HOUSE OF COMMONS
CHAMBRE DES COMMUNES
CANADA

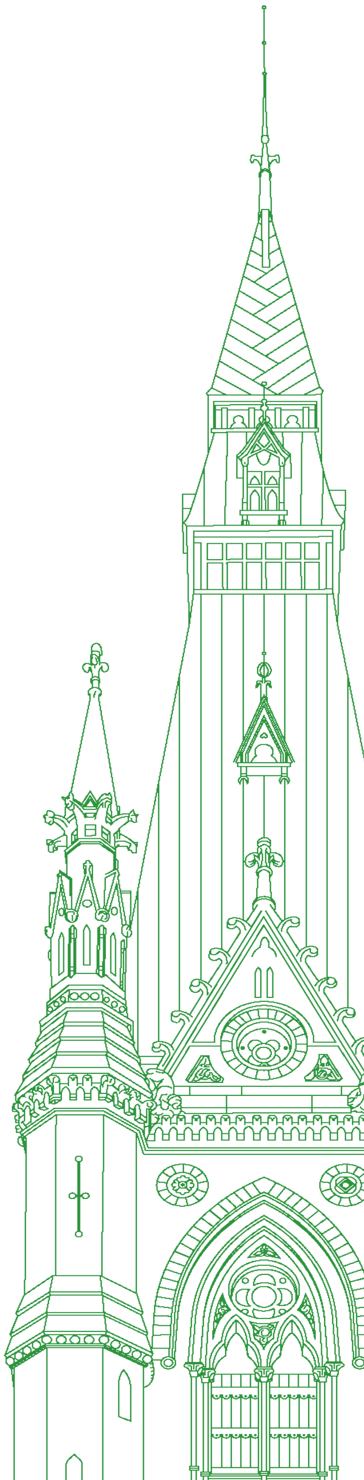
43rd PARLIAMENT, 2nd SESSION

Standing Committee on Finance

EVIDENCE

NUMBER 044

Monday, May 17, 2021



Chair: The Honourable Wayne Easter

Standing Committee on Finance

Monday, May 17, 2021

• (1435)

[*English*]

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

Welcome to meeting number 44 of the House of Commons Standing Committee on Finance. Pursuant to Standing Order 108(2) and the committee's motion adopted on Tuesday, April 27, the committee is meeting to study the subject matter of Bill C-30, an act to implement certain provisions of the budget tabled in Parliament on April 19, 2021 and other measures.

Today's meeting is taking place in a hybrid format, pursuant to the House order of January 25. Therefore, members are attending in person in the room and remotely using the Zoom application. The proceedings will be made available via the House of Commons website. The webcast shows only the person speaking rather than the entirety of the committee. We ask that screenshots of the total committee or its witnesses not be taken.

With that, I will go the agenda. We're looking at 10 different departments in this panel. We have 23 witnesses all on video, although Mr. Xavier, I believe, is available via voice. We'll deal with part 4, divisions 10, 14, 17, 18, 19, 26, 27, 28, 31, 33 and 37.

Rather than me getting into the introduction of all the witnesses, I'd ask that when the spokesperson for each division comes forward, they introduce themselves, their department, their position and any other colleagues they may have with them.

I want to thank all the witnesses for coming.

We will start with division 10, which is the First Nations Fiscal Management Act.

Ms. Dwivedi, you may go ahead. Then we will go to questions, as we've done in the previous panels.

Ms. Garima Dwivedi (Director General, Resolutions and Partnerships, Department of Crown-Indigenous Relations and Northern Affairs): Thank you. I will start with a brief overview.

My name is Garima Dwivedi, and I'm from Crown-Indigenous Relations and Northern Affairs Canada. I'm the director general of indigenous institutions and governance modernization.

I'm joined today by my colleagues, Leane Walsh and Jeffrey Clark, and I'm joining you from the unceded traditional territory of the Algonquin Anishinabe people.

I'm pleased to be able to speak to you on the proposed amendment to the First Nations Fiscal Management Act, which, if enacted, would expand the types of revenues that first nations can use to support borrowing from the First Nations Finance Authority.

Since 2006, the First Nations Fiscal Management Act has enabled first nations that voluntarily opt in to exercise jurisdiction over fiscal matters such as financial management, property taxation and local revenue generation. The act also provides first nations with access to long-term financing at preferred rates through the issuance of bonds on capital markets, allowing them to leverage their own sources of revenue to access capital for infrastructure and for socio-economic development, through which over $1.3 billion has been raised.

The First Nations Fiscal Management Act is led by first nations with more than 300 first nations across Canada benefiting from the fiscal services offered by the regime's three first nations-led institutions: the First Nations Finance Authority, the First Nations Financial Management Board and the First Nations Tax Commission.

The amendment being proposed is one that the First Nations Fiscal Management Act institutions and their members have wanted for some time now. Currently, first nations cannot use the first nations goods and services tax, FNGST, or the first nations sales tax, FNST, as a revenue source for pooled borrowing through the First Nations Finance Authority, because section 67 of the Financial Administration Act prohibits the assignment of Crown debt. It had been considered that borrowing revenues from the first nations goods and services tax and the first nations sales tax would likely constitute an assignment of Crown debt. The proposed amendment would remove this impediment. The wording of this new provision, including the subsection stating that it's not binding on the Crown, is consistent with similar provisions in other federal legislation that make exceptions to section 67 of the Financial Administration Act.

If this amendment is enacted, the related regulations, financing secured by other revenues regulations, would also be amended.

The proposed change would remove the obstacle first nations have had and enable them to use, should they choose, the first nations goods and services tax or the first nations sales tax as a source of revenue to secure long-term financing through the First Nations Finance Authority.

Thank you.

The Chair: Thank you very much, Ms. Dwivedi.

Ms. Jansen, go ahead.

Mrs. Tamara Jansen (Cloverdale—Langley City, CPC): Thank you. I just have a few questions.

How many nations have opted into the First Nations Fiscal Management Act?

Ms. Garima Dwivedi: Over 300 first nations have opted into the act, voluntarily.

Mrs. Tamara Jansen: Are you saying that this will allow them to borrow money based on GST that they're collecting?

Ms. Garima Dwivedi: That's correct. They have GST that's collected on their behalf through the CRA and given back to them, as well as the first nations sales tax. They would be able to use those revenues from the GST or the sales tax to borrow money through the First Nations Finance Authority for pooled borrowing. It would be a source of revenue against which they could borrow for infrastructure and economic development purposes.

● (1440)

The Chair: Thank you.

Next is Mr. McLeod.

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

Thank you for the presentation.

I have a question on the First Nation Fiscal Management Act and the amendments, and who it applies to. I represent the Northwest Territories and we have a different system in the north, and that's pretty much the same in the Yukon and Nunavut. Do these amendments have any implications for the north, or I guess the question is, is the north part of it or not part of it?

Ms. Garima Dwivedi: These amendments are for first nations that have opted into the First Nations Fiscal Management Act. At the same time, we are working on regulations under section 141 of the First Nations Fiscal Management Act that will expand eligibility for other self-governing modern treaty first nations to have access to the act.

Through that mechanism, they, too, would be able to access pooled borrowing through the act and would have access to FNGST and FNST as a means for using that revenue for pooled borrowing.

Mr. Michael McLeod: Okay.

I have one more question. It's good to hear that the modern treaty holder self-governing nations are going to be included. I'm assuming it's going to be through the self-governing fiscal policy that is being negotiated, or the terms are being negotiated that will allow this.

I still am a little bit curious to see how it's going to work in the north on indigenous lands. The Government of Northwest Territories collects all GST and everything else, so it's a different ball game in the north.

I'm just wondering how that will apply.

Ms. Garima Dwivedi: We're working on regulations under the First Nations Fiscal Management Act section 141 to expand eligibility to self-governing and modern treaty first nations.

I'll turn it over to my colleague, Leane Walsh, to see if she'd like to add anything further.

Ms. Leane Walsh (Director, Fiscal Policy and Investment Readiness, Department of Crown-Indigenous Relations and Northern Affairs): Thanks for that, Garima.

There are first nations in NWT already participating in the act. Salt River First Nation, for instance, works quite well with the finance authority and has used those tools to help advance development in its community.

Also, there are 15 self-governing first nations that currently have agreements with the Department of Finance for the collection of FNGST. That is open to first nations, including self-governing first nations, to negotiate with the Department of Finance.

I don't know specifically the context of how it will work on the lands in settlement lands, but I believe that they would also be included.

Mr. Michael McLeod: Thank you.

The Chair: Ms. Dzerowicz, please go ahead.

Ms. Julie Dzerowicz (Davenport, Lib.): Thank you so much, Mr. Chair.

Thank you, Ms. Dwivedi, for your great presentation.

You have already mentioned that the amendment would enable funds to be used for infrastructure and economic development purposes.

Are you able to speak a little bit more about how this amendment would help with economic growth and creating jobs?

Ms. Garima Dwivedi: For example, if a first nation wanted to build, let's say, a gas station or some other economic development type of activity, it could build that using the revenues from FNGST or FNST, and it could get a loan to build that through the First Nations Finance Authority and through the capital markets at reduced rates.

That would generate economic activity.

● (1445)

Ms. Julie Dzerowicz: That is very helpful. Thanks so much.

The Chair: Okay, are there any other questions from members?

Hearing none, we'll move on to the next division.

Thank you both very much.

We'll turn to division 14, which is the Canada community-building fund.

Mr. Malara, please go ahead.

[*Translation*]

Mr. Eric Malara (Director, Governance and Reporting, Office of Infrastructure of Canada): Good day. Thank you so much.

My name is Eric Malara, and I am the director of the governance and reporting section of the Office of Infrastructure of Canada. I am accompanied by my colleague, Nathalie Lechasseur, director general of program integrations. Our presentation deals with section 14 of Part 4 of Bill C-30.

The federal gas tax fund is a permanent statutory index funding program. It currently transfers more than $2.2 billion a year to finance infrastructure in municipalities and First Nation communities.

A bill has been presented which is proposing a one-time transfer of $2.2 billion, which is double the amount that we had committed to give every year to Canadian municipalities. The bill also proposes to rename the federal gas tax fund, which would be henceforth known as the Canada community-building fund.

We would be pleased to answer any questions you may have.

[*English*]

The Chair: We will go to questions, if there are any. I think people are reasonably familiar with this. It's changing the name of the gas tax fund, simply put, plus putting more money into it.

It's a great program for communities.

There may be questions before the end of the panel—you never know—as people think about it.

Thanks, Eric.

[*Translation*]

Mr. Eric Malara: Thank you very much.

[*English*]

The Chair: We'll turn to division 17, which is the Telecommunications Act.

Mr. Arbour, please go ahead.

Mr. Andre Arbour (Acting Director General, Telecommunications and Internet Policy Branch, Department of Industry): Thank you, Mr. Chair.

My name is Andre Arbour. I'm the director general of telecommunications and Internet policy at Innovation, Science and Economic Development Canada. I'm joined by my colleague James Nicholson. I'm happy to speak about division 17, which involves amendments to the Telecommunications Act.

These amendments are about improving the coordination of broadband funding programs. The federal government has a number of programs that fund the expansion of broadband infrastructure in underserved areas. This includes, for instance, the universal broadband fund delivered by ISED. The CRTC, Canada's communications regulator, delivers a broadband fund as well, and that fund operates under the auspices of the Telecommunications Act.

The CRTC fund is a bit different from normal grants and contributions programs. It's funded by a levy on industry, so the CRTC imposes this levy and then directs those monies into a fund to support broadband infrastructure. The CRTC is also different overall in that it's an arm's-length tribunal that operates separately from typical line departments.

There are two key amendments today to facilitate the coordination of broadband funding. The first amendment involves appeals of CRTC decisions. CRTC telecommunications decisions have three avenues of appeal. An applicant can ask the CRTC to rehear a matter, it can file what's called a petition to the Governor in Council, or it can seek leave to appeal with the Federal Court of Appeal. These appeal avenues are intended for and better oriented to deal with broad regulatory issues.

The CRTC has a lot of regulatory business that is involved with regulating the telecommunications industry; however, when funding individual broadband projects, which could be a relatively small project, maybe a few million dollars in a particular area, that project would still be subject to the same potential avenues of appeal, even though it's a much narrower issue; therefore, there would be the risk that broadband funding would be tied up in appeal and that those projects wouldn't be able to roll out to help serve Canadians.

The second set of amendments involves information sharing and would better facilitate the sharing of confidential information between the CRTC and federal departments, as well as provincial and territorial entities involved in supporting broadband projects.

With that, I'll stop, and I'm happy to take your questions. Thank you.

● (1450)

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

Are there any questions here for Mr. Arbour?

You never know, we might come back to you, Mr. Arbour, before this session is over. Thank you very much for your presentation.

We'll turn to division 18, which is the Canada Small Business Financing Act.

Ms. McRae.

Ms. Frances McRae (Assistant Deputy Minister, Small Business and Marketplace Services, Department of Industry): Thank you very much.

We're pleased to be able to be speaking to the committee today about Canada small business financing program.

The Canada small business financing program is a statutory program. It helps small businesses access financing. Under the program, the government shares the risk with financial institutions in order to encourage lending. This would otherwise be unavailable to small businesses or would only be made available under key favourable conditions. It was established in 1999 and it replaced the small business loans program.

The amendments being proposed are designed to enhance the availability of financing to help small businesses by expanding the loan class eligibility to include lending for intangibles, including intellectual property, as well as start-up assets and expenses. They are also designed to increase the maximum loan amounts from $350,000 to $500,000 and to extend the loan coverage period from 10 to 15 years for equipment and leasehold improvements. They are also intended to expand borrower eligibility to include non-profit and charitable social enterprises to include the classes of businesses that are eligible to apply. Finally, they are designed to introduce a new line of credit product that will help with liquidity and to cover short-term working capital needs of businesses.

It is important to note that this program is available across the country. It is delivered, as I mentioned, with financial institutions. The adjudication of the loans rests with financial institutions and it's their funds that are put forward in the loan. The government then pays out losses against the loans in the amount of 85%.

I am happy to take questions.

The Chair: Thank you.

We'll start with you, Mr. Kelly.

Mr. Pat Kelly (Calgary Rocky Ridge, CPC): Thanks. I have a couple of questions.

First, I would like a quick explanation of how the budget allotment for this program works. This is a shared risk program, so the dollar figure in the budget does not represent the portfolio of loans to be made.

