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Chair

The Honourable Wayne Easter

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● (1530)

[*English*]

The Chair (Hon. Wayne Easter (Malpeque, Lib.)): We will call the meeting to order to hear from witnesses on the budget implementation act, Bill C-74.

In this round between 3:30 and 5:00, we have four witnesses here, and one from Vancouver by video.

We'll start with Mr. Robert Blakely from Canada's Building Trade Unions.

The floor is yours.

Mr. Robert Blakely (Canadian Operating Officer, Canada's Building Trades Unions): Mr. Chairman, I think it would only be appropriate that the senior member of the labour movement, the president of our body, speaks first, and I will follow up.

The Chair: I could make a comment on that senior member there, Robert—

Mr. Robert Blakely: I mean by rank, not necessarily age.

The Chair: —but Mr. Yussuff would probably have a very good comeback, so I'd better just settle with where I am.

Mr. Hassan Yussuff (President, Canadian Labour Congress): Mr. Chair, you are supposed to be neutral and not express your views on these matters.

Voices: Oh, oh!

The Chair: From the Canadian Labour Congress, then, Mr. Yussuff, president.

Mr. Hassan Yussuff: Thank you, sir.

Chair and honourable members, good afternoon.

First, on behalf of the three million members of the Canadian Labour Congress, I want to thank the committee for the opportunity to present our views on Bill C-74.

We want to commend the government for two recent improvements to the working income tax benefit, WITB, now renamed the Canada workers benefit, CWB. The first of these improvements expanded WITB as part of the Canada pension plan enhancement. The second improvement is proposed in Bill C-74. In total, there will be nearly $1 billion of annual investment coming into effect in 2019 that will increase the maximum benefit and expand the number of workers who will receive these benefits. The government estimated that these enhancements will lift about 70,000 people out of poverty, and will encourage a greater labour market participation.

We're also pleased that the Canada Revenue Agency will automatically enrol low-income tax filers who are eligible for the benefit. This will improve access for low-paid workers. The government estimates that an additional 300,000 low-income workers will receive the CWB in the 2019 tax year.

We also have several recommendations to further improve the benefits.

First, receiving EI benefits should not cause the CWB to be reduced. Currently, the CWB is gradually phased out based on net income instead of on earnings. This means that EI beneficiaries can be eligible for the Canada workers benefit. Workers have earned these benefits by paying EI premiums, and their EI benefits should not reduce their CWB.

Second, low-income workers should be able to get the CWB more frequently through the year. Low-paid workers need the CWB in periods of low or no earnings. However, only half of the anticipated benefit can be paid in advance. In our view, the CWB should be changed so that 100% of the expected benefit can be paid quarterly, instead of having to wait for tax time. This would be similar to other transfers like the GST tax credit.

Third, it is important to keep in mind that this is still a very modest benefit. In 2015, 1.2 million working-age Canadians received the WITB, with an average annual benefit of only $807 per household. Many recipients of the benefit will continue to fall below the poverty line. More money should, therefore, be allocated to the Canada workers benefit to provide higher benefits and to phase it out more slowly. We believe that no worker in Canada should live in poverty. In particular—shamefully—full-time, full-year workers earning minimum wage in Canada could be earning at or near the poverty line. This leads to my final point.

The CWB alone is simply not enough. It must be part of a broader tool kit to eliminate working poverty in Canada.

As the 2018 budget noted, over the past four years, lower and middle-income workers have had their wage prospects stall while the CWB remains essential. Therefore, we must strike new wage and workplace standards and combat precarious work. This should take a three-prong approach.

First, we need to strengthen the labour standards of the Canada Labour Code, which we hope we will do this year. This will include the creation of a new federal minimum wage. A $15 federal minimum wage is long overdue. The federal government also should enact measures to ensure equal pay protection for part-time, temporary, and contract workers within the federal jurisdiction.

Second, there is still a gap between the number of Canadians who want to join a union and the number of Canadians who are actually represented by a union. The best and the most effective way to raise wages and fight precarity is by giving these workers a voice in the workplace. This means strengthening the labour laws to enable workers to join a union.

The third prong is simple. Attack the joblessness and unemployment by creating decent jobs. The CLC urges the government to invest in the bold economic transition to a low-carbon economy. We have an historic opportunity to respond to the climate crisis and generate decent jobs—green jobs—through the ambitious program of energy investment, public transit, and home and building retrofits. There are many job options here waiting to be tapped. If we reduce the labour market slack and address underemployment, wages will begin to rise.

● (1535)

Finally, I want to say something about the improvement to the Canada pension plan in part 6 of this bill. The CLC welcomes these enhancements to the survivors pension and other benefits. With respect to the child rearing and disability dropout, we believe the government hasn't properly researched the impact on women and workers with a disability. We therefore recommend the committee ask the Department of Finance to provide detailed modelling of the drop-in provision that's in the bill in regard to the CPP enhancement, for the committee members.

I want to thank the committee members for the opportunity to be here today. I will answer on behalf of the congress any questions the committee wishes to pose.

Thank you so much.

The Chair: Thank you very much, Mr. Yussuff. With you is Emily Norgang, senior researcher.

Did you have anything to add, Mr. Blakely?

Mr. Robert Blakely: I do.

The Chair: Okay.

Mr. Robert Blakely: My name is Bob Blakely. It's my privilege to represent the half million unionized construction workers in Canada.

Construction is 14% of Canada's GDP and 8% of all direct employment. We maintain a building stock worth about $1 trillion.

One of the principal features of organized construction is that we're the largest private sector trainer in Canada. We maintain 175 training centres across the country, with a bricks and sticks value of around $1 billion. We train our members there. We expend somewhere between $300 million and $350 million a year on pre-apprenticeship training, safety training, apprenticeship, graduate level training, upgrading, and new technologies. Virtually every cent of that money is from investments made by our members and our employer partners through collective bargaining. The investment makes our construction workforce in Canada the best in the world.

I would like to endorse the remarks of the leader of the labour movement. I'm not going to repeat his comments, but I'll try to complement the greater labour movement position with those that matter to construction.

The title of this year's budget, "Equality Growth: A Strong Middle Class", resonates with most building trades members. It is a rational and reasonable goal to which people aspire. Government can create the climate and develop an impetus toward those goals. In 1968, the Woods task force reported its findings to Parliament. Those findings created the underpinnings for the Canada Labour Code. The report is succinct and elegant. I will, in an inelegant way, try to paraphrase a couple of those findings.

The first is that everyone, employers included, acknowledged the contribution of collective bargaining in raising the standard of living in Canada. The committee reported an interesting, counterintuitive finding that unionization is a great thing as long as it's in somebody else's business—people said they didn't need one in theirs.

Not much has changed since the Woods task force. Government needs to be value-based in how we deal with these sorts of things, and to express support for collective bargaining. The Canada Labour Code contains a preamble that stresses promotion of common well-being through encouraging collective bargaining, recognizing collective bargaining as the basis for effective labour relations. The preamble colours the legislation and encourages bargaining. It is not neutral in nature or in effect.

Last year, the Government of Canada ratified ILO convention 98, the right to organize and collective bargaining. There now is only one industrialized country in the world that doesn't subscribe. Somehow I doubt that Donald Trump is going to be seized by an attack of conscience and fix this.

Shortly put, collective bargaining creates better wages, better conditions, and a better organized workplace. The net effect of collective bargaining is a rising tide that floats all boats. In the construction business, the union rate is the benchmark. When the union rate goes up or down, non-union workers get a raise or a cut. When the union gets a health plan, so does the non-union worker. When the union gets a pension plan, the non-union worker gets some form of retirement security.

The Canada Labour Code, since the passage of Bill C-4, has returned to being the only non-politicized labour code in the country. It has remained true to the Woods task force principles. There haven't been federal swings, but rather there has been stability over a significant amount of time.

Let me point something out: virtually every construction collective agreement in Canada is provincially bargained. We're not under the Canada Labour Code, but the Canada Labour Code stands alone as a model enactment.

If you want to lift people into the middle class and maintain them, encourage collective bargaining and not the demonization of unions.

The Government of Canada doesn't necessarily create jobs. Even if it did, it couldn't create enough for every Canadian who wants a career. Canada does spend an enormous amount of money on infrastructure and procurement. Could this money do double duty?

● (1540)

A number of sophisticated owners—major purchasers of construction—recognize that it is in their interest to ensure that the stock of trained and skilled construction workers remains appropriate. They build commercial terms into construction contracts that require the contractor to employ skilled people and to do a level of training on the site. It doesn't mean union only. We can negotiate our own deals. However, it means using tax dollars to achieve other important social, fiscal, and occupational goals.

The Government of Canada has been talking about community benefit agreements to provide for things like training and apprenticeship within local communities. If you look at the survey done by Build Force Canada, we are going to replace a quarter of a million people in the construction industry in the next five years. That means recruiting more than half a million people, because we only graduate about 49%.

Much can be gained in the area of health and safety, quality, and the reduction of construction-related claims, by having some sort of community benefits in an agreement and doing a value construction matrix to evaluate tenders.

The lowest bid does not equal the lowest cost. Taking the lowest bid doesn't create value. Contractors aren't in business to lose money. If they submit a price that's too low, they'll try to make it up on the claim. Evaluate the bids going in. Community benefit agreements provide support for communities and government by getting people apprenticeship ready. The little understood fact is that success in the construction trades isn't easy; it takes the same level of intellect to complete a skilled trade's apprenticeship as it does to get a university degree.

As for supports for groups like women, the budget has done a good job on the apprenticeship incentive grant for women and the women in construction fund. There were also positive changes in this budget for veterans and indigenous people, with the the lnnu-IBEW legacy project for the latter. These initiatives are getting our kids out of the basement, where they're playing video games, and into real careers are laudable goals. Some of our programs, like Build Together, which will double the number of women in organized construction, and Helmets to Hardhats will create careers.

We build Canada's infrastructure, and what we do builds the middle class. We lift people into that middle class with a hand up. We provide them with an opportunity for a meaningful career. The Canadian worker benefit does that, but we need to do more. The building trades have prepared to partner with you in this regard because you need to get a return on investment for what you've made —some real investments—in the construction workforce, the supports to women in the trades, pre-apprenticeships, and the union training and innovation program.

Let me close by asking you to support lifting people into the middle class and maintaining them there. It takes conscious thought to ensure that the climate to build better careers and to provide vehicles, like community benefit agreements, will ensure better results. I would be most pleased to respond to any questions you may have.

Merci beaucoup.

● (1545)

The Chair: Thank you very much, Mr. Blakely.

Now, turning to the video conference from Vancouver, we have Diana Gibson, from Canadians for Tax Fairness. Welcome, Diana, the floor is yours.

Ms. Diana Gibson (Director, Communications and Research, Canadians for Tax Fairness): Thank you very much.

Canadians for Tax Fairness, which many of you are already familiar with, advocates for fair and progressive tax policies aimed at building a strong, sustainable economy, reducing inequality, and ensuring that there is adequate funding for the quality public services that Canadians both need and want.

In Budget 2018, there are many steps forward, which some of our best speakers have already spoken to, such as the working income tax benefit and the action to tackle the gender gap. We at Canadians for Tax Fairness have particularly applauded the Liberal government's efforts to close unfair tax loopholes related to private corporations as a step forward on tax fairness, but it's important to note that we consider this a small step.

We urge the government to follow this up by closing other loopholes such as the stock option deduction, the capital gains exemption, the business entertainment tax deduction, and others. Further, in the budget, we again applaud action taken on trusts and banks in terms of loopholes, but real action is needed on tax havens where corporations and the wealthy are able to avoid paying their fair share. Examples include an economic substance rule.

There are four really important reasons why Canadians for Tax Fairness is pushing for the government to go further in closing loopholes and other measures for tax fairness. The first is that Canadians want action. Poll after poll for years have shown that Canadians are deeply concerned about inequality and bias in the tax system, and want action on tax fairness. This includes polls by Angus Reid, EKOS, Mainstreet, Environics, and others. Even after the pointed campaign against the private corporation tax reforms in last fall's consultations, more Canadians still supported the proposals than opposed them. Some of the support for change has been very high. Last fall an Environics poll found that 87% of Canadians want to see the law changed to make it illegal for corporations to use tax havens to avoid paying their fair share. Ninety per cent said it was immoral, although legal.

The second major reason that we want to see more ambitious change in terms of tax fairness is that Canada is in the bottom third of OECD countries for what we collect in taxes as a percentage of GDP. The same is true for social spending: we lag well behind other developed countries. The government has been seeing criticism of the gender and anti-poverty measures in this budget as tepid, from child care to pharmacare, from pension security to safe drinking water. Infrastructure and programs that Canadians need and want are being underfunded due to inadequate revenues. We are already running a deficit in our current programs. As the resource transition on climate change and new technological change impact our economy with automation, we will need more, not less, social spending.

The third major reason we're advocating a more ambitious agenda on closing loopholes in tax reform is that inequality is dragging down our economic growth and impacting the well-being of everyone. Research shows that not just the low-income people but also the wealthy suffer, in outcomes from education to health, even in less equal societies. On the economy side, the International Monetary Fund, the OECD, and others have determined that the current level of inequality in countries like Canada is negatively impacting economic growth.

Surveys have found that the main factor inhibiting the ability of small businesses to increase their sales and production is insufficient domestic demand—not tax rates but lack of purchasing power by Canadians.

Investing in social programs is an important way to boost consumer demand. I have a great example with regard to Norway. They save their own gas revenues and put it into a fund that they convert to a pension fund. When the financial crisis hit, Norway had the shallowest dip and exited the soonest with the highest consumer confidence in the OECD. So what we see is that pension security and broader programs for coverage of pharmacare, child care, and other social programs stabilized their economy and built back consumer confidence. Of course, they also have a higher tax to GDP ratio than Canada.

● (1550)

The fourth reason we need a more ambitious plan on loopholes is that they're very unfair. The government did proceed with closing some of those loopholes in the 2018 budget, but even as modified, the tax structure still disproportionately benefits the wealthy. For example, the threshold for the small business deduction for passive investment starts at $50,000, which is an estimated $1 million in assets at a 5% return, and fades out at $3 million.

