombudsman for Banking Services and Investments, they've indicated that 50% to 70% of their cases deal with older people. There's a gender piece in that, as well, because proportionately there are more women than men.

Interestingly enough, there are fewer women using the complaint provisions and bringing forward their complaints. I know that it speaks to other research that we have in this area to suggest that women don't necessarily have the same financial literacy opportunities and the same abilities to complain, or the same relationships with financial institutions. I see it as a multi-varied approach. There are really positive things that we can do about it.

● (1810)

**Ms. Jennifer O'Connell:** Thank you. That was helpful.

I am going to move on to the Canadian Medical Association, because I have limited time.

First, I'll say that your approach is very balanced, and I appreciate it. It was well done. I just want to talk about one piece that I didn't get to previously, but you both mentioned it. In terms of the subspecialists—I think you described it as the highest degree of speciality—I'm just wondering if, in your research, you've looked at the costs, because you feel that this will really be impacted, the subspecialized doctors. Programs the provinces are doing...

For example, in Ontario there is something called eConsult, where you are actually delivering those specialties outside of just that business group, and rural communities, for example, can now access

that type of subspecialist. Have you modelled in these calculations the fact that not only is there still financial incentive for these types of specialists, but, through technology, you can actually get that out to larger areas than just your business group?

**Prof. Richard Davies:** Yes, I think that's an excellent question. At our institute, we've been working on trying to make e-consults available. We also spend a lot of time doing traditional, if you like, for-free telephone consults. We are the biggest consulting area.

There is no question that our ability to share income across the group makes this possible. In general, e-consults are one of the things we would be encouraging and something that we want to do, for sure, but if you look at the economics of e-consults, including office costs and all of that, you see that, essentially, it would be a money-loser. However, it is valuable, and it's something that we should be doing, so group structures like ours would really encourage things like what you are describing so that we can actually make better health care available.

**The Vice-Chair (Mr. Ron Liepert):** I think you are out of time.

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

**The Vice-Chair (Mr. Ron Liepert):** Mr. Albas, go ahead.

**Mr. Dan Albas:** I appreciate everyone's contribution to our discussions on Bill C-29. I'm going to start with the Canadian Medical Association. Thank you for your briefing note.

First, let's talk about Canada. In your briefing note, there is quite an array of different provincial tax rates. Removing the small business preferential rate on the first \$500,000 would deeply affect some physicians. You note that, in Nova Scotia, it would be quite a steep increase in taxation. Do you feel that the implementation of this policy may cause a lot of harm to patient care in Nova Scotia, as physicians redetermine where they want to practice based on the return?

● (1815)

**Mr. John Feeley:** Yes.

**Mr. Dan Albas:** In addition to that, you obviously have international... For example, in the interior of British Columbia, we like to joke a lot about South African doctors, because, first of all, we love them. Why do we love South African doctors? It's because they are willing to come to Canada and apply their hard-earned skills. They love Canada. They love the quality of life. But, as Mr. Sorbara pointed out earlier, there are many different jurisdictions competing for that international talent.

If a physician finds out that they are given a preferential tax rate in another jurisdiction, will that impact health care, particularly patient care, in Canada?

**Mr. John Feeley:** Yes.

**Mr. Dan Albas:** Good.

Now, Finance Canada did their own process. Mr. Grewal mentioned earlier that it ran in the hundreds of dollars. In the modelling you've done, with people very familiar with how medical groups work, how did you arrive at \$18,000 to \$32,000?

**Mr. John Feeley:** In both cases, we spoke to actual physicians in these groups. We put them in touch with our people at MD Management, so they worked with accountants and tax specialists to figure out what the actual impact would be, based on the federal-provincial change. That's how we arrived at that number. It's based on actual financial information.

**Mr. Dan Albas:** I appreciate that, but why do you think there is such a disparity between what Finance Canada ran in, given the information that it believes it will be hundreds of dollars versus thousands of dollars of your members' hard-earned money?