Is this the loss provision? What exactly is the budgeted amount expended on?

● (1455)

Ms. Frances McRae: I'm going to turn to my colleague, Steve Watton, who's the manager of the program. He'll explain the specifics in terms of the budget amount and the amount of funds we believe have been estimated as going back into the economy, in terms of private sector lending as a result of these amendments.

Mr. Steve Watton (Manager, Policy, Canada Small Business Financing Program, Department of Industry): I am the policy manager with the small business financing program.

Basically, as a result of these proposals, we're expecting about $560 million of additional financing to small businesses across the country.

The budget allocation is basically $36 million over the first five years. Then, as things stabilize—because the loan portfolio can be upwards of 10 to 15 years—it'll be $32 million a year, ongoing. That $32 million is associated with, as Frances pointed out, our share of what the net defaulted losses would be to the program.

When a loan goes into default, we cover 85% of the eligible losses. The financial institution covers 15% of those eligible losses.

Mr. Pat Kelly: When the minister says they're putting half a billion dollars into the small business credit program, what it really means is they're going to put $36 million into the loan loss provisions of sharing risk with the banks that will actually lend the money.

Mr. Steve Watton: This program is a loan guarantee program. It facilitates access to financing. It's the financial institutions' money.

Mr. Pat Kelly: Okay, I see the hands piling up, so I don't want to take too long because I do have another question or two here.

If short-term liquidity is a new criteria for this program, will a business that could not prove the reduction in revenue year over year and was thus excluded from the wage subsidy or the rent subsidy but has nevertheless suffered catastrophically as a result of COVID be eligible? For example, would a brand new business, a new restaurant whose grand opening date was March 15, 2020, be eligible for a loan under this program?

Mr. Steve Watton: It would certainly be eligible for a loan under this program, yes.

Mr. Pat Kelly: What other criteria would it face?

Mr. Steve Watton: Basically the financial institutions would do their due diligence about the feasibility of the business and its ability to repay the loan. Basically the businesses have to have annual revenues of less than $10 million, but there are not more conditions as a result of the line of credit facility versus the term loan side of the program.

Mr. Pat Kelly: Okay, so not demonstrating a loss is not a dealbreaker, but they would still be subject to all the regular criteria that a lender would have, which would normally include profitability and revenue, which these businesses would not have.

Mr. Steve Watton: Exactly. That's correct.

Mr. Pat Kelly: So this isn't really going to help anybody who can't demonstrate those things. This isn't a relief measure or something that would likely help. It's not a COVID relief measure.

Ms. Frances McRae: Right. Sorry, if I could just add, it's not a COVID relief measure. It is a program that has been in place, as I mentioned earlier, for a very long time, and what we are doing now is modernizing the program.

I would note though, in terms of start-ups and businesses in their first year of operation—and I'll ask Steve Watton to confirm this—my understanding is that between 2014 and 2019, which is the period of the last comprehensive review, which is public for this program, that approximately 60% of the loans were given to start-ups and to businesses in their first year of operation.

Is that correct, Steve?

Mr. Steve Watton: That's correct. Actually, it's between 60% and 65%, yes, depending on the year, but that's right.

Mr. Pat Kelly: Thank you.

The Chair: We'll go to Gabriel Ste-Marie next.

● (1500)

[*Translation*]

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

I just wanted to let you know that in the French version of the Q & A section of the big reference document on the bill is actually in English. Would it be possible to have this corrected?

Thank you very much.

Ms. Frances McRae: Thank you.

We apologize for this error. We will ask our colleagues to correct this.

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

[*English*]

The Chair: Mr. Julian, please go ahead.

Mr. Peter Julian (New Westminster—Burnaby, NDP): Thanks so much to our panellists, our public servants, for being here. I certainly hope you continue to stay safe and healthy during this pandemic. We appreciate your contributions to our country during this time.

I'd like to zero in on the number of businesses that generally have accessed this financing over the last five years and what the difference would be in expanding the eligibility criteria. How many additional businesses would potentially be able to access this? We're certainly talking about charitable organizations, social enterprises and community organizations. I would be interested in knowing those figures, if you have them.

Mr. Steve Watton: I could take that, Frances.

Ms. Frances McRae: Go ahead, Steve.

Mr. Steve Watton: Just on the number and value of loans that this program has been facilitating over the last five years, we do in the order of about a billion dollars of financing each year, and that's for about 5,500 to 6,500 small businesses. It depends on the year. Some years it's a little bit higher; some years it's a little bit lower. The last couple of years it has been $1.3 billion for around 6,000 small businesses, so that's our benchmark.

As a result of these changes, we're expecting about $560 million in additional financing, and that would help an additional 2,900 small businesses, approximately, so it would be an increase of about 40% to 43% in lending.

Mr. Peter Julian: Okay. When you look at social enterprise not-for-profits, how many additional businesses, roughly, would you see being eligible for the program?

Mr. Steve Watton: The not-for-profit charitable social enterprises would be a small component of that additional $560 million. It's in the order of $40 million to $50 million of additional financing expected each year, and that would equate to about 200 to 250 business enterprises.

Mr. Peter Julian: Okay. Out of how many is that nationwide?

Mr. Steve Watton: How many...?

Mr. Peter Julian: You had stricter criteria before. Now we're broadening the criteria. Finance, I'm sure, would have looked at the number of businesses that were social enterprise, not-for-profit charities or other types.

Mr. Steve Watton: I don't have the exact number, but there would be in the general order of a million small businesses in Canada. The not-for-profit charitable social enterprises are in and around the 6% figure, so that's probably around 60,000-ish. What we're thinking is that of those not-for-profit charitable social enterprises, their take-up rate for looking for financing would be lower than what a for-profit business would be. That's why the number is a little lower.

Mr. Peter Julian: Thank you. That's very helpful, in terms of the number that are targeted. I've no doubt, and I'm sure all my colleagues on this call would agree, that a wide range of charitable organizations and social enterprises have really been hit hard by the pandemic, and so opening the criteria is definitely to the advantage of those. They're community businesses. There's not one owner taking all the money home, but they can make a huge difference in the economic life of a community.

Mr. Steve Watton: Exactly. I would just like to add to that. It would be a not-for-profit charitable enterprise. They would still have to have a business. It wouldn't just be a charitable organization or an association, per se. It would still have to be a business.

Mr. Peter Julian: Yes, absolutely.

My example, of course, is my background running the social enterprise that was providing equipment and supports to deaf, deafened and hard-of-hearing people across British Columbia. It is an operating social enterprise, but the access to capital and loans was problematic, so I know for a fact this is a welcome initiative.

I will say one thing. The criteria has not changed with the federal government picking up 85% of any loan losses. What percentage of the loan losses go through Canada's major banks?

● (1505)

Mr. Steve Watton: Fifteen per cent.

Mr. Peter Julian: Sorry, no, I mean of the $36 million or $32 million a year in loan losses, how many of those loans are with Canada's six big major banks?

Mr. Steve Watton: Oh, what percentage would that be? I would imagine about 65% to 70% of them would go through the major chartered banks; probably about 20% to the Fédération des caisses populaires, and maybe the rest through the various credit unions across the country and the smaller chartered banks.

Mr. Peter Julian: Thank you very much.

There's $750 billion given in liquidity supports to Canada's big banks, and we're still underwriting their loan losses on this program. I find it perplexing, to say the least, that we're always showering on Canada's big banks money and supports when, after that $750-billion liquidity support package, they should be carrying a bigger proportion of these loan losses.

The Chair: I'm surprised at that statement, Peter, but that's what I expected.

Mr. Fast, you're on.

Hon. Ed Fast (Abbotsford, CPC): Well, maybe some of us aren't surprised.

I want to carry on the same line of questioning. Getting back to the whole notion of this being a shared risk program, as Mr. Kelly mentioned, did I hear correctly that the shared risk is 85:15, and has been that way for many years?

Ms. Frances McRae: The shared risk is 85%. Essentially what a bank does is once they decide they're going to offer the loan, if they decide to use the program they register the loan with the program. Once they've done that, should there be losses on the loan, the bank needs to cover 85% of those losses, and the government covers the 15%.

Hon. Ed Fast: Okay, so 85% is covered by the bank.

I thought it was the other way around.

Ms. Frances McRae: Oh, I'm sorry.

Go ahead, Steve.

Mr. Steve Watton: Yes, 85% is covered by the government, after the financial institutions realize on the securities and the assets that were financed and any personal guarantees. They submit their net losses to us, and then—

Hon. Ed Fast: That I understand.

Mr. Steve Watton: —we cover 85% of the eligible loss.

Hon. Ed Fast: My question was this: How long has that 85% to 15% ratio been in effect, ever since the program came into existence?

Mr. Steve Watton: Yes.

The program came into existence in 1999 and replaced the small business financing program. It's certainly since 1999, and before that as well.

Hon. Ed Fast: Okay. What is the default rate, pre-COVID and during COVID?

Mr. Steve Watton: On default rates, I would make the distinction between a default rate and a loss rate, default being the number of loans that default—

Hon. Ed Fast: That's correct.

Mr. Steve Watton: —and loss rate being the value of money.

The default rates are traditionally at about 11% to 13% in number. On the loss rate, it's usually between 6% and 8% on the value overall. You need to take into consideration, too, that there are revenue streams that come in on this program as well. We have a 2% registration fee, we have a 1.25% registration fee, and over the last five-year period this program has been net-positive from a cost-recovery perspective. It hasn't been a drain on the fiscal framework per se. We're averaging over the last five years probably about a $5-million to $10-million surplus each year.

During COVID—

Hon. Ed Fast: Yes, during COVID, has that loss rate remained the same or has it increased?

● (1510)

Mr. Steve Watton: It has remained the same to a large extent. We are on track and it's business as usual. That said, we certainly realize and are planning for higher than expected losses. One of the big beneficiaries of this program is in the accommodation and food and beverage services sector. As you know, those guys have been the hardest hit, so we're expecting quite a number of claims to come in.

As you can imagine, when the loans go into default, the financial institution has to realize the assets, realize on the personal guarantees, and at that point in time, submit a claim to us. We go through the claim and then process the payments. There's probably a six- or 12-month lag period between businesses going into default and us realizing and paying the claims.

At this point in time, we're flat or maybe a tiny bit up, but we're expecting this year and next year, particularly as some of the government support programs decline, that those numbers and values of claims will increase.

Hon. Ed Fast: Thank you.

The Chair: Just before I go to Peter Julian, I have a question.

Steve, on the personal guarantees, you might not know the answer to this, but given COVID, have personal guarantees gone up? I hear from businesses that are giving the personal guarantees now to the financial institutions that they didn't have to two years ago. When you have to personally guarantee everything you own, it's a problem.

Are you finding they're going up, or do you know?

Mr. Steve Watton: I'm not 100% sure on the numbers, but I do know it's an optional personal guarantee that the financial institution can ask of the small business borrower. It's not a mandatory requirement of the program. I think it's an individual financial institution requirement and decision, and I think it depends on a case-by-case basis.

The Chair: Yes, I agree with you that it's optional, but as one who has signed them many times, it's not optional if you want the money. It's that simple.

You put your family, your house, everything at risk when you sign a personal guarantee. For you as a business, you have to have the money, so you're going to do it. That's the situation in our heads from the business end.

Peter Julian, please go ahead.

Mr. Peter Julian: Thanks, Mr. Chair.

We haven't talked about the net of assets in terms of loan loss, and I'm quite stupefied by this. Did I hear correctly that 100% of assets in the case of a loan-loss provision or guarantees go to the banks, and then whatever is left over is picked up 85% by the federal government?

Mr. Steve Watton: The way it works is this. I'll give you an example. They register the loan with us. If the loan goes into default, they have to realize on all the assets to minimize the loss and maximize the recoveries. Then they have to realize on the personal guarantees. Let's just say, for example, it was a $500,000 initial loan, and it goes into default right away. The bank would realize on the assets and bring that loss down to perhaps $200,000 or $300,000. Then they'd realize on the personal guarantees and bring it down again to $200,000 or $100,000. Then that $100,000 loss, net of assets and personal guarantees, would be submitted to the government, and we would pay 85% of that.

Mr. Peter Julian: Thank you for that, but the federal government actually provides the money in the first place.

Mr. Steve Watton: No. It's the financial institution's money.

Mr. Peter Julian: Okay.

Mr. Steve Watton: We facilitate it. It's a loan guarantee program, so it's their money. It's giving out dollars that would otherwise not be available in the absence of the program.

Mr. Peter Julian: Okay. That's an important distinction.

Mr. Steve Watton: Yes.

Mr. Peter Julian: You're right. It would be pretty outrageous if it was federal government funding going to that same financial institution.

Generally speaking, you've given us a good example where 80% of the value of the loan and loan losses was actually picked up through personal guarantees and assets. Generally, do you have an average of what percentage of a loan loss is actually picked up through the guarantees and through assets?

● (1515)

Mr. Steve Watton: I don't have that figure readily available, Peter. I do know that the vast majority of these loans get paid down and that the average claim sizes coming in are in the order of about $50,000 to $60,000 on the claims. The loans, on average, are about $250,000 to $300,000, so it's probably about one-sixth, either paid down through paying off or through realizing on the assets and the personal guarantees. The remainder is about one-sixth.

Mr. Peter Julian: Thank you. That's helpful. It's not a program I know a lot about, so that's a helpful detail.

The Chair: Go ahead, Tamara.

Mrs. Tamara Jansen: I want just a clarification. This is a program that is meant to encourage banks to help struggling small businesses. Is that correct? So, there's a bit more risk involved in these loans than there is in a regular small business loan.

Mr. Steve Watton: That's exactly right. It's designed specifically to facilitate access to financing that would otherwise be unavailable from the financial institutions. If they were a good prospect, etc., we would imagine that they would be financed through conventional sorts of purposes. It's only when they get through the risk tolerance level, which is a little bit higher than what they would accept, that would they tend to use this program.

Mrs. Tamara Jansen: What constitutes a riskier loan? Is that something that you have set the parameters of, or has the bank?

Mr. Steve Watton: The parameters wouldn't necessarily be established on that, but I will tell you that a riskier loan would be one where the small business is a start-up. It doesn't have any collateral. It doesn't have any credit history. With it being a start-up with very little money to put into the game.... The banks have these credit-scoring models that they assess risk with. It could be the industry sector; there are certain industry sectors that are a little more risky than others. The types of assets that are being financed could be a little riskier than others. If you're financing real property, for example, that's a lot less risky than if you're going to finance leasehold improvements in the accommodation, food and beverage services sector.