By comparison, Canadian families held $259,000 in net assets in 2016. A third of that is housing, much of which is in overheated markets, which potentially means that the number is inflated. Also by comparison, median individual income was just $27,000, and the maximum for RRSPs was in the $26,000 range.

Those loopholes as restructured in budget 2018 are out of reach for most Canadians. Some would argue that these boutique tax preferences are compensation for the risks that business owners take—they don't have pensions, sick leave, maternity leave—but it's not just business owners who lack these benefits. Increasingly, work is precarious for most workers. Most private sector workers lack a pension, and increasingly are being forced into precarious work arrangements where they have no benefits, no sick leave, no maternity leave, no EI, no CPP, no paid vacations. And they're not getting more compensation for this shift of risk; they're getting less. Automation is predicted to make this situation much worse, and inequality, economic security and precariousness are driving the rise of extremism and authoritarianism.

The solution to what is fast becoming the overarching crisis of our time is not to provide boutique tax treatment for a small portion of privileged Canadians, but to provide universal child care, sick leave, and pension programs that will be available to all workers as well as low-income business owners who are falling through the cracks. For this, the polling shows that Canadians want to see much more aggressive action on closing unfair loopholes, shutting down tax haven use, and having a much more progressive tax system.

Thank you. I'll answer any questions the committee may have.

The Chair: Thank you, Ms. Gibson. We'll go to questions after we hear from Mr. Ball.

With the Chartered Professional Accountants of Canada, Bruce Ball, vice-president, taxation.

Welcome, Mr. Ball.

Mr. Bruce Ball (Vice-President, Taxation, Chartered Professional Accountants of Canada): Thank you, Mr. Chair, and members of the committee. As mentioned, my name is Bruce Ball. I'm vice-president of tax for the Chartered Professional Accountants of Canada, known as CPA Canada.

CPA Canada is one of the largest national accounting organizations in the world, representing more than 210,000 members. Created through unification of the three legacy designations, CPA Canada is celebrating five years of serving the profession, advocating in the public interest, and supporting the setting of accounting, auditing and assurance standards.

I'll focus my comments today on the amendments to the Income Tax Act in part 1 of Bill C-74. In particular, I wanted to address three important points, the first being the outstanding issues that remain with the private company tax measures; the impact of the recent U.S. tax changes on Canada's competitiveness; and the need to review Canada's tax system to address these matters and other matters related to competitiveness, simplicity, fairness, and efficiency.

Starting with the private company measures, as you're well aware, the finance minister's initial proposals to change the tax provisions for Canadian-controlled private corporations were met with considerable criticism. The minister and his department have listened and acted. The provisions laid out in budget 2018 and the bill are much improved. However, there are still aspects in need of further improvement. In particular, the new legislation around the tax on split income is still complex, difficult to read and interpret, and challenging for business owners and practitioners to apply.

A general exemption for spouses would go a long way to simplifying the measures, and is highly recommended. The joint committee on taxation of the Canadian Bar Association and CPA Canada also made some suggestions to further clarify the rules, which we think should be considered. The joint committee's suggestions are rather technical, so I won't go into the details here, but if there are particular questions, I'd be happy to address them.

Though not yet legislated, the changes to the tax on split income are set to take effect on January 1, 2018. We're still suggesting that the government consider deferring the changes to January 2019 to allow more time for consultation and further refinements, because we still think the rules can be improved.

On competitiveness and the matter of the U.S. tax reforms, no matter what we think about them, they are a game-changer for Canada. Budget 2018 announced that Finance Canada would conduct a detailed analysis of the U.S. federal tax reforms. This is good news, but this process must have a sense of urgency to it. Canada's competitiveness depends on it.

In the most recent CPA “Canada Business Monitor” survey, two-thirds of Canadian business leaders report that Canada is now a less competitive place to invest and do business versus the United States, compared to one year ago. The minister says he does not believe that the corporate tax rate is the problem, and we agree. The issue is competitiveness, and competitiveness can be affected by a number of different factors. The tax system as a whole, not just tax rates, is a fundamental part of creating a competitive business environment.

This brings me to my third point, a comprehensive tax review. To ensure that Canada has the most competitive, fair, simple, and efficient tax system possible, it's time for a review of the tax system. You've heard me make this argument before, but each time I appear before this committee the rationale becomes stronger and more urgent. Tax reform will involve broad consultation, and it will involve looking at the tax system more holistically, not just from the perspective of business competitiveness. The process will be worth it. It will lead to a better, more long-term approach to fixing Canada's tax problems.

While the U.S. tax changes demonstrate the need to address Canada's tax system, the controversy around the proposed CCPC tax changes also illustrates why a holistic approach is preferable to incremental changes. The Advisory Council on Economic Growth also recommended addressing the competitiveness challenges in Canada's tax system.

It we want a tax system that fosters our long-term competitiveness, that supports inclusive growth, and that benefits all Canadians, then a review of the entire tax system is the first crucial step.

Thank you very much for the opportunity to appear before the committee, and I'll be happy to answer questions.

● (1555)

The Chair: Thank you very much, Mr. Ball.

We'll turn to questions and just say to the witnesses that, if you want to add something, just raise your hand, although the question may be directed to another individual.

It's especially important for you, Ms. Gibson, that you don't get overlooked because you're appearing by video conference, and not here.

We'll turn to Mr. Sorbara first.

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

[*Translation*]

Welcome to all the witnesses.

[*English*]

Everyone, with my first question, I'll try to spread the wealth around.

To the Canadian Labour Congress, to Hassan or Emily, we haven't had a substantial or meaningful update to the Canada Labour Code in many, many years. I think it's long overdue. You referenced two or three changes that you'd like to see or suggest. I know that a lot of the stakeholders will be interested in that.

With reference to the industries that the Canada Labour Code applies to, the ones that are governed under federal legislation, where could we go that would both ensure the competitiveness of the industries we're looking at, whether transportation, telecommunications, or the banks, and improve the benefits and rights of middle-class workers?

● (1600)

Mr. Hassan Yussuff: Almost 13 years ago, Professor Harry Arthurs conducted a very extensive review of the Canada Labour Code, part 3, and provided the government at that time with a very detailed recommendation in which both the Canadian Labour Congress and FETCO, my counterparts in the employers organization, participated in. Of course, Professor Arthurs' recommendations were not acted upon. The current government is to take a look at those recommendations and is in the process of proposing some changes to the Canada Labour Code, part 3. This is essential in the context of employment standards, hours of work, vacation pay, and how we deal with precarious employment, and the list goes on.

Our view would be, of course, it cover banks, railways, and all the major federal sector employers, both in the private sector, but also would apply to the public sector as it applies to the federal jurisdiction. We're hoping the government would outline very shortly their recommendations, but they've certainly been talking to the CLC, just as they have been discussing this with FETCO, the federal employees' council, to ensure, in regard to those recommendations, which are more than 13 years old, what provisions we would see as complementary to the improvements the government would like to make going forward.

Mr. Francesco Sorbara: Thank you.

To Mr. Ball and the CPA, I've dealt extensively with your organization and many other organizations that focus on tax. Our government has put in place some measures where we landed on passive investments. It's a win for tax fairness, but it's also a win to allow private corporations to grow and compete, whether domestically, across the border, or globally.

One of the factors that you've mentioned is the U.S. tax reform. You are correct: it's not just about what the tax rate is, unless there is a huge discrepancy, but for now, there's not a huge discrepancy. On marginal investment dollars, I want to get your opinion of the landscape on that front.

Today we had Amazon announcing there would be 3,000 new jobs in downtown Vancouver. I think it's a great win for Canada and for those workers who will be employed. These are good high-tech jobs. Obviously, Canada is an attractive place to invest.

I want to get your thoughts on the direction, where we should be going, and so forth.

Mr. Bruce Ball: I guess there are two things I'd address. The first is, as I mentioned, that we're in favour of doing a review, part of which would compare Canada and the U.S. and other countries. If you're taking about the U.S. in particular, the one other thing they've done that's fairly major is a new rule that allows companies, businesses, to deduct capital expenditures faster. That is one of the concerns as well. Is there an issue there? Is the U.S. more favourable for companies expanding versus Canada, or is there something that we should be doing here?

The other thing that's a little bit of a concern with the mobility of businesses across the border is personal tax as well. It does depend on where you are. Some U.S. rates are a bit lower than Canada's, and the higher rate tends to kick in at a higher level compared with Canada.

I think those are just two examples of what you'd look at as part of a tax review to make sure that Canada is competitive.

Mr. Francesco Sorbara: The review that needs to take place of the Canada Labour Code, which hasn't been done for many years—decades really—is probably the same review that would need to be done of the tax code. If you're going to do one, you need to extend and look at that. That's my personal view.

From the Building Trades Unions, welcome, Mr. Blakely.

There were some reports issued earlier this year—I forget the exact name of the report—ranking shortages of labour on a scale of 1 to 5, reflecting Ontario specifically.

● (1605)

Mr. Robert Blakely: You're talking about BuildForce Canada.

Mr. Francesco Sorbara: Yes, BuildForce Canada. Exactly.

Mr. Robert Blakely: Number 1 being that employers “can find them everywhere”, and 5 being “can't find them for love nor money.”

Mr. Francesco Sorbara: There were 5s across the board.

Mr. Robert Blakely: Do you think that's true?

Mr. Francesco Sorbara: Yes. In most of the jurisdictions there were more 4s and 5s than 1s and 2s, with a few 3s. I remember reading those reports.

We've put in a number of measures in the last three years for apprenticeships. I met with an organization in Calgary called Women Building Futures, and it's doing some great work attracting—

Mr. Robert Blakely: It's in Edmonton.

Mr. Francesco Sorbara: Sorry, it's in Edmonton. It's doing some great work attracting women to the labour force.

What more can we be doing to get those underrepresented groups into the skilled trades?

Mr. Robert Blakely: That is really a $64,000 question.

When you look at the construction industry, at the skilled trades essentially, not necessarily just construction, for years if a bright, young woman who was captain of the debate team, captain of the volleyball team, and won the school spirit award told her guidance counsellor that she wanted to be a millwright, the shock treatments would start before her parents were contacted There is a bias against people who work with their hands. The theory is that if you can't cut it in university, then you go into the trades.

We don't need those people. We need bright, young people. The money that you're going to give to female apprentices to help them get through is a start. We need to have programs that will allow indigenous young people who are going along the path of a utility.... Go pipelines! We need to have a way to get them apprenticeship-ready and get them into lifelong careers.

If you want to lift people out of poverty, give them a job that leads to a career, which leads to employment almost anywhere in the country. Our apprenticeship system can do that. There are a number of people you can partner with to do it.

Mr. Francesco Sorbara: Thank you, Mr. Blakely.

The Chair: Thank you all.

Mr. Kmiec.

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

Mr. Ball, in going through your PowerPoint presentation, on page 9 under “Detailed Assessment of U.S. Federal Tax Reforms Urgently Required”, it shows that 84% totally agree. I guess these are your members, but in the budget, you briefly mention it. In the whole budget, I think there's one line that actually says anything about what the review might be like. It seems to me this requires more than just one line.

What would CPA Canada like to see in terms of a review—how fulsome, how in depth, how much transparency?

Next you have “Findings of Detailed Analysis Should be Made Public Soon After Completion”, and 93% of your membership seems to agree. So, how much information should be made public? What should it look like? What is the ideal situation for you?

Mr. Bruce Ball: There are a number of things there.

It's hard to put a picture around how much detail, but it would have to be enough to make sense of everything. It won't be easy, that's for sure. There are a number of factors, going both ways. They have done a lot of incentives in an economy that's relatively strong—so we'll look at what impact those will have, that sort of thing. I think we just need to make sure—talk to people and find out what they're thinking, and find out what business decision-makers are thinking.

The other thing I will say is that it does appear the momentum around this, in terms of the government, is picking up. I have had discussions with the Department of Finance and they do want to talk to us in more detail to find out our views in terms of CPA Canada and what's important. I think it might have gotten off to a bit of a slow start, with the one-liner in the budget, but it does seem to be picking up some momentum.

Mr. Tom Kmiec: This whole debate in the United States started, if not years ago, at least as throw-away lines by the President as it made its way through Congress. This past fall it became a really big issue, and this captured the attention of everybody in Washington. We're talking about a drop from 35% to 21% or 22%, depending on the company. That's a significant drop in terms of our competitive advantage. It was pretty big before—just on tax rate purely—not even talking about the specific applications of different rules.

It seems to me this is something the government should have been taken with in September, when they were preparing the budget. Budgets aren't prepared in two-week spans; they are prepared over many months.

You said that there was some indication “they're not taken with the issue.” What does that mean? Are they actively communicating with you now and they weren't before?

● (1610)

Mr. Bruce Ball: Well, initially I don't think we knew exactly what they were going to do, so we're getting a little more detail in terms of the process. I think that's been helpful. I still haven't heard, though, what the final report would look like and that kind of thing. I do think it's important that there's transparency around the results of the review.

In terms of competitiveness, you did hit on an important point as well. We had a tax-rate advantage that basically disappeared. That's why we're saying that you have to look at the total competitiveness in Canada now. It depends on where you are in the U.S., but essentially we're on a par right now, rate-wise, in terms of corporations, so a lot of the other things start to become more important, such as just regulation generally and how easy it is to run a business in Canada versus the U.S. and that kind of thing.

Mr. Tom Kmiec: On slide 8, under “Factors Impacting Company's Business Planning” for upcoming years, you have “Uncertainty surrounding the Canadian economy” at 32%. It's an issue.

We always talk about federal government competitiveness, looking from the federal lens, but how much is it for the provincial side? Provinces levy corporate taxes. Also, some states do, and some do not. There's a really specific distribution of heavy industry versus light industry in the United States. The fastest-growing states are typically those that have very low personal income tax or none at all: they don't levy one. They just levy sales taxes and corporate taxes.

Looking at all those things together, in your estimation, how much time should it take the government to come back with a review?

Mr. Bruce Ball: It's a difficult question to answer in terms of how long it should take, because I don't really know what resources they have. I guess I could flip that around the other way, though. We think they need to come back with an answer fairly quickly, because businesses will only wait so long before they make a final decision. It's important to find out what the end results will be and what the recommendations are from the report at the end of the day and then take action on them. I do think that's important.