**Mr. John Feeley:** I can't really speak to Finance Canada's scenarios because they didn't share the details with us. We would be happy to talk to them about that, but we didn't have access to it.

**Mr. Dan Albas:** If Finance Canada were to sit down with I think you said FP Medical, the group that did your modelling—

**Mr. John Feeley:** MD Financial.

**Mr. Dan Albas:** —then I'm sure they would welcome that so they can compare methodologies.

**Mr. John Feeley:** Indeed.

**Mr. Dan Albas:** Okay. There's an opening again for the government to take a look at this because we really think this needs a second look.

Again, this is a government bill. There has been a lot of criticism of the previous government for different things they put in a bill, but I don't believe we ever had something that would affect health care, research, and patient health as much as it sounds like this will.

I would urge the government to try to fix this, Mr. Chair, because it is their legislation. If not, then I guess the opposition can look at remedial amendments down the road, but I would encourage them to take a look at that because this does seem to be—

Again, as Mr. Liepert said earlier, the finance officials believe there is a disparity. I don't think they are taking into account the social costs that will come with this decision, so I appreciate your work here today.

How much time do I have, Mr. Chair?

**The Chair:** You have about 20 seconds.

**Mr. Dan Albas:** I'm going to go to Mr. Wudrick quickly.

Mr. Wudrick, I support a lot of what your organization stands for. I think it's excellent that we have independent watchdogs besides opposition. The public needs many voices to look at these kinds of things, but I've heard time and time again we need a simpler tax code.

For the majority of Canadians, they are dealing with their own individual situation. They are not dealing with bond strips and international tax evasion schemes that are quite complicated, yet

when we talk about simplifying the tax code, everyone says we need to make it simpler.

Technology has made things incredibly simple. In fact, most people can look at TurboTax and get their—

**The Chair:** Dan, I hate to tell you, but 20 seconds travels awfully fast. Can Mr. Wudrick give an answer?

**Mr. Dan Albas:** Yes. I'm just going to leave it to him. I would like to ask him the question. Why do you continue because there are these other methods that make taxes much easier for people?

• (1820)

**Mr. Aaron Wudrick:** Sorry, is your question why do we continue to have a more complicated system?

**Mr. Dan Albas:** No. Why do you continue to advocate, considering that most of the huge *War and Peace* tax code is not directed at average Canadians?

**Mr. Aaron Wudrick:** I think it's important that a tax would be understandable to the average citizen. We should not have to hire an expert or have software to know what we are eligible for.

When we look at the number of things that are crammed into the tax code, we see there are all types of distortions. There are all types of things that treat certain groups more specially than others. Depending on the government of the day, those groups may be different, but the reality is that they are trying to cram in boutique measures, and we think that's unfair.

We think that distorts the economy. If the objective of a tax system is to raise revenue, we should decide how much revenue we want to raise and then try to find the simplest and most efficient way to do that.

**The Chair:** Thank you both.

We'll turn to Mr. Grewal.

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

I also want to start off by thanking the Taxpayers Federation for keeping elected officials who run for other offices to account. I think you are doing a tremendous job, and keep that up.

To the CMA—sorry, it seems like we're picking on you, but we're really not—you made a comment that this change is going to impact medical schools. Can you elaborate on that a little further?

**Mr. John Feeley:** I can speak to it generally, but Dr. Davies works at the University of Ottawa so he could speak to it more specifically.

**Mr. Raj Grewal:** Sure.

**Mr. John Feeley:** Basically what our research is telling us and what our members have told us is they are pooling their resources, and in some cases they have additional funding coming into the university directed to support teaching.

There are members of the group who are doing more teaching. Some are doing more clinical, some are doing more research, and the pooling of that income allows the support of that activity, some of which is not remunerated. For example, teaching, in other words, would be by volunteer without the pooling of that income to facilitate those individuals who are teaching.