Mrs. Tamara Jansen: How do you make sure, if there are no actual parameters set, that these funds are actually used for the types of business you're trying to encourage?

Mr. Steve Watton: We request very specific documentation from financial institutions about where the money is going and for what purposes it is being used. Right now the three asset classes are real property, equipment and leasehold improvements.

We're looking to expand those asset classes, but when they submit a claim for loss now on term loans, etc., we require specific documentation that supports proof of purchase and payment for those asset classes.

Mrs. Tamara Jansen: Right, but I guess what I'm more concerned about is that this is a fantastic program meant to ensure that small businesses that would not normally be able to access funding because they are riskier can get access to it; yet we don't have, say, a risk level number that you would say is the parameter under which this person would be....

It seems to me it would be very easy for a not very risky business to access funds in this program because the bank wanted to be a little more careful.

Mr. Steve Watton: That's possibly the case; however, it requires a lot more administration for the financial institution to use this program than to use their conventional resorts. In addition, we charge a 2% registration fee up front based on the value of a loan. If you get a $1-million real property loan, there's a 2% registration fee sent in automatically, and on an annual basis there's a 1.25% administration fee that we charge the financial institution, which lowers their profitability.

It's thus only appealing in situations in which it's riskier for them, because it's more administratively burdensome, it takes longer for them to run a loan under our program than through conventional purposes, and it's a lot less profitable for them.

● (1520)

Mrs. Tamara Jansen: I was going to ask whether there is an interest rate cap on a loan like that.

Mr. Steve Watton: Yes, there is. We have prime plus 3% on the variable loans. It's the residential mortgage rate plus 3% on the fixed-rate loans.

Out of that prime plus 3%, 1.25% is paid to us. Their cut of this is thus only 1.75% over and above prime.

Mrs. Tamara Jansen: The government, then, is also taking a portion of the interest rate on these loans.

Mr. Steve Watton: Yes, so of the prime plus 3% we take 1.25%. It's meant to help offset the cost of claims.

Mrs. Tamara Jansen: Then let me just ask one more question. Well, it may become more than one.

During COVID, I know of a local restaurant that...well, many of them were not able to get the HASCAP and all these different things, because they're required to do things. They're locked down and they're supposed to give a projection of sales, which, of course, in lockdown they can't.

How many of these were able to come to you? As I say, many in the tourism industry were not able to access those HASCAP loans.

Mr. Steve Watton: I would say the majority of them, to a large extent. In the last couple of years we've done $1.3 billion in financing. This past year, given that you have CEBA, you have HASCAP, you have BCAP—these other business support programs that have been out there—we've dropped the number and value of supports that we were able to provide this year, I think primarily because of that and because of the risk environment as well. We're still, though, close to the $1 billion marker. We still did pretty close to $1 billion in financing over the past COVID year. There was, then, quite a bit.

Mrs. Tamara Jansen: Thank you.

The Chair: We'll go to Mr. Falk.

Mr. Ted Falk (Provencher, CPC): Thank you, Mr. Chair.

Thank you for all the information you're providing. I do, though, have a few questions.

You indicated that there's an interest rate. You also said there were registration and administrative fees charged to the bank, which reduce their profitability. Is there a provision that banks are not allowed to pass on those costs to the borrower?

Mr. Steve Watton: There are provisions that they're not allowed to pass them on to the borrower other than through the interest rate. They're allowed to charge prime plus 3% and that's it, of which 1.25% of that prime plus 3% comes back to the program.

Mr. Ted Falk: Okay.

Are you typically finding that most lenders charge that prime plus 3%?

Mr. Steve Watton: It's pretty close, yes. It's prime plus 2.75% or prime plus 3%. It's primarily because they're a riskier clientele as well.

Mr. Ted Falk: They're risk rated.

Mr. Steve Watton: Yes.

The Chair: We'll have Mr. Kelly.

Mr. Pat Kelly: When you mentioned loans that are for real property, I guess that's not a new part of the criteria of this program. Have purchases of real property always been eligible under this program?

Mr. Steve Watton: Yes, that's correct.

Mr. Pat Kelly: How much of this program on an annual funding basis is typically for purchase transactions of real property?

Mr. Steve Watton: On your first question, the three primary asset classes under the program are real property, equipment and leasehold improvements.

On the second question about the percentage, about 20% goes to real property, 50% goes to leasehold improvements and about 25% to 30% goes to equipment—that is, purchases. On a billion dollars, you'd have about $200 million-ish going to real property financing.

Mr. Pat Kelly: Do you set out criteria separate from, say, that of the BDC—or other regular commercial lenders, for that matter—on mortgages for real property?

Mr. Steve Watton: If they're registering the real property under a program, they have to take first rank in security on that asset.

Mr. Pat Kelly: I'm asking about the actual credit criteria.

A small business gets declined and its bank will not give it the commercial mortgage it needs to buy its premises. The BDC is already there as a Crown corporation involved in those kinds of lending transactions, charging fees and interest rates that are higher than the bank so as not to compete with the bank for that business. The BDC turns that small business down.

Is your program looking to meet that need there? Who comes to you for a commercial loan?

● (1525)

Mr. Steve Watton: A small business going into its financial institution would be an eligible business under this program. If the financial institution would turn down that business in and of itself, they have us as an option to register that loan under our program.

Mr. Pat Kelly: I'm sorry, of course.

Mr. Steve Watton: For real property lending, you can get loans for up to a million dollars. For equipment and leasehold improvements, it's currently $350,000, but as Frances mentioned, we're hoping to move that up to $500,000 because those amounts haven't changed over the last number of years.

In comparison to the BDC, the primary distinction there is that the BDC is the government small business bank. They do their own lending of their money. It's their advisory services, credit risk and they do assessing all on their own, whereas this program uses financial institutions as an intermediary. It leverages the funds of those financial institutions and their risk expertise, if you will, to determine if they would give a loan to these small businesses under this program or not.

Mr. Pat Kelly: The banks' lending criteria would be the same. They would follow their normal lending criteria. The fact that they have you as a guarantor doesn't alter their basic credit criteria. They would apply the same credit criteria and then they'd just make the decision that they would only make this loan if they could guarantee it under your program.

Mr. Steve Watton: Exactly. One of our conditions is basically that. They have to do the same due diligence under the conventional lending as they do for loans under this program.

Mr. Pat Kelly: Okay, thank you.

The Chair: Ms. Dzerowicz, this is the last question on this division.

Ms. Julie Dzerowicz: Thank you so much, Mr. Chair.

I want to thank Mr. Watton for his patience and for answering all of our very detailed questions.

My question relates to the intention of this program and these amendments, as it relates to to economic growth and creating jobs. Can you speak to that, please?

Mr. Steve Watton: Yes, this program is designed to increase access to financing for small business owners who would not otherwise be able to get this sort of financing. A lot of these small businesses are modernizing. We're in a bit of a digital economy. It is a knowledge-based economy, and a lot of the assets and financing, if you will, are softer sorts of costs like intangible assets, start-up costs, inventories, marketing, promotion and websites; those sorts of things. In the past, this program has been used for real property, equipment, leaseholds and improvements.

We're trying to modernize the program and make it possible for more small business owners to access the types of financing in the amounts they require to start up, scale up and modernize. As a result of these changes alone, the expectation is that we would facilitate an additional $560 million and help on the order of an additional 2,900 businesses over and above the $1 billion, and the 5,000 to 6,000 small businesses, that we already do. As a result of that, you would get additional employment, additional economic impacts, etc., and additional positive benefits to society.

Ms. Julie Dzerowicz: That's excellent news.

The Chair: Go ahead, Ms. McRae.

Ms. Frances McRae: I think Steve has really talked about the purpose of the changes. We're here today with proposed changes to make this program more accessible to more businesses, of more types for more uses. That's really what it is, so the purpose is to expand availability of the program for more companies to be able to access it.

● (1530)

Ms. Julie Dzerowicz: Thank you so much.

The Chair: Go ahead, Mrs. Jansen.

Mrs. Tamara Jansen: Yes, I just have one more question.

I understand this is trying to get more small business owners to be able to participate. However, due to COVID and the programs that didn't work for many of those small businesses, most of your money the previous year went to small businesses that were at risk and impacted by COVID. Did I understand that correctly?

Mr. Steve Watton: They were not necessarily impacted by COVID. It would be just small business owners who were looking to get access to financing that the banks weren't willing to give them: financing from conventional products. That may have been, or may not have been, COVID-related.

Mrs. Tamara Jansen: Thank you.

The Chair: Thank you all. There are lots of questions on division 18. There are a lot of questions on that program.

We'll turn to division 19, which is the Customs Act, and amendments to that act.

Go ahead Mr. Vragovic.

Mr. Goran Vragovic (Director General, Assessment and Revenue Management Portfolio, Canada Border Services Agency): Thank you, Mr. Chairman.

Good afternoon, honourable members of the committee.

My name is Goran Vragovic. I'm the director general of the CBSA assessment and revenue management portfolio, with the commercial and trade branch.

Today I'm joined by colleague, Andrew Francis, our deputy chief financial officer and director general with the finance and corporate management branch; as well as Yannick Mondy, the director of tariff and trade policy with the international trade policy division of the Department of Finance.

We are here today to discuss Customs Act amendments that are being pursued via the budget implementation act, BIA, 2021, aimed at supporting modernized payment processes for commercial importers and ensuring fair and consistent valuation of imported goods by importers, and minimizing the risk of forgone revenue to the Government of Canada.

The agency is also pursuing changes in the 2020 annual regulatory modernization bill, ARMB, to authorize the electronic administration and enforcement of the act.

The combination of legislative changes being pursued via the ARMB and BIA will support the government's commitment to implement the CBSA assessment and revenue management, CARM, initiative, which will modernize accounting and payment processes for the benefit of importers, trade chain partners and the government.

The proposed changes to the Customs Act that are in the BIA will allow for harmonized payment due dates for importers; provide importers with the ability to make accounting corrections prior to a deadline without incurring potential penalties or interest; clarify the obligations of persons providing a deposit, bond or other security to abide by the terms and conditions; and ensure the fair and consistent valuation of imported goods.

On the matter of harmonized payment due dates, the proposed amendments would establish authorities in the Customs Act to facilitate the establishment of a single harmonized payment due date with respect to commercial goods for various amounts owing during a period, rather than separate due dates strictly based on a fixed number of days after the importation. The intent of these provisions is to make it simpler for commercial importers to manage the payment of various amounts owing during a single billing period.

On the issue of accounting corrections, the proposed amendments would allow for importers to make corrections before a deadline without triggering a redetermination that could generate penalties or interest. The intent is to encourage more accurate final accounting and to improve payment practices.

Regarding terms and conditions for financial security, the proposed amendments would also clarify the obligations of persons providing a deposit, bond or other form of security to allow for the release of goods prior to accounting, and to abide by the terms and conditions that accompany that deposit, bond or other security. These legislative amendments are necessary to allow the CBSA to pursue regulatory amendments relating to, among other things, electronic forms of financial security.

Finally, on the matter of “value for duty” calculations, the proposed amendments allow for the definition of “sold for export to Canada” to be established in regulations in order to ensure the fair and consistent valuation of imported goods. Establishing a definition of “sold for export to Canada” would ensure that imported goods are being valued in a fair and consistent manner, and it would address consequential...under collection of revenue. This would close a loophole and ensure that all importers would be required to value their goods on the same basis. It would result in increased duty revenues of approximately $150 million per year. This amendment would also ensure that Canada continues to adhere to its international obligations relating to the valuation of goods, which require that the goods be valued based on the transaction values set by the last sale to a purchaser in the country of import.

That concludes my remarks for today. I would be happy to take any of your questions.

● (1535)

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

Are there any questions? I know there was quite a discussion on this the night of the evening briefings.

Ms. Jansen.

Mrs. Tamara Jansen: First of all, it's great to make it a little bit easier on the payment end of things, because I remember that was a real nightmare for me back in the day.

Can you better explain to me why we need to redefine or better define “sold for export to Canada”? What is the spirit behind that?

Mr. Goran Vragovic: Certainly. The valuation methods for “sold for export to Canada” are aimed to ensure that the value for duty of imported goods determined under the transaction value method is based on the sale that causes the goods to be exported to Canada. For example, today a non-resident importer would declare the value of goods being exported to Canada based on the last purchase price of those goods prior to export, as opposed to the sale for export of those goods to a party in Canada for the purpose of import, creating a discrepancy between domestic importers and non-resident importers in the manner in which goods are being valued. This creates a valuation method that is consistent with international treaty obligations.

Mrs. Tamara Jansen: Sorry, I did not quite understand the explanation.

Is there a way to give me an example so that I might better understand what you're trying to get at?

Mr. Goran Vragovic: Sure. A business that is registered as a non-resident importer for the purpose of importing goods to Canada is generally a foreign company located outside of the country or a subsidiary of a Canadian multinational. If they were to purchase goods in that country of export for the purpose of having those goods imported into Canada, the declared value would be based on the last purchase price of the goods in the country of export as opposed to the purchase price of the sale of the goods to the country of export, being Canada, where the goods are being imported.

Somebody could have purchased goods in a foreign country where the last sale price they purchased those goods for would have been $100, but the sale price to the importer in Canada would be $150. They're declaring the value of $100, which is the last price paid, as opposed to the price paid for sale to export to Canada.

I'll defer to my colleague with the Department of Finance, Yannick Mondy. She could clarify whether I have that accurately or perhaps put it into a simpler explanation.

Ms. Yannick Mondy (Director, Trade and Tariff Policy, International Trade Policy Division, International Trade and Finance Branch, Canada Border Services Agency): Thank you.

Maybe I'll provide an example. Importers that are linked with a foreign party will normally have access to a price paid for their good well before it is exported to Canada, therefore being able to use a prior sale up in their supply chain. For example, a U.S.-based company that has affiliates in Canada that are the final purchasers will be able to purchase from, let's say—I'm giving an example—China, pay a certain point, and declare that as the value for export rather than the value of the Canadian importer that is importing that good, that final sale. That's the example where there's a discrepancy, because certain importers have knowledge of a prior price that is paid up in their supply chain in a prior transaction rather than the final transaction that triggers, as Goran was explaining, the actual export to Canada.