To echo one thing he did say, the personal tax part is the overlooked part sometimes, because some provinces have a top personal rate of over 50% now. That is sometimes an issue when you're looking at hiring the brightest and the best and it's Canada versus the U.S.

The Chair: Ms. Gibson wanted in on the previous question as well.

Go ahead, Ms. Gibson.

Ms. Diana Gibson: I wanted to add that when we're talking about competitiveness it's really important to recognize that our health care system provides a massive competitive advantage for businesses, and it's the same with our education and training systems, so it's not just about regulation and rates. It's about the overall economic advantages we can offer, and that really does need to be part of that conversation and that review.

Also, any kind of review needs to scope a look at the future as automation ramps up and we see businesses becoming more capital intensive. The use of corporate taxes as a redistributive mechanism is going to become more critical for redistribution. Those are some of the issues we need to consider and scope.

The Chair: Go ahead, Tom.

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

The Chair: You have a minute and a bit more.

Mr. Tom Kmiec: You're so generous. Thank you.

To go back for a second to the issue of competitiveness once more, I feel that's the issue. Competitiveness and productivity often get confused, but they're separate.

Ms. Gibson, you brought up capital-intensive industry. There's no more capital-intensive industry in Canada than the energy sector. Looking over the details here, we see oil prices at 21% as area of concern and protectionism in the United States at 23%.

With all of those things taken together, and the state of the U.S. economy as well, if you had one thing apart from corporate taxes to look at, what else should the government be focusing on, aside from the corporate tax competitiveness with the United States?

Mr. Bruce Ball: One thing that was just referred to is the cost of labour. I think that is a good point in terms of our health system versus that of the U.S. I think you have to look at everything, though, so that's a plus for us, but are there other negatives around setting up a business here versus in the U.S.? You have to look at everything, I think, in terms of regulation and all the other issues they face, and you have to talk to people: are there reasons why they're looking at the United States versus Canada right now, and if there are, what are they exactly?

I think we need to know what the decision-makers are thinking. That's really the key part. If they are thinking of expanding in the U. S. and selling to more U.S. customers, we'd like them to do it through businesses set up in Canada, so what will keep them here? I think that's really the key driver. If it goes beyond tax, it's a question for an economist, which I'm not.

Mr. Tom Kmiec: Thank you.

The Chair: Thanks to both of you.

Mr. Dusseault.

● (1615)

[*Translation*]

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

I would also like to thank the witnesses for being with us today.

My first question is a bit technical and is for the representatives from the Canadian Labour Congress. It has to do with the changes to the Canada Pension Plan, specifically the allocation of amounts to parents of young children.

You said that there should be a more in-depth study of how the pension benefits are calculated for taxpayers who have looked after their children for a few years and whose incomes were low or zero during this period. The other option the government has is exclusion. In this way, rather than assigning amounts for these years, these amounts would be completely excluded from the calculation. I thought this option was the most advantageous.

You said that it would be desirable to study this question, but could you share your point of view on exclusion? At first glance, do you think this option seems more advantageous?

[*English*]

Mr. Hassan Yussuff: That would be one way to do it. As you know, this issue arose after the finance ministers had met in 2016 and agreed to the enhancement.

Over time, when the government finally tabled the legislation for the enhancement, we were able to determine that the drop-out period, both for women's child-rearing years and disability, had not been included in the provisions. Once the finance department was alerted, the government did work with the provinces, because you needed to have their agreement on how to deal with this anomaly.

They came up with a new proposal called drop-in, and not drop-out, but we are still slightly skeptical that it will provide the same benefit of the drop-out provision under the current CPP provision. We don't know that, and I don't want to say definitively that they didn't get it right, but there is a need to do modelling to determine whether it will have the same impact as the drop-out provision has had in the current CPP.

The worry, of course, is that you don't want women who are rearing children to be disadvantaged by no fault of their own. We did end the discrimination of the previous CPP, and it was a good thing for us to do. We also did it for disability.

Going forward, it is very important to do modelling to show how the new provisions would impact this particular drop-in provision, because there is an expectation on the part women and those who may be affected by disability that they're not going to be disadvantaged.

If the modelling were to show there's a problem, we would have to figure out how we can discuss this with the provinces to get it addressed. Had we agreed to keep the old model, it would have been much easier in the end, but as you know, this is a benefit that will take effect starting next year.

They're hoping, based on the increase in the rate that the worker and employer would be paying, that there's enough flexibility to cover the drop-in period. We're not certain of that at the CLC, and that's why we've raised this issue.

[*Translation*]

Mr. Pierre-Luc Dusseault: Thank you for those clarifications. We are going to try to obtain this model or this calculation before we make a decision and vote on the provisions of Bill C-74. I don't know if the Department of Finance would be able to help us with this.

My next question is for Ms. Gibson from Canadians for Tax Fairness.

You talked about passive income. You made it clear that in order to get $50,000 of passive income, you had to have investments of about $1 million. You have given us some figures, but I would like to know if you have a little more detail on this issue. For example, how many companies in Canada have an annual passive income greater than $50,000 and would be affected by this measure? I don't know if you have those numbers, but it would be interesting to know how much of an impact this measure would have and how many companies would be affected.

● (1620)

Ms. Diana Gibson: Thank you for your question.

[*English*]

The numbers are quite small. My understanding is that 3% of businesses, about 750,000, are impacted, so it's relatively small. Because the threshold is quite high, it is quite out of reach for most small businesses. The broader issue is that the bulk of businesses are only earning $73,000 and under. That's the median: half are earning less than that, and half more. If you have a median income at that rate, and this passive investment is only for past investment—it doesn't apply to active income—you need a business with that income for that passive investment threshold to be meeting this criterion

So it's relatively small number of the businesses that are accessing the passive investment threshold. Canadians for Tax Fairness feels that the threshold could better serve Canadians if it were lower, at around $25,000, more on par with RRSP deductions. We would like to see that tightened up, because the data shows very clearly among small business owners, the bulk of it is in the hands of 10% of the top 1% of earners. This needs to be closed up to make it fairer.

[*Translation*]

Mr. Pierre-Luc Dusseault: Thank you.

I would like to ask a tax question on the distribution of income that will take effect retroactively—we hope everyone knows about it. When we study legislation, it isn't every day that we're asked to adopt them retroactively.

How aware do you think taxpayers are that they will have to comply with these rules if the bill is passed as is? At the moment, the bill hasn't been passed yet.

How informed do you think companies are about the new rules? Do you think they will be able to adapt to it? If the bill is passed in June, do you think they will have had the time to adapt in six months?

[*English*]

Mr. Bruce Ball: Thanks for the question—

Ms. Diana Gibson: Because it's focused on passive investment, not active investment, the measures have been restructured to address some of those issues around its being retroactive. I can't speak to how or where businesses are and how well they can respond, but the majority of small businesses will not be impacted by these changes. The ones that are going to be impacted are particularly wealthy and well-advantaged businesses and individuals.

The concern is really more about how we make sure that this is structured in a way that's fairer, and not about the impact that it's going to have. That has already been mitigated by the restructuring of these proposals. It's a very small portion of fairly privileged businesses.

The Chair: I believe Mr. Ball wanted in as well.

Go ahead.

Mr. Bruce Ball: Thank you.

I actually have to disagree a little about who's affected.

The way the rules are drafted, everyone is affected. Then you have to figure out whether you get an exception or not. Any family-owned business that pays a dividend to a family member is affected by the rules. The issue is, are you eligible for an exception, or is the dividend reasonable? One of our big concerns is its complexity. One of the joint committee's observations was that it was drafted from the point of view that everybody is in unless you can find an exception. That was one of the joint committee's major concerns, and mine as well.

I think the other aspect you hit on was, how much do people understand, and the natural follow-up of whether or not they will follow the rules. That's the concern about complex tax rules—whether people will comply. First, will they understand them, and then will they actually comply with them? That's our concern about the tax on split income. It is very complex. I think it is broad in terms of who it applies to. Then you have to find an exception or you have to meet the reasonability test.

The Chair: Thank you, all.

Mr. McLeod.

● (1625)

Mr. Michael McLeod (Northwest Territories, Lib.): Thank you, Mr. Chairman.

Thank you to the presenters today.

I want to ask a question of the Canadian Labour Congress. On your 2017 wish list on your site of what you wanted to see in the budget, I was very pleasantly surprised to see that you had a bullet in there for indigenous justice and reconciliation. When I looked for it in 2018, I couldn't find it. It seems to have faded, unless it's buried in there someplace. Why would the Canadian Labour Congress include murdered and missing women and those issues in their list of what they wanted to see funded in the budget?

Mr. Hassan Yussuff: Well, it's for many reasons. First, we want an equal society for all, not just for our members. Our members also include a lot of aboriginal first nation members across this country. They are part of our labour movement—and, equally so, whatever issues they bring to us. You would be surprised at the debate we had on all these issues at our most recent convention a year ago. As a matter of fact, at the CLC convention, going back a long time, the missing and murdered aboriginal inquiry has been a mainstream topic. We were debating this at our conventions. It's probably one of the loudest issues that we took on, for the simple reason that we need to have answers to these complex questions: what happened, and how can we improve the justice system in this country?

Of course, in the commitment that the Prime Minister made to how we are going to reconcile our relationship with first nations, it has to start with economic and social justice. Without that, we're never going to reconcile anything. If we were giving first nation people their due with regard to how we develop resources in this country—whether it's on drinking water or housing or education—we would not be in the kind of conditions we're in today. I think, as an organization, we always see this as fundamental to the work that we do, and fundamentally about what kind of Canada we want to live in. That's very fundamental for us.

We have a very broad membership right across this country. There is an expectation that we don't simply advocate for our self-interest; we advocate for all Canadians. First nations are right there at the top of our mind as we work to make this country a better place for all Canadians.

Mr. Michael McLeod: Well, I'm certainly happy to see that that discussion has taken place within your organization. I totally agree that if we're going to talk about reconciliation, economic reconciliation has to be part of that.

I have another question regarding some of your positions on the financing of infrastructure. You prefer public financing versus the P3 type of financing. In the Northwest Territories, we've used the latter on a couple of occasions now. We are facing a huge infrastructure deficit and it's the only mechanism that we have at our disposal. It's worked quite well. We are looking at building a road to the community of Whati. That will open up the opportunity for a gold mine.

Why shouldn't we have all the players sharing in a bit of the risk versus just trying to get the government to pay for all of it?

Mr. Hassan Yussuff: There are some differences in our movement on this. It's not uniform.

Mr. Robert Blakely: Even here.

Voices: Oh, oh!

Mr. Hassan Yussuff: Yes. Even my good friend beside me here. We're not monolithic.

Most of our evidence has been based on all of the studies that have looked at the P3 experience and the cost of it over the long term. While there may be a short-term gain by getting others to be partners, what we have determined is that in the long term, the administration of a project costs more in the end after it's been built by a public-private partnership. We have looked at this. We can provide you with those studies to document this, but again, our movement is not monolithic on this question. We have differences of opinion. We respect those differences of opinion.

Certainly, as the president of the congress, I'm here to tell you that that's been our view to a large extent. Of course, my colleagues in the building trades will tell you that they are always partnering when there is an opportunity to build in this country. If they are asked to partner, they will partner without any hesitation. They build good union-made projects in this country that serve a lifetime. If they think there is an opportunity, they will take advantage of it.

I will let my buddy speak for himself in the building trades.

Mr. Michael McLeod: I do have a separate question if I have some time left.

We certainly are looking at creative ways of getting financing. When we saw the infrastructure bank concept come forward, we were quite excited by it. I think it's going to help us.

I do have a question for the building trades. I see that in your priorities you mentioned the indigenous population. We have a huge unemployment issue in our communities right across the west and into the north. We probably have more than 150,000 indigenous people sitting in their communities without jobs, and we still have the problem that a lot of the indigenous people don't migrate to where the work is. Up to now we haven't found solutions. What do you think should be included in that strategy to change that?

● (1630)

Mr. Robert Blakely: You know, you really make a good point. We had successes with things like the Alliance pipeline. We got a crew of people. We got them up to speed. They were working. Everything was great. Then the job ended. We had another job down the road, and people didn't want to go . We hadn't thought it through.

Look at something like the proposed energy east pipeline, with 165 pumping stations along the way. It's a megaproject in and of itself, with a pumping station every 50 miles. We could have developed, in communities along the right of way, a couple of electricians, a couple of steamfitters, a millwright or two, a carpenter, a labourer, a painter—people who would be required, for the life of that facility, to service it. They could have been home every night, because it's 50 miles to one station and 50 miles to the other. We missed the boat when energy east failed. There are a number of projects like that.

Look at the Nalcor facility at Muskrat Falls. We have a workforce building it there. We've been bringing in a fair number of indigenous people, but we haven't gotten enough of them into apprenticeable trades yet. That job will go live in two and a half years. When it does, they're going to need a workforce there. Who better to be the workforce than the people who live there?

We have to look differently at how we try to engage indigenous people. It needs to be on their terms and on their ground. I mentioned the lnnu-IBEW legacy project, which is going on in Newfoundland and Labrador now and which is trying to make certain that when the construction is done at Muskrat Falls, and the construction hopefully goes on at Gull Island, the people who live there will be front and centre in doing the work and having careers.

The Chair: Thank you to all.

Mr. Albas.

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

I want to thank all of our witnesses who are here today for the work they do for their organizations and for helping Canadians through helping this committee.

I'll start with you, Mr. Ball. Most of the presentation I saw here today was based more on the competitiveness. If there's time, I'd like to address that.

You wrote, or perhaps it was a group effort, in regard to some concerns over the overly broad provisions in relation to TOSI—for example, how there may be cases where someone inadvertently.... You do the raise the point, I think, in the letter I'm speaking to, that unless someone has access to sophisticated advice, these rules may or may not apply. People who maybe have traditionally used the tax on split income rules may be ineligible because of the overly broad provisions. But there might be cases like the example in here, the hairdresser for whom 10.1% of her business is retail, selling shampoo and supplies and whatnot. She may be considered an excluded business versus someone who isn't. Again, if you have two hairdressers competing side by side or across from each other, that gives one an advantage that the other one doesn't have.