Perhaps I could just ask Dr. Davies to get a little more specific.

**Prof. Richard Davies:** I think you have it generally correct.

Essentially, we don't get paid for the teaching that we do. This is, if you like, our legacy for the future. As I said, we have the top-rated teaching program for cardiology in the country. We spend a lot of time at it, we work at it, and we're very proud of it.

In general, clinical dollars that are redistributed fund 80% of the time that doctors spend doing research. There is some peer review, but compared to what we do with this voluntary redistribution of clinical funds, it's a drop in the bucket.

We have several areas of medicine that are dramatically underfunded by the different funding schemes. We realized that they were important. These are colleagues who can do things that I can't do, and I need their help. They are highly trained, and we make sure that they're adequately remunerated as well. So—

**Mr. Raj Grewal:** Sorry, I don't mean to cut you off, but my time is a little limited.

Mr. Feeley, what is the average income per year of a physician who is a member of the Canadian Medical Association?

**Mr. John Feeley:** The average income would be about.... Well, gross income before overhead would be approximately \$350,000.

**Mr. Raj Grewal:** The average income for somebody—I should have become a doctor—who is a member of your organization is \$350,000. You're advocating for a tax break.

**Mr. John Feeley:** No, we're not advocating for a tax break at all. We're advocating to have some tax equity between different structures that are supplying needed health care services to Canadians.

**Mr. Raj Grewal:** That's a nice way of putting it, and I commend you for that. The fact of the matter is that the small business tax deduction is supposed to be used by.... If there is a group of physicians, all 35 get to split the \$500,000 evenly, as opposed to what you guys are advocating, that each individual gets the \$500,000.

**Prof. Richard Davies:** The number from our group was 35.

We would like the members of our group to be treated the same as a private practitioner who is out in the community.

I'm not going to speak to whether or not the small business deduction is intended for them. The fact is that it's the inequity between the private practitioner and the person who is trying to practise academic medicine. That's the specific problem.

•(1825)

**Mr. Raj Grewal:** Okay, fair enough.

I want to comment on one thing. You're saying that this change, this proposed legislation in the bill, is going to impact recruiting

doctors to Canada, residency programs, and the entire profession across the board. I have a tough time understanding that.

I will admit right from the beginning that I'm obviously not a doctor. I never went to med school, but I am a lawyer and I have a lot of cousins who are going through this process. A lot of them are extremely frustrated by the lack of residency spaces in Canada. They all want to practise medicine in Canada. I have cousins and family from the United States. One went to Berkeley med school, one of the best med schools in the world, and gave up probably millions in the U.S. because he wanted to raise his kids in Canada.

I think that people make a decision on where they live, more than on the tax. I'm sure the argument goes both ways, but there is an argument to be made that Canada is a better place to live, to raise your family, and that's where doctors want to stay as well.

However, I do want to hear your comments on how this is going to impact residency. We have many students who want to come to do their residency in Canada, and we don't have enough spaces. I have cousins who have gone to med school and couldn't get a residency.

**The Chair:** Raj, I'm going to have to cut you off there.

We can have a quick answer. Mr. Lauzon hasn't had any questions, and we'll go to him then, if that's okay.

Mr. Davies, go ahead.

**Prof. Richard Davies:** I have a quick answer.

The residents could be impacted by the lack of good teachers.

I'd like to make a differentiation between living in Canada and joining an academic practice like the one we support. We're saying that these rules that have been put in place specifically disadvantage us in an academic practice that's trying to support this academic mission to recruit somebody who might just go to the community. Now, he may live in Canada, but he's not practising that top-tier medicine that we're trying to promote.

**Mr. Raj Grewal:** Fair enough.

Thank you, sir.

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

Mr. Lauzon, it's your turn.

**Mr. Stéphane Lauzon (Argenteuil—La Petite-Nation, Lib.):** Thank you, Chair.

I would like to ask my question to Mr. Wudrick.

May I ask in French?