What we're trying to establish with this definition is that “sold for export” to a purchaser in Canada is, under the treaty and under the Customs Act, the value that purchasers in Canada must use for the purpose of putting a value on goods imported to Canada. That sets, of course, the value of custom duties and taxes to be paid. If you have, basically, knowledge of a price that you can use up in the supply chain, it will result in the under-collection of revenue simply because the valuation for the purpose of custom duties and taxes then becomes lower as well.

● (1540)

Mrs. Tamara Jansen: So are you trying to capture freight costs, and all that sort of thing, from someone who is doing their own...? No?

Ms. Yannick Mondy: No. Those would be all subject to the same rules.

Price paid and payable is something slightly different. It doesn't play with the free on board element.

I'm going to use a book as an example. I'm a U.S. worldwide library. I decide to pay China $1 for that book. It's going to be sold at the end of the day. The last price of export to a purchaser in Canada, who might be me, could be $10, but it's been bought for $1 by the U.S. affiliate, and it's being shipped directly to Canada. Technically, under the law right now, it can be interpreted as a $1-value for the purpose of customs valuation. Meanwhile, the purchaser in Canada has paid $10 for that book. I'm the purchaser, which means the valuation of the good should be based on that $10, not $1.

I don't know if that helps to clarify.

Mrs. Tamara Jansen: Yes, it's a little bit better.

The Chair: That's pretty good.

With that, I see no further questions.

Thank you, both, very much.

We will move on to division 26, the Judges Act. It's an amendment to the act.

Go ahead, Mr. Hoffmann.

Mr. Toby Hoffmann (Acting Director and General Counsel, Judicial Affairs Section, Public Law and Legislative Services Sector, Department of Justice): Good afternoon, members of the committee.

I'm here with my colleagues, Mr. Patrick Xavier and Ms. Anna Dekker. We're here to speak about divisions 26 and 27.

Just by way of a brief introduction on division 26, the purpose of this amendment is to stop the pension accrual of a judge who is the subject of a report that's referred by the Canadian Judicial Council to the Minister of Justice.

By way of background, this is being proposed because there has been a concern or perception in the past that some judges who—and I should be clear on this—have a right to challenge these kinds of findings have commenced litigation in order to ensure that their pensionable service continues to accrue.

What this proposed amendment would do, Mr. Chair and honourable members of the committee, is stop the accrual of that pensionable service on the day that a report is issued by the Canadian Judicial Council recommending a judge's removal from office.

Again, at its base, this is being proposed to continue to ensure public confidence in the judiciary.

I'll stop there. Please, if you have any questions, myself or my colleague, Patrick Xavier, would be happy to answer you.

Thank you.

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

Ms. Jansen.

Mrs. Tamara Jansen: Is this kind of the idea that many Canadians have been mentioning with regard to what's happening with the Attorney General? Is it the same concept?

Mr. Toby Hoffmann: I'm sorry, Ms. Jansen. When you say the Attorney General, could you just clarify that for me a little bit?

Ms. Julie Dzerowicz: Are you talking about the Governor General?

Mrs. Tamara Jansen: The Governor General. There we go.

Sorry, I'm new to the job.

The Chair: No, this is to do with the judiciary.

Go ahead, Mr. Hoffman.

Mr. Toby Hoffmann: This specifically has to do with the judiciary.

The Chair: All right, thank you for that.

I believe you're on for the next one as well: division 27, new judicial resources.

Mr. Toby Hoffmann: Thank you again, Mr. Chair.

Yes, division 27, as you said, concerns new judicial resources. Essentially, in the BIA this year, there have been a number of positions—13 in total—that have been allocated to different jurisdictions across the country.

The whole purpose of these amendments is as a result of a standardized process that I and my officials engage in with the different jurisdictions. They submit business cases. We review those cases. We assess those cases. We assist the jurisdictions in building those cases. Then we provide advice to the minister, and the minister takes our advice and goes on to make recommendations.

Essentially, what these amendments do—and this is not a new thing—is increase the complement of different courts across the country.

With that, I'll stop there. Again, we welcome any questions that you may have.

Thank you.

● (1545)

The Chair: Mr. Fast.

Hon. Ed Fast: Thank you.

Just so you know, I do support the changes to the Judges Act.

In terms of new resources, there are four provinces, I believe, that are receiving additional resources: Newfoundland, Ontario, British Columbia and Saskatchewan. Am I correct?

Mr. Toby Hoffmann: That's correct.

Hon. Ed Fast: You mentioned that there's a business case that supports the recommendations, so this is not just a request coming that we want some more judges and automatically they're sent or placed on the bench.

Mr. Toby Hoffmann: That's correct. There are some rigours to the process, Mr. Fast.

Hon. Ed Fast: All right.

With respect to Newfoundland, the appointment of additional resources was triggered by something called geographics structuring. Can you tell me what that was and why would it call for additional judges or an additional judge?

Mr. Toby Hoffmann: Thank you, Mr. Fast.

I'm going to turn to my colleague, Ms. Dekker, but I think you're aware that there was an associate chief justice who was appointed to the Supreme Court of Newfoundland and Labrador—just to clarify that.

I'll ask Ms. Dekker—who I must say has been an expert and has been involved in this process in the past—to try to answer your question.

Ms. Anna Dekker (Acting Senior Counsel, Judicial Affairs Section, Public Law and Legislative Services Sector, Department of Justice): The associate chief justice position for Newfoundland and Labrador will assist the current chief justice to provide long-term, efficient and effective administration to the court. Part of the decision to ask for one was the fact that Newfoundland and Labrador does have such vast geography and the way that they have organized their court, which is within the jurisdiction of the province, the province gets to decide how to structure its courts and how to administer in them. They have divided their trial division into a family and a general division and along seven judicial centres. That was simply one consideration that was taken into account as part of the request for judicial resources from that court.

Hon. Ed Fast: Okay, so it wasn't just an action on the part of the provincial government to structure or restructure geographically. There are other elements that also contributed to the decision to add judicial resources.

Ms. Anna Dekker: Absolutely. That is one factor, but since every jurisdiction is different, we have to take into account the unique aspects of each one. In this case, or in the case of any associate chief justice position, they help provide leadership to the court, and for example, could allow the chief justice, if too much of their time has been spent simply administering and assigning cases, and so on, to have the opportunity to continue to hear cases and be a part of that important work of the court as well.

Hon. Ed Fast: Okay. Have we seen an increase in caseloads in Newfoundland?

Ms. Anna Dekker: I don't have that information for you. It is something that the courts themselves and the courts administration support for the individual jurisdictions have. That is the kind of information that they would submit if they choose to make a request. That information is not the federal government's, so we would generally keep that entirely confidential simply to respect the information that they provide.

Hon. Ed Fast: Hold it. Are you saying that they're keeping information about caseload levels in Newfoundland confidential because for some reason this isn't deemed to be in the public interest?

Surely somebody has the caseload numbers, because I would assume that, for the most part, requests for additional judicial resources are premised upon the fact that there's additional need based on additional caseloads.

Ms. Anna Dekker: That's absolutely correct and additional caseloads are certainly one of the important factors that we would look at and we would ask the courts themselves to provide. What individual courts and jurisdictions post publicly, and it could very well be that the Supreme Court in Newfoundland and Labrador does have that information posted publicly, it is not something that the federal government is able to collect directly.

● (1550)

Hon. Ed Fast: Do you believe it's reasonable for us as parliamentarians who have to approve this spending to ask for that information?

Ms. Anna Dekker: The information that has been gathered as part of the business cases is held in confidence. It goes to the judicial function, which we would strive to protect for reasons of judicial independence. There's no standardized or formulaic way of going about adding resources to any courts. For example, it could be due to how the courts are administered by the provinces or by the territorial governments.

Demographic, geographic and social conditions also vary across each one, so one of the things I can say our group has generally looked at is that if the case inventory has been steadily rising, for example, this could indicate that the judicial complement might not be sufficient. That, generally speaking, is a factor we would look at, but again, that information is held by the courts themselves, not by us.

Hon. Ed Fast: I'm not standing in the way of giving these judicial resources, but I think I'm asking a reasonable question. If, in fact, taxpayers are being asked to support additional judicial resources, we as their representatives who actually approve this spending through appropriation bills, and so on, have some right to the information upon which these requests are premised.

Could I ask you just to ask for that information and make it available to our committee if at all possible? I say that through the chair.

The Chair: Sure. You can respond to that, Ms. Dekker, once you check with your sources to see what information is made available to us, and drop a note to the clerk as to what's possible and what's not.

Mrs. Jansen, please go ahead.

Mrs. Tamara Jansen: I'm just wondering if there are any efficiencies, or any parameters, that are set that the different provinces would need to achieve to be able to have these new resources? Do they just ask for them, and do they not have to show any improvement in efficiencies?

Ms. Anna Dekker: It's a bit of an art in some ways, simply because the Constitution gives responsibility for the administration of justice to the provinces, so how the provinces have sorted out their procedures and how they use their judicial resources varies a little across the country. Relevant information would be trends in filing cases in various areas, such as family or civil or criminal, or we would look at patterns of case flows.

Again, because each province and territory has such different demographics and different geographic and social conditions, it's not possible to give a response of, "This is what you must achieve in order to be allocated a new judicial resource." That's simply not the way the Constitution has set up the administration of justice in Canada.

Mrs. Tamara Jansen: Basically, if a province wanted to improve, it could ask you for numerous new resources, and you would just have to provide them? Is that how that works? If it wanted to improve its wait list, it could just ask you for extras, and it wouldn't have to justify it, necessarily.

Ms. Anna Dekker: There still is a very rigorous process that goes on. For example, if there had been no efficiencies and they were simply not sitting, that would obviously be something that our information would show and we would seriously question it. The justification is something that we would develop in collaboration with the provincial or court officials we work with.

We do try to respect, for example, if a province has said that it wants these sorts of matters to be heard within these sorts of timelines. That is something we try to work with. At the end of the day, there is, as you say, a certain reasonableness that we would try to look for.

The Chair: Mr. Kelly, you have the last question on this division.

Mr. Pat Kelly: I'm sorry to maybe belabour it, but I just want to speak in support of the issue that Mr. Fast raised. I understand that judicial budgets and appointments are not the same as other budgetary requests or items that we vote on, but no parliamentarian—no citizen—wants their elected representatives to be told that the information a funding request was based on is something we can't see or can't receive. We do have an obligation to ask these questions and receive information, not to merely approve everything that is put in front of us.

I certainly support Mr. Fast in his question to receive the information.

● (1555)

The Chair: Okay. That is noted. Are there any further questions?

Thank you, Ms. Dekker and Mr. Hoffmann, for your presentation.

We will go on. We're soon going to start to run out of time on this panel. Next is division 28, the National Research Council Act, and changes to that act.

Mr. Scott, please go ahead.

Mr. Stephen Scott (Director General, Strategy and Performance, National Research Council of Canada): Yes, Mr. Chair. Good afternoon.

My name is Stephen Scott, and I work as the director general of policy, strategy and performance here at the National Research Council. I am joined by my colleague, Christine Jodoin, director general of the biologics manufacturing centre project.

The NRC legislative amendments are about positioning the NRC to deliver domestic vaccine manufacturing capacity in Canada going forward. There are two proposed amendments to the National Research Council Act. First, there is a proposed amendment to enable the National Research Council to manufacture and produce medical products, such as vaccines, on a larger scale to respond to pandemics and other public health needs.

Currently, the NRC is authorized to produce medical products, on a smaller scale, for things like clinical trials and experiments. This new authority would provide the NRC with the ability to manufacture vaccines on a larger scale, once the new biologics manufacturing centre at the Royalmount campus in Montreal receives regulatory approval by Health Canada.

Second, there is a proposed amendment to provide the NRC with the ability to incorporate and stand up arm's-length entities, such as not-for-profit organizations. Under this amendment, the NRC would be able to establish special purpose collaboration models that would increase and deepen linkages among NRC researchers, academics and the private sector.

The new biomanufacturing facility, which will be operated through a public-private partnership over the longer term, is an example of where a new collaboration model could be used.

Thank you, and we would be happy to take any questions.

The Chair: We'll go first to Mr. Julian.

Mr. Peter Julian: Thank you very much for your presentation.

What is the limitation of scale right now that the National Research Council is limited to?

Mr. Stephen Scott: The current legislative authority in the NRC Act provides the NRC the authority to manufacture on a smaller scale for clinical trials and experiments. It's not specifically defined in terms of quantity. It's a general authority related to scientific and industrial research. Therefore, there's not a specific quantity established with that current authority.

The biologics manufacturing centre—

Mr. Peter Julian: Sorry, if there is no limitation, what would stop the NRC from manufacturing vaccines right now ?

Mr. Stephen Scott: There is a small legal interpretation that suggests that the authority that currently exists should be expanded to cover the biologics manufacturing centre production capacity, which, once operational, will be up to two million vaccine doses per month. The interpretation is that even though there's not a specific quantity threshold tied to the current authority, the two million doses per month is sufficiently large that it would be above a typical threshold for clinical trials, for example.

Mr. Peter Julian: Is that subject to a legal...? We're 15 months into a pandemic, so I think this is an appropriate question about whether the NRC now has the ability to produce vaccines legally.

Was there a legal interpretation that suggested that the NRC could not manufacture vaccines beyond a certain level? If so, what level was set?

● (1600)

Mr. Stephen Scott: The legal advice from our Department of Justice colleagues has been that the National Research Council Act wording is interpreted to provide the NRC with the authority today to produce medical products on a smaller scale—things like clinical trials, as noted. The advice was on that authority through the budget implementation act, which would align with the project timelines for the biologics manufacturing centre that is currently being constructed.

Mr. Peter Julian: Thank you, but I'm still a little confused.

The NRC has had the ability all along to produce vaccines. Obviously, it was all hands on deck, so the NRC would have been consulted and you sought a legal opinion. What was the threshold? Is it half a million vaccines a month? Is it a million vaccines a month? Is it 100,000?

I mean, at some point, given the NRC's capability, there must have been a definition or a response that meant that the NRC wasn't actively involved in vaccine production.

Of course, as we know, we're trailing badly behind the United States. They're close to 40% fully vaccinated. In Canada, it's just over 3% fully vaccinated. We've moved to a model that is putting one shot in—despite the fact that manufacturers have expressed concerns about that—because of the supply shortage.