Could you maybe speak a little bit in regard to the differences and how the some of the lack of definitions in these amendments may lead to some unforeseen consequences?

Mr. Bruce Ball: Sure.

Maybe I can just expand a bit on the example. One of the exceptions is a 10% test. There are parts to this, but if you own more than 10% in votes and value, then you're not subject to the rules. The problem is that the rule doesn't apply where more than 90% of the income is from services. We did feel that was overly broad. We know that there are certain service businesses, perhaps, where the family members aren't that involved, but there are lots where they could be.

We really think the rules should be clearer. That's part of the reason why we think they should still be deferred for a bit and thought about some more, because we do think it's possible to take some of that uncertainty out of it. That would be one situation. One of the other exceptions is when you work 20 hours a week. A concern of the joint committee is that if the corporation has two businesses, that 20-hour rule is in relation to each individual business of the corporation. We thought that rule could use some more work too.

It's just very complicated, I think, and there are still some details that I think need to be considered some more.

● (1635)

Mr. Dan Albas: You've also given the example of the letter that talks about a family business that deals in raw land that may be excluded from this. But someone who does work to add value to that land, to prepare it and whatnot, would not qualify. Are there other provisions where there may be a step...where you have an uneven playing field because of these differences?

Mr. Bruce Ball: I think the issue you're alluding to is whether a business is being run or not. That's one of the other things that falls into this 90% test, and there are some other crossover rules that are very technical and depend on whether you're running a business or not. The issue with that is that whether you were running a business or not was largely irrelevant in the tax system for the smaller businesses, because there were specific rules that brought in certain passive income unless you had more than five employees. That test was very black and white. Again, now we're looking at a test in which you have to figure out whether there's a business or not. We're not sure that owners and their tax advisors have the knowledge to determine, because it's grey sometimes, whether a business is actually being carried on in terms of that passive income.

Mr. Dan Albas: I also have to say that the CFIB has asked about a transition year, because of the documentation that's going to be required for this; CRA is not going to make these decisions lightly without asking for documentation. Given the fact that these rules took effect January 1 of this year, there may be people who are working in the business more than 20 hours, but it isn't being documented because that's the way they've always done it, so I think there are certainly some concerns there.

Switching gears, in regard to the passive investment, obviously making the change to where a company, if they're bringing in a certain amount, no longer gets the small-business deduction on the first $500,000.... Where you have cases of intellectual property...and I've been speaking to people who are involved in creating franchises in which they hold that intellectual property in a separate corporation from the operating part. They've raised concerns that they are going to be subject to a higher level of tax, and instead, I guess they may look at holding some of those intellectual properties in places such as the United States.

Is there also concern that some of this may be pushing some of our intellectual property away? Many politicians from many different political stripes are worried that we don't seem to retain our intellectual property and grow it here in Canada as much as we could.

Mr. Bruce Ball: That's a difficult question to answer, and there are two layers to it. One is how the intellectual property is being used. If it's being used internally to generate business income, I'm not sure if there's an immediate concern or not. But if you sell some intellectual property and have a taxable capital gain over $50,000, that will impact the ability to access the small-business deduction. I think it makes the most sense to review all this in a tax review and look at the system as a whole. That's our problem with the rules as they've been set up. It's really to deal with the complexity and the interaction and whether everything has been considered and it makes sense overall.

The Chair: We're well over a couple of minutes.

Mr. Dan Albas: Thank you.

The Chair: Ms. O'Connell.

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

Thank you all for coming. Mr. Yussuff and Mr. Blakely, I want to ask about some comments. Either of you can jump in, or both, if you like.

In terms of the need to have...and you specifically mentioned women in trades, but I think the idea, in terms of this budget, is also to have, as my colleague Mr. McLeod pointed out, indigenous peoples entering the workforce in ways that haven't been done in the past.

I'll just read from a tweet that was sent out by the Conservative critic for Innovation, Science, and Economic Development. It's very concerning to me, given that's the mandate. In talking about Canada's competitiveness, he said, "...this government is more interested in pandering to the radical left with more taxpayers money thrown at gender, race and other 'intersectional identity' issues, than in ensuring our economy remains competitive." My colleague Ms. Khera rightfully responded that leaving people behind is not the way to grow the economy.

I'm just curious, in and around—

● (1640)

Mr. Robert Blakely: I do have a comment with respect to that.

Ms. Jennifer O'Connell: Okay. I will get to my question.

In regard to that comment and specifically in trades, you talked about having more women in trades in particular. If we don't start making investments to actually break some of the cycle in terms of traditional employment, whether it's for women, indigenous peoples, or persons with disabilities, how will your industry grow? How will trades grow, and how will the economy grow without it?

Mr. Robert Blakely: It simply won't. I'm a baby boomer. I know I look a lot younger than that. When I started, it was farm boys and the captain of the football team. We had a male-dominated business, and we had people lined up out the door to get in.

Every industry is now fishing in the same pool. The baby boom generation is leaving everywhere. If you look at the age pyramid, most developing countries have an age pyramid that is the opposite of ours; ours is inverted. It means that we won't get the number of people that we require to do the work if we don't have women, indigenous people, new Canadians, and get my kid out of the basement who is playing video games. That's what we have to do. Quite simply, it is in our economic interest to ensure that all Canadians who want a meaningful career get one.

Ms. Jennifer O'Connell: Mr. Yussuff.

Mr. Hassan Yussuff: The reality is that women represent 50% of the workforce today.

Mr. Robert Blakely: Actually, 51%.

Mr. Hassan Yussuff: The reality is that if we're not going to address some of the systemic issues that have always plagued women's participation in the economy, we're not going to change the economy. Addressing systemic issues does take time. We're changing attitudes, changing approach as to how we do things. It's critical that you stay focused, because if you're simply going to play at the edges, then stop pretending that you're going to transform this country to give women a real opportunity.

Women's underperformance has nothing to do with their capacity to perform at the same level. The fact of the matter is that they work in similar occupations as men, yet they make that much less than men. Without proactive pay equity legislation, they will never achieve economic equality.

It also goes to the point that Bob is making in regard to getting them into non-traditional jobs. We have to say, of course, first of all, that you belong here, and secondly, we're going to support whatever is necessary for you to succeed. Simply opening the door for them to come in is not going to get them there. We have to change the culture, the attitudes, and the behaviour of the people they are working beside, and say, if you want to work here, we are going to assist you in succeeding. That takes time.

It's simply wrong to suggest that half the working population in this country does not deserve their government paying attention and spending resources on them. It's fundamental that we get this right, because if we do want to succeed, we're going to have to take the time and the effort. All Canadians, whether in business or the labour movement, all of us, have to labour at this much longer, otherwise we will not get the desired outcome we're hoping to have here.

The Chair: I believe Ms. Gibson wants in, and then we'll get a final comment from Mr. Blakely.

Ms. Gibson.

Ms. Diana Gibson: It's important that while we're talking about women's participation in trades and more broadly in the economy, it ties back to the conversation we just had about income splitting. We're talking about a privileged boutique tax credit for a handful of wealthy when we should be talking about closing those loopholes and using that money to fund child care and program access for women that actually levels that playing field.

We lack the resources to fund the programs that women need to be able to access properly. In the trades sector, we all know some of those hours are long. The shifts can be all over the map and locations. If you have children, that becomes very challenging. Those barriers can only be tackled if we actually close loopholes and get the resources to fund those programs.

● (1645)

The Chair: Mr. Blakely, and then Ms. Norgang.

Mr. Robert Blakely: We've been spending a lot of time and money on trying to develop respect in our workplaces. Sometimes people think we're rough, tough, mean, and smell bad in our workplaces, and to some degree that's true, but we're going to change the culture.

For things such as child care, lo and behold, there's actually money in a number of places to do things such as having day care at a big construction site. It isn't just for women; there are some single dads, too, who really are strapped.

We can make this work better and get people into great, well-paying jobs. This is not gender mumbo-jumbo. This is getting enough people to be able to effectively build Canada.

The Chair: You have the last point, Ms. Norgang.

Ms. Emily Norgang (Senior Researcher, Canadian Labour Congress): Thank you.

To build on the points by my colleagues about women being underrepresented in the trades, it's very linked to apprenticeship as well. Right now only 14% of apprentices are women. It drops to four per cent when you exclude hairstyling and others. It's four per cent in construction and trades. They're extremely underrepresented. This is not just entering women entering apprenticeships, but also completing them. As Mr. Blakely pointed out, completion rates are extremely low. We're about 56% in Canada. This compares to about 79% in France, 80% in Germany, 79% in Switzerland. So comparatively, we need to increase apprenticeship completion rates.

As our colleagues at Canadians for Tax Fairness pointed out, for women this has a lot to do with universal child care, and equal pay provisions for part-time and temporary work as well, then linking back to our previous comments about the CPP's drop-out provisions, and making sure that women aren't penalized on these various levels.

Ms. Jennifer O'Connell: Thank you.

The Chair: Thank you, all.

Mr. Poilievre, and then Mr. Fergus.

Mr. Poilievre.

Hon. Pierre Poilievre (Carleton, CPC): In numerous provinces across the country, the marginal effective tax rates on people with disabilities who get jobs and increase their income approaches 100%. Sometimes it exceeds 100%. That only includes the cash cost of work.

By cash cost of work I mean you add up the taxes and the clawbacks that someone pays on their next $1,000 of earnings, and they often lose $1,000 or more. Then on top of that they can lose access to housing, drug benefits, other in-kind support.

The monetary and non-monetary loss to a person for adding $1,000 to their income can be well over $1,000. In other words, people are working for a negative wage. They have effective tax rates of well over 100% at certain income levels in certain provinces.

Do you agree this is a problem that is holding back people who are on disability support programs? Any of the witnesses can comment on that.

The Chair: Who wants to go first?

Mr. Hassan Yussuff: We can do much to help folks on disability to ensure that they're not living in poverty in this country.

A large part of it is to get them to participate in the workforce in the first place. Most of the time they're not getting hired. Anything we can do to enhance their participation in the workforce is a positive, because they then become less dependent on society.

We know that most people on disability want to work. In every survey we have done, most say they want to work.

Hon. Pierre Poilievre: Mr. Ball and Ms. Norgang.

Mr. Bruce Ball: I don't have any specific answers, but I think it ties into our feeling that it's important to do a tax review.

Part of it would be to do a review of all the tax expenditures, the tax benefits, to make sure they're meeting their goals, that the program is working properly and isn't causing issues, such as people not joining the workforce—that sort of thing. That would be an important part of the review.

● (1650)

The Chair: Ms. Norgang, and then Ms. Gibson.

Ms. Emily Norgang: In terms of encouraging people to join the workforce, it would be helpful if the benefits from the Canada workers benefit weren't reduced based on the receipt of EI. These benefits have been earned by payment through a premium.

Also, we should allow advance and more frequent payments of the Canada workers benefit, so that applicants can apply for about 50% of it to be provided in advance. It would be good if it were reformed, so that 100% of the expanded benefits could be paid quarterly in advance. This would be similar to the GST tax credit, and would benefit workers during periods of low or interrupted earnings in the year.

Hon. Pierre Poilievre: Can I ask a quick question?

The Chair: Yes, go ahead, then we'll come to Ms. Gibson.

Hon. Pierre Poilievre: I just want to follow up on that point.

I've been thinking a lot about that, because you're right. If the benefit only applies at year end, it's hard for the worker to make the link between the benefit and their daily work.

My only concern is that if someone's income is disproportionately low in one part of the year, and therefore they received the benefit, and then it was higher in the later part of the year, is there a risk they might have an unexpected obligation to repay the government, if they had received the benefit on a quarterly basis?

Ms. Emily Norgang: I was just going to say that clarity in general around this would be helpful, and I think it's a challenge to promote this benefit and what it means.

So again, it's only applicable to those who file their taxes, and we have to remember that some low-income earners don't even file their taxes to begin with. So there's a wide range of awareness that needs to go along with it.

Hon. Pierre Poilievre: I agree with your point. It would be good if we could make them more frequent. I'm just trying to ascertain how one could do that practically without, for example, providing a benefit early in a year when the income is low for the person, and then because they do a lot better in the last five months of their tax year, say, they all of a sudden have an obligation to pay it back.

I haven't sorted out in my mind how that would work, and I welcome your suggestions.

I think some other witnesses would like to comment.

The Chair: Yes, Ms. Gibson wanted to come in on the original question.

Go ahead, Ms. Gibson.

Ms. Diana Gibson: Yes, one of the big problems we have with our system, not just with the working income supplements, but in general with our income benefits programs is that there's a concept of deserving and undeserving poor. If we could move away from that back to a place where there's a right to a dignified income when in need and we move to a living income for those folks, we would bypass a bunch of these problems. When you start means testing every little piece, and you start forcing people to jump through a whole bunch of hoops to get a benefit, like selling off all their assets, we've put them into a place where they end up being further behind.

Addressing this by moving to a non-stigmatized, rights-based income would be a really important place for us to go, more generally.

I also wanted to speak to the tax expenditures issue that was raised more generally. Each of our tax expenditures should be looked at in terms of the goals that are set for it, evaluated against a clear social public good and outcome with a clear metric for measuring, with accountability and outcomes. So, for example—

Hon. Pierre Poilievre: Sorry, we're getting a little bit off the subject.

The Chair: We're over time too. I'll just let Ms. Gibson finish and then we'll go to Mr. Fergus.

Ms. Diana Gibson: In this case, making sure that there is clear tracking and evaluation of implications for those who are on the income would be a really critical part of the puzzle.

The Chair: Just before I turn to Mr. Fergus, Mr. Ball, on your tax review, this is something that comes up a lot. In fact, this committee recommended a comprehensive tax review in our report to Parliament two years ago. We looked at it last year, and it just kind of carried over.

How would you see that taking place? Do you see a royal commission? Do you see a committee of experts? Do you see a parliamentary committee? How would you think that review should take place?

Mr. Bruce Ball: There are a number of ways of doing it. I don't think it needs to be a royal commission. I do think it needs to be independent, though. That could involve input from both inside and outside government, but it should be independent.