**Mr. Aaron Wudrick:** Yes.

[Translation]

**Mr. Stéphane Lauzon:** I'm here today to replace my colleague Steven MacKinnon. I couldn't ask you any questions without following the same tack he would.

Mr. Wudrick, you talked a few times about simplifying income tax returns. The committee will begin a study on this soon. You have already developed some possible solutions in this respect. You've already mentioned some areas. I would like to know which parts of the provisions are more specifically in need of reform and simplification.

[English]

**Mr. Aaron Wudrick:** With respect to the Income Tax Act specifically, personal tax credits are certainly one thing. The previous government was very fond of certain measures—the fitness tax credit, arts credit, these types of credits. We were never big fans of these measures and think, again, they play favourites. To give this government credit, they have looked at repealing a number of those. That said, they've chosen to introduce a few of their own, so we think it's a bit of a trade-off.

Then with respect to taxes more broadly, we think that it would be a fair trade to look at the removal of certain tax credits for businesses in exchange for a lower overall business tax rate. There are concerns when certain sectors receive certain favourable treatment. It's simply not fair to other sectors. The easiest way to do that is to take them all out and lower the overall rate for everything.

[Translation]

**Mr. Stéphane Lauzon:** How would simplifying the tax provisions be beneficial?

[English]

**Mr. Aaron Wudrick:** One is certainly a greater ease of compliance. There are compliance costs with a complicated tax code, so making it simpler would make it easier to comply, and removing barriers in the economy, I think, is good for the economy. If you send signals that certain sectors receive certain preferences, you may be harming other sectors inadvertently, so I think by making a level playing field across sectors it benefits everyone.

• (1830)

[Translation]

**Mr. Stéphane Lauzon:** Based on what you're saying, there would be consequences if the government didn't simplify these provisions and continued to promote numerous tax cuts and breaks.

What do you think these consequences would be?

[English]

**Mr. Aaron Wudrick:** I think we can all agree right now that the economy is in slow-growth mode. This government has stated repeatedly that its objective is to boost growth, so I think not removing those would not be in service of that objective. This government was elected on a platform of change. If it's going to do

business the same way as all previous governments, I don't really think it's keeping true to that.

**Mr. Stéphane Lauzon:** The other question is for Mr. Schnapp.

[Translation]

I find your role as ombudsman very interesting.

Could you tell me how it would be beneficial for the government to have an ombudsman service? If your service was across the country, how would that benefit the government?

[English]

**Mr. Marshall Schnapp:** I think generally speaking an ombudsman is a dispute resolution tool that offers an objective look at a situation. Our service is geared towards the banks. We are governed by the FCAC. We have strict parameters and terms of reference. There's a health ombudsman.... I think the ombudsman is a very beneficial thing all across, but I think it also has to be designed for each organization or type of legislation that it governs.

**The Chair:** I have one question for the Canadian Medical Association and Mr. Feeley.

MD Financial is an in-house advisory to Canadian Medical Association and doctors, correct?

**Mr. John Feeley:** That is correct.

**The Chair:** We have your numbers, which come up with a certain opinion. We have Finance Canada's numbers, which come up with a certain opinion or figure. Is there any independent analysis out there on the numbers that we can lay our hands on? In terms of what the costs to this would be to the medical profession, beyond the other implications that you're talking about in terms of some going to the United States, etc., is there anywhere where there's an independent analysis that's not Finance Canada and that's not MD Financial?

**Mr. John Feeley:** Not at present, but we would be happy to, together, engage a third party to review the numbers. We're happy to do that.

**The Chair:** The problem is that we're under a very tight time frame. Anyway, we'll give that a little thought. I'd love to see what those independent numbers would be.

Committee members, tomorrow we meet in room 112-N for clause-by-clause examination of Bill C-26 and we go until we're done.

Witnesses, thank you very much for your presentations and your responses, and thanks to some of you for coming on short notice.

The meeting is adjourned.





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