I'm interested in knowing whether there was ever a precise decision coming back from justice saying that the NRC can't produce beyond half a million a month or it can't produce beyond 100,000 a month and as a result, the NRC wasn't part of the solution.

Mr. Stephen Scott: I'll just offer one or two points and then turn to my colleague Christine to expand.

To answer the question, there was not a specific quantity identified as part of the legal opinion. It's more of a qualitative interpretation of the current legislative text in the National Research Council Act.

The second point is that it's coming forward now through the budget implementation act and not sooner because it's tied to the timelines with the broader BMC project that's currently being constructed at the NRC's Royalmount campus in Montreal.

At this point, I'll defer to Christine, if that's okay, Mr. Chair, to see if she has anything to add.

The Chair: Yes. Go ahead, Christine.

Ms. Christine Jodoin (Director General, Biologics Manufacturing Centre Project, National Research Council of Canada): Thank you very much, Mr. Chair.

On a practical basis, to give an example of the interpretation, under this current authority NRC is able to do R and D and production of an experimental nature. Right now, for example, our human health therapeutics research centre can do production on a 20-litre, 50-litre, 500-litre bioreactor capacity basis. Depending on the material in question, this can be up to 250,000 doses a month, for example. This is under the current authority.

With the biologics manufacturing centre, the capacity that we are building and designing is to produce with the capacity of a 500-litre bioreactor and a 2,000-litre bioreactor, and thus a total bioreactor capacity of 2,500 litres. As Stephen said, this is the equivalent of approximately 4,000 litres of production capacity a month, an equivalent of two million doses a month, with the caveat, of course, that it depends on the vaccine type and the manufacturing yield.

This is just to give you the comparative notion that this is larger-scale manufacturing. That's why we're proceeding, to ensure certainty that we can manufacture at that scale, with the biologics manufacturing centre.

● (1605)

Mr. Peter Julian: Thank you.

I have one more question, Mr. Chair.

The Chair: Just to interrupt for a second, Peter, we'll have to try, for the next three or four questions, to be fairly brief. We are going to have to cut this panel fairly shortly, because we have another bunch of witnesses in the wings for the next panel.

We'll have to ask the last three divisions to come another day on this one.

Go ahead, Peter.

Mr. Peter Julian: This is on the public-private partnership.

The NRC, then, would be able, through this legislation, to vastly expand, as you mentioned, with a bioreactor of 2,000 litres and a vast expansion of vaccine production. It also, however, basically gives a portion of the NRC to the private sector, so that the private sector, as part of this new entity, would be able to profit from the NRC's work. Am I understanding this correctly?

Ms. Christine Jodoin: Stephen, would you like me to answer the question?

Mr. Stephen Scott: Yes, go ahead, Christine. Thank you.

Ms. Christine Jodoin: We're currently assessing the right model for the future operation and governance of the facility. The endgame is that the mandate of the centre is public good and to meet pandemic emergencies and always be ready for them. With the public good perspective in mind, we are looking at various models. There are certainly for-profit but also not-for-profit models.

As part of looking at the assessment, we have done preliminary consultations, in the fall. The public good was strongly identified there, and not to compete with the private sector. That gives us an indication of some models we need to consider.

We have also set up a project advisory board made up of members from the biomanufacturing sector, with big industry, small SMEs, academia. We're getting their input as well on the model.

We will also be calling for an expression of interest later this summer to really understand from the sector what they think will be a workable model in terms of making sure we can deliver on the public good mandate of the facility and make sure it is also sustainable into the future.

Thank you.

The Chair: Mr. Fast is next, followed by Ms. Jansen, and then we'll have to close it off.

Hon. Ed Fast: Ms. Jodoin, you just used the term “public good”. I assume that equates with the national interest.

Ms. Christine Jodoin: That's correct.

Hon. Ed Fast: Okay, thank you for clarifying that.

I just want to say to both of you, Mr. Scott and Ms. Jodoin, thank you for not precluding the involvement of the private sector in delivering vaccines. Partnerships are often the best way of delivering for Canadians. I'm not surprised that Mr. Julian has a different take on this, but I'm a strong believer in public-private partnerships.

Would the amendments you're making today in any way prevent a company such as Providence from leaving Canada and being able to actually put down roots in Canada by finding a partner within government that is going to support their efforts to deliver a solution to the vaccine shortages we have?

Ms. Christine Jodoin: First of all, the centre is being designed and set up with a cell-based biologics vaccine platform, one that we believe when we're going to look at collaborating with vaccine sponsors is the basis in terms of making sure that their vaccine platform is aligned with a vaccine platform that is being built for the centre. That's one point.

With respect to Providence, I think what I would say is that I would have to defer to our colleagues at Innovation, Science and Economic Development. They are developing a biomanufacturing strategy. We're one part of the strategy. We're going to be here to collaborate with vaccine sponsors that can help us in being ready for any pandemic emergency to produce cell-based biologics vaccines.

Hon. Ed Fast: Okay, so you've chosen cell-based biologics as the platform that, if you were going to do a public-private partnership, the partner who comes in would have to be participating in a similar type of model. Is that correct?

Ms. Christine Jodoin: To clarify, the vaccine sponsor who we would contract with and produce a vaccine would need to have that platform.

Hon. Ed Fast: Yes.

Ms. Christine Jodoin: However, in terms of partners, when you look at partners, they can be to help govern the facility itself and to operate it even with not having that experience in being the vaccine sponsor of the cell biologics. It's about your experience in operating a facility of this nature, operating it and governing it.

● (1610)

Hon. Ed Fast: Thank you, Mr. Chair.

The Chair: Ms. Jansen, you have the last question.

Mrs. Tamara Jansen: I understand that basically what you're doing now is actually changing your mission statement, if you want to call it that, from one of a public institution to one where you're going to be actually competing with the private sector, and at the same time, you also got $126 million to build your production facility.

When we see a company like Providence not getting anything but the runaround and now leaving Canada, I'm concerned that the way these amendments are written, you aren't actually obligated to even work with the private sector, yet you're being handed a lot of money and now you're going to be competing with the private sector.

I wonder if you could speak to that.

The Chair: Whoever wants to take that, some of that relates to decisions of ministers, which we don't expect either of you to answer, but as it relates to this division, go ahead.

Ms. Christine Jodoin: Stephen, I can answer.

Mr. Stephen Scott: Go ahead, Christine.

Ms. Christine Jodoin: Just to clarify, as I said before, the mandate is that the BMC, the biologics manufacturing centre, will have a public-good mandate. It's not intended to compete with the private sector but to actually complement it, and complement it in such fashion that we'll be ready to manufacture and provide the capacity to manufacture in response to public health needs when the domestic market is unable to meet it. That's one thing.

Secondly, the key thing will be that the costs are recoverable. What that means is that while the government is giving us funds to build the facility, in terms of the production we will make sure that, as it is producing, the cost to produce will be recovered.

Mrs. Tamara Jansen: Does that mean, then, you're only going to be producing when the private sector is not able to manage that? Therefore, you have this huge facility, it's there, but it will only be utilized for manufacturing when the private sector is not able to meet demands.

Ms. Christine Jodoin: No. That is right when there's a pandemic emergency. We're a gap-filler in terms of making sure that there is production capacity if it's required for cell-based biologics.

Separate from that, in non-pandemic periods, we'll be focusing on pandemic preparedness, but we'll also be focusing on other production biologics such as infectious diseases and orphan drugs for rare diseases. We will collaborate with the private sector with that, because the key thing that's one element in terms of the mandate is that this is an example of how we will help to increase the biometric capacity of the private sector.

In such cases, for example, we will work with SMEs that in some instances today have limited access to be able to scale up in a facility of this nature. That's an example of where we will bring them in to support the capacity.

What I want to confirm is that in every respect of the mandate, we will always be collaborating with the biomanufacturing sector, but the key priority will be that we will have our facility on a constant readiness state to be able to pivot to respond to pandemic emergencies in collaboration with the private sector and academia.

Mrs. Tamara Jansen: I just want to make sure that I'm hearing you correctly. You're saying that in general—when it's non-pandemic, non-emergency—you're going to be doing research, but then when it's a pandemic or something along those lines, you pivot to production.

Ms. Christine Jodoin: Thank you. I just want to clear up one thing. We're not actually doing research. The facility is focused on production, so what we're going to be doing is helping to put to market drugs that the private sector right now can't on its own, either because there is a high risk of failure or because there's a lack of profitability. That was the example I brought in terms of orphan drugs for rare diseases.

The Chair: Okay.

Thank you both for your presentation and responding to our questions.

With that, we will have to suspend until the next panel, so for those who are here presenting part 4, divisions 31, 33 and 37, we will have to find another time to schedule you back.

● (1615)

Mr. Pat Kelly: Chair, I have a point of order.

The Chair: Yes, go ahead, Pat.

Mr. Pat Kelly: Do you want to try to get through that? We've made up time in some of our other panels.

The Chair: Where are we, Mr. Clerk, with the next panel? Are they all in yet?

The Clerk of the Committee (Mr. Alexandre Roger): Yes, they're all in the waiting room, sir.

The Chair: Okay, let's give it a try. We'll go five more minutes or so and see if we can get through these three divisions.

Division 31 is on first nations elections. Does somebody want to give us that presentation? We'll see if we can go through these quickly. If we can't, we'll have to suspend and go to the next panel.

Mr. Christopher Duschenes (Director General, Economic Policy Development, Lands and Economic Development, Department of Indigenous Services): Thank you very much, Mr. Chair. I will go as fast as I can.

I'm coming to you from unceded Algonquin territory. My name is Christopher Duschenes. I'm the director general of economic policy development at Indigenous Services. I'm here with Yves Denoncourt, the director of governance operations, and Karl Jacques, our senior legal counsel.

We welcome this opportunity to explain the measure of retroactivity to validate the First Nations Election Cancellation and Postponement Regulations.

In March 2020, early in the pandemic, many band councils governed under the Indian Act and under the First Nations Elections Act were faced with a dilemma: hold elections in their communities during the pandemic, despite strong advice from public health experts to avoid gatherings and social interactions that could contribute to the spread of COVID-19, or wait for their terms to expire and leave their communities without leadership, creating a government gap.

Neither the Indian Act nor the First Nations Elections Act provides chiefs or councils with the ability to extend their terms. In response to first nations public health concerns surrounding the pandemic, the Governor in Council, on advice of the Minister of Indigenous Services, made the First Nations Election Cancellation and Postponement Regulations. The regulations allow first nations chiefs and councils, including leaders from bands holding elections under custom code, to extend the terms of office of the chief and of the elected council for up to six months, with a potential second extension of up to six months. The decision to post the election is under the purview of chiefs and councillors, and must be made by a band council resolution submitted to the Minister of Indigenous Services.

The regulations were enacted with a sunset clause of April 8, 2021. On April 1, the Federal Court found that section 4 of the regulations, specifically enabling chiefs and councils of bands holding their elections under custom code to extend their elections, was ultra vires and invalid. The Government of Canada is appealing the Court decision as of April 6. The regulations have been extended for a period of six months with a sunset clause now of April 8, 2021.

Division 31 seeks to retroactively validate these regulations to ensure that decisions that were made pursuant to these regulations are valid, and that no concern related to the power and the authority of chiefs and councils during that time comes into question.

Thank you.

The Chair: Thank you very much, Christopher.

Are there any questions on division 31?

All right, then we will move on to division 33 and the Public Service Employment Act.

Ms. Selena Beattie (Executive Director, People Management and Community Engagement, Workplace Policies and Services Sector, Treasury Board Secretariat): Thank you very much, Mr. Chair.

Before beginning, I'd like to acknowledge that I'm dialing in from the traditional unceded, unsurrendered territory of the Anishinabe Algonquin nation.

I'm joined by Michael Morin of the Public Service Commission, which will be a key player in the implementation of these amendments.

[*Translation*]

Last October, an action plan was announced in the throne speech to increase representation and improve leadership within the public service.

[*English*]

As part of these efforts, following consultations with employee diversity networks, bargaining agents and departmental senior officials for employment equity, diversity and inclusion, budget 2021 announced the intention to propose amendments to the Public Service Employment Act to reaffirm the importance of a diverse and inclusive workforce and to strengthen provisions to address potential bias and barriers in the staffing process.

[*Translation*]

The first proposed change is to add a clear commitment from the government towards a public service that represents the diversity of Canada. This change would therefore confirm that diversity and inclusion are primary considerations as set out in the act and are taken into account as objectives during the hiring process.

● (1620)

[*English*]

Second, the bill proposes that there would be a requirement that the establishment or review of qualification standards, which are what can set minimum requirements on things such as education, professional certification and official languages, include an evaluation of bias and barriers, and that reasonable mitigation efforts be made.

Third, the bill proposes that the design and the manner of application of assessment methods, which can be things like interviews, written tests or reference checks among others, include an evaluation of bias and barriers, and that again reasonable mitigation efforts be made.

[*Translation*]

The fourth proposal is that the auditing authorities of the Public Service Commission of Canada as well as the investigating authorities of the Commission and the deputy ministers take into account prejudice and barriers.

[*English*]

Fifth, the bill proposes to expand the preference for Canadian citizens in staffing processes open to the public to include permanent residents. Currently the act gives preference to Canadian citizens in external advertized processes, which can be a very important entry point to the public service. What this means is that if one qualified candidate is a citizen and another is not, the citizen must be appointed. The amendment would expand this preference to include permanent residents.

Sixth, the proposal includes a broad definition of equity-seeking group. This means that the provisions of the bill would apply to a broad definition of groups that is based on any of the prohibited grounds of discrimination as outlined in the Canadian Human Rights Act, which include race, national or ethnic origin, colour, religion, age, sex, sexual orientation, gender identity or expression, disability and others.

[*Translation*]

If these proposals are approved, they will be put into place after close consultation between employee diversity networks, bargaining agents and senior officials who are responsible for employment equity, diversity and inclusion, in order to support the overall vision of a public service which is more representative of the population it serves and values and celebrates diversity and inclusion.

I would be pleased to answer any questions that committee members may have.

Thank you.

[*English*]

The Chair: Go ahead, Ms. Jansen.

Mrs. Tamara Jansen: I wonder if you could clarify this for me. I understood you to say that a reference check could be a barrier to inclusivity. Are you suggesting then that if someone from a minority would not be able to provide a reference check that it would be a barrier and so therefore they wouldn't need any longer to provide a reference check?

Ms. Selena Beattie: Thank you very much. I'm happy to help explain that provision of the legislation.