We've started a bit of a process in terms of trying to determine that ourselves. We got people together to do a sort of SWOT analysis of the tax system—its strengths, weaknesses, what's working, what's not—and then look at the key areas that need to be focused on. We'd like to see it done as one review, but that said, it could be done maybe in stages as well. I think we're happy to just have a discussion around how to advance it and find a method that works for the government, because we're pretty flexible in terms of how we'd like to help.

As I say, a review of the whole system at the same time would be great, and we would like to have independent people involved, but the format doesn't have to be a royal commission.

● (1655)

The Chair: Thank you. That's helpful. There will be pre-budget consultations this fall. It might be a recommendation you want to make.

Mr. Fergus.

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

Thanks to all the witnesses for coming here.

I guess my question is going to be focused a little bit more on Ms. Norgang, and continuing your conversation about the workers income tax benefit.

I'm so pleased to see that we're dealing with this. I think this is an approach that's long overdue, and one that is similar to the initial idea of about 20 years ago when there was the launch of the national child benefit. If you have people of similar income but one is working and one is receiving benefits, you want to make sure that the advantages to choosing to work remain the same, that there is no rational avenue for people to choose social assistance because they can get more benefits that way. We want to level that playing field, because fundamentally, I just believe that people love the dignity of work, the ennobling act of being at work.

You suggest making the payments happen more often. Like my colleague opposite, I'm just trying to figure out what necessarily would be the advantage to that. Could you walk us through this, why you think there are clear advantages to it working that way? That would be very helpful to the committee.

Take your time in doing this, because whatever testimony we hear, that's what we can pull off in the final report.

Ms. Emily Norgang: I just want to start by giving the members a sense of how big or small this benefit is. It is actually very meagre, very modest, compared to other social transfers.

Just to frame this, in 2015, 1.2 million working-age Canadians received the benefit. It was an annual average of only $807. This compares to child benefits, providing 3.9 million working age people with an average of over $5,000; EI benefits, providing 2.4 million people with an average of over $7,000; and social assistance, providing 1.2 million people with an average of over $8,000.

Mr. Greg Fergus: This is the first real change and increase that we've had. Also, bringing forward the future increases and making them indexible is a major change.

Ms. Emily Norgang: Yes, and we have seen those major changes as having been helpful, but the change to the workers income tax benefit is still a modest change to a modest benefit.

Just to frame it in the context of what we're talking about, when we're talking about the working poor, 7% of all economic families are part of the working poor. This goes up to 19% for single females, 16% of single parent females, and 15% of single working males. Fully one third of the working poor held full-time, full-year jobs. These are people who are working full time, full year, and still living in poverty.

The challenge, certainly, is there. To get to your question, the idea is that, by providing it quarterly throughout the year, it would enable people to have these benefits when they needed them. They could continue to then feel able to take up part-time work or temporary work if they needed to do that, but they would still have the supplement to pay for the things that they need most, whether it's rent, medicine, or food.

Mr. Greg Fergus: Ms. Gibson, do you want to have in on this issue?

Ms. Diana Gibson: No, I'll leave it there.

Mr. Greg Fergus: Okay, perfect.

Ms. Gibson, in your opening comments, you talked about the importance of removing stock options as one way of creating more tax fairness. I think that a lot of Canadians would probably agree with you.

However, across the river from my riding are a lot of people who work in the high-tech industry, and they use a lot of stock options for compensation in start-up companies as a way of buying into the promise of what a company or enterprise represents.

Do you think there are ways it could be useful without being abused?

● (1700)

Ms. Diana Gibson: That's a great question, because it applies to a lot of our tax expenditures. You know, as structured, a lot of them are fairly blunt instruments. That one, for example, is not specifically targeted at struggling start-ups in the tech industry. It's widely available to those who have the right thresholds. That's why I said earlier that if we're going to talk about tax expenditures, we need to tie it to a clear public goal and to have metrics and accountability for if whether or not it's meeting the goal.

We don't have any metrics that tell us whether or not those stock options are building tech companies or if they are being reinvested, whether those are highly successful companies or start-ups, or whether those are multimillion-dollar CEOs or low-income tech workers.

First off, we need to ensure that all of our tax expenditures are structured in a way that we're clear on what the goal is and is tied to a real public good. There are metrics for measuring its effectiveness and transparency and reporting to the public on how that money is being spent.

The other thing is that, to some extent, it's risky. If we have struggling tech companies whose workers aren't being compensated adequately and they're relying on stock options, that can exacerbate the precariousness in a sector where a lot of workers are already highly precarious. I know lots of tech workers who are really struggling. It's not necessarily the best way to support struggling tech companies if it's being on done on the backs of precarious workers.

I would say that the small income tax break is another measure that, ostensibly, is aimed at creating jobs, but half of the small businesses have zero employees. How targeted is that? It's not.

Generally, we need to look at those instruments much more carefully.

The Chair: You seemed to have a quick supplemental question, did you, Greg?

We're running into our next panellist's time, but there are only four witnesses there.

Go ahead.

Mr. Greg Fergus: I'll be very, very quick then.

Am I hearing that you could see some use for this, but that it would depend on what the goals of the public policy options were? You wouldn't want to just throw the baby out with the bath water; you would like to see this more focused.

Ms. Diana Gibson: I would suggest that for any tax expenditure like this, we should look at the public goal first. If the public goal is to support struggling tech companies to get out of the gates in Canada, we should look at the whole toolbox we have and ask if tax expenditure is the best and most cost-effective way for Canadians to support that.

If that is a public goal, maybe there's a different way. Maybe those companies are struggling to get highly skilled workers. Maybe their barriers are different than simply the compensation issue of those workers. We need to identify the goal and those barriers, and then the toolbox we have that's going to be the most targeted way to effectively achieve that goal.

It may or may not be stock options. I doubt it would be, to be honest. We need to look at the actual challenges that those businesses are facing, figure out what they are, and then track what works and what doesn't.

The Chair: We'll have to leave it there.

Thank you very much, Ms. Gibson, Mr. Blakely, Mr. Yussuff, Ms. Norgang, and Mr. Ball.

We will suspend for about four minutes to bring up the next panel.

● (1700)

(Pause)

● (1710)

The Chair: We'll begin our next panel with Mr. Cousineau from Paws Fur Thought, please. The floor is yours.

Mr. Medric Cousineau (Co-Founder, Paws Fur Thought): Thank you, honourable Chair.

Honourable parliamentarians, ladies and gentlemen, let me start by thanking you for the opportunity to speak to you today about the section of Bill C-74 concerning the medical expense tax credit for service dogs. I'm sure there are parliamentarians of various parties who are glad we are addressing the METC, because I don't have to contact them anymore.

Some hon. members: Oh, oh!

Mr. Medric Cousineau: The media contacted me after budget day and asked what this meant in financial terms. My response was that it would be approximately $37.50 a month. Their incredulous response was, “You fought a five-and-a-half year war over a $1.23 a day?” No, I fought a war for equality and human rights. The $1.23 is just a consequence or byproduct.

What started the war that I've waged for years for efficacy studies and tax credits? Three-plus decades ago I was injured doing my job in the military. The mental health injuries have been and will always be an ongoing battle, 24-7 365 days a year. When I was paired up with Thai, almost six years ago, I applied to VAC for their service dog allowance. If I was blind and Thai was a guide dog, I would be receiving an allowance for her care and upkeep. Buried deep within VAC's own benefit grids you're going to find benefit 625995, which provides $1,200 for 12 calendar months for the care and upkeep of a guide dog. Trying to differentiate between a guide dog and a service dog is a moot point. In each case a highly specialized dog is task trained to mitigate their handler's disability. Yet I was denied. When I asked why, they said that Thai does not meet the standard. When I asked what standard she did not meet, I was informed they did not have one. Yes, you have heard that right. I was denied a benefit for a standard I could not meet that they could not define.

I then checked the Income Tax Act, and found out that all service dogs were covered under the medical expense tax credit, with one singular, notable exception. When I repeatedly queried this, I was told there were no studies proving the efficacy of the use of service dogs for PTSD, this despite the fact that other service dogs were never subjected to efficacy studies. It's interesting to note that in 2012, six years ago, diabetic alert dogs were not subjected to the requirement of an efficacy study when they were included in the METC.

The difference between that and how I was treated was discriminatory by definition, treated differently on the basis of my disability. Yes, you heard that one right. I was being discriminated against based on the nature of my disability, in direct contravention of the Canadian Human Rights Act.

Ladies and gentlemen, this war was fought for human rights and equality, and any attempt to justify or rationalize human rights based on dollars and cents is so distasteful I cannot quantify it. It actually makes me physically ill. I should probably be testifying at the Standing Committee on Veterans Affairs to discuss the implications of VAC's complacency and apathy surrounding the demise of the national service dog standard. This failure by VAC will only further delay financial assistance to disabled veterans with service dogs.

All Canadians who were severely disabled by the debilitating injuries surrounding PTSD need help. The horrific impact 24/7 and 365 days a year on their lives and the lives of their families should not be minimized in any way. The latest is that CRA is denying those with severe mental health injuries their disability tax credit certificate because of a bureaucratic policy, and that, too, is unconscionable. At every turn we've had to fight hammer and tongs for every inch.

You see $1.23 a day, or $37.50 a month, may not sound like much, but the $450-a-year medical expense tax credit, based on $3,000-per year care and upkeep for your service dog, does make a difference to those living with serious mental health injuries. The lash of discrimination only further traumatizes and stigmatizes. A huge step is taken when equality is finally ratified. It should never have come to this.

Why I waged a war for equality and had to have it go on for so long escapes me. However, this is only the first step on a very long journey that those battling the ugly stigma of mental health injuries face. I strongly encourage all parliamentarians to take the next step in helping our disabled veterans by ensuring that VAC end their clearly discriminatory policy, and ensure that I and other disabled veterans receive their allowances under benefit code 625995.

VAC's policy is that they will not provide a benefit further back than when you applied for it. VAC is steadfast in this rule. In my personal case, I'm entitled to almost six years of this benefit back to the date of my application.

In the other matter I was asked to address, the new pension for life, I was extremely hesitant to talk about that because I realized there are others who may have greater expertise. However, I feel, upon considered reflection, I must comment.

● (1715)

The government is about to create a problem of epic proportions for itself. Having just waged human rights battles based on disability, it is about to create another equally loathsome, yet avoidable, human rights battle, based on gender discrimination. Let me explain.

Two soldiers deploy, trained to do the same job and are in the same vehicle, and they sustain exactly the same injuries. They are both covered under the new pension for life, as presented to our veterans, yet astonishingly, the two soldiers receive different monthly payouts. The people who elected you will not stand for that. Imagine what happens when folks comprehend that the difference in payouts is based on gender, and that this government wilfully and knowingly implemented a human rights violation.

There is no other pension at the federal and provincial levels that has gender-based payout differentials, so why the one, solitary exception? The answer is gender-based actuarial assumptions. Should our two veterans choose a lump sum, their benefits are exactly the same. Should they choose a monthly payout, they receive different payouts based on gender. That is not a pension; that is an annuity.

This may seem similar, but there are key differences. Hearken back to my comments earlier that attempt to justify human rights violations based on financial considerations is wrong on all levels. You cannot do that. To knowingly adopt such a plan is unfathomable.

This is not yet law, and the government has the chance to rectify it and save itself immense problems in the future. With the passage of Bill C-74, a critical step forward in helping all Canadians who live with disabilities will transpire with the inclusion of the medical expense tax credit for the use of service dogs by those with mental health injuries. But do not violate Canadians' human rights. To adopt the new pension for life with embedded gender-based discrimination would be unconscionable.

I spent the last five and a half years embroiled in a battle for equality, no more, no less. Equal is equal. How the Prime Minister, who wants to be seen as the champion of gender equality, can participate in enacting legislation embedding gender disparity escapes me. We fought for freedom, and we fought for equality. We should never have to fight our government for human rights and benefits. That was what my fight was for. It was for equality. It was never about $1.23.

Thank you, Mr. Chair.

The Chair: Thank you very much, Mr. Cousineau.

We'll go to questions following all of the witnesses' presentations.

We will turn to the Business Development Bank of Canada, Mr. Cléroux, vice-president and chief economist; and Ms. Kastner, vice-president, partnerships and government relations. Welcome. The floor is yours.

● (1720)

Mr. Pierre Cléroux (Vice-President and Chief Economist, Research, Business Development Bank of Canada): Thank you, Mr. Chair.

[*Translation*]

Mr. Chair and distinguished members of the committee, I am pleased to be here today. My name is Pierre Cléroux, and I am the chief economist of the Business Development Bank of Canada. With me today is Karen Kastner, vice-president of Government Relations.

In the context of your study of Bill C-74, I would like to talk to you briefly about who we are, and then give you an overview of the current environment in which Canadian SMEs operate and what the BDC does.

[*English*]

BDC is the only bank dedicated exclusively to entrepreneurs. We are a financially sustainable crown corporation that does not rely on Canadian taxpayers.

We work with nearly 50,000 entrepreneurs in all parts of the country and all sectors of the economy. We provide support in the form of loans, investments, and advice to help them grow their business. We do not provide grants or subsidies. Rather, we operate on commercial terms as a complimentary lender, and support creditworthy businesses with viable projects.

With our network of clients across the country, we can really put our finger on the pulse of Canadian entrepreneurs and the challenges they face.

From an economic perspective, global growth brings good news for Canadian entrepreneurs. Last year's expansion was broad-based, with all sectors of the economy contributing. In 2018, all sectors are expected to continue to grow, though there were contractions in real estate and oil and gas during January.

In terms of general sentiment among Canadian SMEs, the mood is optimistic. At the same time, SMEs are facing some challenges, including the changing and increasing digital economy, aging entrepreneurs and workforce, difficulty attracting and retaining talent, the direction of the U.S. administration, etc.

For SMEs, there's general liquidity in the market. Access to capital is easy for well-established businesses and traditional business models. However, when it comes to asset-light companies and innovative business models, they have more difficulty accessing capital. Financial institutions have not fully adapted to the reality of financing or investing in technology companies. However, we are seeing consistent improvements in this area.

At BDC, these trends are hugely important for us. We are continually innovating to meet the needs of entrepreneurs by expanding our offerings, changing the ways in which we interact with entrepreneurs and improving our delivery model.

Despite the uncertainty in their landscape, we are constantly encouraging SMEs to invest in their business. By doing so, they can improve their resilience. Simply put, businesses that invest more, experience stronger growth. That, in turn, means a stronger Canadian economy. We want to see more business investment across the board.

That's where BDC can play a role, by both investing and providing advice to help SMEs grow. At the end of this fiscal year 2018—and please note that these numbers are unaudited and might change slightly—our total financing commitments to Canadian SMEs hit $28.8 billion. On the venture capital side, our investments in high potential innovative companies and funds reached a total commitment of $1.26 billion.

We are also investing in key areas of the economy to help unleash the potential of women entrepreneurs, for example. As indicated in the budget, building on the success of our previous women entrepreneur initiative, we have set a new bold and ambitious target to lend $1.4 billion to women entrepreneurs over the next three years. That's double our previous target.

The budget also announced the expansion of our women in technology venture capital fund, from $70 million to $200 million. This is now the largest VC fund dedicated to supporting and scaling women-led technology businesses in the world.

We are also investing in a number of other key areas, such as clean tech and later stage venture capital, through the new venture capital catalyst initiative. Given the time constraints, Karen and I would be delighted to receive your questions on any of these issues, or the state of small and medium-sized businesses in Canada more broadly.

● (1725)

Thank you.

The Chair: Thank you very much, Mr. Cléroux.

We'll turn now to the Canadian Union of Public Employees, Mr. Janson, and then to Vancouver after that.

Mr. Janson.

Mr. Mark Janson (Research, Canadian Union of Public Employees): Thank you, Mr. Chair, and thank you to the committee for having the Canadian Union of Public Employees here today. We're the largest trade union in Canada, with 650,000 members across the country in virtually all sectors of public work.

Obviously, Bill C-74 is a very large bill. We're not going to comment on every section of this bill, but focus on a few gendered aspects of the bill that we find particularly concerning.

The first one would be the lack of pay equity legislation. I know you talked about this in the earlier session today. This is something that we've been advocating for a long time. This government has been making very public commitments to a goal of gender wage equality. This is the simplest way for the government to take a step in the right direction. Your budget committed to doing this. It's been now two years since the Liberal-led committee studied this and recommended moving forward. The report was called “It's Time to Act”. They said we'd go forward within 18 months. We're now 24 months past that point. Your budget said this was going to be in the budget implementation legislation. It's not there. We hope that it will be there very soon.

I'd like to focus the rest of my time on the Canada pension plan drop-out issue. I know this was also mentioned at an earlier session. I was before this committee about a year and a half ago talking about Bill C-26, the legislation that implemented the federal-provincial deal reached in the summer of 2016 for a modest expansion of the Canada pension plan.

When we looked at this legislation, we were shocked to find that there were no drop-out provisions in the new CPP benefits for periods of child-rearing or disability. These have long existed in the CPP that we all know. Essentially, these CPP benefits are a function of how much you've earned through your working career, so if you have a period of zero or low earnings, that's going to pull your CPP benefits down.

Governments over the decades have recognized that it's appropriate to put in place what they call “drop-out provisions” for periods of child-rearing or disability in order to exclude those periods from the calculation of CPP benefits, so that you don't see a pension penalty for raising a child or for being disabled and unable to work. That's worked well for the 50 years of the CPP's existence, so we were shocked to find that it wasn't going to be part of the new tier of CPP benefits.

CUPE and the labour movement brought this to the attention of the government. The bill was passed as written, which we were quite opposed to. We thought the government should have done something at that point. We were happy to see in December of this past year, 2017, that the finance ministers of the federal and provincial governments said they were going to do something about this. They said they were going to add what's called a “drop-in provision” to the new level of CPP to deal with this child-rearing and disability issue.

The problem with the drop-in provisions is that they're clearly structured to deliver a significantly lower benefit than the traditional drop-out replacement would have done. When the government brought in these drop-in provisions, it said they were an improvement that would strengthen benefits. In our view, however, a large inappropriate cut was instituted that, to a certain degree, walks the benefits back. We don't see that as an improvement. We still see that as an unjustified cut.

We've asked the government for numbers on this. We wanted to find out what this was going to mean for individuals down the line, and what it would mean for the plan. We haven't seen any of those numbers, but these drop-in provisions are included in Bill C-74.

To me, to CUPE, this is an issue of major importance. Our position is that workers taking time out of the workforce to raise a child at home or because of a disability should not face any CPP penalty. I know that at earlier meetings finance officials were asked to get those data to you, and I certainly hope that you see those numbers and reflect upon them before passing this legislation.

Thank you, and I'll be here for questions afterwards.

● (1730)

The Chair: Thank you very much, Mr. Janson.

Going back to Vancouver, we have a second witness from Vancouver today, Mr. Milligan, who's a professor at the Vancouver School of Economics, University of B.C.

Welcome. The floor is yours.

Professor Kevin Milligan (Professor, Vancouver School of Economics, University of British Columbia, As an Individual): Thank you very much, Mr. Easter.

My name is Kevin Milligan. I am a professor of economics at the Vancouver School of Economics. I've been asked to speak specifically about the new Canada workers benefit.

I've been studying the impact of tax benefits for modest-income workers for about 15 years, and the evidence from around the world is unusually strong and consistent. Benefits that are focused on providing incentives for modest-income workers to join the workforce have been successful in the United States, the United Kingdom, and also here in Canada.

However, the existing working income tax benefit, WITB, suffers from two shortcomings. The first is that it is too small. The maximum benefit for a single worker under the 2017 configuration is only about $1,000. That means that the benefit is all gone by the time someone reaches about $18,000 of income. If you're a full-time, full-year minimum wage worker in most provinces, you see absolutely no benefit from the existing WITB. I think that misses the mark.

The second shortcoming is that the existing WITB lacks salience. It's hidden away on the tax form, requiring the filing of a special supplemental schedule, so people are often not even aware of it. This has resulted in a substantial number of people who are eligible for the WITB but don't end up getting the benefit.

The proposed transition to the new Canada workers benefit makes some substantial and important improvements in ameliorating both of these shortcomings. The new Canada workers benefit is larger. The maximum benefit is 30% larger for singles, and 24% bigger for couples and those with kids. As importantly, the income range that is now covered by the new Canada workers benefit is much larger. It extends up to about $24,000 for singles, and up to $36,000 for couples and those with kids. This means that a much larger proportion of modest-income working Canadians will see some benefit under this new Canada workers benefit than was the case under the old WITB.

The new Canada workers benefit will also be easier to access. In a new and very important initiative, the Canada Revenue Agency will check everyone's tax filing to make sure that the tax filer has applied for the Canada workers benefit if the person is eligible. If they haven't applied, they will automatically be enrolled for this benefit. This starts in 2019. Moreover, the government has indicated that it will explore ways to make the Canada workers benefit payable on a monthly basis rather than lumped in with the other aspects of the tax filing done annually.

Both of these measures, higher benefits and making benefits easier to access, are important advances. However, there is still some more work to do, and I have three brief ideas.

First, I think benefits still need to be larger. If you think about someone who is a full-time, full-year worker—that means about 2,000 hours a year of work—and the minimum wage in some provinces approaching $15 an hour, if you multiply those together, you get about $30,000 of income for a full-time, full-year worker. I think that ought to be a target for the income range for the WITB. It's currently at $24,000 for singles. I think we ought to try to get that up to $30,000.

Second, I think the government should continue its efforts to make the benefit more salient. Economists like me spend a lot of time trying to design these kinds of programs that provide incentives for rewarding work and for promoting good behaviour, but if the incentives are buried in complexity, we're not going to see the full realization of the benefit that we want to see. We want to make sure that the benefit is salient, easy to access, and people can get the benefits that they've earned.

Finally, the government should undertake a study of the feasibility of individualizing the Canada workers benefit. This has been advocated by Professor Tammy Schirle at Wilfrid Laurier University.

● (1735)

Individualizing means that the benefit is phased out based on one's own income rather than on a couple's income. This would have an important impact on married people, and specifically on married women as that would give married women a boost both within the economy and within our society. I think it's worthy of some more study.

I'm looking forward to your questions, and I pass it back to the chair.

The Chair: Thank you very much, Mr. Milligan. Sometimes there are the “howevers” in those presentations. Thank you very much for that information.

We'll turn to Ms. O'Connell for seven minutes.

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

Thank you all for your presentations.

I'm going to turn to Mr. Cousineau.

Thank you for your testimony.

Mr. Chair, I'd suggest that since a portion of the testimony was not part of this specific study, maybe we should send it to the Minister of Veterans Affairs to draw his attention to some of the items you've outlined, because we're not dealing with all of it right here today.

I want to ask you a question with regard to the service dog allowance specifically. One of the changes we made was to allow for this through our medical expenses. I'm not sure if this addresses all of your issues, then, if the service dog qualification policies—although I think you used a different word—still haven't been established by Veterans Affairs. Would you be able to access the psychiatric tax credit, or does this now take care of that issue? I'm just trying to clarify this from your testimony.

Mr. Medric Cousineau: The medical expense tax credit should be embedded inside the Income Tax Act and provide equality for a psychiatric service dog—and here I would suggest to the committee that we look toward dispensing with the use of the stigmatizing word “psychiatric”. “Veteran-assist service dog” or “first-responder-assist service dog” are certainly much more palatable options, from my chair. That needs to be embedded inside the Income Tax Act. It's also related to the legislation and policies that VAC is continuing to struggle to implement. There's almost a commingling of benefits, and there is no clearly defined policy. However, any attempt by the government to say that we have no standards for these dogs.... Unfortunately, there are no standards for the dogs that are already there. It has to be an equal playing field.

Ms. Jennifer O'Connell: If I'm understanding correctly, despite these changes, we still need to deal with making sure that on the VAC side, the policies are going to be consistent so that if CRA needs some type of credentials or verification or something, the policies match up and they will be able to provide that.

Mr. Medric Cousineau: The CRA doesn't have to go to VAC for those, because they're not going to any other department.

Ms. Jennifer O'Connell: Right.

Mr. Medric Cousineau: For example, they're not going to the health department to provide the credentialing for diabetic-alert dogs or seizure-alert dogs, and they're not going there for the Canadian National Institute for the Blind. In some cases, the Veterans Affairs issue is a little bit of a red herring.

Ms. Jennifer O'Connell: Fair enough. Thank you for providing that clarification.

I have more questions, but I won't be able to get to them all. That's why I'm suggesting that your testimony be forwarded to Veterans Affairs as well.

Mr. Cléroux, you are an economist and you spoke about investments in terms of women entrepreneurs and essentially increasing the types of entrepreneurs, start-ups, and small businesses. As an economist, have you looked at the type of growth potential of some of the investments you spoke about specifically?

Mr. Pierre Cléroux: Do you mean in terms of the BDC investments?

Ms. Jennifer O'Connell: Yes, and specifically whether it's women or other groups that haven't traditionally been specifically invested in, and what that growth potential is.

● (1740)

Mr. Pierre Cléroux: What we have looked for before is the impact of BDC on its clients. We worked with Statistics Canada to evaluate whether our clients are growing faster than similar businesses in the economy. The analysis was done by Statistics Canada with a third party, and we found out that when BDC invests, our clients are actually growing faster than very similar companies, very similar SMEs, and that if they use our advisory group, the impact is even greater. The biggest impact we can have is through having some lending tools, and, on top of that, having some services to help them better manage their business. That's how we have the biggest impact on SMEs.

Ms. Karen Kastner (Vice-President, Partnerships and Government Relations, Business Development Bank of Canada): Thank you, and good evening.

I'll just add that with respect to women entrepreneurs specifically, we've looked at some data and found that the majority of women-owned businesses tend to be smaller. They grow more slowly and there are fewer of them. When you look at the majority of women-owned businesses in the economy in general, you will see that they make up about 16% of all businesses. We feel there is tremendous potential there. As Pierre said, we are allocating $1.4 billion over three years to lending. Then, specifically for women in technology, we have a $200-million fund, which we think is the biggest in North America dedicated to women, as well as some other resources.

Ms. Jennifer O'Connell: Have you done any projections on what those types of investments could mean in terms of growth?

Mr. Pierre Cléroux: No, we haven't.

Ms. Jennifer O'Connell: You just anticipate that it is an area of large potential.

Mr. Pierre Cléroux: Yes.

Ms. Jennifer O'Connell: Thank you.

Do I have time for one more?

The Chair: You have time for a short one.

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

Mr. Janson, I just want to quickly ask about the drop-in provisions versus the drop-out provisions, because this was an issue I was very concerned about too and was happy to see the changes made. If the problem is that the details aren't out, then that's fine. We can have that information further on.

However, the way I understand it, the drop-in provisions are specifically to drop in the parents' average earnings during the years prior to birth or adoption, and that for persons with disabilities it is the same. It's dropping in for the years when they received the CPP disability pension, and the drop-in amount would be 70% of their average earning for the six years to the onset of the disability.

Where do you see the difference in the drop-in versus the drop-out if, from my understanding, it's somewhat functioning like the drop-out?

Mr. Mark Janson: It's just the way they're organized. The way they're set up is, to us, quite clearly going to provide less benefit than the drop-out would have done.

In your example, you described the mechanics correctly. The drop-in for child-rearing is basically saying that you're not working that year, so we're going to credit you that year as though you worked and earned this amount. They calculate that amount based on the previous five years of earnings.

Ms. Jennifer O'Connell: It's just your average, so if you are making more.... I know I'm out of time, but you say that you think it will be worse. Can you give me an example of why?

Mr. Mark Janson: It's quite clear to us that it will be on net, because if you think about when women tend to have a first child in Canada, it's around age 30. We'd be basically averaging their earnings from 25 to 30. If you look at the way people earn, you see that's when salaries and earnings are going up quite sharply for women in Canada.

When we look at the mechanics, we can speculate, but to us it looks like it's going to provide a whole lot less than the existing drop-out measure would have provided had it been there. We've asked for the data. We've asked, “Show us what this will provide”, because to us it looks like it's not going to provide nearly the same. We have not seen that.

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

The Chair: Thank you.

Mr. Milligan, in Vancouver, if you want in on any of these questions, just raise your hand if they're not asked of you directly, and we'll let you in.