Currently the legislation gives the Public Service Commission—and this power is delegated to deputy ministers and hiring managers—the authority to use any assessment method they wish. That could include an assessment method such as a reference check.

There have been submissions from both the equity-seeking groups and the bargaining agents, and evidence through an audit conducted by the Public Service Commission, that different assessment methods can pose bias or barriers to groups in different kinds of ways.

The requirement in the legislation would be for an evaluation of the mechanism to be done to determine if that does pose bias or barriers, and if a bias or barrier is found, to seek reasonable mitigation efforts.

I can't prejudge right now the conclusion of what that evaluation would find, nor what the reasonable mitigation might be. It could be about the way a tool is used—for example, the types of questions asked. It could be about the degree to which something is used exclusively, and so on and so forth, but that would be part of the tool that would be developed to evaluate whether a barrier or a bias is, in fact, posed by that assessment method, and if so, what is reasonable as a mitigation method under the circumstances.

That does not necessarily mean that a specific tool might not be used at all. It might mean that there might be suggestions made about how to use that tool to seek to minimize any potential barriers that it includes.

● (1625)

Mrs. Tamara Jansen: You also mentioned someone's inability to speak French may also constitute a barrier. Is that correct?

Ms. Selena Beattie: I did not speak about languages in the specific amendments.

Mrs. Tamara Jansen: I thought I heard that, sorry.

Ms. Selena Beattie: The linguistic requirements under the act are a separate consideration.

Mrs. Tamara Jansen: Okay.

The Chair: Before I go to Ms. Dzerowicz, Ms. Beattie, how many more public servants will it require to do the supervision of the folks doing the hiring within the Public Service of Canada, to manage this new system?

Ms. Selena Beattie: The Public Service Commission will be responsible for implementing these amendments. They are currently developing their implementation plans.

I don't know if Mr. Morin is with us, and if he has anything more to add on that point.

Mr. Michael Morin (Director General, Policy and Strategic Directions, Public Service Commission): Yes, I can add.

We are currently looking at additional resources. These will be to develop new policies, to look at tools to support hiring managers through this process, as well as to conduct audits and investigations related to the changes.

The Chair: Ms. Dzerowicz.

Ms. Julie Dzerowicz: Thank you, Mr. Chair.

I want to thank you, Ms. Beattie, for the excellent presentation.

I'm very supportive around anything we could do to make our public service more inclusive, more diverse, more reflective of Canada. I don't know if you can comment on this. I'm a little surprised that this is a legislative change in terms of our actually having to review qualifications standards. It's odd for me. One would think that would be more of an administrative thing. I wonder if you could just comment in general about that.

The second comment I have is around giving permanent residents the same preference as Canadian citizens in externally advertised appointment processes. I just need you to explain that one more time. I'm very open for permanent residents to apply for jobs within the public service. I'm just trying to understand what the change is. I'm not quite sure why I didn't hear it properly. Is it that right now permanent residents are not allowed to apply for a job, or if they do apply for a job and a Canadian citizen applies for a job, and they're both equally qualified, that the Canadian citizen gets the preference?

Ms. Selena Beattie: I'm happy to answer both of those questions.

Your first question is about why these changes are being done legislatively. It is true that many of the mechanisms, but not all of them, could be done through program or policy or other tools. Enshrining the requirement in legislation, of course, brings additional *gravitas* and enforceability to them for those who will be charged with actually enforcing them.

One change that is not possible to do through program or policy is the amendment to the preference.

Let me just go back and state that for the things that are possible to do through program or policy, qualification standards now are currently reviewed for bias or barrier. This is adding an extra layer of having a legislative requirement.

In terms of the citizenship preference, there is no official or legislative impediment to permanent residents' being hired in the public service. The challenge is the mechanism through which an appointment is actually made. The legislation contains a preference for external, advertised appointments, so these are positions that would be posted for anyone, broadly, to apply. For someone who might already be internal or for a position that is not widely advertised, there is currently no block on a permanent resident's being appointed to those positions.

For these external advertised positions, however, the legislation states that there is a preference for Canadian citizens. That doesn't mean that permanent residents are prevented from applying; it doesn't mean that they're prevented from being considered. It means, however, that when the hiring manager assesses all of the essential criteria, if they have a permanent resident and a Canadian citizen who both meet the essential criteria, the Canadian citizen must be hired, given the preference over the permanent resident.

What the amendment would do is add the preference to the permanent resident. The Canadian citizen and the permanent resident would then have the equal chance of being hired, if they both met the essential criteria. The expectation is that this would reduce a barrier for some who are otherwise qualified to work for the public service.

Of course, those external, advertised appointments are really a key foot in the door for many people to join the public service.

● (1630)

Ms. Julie Dzerowicz: Thank you.

The Chair: Mr. Fast and Mr. Falk, let us, if we could, be fairly snappy. We are going to have to go to the next panel. We'll leave division 37 and recall them another day.

Mr. Fast.

Hon. Ed Fast: Well, I'm guessing Mr. Falk is going to ask the same question I was going to ask, based on the last comments that came out about Canadian citizens versus permanent residents.

I think what you're saying, Ms. Beattie, is that permanent residents, when it comes to hiring, will be elevated to the same level or status as Canadian citizens. Am I correct in understanding that?

Ms. Selena Beattie: They will have the equivalent chance, yes; that's correct.

Hon. Ed Fast: What prompted this?

Ms. Selena Beattie: The overall goal of the legislation is to seek to reduce bias or barriers to members of equity-seeking groups. There is some evidence that members of visible minorities are screened out of processes at a higher rate because of the permanent resident preference, and so it constitutes a barrier for some members of visible minorities.

Hon. Ed Fast: Really? This really floors me, that my Canadian citizenship does not give me priority over a permanent resident. That just blows my mind. The justification you've just given for it doesn't convince me. I'm open to being convinced, so I challenge you to provide me with a more convincing argument.

I want to get back to a different issue. Close to the end of your comments, you listed the different groups that might be discriminated against or may have bias against them.

Could you go through that list again for me?

Ms. Selena Beattie: The groups that are going to be protected from discrimination are listed in the grounds that are in the Canadian Human Rights Act. They're the grounds that are referred to in the definition of “equity-seeking group”.

In subsection 3(1) of the Canadian Human Rights Act, that includes “race, national or ethnic origin, colour, religion, age, sex, sexual orientation, gender identity or expression, marital status, family status, genetic characteristics, disability”, etc. That's the reference to the Canadian Human Rights Act categories.

Hon. Ed Fast: You said “et cetera”. Are there others listed there?

Ms. Selena Beattie: There is one more, which is not typically one of the grounds that we see. It is “conviction for an offence for which a pardon has been granted”.

Hon. Ed Fast: All right. I think that's all I need to know, but I am concerned about the comment that my Canadian citizenship no longer provides me with priority over those who are not citizens. That—

The Chair: Just to remind members, we do have the right to pull any of these witnesses back over the next week or 10 days if we must, when you've slept on it.

Mr. Falk.

Mr. Ted Falk: Thank you, Mr. Chair. Mr. Fast is correct that I do want to follow up on comments that he made.

I think I heard Ms. Beattie correctly when she said in response to somebody's question that this amendment would actually provide preference for a non-resident.

I'd like to know, too, in what space would we see that an appointment for a position by the Government of Canada should not give preference to a Canadian citizen? That just boggles my mind, so help me understand.

● (1635)

Ms. Selena Beattie: Mr. Falk, I'm happy to clarify for you. The amendment does not give a preference to a non-resident in any way, shape or form. The preference that currently exists in the act applies to some appointments in the public service. Currently, about 45% of appointments are done through this non-external advertised mechanism. It does not prevent a permanent resident from being considered, but it does state that if a Canadian meets the essential qualifications they are given the preference.

The amendment proposes that a permanent resident would be given an equal opportunity as the Canadian citizen to be considered for these processes.

Mr. Ted Falk: Okay, I'm just reminded of that slogan that the Amex Bank used to have, that membership has privileges. Certainly I would like to think citizenship has privileges.

I don't know if that's a direction that you've been given or if it's something that's a suggestion by a department, but this certainly needs very serious reconsideration.

Ms. Selena Beattie: Consideration of the citizenship policy objectives of the government is important. Some might express a concern about access to Canadian jobs, but permanent residents having access to public service jobs could result in greater social participation and attachment and could be a motivation towards citizenship. Canada will continue to promote the benefits of citizenship. That is certainly a consideration for parliamentarians in considering your support for the bill, but to be very clear, the intention of the amendment is to ensure that permanent residents and Canadian citizens will be on equal footing when it comes to applying for jobs to join the public service. In all cases, merit will continue to be the underlying primary principle of the hiring process.

The Chair: Just on that last point, I'm increasingly concerned about the lack of emphasis that seems to be in the public service these days on the ability to do the job and the lack of emphasis on experience, life experience. In terms of people I question who've been interviewed to go into the public service, experience no longer seems to matter. In my view, it should.

Therefore, I'd ask you these two questions: How much does experience matter in terms of getting into the public service; and how much does the ability to do the job matter in terms of getting into the public service?

I'll tell you what I mean. Within the public service now you can transfer from Veterans Affairs to Agriculture. You get first priority because you're in the public service, but you might not know a damn thing about agriculture. That's part of the problem.

Could you answer that question? After that, we'll have to move on.

Ms. Selena Beattie: Thank you very much, Mr. Easter.

I'm going to invite my colleague Mr. Morin from the Public Service Commission to comment on that, given that I'm certainly not an expert in the appointments processes and requirements for them.

Mr. Morin, would you care to address Mr. Easter's question?

Mr. Michael Morin: What I could say is it would depend on the nature of the position. Is it an entry-level position? Is it something that requires depth of experience? Individual hiring managers have to decide what the necessary qualifications are so that someone is able to meet merit for the job. That could include a range of different experience factors. It could include abilities and skills. It could include knowledge. There's no specific formula for deciding which. It really is dependent on the needs of the specific position.

● (1640)

The Chair: Okay. We'd better move on. I'd better not get into that one.

In any event, thank you to our witnesses on division 33. Thank you, both. My apologies to those who are here on division 37. I think that might be a little longer discussion as well, so we will leave that one and we will invite you back.

Thanks to all the witnesses on this first panel. Thanks, number one, for what you do for the country. We may disagree from time to time, but we really do thank you for the efforts you made during the last couple of years. COVID has really made us all struggle. There's no question about that. Thank you for what you do for Canada. It's much appreciated, and that's on behalf of all the members of the committee.

With that, we will release this panel. Mr. Clerk, we will take a two-minute suspension and we'll go to the next panel.

● (1640)

_____________________(Pause)_____________________

● (1645)

The Chair: We'll recall the meeting to order.

For those on the new panel, this is meeting number 44 of the finance committee. As you know, we're meeting on Bill C-30, an act to implement certain provisions of the budget tabled in Parliament on April 19.

First of all, my apologies to witnesses for having you sit in the wings for, probably, an hour of your time, or 45 minutes. We were late starting here. We were trying to finish the other panel.

In any event, all the witnesses here, I believe, are from the Department of Employment and Social Development. We'll deal with part 4, divisions 21, 22, 23, 24, 25, 29, 30, 32, 34, 35 and 36.

I would ask whoever is speaking on each section, to introduce yourself, tell us your position and introduce whatever colleagues may be here to assist you.

We'll start with division 21, which is the Social Security Tribunal, SST. Ms. Pelot, go ahead.

Ms. Lorraine Pelot (Director General, Income Security and Social Development Branch, Department of Employment and Social Development): Thank you, Mr. Chair. I'm Lorraine Pelot. I'm director general in the income security and social development branch. I'm here with my colleague Tara Bélanger Zahab.

Division 21 of part 4 amends part 5 of the Department of Employment and Social Development Act to make certain reforms to the Social Security Tribunal. The Social Security Tribunal was created in 2012 and became operational in April 2013 as a single-window, independent tribunal to replace four separate administrative tribunals that had made decisions on appeals for benefit claims under the employment insurance and income security programs.

The income security programs I mention include the Canada pension plan, including Canada pension plan disability and old age security.

In August 2019 the government committed to introduce legislation to reform the Social Security Tribunal and make the appeals process for income security programs more client-centric, more streamlined and faster.

The most important legislative amendments are designed to streamline and simplify the recourse processes; introduce a *de novo* model for second-level income security appeals within the SST in which new evidence is allowed, with a new and final decision on benefits eligibility; and provide authority to the chair of the SST to make rules of procedure that will govern the way the SST functions during the processes.

Regulations, to follow, would be created to include allowing the choice of form of hearing for appellants and authorizing all parties to request that all or part of their hearing be held in private.

[*Translation*]

I would be pleased to answer any questions.

[*English*]

The Chair: Does anyone have any questions?

We'll start with Mr. Fast and then go to Ms. Jansen.

Hon. Ed Fast: Thanks so much for that explanation.

Could you go back to talk a little more about the *de novo* model? I think what you're saying is that it would allow an appeal to be conducted in a manner that would turn it almost into a new proceeding, with either new or maybe additional evidence being presented. Is that right?

Ms. Lorraine Pelot: Yes. In fact the *de novo* model still has a “leave to appeal” requirement, and so there is a need to show that there's an arguable case, based on new evidence, to be provided to the appeal division.

Hon. Ed Fast: What impact will that have on the timeliness of hearings and the cost to the taxpayer of providing for, effectively, an opportunity for a second trial? Just give us your assessment. Surely you've done some costing on this.

Ms. Lorraine Pelot: In terms of timeliness, 80-some per cent plus of the appeals heard before the Social Security Tribunal are related to CPP disability benefits. The stakeholders, during consultations, requested the *de novo* approach because for many of these appellants, their medical conditions and situations and ability to function evolve over time. Timeliness, for many of these appellants, is not necessarily faster; it's actually having the appropriate amount of time to gather any new and evolving evidence, such as new diagnoses, and more information about diagnosis or tests.

● (1650)

Hon. Ed Fast: Before you go on, because my time is short, who are these stakeholders you're talking about?

Ms. Lorraine Pelot: A third party review was conducted by KPMG back in 2016-17, followed by a report with recommendations, and then further consultations with stakeholders to reach the options that were put forward.

Hon. Ed Fast: I want to drill down. Are the stakeholders disability groups, primarily?

Ms. Lorraine Pelot: They're disability groups, groups representing seniors and other stakeholders in the appeals process.

Hon. Ed Fast: Instead of doing a *de novo* model in which you're replicating an earlier proceeding, effectively, with leave, why wouldn't you simply focus your efforts on making sure that the original hearing is robust and that it protects fully the ability of claimants to make their case?

Ms. Lorraine Pelot: There are a couple of points about that.

The original tribunals that were combined into the SST had this model where there were two levels of appeal where appellants were allowed to introduce new evidence. Historically, there was a desire by stakeholders to return to that.

Also, at the general division, the entire process is being made more efficient and more client-centric. Clients will be able to put a good case forward at the general division but it was felt that, again, as their medical case evolves, they should have an ability to bring in new evidence to the appeal division.

Hon. Ed Fast: Okay. Thank you.

The Chair: Tamara, I'll come to you in a moment.

Just while you're on the subject, how do you see the system being more client-centric?

I'll tell you my bias. I believe in the old system. I've done a lot of Canada pension plan disability cases. You did them in your local community—in Charlottetown, in my case—where you had one or probably two local persons, with a person who had come in from Ottawa or wherever. You actually saw the person in the hearing. The person with the disability walked into the room, many of them were in tears, and that was where the client could go before the body and make their case. I assisted many in that. I think that was really client-centric.

Now it's more impersonal. It's more paper. It's more computer. How do you get client-centric out of this new system?

Ms. Lorraine Pelot: There are a number of changes that have already been made by the SST to make it more client-centric, including the plain language used in communications on the website. The biggest one is case navigators, who are employees of the SST and the administrative tribunals support service, ATSSC, who actually assist clients through the process, answering their questions and letting them know how it goes.

The tribunal currently, for the most part, allows the choice of form of hearing for appellants. Following this legislation, if passed, we are going to be introducing a regulation to ensure that the choice of form of hearing remains with appellants, whether it's in person, video conference, teleconference or on paper.

The Chair: Thank you for that.

Ms. Jansen.

Mrs. Tamara Jansen: Thank you.

You had mentioned, and I think you used the term a couple of times, that this is going to be more efficient. Does that then mean there will be no need for extra employees to make the system work?

Ms. Lorraine Pelot: There is an additional cost. Actually, I didn't answer the question about costs.

The expected additional cost would be $11 million in fiscal year 2021-22, and $10.6 million ongoing. Much of this is related to an anticipated increase in number of cases at the appeal division. Much of that funding, some 90% of it, would come out of the Canada pension plan fund because it's related to Canada pension plan cases, and about $1 million per year related to old age security appeals.

● (1655)

Mrs. Tamara Jansen: I fail to understand. You're going to be more efficient, but you're doubling the number of cases. I fail to understand how that's more efficient.

Ms. Lorraine Pelot: The current system has a very legalistic approach to allowing people to access the appeal division. It's one that many appellants and stakeholders criticized for being extremely legalistic, requiring representatives to have legal support, and so on. It's based on error of law, and so on.

Having the appeal division open up to *de novo* cases reduces that legalistic barrier yet allows evolving evidence to be placed in front of the hearing. It's more client-centric from that perspective.

A number of other changes have been made. For example, the Social Security Tribunal has regularly reduced its delivery standard or number of days to get through hearings. There have been a number of other ways in which the tribunal has become more efficient.

Mrs. Tamara Jansen: Are you saying that they won't require a lawyer?

Ms. Lorraine Pelot: They may choose a representative of their choice, but in fact the legalistic aspect of getting in the door for an appeal division hearing will be much reduced.

The Chair: Okay, I see no further questions from members. Thank you, Ms. Pelot.

We will now turn to part 4, division 22, which is the Canada Labour Code equal remuneration protection.

Ms. Moran.

Ms. Barbara Moran (Director General, Labour Program, Department of Employment and Social Development): Thank you, Mr. Chair. My name is Barbara Moran. I'm the director general for strategic policy, analysis and workplace information at the labour program at ESDC. I'm joined today by Lori Straznicky, who's an executive director with the labour program.

I'm here to discuss amendments that are being proposed in part I of the Canada Labour Code. Part I of the code governs industrial relations and establishes the framework for collective bargaining between unions and employers in the federally regulated private sector. Part I applies to industries such as air transportation, interprovincial and international transportation, banking, telecommunications and broadcasting.

Amendments are proposed to better protect employees in the air transportation sector affected by contract retendering at airports. Many employees in the air transportation sector have continued to work through the pandemic, deep-cleaning aircraft, safely handling baggage and performing other critical services that have allowed essential air travel to continue.

These employees are at risk when a service contract changes hands between contractors. This practice, known as contract retendering, can result in employees being paid less when they're laid off and rehired, even if they're rehired to do the same work.

There's currently an equal remuneration protection in section 47.3 of part I of the code that ensures that after a case of contract retendering, the new contractor cannot remunerate pre-board security screeners at a rate lower than that provided by the previous contractor under the terms of the collective agreement.

The equal remuneration protection currently only applies to employers covered by part I of the code that provide [*Technical difficulty—Editor*] by way of a contract for services with another employer.

The proposed amendments will extend equal remuneration protection to all federally regulated employees covered by a collective agreement in the air transportation sector who are working at airports. This will ensure that when a service contract changes hands, affected employees are not paid less than employees of the previous contractor who provided the same or substantially similar services.

I'm happy to take any questions.

The Chair: Thank you very much, Barbara.

Are there any questions?

I see none. There was a fairly good discussion on the evening briefing.

I believe you're off the hook, then, Barbara. Thank you very much.

We'll turn to division 23, which is the Canada Labour Code and federal minimum wage.

Mr. Charter, please go ahead.

● (1700)

Mr. David Charter (Director, Workplace Information and Research Division, Labour Program, Department of Employment and Social Development): Good afternoon. Thank you, Mr. Chair.

My name is David Charter. I'm the director of the research and innovation division at the labour program at Employment and Social Development Canada. I'm here today with Sébastien St-Arnaud, the manager of policy development at the labour program. We're here to talk about the proposed amendments to part III of the Canada Labour Code in division 23 of the budget implementation act related to minimum wage.

Part III of the Canada Labour Code establishes minimum working conditions, such as hours of work, annual vacations, various types of job-protected leave. It also sets the minimum wage for employees in the federally regulated private sector. The federally regulated private sector includes about 6% of all Canadian employees, employed in industries such as banking, telecommunications, interprovincial and international transportation and most federal Crown corporations and in certain activities on first nations reserves. Part III does not apply to the federal public service.

Currently, part III of the code sets the federal minimum wage as the general minimum wage established by the province or territory in which the employee is usually employed. The mandate letter of the Minister of Labour includes a commitment to raise the federal minimum wage to at least $15 per hour.

Budget 2021 announced this legislation, which amends part III of the code, to establish a federal minimum wage of $15 per hour, which would rise with inflation, and with provisions to ensure that wherever provincial or territorial minimum wages are higher, such a wage will prevail. The new minimum wage would come into force after royal assent.

To ensure that the federal minimum wage remains relevant and rises with inflation, on April 1 of each year after the year the amended minimum wage provisions come into force, the minimum wage would be adjusted based on Canada's consumer price index for the previous calendar year.

I'll finish my remarks by mentioning that our estimates are that approximately 26,200 employees in the federally regulated private sector earn less than $15 per hour and will benefit from the new minimum wage rate.

Thanks. I'm happy to take any questions you might have.

The Chair: Thanks very much, Mr. Charter.

We're going to Mr. Julian.

Mr. Peter Julian: Thank you very much.

Are there any provisions for making the rise in the minimum wage quicker than the six months after royal assent?

Mr. David Charter: No. Right now in the legislation, the $15 minimum wage would come into force six months after royal assent, and then it would be adjusted in April of the year after the provisions come into force.

Mr. Peter Julian: Thank you for that.

I have just a brief comment, Mr. Chair, if you'll permit me. That was in the NDP's election platform for the last two elections, so it's good to see it there.

The Chair: I will not mention what other party's platform it was in.

Ms. Jansen.

Mrs. Tamara Jansen: I was wondering, first, if I could get a list again of who you are saying this is applying to—which jobs? I know you're saying it's federally regulated private companies, but what was the list that you gave us?

Mr. David Charter: What I can say is that part III of the Canada Labour Code applies to federally regulated companies, and that includes industries such as banking, telecommunications, interprovincial and international transport and federal Crown corporations. I could also just add that I mentioned that 26,200 employees making less than $15 per hour would likely be impacted by this change. They work in industries like road transportation, non-road transportation, postal and courier, banking, telecom and broadcasting.

Mrs. Tamara Jansen: You're suggesting that this minimum wage is tacked closely onto the inflation rate. What if inflation becomes exorbitant over the next little while under the impact of COVID?

Mr. David Charter: As you mentioned, the new minimum wage will be indexed based on the CPI, in April of the year after these provisions come into force. There is a provision in the amendment whereby if the CPI goes down there would be no adjustment, so the minimum wage couldn't go down, but there is no provision in these amendments related to exorbitant inflation.

Mrs. Tamara Jansen: If we would have, say, 10% inflation, then the wages would go up that much, and they would never come back down from that.

● (1705)

Mr. David Charter: At the moment, the way the legislation is drafted, there's no provision to not have an adjustment, were inflation to be high.

The Chair: Thank you.

Next is Mr. Falk.

Mr. Ted Falk: Thank you, Mr. Chair.

Your team has obviously done a SWOT analysis on this program. Do you have any numbers at all as to how many of those 26,000 jobs would no longer exist if this happens?

Mr. David Charter: I can answer that question for you if you'll bear with me.

It is possible that there could be some disemployment effects related to putting in place a federal minimum wage, which would have a negative impact on either employment or on hours worked, especially potentially for those who are lower skilled or who have less experience, maybe for young people, but there's growing international research suggesting that the disemployment effects such as these are not as high as previously thought.

Depending on assumptions, looking at different elasticity rates that my team looked at, our estimates are that it could range anywhere from say 162 to maybe to 800 jobs that could be impacted by disemployment effects where there might be a reduction in hours, or other impacts on employment as a result of this.

Mr. Ted Falk: Thank you.

You've probably also heard the adage that a rising tide lifts all boats, and if we're going to increase the bottom end of the wage structure, everything else will increase proportionateley. At the end of the day, there won't be a net benefit because costs are going to rise. This is actually going to fuel inflation. What is your study on that showing you as a result?

Mr. David Charter: I think what you're asking about is spillover effects from this minimum wage, and it is true that it is possible that there could be some spillover effects like wage adjustments for employees who are making $15 or slightly above $15. Employers might do this in order to retain or attract employees. What I would say is that the size of the spillover effect or that impact is somewhat uncertain, and it's kind of difficult to estimate, but it's not likely to impact anyone making more than about $2 over $15 or $2 over that minimum wage rate.

Mr. Ted Falk: Thank you for those answers.

The Chair: Ms. Dzerowicz, this will be the last question on this panel.

Ms. Julie Dzerowicz: Thank you, Mr. Chair.

Mr. Charter, thank you for your presentation. I have four tiny questions for you. They're so small I'm sure you'll be able to respond very quickly.

You had mentioned there are 26,200 federally regulated employees who would benefit. How many in total do we actually have? How big is the bucket? Could you start off with that?

Mr. David Charter: Certainly. I'm just scrolling down my list. It's roughly 919,900 employees.

Ms. Julie Dzerowicz: Thank you.

In terms of the cost-of-living increase, Ms. Jansen had asked about inflation. Hopefully this never gets to 10%, but the way the legislation is written the increase would go to 10%. How is it different? As members of Parliament, we actually get an automatic cost-of-living adjustment every year as well. Is it written differently, or is it the same?

Mr. David Charter: The way it's written in the amendments, the minimum wage will be set at $15 per hour, and then on April 1 the year after these provisions come into force, the minimum wage will be adjusted. It will be based on the increase in Statistics Canada's consumer price index for that year. Whatever percentage that increase was for the previous year, that will be the rate at which the minimum wage is adjusted upwards.

Ms. Julie Dzerowicz: Do you know if that's the same as how it's written for members of Parliament in our annual increases?

Mr. David Charter: I'm afraid I'm not aware of how the increases for members of Parliament are calculated.

● (1710)

Ms. Julie Dzerowicz: Thank you.

What do you think the impact would be? I actually agree with this $15 minimum wage, which to Mr. Julian's comment was a promise in our Liberal platform and I'm glad that the NDP has followed us along.

What do you think the impact could be on other provinces that might have a minimum wage below $15?

Mr. David Charter: What I can say to that is, of course, that these changes will put in place a federal minimum wage. They're amending part III of the Canada Labour Code, which applies just to the federally regulated private sectors, and the provinces and territories will continue to set their own minimum wage rates. I can't speak to whether the provinces or territories might choose to raise their rate or not, but what I can tell you is that right now the rates in the provinces are between $11.45 and $16 per hour and that this federal rate will be equal to or on par with all jurisdictions with the exception of Nunavut, whose rate is set at $16 per hour.

As I mentioned in my remarks, these provisions include a provision whereby if the provincial or territorial rate is higher, that rate will prevail. There's also a trend in provinces and territories to automatically adjust their minimum wage rates based on indexing formulae. Quite a number of provinces and territories already regularly increase their minimum wage rates based on either the provincial or the federal consumer price index.

Ms. Julie Dzerowicz: It could have an influence, then.

Mr. David Charter: As I said, I can't speak to whether provinces and territories will choose to make a change, but this rate is amongst the higher ones in provinces and territories. However, many provinces and territories already have systems in place to regularly increase their minimum wage rates.

Ms. Julie Dzerowicz: Thank you.

The Chair: I'll go to Ms. Jansen.

Mrs. Tamara Jansen: I wonder if you looked at the impact this will have on small business—for instance, the local restaurant. Obviously if you're saying, okay, if you're federally regulated, you must get minimum wage, you must have looked at how much that will impact those that are not federally regulated.

Mr. David Charter: In my last response, I just spoke to how it might have an impact on the provinces and territories, which are those that are not federally regulated, but I think I heard you asking how it might impact small business.

Mrs. Tamara Jansen: Yes.

Mr. David Charter: What I can tell you about that is that of the 26,200 employees who will benefit from this change, roughly 4,000 work in businesses employing 20 or fewer people and so in fairly small businesses, and another 4,400 work in businesses that employ 20 to 99 employees—still fairly small—and then 3,500 work in businesses that employ 100 to 500 employees. The majority, however, work in large businesses that employ 500 or more employees, to the tune of 14,200 of them. These make up 54% of the employees who will benefit.