● (1745)

Prof. Kevin Milligan: Thank you very much.

The Chair: You're at a bit of a disadvantage, because you're so many miles away.

Mr. Albas.

Mr. Dan Albas: Mr. Chair, he may be some miles away, but British Columbia is in my heart, so I'll start with Professor Milligan.

The Chair: Okay. That's good.

Mr. Dan Albas: Thank you for your presence here.

Obviously, we've had a few discussions over the years. Your work specifically targeting how government policy can help assist people, especially those with modest incomes, is to be applauded. I certainly appreciate your presence here today, Professor.

I just wanted to focus on two areas. First of all, you have said that raising the amount would be important and would also make it more salient.

Would you agree that changing the benefit from the current designation, the working income tax benefit, to the Canada workers benefit may alienate people who already know the benefit and identify it as being a tax measure? Do you think that that is a helpful thing for the government to do, or should we try to build upon the current name rather than creating a new one?

I'll just give the example where many members of Parliament still refer to the Minister of Innovation, Science and Economic Development as the Minister of Industry, just out of force of habit. Are we reinventing just for reinvention's sake?

Prof. Kevin Milligan: Thanks for the question. It raises the important question of making sure that people are aware of the benefits that are there and how they are structured, and of understanding how we can best make sure that people who earn benefits get the benefits they deserve.

As Mr. Albas has mentioned, when you change parts of a program and change its name, that certainly is something that could have impacts on the way people think about a program, but the contrary case is that if you never change anything, then you can't make any progress. I think there's a trade-off to be made there.

In this proposal in the legislation, I think there are some really exciting measures such as the auto-enrolment for those who haven't filled it in and the thinking about making it a monthly benefit rather than having it buried within the tax form. I think those are steps forward that deserve full consideration.

Mr. Dan Albas: Again, I agree that if we can make it so that people who need this service and need the benefit can access it more quickly.... I would just say that if you talk to the member for Brampton, whom we have here, he would probably say that the change from “Coke” to “New Coke” wasn't a great change in branding.

Anyway, that said, I think we should try to build upon what can be improved but maintain it at the same time, and again, clearly identifying this as a tax measure, particularly because I have so many people who come into my office and often ask about provincial benefits, because there's not always a clear distinction as to what is a federal benefit and what's a provincial one.

Second, you did mention you could build upon a greater pickup, for example, if people were treated as individuals. Let's put it this way. If you have a situation where you have a breadwinner and a spouse, common law or married, and you allowed them both to be individuals, to have a higher benefit you might see someone consider going back to work, versus getting the current benefit.

Do you think, then, that the government should have a default where you have both but that information should be presented to them to encourage someone to join the workforce?

Prof. Kevin Milligan: The member characterizes this correctly: the idea would be to consider only one's own individual income. It's not an idea that I would advocate unconditionally right now. It's one that I think is worthy of some study and consideration. The member's idea of perhaps making it a default option and letting someone choose the right way to do it is interesting.

I'm sure the member will agree with me that this gets into a very contentious area of taxation and whether we have individual-based taxation or family-based taxation. There's a deeper issue there that is certainly one that's always a public debate. For this particular one, I think it's worthy of study, specifically because it would affect a lot of married women and potentially improve their contributions to the Canadian economy and also their position in society. I think it's something that we ought to at least have some study on.

Mr. Dan Albas: I would agree with that assessment. Thank you again, Professor, for your contribution here today.

I would like to go to Mr. Cousineau now.

Sir, thank you for your service and for your presentation here today. I do think it's quite alarming to hear you say that the government is creating a marked difference in the way someone is treated, in that male and female Canadian Armed Forces members both would receive the same the lump sum payment, only to be given a different sum upon it being broken up, like into an annuity. I know the rationale behind it, but I think most Canadians wouldn't feel that it's fair.

What do you think was the rationale behind this? Is this to save money? Or was this something the government simply did not pick up? I'd love to hear your thoughts.

● (1750)

Mr. Medric Cousineau: What you're seeing with the annuitizing of the lump sum with a gender-based differential is what happens when you take a benefit from a defined benefit pension to a defined contribution pension. Once they make it a defined contribution pension by taking the amount of the lump sum and annuitizing it, or whatever formula they are about to use, they are in effect not providing what they said they were going to reinstate. They are creating yet a different benefit.

Where that fits in the overall suite of benefits within the new pension for life is hard to say, because VAC has not provided concrete numbers to date. Be aware they have created a massive angst within the veterans community. All veterans are incensed about this, because our lady veterans who stood shoulder to shoulder with us and assumed exactly the same risks should never under any circumstances be treated differently based on gender.

Mr. Dan Albas: Thank you for that, and I concur wholeheartedly. I'll be taking this issue back to my caucus for further discussion. Again, I appreciate your service and your presence here.

Mr. Janson, you mentioned the support for pay equity legislation. Obviously, we want every man and woman to be treated fairly and compensated fairly. One of the things the government has not done is.... Oftentimes, the Government of Canada is an employer, and oftentimes—and I've heard this because I sat on the pay equity legislative committee where we did an extensive study—the government, the union, or sometimes both will punt issues having to do with equity to the side during labour negotiations in favour of talking about benefits.

Do you think that the government is missing a big opportunity to start in its own backyard by saying that, if we believe in this, we should start by making sure that our own employees are treated fairly?

Mr. Mark Janson: Yes, and just to note, CUPE represents public sector workers. We don't represent federal public sector workers, so I don't want to speak for—

Mr. Dan Albas: That's why I want to give it to you.

Mr. Mark Janson: —the federal unions here. Obviously, they deserve pay equity just like anyone does. Part of our rationale in calling for proactive pay equity legislation is to remove it from bargaining, because in a lot of cases, much of the holdup has been in the bargaining and legal processes. We think this should be a proactive process outside the bargaining table.

Mr. Dan Albas: So you say that it should be a proactive process before it starts going out, because, again, we're dealing with federally regulated workplaces, and they are so disparate. You have everything from oil and gas to small companies to trucking firms right across the country. The banks and some of the larger telecommunications companies already meet those standards, but do you think that the government has missed a real opportunity to be proactive in its own backyard?

Mr. Mark Janson: I think that's a question for the federal public sector unions, and if you'd like an answer from them, I'm sure we could get you one.

Mr. Dan Albas: Thank you.

The Chair: We'll have to leave it at that.

Mr. Dusseault.

[*Translation*]

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

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

First off, I would like to thank Mr. Cousineau for his service in the Canadian Forces.

Then I just want to ask a question that everyone is asking. I don't know if the answer can be very specific, but we are all wondering whether the new lifetime pension benefits are better than the current benefits.

In terms of benefits, is the new pension plan for veterans, which is being proposed today, better than the one currently being used?

Mr. Medric Cousineau: Thank you for your question.

I regret that I'm not able to speak about this subject in French, so I will answer in English, if that's okay.

Mr. Pierre-Luc Dusseault: No problem.

[*English*]

Mr. Medric Cousineau: Part of the problem of whether or not we can clearly delineate whether the old benefit suite is better or worse than the new benefit suite depends on what some of the objectives are. Indeed, in the last question I answered, I mentioned the difference between defined benefit and defined contribution. If we go to a defined contribution model in the new pension for life, that will alleviate any unfunded liabilities of the government in terms of future commitments that would have arisen had they stayed with a defined benefit under the previous pension act.

I think that the members of the committee are probably fully aware of somebody in government who has extensive experience in the pension market. In fact, his firm is based on that kind of actuarial science. I think that the Minister of Finance may want to weigh in and comment as to why we're looking at defining contribution as opposed to defining benefit.

● (1755)

[*Translation*]

Mr. Pierre-Luc Dusseault: Thank you for highlighting the issue around veterans and the gender-based payment disparities.

Mr. Janson, I would like to ask you a question about pay equity.

We were all disappointed that an important part of Bill C-74 was missing, namely, pay equity legislation. Everyone was expecting this legislation. It had been promised, but doesn't appear anywhere. We hope that we'll get it one day, but my hopes for the Liberal government are slim.

Another question has also elicited a reaction from the MPs on our side of the table. Pay equity is being promised, but the budget contains no financial commitment in this regard. Yet that is what would achieve equity.

Can you comment on that? Can you tell us how much this could be if the federal government decided to move toward pay equity?

[*English*]

Mr. Mark Janson: It's a good question, and in many ways it's hard to know what the cost would be for the federal government. Obviously, pay equity is the responsibility of employers, to be paying their employees equally.

The federal government has said that it's committed to a proactive regime. That's obviously going to involve more compliance, more regulatory burden on the federal government, so there will be a cost. I don't know what that would be, but as you've said, there was no money earmarked.

There's no legislation and no money earmarked. To us, that's two causes for concern. This is, as you said, one area where the government can demonstrate in real terms its commitment to gender equity. We certainly hope they follow through on the budget commitment to do so.

[*Translation*]

Mr. Pierre-Luc Dusseault: Do you have the same disappointment with pharmacare, which I believe the Liberals have been promising since 1998? Have you analyzed this question? Have you also been disappointed to see the slim proposition of creating another committee to study it? Yet the question is clear enough for most of us.

[*English*]

Mr. Mark Janson: CUPE has long had a position in favour of public pharmacare. This is obviously the unfinished work of our public health care system. We're fully behind the Canadian Labour of Congress' campaign that's currently under way. I'm sure you heard from the president earlier today about that. We're fully supportive of pharmacare, and as you say, quite disappointed to see that we're going to be studying rather than doing when Canadians continue to pay too much for drugs or let their prescription bottles go unfilled because of financial pressure. That shouldn't happen in this country.

[*Translation*]

Mr. Pierre-Luc Dusseault: Mr. Milligan, I have a question for you about the new workers benefit.

You proposed raising the threshold to $24,000. I didn't have time to check it in the bill, but is there an increase in that threshold over time? If not, as legislators, should we ensure that this threshold of $24,000 will be adjusted in 10 years? In 10 years, $24,000 will not be worth the same as it is today.

● (1800)

[*English*]

Prof. Kevin Milligan: Yes, this is a good focus for legislators in terms of looking at that. The member asked an important question, to see whether these thresholds that are in the proposed legislation are automatically indexed to inflation every year. My experience with the existing working income tax benefit, the WITB, is that every year those thresholds are indeed indexed and the amount is indeed indexed. It increases every year so that people keep up with costs and inflation. In my view, it is important that the new Canada workers benefit does the same thing, that it maintains its purchasing power by automatically being indexed for inflation. That would allow us to keep the $24,000 upper limit of today at least constant for the workers in the future.

The Chair: Thank you all. Before I go to Mr. Grewal, this question might be for you, Joël, or you can take it back to the various witnesses we've had from Finance and Veterans Affairs.

We had the officials from Finance, and I know the committee asked for some comparisons between the old benefit scheme and the new one. Could somebody ask the officials respond to this issue of different payouts based on gender?

I looked through my material and I can't quite understand it, but I think Mr. Cousineau's question is a valid one. Could officials from Veterans Affairs look at Bill C-74 and what's proposed in it, and give us a response to that question as to whether there is a difference based on gender? If there are ways to fix it in this bill, we should do it.

Mr. Grewal.

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

Thank you to the witnesses for coming today.

This is directed to BDC. Since we've had great economic growth of around 3.3% in the last year, have you seen increased interest on the part of entrepreneurs coming to the BDC asking for funds?

Mr. Pierre Cléroux: Yes. There's more economic activity, and as a result of the investment, the number of SMEs that are investing is increasing. We have been busier.

Mr. Raj Grewal: Has there been a corresponding increase or movement in the default rate on bad loans that BDC carries?

Mr. Pierre Cléroux: No, 2018 was a very good year that way. Our models show that when the economy is performing well, the default rate is lower.

Mr. Raj Grewal: We've seen a lot of entrepreneurs access BDC in and around Brampton East, which is a high-growth community with a lot of entrepreneurs. You guys do a lot of financing of trucking companies that are buying facilities.

Across the country, have you seen certain regions coming to you more, and do you guys have initiatives to help entrepreneurs in the north to access your funds or know about your programs? Even in our MPs' offices, we don't have any material on BDC. I think it would be a value-add across party lines to help people when they come in. Maybe you guys should check them out because they can be of assistance.

Ms. Karen Kastner: We have seen growth in areas that have previously not been our main areas, B.C., for instance. One of the more exciting channels of growth for BDC in the last three years has been our online lending. We've gone from doing about 1,000 loans online to 5,000 in the last year. It's a significant channel for us. Assuming there is Internet access, it provides a channel for entrepreneurs in remote areas.

● (1805)

Mr. Raj Grewal: Thank you.

Mr. Milligan, thanks for joining us all the way from the west coast. You mentioned raising the bar to $30,000 for the working income tax benefit. What would be the corresponding economic activity from that, or would there be any?

Prof. Kevin Milligan: The evidence shows pretty clearly that when you provide this kind of bonus to people who join the labour market, more people will join the labour market. People are pretty responsive to this kind of benefit. If you were to extend the range over which people still receive some of the Canada workers benefit from the currently proposed $24,000 up to $30,000, that would effectively increase the number of modest income workers who would see some benefit from joining the labour market.

The evidence suggests that people's decisions with respect to this kind of benefit can be fairly responsive, and so I think you would see a substantial increase in work among those in that modest income range.

Mr. Raj Grewal: Thank you, Kevin.

Thank you, Mr. Chair.

The Chair: Mr. Poilievre.

Hon. Pierre Poilievre: Thank you very much, Dr. Milligan, for your long-standing work on issues related to marginal effective tax rates. I enjoy reading and studying your work, and occasionally calling you to plunder your mind, and hopefully we can do that today.

I asked a Finance Canada witness about whether or not the phase-out rate of the Canada workers benefit at the higher end of the range could in any case add to a worker's marginal effective tax rate. He did conclude that yes, it was possible. I'm not arguing that's necessarily a reason not to proceed, but I'm just curious if that is your calculus as well.

Prof. Kevin Milligan: The member is talking about the rate at which the benefit is phased out among those who are earning a bit more money. The current working income tax benefit is phased out at about 15%, I think, for both types of families that are considered. The new Canada workers benefit reduces that to about 12%, I believe. That's an improvement of three percentage points. I think that's important, because economists think that does matter a bit for people's decision of how much to work.