There will be a cost. While there will be an impact in terms of impacted employees, the bulk work for the larger employers.

The same profile applies when it comes to cost. I can say, though, that the total cost we expect employers to pay in the additional wages to bring these 26,200 employees up to $15 is about $44.1 million for the first year, which is 0.1% of annual federally regulated private sector payroll.

Mrs. Tamara Jansen: I was actually talking about those outside federally regulated employment, but extra cost after a pandemic is a huge issue. I'm just wondering whether you looked outside the federally regulated sector, because obviously, if federally regulated employers are changing their minimum wage, that will impact those who are not federally regulated—small business, mom-and-pop shops.

Mr. David Charter: In terms of extra cost and COVID, as I mentioned there will be costs for federally regulated private sector employers. One thing that was also considered was that across provinces and territories, as I mentioned, many provinces and territories already have processes in place to increase their minimum wages, and during the pandemic they have continued to index, update and increase their minimum wages as time passes.

As far as looking at—

● (1715)

Mrs. Tamara Jansen: I'm wondering about the dollar figure. You mentioned that you had figured out the dollar figure for those who are federally regulated—how much they're going to be impacted, dollar-wise—but outside of that, obviously small business is going to be impacted by these changes. It's one thing to say it's only going to cost this much, but you have the spillover effect: it's going to cost much more.

Mr. David Charter: Right. I do have a cost figure for federally regulated small, medium and large businesses, as I just described. As I mentioned, it is possible that there will be spillover in the federally regulated private sector for employees making $15 or up to potentially $17 per hour. I don't have a costing figure for employers in provincially regulated sectors.

The Chair: Mr. Julian.

Mr. Peter Julian: First, as a quick clarification, Mr. Chair, Ms. Dzerowicz said that the NDP was following the Liberals. Of course, you'll recall, Mr. Chair, that in 2015 the Liberals mocked the NDP for raising the $15 per hour minimum wage. Very clearly the evidence and the receipts are on the table.

The Chair: Is this a question on division 23?

Mr. Peter Julian: Yes, absolutely.

There are two aspects. There's the aspect of the increase in the minimum wage, but also the economic stimulus that comes from it. You have people who are actually earning a more adequate salary and are spending more in the community.

I'm wondering to what extent the department has analyzed both the benefits, in terms of community positive economic ramifications of raising the minimum wage, and as well the increase in tax revenues that come with people earning a higher wage.

Mr. David Charter: They're both good questions. I'm afraid I don't have data or figures on hand for the impact upon GDP or the economy, or on the additional tax revenues. As I mentioned, what we're looking at is about 26,2000 employees in the federally regulated private sector, and so the economic benefit would be commensurate with the number of employees impacted.

The Chair: That will end the discussion on division 23. Thank you very much for your presentation and for answering our questions. We'll go to division 24, which deals with the Canada Labour Code and leave related to the death or disappearance of a child.

Ms. Moran, please go ahead.

Ms. Barbara Moran: Thanks very much.

I am joined by Sébastien St-Arnaud, who was with you in the last session as well.

I am going to briefly discuss the changes that are being proposed to the leave related to death or disappearance of a child, under part III of the Canada Labour Code.

In September 2018, the Government of Canada replaced the federal income support for parents of murdered or missing children grant program with the Canadian benefit for parents of young victims of crime. This was done in response to a 2017 report by the federal ombudsman for victims of crime, which recommended broadening eligibility for the program in order to mitigate barriers to uptake.

The new benefit includes a number of changes to make the income support more inclusive and flexible, including extending the age limit of the victim from under 18 to under 25; expanding eligibility to parents whose children under the age of 14 are a probable party to the crime; increasing the income support amount by $100 to $450 per week; doubling the period in which recipients can receive the benefit to 104 weeks in situations where the child disappeared; and allowing recipients to work up to 20 hours a week while receiving the benefit.

While the new benefit was introduced in 2018, the government did not have the opportunity to make corresponding changes to the leave related to death or disappearance under part III of the Canada Labour Code.

What is proposed here are amendments to part III of the Canada Labour Code that would align the leave related to death or disappearance of a child with the improved Canadian benefit for parents of young victims of crime, in order to provide employees in the federally regulated private sector with job protection while they receive the benefit.

These changes include extending eligibility for the leave to parents of children from under 18 to under 25 years of age, which recognizes the changing characteristics of Canadian families that see adult children staying with their parents beyond the age of 18.

They include increasing the maximum length of the leave from 52 to 104 weeks in instances where the employee is a parent to a child who has disappeared. With this change, eligible parents whose child has disappeared would be entitled to the same amount of leave as parents whose child has died.

They would increase the total amount of leave that may be taken by employees in respect to the disappearance of a child from 52 to 104 weeks, and this allows two or more parents of the same child who has disappeared to share up to 104 weeks of leave. This amendment reflects the change that extends the maximum duration of leave for parents of children who have disappeared from 52 to 104 weeks.

Finally, for parents of children under the age of 14, they would eliminate the exception that disentitles employees to the leave if the child was a party to the crime that led to their death.

I am happy to take your questions.

● (1720)

The Chair: Barbara and Sébastien, thank you very much for making your points.

We'll turn now to division 25, which is on payment to Quebec.

Mr. Benoit Cadieux (Director, Skills and Employment Branch, Department of Employment and Social Development): Thank you, Mr. Chair.

My name is Benoit Cadieux. I am the director for employment insurance special benefits at ESDC. I am joined today by Catherine Demers, who is the director general of EI policy at ESDC.

In response to the COVID-19 pandemic, the Government of Canada has introduced temporary measures that increase the generosity of the EI program and make it easier to access EI benefits, including maternity and parental benefits. These measures include a minimum weekly benefit rate of $500 and a reduced eligibility requirement of 120 hours of work to qualify for benefits.

Expectant parents in Quebec are covered by the Quebec parental insurance plan, QPIP. This replaces EI maternity and parental benefits in that province.

Without corresponding changes to align QPIP with EI, some parents in Quebec could have been in a situation where they could have qualified for maternity or parental benefits under EI but not under QPIP, or they could have received a higher benefit rate under EI than they would have under QPIP.

Provisions under division 25 authorize the Minister of Employment and Social Development to make a one-time payment to Quebec for the purpose of offsetting some of the costs of aligning the Quebec parental insurance plan with the temporary measures set out in part VIII.5 of the Employment Insurance Act, ensuring that parents in Quebec receive the same level of support as parents in the rest of Canada.

The minister is also authorized to enter into an agreement with Quebec to set out the time and manner of the payment.

Thank you. With that, I am happy to take any questions.

The Chair: Are there any questions? I see none.

Thank you very much, Mr. Cadieux.

Mr. Benoit Cadieux: Thank you.

The Chair: Just to give members a heads-up, we are going to have to adjourn at 5:30 p.m. Ottawa time, or right around there. Three members have notified me that they have other commitments, so we will have to stop at the appointed hour.

We'll go to division 29, which is the Department of Employment and Social Development Act.

Ms. McCormick.

Ms. Frances McCormick (Executive Director, Integrated Labour System, Workplace Directorate, Labour Program, Department of Employment and Social Development): Thank you.

Good afternoon. I'm an executive director with the labour program at Employment and Social Development. I'm joined today by Charles Philippe Rochon, a senior adviser in the labour program.

Today we're here to talk to you about division 29, an amendment to the Department of Employment and Social Development Act, DESDA, to authorize the Minister of Labour to collect and use a person's social insurance number to verify their identity in the administration and enforcement of the act for any program activity for which the minister is responsible.

The purpose of the amendment is to support the modernization of services to Canadians delivered by the labour program, with a particular focus on improving the digital capacity. This now includes implementing new systems that we're currently working on that allow federally regulated employers and employees to file reports and complaints of a protected and electronic nature. The submission of these files has to occur behind a protected environment; for example, a My Service Canada account, which uses the social insurance number as a mandatory identifier to register and use the platform.

The SIN would also be used, for example, to identify correctly employees who are entitled to unpaid wages or particular benefits.

Finally, this measure would shift us from current paper-based processes, which can be time-consuming, to a more robust system based on modern technology.

Although the amendment will come into force upon royal assent, the labour program will develop protocols and update and create privacy impact assessments to ensure that the privacy of these individuals is safe and secure and that the collection and use of SIN under any new authority.... The conditions and safeguards on the use of the personal information are found in the Employment and Social Development Act as well as the Privacy Act.

Thank you. I'm happy to take any questions.

● (1725)

The Chair: Thank you very much, Ms. McCormick.

Are there any questions from members on division 29? It's pretty straightforward.

Thank you.

We will start into division 30, student loans and apprentice loans.

Mr. Rahman.

Mr. Atiq Rahman (Assistant Deputy Minister, Learning Branch, Department of Employment and Social Development): Thank you, Mr. Chair. I will make it very short.

I am the assistant deputy minister of the learning branch at Employment and Social Development Canada.

Division 30 proposes to waive interest accrual on Canada student loans and Canada apprentice loans for two years between April 1, 2021 and March 31, 2023. No interest will accrue during this period, ensuring that borrowers facing financial impacts of the COVID-19 pandemic can better manage their student debt as the economy recovers.

Thank you, Mr. Chair. I will be happy to take questions.

The Chair: Are there any questions on division 30, student loans and apprentice loans?

Seeing none, I thank you very much, Mr. Rahman.

Let's go to division 32, which is increased old age security pension and payment.

Ms. Kristen Underwood (Director General, Income Security and Social Development Branch, Department of Employment and Social Development): Thank you, Mr. Chair.

I'm Kristen Underwood. I'm a director general in the income security and social development branch of ESDC. I'm here with my colleague Kevin Wagdin, who is a director in the income security and social development branch.

Just quickly, the government is proposing to increase the OAS pension by 10% for seniors 75 and older. As seniors get older, they tend to have lower incomes and often face higher health-related expenses because of the onset of illness or disability. This vulnerability is further compounded by a reduced ability to supplement income with paid work, by the risk of outliving savings, and the risk of becoming a widow or widower as people age.

With this measure, the government is addressing the financial vulnerability that seniors face as they age. It will take place in two parts. Subject to parliamentary approval, the first part will be a taxable one-time payment of $500 in August 2021 to meet the immediate needs of OAS pensioners who are 75 years or older as of June 2022; secondly, a 10% permanent increase will be made to the monthly OAS pension for seniors 75 and older beginning in July 2022.

This change will strengthen the financial security of 3.3 million seniors, 56% of whom are women, and changes to the Old Age Security Act will be made to exempt the one-time payment from the definition of income for the guaranteed income supplement.

Thank you, Mr. Chair. I'm happy to take questions.

The Chair: Mr. Julian, please go ahead.

Mr. Peter Julian: Did the department do any sort of legal analysis around the discrimination against those who are on CPP and OAS who are under 75? There's been understandably a lot of outrage, not around the increase but around the increase only applying to those over 75.

To what extent did the department do an evaluation around potential legal challenges around that discrimination, leaving those 65 to 75 out and not providing supports that are necessary? There's no doubt that there needs to be an increase, but it's from 75 and over.

● (1730)

Ms. Kristen Underwood: I think the change is focused on those 75 years and older because of the risk as people get older. I talked about the lower income they often face, the higher health-related expenses and the onset of illness and disability. These risks are there, and people are at greater risk as they get older. That's why the benefit is focused at those 75 years and older.

Mr. Peter Julian: I thank you for that, but that doesn't actually answer my question. My question is, was there a legal analysis done?

Ms. Kristen Underwood: Kevin, do you want to take that?

Mr. Kevin Wagdin (Director, Seniors and Pensions Policy Secretariat, Income Security and Social Development Branch, Department of Employment and Social Development): Yes, I can say that legal analyses are done as part of all of the proposals that are put forward, but our focus was on the policy rationale, as Kristen mentioned, the idea that there was a policy evidence to suggest that folks who are 75 years and older were experiencing different financial circumstances than those who were 65 to 74.

Mr. Peter Julian: Will you share that legal analysis with us?

Ms. Kristen Underwood: Mr. Chair, I don't think it's normal practice to share legal analysis from internal....

The Chair: That's normally the policy.

Go ahead, Mr. Julian.

Mr. Peter Julian: I think the committee members would like to have that information. You can see some nodding heads as well, so we're requesting it.

Thank you.

The Chair: Ms. Underwood, on that question, if you could get back to us on what you could provide, that would be helpful.

I'll take Mr. Fast, and then we are going to have to close. If there are other questions, we'll have to bring the witnesses back.

Mr. Fast.

Hon. Ed Fast: Ms. Underwood, you said those over aged 75 are experiencing different challenges than those under 75. I'm assuming you've done a full analysis of that, which you can share with us?

Ms. Kristen Underwood: Thank you, Mr. Chair.

Yes we did do some analysis looking at levels of employment of seniors who are over 75 compared to those under 75. A number of other—

Hon. Ed Fast: Levels of employment for those over 75, and persons under 75?

Ms. Kristen Underwood: Yes, levels of employment, percentage with disability, percentages of severe disabilities, number who were women, number who were widowed, percentage of pensioners with OAS or lower incomes. We can provide that.

Hon. Ed Fast: Could you provide us with that analysis through the chair?

Finally, who made the actual decision to cut it off at 75? It could have been 76, it could have been 64. Somebody made a decision. Was it someone in the civil service? Was it someone within the political family? Who made that decision?

The Chair: I don't think that's a question that the public service can answer.

Hon. Ed Fast: With respect, Mr. Chair, if in fact it was someone in the public service, she could answer that question.

The Chair: Yes, if it was, but if I recall correctly, it was in the platform of the governing party.

Hon. Ed Fast: It was a political decision that was made, and then it was backed up afterwards by analysis? Putting the cart before the horse, is that what happened?

The Chair: I've never seen that happen in politics.

Do you have anything to add, Ms. Underwood, or your colleague, Mr. Wagdin?

Are there any more questions on this division?

Ms. Underwood, you can provide us certain information, and you're going to look into the legal aspect to see what you can and can't provide.

We still have divisions 34, 35 and 36. We'll have to invite those witnesses back. We'll have to find time to do that somehow over the next week.

Thank you to all who presented today, provided your evidence and answered our questions.

With that, we will have to adjourn, because I know that other members are already late for other commitments.

Thank you.

This meeting is adjourned.