However, most of the evidence on this kind of benefit focuses a bit more on whether or not you get a cheque at all versus the small benefit that is clawed back at the margin for those who are in that range where it's clawed back. For me, the idea that we reduce the marginal effective tax rate from 15% to 12% is an advantage. The member is correct that we're now applying that over a bigger range of income, and that's a bit of a trade-off that we have to consider.

Hon. Pierre Poilievre: Are there any instances under the model where someone could be both receiving the benefit, and paying income tax? Or does the benefit simply credit one's income tax obligations so that the two cancel each other out?

Prof. Kevin Milligan: It does depend a bit on one's personal circumstance, of how many non-refundable tax credits one has. The basic amount these days is in the range of $12,000, so it's quite likely that many people who are in that $20,000 range might be facing income tax on their marginal dollars. For those who are making $15,000 or $16,000, it's much less likely that they're actually paying income tax. When we get into that $20,000 to $30,000 range, that's the place where most people start to pay income tax.

Hon. Pierre Poilievre: When they're in that range, where they're making enough to pay income tax but not enough to have graduated off the workers benefit, does the benefit act as an increased personal exemption, or does the government simultaneously write a cheque and take a cheque?

Prof. Kevin Milligan: Over that range, you'd be simultaneously paying income tax and your benefit would be shrinking as you earn more dollars. So your basic amount is not phased out, you'd get to keep that. It is the question of you starting to pay income tax at the same time as you are seeing your Canada workers benefit begin to diminish.

● (1810)

Hon. Pierre Poilievre: Does that have to be the case? In the United States they have the earned income tax credit. Does it work the same way, or does the earned income tax credit effectively operate as an exemption in the range in which it applies?

This is not a criticism of the current government. I'm sure this would have applied under WITB, as well. It just seems that when someone is receiving a benefit and paying tax, an inefficiency could result.

Prof. Kevin Milligan: Yes, there is certainly a possibility of integrating the basic amount—an earned income tax benefit like the WITB, or the Canada workers benefit—with, say, the GST tax credit to make a comprehensive package for lower-income workers that would be clear, would provide incentives to work, and would be easy for everyone to understand. It would potentially make sure we're not stacking these tax rates on top of each other, which is an important consideration in tax policy.

Hon. Pierre Poilievre: Could I just close off? I understand I'm out of time.

What concerns me, and one of the reasons I've introduced a bill related to this with respect to disabled people, is that when you start to compound the clawbacks and the taxes, there are these serious penalties for certain people at certain income levels. We should try to find a way to eliminate them.

Prof. Kevin Milligan: I think that's right. It is a concern when different taxes and different benefits are stacked on top of each other such that you end up with effective tax rates on marginal income that can get quite high in some circumstances, so we should always pay attention to that. That's one of the reasons I think the move to the Canada workers benefit, which reduces that clawback rate from $15,000 to $12,000, is an advance. I do, however, accept the member's comment that we must always consider these things, and there is room to do more to consider how all of these benefits, both provincial and federal, stack together.

The Chair: Thank you, both.

Mr. McLeod, you have a five-minute round.

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

My question is for the Business Development Bank of Canada.

Can you explain to me your relationship with the Government of Canada? Could you also tell me if you have an operation or presence in the three northern territories, Yukon, Nunavut, and the Northwest Territories?

Ms. Karen Kastner: We work closely with the department of ISED, and we report to Parliament through the Minister of ISED. We're a crown corporation. We have our own board of directors, and we report to a board of directors.

Mr. Michael McLeod: Okay.

Ms. Karen Kastner: Does that...?

Mr. Michael McLeod: Yes, I was trying to find the link there, because I'm trying to see if the minister's mandate or commitment to indigenous people carries over to your board. The minister has a mandate letter that says he's required to promote economic development and create jobs for indigenous people. Does that flow through to you also?

Ms. Karen Kastner: Absolutely. That is definitely a segment of entrepreneurs whom we see as having a tremendous amount of untapped opportunity. There are many youth whom we feel are aspiring entrepreneurs, and we want to be able to finance them.

We do have an indigenous banking unit at BDC. I think we're up to about 10 people across the country who are dedicated to serving this community. We now have about 600 self-declared indigenous clients with about a $325 million portfolio, but we are looking to do more. We know that the AFIs, the aboriginal financing institutions, have great links within the community that we don't have. We'd like to do more with them, and we're looking at ways to do more with them so that we can extend our reach to indigenous entrepreneurs.

Mr. Michael McLeod: I was involved with a Métis Dene business loan fund in the Northwest Territories, way back when they were just getting off the ground. The money has been oversubscribed, right from day one. It's a good program. It's very popular, but the revolving fund is not big enough to really make a big difference. Is there anything that your organization can do to step in? You mentioned $600 million. Is that a separate fund for aboriginal clients? Is it adequate? Is it big enough?

● (1815)

Ms. Karen Kastner: We'd love to do more. It's actually not a fund, but represents all of our outstanding loans to individual indigenous entrepreneurs. We'd love to do more in the form of a fund, and we're looking at various options to do that, but we haven't quite landed that yet.

Mr. Michael McLeod: I have a question for Paws Fur Thought regarding the medical expense tax credit. The number that you said, $1.35 per day, seems like a small amount to train a dog, to obtain a dog, given all of the costs. Where does that fit in with what you're attempting to do?

Mr. Medric Cousineau: The actual capital cost of the dog, depending on the organization from which you're acquiring a dog, is somewhere between $15,000 and $30,000. However, to put the ongoing operating and maintenance budget into purely budgetary terms, when you take a $3,000 sum and multiply it by the 15% medical tax credit, you arrive at $450, which, when divided by 365, brings us down to about $1.23 per day.

It doesn't seem like a huge amount of money, but you have to realize that there are significant financial implications for all those people who are dealing with serious mental health issues. With the demographics, the drop in earnings capacity, the increased expense, the lost time from work, there are a lot of implications. I attempted to point out that what may look like a ridiculous number is in fact not that at all. It does matter to a lot of disabled Canadians.

Mr. Michael McLeod: You keep referring to mental health issues. Are those related to trauma? Is that what we're talking about?

Mr. Medric Cousineau: In a lot of cases, the serious mental health issues we're dealing with are trauma-based injuries—traumatic brain injuries, post-traumatic stress injuries, and operational stress injuries. All of those injuries cause significant loss of future earnings capacity. In VAC's defence, they've also realized that, and they are making steps to help ameliorate that with future increases and some other benefit suites.

Based on what was presented in the veterans town halls by the Minister of Veterans Affairs and the deputy minister, the problem is that no clear numbers have been brought to the table. This has created serious angst within the community. It would be somewhat akin to my asking the committee to write a blank cheque and saying, “Trust me.” I don't think we're going to do that.

The Chair: Okay. We'll leave it at that.

We'll split the remaining time between Mr. Albas and Mr. Sorbara.

Mr. Albas.

Mr. Dan Albas: Thank you again, Mr. Chair, and thanks to our witnesses for being here today.

Mr. Cousineau, I'd like to go back to the service dogs. Earlier in your presentation, you talked about the arbitrariness of the decision by Veterans Affairs. In certain other government agencies, they will recognize certain standards or have none at all. It's just a question of whether you have a dog and whether it is used for a medical purpose or therapeutic purpose.

I do know that there is a big issue because I've contacted two different ministers here in Ottawa who have the responsibility for it. Both of them have said that most provinces and territories have completely different standards that do not align. They use different language and whatnot. Is this part of the reason for the complex nature of the problem we face, where no one has a very good definition and so VAC is just being arbitrary? Could you explain a little more for me, please?

Mr. Medric Cousineau: In reality there is a international standard that is out there and recognized. It's called the Assistance Dogs International standard and it also runs in conjunction with the IGDF standard, that of the International Guide Dog Federation. Probably the most advanced standard on a provincial basis is the one in B.C. I will give you that, because you guys have a plan, a standard, and it works.

I helped get the service dog legislation passed for the Province of Nova Scotia. The regulations that are going to operate under that legislation will look very similar to what B.C. has done. The problem that we have is that there is no interprovincial reciprocity. By that I mean if you have your B.C. driver's licence, you do not have to show up in Nova Scotia and take a driver's test to be able to drive legally in Nova Scotia. Unfortunately, we have such a convoluted and fractured set of rules that, in effect, if I leave Nova Scotia and go to B.C., to get the legal protections under the law, I have to recertify. Alberta has a different set of rules yet again. The rest of the provinces, save Nova Scotia, are in absolute disarray. So that sort of points to where the battlefield lies.

● (1820)

Mr. Dan Albas: So, how can Veterans Affairs Canada—which, I would imagine, is supposed to be treating veterans fairly regardless of what province or territory they reside in, come into this with a standard that is different from anyone else's?

Mr. Medric Cousineau: Well, actually the easiest move afoot is for Veterans Affairs Canada to contract with the B.C. government to use their standard, which will also be the Nova Scotia standard, to bring it across the country, translate it into French as appropriate and put in the inter-agency reciprocity.

The other problem is that although Veterans Affairs is involved in the financial benefits, this actually involves the justice department, because it deals with legal matters, and the health department, because the medical expense tax credit falls under it. In effect, what we really need is an inter-agency and interdepartmental group to sort this out and if, at the end of day, we wind up with one national standard that has provincial reciprocity, we will have solved a lot of problems.

Mr. Dan Albas: Do we proceed with this then, knowing that that work hasn't been done in this bill with this credit?

Mr. Medric Cousineau: Yes, because currently the medical expense tax credit is available to all the other service dogs that are there. It's embedded in the ITA. You can see it. The sole exception is those dogs that we're using for mental health injuries. I'm avoiding using that “p” word on purpose because it's a stigmatizing word. So you cannot take the benefit and say “okay we need to delay this because we don't have the legislation” because the exact same legislation doesn't apply to any of those other dogs and they have none either, but they are included in the act.

Mr. Dan Albas: Veterans Affairs needs to change the way it looks at this. Instead of putting in an arbitrary standard, they should just say, “If you have a dog and it's for these legitimate purposes, let's be practical.”

Mr. Medric Cousineau: Well, we need a practical standard.

The other side of this is that—and we have to be very careful here—we do not run the risk of just opening the floodgates and letting people run willy-nilly and hither and yon.

For those of you who are familiar, last Wednesday in Quebec an ICU nurse was bitten by a supposed service dog while she was on duty in a pediatric ICU. The dog that bit her was the child's father's service dog, allegedly—not allegedly that he bit, but allegedly that the dog is a service dog. So in some cases, this complex issue really needs to be addressed. Unfortunately, there are several departments that are not playing well with each other. Currently Public Works is embroiled in a slugfest—and that's the best word I can come up with—with Veterans Affairs. Veterans Affairs has been made well aware of the issues we're having. As you may or may not know, the national standards went into a complete state of disarray in the middle of April. All work formally ceased, although that work had informally ceased back in early February and, unfortunately, the record will show that Veterans Affairs knew about it and failed to act upon it. So given that kind of track record, I'm dubious that we're going to get this sorted out, but it does not change the fact that those standards are completely separate from the medical expense tax credit.

The Chair: Mr. Sorbara.

Mr. Francesco Sorbara: Thank you, Mr. Chair, and welcome, everyone.

This question is for the BDC. In my riding for York region, we have the main BDC head office on Highway 7 and Vaughan. I've met with the officials there, and the team is doing great work.

How quickly can we get the $1.4-billion investment in women entrepreneurs out the door? Is the program up and running yet? Can you provide some details?.

● (1825)

Ms. Karen Kastner: The program is up and running. One of the things I want to do over the course of the year.... You may have noticed in the budget that there was also an announcement about the boot camps that we're going to be running.

What we'd like to do with those boot camps is, obviously, to have them across the country, and use them as an opportunity to bring together the partners we work with, whether the WEOC, Startup Canada, Futurpreneur, or some of the other partners, EDC, and others, to really catalyze our support around women entrepreneurs, and to try to get the word out through them.

We're creating some other online tools to be more visible. One of the things we learned about ourselves is that while we do a fairly good job in terms of the treatment of the loan, once the loan application is made, our loan applications by women are lower than by men. We want to solve that problem.

Mr. Francesco Sorbara: I think this program is great. It will take a few years to start showing a lot of dividends in terms of how these entities are performing, and we also need to track that.

Turning to Mr. Milligan at UBC, one of the things you may have commented on the Canada workers benefit, or WITB. One of the big things we aim to do with our budget, and with the BIA, is to increase labour force participation rates, especially when we face the headwind of many people withdrawing from the labour force. Our population may be getting bigger, but there are many people actually withdrawing from the labour force—many baby boomers, and the like. Recently, I've had many people tell me, “I'm retiring, I'm 58” or “I have a pension. I'm 65, and I'm out”.

The Canada workers benefit—and I don't know if you've done statistical modelling of this—should not only lift people out of poverty via the the auto-enrollment, but also encourage people to enter the labour force.

It may not be at the level, numerically, where you want it to be, in terms of where the threshold is, because you have the upward trajectory, the threshold, and then the clawback, but I want to hear your take on the labour force participation angle, because that's very important.

Prof. Kevin Milligan: Thinking about the people in the riding you mentioned, people close to retirement age, it is important for the Canadian economy as we go forward to make sure that we make use of the resources that we have in our economy. One is the wealth of experience, ability, and attitude of our seniors, our near seniors. We want to make sure, for those who want to work, that work pays for them.

This kind of benefit that pays you a supplement if you work part-time, for example, would maybe provide a way for some people who may have retired from their main career or job to keep some attachment to their community and to the workplace through a part-time job that might earn them $20,000, or something like that. This would give them a bit of a bonus, a bit of a push, to keep that connection, which is important for them and for their connection to society and to the economy as a whole.

The Chair: I thank all of the witnesses for their presentations and answers today.

Tomorrow morning we will meet in this room at 8:45. We've heard the evidence on part 5 of this bill, the proposed greenhouse gas pollution pricing act. We'll start with questions for departmental officials. If we have time, we will move to the proposed changes to the Financial Administration Act included in division 1 of part 6, and on through division 2 to division 4. That's the agenda for tomorrow.

The meeting is adjourned.